



# **PRESENTATION ON IPSAS IMPLEMENTATION IN AFRICA**

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# PRESENTATION OUTLINE

- Introduction
- Over view of IPSAS Implementation World wide
- IPSAS implementation case of Tanzania
- IPSAS implementation case of Nigeria
- IPSAS implementation case of South Africa
- IPSAS implementation in Kenya
- IPSAS implementation in Rwanda
- Challenges faced

# INTRODUCTION

## International Public Sector Accounting Standards (IPSAS)

- IPSASs are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.
- These standards are to be applied by central government, local government, and controlled entities with non-market activities.
- IPSASs are widely considered best accounting practice for public sector organizations, as they improve the quality of financial reporting .



# INTRODUCTION

## International Public Sector Accounting Standards (IPSAS)

- IPSASB focuses on the accounting and financial reporting needs of national, regional and local governments, related government agencies and the constituencies they serve.
- It addresses these needs by issuing and promoting benchmark guidance and facilitating the exchange of information among accountants and those that work within the public sector.





# INTRODUCTION

## International Public Sector Accounting Standards (IPSAS)

- There are two types of the IPSAS Standards.
- The **cash IPSAS standard** allows for accounting of financial receipts, payments and balances under the cash basis of accounting.
- **IPSAS Accrual Standards** focus on revenue, cost, liability and equity instead of cash flow only. Currently there are 40 IPSAS accrual standards.

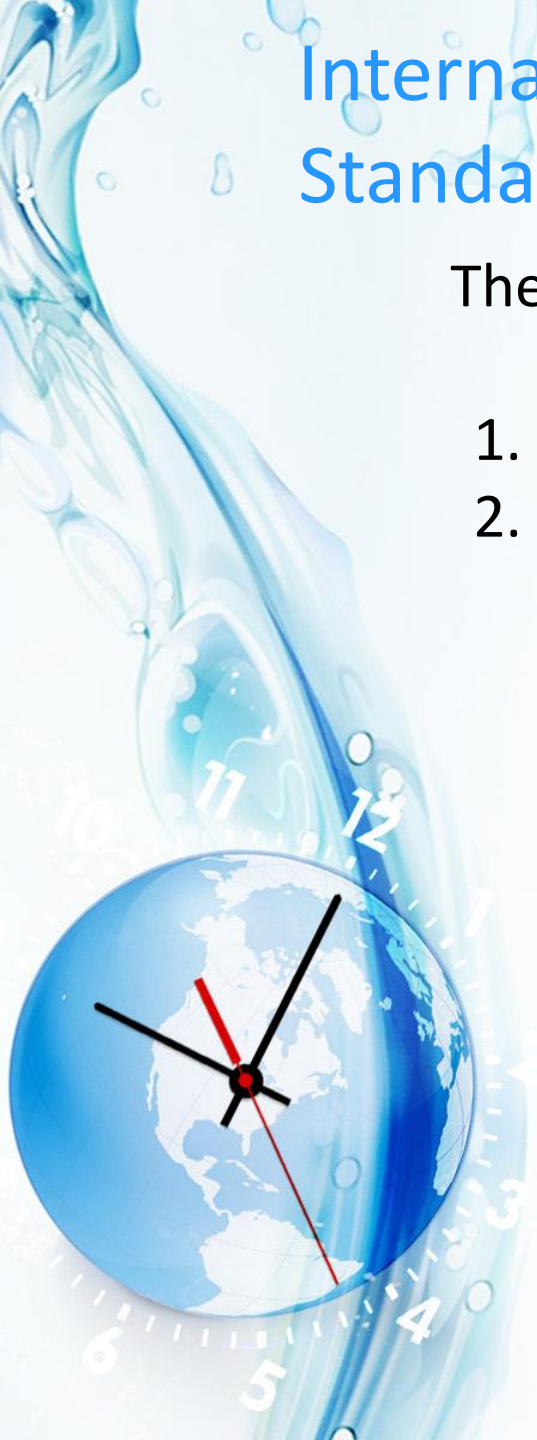


# International Public Sector Accounting Standards (IPSAS)- Adoption approach

There are two approaches to adoption of IPSAS:

1. Big bang Approach
2. Phased approach.

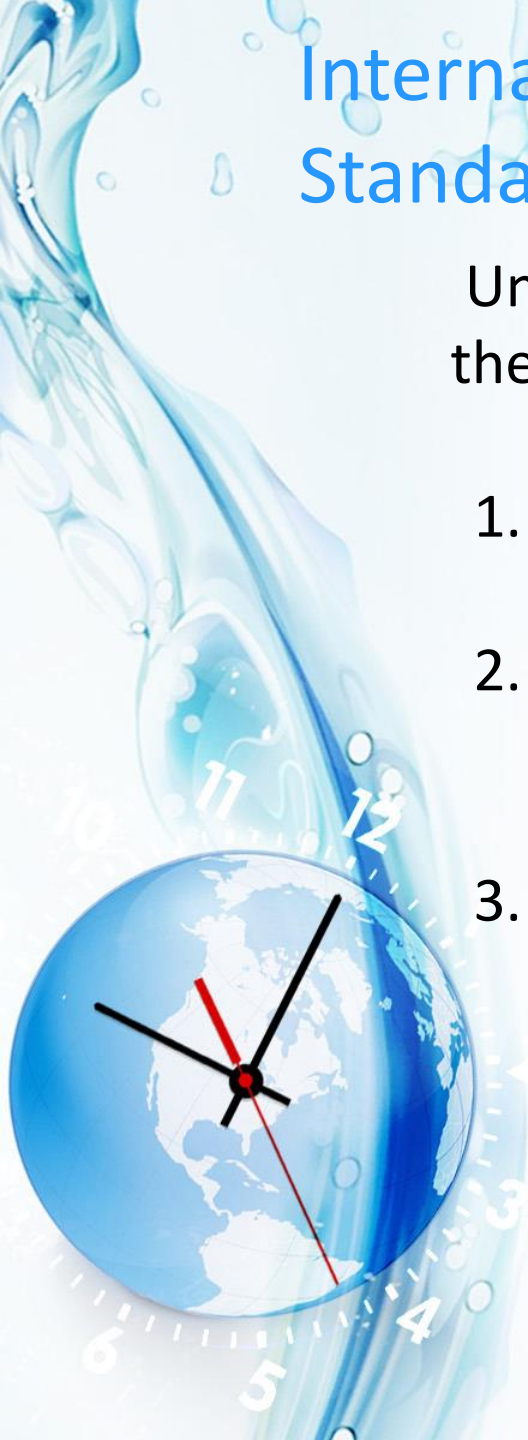
Phased approach is more advisable where both adoption of IPSAS and consolidation of Government wide financial statements are done in phases.



# International Public Sector Accounting Standards (IPSAS)- Adoption approach

Under the process of IPSAS adoption, it's important for the implementers to:

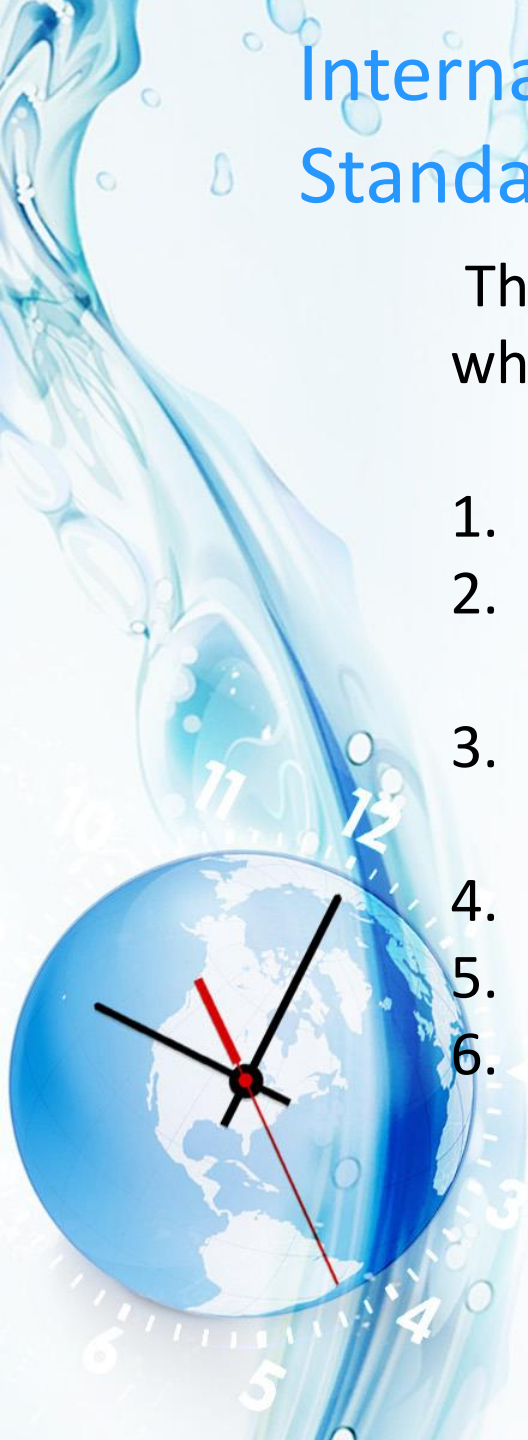
1. Identify areas of priority- e.g begin with voted entities.
2. Identify control of the national government on other levels of government and government owned entities(Control as laid out in IPSAS 35)
3. Piloting of IPSAS adoption could also be considered- Consider to apply simpler standards first before moving on to the complex ones.



# International Public Sector Accounting Standards (IPSAS)- Adoption approach

The following factors should be put into consideration when adopting IPSAS:

1. Political support from the executive and legislature
2. Legal and regulatory factors- Does the law support the reforms?
3. Systems and processes- Do the systems support the reforms?
4. Skilled Staff/ Capacity building
5. Change management and communication
6. Impact of the reforms on the budgeting process e.g accrual accounting vs. cash budgeting.





# OVERVIEW OF IPSAS IMPLEMENTATION WORLD-WIDE

Countries that have implemented IPSAS or comparable standards around the World include:

- New Zealand: adopted IPSAS in 2014 – with some exceptions; previously IFRS
- Switzerland and Austria: introduced IPSAS – with some exceptions
- UK and Australia adopted IFRS – with some enhancements
- USA follows national standards that are broadly consistent with IPSAS
- Good progress have been noted in Brazil, Chile, Indonesia, Israel, Korea, Malaysia and Philippines.



# IPSAS IMPLEMENTATION IN AFRICA

## IPSAS Implementation-case of Tanzania

Tanzania like Kenya has a two (2) tier system of government i.e. Central and Local authorities. IPSAS Accrual implementation in Tanzania took the following steps:

- Establishment of the Task Force which spearheaded the reforms.
- Preparation of the roadmap or action plan
- Capacity building to the task force on IPSAS related issues and other stakeholders.
- Obtaining political will and support through sensitization and capacity building to Parliamentary Oversight Bodies i.e. PAC



# IPSAS IMPLEMENTATION IN AFRICA

## IPSAS Implementation-case of Tanzania

- Training to Accounting Officers on the whole process of migration to IPSAS Accrual Basis of accounting.
- Training to preparers of financial statements
- Discuss and agreeing the roadmap with the Controller and Auditor General
- Preparation of the opening balance sheet which was submitted to the CAG for verification and authentication of the figures to be used
- Developing the accounting policies to be used by all the entities.
- Upgrading of Integrated Financial Management System to accrual based transaction



# IPSAS IMPLEMENTATION IN AFRICA

## IPSAS Implementation-case of Tanzania

- Preparation of accounting manual for procedure guidance
- Upgrading of Chart of Accounts and GFS code from 1986 GFSM to 2001 GFSM currently the task force is upgrading the Chart of Accounts and GFS code to suit new IMF GFS Manual i.e. 2014
- Amendment of Laws governing Public Finance Management.
- Prepare and submit the consolidated financial statements for the year ended 30th June, 2014 to the Controller and Auditor General .

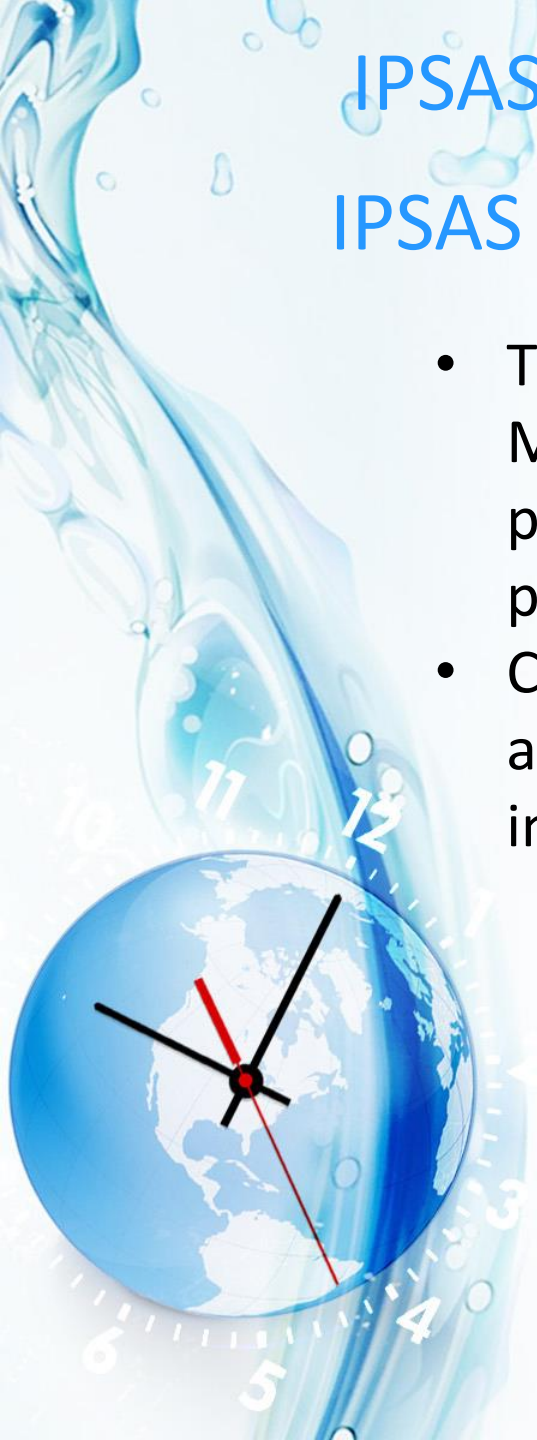




# IPSAS IMPLEMENTATION IN AFRICA

## IPSAS Implementation-case of Tanzania

- The Government through Government Asset Management Department is continuing with the process of identifying and valuing assets for the purpose of producing asset register.
- Continuous review of roadmap and update it accordingly to ensure that there is no backlog in implementation process.



# IPSAS IMPLEMENTATION IN AFRICA

## IPSAS Implementation-case of Tanzania...Cont'd...

### CHALLENGES IN IMPLEMENTATION

- Lack of legal framework – Inconsistencies between Public Finance Act, Public Audit Act and Local Government Finance Act.
- Lack of Government Support
- System & procedures – Lack of accounting manual. Lack of uniform SCOA,
- Consolidation – Inter-entity balances
- Lack of technical skills – Lack of skilled accountants



# IPSAS IMPLEMENTATION IN AFRICA

## IPSAS Implementation-case of Nigeria

Nigeria has a three (3) tier system of governance i.e. Federal, State and Local authorities. IPSAS implementation in Nigeria was phased out over two-stages:

- Implementation of cash basis IPSAS
- Implementation of Accrual based IPSAS

The implementation period for IPSAS Cash was set to take 5 years from 2010 then IPSAS accrual in 2016. Before implementation of IPSAS cash, the Government of Nigeria had to review its processes and systems including legislation.



# IPSAS IMPLEMENTATION IN AFRICA

## IPSAS Implementation-case of Nigeria...Cont'd...

Nigeria has been able to take the following steps to actualize implementation of IPSAS:

- Formation of sub-committees on roadmap to adoption of IPSAS at all the three tiers of Government.
- Conduct awareness campaign on the importance of IPSAS among political leaders, federal ministers, permanent secretaries, Governors, Commissioners and Local government Chairmen.
- Review training curriculum, national chart of accounts, accounting policies and budget templates





# IPSAS IMPLEMENTATION IN AFRICA

## IPSAS Implementation-case of Nigeria....Cont'd...

- Issue National Treasury circulars on adoption, application and implementation of IPSAS, the use of the National Chart of Accounts and formation of General Purpose Financial Statements (GPFS).
- Align accounting year-ends for all public funded entities of all the three tiers of government.



# IPSAS IMPLEMENTATION IN AFRICA

## IPSAS Implementation case of Nigeria.....Cont'd...

### CHALLENGES IN IMPLEMENTATION

- Inadequate Information and Communication Technology (ICT) to drive the program
- Change management and resistance to change
- Lack of adequately trained accountants
- Enabling legislation at the state level
- Inadequate accounting and procedure manual



# IPSAS IMPLEMENTATION IN AFRICA

## IPSAS Implementation case of South Africa

South Africa was one of the pioneer country's that began implementation of IPSAS across the public sector in 2002. The country has implemented IPSAS accrual(with local amendments) successfully across Local government, Agencies and Parliament whereas Modified cash basis is still being applied in Ministries.



# IPSAS IMPLEMENTATION IN AFRICA

## IPSAS Implementation case of South Africa.Cont'd...

Steps that were taken by Accounting Standards Board of South Africa;

- Implementation of transitional processes
- Legislative processes
- Improved capacity of skilled staff
- Conduct gap analysis between current situation and planned state
- Phased approach in recognition of assets
- Phased approach to comply with revenue standard especially the revenue authority





# IPSAS IMPLEMENTATION IN AFRICA

## IPSAS Implementation case of South Africa.Cont'd...

### CHALLENGES IN IMPLEMENTATION

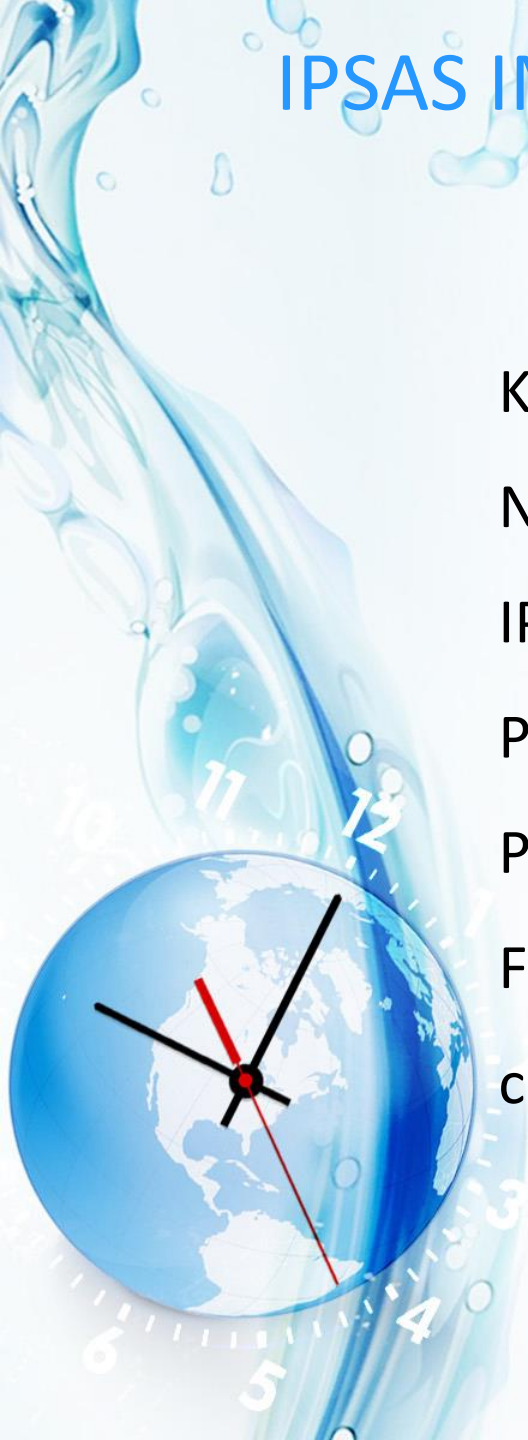
- Institutional challenges – lack of skilled accountants, institutional culture
- Technical challenges – Recognition of assets especially infrastructure assets, accounting for shared assets, development of asset register and valuation of assets, accounting for tax revenue
- Finance cost



# IPSAS IMPLEMENTATION IN AFRICA

## THE CASE OF KENYA

Kenya has a two tier Government system. The National Government and the County Governments. IPSAS adoption in Kenya was spearheaded by the Public Sector Accounting Standards Board(PSASB). PSASB was established in 2014 in line with the Public Finance Management Act, 2012. PFM is a key chapter in the Constitution of Kenya, 2010.



# IPSAS IMPLEMENTATION IN AFRICA

## THE CASE OF KENYA

Steps taken in Kenya towards adoption of IPSAS

- Enactment of the PFM Act, 2012 on public finance management in the National and County Governments.
- Establishment of the PSASB as per section 192 of the PFM Act.
- The PSASB adopted the IPSAS Cash Standard for use in National Government Ministries and County Governments, IPSAS Accrual for Semi – Autonomous Government Agencies and IFRS for commercial State Corporations

# IPSAS IMPLEMENTATION IN AFRICA

## THE CASE OF KENYA

Steps taken in Kenya towards adoption of IPSAS

- Gazettement of the prescribed standards in order to make them law.
- Capacity building- PSASB in conjunction with the National Treasury embarked on a series of workshops and on the job training program to the public sector accountants.
- Engagement of key stakeholders such as ICPAK to include IPSAS trainings in their programs



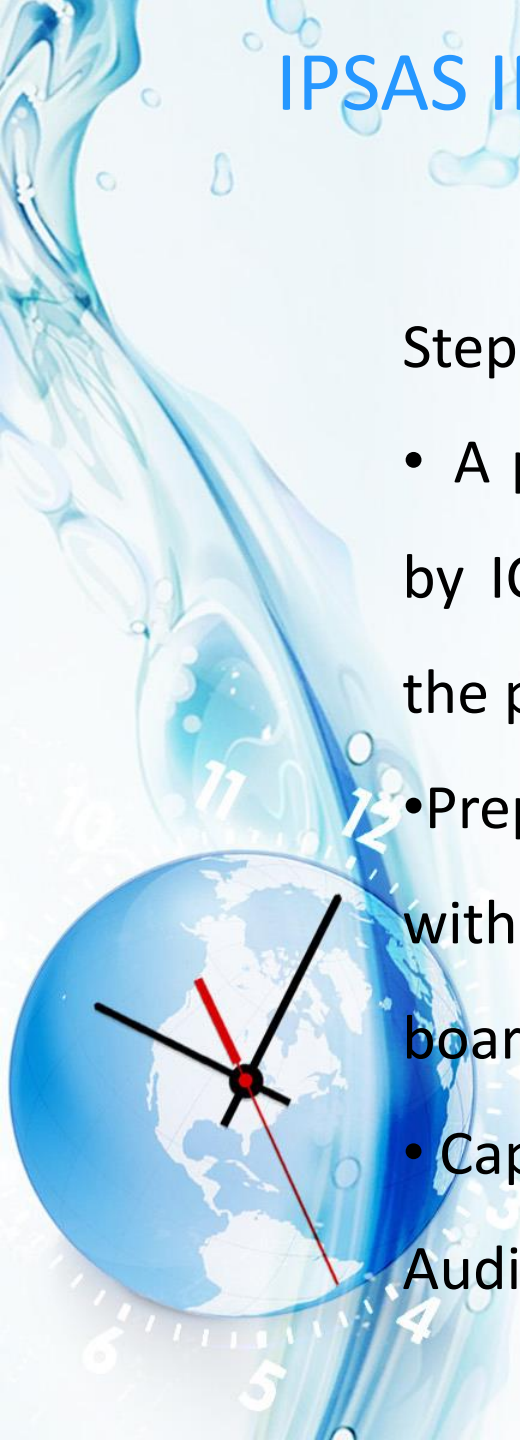


# IPSAS IMPLEMENTATION IN AFRICA

## THE CASE OF KENYA

Steps taken in Kenya towards adoption of IPSAS

- A partner of the Financial Reporting Award organized by ICPAK as a way of creating IPSAS awareness within the public sector.
- Preparation of reporting templates which are in line with the IPSAS standards to harmonize reporting across board.
- Capacity building conducted for the Office of the Auditor General on IPSAS.



# IPSAS IMPLEMENTATION IN AFRICA

## THE CASE OF KENYA

Steps taken in Kenya towards adoption of IPSAS

- Inclusion of budgetary requirements in the PFMR budget to ensure that planned activities are carried out without delay.
- Collaboration with KASNEB to include IPSAS and PFM training in their CPA course content.
- Inclusion of non mandatory disclosures on fixed assets, investments, liabilities such as pending bills and loans in the standard reporting templates as they ground for IPSAS accrual implementation.

# IPSAS IMPLEMENTATION IN AFRICA

## THE CASE OF KENYA

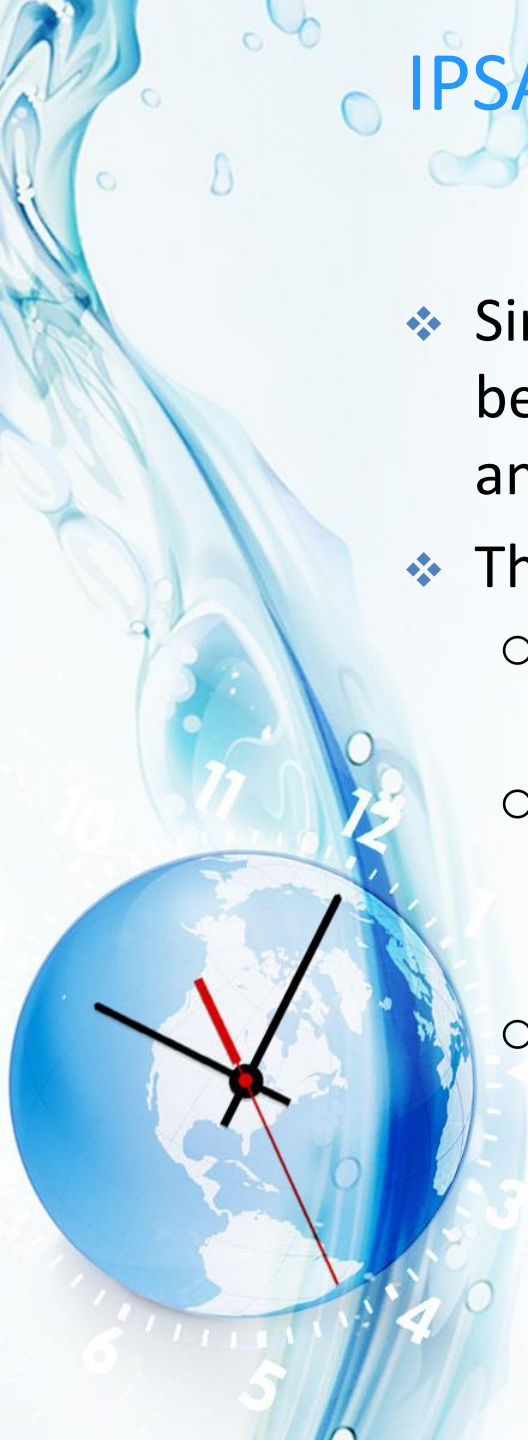
Kenya has applied the prescribed standards for the last 3 years and has been able to consolidate Government wide financial statements since 2014. In addition, there is uniformity in reporting which has made audit by the office of the Auditor General easier and faster.



# IPSAS IMPLEMENTATION IN AFRICA

## THE CASE OF RWANDA

- ❖ Since 2006, the Government of Rwanda (GoR) has been using modified cash basis IPSAS for reporting and consolidation for general government entities.
- ❖ The following are the modifications to cash basis:
  - Prepaid expenditure/advances are treated as receivables;
  - Commitments which are outstanding on the date of the closure of the fiscal year are recognized as accounts payable for that specific fiscal year;
  - Income earned but not yet received at the end of an accounting period is recognised as accounts receivable;

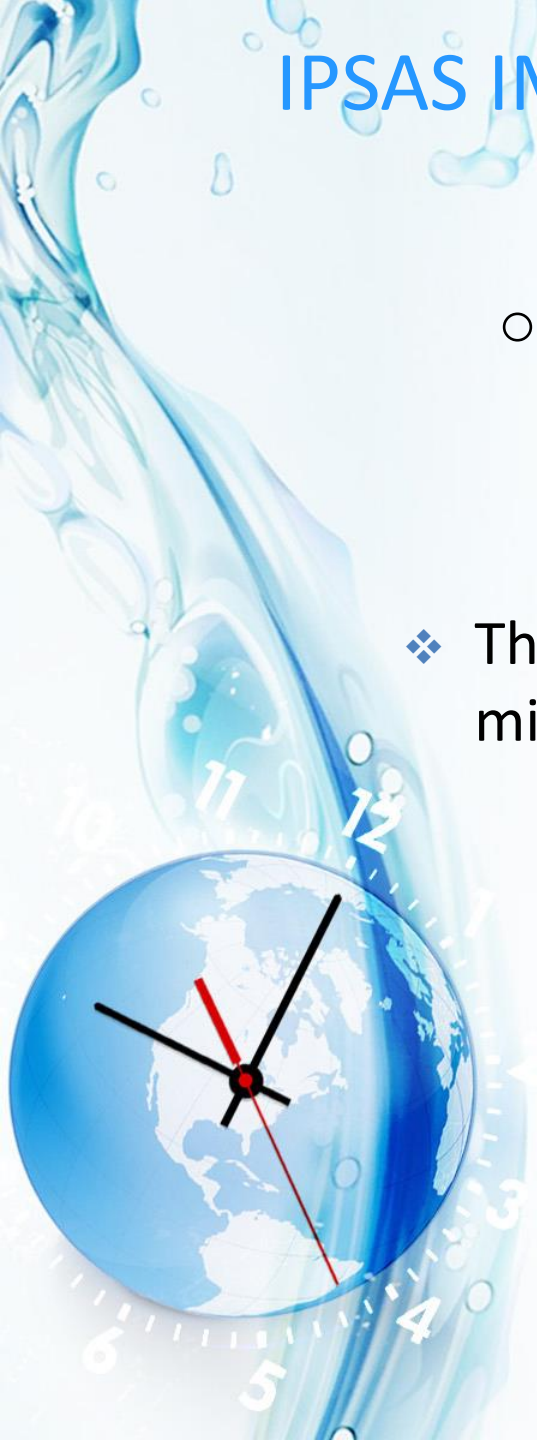




# IPSAS IMPLEMENTATION IN AFRICA

## THE CASE OF RWANDA

- Loans and advances are recognized as income at the time of disbursement and are expensed at the time of payment. However, interest payable on public debt is accrued;
- ❖ The IMF has given the GoR a launch pad towards migration to accrual basis of accounting.



# IPSAS IMPLEMENTATION IN AFRICA

## THE CASE OF RWANDA

- ❖ GoR made the following steps towards adoption of accrual IPSAS:
- ❖ The Identification of gaps against IPSAS standards and monitoring of progress against the cash basis commenced in 2012/13 with technical assistance (TA) from East AFRITAC – East Africa Regional Technical Assistance Centre.
- ❖ A high level IPSAS implementation roadmap developed with a technical assistance (TA) mission from East AFRITAC of the IMF in 2015. The road map requires full compliance to IPSAS accrual basis by 30 June 2022.



# LESSONS LEARNT

**The following are some of the lessons learnt out of the experiences from African countries:**

- Development of legal framework
- Development of an asset register before full implementation is crucial
- Valuation of assets is a challenges world-over
- Implementation of processes and policies to deal with transactions undertaken after the initial adoption of the standards.
- Communication and change management
- Political will and support
- Capacity building



## WAY FORWARD

**“Practice the philosophy of continuous improvement. Get a little bit better every single day.”** –Author unknown





**THANK YOU**

**Q & A**

