



Accounting Pronouncement: 2018/3 – Applicability of International Public Sector Accounting Standards (IPSAS) in Zambia

1.0 Introduction

The purpose of this Accounting Pronouncement is to give guidance on the applicability of accrual basis International Public Sector Accounting Standards (IPSAS) in Zambia.

2.0 Background

The Zambia Institute of Chartered Accountants (ZICA) is a professional membership body mandated by the Accountants Act of 2008, to among other functions develop, promote and enforce internationally comparable practice standards in Zambia. In line with this statutory responsibility, ZICA has adopted accrual basis IPSAS as the framework for general purpose financial reporting for the public sector.

The Institute wishes to express confidence that the adoption of accrual basis IPSAS in Zambia will increase transparency and provide a better understanding of government and not-for-profit organization's financial performance, greater accountability to make informed decisions about resource utilization, and improved financial information to support governance, management of assets and decision-making. Transparent accrual-based financial statements will help government to demonstrate and users to evaluate, accountability in the use of public funds.

3.0 IPSAS in brief

IPSAS are a set of accounting standards issued by the International Public Sector Accounting Standards Board (IPSASB) with specific focus on the accounting and financial reporting requirements of governments, other public sector entities and Not-For-Profit Organisations. The development of the IPSAS has its origins in the accounting profession as a way to enhance the accountability and transparency of public sector financial reporting and strengthen Public confidence in public sector financial management. The IPSASB is an

independent standard setting Board supported by the International Federation of Accountants (IFAC). The IPSASB issues IPSAS, guidance and other resources for use by the public sector around the world.

4.0 Scope

4.1 This effectively entails that all Government Ministries, Provinces and Spending Agencies will be required to prepare financial statements under the accruals IPSAS framework. The coverage includes Central Government, Local Authorities and related government entities such as Agencies, Boards, Commissions and other related bodies;

4.2 All non-governmental public sector entities and not-for-profit organizations whose line of business is non-commercial in nature are required to use IPSAS for their general purpose financial reporting;

This pronouncement applies to public sector entities that meet all the following criteria:

- a) Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;
- b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and
- c) Do not have a primary objective to make profits.

5.0 Exceptions

However, Commercial public sector entities are excluded from the scope of IPSAS and mandated to apply the private sector international standards under the Three Tier Financial Reporting Framework.

Commercial public sector entities include both trading enterprises and financial institutions which are in substance, not different from entities conducting similar activities in the private sector. Commercial public sector generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. Pension Funds, the Central Bank, and Stock Exchanges etc. are required to comply with International Financial Reporting Standards (IFRS) due to their regulatory requirements.

6.0 Effective Date

The Institute wishes to notify the general public and members of the accountancy profession that this Pronouncement is effective as follows:

- i) Government Ministries, Provinces and Spending Agencies for financial statements for periods ending on or after 31st December, 2022;
- ii) Non-governmental public sector entities and not-for-profit organizations for financial statements for periods ending on or after 31st December, 2020.

Earlier application is encouraged.

You may contact the undersigned to clarify any matter related to the foregoing.



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