

IPSASB

**IPSASs:
Practical implementation Challenges**

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The IPSAS Board and its outputs

- Sets standards for Public Sector Entities
- Independent Standard Setting Board under auspices of IFAC
- Remunerated Chair (75% WTE)
- 17 other volunteer board members from around world
- Secretariat of 8 Toronto-based
- Public Sector Conceptual Framework
- 34 IPSASs (accrual basis) covering main areas of government activity
- 3 Recommended Practice Guidelines (RPGs)
- 1 cash basis standard as 'stepping stone' to accrual

Cash Basis IPSAS: Background

Only part of IPSASB literature dealing with reporting on cash basis

Approved in 2003 and amended in 2006-2008

Distinguishes Requirements (Part 1) and Encouraged Additional Disclosures (Part 2)

Not widely adopted but role to play

2014 Strategy Consultation indicated support for retention

BUT address obstacles to adoption

ED 61, *Amendments to Financial Reporting under Cash Basis of Accounting*

- Issued in February 2016
- Consultation period until July 31 2016

Stepping stone to full accrual not an objective of itself

Addressing obstacles to Cash-basis IPSAS adoption: Recasting requirements as encouragements



Consolidation



Disclosures of External Assistance
and Third Party Payments



Housekeeping

IPSAS 33: *First Time Adoption of Accrual Basis IPSASs*

Objectives:

Financial Statements include information that:



Provides transparent reporting about a first-time adopter's transition to accrual basis IPSASs

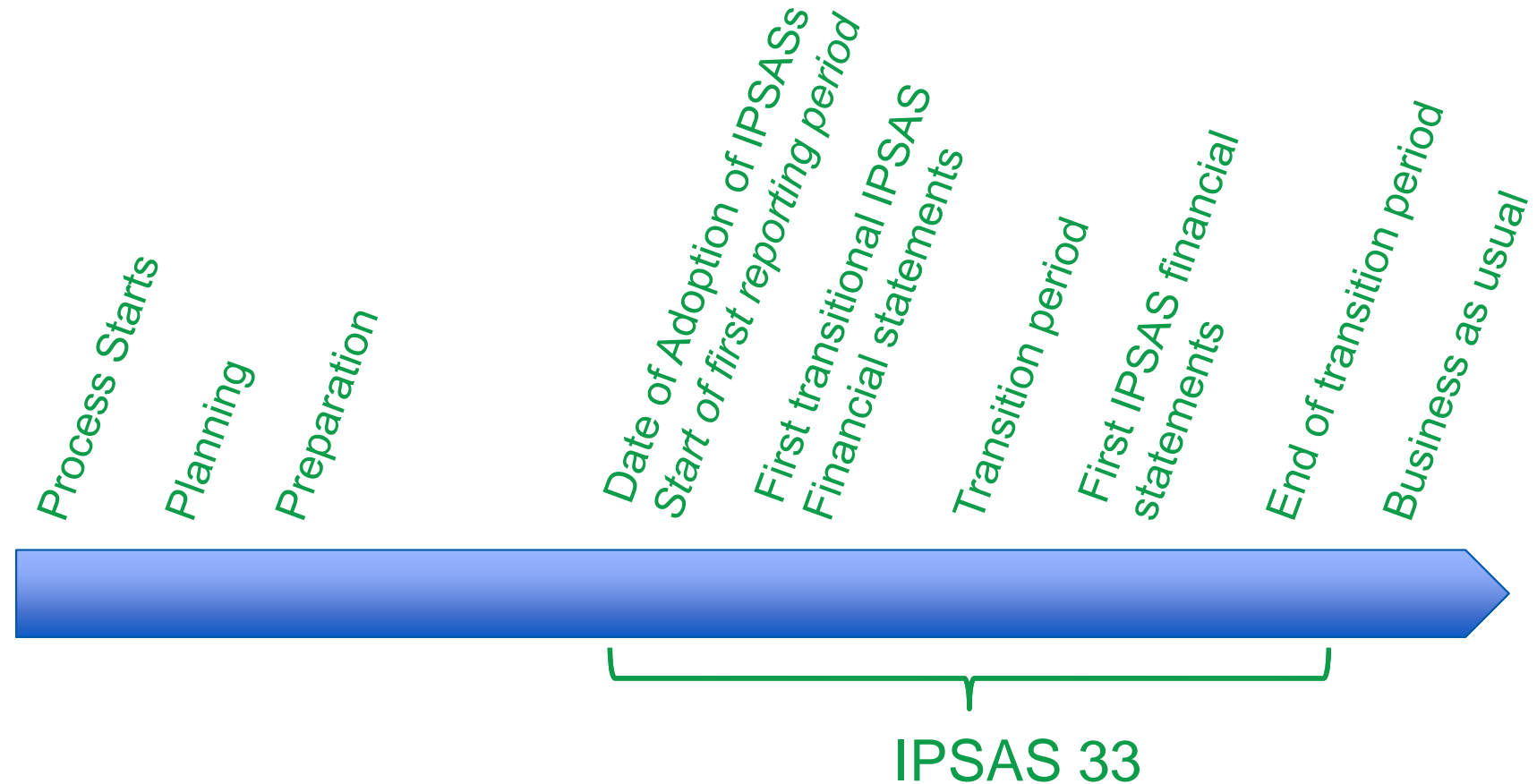


Provides suitable starting point for accounting in accordance with accrual basis IPSASs irrespective of previous basis of accounting



Where the benefits are expected to exceed the costs.

IPSAS 33: Scope and definitions



IPSASB Study 14: Accrual implementation Success features

- Clear mandate
- Political commitment – major project
- Commitment of central entities and key officials
- Use of legislation
- Effective project management structure
- Adequate technological capacity and information systems;
and
- Adequate resources (human and financial)

IPSASB Study 14: Accrual reform periods

- 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’

Transition to accrual: key areas of change

- Accrual for individual entities requires:
 - Expenditure
 - Debtors and creditors
 - Property plant & equipment
 - Income (local taxation & charges for services)
- Consolidated 'Whole of Government' accounts requires accrual accounts for:
 - Taxation (Income and Corporation Taxes, sales taxes etc)
 - Government debt and currency /gold reserves
 - Employee pension schemes

IPSASs: Benefits vs Costs

- **Costs:** mostly one-off and for the short term, depending on:
 - Adaptation of all existing IT systems; or
 - New IT systems for all entities
 - PwC Eurostat Study (2014): costs of 0.01-0.05% of GDP
- **Benefits:** sustainable and for the medium to long term, but difficult to quantify:
 - more fiscal **transparency** and comparability
 - more **accountability** for management of public money
 - better access to capital markets
 - more stable and sustainable public finances
- **Net-benefits outweigh the costs**

Questions, Discussion & Further Information



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