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**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

Luzvi Chatto

Board member

International Public Sector Accounting Standards Board

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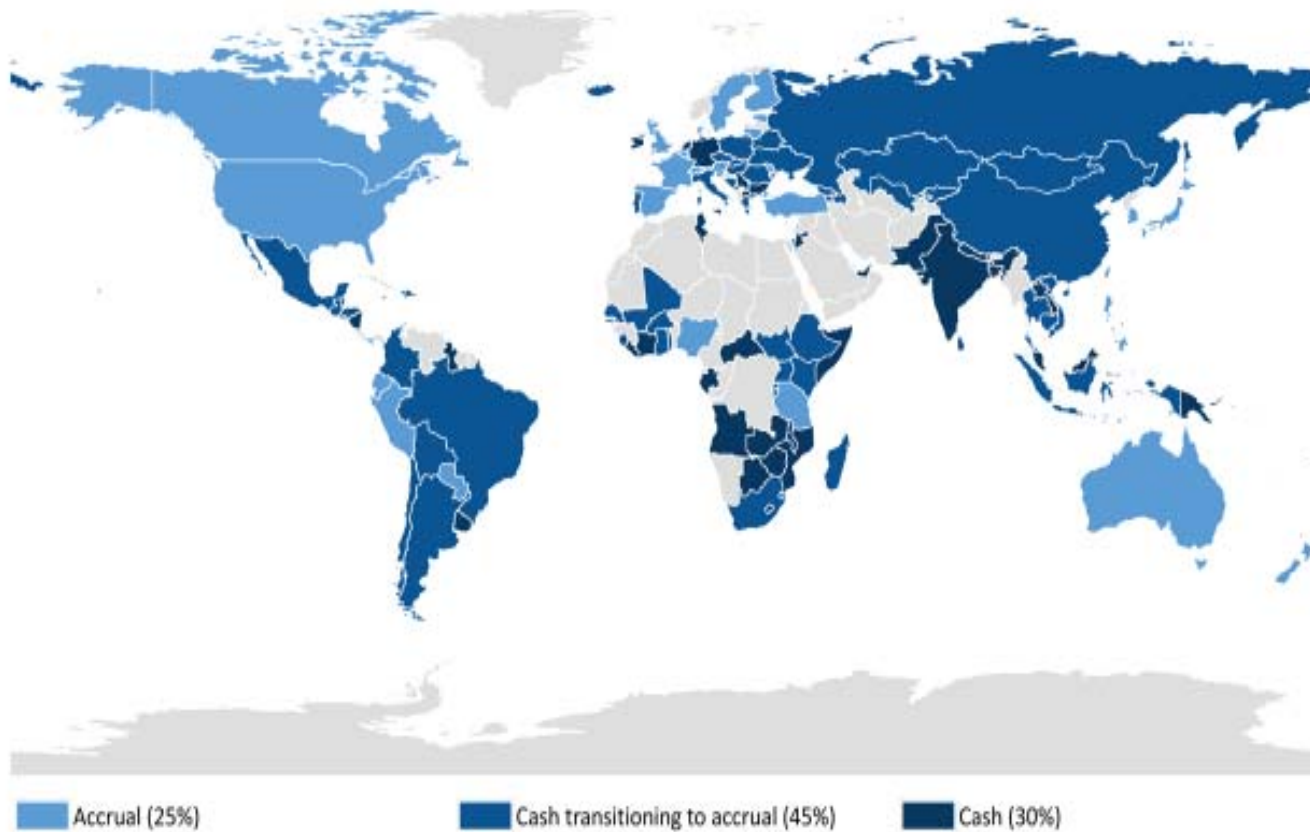
## **IPSAS Implementation: Practical Challenges**

**Luzvi Pangan Chatto**

IPSASB Member  
(January 2019 onwards)

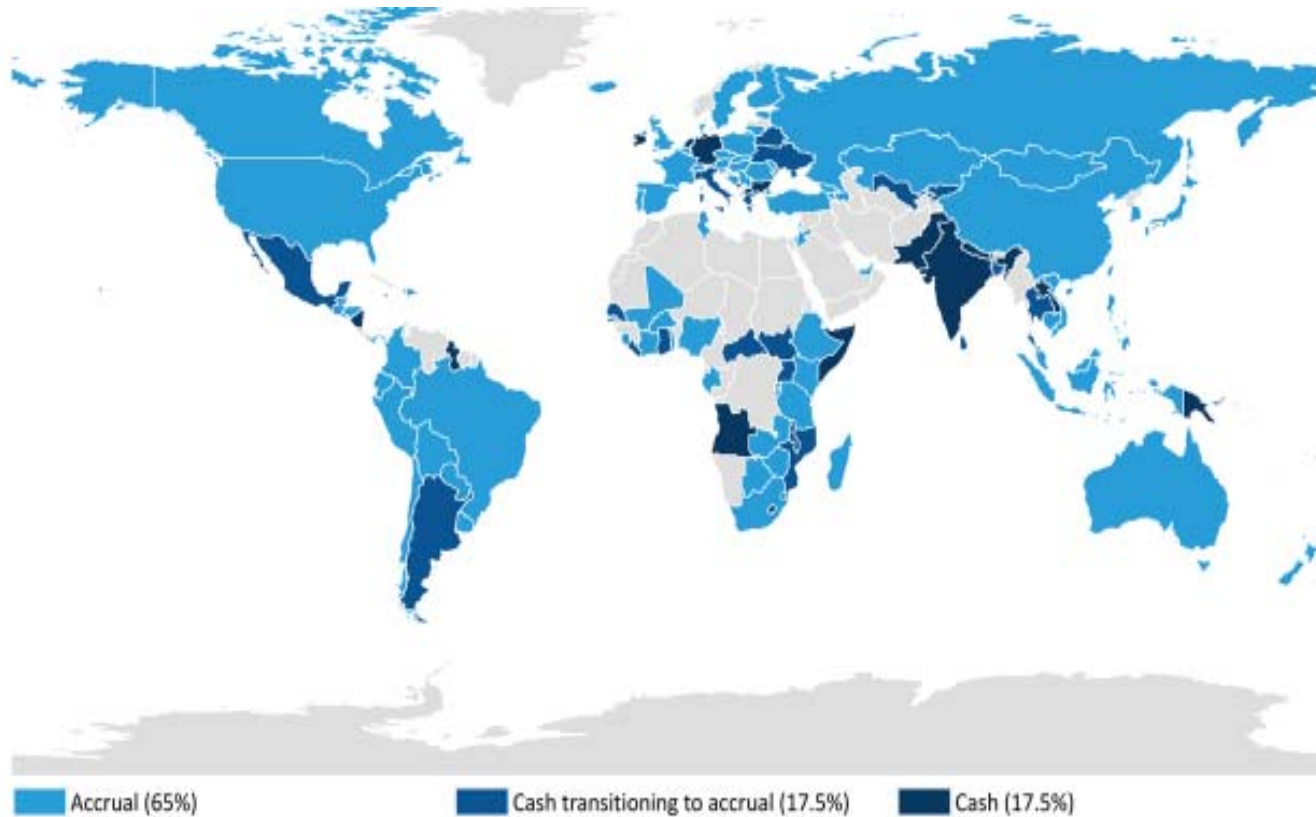
UNCTAD-ISAR 35<sup>th</sup> Session  
Geneva  
26<sup>th</sup> October 2018

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



Source: IFAC / CIPFA  
International Public Sector  
Financial Accountability Index  
Data from 150 countries

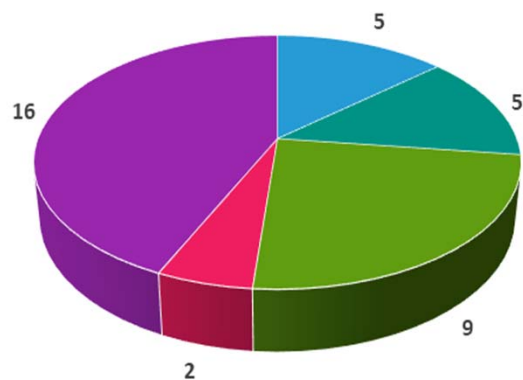
.....within 5 years 65% will report on accrual



Source: IFAC / CIPFA  
International Public Sector  
Financial Accountability Index  
Data from 150 countries

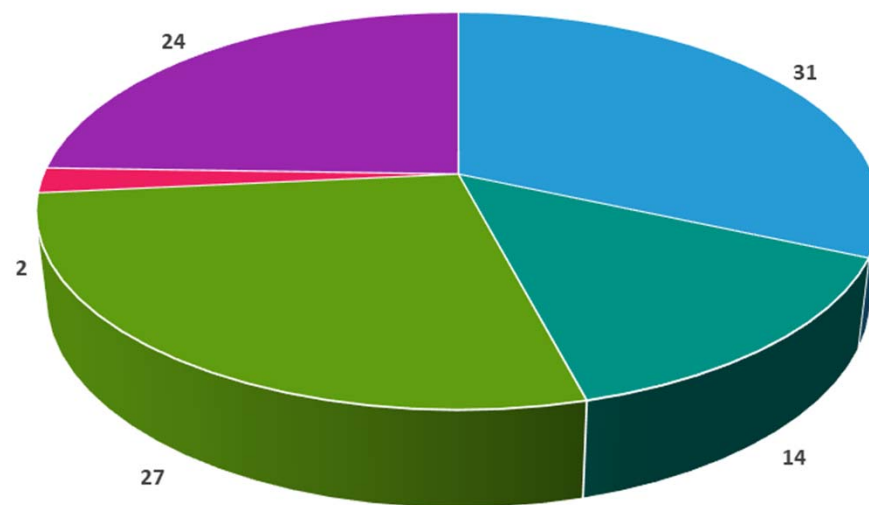
# Changes will increase IPSAS usage and influence

## 2018 – 37 governments



- 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

## 2023 – 98 governments



# 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:

Type of Support	Entity Staff	Consultants / Contractors	Supranational & Regional Organizations	IPSASB
Promotion	✓	✓	✓	✓
Technical Guidance	✓		✓	✓
Financial	✓		✓	
Practical / Technical	✓	✓	✓	
Capacity Development	✓	✓	✓	

- 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

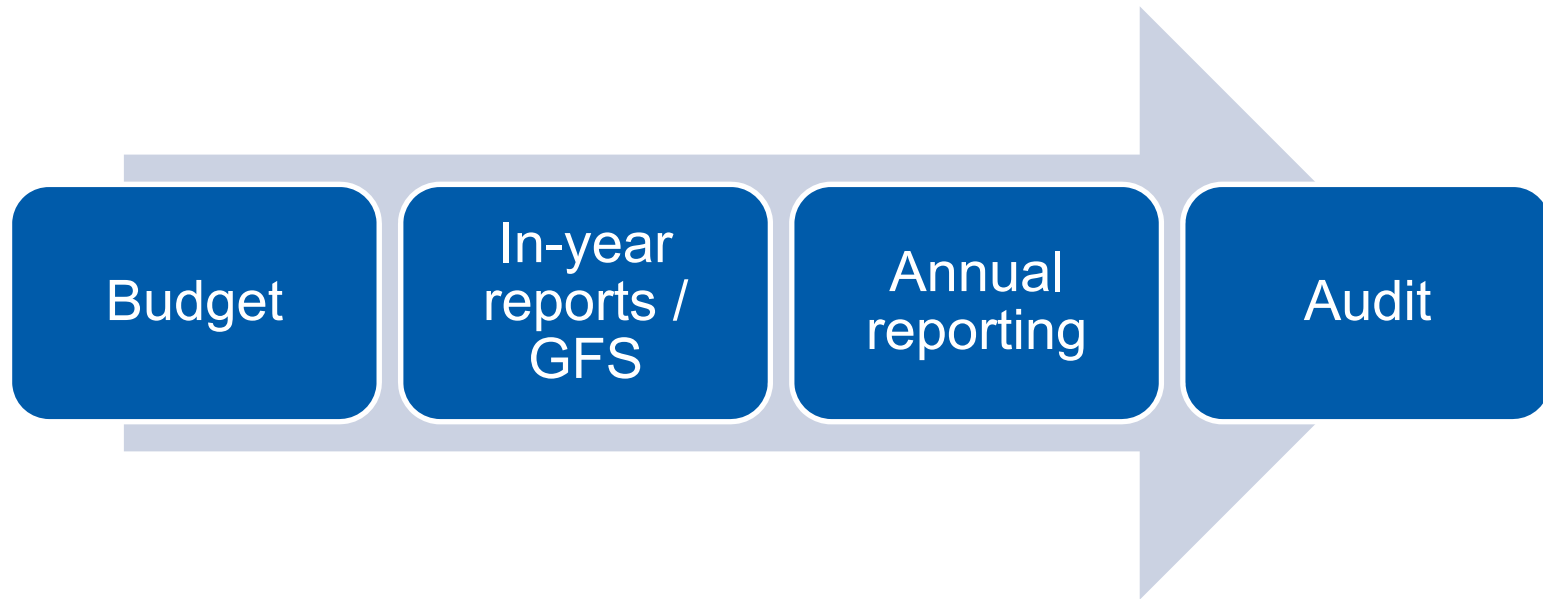
- **Reform focus – accounting or broader Public Financial Management?**
  - Budgeting changes too?
  - Information usage for macroeconomic / fiscal management?
- **Extent and nature of changes:**
  - Types of entities / sectors involved?
  - ‘Whole of Government’ consolidation?
  - Voluntary or mandatory?
- **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?

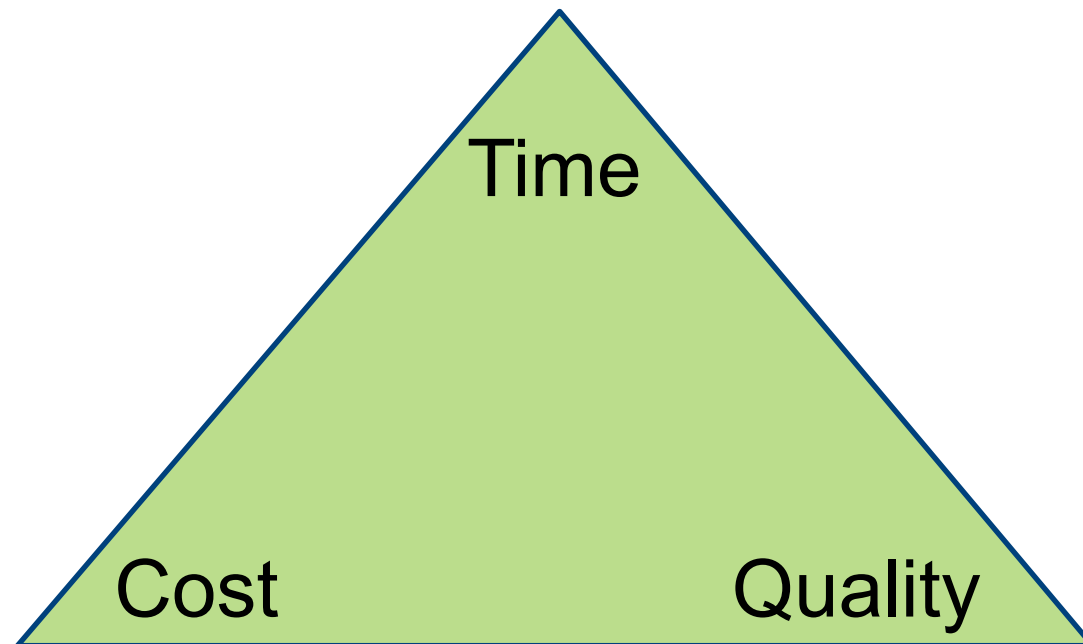
# Integrated system / chart of accounts essential



## 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'



# 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’

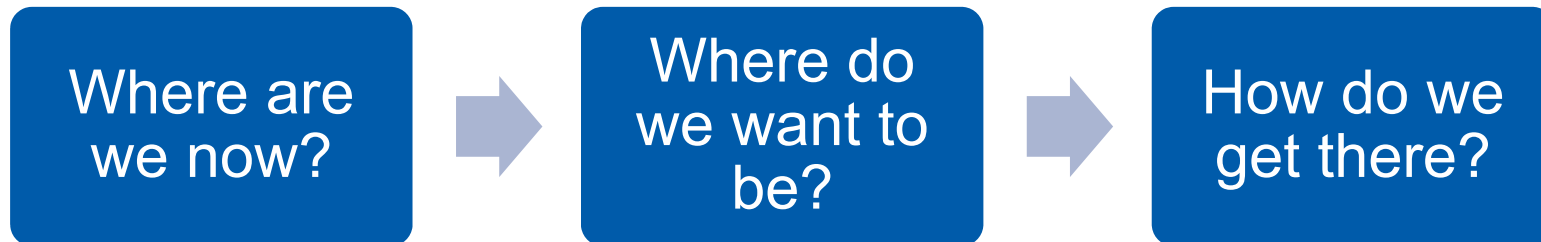
## **IPSAS 33 – First Time Adoption:**

- 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



One final thought...

**"Failing to plan  
is planning to fail"**



## Questions, discussion & further information



- Visit our webpage <http://www.ipsasb.org/>
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