

IPSAS Overview, Adoption & UK Experiences

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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

Importance of Financial Reporting

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

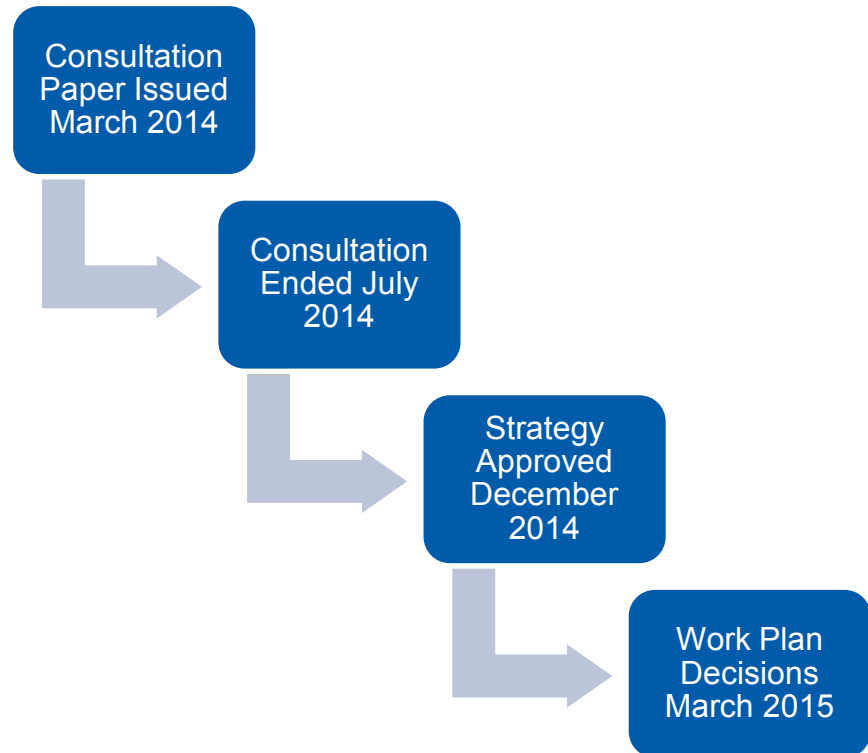
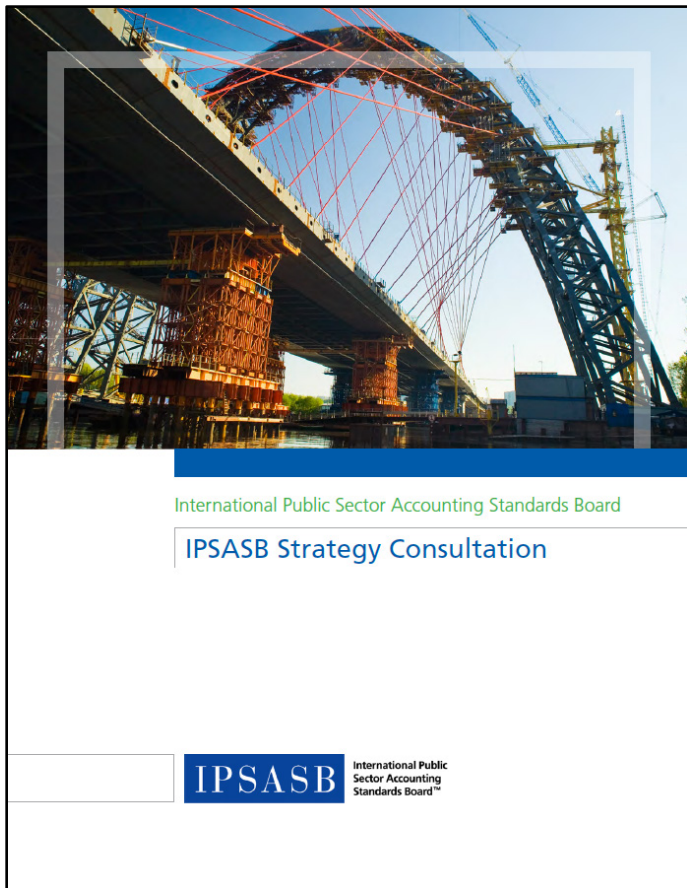
The IPSASB

- 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



IPSASB Strategy

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



IPSASB Work Plan (1)

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 consequential
- 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

Cash Basis IPSAS (3)

Part II - Encouraged disclosures

- Encouraged Additional Disclosures
 - Definitions: Future economic Benefits and Service Potential
 - Going Concern
 - Extraordinary Items
 - Administered Transactions
 - Disclosure of Major Classes of Cash Flows & Related Parties
 - Disclosures of Assets, Liabilities and Comparison with Budgets
 - Consolidated Financial Statements & Joint Ventures
 - Financial Reporting in Hyperinflationary Economies
 - Assistance Received from Non-Governmental Organizations
 - Recipients of External Assistance
- Governments and Other Public Sector Entities Intending to Migrate to the Accrual Basis of Accounting
 - Presentation of the Statement of Cash Receipts and Payments
 - Scope of Consolidated Statements – Exclusions from the Economic Entity

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

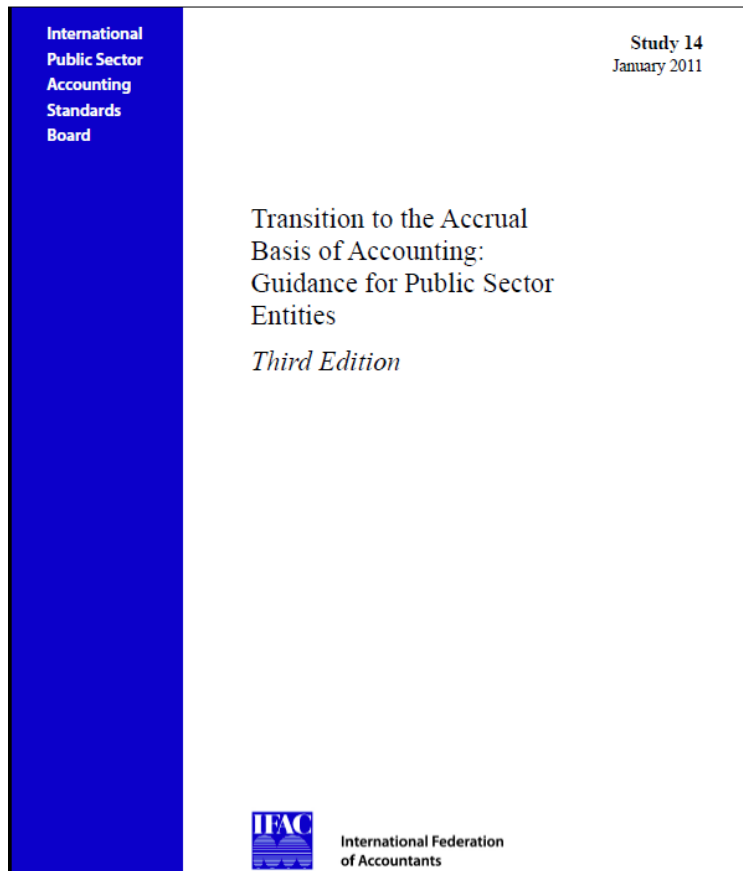
- IPSASB approved project – March 2015
- Focus on the following:
 - Consolidations
 - External donor assistance
 - Third party settlements
 - Housekeeping: Updates for recently approved standards & guidelines
- IPSASB view – step on road to accrual adoption

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)

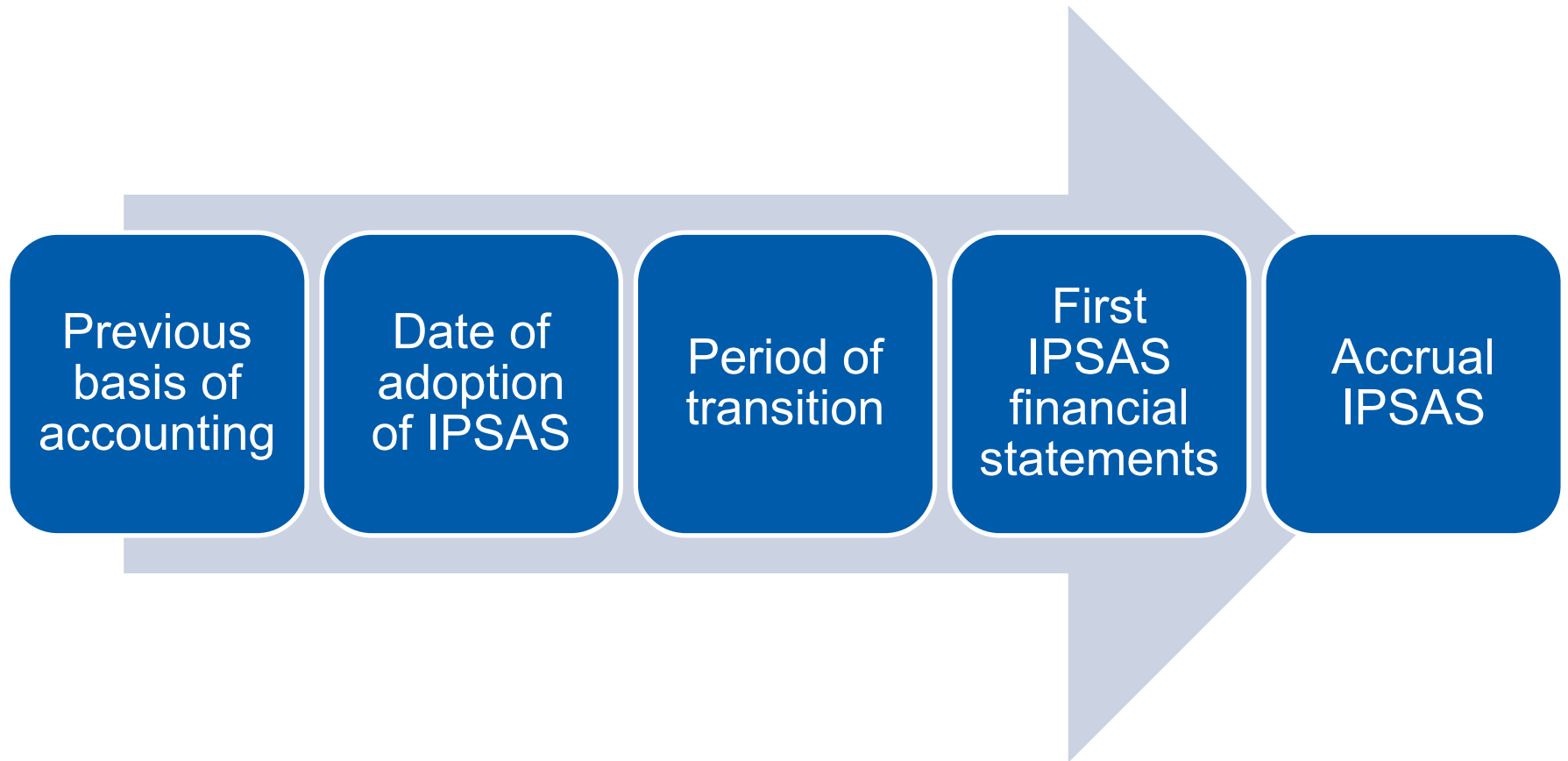
- Review available guidance (e.g. Study 14)
- Common pre adoption steps:
 - a) Budget, project planning and gap analysis
 - b) Identify needs - IT systems, training, legislation, budget
 - c) Address needs
- Prepare for the transition to accrual – 'dry runs'

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



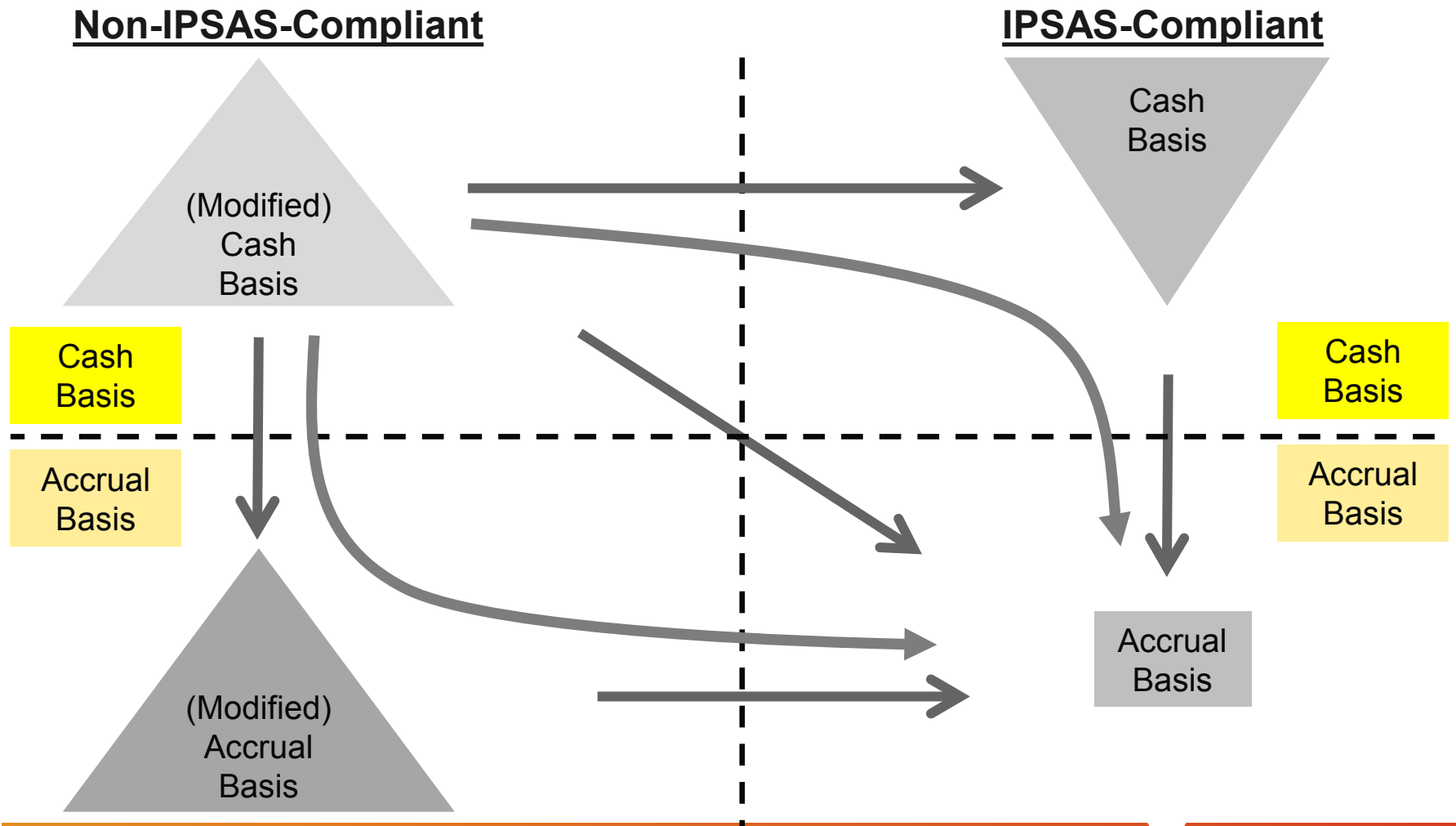
IPSAS Adoption Process



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



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

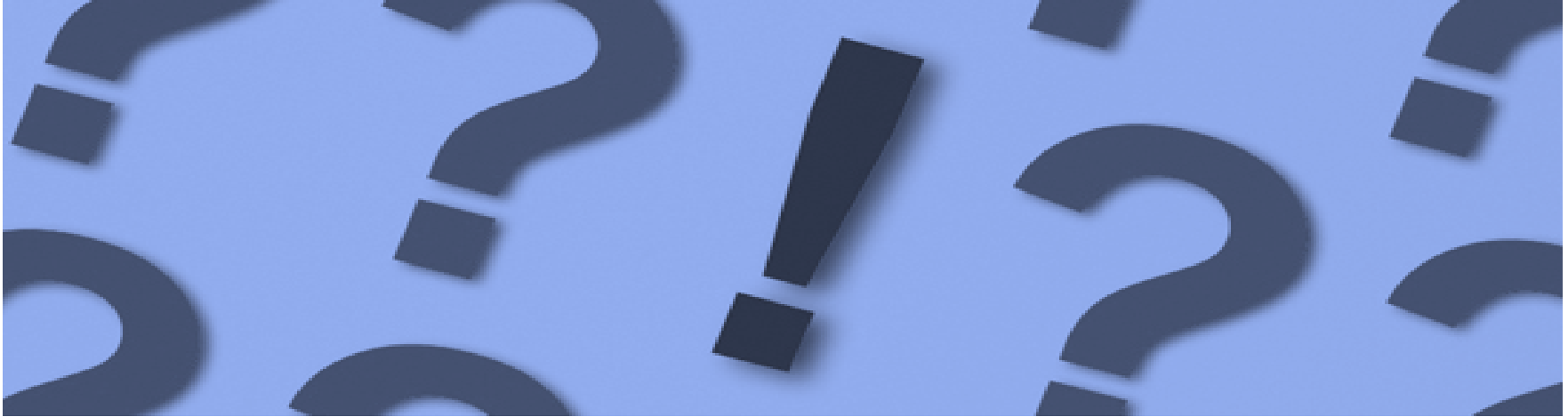
Training Sessions:

- Jamaica
- Lebanon

Training Inquiries:

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Questions Discussion & Further Information



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