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Building blocks for successful implementation of International Public Sector Accounting Standards (IPSAS)

Joseph Chimwanda

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The Government of Zimbabwe has made a policy choice to have all public sector entities of a non-commercial nature adopt IPSAS with a target of achieving full compliance to accrual IPSAS basis of accounting by 2025 as part of wider reforms to strengthen public financial management. This article will highlight key considerations for management in taking their organization on the IPSAS implementation journey.

International Public Sector Accounting Standards (IPSAS) are developed by the International Public Sector Accounting Standards Board (IPSASB) to guide preparers of financial statements in preparing general purpose financial statements for public sector entities of a non-commercial nature. IPSASB is a standard setting body under the International Federation of Accountants (IFAC). IFAC set up IPSASB pursuant to its mission to serve the public interest by contributing to the development, adoption, and implementation of high-quality international standards and guidance, contributing to the development of strong professional accountancy organizations and accounting firms, and to high quality practices by professional accountants, among other objectives.

The building blocks for successful migration to accrual IPSAS basis of accounting include the following:

- **Political and high-level support and commitment to reform**

IFAC contends that the migration to IPSAS is likely to be smoother and faster where there is high level commitment and support from politicians and senior government officials. Political commitment to reform is critical as the migration to IPSAS needs to be adequately resourced from sufficient budget appropriations from the fiscus. Fortunately for Zimbabwe, the political leadership has pronounced themselves clearly on their commitment to public financial management reforms to enhance transparency and accountability over use of public resources. The Ministry of Finance have already directed the public sector entities to adopt IPSAS with a target of achieving full compliance to IPSAS reporting requirements by the year 2025to ensure that there is full disclosure of Government's financial transactions. What is now required is follow up with legislative processes to align our Public Finance Management Act to

- **Implementation Strategy and Plan**

The migration to IPSAS need to be guided by Implementation Strategy and Plan (ISP) at national, sectoral and entity levels. The national ISP is now in place and was distributed to pilot entities. The national ISP covers the scope of reform, the approach to migration and the reform timetable. The Ministry of Finance and Economic Development issued out a plan covering scope, approach, and timetable to assist pilot entities in migrating to IPSAS. At entity level, management must craft an ISP guided by the national ISP. Once the ISP is in place, it is incumbent on the leadership of the entity to assign an appropriately qualified and experienced accountant to drive the transitioning process and allocate sufficient resources to ensure the ISP is implemented and that timelines set are adhered to.

- **Change Management**

Like any change process, migrating to IPSAS can be disruptive and divisive especially when stakeholders with many years of experience with cash – basis of accounting and existing structures are reluctant to embrace the changes. Migrating to IPSAS is a big change program requiring changes in the way transactions and events are reported, how and when they are reported, the role of non-financial managers, the use of significant judgements, and the use of other experts for example in measurement and valuation of infrastructure assets that previously were not recognized in the financial records.

- **Gap Analysis**

Gap analysis is important as it determines the path that the entity will take in transitioning or migrating to the accrual basis system of financial reporting. Gap analysis is important because different sectors or entities will not start from the same place in terms of the following:

- The existing accounting framework, IT infrastructure and systems
- Current accounting processes
- Knowledge and skills

Why Gap Analysis before IPSAS Implementation?

There is need to have a clear understanding of the gap between the current system of financial reporting and the desired system of full accrual – based accounting and reporting. It is also important to understand whether staff and the existing systems will be able to cope with the change and what resources are available internally and externally to build capacity.

- **Capacity Building**

After identifying the gaps above, it becomes important to come up with capacity strategies which address the gaps which exist. This can be done internally where an entity has capacity and expertise or by getting assistance from eternal experts in public sector accounting. The challenge often with conducting such projects internally is lack of time as most of these individuals already have their day-to-day jobs outside this implementation project. This project should only be undertaken when the entity is ready and is fully committed to put in the time, money and other resources required.

If you are part of entities implementing IPSAS and require support, you can contact Training and Advisory Services Chartered Accountants (TAS) at *marketing@tas.co.zw or +263 8688007098. TAS* offers training and implementation support for both IPSAS basis and IFRS basis of financial reporting. TAS has an inhouse team of experts who have been involved with IPSAS and IFRS advisory work including IPSAS implementation planning and execution support

Author

Joseph Chimwanda

Senior Advisor – TAS Chartered Accountants