INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS:

Roadmap to Implement Compilation Guide for Developing Countries
In many developing countries, the capacity among the accounting staff is not sufficient to fully implement the International Public Sector Accounting Standards (IPSAS), the data collection procedures are not adequately identified to collect the necessary data, or the software is not sophisticated enough to handle the various financial transactions. Consequently, an IPSAS Compilation Guide has identified six stages to assist these developing countries in their efforts to better manage their financial resources. This Roadmap identifies the tasks to be performed in each of these stages in order for the government to be more transparent in their efforts to establish the accounting system necessary for full disclosure of their financial transactions.

The Roadmap is not a universal prescription; every country is different and the national authorities will consider what is possible within what time, in conjunction with existing and planned reforms, and lead the reform process itself. Technical assistance is, of course, readily available, but the change management of major reforms such as this needs to be planned and carried through by the political directorate. To control the process, it is recommended that beginning and ending dates be identified for each task in each stage along with the name of the individual responsible for completing the task.

STAGE I. Selected Entities within Central Government (Year 1)

A. Initial Efforts

1. Include requirement to adopt IPSAS in national law, if necessary, to have an initial declaration of policy by the Minister of Finance by the Cabinet.

2. Establish a steering committee to approve the goals, objectives and initial action plan for implementation of IPSAS. The steering committee should include representatives of the Supreme Audit Institution, Ministry of Finance, parliamentary committee(s) on finance, professional accounting institutes, academia and development partners. In addition, appoint a working group to plan and monitor IPSAS implementation.

3. Identify controlled entities, as defined in IPSAS 6, by applying the power and benefit indicators and break them out into categories as categorized by IMF (central government, general government, and public corporations) in the Compilation Guide for their statistical reporting system (Government Finance Statistics Manual—GFSM 2001). This mapping exercise is an essential starting point for IPSAS implementation.

4. Perform a gap analysis (especially the Reports on the Observation of Standards and Codes pertaining to accounting) between current financial statements and each of the six
compilation stages to determine where each controlled entity is on the road to implementation of the IPSAS.

5. Prepare a timetable to decide when each task should be implemented.

6. Coordinate timetable with upgrades to accounting system and assure that deadlines can be met.

7. Coordinate timetable with Auditor General as they develop procedures to express an audit opinion on the fair presentation of the financial statements.

8. Advise pertinent university accounting professors of the upgraded systems so they can prepare their students for future accounting opportunities within government.

9. Review existing Charts of Accounts in all controlled entities to assure they meet budgetary needs as well as reporting requirements according to IPSAS and plan any necessary revisions. Also, assure that information can be extracted from the accounting system and reported in line with the requirements of the GFSM.

10. Review existing accounting and reporting arrangements for external assistance, particularly project assistance provided directly by donors without passing through the entity’s bank accounts. Arrange Memoranda of Understanding by which all disbursements requested by the entity and made by each donor are reported to the entity and included in its accounts in local currency.

11. Select controlled entities in Central Government for pilot trials and prepare Opening Statement of Cash Position for each selected entity.

B. Record all cash receipt and payment transactions throughout the fiscal year.

C. At the end of the fiscal year, prepare the following statements and explanatory footnotes:

1. Comparative Statement of Budget and Actual Amounts for each selected entity as prescribed in Part 1 of the Cash Basis IPSAS.

2. Statement of Cash Position for each selected entity to reflect the beginning and ending cash balances as well as the cash receipts and payments during the fiscal year.

3. Notes to accompany the financial statements and explain accounting policies as well as any details associated with information presented in the financial statements.

D. Prepare narrative Financial Statement Discussion and Analysis (FSD&A) in plain language to more fully explain financial information presented in the financial statements.
E. Attach Auditor General’s opinion to the financial statements regarding the fair presentation of the Statements of Cash Position and the Comparative Statement of Budget to Actual Amounts in accordance with International Standards of Auditing (ISAs).

F. Send financial package to legislative body to include the financial statements and their footnotes, the FSD&A, and the Auditor General’s opinion.

NOTE: At the end of each stage, a go-no go decision can be made before beginning implementation of the next stage.

STAGE II. Cash Reporting for Central Government (Years 2-3)

A. **Adopt Part 1 (except the consolidation requirement) of the Cash Basis IPSAS effective January 1, 20XX.**

B. Schedule pertinent training on Part 1 of the Cash Basis IPSAS for all controlled entities within Central Government. Include a case on the preparation of cash and budget statements and a case on combining statements plus footnotes.

C. Establish procedures to *manually* collect a summary of all cash receipts and payments by all controlled entities in Central Government not on the Treasury Single Account (TSA).

D. Based on information collected through the TSA and those manually collected for each controlled entity in Central Government, prepare Opening Statement of Cash Receipts and Cash Payments (Part 1, Cash Basis IPSAS).

E. Record all cash receipt and payment transactions throughout the fiscal year.

F. At the end of the fiscal year, prepare the following statements and explanatory footnotes for Central Government as prescribed in Part 1 of the Cash Basis IPSAS:

1. Comparative Statement of Budget and Actual Amounts for all controlled entities to include original and final budgets.

2. Statement of Cash Receipts and Payments for all controlled entities to reflect the beginning and ending cash balances as well as the cash receipts and payments during the fiscal year. Include a separate column on “Payments by Third Parties”. If this information is not collected by the accounting officer, send a request to the applicable donor for the information.

3. Notes to accompany the financial statements and explain accounting policies as well as any details associated with information presented in the financial statements.
G. Prepare narrative FSD&A in plain language to explain financial information presented in the financial statements.

H. Attach Auditor General’s opinion to the financial statements regarding the fair presentation of the Statements of Cash Position and the Comparative Statement of Budget to Actual Amounts in accordance with ISAs.

I. Send financial package to legislative body to include the financial statements and their footnotes, the FSD&A, and the Auditor General’s opinion.

**STAGE III. Financial Asset and Liability Reporting for Central Government (Years 3-5)**

A. Expand accounting system in Central Government to record all transactions associated with financial assets and liabilities throughout the fiscal year.

B. Schedule training on the pertinent portions of the optional Part 2 of the Cash Basis IPSAS for all controlled entities within Central Government. Include a case on the preparation of statements including financial assets and liabilities as well as a case on combining statements plus footnotes.

C. Record all financial asset and liability transactions throughout the fiscal year.

D. In addition to the financial statements (Comparative Statement of Budget to Actual Amounts and the Cash Receipts and Payment Statement) prepared in Stage II, prepare the following statements to include all financial assets and liabilities as well as explanatory footnotes for Central Government:

1. Intermediate Statement of Financial Position;
2. Intermediate Statement of Financial Performance; and
4. Notes to accompany the financial statements and explain accounting policies as well as any details associated with information presented in the financial statements.

E. Prepare narrative FSD&A in plain language to explain financial information presented in the financial statements.

F. Attach Auditor General’s opinion to the financial statements regarding the fair presentation of the Statements of Cash Position and the Comparative Statement of Budget to Actual Amounts in accordance with ISAs.
G. Send financial package to legislative body to include all the financial statements and their footnotes, the FSD&A, and the Auditor General’s opinion.

**STAGE IV. Government Business Enterprises (Years 3-5)**

A. Establish accounting system for the Government Business Enterprises (GBEs) on the full accrual basis of accounting adhering to the IAS/IFRS.

B. Schedule training on the IAS/IFRS for all government owned entities operating at a breakeven or better profit margin. Include a case on the preparation of statements including all assets and liabilities as well as a case on consolidating statements plus footnotes.

C. Prepare Opening Statement of Financial Position to include all assets and liabilities.

D. Record all asset and liability transactions throughout the fiscal year.

E. At the end of the fiscal year, prepare the following statements to include all assets and liabilities as well as explanatory footnotes for Government Business Enterprises:
   1. Statement of Cash Flows;
   2. Statement of Financial Position;
   3. Statement of Comprehensive Income; and
   5. Notes to accompany the financial statements and explain accounting policies as well as any details associated with information presented in the financial statements.

F. Prepare narrative FSD&A in plain language to explain financial information presented in the financial statements.

G. Attach Auditor General’s opinion to the financial statements regarding the fair presentation of the financial statements in accordance with ISAs.

H. Send financial package to legislative body to include all the financial statements and their footnotes, the FSD&A, and the Auditor General’s opinion.

**STAGE V. Asset and Liability Reporting for General Government (Years 5-8)**
A. Expand accounting system to record all transactions associated with all assets and liabilities throughout the fiscal year for all levels of government (national, state, and local).

B. Schedule training on the accrual IPSAS for all controlled entities within General Government. Include a case on the preparation of statements including all assets and liabilities as well as a case on consolidating statements plus footnotes.

C. Record all asset and liability transactions throughout the fiscal year.

D. At the end of the fiscal year, prepare the following statements to include all financial assets and liabilities as well as explanatory footnotes for Central Government:

1. Comparative Statement of Budget to Actual Amounts
2. Statement of Cash Flows
4. Statement of Financial Performance; and
6. Notes to accompany the financial statements and explain accounting policies as well as any details associated with information presented in the financial statements.

E. Prepare narrative FSD&A in plain language to explain financial information presented in the financial statements.

F. Attach Auditor General’s opinion to the financial statements regarding the fair presentation of the Statements of Cash Position and the Comparative Statement of Budget to Actual Amounts in accordance with ISAs.

G. Send financial package to legislative body to include all the financial statements and their footnotes, the FSD&A, and the Auditor General’s opinion.

**STAGE VI. Asset and Liability Reporting for Whole of Government (Year 10 and beyond)**

A. Expand accounting system to consolidate the financial statements prepared for Government Business Enterprises (Stage VI) with the General Government (Stage V).

B. At the end of the fiscal year, prepare the following consolidated statements to include all assets and liabilities as well as explanatory footnotes for the Whole of Government:

1. Comparative Statement of Budget to Actual Amounts
2. Statement of Cash Flows
4. Statement of Financial Performance; and
6. Notes to accompany the financial statements and explain accounting policies as well as any details associated with information presented in the financial statements.

C. Prepare narrative FSD&A in plain language to explain financial information presented in the financial statements.

D. Attach Auditor General’s opinion to the financial statements regarding the fair presentation of the consolidated statements in accordance with ISAs.

E. Send financial package to legislative body to include all the financial statements and their footnotes, the FSD&A, and the Auditor General’s opinion.