

Implications on adopting of IPSAS on Public Sector Financial Management and NGOs

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Agenda

Section	Topic
1	Positioning IPSAS in financial reporting
2	IPSAS adoption snapshot
3	The superiority of accrual basis IPSAS
4	Practical implications of adopting IPSAS) for Governments and NGOs



Positioning IPSAS in financial reporting



IPSAS – the big picture



Today



Tomorrow

Public and private companies carrying out commercial activities, including SOEs (State Owned Enterprises)



IFRS

Governments, public institutions and international organisations without commercial purposes

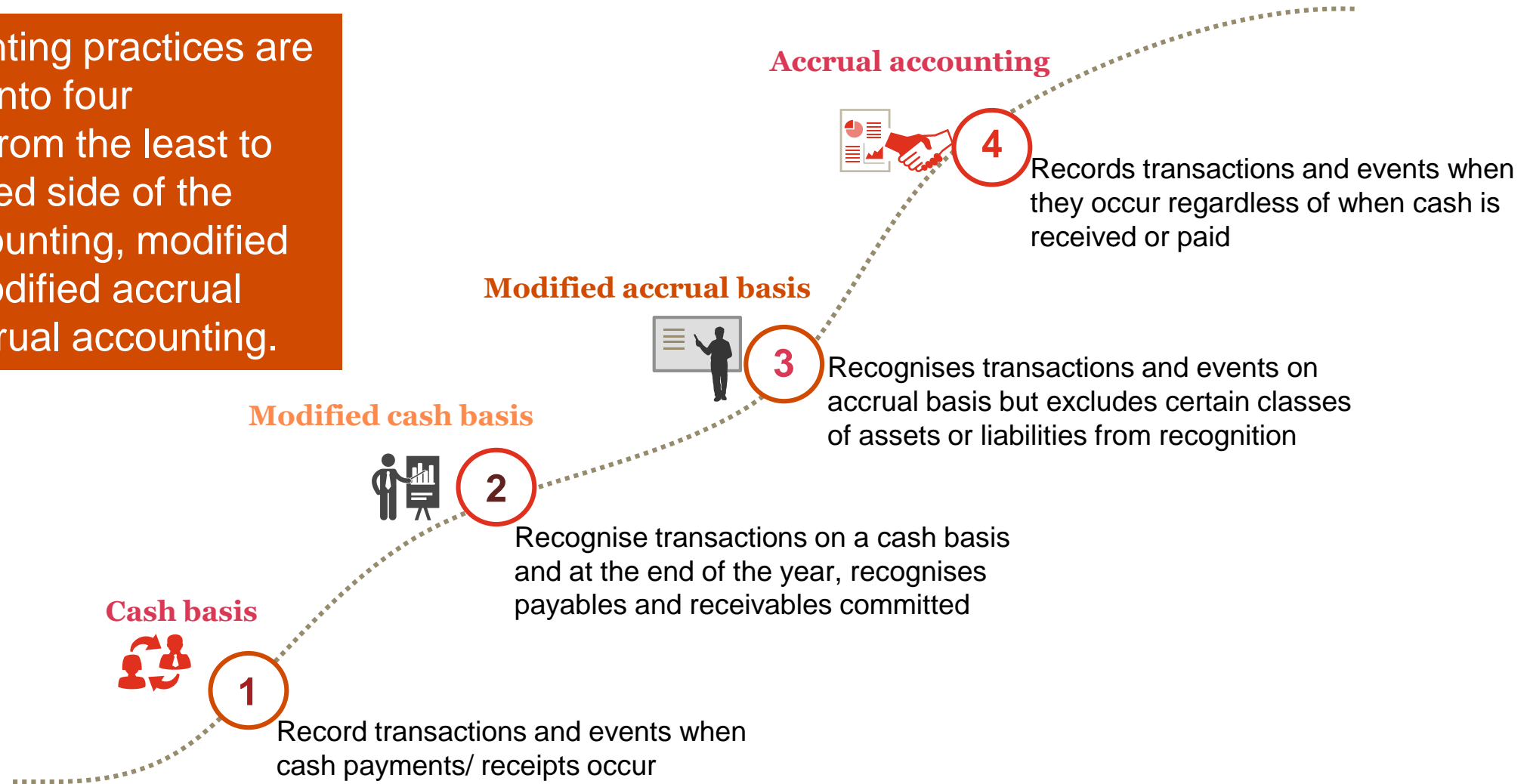


IPSAS



Public sector entities are moving to accrual accounting

Public sector accounting practices are generally classified into four categories, moving from the least to the most sophisticated side of the spectrum: cash accounting, modified cash accounting, modified accrual accounting, and accrual accounting.

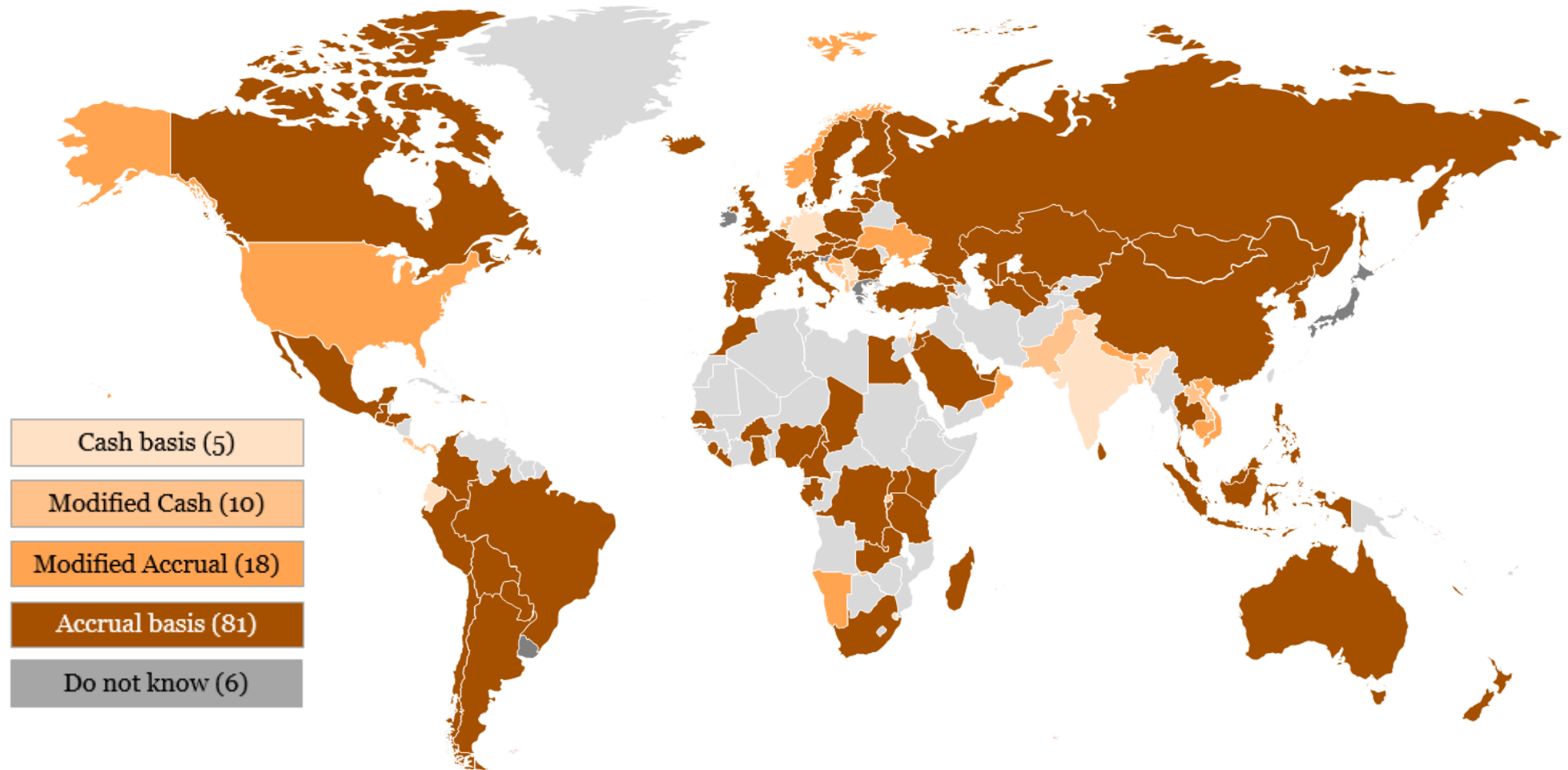


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IPSAS adoption
snapshot

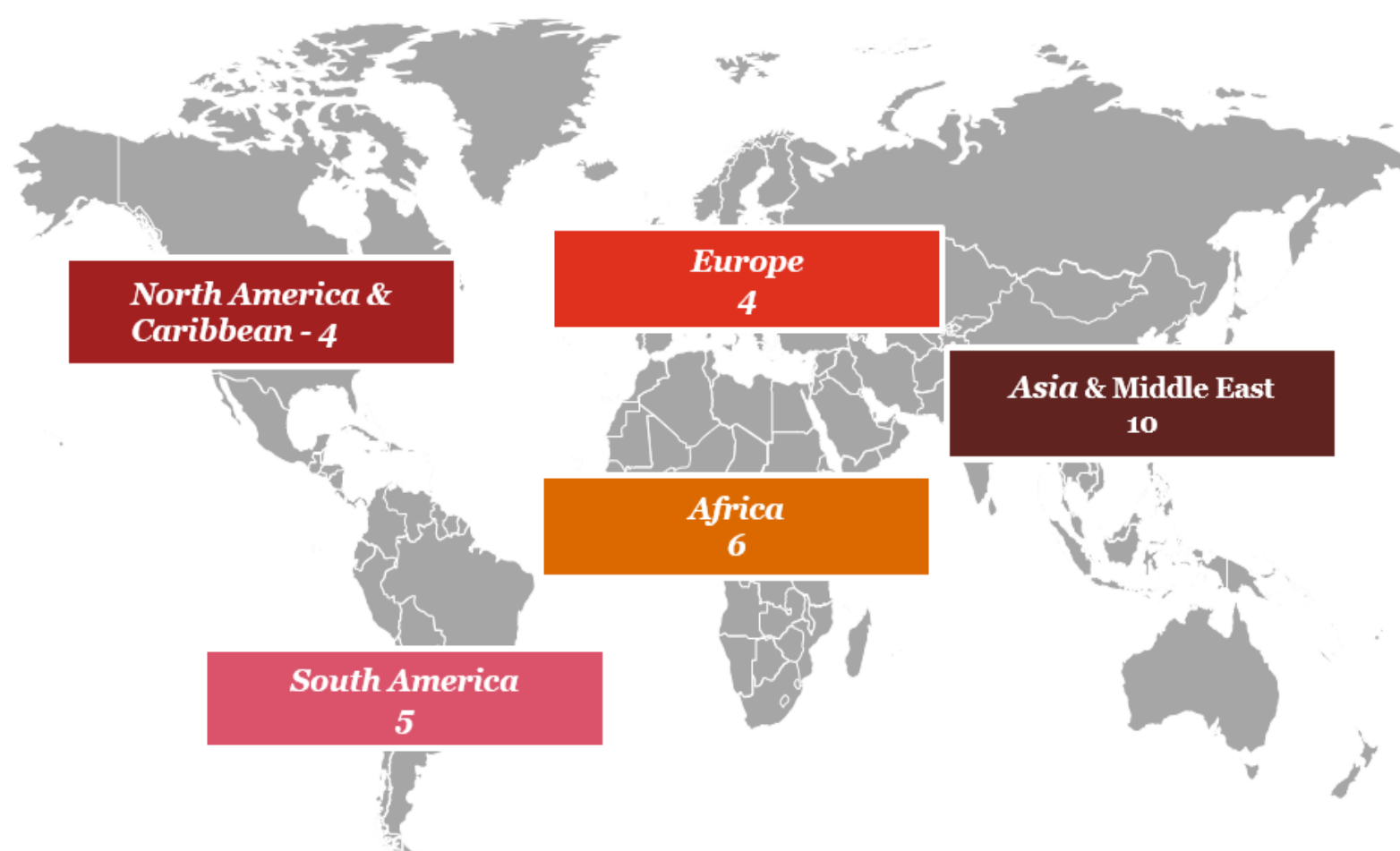


Accrual IPSAS accounting future outlook – 71% of governments are moving to accrual basis by 2020





Global status of implementation - 2017



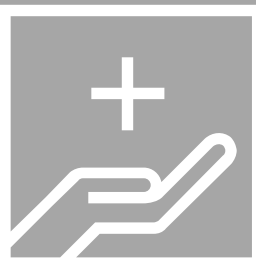
Significant uptake in Multilateral organisations

Excludes adoption of “IPSAS like” standards

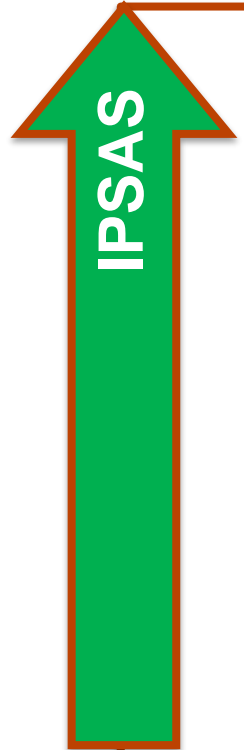
Source: ACCA 2017 report in IPSAS implementation status and challenges

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The superiority of
accrual accounting
(IPSAS)

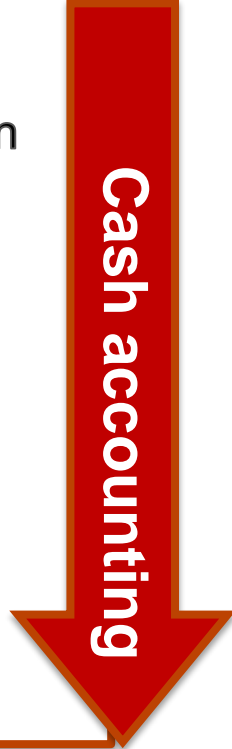


Benefits of IPSAS vs Challenges of cash basis accounting



1. Greater accountability and transparency
2. International comparability
3. Broader economic and social advantages
4. Data consistency and application
5. Improved efficiency
6. Government stability
7. Sound financial management
8. Better decision-making
9. Convergence with GFS Manual

1. Incomplete reporting
2. Limited financial analysis and prediction
3. Less accountability
4. Comparability
5. Delays corrective action



4

Practical Implications
of Adopting IPSAS
for Governments and
NGOs



The lenses of implications of IPSAS adoption

- Project initiation and early stages of adoption
- Assets
- Liabilities
- Revenue
- Expenses
- Consolidation considerations
- Presentation of financial statements, budget information and disclosures

Government



NGOs

Impact on

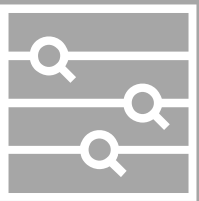
Policies

People

Systems

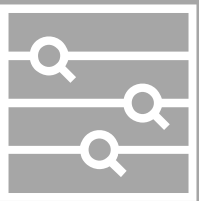
Processes









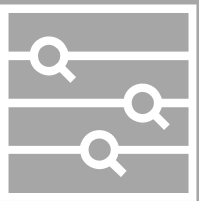
1. Project initiation and early stages of adoption

	Government	NGOs
Policies 	<ul style="list-style-type: none">▪ New or revised laws, regulations and accounting policies▪ Big bang vs Phased approach	<ul style="list-style-type: none">▪ New/adapted accounting policies▪ Local vs HQ or regional policies + impact
People 	<ul style="list-style-type: none">▪ Qualified accounts staff vs IPSAS demands▪ Country training needs assessment▪ Impact on peripheral departments▪ Change management – IPSAS acceptance or appreciation	<ul style="list-style-type: none">▪ IPSAS certification (financial reporting staff)▪ New job descriptions for accounts staff▪ Consultants needed
Systems 	<ul style="list-style-type: none">▪ Core financial reporting package (IFMIS) update▪ Impact on all peripheral financial reporting systems e.g. debt management system	<ul style="list-style-type: none">▪ Local system updates vs HQ systems▪ Off the shelf package vs internal development
Processes 	<ul style="list-style-type: none">▪ Map out main processes (e.g. Procurement, P&P, Budgeting and R&R) and internal controls▪ Conversion/ and reporting packs	<ul style="list-style-type: none">▪ Map out main processes▪ Conversion/ and reporting packs







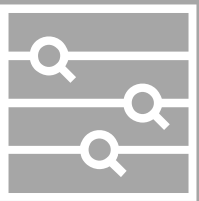
2. Assets

	Government	NGOs
Policies 	<ul style="list-style-type: none">▪ Fixed asset, financial instruments and inventory policy▪ Disposal policy vs IPSAS demands	<ul style="list-style-type: none">▪ Capitalise (IPSAS) vs Expense (Donors)▪ Capitalisation thresholds and disposal arrangements (project assets)▪ Head office accounts treatment
People 	<ul style="list-style-type: none">▪ Valuers for inventory and fixed assets▪ Consultants i.e. engineers, accountants, IPSAS experts	<ul style="list-style-type: none">▪ IPSAS certified financial reporting staff
Systems 	<ul style="list-style-type: none">▪ Fixed asset, financial instruments and inventory modules in IFMIS▪ Interface/integrate peripheral systems	<ul style="list-style-type: none">▪ Off the shelf package vs develop or update existing accounting package
Processes 	<ul style="list-style-type: none">▪ Triangulate - Which entities have which assets?▪ Inventory and fixed asset flows▪ Trigger points for accrual accounting	<ul style="list-style-type: none">▪ Harmonise assets and develop processes from existing controls e.g. vehicle log book and asset register







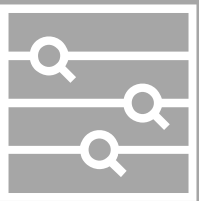
3. Liabilities

	Government	NGOs
Policies 	<ul style="list-style-type: none">▪ Financial instruments accounting policy▪ Effective interest computation▪ Hidden obligations in loans and debt covenants and grant agreements	<ul style="list-style-type: none">▪ New accounting and procedures manual▪ Head office accounts treatment▪ Hidden obligations in grant agreements▪ Harmonise HQ and local policies
People 	<ul style="list-style-type: none">▪ Valuers – employee benefits (including social benefits), debt, loans, grant obligations etc.	<ul style="list-style-type: none">▪ IPSAS certified financial reporting staff
Systems 	<ul style="list-style-type: none">▪ Interface/integrate IFMIS with grants, debt and payroll management systems	<ul style="list-style-type: none">▪ Off the shelf package vs develop or update existing accounting package
Processes 	<ul style="list-style-type: none">▪ Triangulate - Which entities have which liabilities?▪ Identify synergies	<ul style="list-style-type: none">▪ Develop process for major liabilities e.g. commitments, payroll liabilities and grant obligations







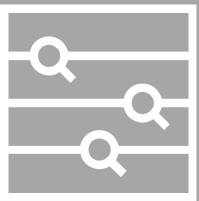
4. Revenue

	Government	NGOs
Policies 	<ul style="list-style-type: none">▪ Exchange and non exchange revenue policies▪ Deferred revenue in grant agreements▪ Cash budget vs accrual budget	<ul style="list-style-type: none">▪ Cash Budget vs revenue treatment▪ HQ or donor reporting requirements e.g. USAID/CDC, SIDA, GIZ etc
People 	<ul style="list-style-type: none">▪ Tax and grant revenue experts▪ Engage donors on reporting requirements	<ul style="list-style-type: none">▪ Dialogue with Donors implications of revenue treatment
Systems 	<ul style="list-style-type: none">▪ Integrate/interface ZRA systems▪ Track grant conditions▪ Track receivables e.g. tax receivables	<ul style="list-style-type: none">▪ Internally developed, off the shelf package or outsourcing options
Processes 	<ul style="list-style-type: none">▪ Trigger points in ZRA as well grants process flows	<ul style="list-style-type: none">▪ Process flow for major revenue streams







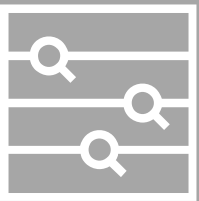
5. Expenses

	Government	NGOs
Policies 	<ul style="list-style-type: none">▪ Timing of recognition of expenses e.g. provisions, depreciation and amortisation, interest and principle re-payments, asset disposal losses and impairment▪ IPSAS vs national budget classification	<ul style="list-style-type: none">▪ Timing of accruals and head office accounts transactions▪ IPSAS vs donor budget/reporting classification
People 	<ul style="list-style-type: none">▪ Financial reporting staff orientation on treatment and classification	<ul style="list-style-type: none">▪ Financial reporting staff orientation on treatment and classification▪ Harmonise HQ reporting requirements/expectations
Systems 	<ul style="list-style-type: none">▪ Link between budget and IFMIS	<ul style="list-style-type: none">▪ Upgrade accounting package or off the shelf package to meet IPSAS demands
Processes 	<ul style="list-style-type: none">▪ Are expenses correctly captured in core process flows such as P&P, R&R and Procurement?	<ul style="list-style-type: none">▪ Are expenses correctly captured in core process flows such as P&P, R&R and Procurement?▪ Are different donor requirements addressed?







6. Consolidation considerations

	Government	NGOs
Policies 	<ul style="list-style-type: none">▪ Document consolidation scope▪ Elimination of inter-entity transactions	<ul style="list-style-type: none">▪ Accounting policies need to address reporting requirements at all tiers i.e. Donor, HQ, country office, Implementing partners
People 	<ul style="list-style-type: none">▪ Separate teams: consolidation vs core accounting staff	<ul style="list-style-type: none">▪ Collaboration with HQ teams on conversion▪ Engage implementing partners in the consolidation efforts in good time
Systems 	<ul style="list-style-type: none">▪ Revise plan for IFMIS development and roll out across all government financial reporting units▪ Consolidation package; upgrade IFMIS, acquire off the shelf or internally develop	<ul style="list-style-type: none">▪ Consolidation package; upgrade current system, off the shelf or internally develop
Processes 	<ul style="list-style-type: none">▪ Chart of Accounts: IPSAS vs GFS manual reporting▪ Chart of Accounts: core government vs GBEs	<ul style="list-style-type: none">▪ Reporting packs may be needed▪ Process flows incorporating country office, implementing partners, HQ and donors.



7. Presentation of financial statements, budget information and disclosures

	Government	NGOs
Policies 	<ul style="list-style-type: none">▪ Explore options: maintain cash based budget or move to accrual basis budgeting▪ IPSAS compliant financial reporting templates (including disclosures)	<ul style="list-style-type: none">▪ IPSAS compliant financial reporting templates (including disclosures)
People 	<ul style="list-style-type: none">▪ Engage the Public Accounts Committee▪ Separate teams: financial statements preparation vs core accounting team	<ul style="list-style-type: none">▪ Separate teams for core transactions processing and financial statements preparation▪ Mindset change programmes e.g. seminars, trainings etc.
Systems 	<ul style="list-style-type: none">▪ Perform dry run for preparation of draft government consolidated financial statements	<ul style="list-style-type: none">▪ Systems in use will need to be enhanced with “duality” functionality to facilitate accrual basis IPSAS reporting and cash based budgeting
Processes 	<ul style="list-style-type: none">▪ Process flows for financial statements preparation and reporting	<ul style="list-style-type: none">▪ Process flows for financial statements preparation and reporting

Thank you



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