Agenda

• IPSAS Overview
• Cash Basis IPSAS
• IPSAS adoption: literature and tools
  - IPSAS 33, *First-time Adoption of Accrual Basis IPSASs*
  - Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities*
  - IPSASB Training Modules
• UK experiences
Credible and transparent financial reporting has the potential to improve decision-making in the public sector, facilitate holding governments more accountable to their citizens and enhance global fiscal stability and sustainability.
IPSASB’s Purpose

• Serve the public interest
  – Net Benefits
  – Due Process

• Strengthen PFM through increasing adoption of accrual IPSASs by:
  – Developing high quality accounting standards for use by public sector entities globally
  – Developing other publications
  – Raising awareness
Benefits of accrual accounting under IPSAS

• Allows overview of all assets and liabilities of an entity
• Shows service potential embodied in public infrastructure
• Provides a complete financial overview of an entity through consolidated financial statements
• Provides a reliable basis for decision making
• Convergence with GFS => Improvement of the quality of statistical data
• Alignment with IFRS where appropriate
• Cash IPSAS: start of journey, not the end
The IPSASB

- Independent Accounting Standards Setter under IFAC
- Setting standards for Public Sector Entities except Government Business Enterprises (GBE)
- 18 members
- 10 international organizations with formal observers status, including IMF, World Bank, EU
- 8 staff, mainly based in Toronto, Canada
- Funding by IFAC (approx 50 percent) and various voluntary contributions from Governments and Observers
IPSASB: Rigorous Due Process

• All meetings and agenda materials are public
• Consultative process: 4-6 months response period to Consultation Papers and Exposure Drafts
• Consult on proposed accounting treatment for feedback from stakeholders
• All responses posted on website
• IPSASB must approve all public documents with 2/3 vote of members
Strategy and Work Plan Consultation

Consultation Paper Issued March 2014

Consultation Ended July 2014

Strategy Approved December 2014

Work Plan Decisions March 2015
IPSASB Strategy

Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSASs

**INPUTS**
- Funding
- Staff
- IPSASB members
- IPSASB technical advisors
- Stakeholder input
- Operational procedures

**OUTPUTS**
- Developing high-quality financial reporting standards and other publications for the public sector
- Undertaking presentations, speeches and other outreach activities in order to engage with stakeholders

**OUTCOME**
That decision-making and accountability of public sector entities are improved and global fiscal stability and sustainability are enhanced by credible and transparent financial reporting that results from the adoption of accrual-based IPSASs
Recently Completed Projects

- *Conceptual Framework (Preface & Chapters 4-8)*
- IPSAS 33, *First-Time Adoption of Accrual Basis IPSASs*
- IPSAS 34, *Separate Financial Statements*
- IPSAS 35, *Consolidated Financial Statements*
- IPSAS 36, *Investments in Associates and Joint Ventures*
- IPSAS 37, *Joint Arrangements*
- IPSAS 38, *Disclosures in Other Entities*
- RPG 3, *Reporting on Service Performance*
## IPSASB Work Plan (2)

### Current Work Plan
- Public Sector Combinations
- Government Business Enterprises
- Public Sector Specific Financial Instruments
- Financial Instruments Update (IPSASs 28-30)
- Emissions Trading Schemes

### New Projects
- Revenues (Non & Exchange)
- Non-Exchange Expenses
- Measurement (Public Sector)
- Heritage/Infrastructure Assets
- Employee Benefits – limited scope update IPSAS 25
- Leases revision (IPSAS 13)
- Conceptual Framework consequentials
- Cash Basis IPSAS Review
IPSASB Governance

Governance Review Group
  – International Monetary Fund
  – Organisation for Economic Co-operation and Development
  – World Bank
  – Financial Stability Board
  – International Organization of Securities Commissions
  – International Organization of Supreme Audit Institutions
Governance Review - Recommendations

• Public Interest Committee (met March 2015)
  – IMF
  – OECD
  – WB
  – INTOSAI

• Consultative Advisory Group
  – Composition and remit being developed
  – Operational in 2016
Cash Basis IPSAS (1)

• Cash Basis IPSAS
  – Issued in January 2003
  – Mandatory requirements (Part I) & encouraged disclosures (Part II)
  – Subsequent updates; budget information & external assistance
Cash Basis IPSAS (2)

Part I - Mandatory requirements

- Scope of Requirements
- Definitions: Cash Basis of Accounting, Cash Equivalents & Cash Controlled by Reporting Entity
- Presentation and Disclosure Requirements
- General Considerations
- Correction of Errors
- Consolidated Financial Statements
- Foreign Currency
- Effective Dates and Transitional Provisions
- Presentation of Budget Information in FS
- Recipients of External Assistance
<table>
<thead>
<tr>
<th>Part II - Encouraged disclosures</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Encouraged Additional Disclosures</td>
</tr>
<tr>
<td>• Definitions: Future economic Benefits and Service Potential</td>
</tr>
<tr>
<td>• Going Concern</td>
</tr>
<tr>
<td>• Extraordinary Items</td>
</tr>
<tr>
<td>• Administered Transactions</td>
</tr>
<tr>
<td>• Disclosure of Major Classes of Cash Flows &amp; Related Parties</td>
</tr>
<tr>
<td>• Disclosures of Assets, Liabilities and Comparison with Budgets</td>
</tr>
<tr>
<td>• Consolidated Financial Statements &amp; Joint Ventures</td>
</tr>
<tr>
<td>• Financial Reporting in Hyperinflationary Economies</td>
</tr>
<tr>
<td>• Assistance Received from Non-Governmental Organizations</td>
</tr>
<tr>
<td>• Recipients of External Assistance</td>
</tr>
<tr>
<td>• Governments and Other Public Sector Entities Intending to Migrate to the Accrual Basis of Accounting</td>
</tr>
<tr>
<td>• Presentation of the Statement of Cash Receipts and Payments</td>
</tr>
<tr>
<td>• Scope of Consolidated Statements – Exclusions from the Economic Entity</td>
</tr>
</tbody>
</table>
Review of Cash Basis IPSAS

- Initiated in 2008 to consider the following
  - Implementation difficulties
  - If modifications necessary
  - If further guidance needed
  - Should additional requirements be added
  - Should encouraged disclosures (Part II) be made mandatory
Review of Cash Basis IPSAS - Recommendations

• Task force – recommendations included:
  – Cash Basis IPSAS should be retained & updated
  – Clarify role of Cash Basis IPSAS in accruals adoption
  – Review of Part II, consideration of parts to delete vs. relocate to Part I
  – Additional IFAC support for education and training needs
  – Transitional period of 3-5 years from first adoption to full consolidation
ICGFM Response to IPSASB strategy: Views on Cash Basis IPSAS

- Valuable resource for developing countries
- Allows movement to accruals in stages as capacity is developed
- Support for issuing an exposure draft to revise Cash Basis IPSAS for pertinent issues such as:
  - Requirement for consolidated whole-of-government financials
  - Requirements related to third party payments
Cash Basis IPSAS – Limited Scope Project

• IPSASB approved project – March 2015
• Focus on the following:
  – Consolidations
  – External donor assistance
  – Third party settlements
  – Housekeeping: Updates for recently approved standards & guidelines
• IPSASB view – step on road to accrual adoption
IPSAS Adoption: Literature and Tools

- Study 14, *Transition to the Accrual Basis of Accounting*
  - Guidance for governments and government entities
  - Practically oriented
  - Project management suggestions
  - Non-authoritative
- IPSAS 33, *First-Time Adoption of Accrual Basis IPSASs*
- Training course & materials
Study 14
Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities, 3rd Ed.

► Assists public sector entities in process of adopting IPSASs.
► Especially for a transition from (modified) cash to accrual IPSASs.
► Includes a discussion of all IPSASs issued as at January 31, 2010.
► Part I of Study addresses general issues associated with transition to accrual accounting.
Study 14

Part I: General issues
- Managing the process
- Skills Assessment & Training

Part II: General financial reporting issues
- Accounting policy
- Reporting entity

Part III: Elements
- Assets
- Liabilities
- Revenues & Expenses

Part IV: Specific Topics
- Cash
- Intangible Assets
- Impairment of Assets
- Agricultural Produce & Biological Assets
- Financial Instruments
- Employee-Related Liabilities
- Liabilities from Social Policy Obligations
- Non-Exchange Revenue
- Foreign Currency
- Segment Reporting
- Related Party Disclosures
- Disclosure – Gen Govt Sector
- Presentation of Budget Info in FS
- Entity Combinations
IPSAS Adoption ‘Roadmap’ (1)

- Review available guidance (e.g. Study 14)
- Common pre adoption steps:
  a) Budget, project planning and gap analysis
  b) Identify needs - IT systems, training, legislation, budget
  c) Address needs
- Prepare for the transition to accrual – ‘dry runs’
IPSAS Adoption ‘Roadmap’ (2)

- IPSAS 33 - last stage of process
- IPSAS 33 applies from “date of adoption of IPSAS”
- Road to accruals begins much earlier than adoption date
IPSAS Adoption Process

1. Previous basis of accounting
2. Date of adoption of IPSAS
3. Period of transition
4. First IPSAS financial statements
5. Accrual IPSAS
IPSAS 33, *First Time Adoption of Accrual Basis IPSASs*

- IPSAS 33’s objective is to ensure that the first financial statements that use accrual IPSASs:
  - Provide transparent reporting about the transition to IPSASs
  - Provide a suitable starting point for compliance with IPSASs
  - Help ensure cost does not exceed benefits
IPSAS 33: Accrual Transition Paths

Non-IPSAS-Compliant

Cash Basis

Accrual Basis

(Modified) Cash Basis

(Modified) Accrual Basis

IPSAS-Compliant

Cash Basis

Accrual Basis

Cash Basis

Accrual Basis

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

- IPSAS 33 provides:
  - Comprehensive coverage of transition issues
  - Exemptions
  - Guidance
- Meets user needs
- Public sector specific focus
IPSAS 33—Exemptions

• Three year transition exemptions to recognize specific assets and liabilities
  – Affect fair presentation vs. Do not affect fair presentation
  – IPSAS 33 applies during period of transition
  – Full IPSAS compliance when no longer applying fair presentation exemptions
  – Exemptions only available for items previously unrecognized
IPSAS 33—Comprehensive

- IPSAS 33 lists all available exemptions
- Comprehensive coverage of transition issues
- IPSAS 33 is a “one-stop shop”
**IPSASB Training Course/Modules**

### Training Course Includes:
- Series of independent modules
- Illustrative examples and case studies
- Self assessment quiz
- Courses available from 1 – 5 days
- Tailored to your needs

### Training Sessions:
- Jamaica
- Lebanon

### Training Inquiries:
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Questions Discussion & Further Information

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