The Institute of Chartered Accountants of Zimbabwe
IPSAS and role of the Accountancy Profession

Road A, Country X, Loan US$ 150m

Borrowings, guarantees....
- Borrowings?
- Contingent liabilities?
- Guarantees?
Questions

- Should the transactions be recorded and presented and/or disclosed in governments financial statements?
- ......how do you assess the quality of public sector financial information?
- Should we improve public sector reporting?

Presentation outline...

Quality of reporting - Africa

IPSAS...why, what, adoption

Role of the Profession - Zimbabwe

Conclusion

Quality of financial information in Africa...
PFM .... Key dimensions per PEFA

- Budget credibility
- Comprehensiveness and transparency
- Six critical dimensions of PFM system performance
- Policy-based budgeting
- Effective audit and External scrutiny
- Accounting, recording and reporting
- Control and stewardship in budget execution

PEFA Assessments results..Africa (Oct 09)

- Link to economic growth...

PEFA overall results...

Significant variability in average scores.

Africa Region PEFA Scores (October 2009 data)
What about financial reporting?
PEFA – Accounting Performance Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
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<tbody>
<tr>
<td>P1 22</td>
<td>Timeliness and regularity of accounts reconciliations</td>
</tr>
<tr>
<td>P1 24</td>
<td>Quality and timeliness of in-year budget reports</td>
</tr>
<tr>
<td>P1 25</td>
<td>Quality and timeliness of annual financial statements</td>
</tr>
<tr>
<td>P1 26</td>
<td>Scope, nature and follow up of external audit</td>
</tr>
</tbody>
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**a. Quality and timeliness**
*Accounting - Bank Reconciliation (P1-22)*

**b. Quality and timeliness: AFS**
*Reporting (P1 24+ P1 25)*
c. Performance in other areas

- External audit - time, standards, AG issues
- Size of reports
- Completeness of information: standards

So, what should we do? ...adopt IPSAS

International Public Sector Accounting Standards Board (IPSASB)

Objective: 
..high-quality public sector accounting standards

- Develops: Cash and accrual standards, transition guide
- Membership:
  • 15 members + 3 public (Kenya + South Africa)
  • Observers (Funders)

Why IPSAS standards...
Why IPSAS:
.....quality financial information...REAL

- Planning and budgeting
- Measurement of govt performance
- Accountability and stewardship
- Internal controls improvements
  
  contribute to improved service delivery and economic growth

Why not IFRS...

Why public sector standards, not IFRS?

- Public Sector specific issues
  - Revenue from non-exchange transactions
  - Social benefits e.g. old age pension, child grant
  - Heritage assets
  - Budget reporting
  - Public Private Partnerships

- Purpose of financial statements
- Public sector terminology, examples
  
  how developed?

...IPSAS development approach

1. IFRS (Private Sector)
   - Terminology
   - Public sector guidance
   - Public sector examples

2. IPSASs (Public Sector)
   - Public sector issues

Achievements...
Achievements...work plan

- 31 Accrual based standards (April 2010)
- Strategic plan 2007 – 2009 (> 2010?)
  1. Conceptual framework
  2. Public sector specific standards
  3. Convergence with IFRS
  4. Promotion and communication

Adoption...global, Africa

Adoption of IPSASs

UN system (28 bodies) 2008
OECD, NATO (21 bodies), EC, IFAC, INTERPOL
Switzerland, Israel, South Africa

Over 70 countries...in progress or intention

Brazil, Russia, India, China have indicated their intention to adopt

...adoption in Africa.....

Adoption....African countries

- Tanzania: IPSAS Cash from 2006/7
- Mauritius: IPSAS cash Central Government > 4 years
- Kenya: Local govt: accrual 2008 Central govt Parallel IPSAS cash 2010/11
- Botswana GFS format Cash basis
adoption...South Africa

- **Legislation**: PFMA...GRAP (accrual) developed by Accounting Standards Board (ASB)
- **GRAP implementation**
  - Municipalities (283) all by 2010
  - National & Provincial Dept – modified cash
- **Trainings**: government and profession
- **Reforms**: Assets, inventory, internal controls

What should we consider to implement the standards?

Key adoption considerations

1. **Leadership**: political support, partnerships
2. **Legislation** : IPSAS mandate
3. **Information system** [COA]
4. **Staff development** [current, future]
5. **Information generation**: REAL
What is the role of the profession? Are there opportunities?

1. Partnership with Government
   - Legislation enactment... PFM / reporting
   - Strategy formulation... use expertise
   - Guidelines development
   - Training programs for Government employees
   - Awareness: Parliament, PAC, public
   - Audit committees - governance leadership

2. Accountancy qualification
   - Number of Accountants – professional
     - Botswana: 1,500 (Auditor-General: 3; Accountant General: 0)
     - Kenya: 6,500 (922 public sector)
     - Mauritius: 1,575 (96 public sector)
     - Uganda: 914 (234 public sector)
     - SAICA, CA: 30k (3% public sector estimate)
     - Malawi 518 (97 public sector)
     - Zimbabwe 2254
   - Qualification – professional and technician
     - Inclusion of public sector?
     - Technicians development
3....opportunities....

- Assets reforms: Identification, Recording: assets registers; Valuations
- Working capital management: cash, receivables
- Information systems
- Financial statements preparations
- Internal controls strengthening
- Internal audit services...
- External audits...local govs, GBEs, contract

...World Bank support...

World Bank support for IPSAS

1. IPSAS GAP analysis tool
2. PFM Staff capacity development
3. Partnership, funding and promotion
   a. IPSAS adoption guideline (Botswana)
   b. Promote: Bank projects apply IPSAS cash
   c. Partnerships with IPSASB: funding, observer

Conclusion

- IPSAS adoption can enhance financial reporting in public sector
- Challenge..what should we do to implement the standards in Zimbabwe?
- Profession .. are we ready to support government and ..benefit from the opportunities?
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Thank you for your time