

# Corporate and Public Entity Reporting – Are these now adequate?

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2 June, 2015



# Key Challenges

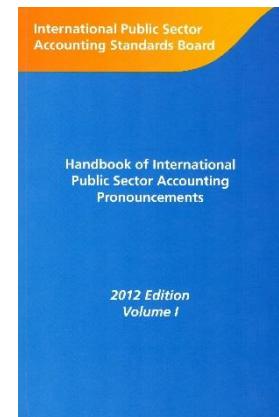
## Private Sector

- Integrated Reporting
  - Beyond financial reporting

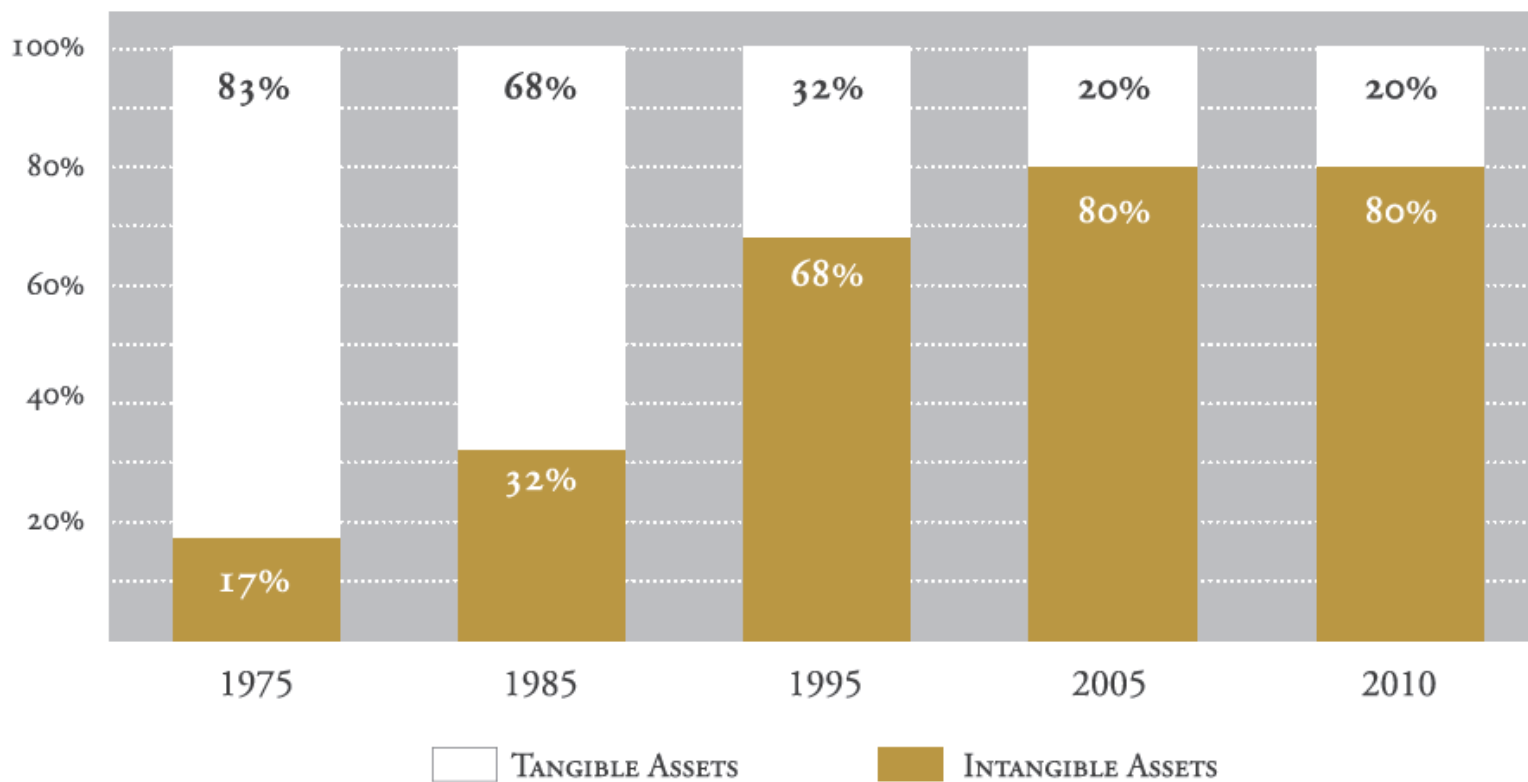


## Public Sector

- Financial Statements
  - Getting to Square One

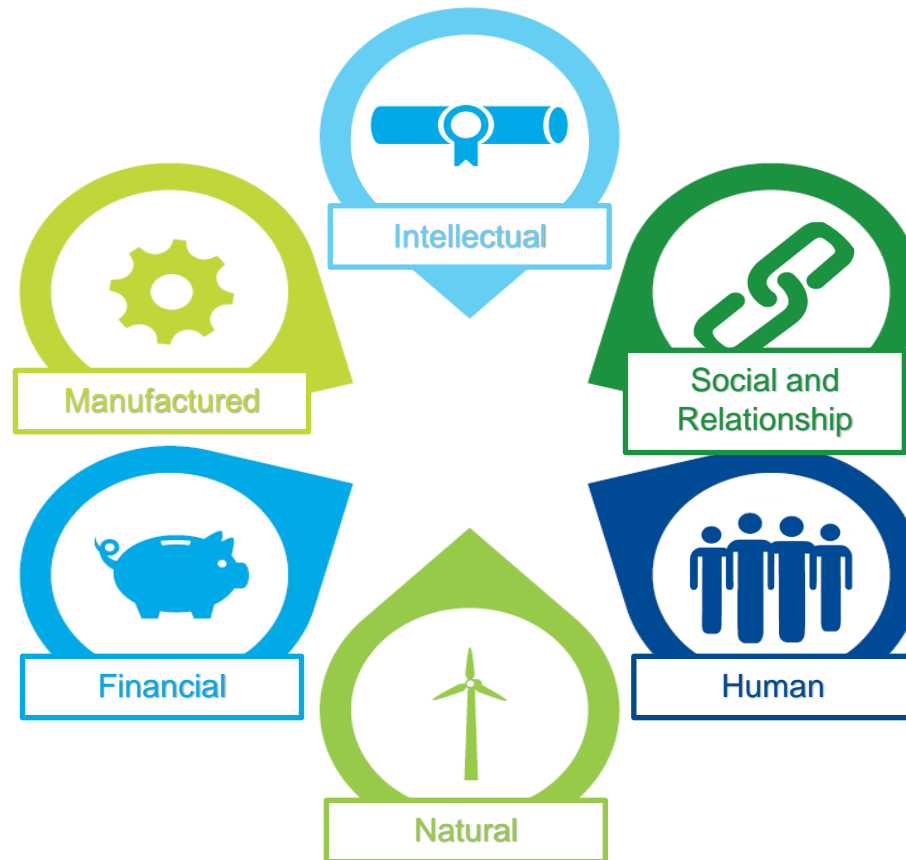


## Why <IR>?

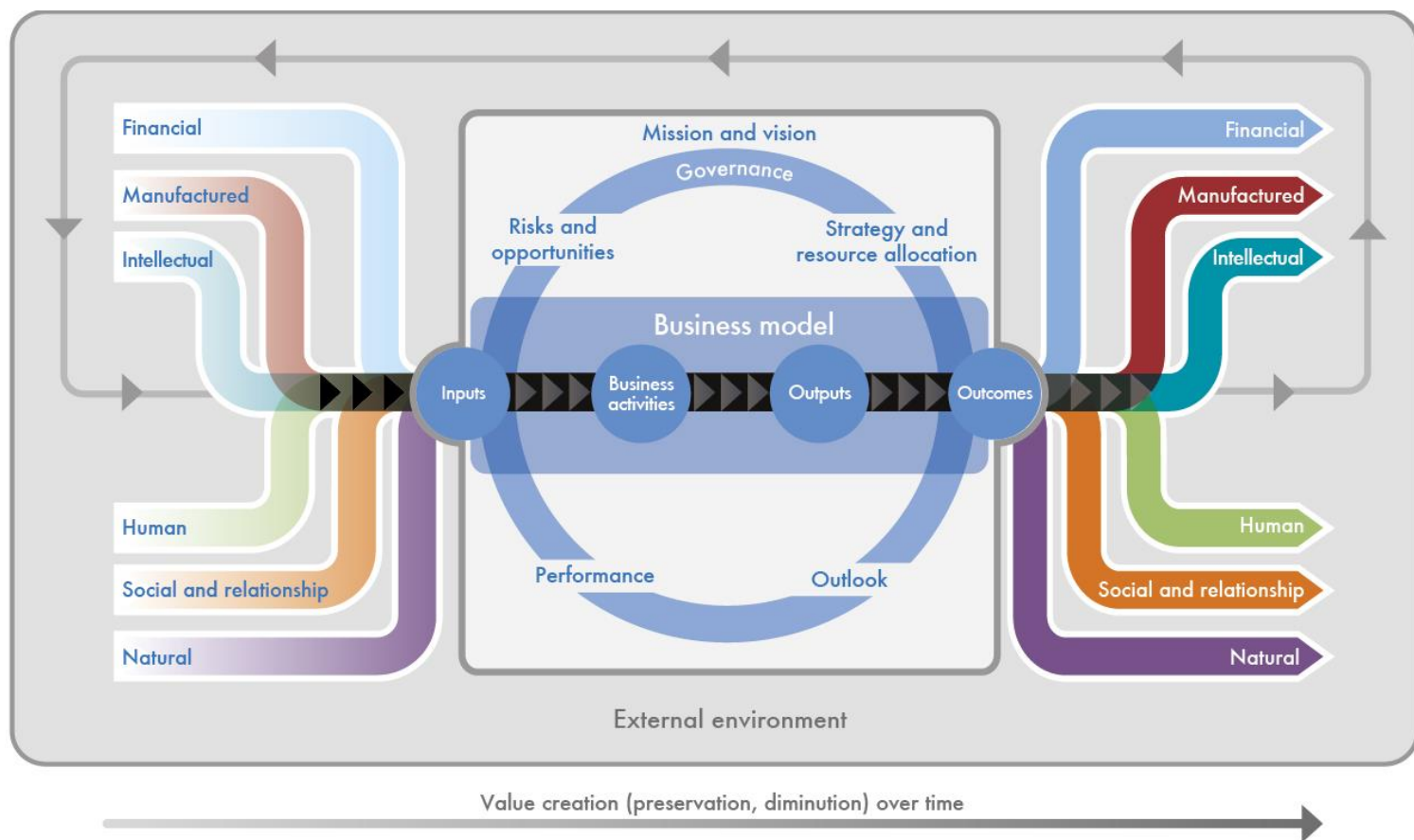


Source: Ocean Tomo

# So What Does Give a Company Value?



# The Value Creation Process



## Benefits to Preparers

### Stronger benefits after publishing

Stronger evidence of change and benefits for reporting organizations that have published at least one integrated report



*published*



*not yet  
published*

SEE BENEFIT TO THEIR BOARD OF  
BETTER UNDERSTANDING OF HOW  
THE ORGANIZATION CREATES VALUE



*published*



*not yet  
published*

SEE CHANGE IN PERFORMANCE  
INFORMATION USED TO MANAGE  
THE BUSINESS



*published*



*not yet  
published*

SEE POSITIVE IMPACT ON LONG-TERM  
DECISION-MAKING

Source: 'Realizing the Benefits: The Impact of Integrated Reporting' – Black Sun

# Why should you care about <IR>?

- 1. Communicating vs. Complying*
- 2. Reporting the Intangibles*
- 3. Breaking Down Silos*
- 4. Increasing Transparency*



**Bob Laux**  
**Senior Director of Financial Accounting and Reporting**  
**Microsoft Corporation**  
*AICPA Insights Article*

# Support for <IR>

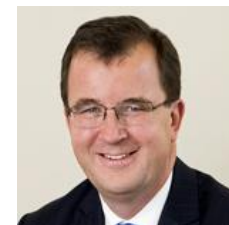
## Private sector



“By improving reporting requirements for organisations, Integrated Reporting can bring additional information, in particular about the longer-term costs of climate change, to feed into markets and inform decision-making and policy-formulation by institutions. If achieved, it will lead to better informed and more sustainable long-term investment, for the benefit of society”

***Mark Carney, Chair, Financial Stability Board***

## Public Sector



“Public sector entities are one of the largest, if not the largest, reporting entities in the world, so the transparency of their financial information is of importance to us all. Integrated Reporting would enable governments and their stakeholders to gain a better understanding of resources available and help them to manage these more effectively.”

***Bertrand Badré, Managing Director and World Bank Group Chief Financial Officer***



# Getting to Square One, Greece and “a silly fixation”

May 28, 2015 4:24 pm

Tories wrong to buy votes with housing



Martin Wolf

It is not the job of the government to fulfil people’s aspirations



“Only a silly fixation with public debt rather than the public sector’s balance sheet masks the scale of the transfers.”



## International Monetary Fund

### INTERNATIONAL MONETARY FUND

#### Fiscal Transparency, Accountability, and Risk

Prepared by the Fiscal Affairs Department in collaboration with the Statistics Department  
Approved by Carlo Cottarelli

August 7, 2012

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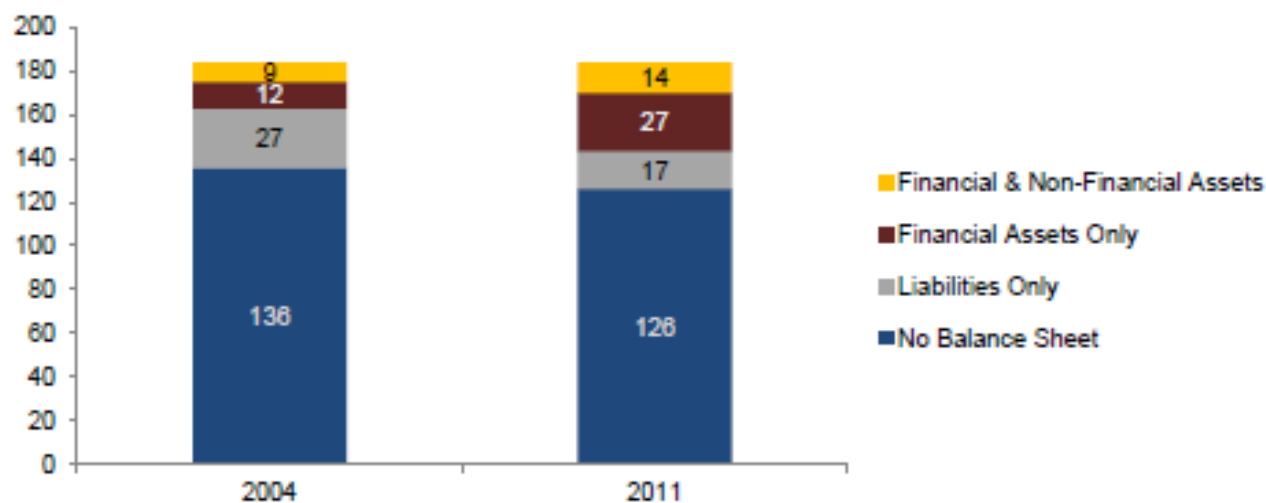
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*“However, the vast majority of countries continue to provide no comprehensive data on their financial assets and liabilities which makes it difficult to judge their overall net financial worth...”*

*“Between 2004 and 2011, the number of countries that were able to provide the IMF with comprehensive balance sheets including both financial and nonfinancial assets and liabilities and an overall picture of government net worth increased from 9 to 14...”*

International  
Monetary Fund

**Figure 7. Reporting of Assets and Liabilities**  
(Number of countries)



Source: GFSY 2004; GFSY 2011.

Note: To eliminate complications from late reporting, data captures the assets and liabilities published two years prior to indicated year. Data reported to the IMF are not necessarily the same as data published in the country or used in domestic fiscal analysis.



INTERNATIONAL MONETARY FUND  
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*“International standard-setting bodies (such as the UN, IMF, Eurostat, and IPSASB) should work to harmonize reporting standards for budgets, statistics, and accounts...”*

## Greece and a “silly fixation”

**“Only a silly fixation with public debt rather than the public sector’s balance sheet masks the scale of the transfers.”**

- Level of debt
- Cost of debt restructurings
- Losses on holding Greek bank equity

# Level of debt

## Progression of Maastricht Gross Debt to IPSAS Net Debt (Euros, Billions)

		Maastricht	IPSAS Adjustments (Includes Accretion)				IPSAS		
Type of Debt/Asset		Debt (Face Value)	OSI #1: Loans	OSI #1: Loan Modification	OSI #2/PSI #1 Extensive Restructuring	OSI #3/PSI #2 Modification/Buyback	Total	Net Debt (Fair Value)	
SN		31 Dec 2013	May 2010	June 2011	Feb/Mar 2012	December 2012	Adjustments	31 Dec 2013	SN
1.	Modified Securities	€ 63	€ 0	€ 0	€ 36	€ 6	€ 42	€ 20	1.
2.	Modified/Concessionary Loans	€ 212	€ 11	€ 6	€ 85	€ 51	€ 153	€ 60	2.
3.	Non-Revalued Debt	€ 44	€ 0	€ 0	€ 0	€ 0	€ 0	€ 44	3.
4.	Adjustments		€ 11	€ 6	€ 121	€ 57	€ 195		4.
5.	Total Gross Debt	€ 319	€ 308	€ 302	€ 181	€ 124		€ 124	5.
6.	GDP	€ 182						€ 182	6.
7.	Debt/GDP	175%						68%	7.
8.	Financial Assets Funded w/ Loans							€ 34	8.
9.	Other Financial Assets							€ 57	9.
10.	Total Financial Assets							€ 91	10.
11.	Net Debt							€ 33	11.
12.	Net Debt/GDP							18%	12.
Concessionary Terms and Modifications: Highlights									
EU Loans: 3M Euribor plus 300-400 bps. Maturities: 5 yrs. Grace period: 1.5 yrs.			EU Loans cut to 3M Euribor plus 200-300 bps. Maturities up to 10 yrs. Grace period up to 4.5 yrs.		EU Loans cut to 3M Euribor plus 150bps. Maturities up to 15 yrs. Grace period up to 10 yrs.		EU Loans cut to 3M Euribor plus 50bps. Maturities extended to 30 yrs.		
					EFSF Loans: Cost-of-funding plus 200-300bps. Maturities: 30 yrs.		EFSF Loans cut to cost-of-funding. Interest deferred for 10 yrs. Maturities extended to maximum 45 yrs.		
					ANFA bonds issued on extant terms with interest and partial principal rebate.				
					SMP bonds issued on extant terms.		SMP interest and partial principal rebate.		
					GGBs start at 2% coupon with maturities up to 30 yrs.				
Most Comparable Debt Instrument									
~400 bps below market YTM.			Market prices/YTMs reflect GGB high yield status.		Market prices/YTMs reflect GGB high yield status.		Market prices/YTMs reflect GGB high yield status.		
€ 71			€ 71		€ 275		€ 275		

Maastricht Debt - Cumulative Face Value Adjusted

Maastricht Debt - Cumulative Face Value Adjusted

Note: Simplification for presentation purposes.

# Cost of Debt Restructuring

## Debt Relief of €340 Billion Granted to Greece: 2010-2013

	<b>Creditor Funds Provided</b>	<b>Value of Creditor Funds Post Debt Relief</b>	<b>Debt Relief</b>
<b>Private Investors</b>	€199 billion	€50 billion	-€149 billion
<b>Official Investors</b>	€243 billion	€52 billion	-€191 billion
<b>Total</b>	€442 billion	€102 billion	<b>-€340 billion</b>
<b>% of GDP</b>			<b>189%</b>



# Losses on Holding Greek Bank Equity

## Gain/(Loss) from Financial Instruments at Fair Value through Profit or Loss:

The € 9,694.9m loss in 2014 (2013: € 5,982.7m) is analyzed to the result of the revaluation of the Fund's participations in the 4 systemic banks and the sales of shares due to the exercise of warrants (2014: € 10,705.2m loss, 2013: € 3,700.4 loss) and the revaluation of the warrants (2014: €1,010.3m gain versus 2013: € 2,282.3 loss). Further information on the above is provided in Note 19 to the financial statements.



**ΤΑΜΕΙΟ  
ΧΡΗΜΑΤΟΠΙΣΤΩΤΙΚΗΣ  
ΣΤΑΘΕΡΟΤΗΤΑΣ**  
HELLENIC FINANCIAL STABILITY FUND

### Statement of Financial Position

Amounts in €	Note	31/12/2014	31/12/2013
<b>ASSETS</b>			
Cash and balances with Banks	5	670,061,078	488,766,493
Investment securities	6	10,937,104,252	10,938,032,977
Financial assets at fair value through profit or loss	7	11,622,072,637	22,584,683,404
Property and equipment	8	136,134	187,766
Intangible assets	9	25,808	28,307
Receivables from banks under liquidation	10	2,542,518,543	2,853,078,162
Other assets	11	9,135,084	1,068,318
<b>Total Assets</b>		<b>25,781,053,536</b>	<b>36,865,845,427</b>
<b>LIABILITIES</b>			
Liabilities for payment of funding gap	12	-	161,118,506
Derivative financial liability	13	1,272,010,914	2,282,271,430
Provisions and other liabilities	14	3,959,435	604,713
<b>Total Liabilities</b>		<b>1,275,970,349</b>	<b>2,443,994,649</b>
<b>EQUITY</b>			
Capital		49,700,000,000	49,700,000,000
Accumulated losses		(25,194,916,813)	(15,278,149,222)
<b>Total Equity</b>		<b>24,505,083,187</b>	<b>34,421,850,778</b>
<b>Total Liabilities &amp; Equity</b>		<b>25,781,053,536</b>	<b>36,865,845,427</b>

### Note 19 Gain/(Loss) from Financial Instruments at Fair Value through Profit or Loss

The account includes the gains or losses resulting from the revaluation of the shares held in the systemic banks and the warrants issued, as well as the results from the disposals of the shares upon the exercise of the warrants.

The breakdown of the gain or loss by financial instrument is presented in the table below:

Amounts in €	01/01/2014 - 31/12/2014	01/01/2013 - 31/12/2013
<b>Gain/(loss) from equity instruments</b>		
Alpha	(1,459,501,780)	1,706,603,790
Eurobank	(1,906,152,653)	(3,818,701,251)
NBG	(4,813,127,738)	(889,800,442)
Piraeus	(2,526,366,112)	(698,536,828)
<b>Subtotal</b>	<b>(10,705,148,283)</b>	<b>(3,700,434,731)</b>
<b>Gain/(loss) from warrants</b>		
Alpha	276,024,104	(1,349,267,193)
NBG	245,748,599	(285,068,353)
Piraeus	488,487,813	(647,935,884)
<b>Subtotal</b>	<b>1,010,260,516</b>	<b>(2,282,271,430)</b>
<b>Total</b>	<b>(9,694,887,767)</b>	<b>(5,982,706,161)</b>



# Fiscal Management with a Balance Sheet Focus.....

- “achieving and maintaining levels of total net worth that provide a buffer against factors that may impact adversely on total net worth in the future” (Section 26G(1)(c));

## Managing the Crown’s Balance Sheet

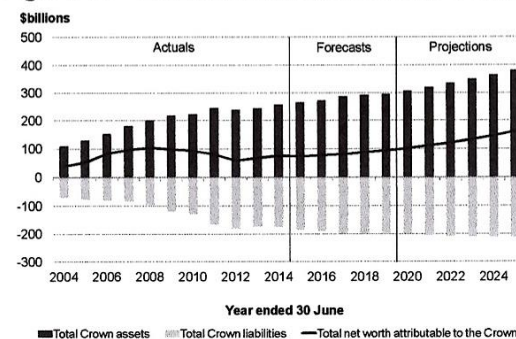
Crown assets support the delivery of valuable public services.

The most recent forecasts show the Crown currently owns \$265 billion of assets (up from \$223 billion five years ago) and has \$185 billion of liabilities. The difference between these numbers represents the Crown’s net worth (Figure 13).

Crown net worth is expected to continue to increase in line with the improving fiscal outlook, and the forecast reduction in net debt.

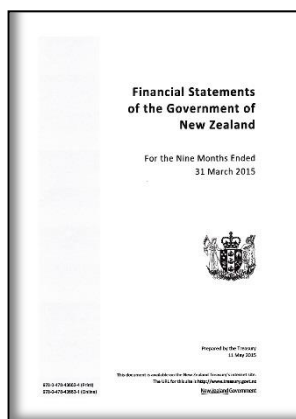
The Government’s spending on new capital in the Budget since 2012 has been financed from the FIF. But new capital allowances in the Budget only make up a small component of total capital spending by the Crown. Over the next five years, forecasts show \$24 billion will be spent on capital across all parts of the Crown (Figure 14). Managing this spending well is

**Figure 13 – Net worth attributable to the Crown**



Source: The Treasury

# Fiscal Management with a Balance Sheet Focus.....



## STATEMENT OF FINANCIAL POSITION

as at 31 March 2015

As at 30 Jun 2014 Actual \$m	As at 31 Mar 2014 Actual \$m			Current Year Actual vs Forecast				Annual Forecast \$m
		Note	Actual \$m	Forecast \$m	Variance \$m	%		
<b>Assets</b>								
11,888	12,469							
17,480	16,337							
48,457	46,161							
20,596	20,107							
24,756	24,017							
1,099	1,089							
2,510	2,883							
116,306	110,768							
10,071	9,757							
2,920	2,862							
-	-							
-	-							
256,083	246,450							
<b>Liabilities</b>								
4,964	5,015							
11,294	10,271							
1,962	1,686							

13,300	13,918	<b>Net Worth</b>						
		Taxpayers' funds	20	12,094	13,967	(1,873)	(13.4)	15,271
		Property, plant and equipment revaluation						
62,225	56,665	reserve	20	62,164	62,197	(33)	(0.1)	62,153
43	(80)	Other reserves	20	(47)	(46)	(1)	(2.2)	(48)
<b>75,568</b>	<b>70,503</b>	<b>Total net worth attributable to the Crown</b>		<b>74,211</b>	<b>76,118</b>	<b>(1,907)</b>	<b>(2.5)</b>	<b>77,376</b>
		<b>Net worth attributable to</b>						
5,211	4,465	minority interest	20	5,298	5,220	78	1.5	5,184
<b>80,779</b>	<b>74,968</b>	<b>Total net worth</b>		<b>79,509</b>	<b>81,338</b>	<b>(1,829)</b>	<b>(2.2)</b>	<b>82,560</b>

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