Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

35th SESSION
24 - 26 October 2018
Room XVII, Palais des Nations, Geneva

Friday, 26 October 2018
Morning Session

Agenda item 4.
Issues of practical implementation of international standards of accounting and reporting in the public and private sectors

Presented by

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International Public Sector Accounting Standards Board

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Currently 25% of governments report on accrual......

Source: IFAC / CIPFA
International Public Sector
Financial Accountability Index
Data from 150 countries
......within 5 years 65% will report on accrual

Source: IFAC / CIPFA
International Public Sector
Financial Accountability Index
Data from 150 countries
Changes will increase IPSAS usage and influence

2018 – 37 governments

2023 – 98 governments

- International Public Sector Accounting Standards (IPSASs) adopted directly
- IPSASs adopted indirectly via national standards
- National standards using IPSAS as a reference point
- National standards based on IFRSs
- Other national financial reporting standards
IPSASB Strategy & Work Plan 2019 - 2023
Theme D: Promoting IPSAS adoption and implementation

- PFM reform landscape within individual jurisdictions is complex
- Other players have bigger ‘on the ground’ role than IPSASB:

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<th>Type of Support</th>
<th>Entity Staff</th>
<th>Consultants / Contractors</th>
<th>Supranational &amp; Regional Organizations</th>
<th>IPSASB</th>
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<td>Promotion</td>
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<td>Technical Guidance</td>
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- IPSASB Promotion work
  - Regional partnerships – roundtable events
  - Active outreach programme (Chair, Members, TAs, CAG)

- IPSASB Technical Guidance
  - Enhanced supporting material (e.g. IPSAS 41)
  - Webinars
  - Staff Q&A
IPSASB Study 14: Success features

• **Commitment:**
  – Political
  – Key officials
  – Legislation

• **Clear scope and mandate**

• **Adequate resources:**
  – IT / information systems
  – Resources
  – Financial

• **Effective project management**

*Source:*

https://www.ifac.org/publications-resources/study-14-transition-accrual-basis-accounting
Clear scope and mandate

• Reform focus – accounting or broader Public Financial Management?
  – Budgeting changes too?
  – Information usage for macroeconomic / fiscal management?

• Extent and nature of changes:
  – Types of entities / sectors involved?
  – ‘Whole of Government’ consolidation?
  – Voluntary or mandatory?

• Constitutional:
  – Federal or centralised?
  – Legislation / regulation embedded in constitution or very detailed?
  – Existing frameworks and levels of authority?
Adequate resources: IT / information systems

• **Current accounting basis** – cash or accrual?

• **Approach to IPSASs implementation** – direct, indirect, phased?

• **Information currently held:**
  – Revenue / Receivables
  – Expenditure (procurement, payroll, travel, etc.)
  – Assets and inventory
  – Liabilities (debt management, employee pensions, etc.)

• **Information systems architecture:**
  – Centralised or decentralised?
  – Degree of integration?
Integrated system / chart of accounts essential

- Budget
- In-year reports / GFS
- Annual reporting
- Audit
Adequate resources: Building capacity

• **Project team:**
  – Project and change management skills
  – Experience in accounting policy issues and systems implementation
  – Requirements change over programme lifetime

• **Entity staff:**
  – Appropriate level of technical and systems knowledge
  – Skills assessment and integrated training / development – ‘train the trainers’?
  – Internal development or external recruitment?

• **External auditors:**
  – Appropriate level of technical and systems knowledge
  – Skills assessment and integrated training / development
  – Judgements, quality control and coordination processes
Resources: Project management ‘trade-offs’

- Time
- Cost
- Quality
Project management: Accrual reform periods

**IPSASB Study 14:**
- Short (1-3 Years) – strong political support; few entities
- Medium (4-6 years) – increased preparation and implementation time
- Long – (6+ years) – risk of ‘reform fatigue’

**IPSAS 33 – First Time Adoption:**
- Use of ‘dry run’ periods
- Date of IPSAS adoption
- 3-year transitional relief period for certain requirements
- First IPSAS financial statements (full accrual IPSAS compliance)
Effective project management

• **Formal implementation plan:**
  – ‘Big bang’?
  – Phased across entities?
  – Consolidation later?
  – ‘Step-by-step’ rather than full accrual immediately?

• **Clear delivery responsibilities** – entities and officials

• **Project milestones:**
  – Deliverables and /or criteria to be met at specific points
  – Monitoring processes
  – Fix emerging issues quickly

• **Formal communication and coordination mechanisms**
The scoping study / gap analysis: Bringing the programme together

Where are we now?

Where do we want to be?

How do we get there?
One final thought…

"Failing to plan is planning to fail"
Questions, discussion & further information

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