



INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) First Experiences

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Evolution public sector

- **Heterogeneous governmental accounting systems**
 - Within countries:
 - Different approaches and rules for national, regional and local governments; musea, schools, health care, etc.
 - “Diverging” convergence *New Public Management*
 - Different combinations budgetary accounting – accrual accounting
 - Amongst countries:
 - Heterogeneity due to differing reforms and differing subsidizing
 - Different accounting frameworks: for economic info, for oversight bodies, for macro-economic purposes, for world bank, etc.
 - International organisations

Evolution public sector (2)

- **Dissatisfaction about government's**
 - Accounting practices
 - Reporting to Parliament, citizens and stakeholders
 - Need for transparency and reporting financial position and financial performance (accrual accounting)
- **Criticism**
 - “Home made”, too heterogeneous
 - Incomplete, often changing

IPSASBoard

- **International Standardsetting body part of IFAC**
- **Consisting of (accounting) professionals**
- **IPSAS (since 2000)**
 - Based on IAS/IFRS
 - 21 standards accrual accounting, 1 cash accounting
- **Guidelines, Studies, Occasional papers**

Scope of IPSAS

- **For which organisations?**
 - All public entities
 - Not Government Business Enterprises (IAS/IFRS)
 - Non-profit organisations if related with government
 - Not (yet) other non-profit organisations
- **For what reporting?**
 - “General purpose financial statements”
 - Not “Special purpose financial statements”

IPSAS enforceable?

- **IPSAS = suggestion, not an obligation**
- **Governments remain sovereign**
- **Adoption and implementation is encouraged**

Due process

- Invitation to comment
- Exposure draft
- Approval IPSAS

Current situation

- **Accrual based IPSAS**
 - IPSAS 1 and 2: Standards on Presentation of financial statements and accounting policies
 - IPSAS 3 to 21: Standards on Specific transactions and items (e.g. 12 Inventories; 17 Plant, prop; ...)
- **Cash based IPSAS**
- **Exposure drafts**
 - Non-exchange transactions
 - Heritage assets, PPP, capital assets, ...

Trends

- **Countries starting implementation IPSAS**
 - Australia, New-Zealand, Lithuania, The Netherlands, Switzerland, ...
- **Countries interested in IPSAS**
 - France, South-Africa, Israel, Kosovo, ...
- **International organisations adopting IPSAS**
 - OECD, Eur. Comm., UN, NATO, ...

Evaluation IPSAS

- + Worldwide accounting rules
- + Professional standard setting body
- + In relationship with IAS/IFRS
- + Recognition two perspectives
 - Accrual accounting
 - Cash accounting
- - Lack of conceptual framework
- - Less support governments & academics
- - Copied from IAS/IFRS assuming that accrual accounting is supreme
- - Denying cameralistic accounting

Evaluation IPSAS (2)

- + Respecting specific governmental characteristics
- + Not compulsory
- - Underestimation governmental context
- - Lack of enforcement power IPSASB

Threats

- Will IPSASs be adopted and to what extent?
- What will be the relationship with other standards such as “European System of Integrated Economic Accounts” (ESA 95), “Government Finance Statistics Manual” (IMF), ...?
- Is IPSAS the answer to measure accomplishments of services provided?
- What will be the economic and social consequences of applying IPSAS?
- Will IPSAS lead to an improved management?

Problems to be resolved

- Definition of “entity” (segments, consolidation)
- Transition: “first balance sheet”
- Integration existing budgetary accounting – accrual accounting
- Non-exchange transactions, heritage assets, administered assets, ...

Challenges

- **Standard setting → Implementation**
- **Integration IPSAS accounting with budgetary accounting and government governance**
- **Accounting standards Not-for-profit organisations**

Experiences

- Cameralistic accounting systems are “sedimented” and their function should not be underestimated
- IPSAS is perceived (and sometimes advised) as the only one and excluding cameralistic accounting → resistance, misunderstanding
- Governmental decision-makers do not understand accrual accounting and why it is different

Experiences (2)

- **Politicians are not interested except for certain cosmetic aspects and legitimacy**
- **If their governing / financing system keeps using cameralistic accounting, then accrual accounting is not an answer to their needs**
- **Confusion surpluses/deficiencies with profit/loss**

Experiences (3)

- **Difficulties in integrating the IPSAS reporting in the organisation's management process**
- **IT appears to be a very important factor in many respects**
- **adopting IPSAS often based on the aim to harmonise financial reporting**

Suggestions for implementation

- Implementation is a project: thus objectives, planning, activities, follow-up
- Striving for IPSAS, but not unconditionally, taking into account the financial, juridical, governing context
- “Knowing the client’s business”: no compulsion of standards but starting from the organisation with its transactions itself

Suggestions implementation (2)

- **Need for an approach in stages:**
 - **Transformational** (first 2 to 3 years): maintaining traditional accounting system, year end adjustments → IPSAS reporting
 - **Transactional**: continuous registration of transactions in terms of accrual accounting with an integration of traditional system
- **Defining the accounting entity**
- **Multidisciplinary steering group taking care of accounting, IT, internal audit, management issues**

Suggestions implementation (3)

- Analysing administrative processes and elaborating or revising accounting manual
- Drawing up First balance sheet
- Integrating the accounting system
- Management and governance aspects