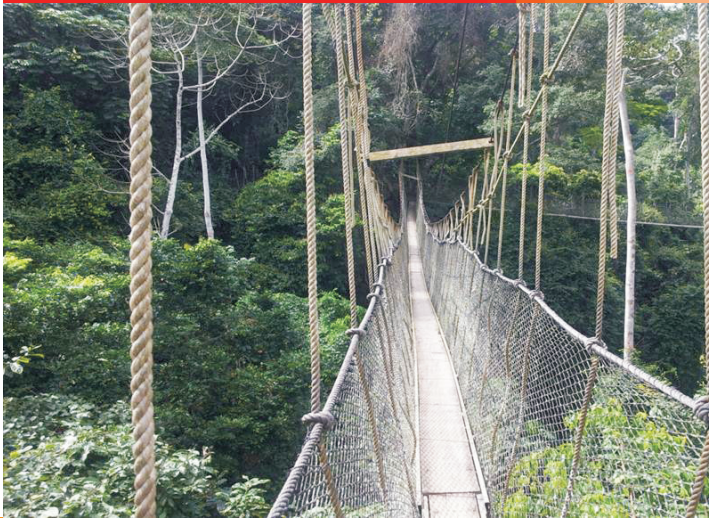


# *Implementing IPSAS*

Part of a wider  
Finance Reform



## ***Introduction***

The Federal Executive Council (FEC) at its meeting of 28 July 2010 approved the adoption of the International Public Sector Accounting Standards (IPSAS) by 2013 (cash) and 2015 (accrual). Subsequently, the FAAC IPSAS sub committee recommended the extension of the adoption date to 2014 (cash) and 2016 (accrual).

Accrual-based (not cash-based) accounting and reporting framework such as the International Public Sector Accounting Standards (IPSAS) is the first logical step to promote a culture of accountability and transparency in the management of government finances.

Proper accounting and reporting of transactions is mandatory for any organisation with fiduciary responsibility to its stakeholders but it is even more so for governments in

the developing world where poverty is directly related to corruption. However, we know from experience and the proposed changes to the roadmap timelines that the transition we are about to undertake will be arduous because of the sheer scope of work and required change in behaviours formed over our entire life as a nation. Accordingly, we believe that the process will benefit from the early involvement of subject matter experts with both local and global experience.

This is therefore a statement of our understanding of the requirements of the project and our capability to assist in the planning, design and execution of a successful transition programme.

Our aim is to make your transition to IPSAS as painless and as cost-effective as possible.

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## ***Making the transition***

Making the change to IPSAS is much more than an accounting exercise. It will impact your entire organisation in the following areas:

**Policies** - A comprehensive accounting and budgetary manuals supplemented with concise implementation rules should be developed and applied by all tiers of government.

**People** – Change in mindset of government officials, staff, regulators, oversight bodies and other stakeholders.

**Systems** – Develop new ways of reporting and communicating financial information as well as implementing suitable Information Technology platforms.

**Processes** – enhance existing processes, create new ones and re-examine internal control frameworks

The body of knowledge needed to implement the language is only evolving globally and Africa is already lagging behind.



## Our Conversion Methodology

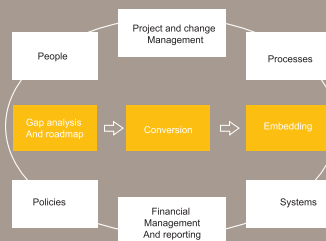
Adopting IPSAS is a major undertaking for an organisation and having a partner that has the necessary knowledge, experience and expertise to manage the change in all these areas is essential.

Accordingly, PwC and Brandsmith Consulting will leverage our combined global experience and local sector knowledge to make your IPSAS transition as painless and cost effective as possible.

Our IPSAS conversion methodology involves a three-phase approach designed to derive maximum value for your organisation. It builds IPSAS into your current operational and administrative processes with minimal disruptions to current operations.

### ***Phase One – Gap analysis and Roadmap***

A gap analysis maps current practices to the desired objectives of an IPSAS conversion and defines the changes the government must make in all four areas listed above.



It assesses and clarifies government's political will, ability and readiness to commit the required resources for a successful conversion and is critical to avoiding failure and wastage of scarce public funds.

Gap analysis results in a documented road map or project plan which phases the entire conversion project with time and money budgets, required legislative or executive policy intervention, skills acquisition and infrastructure. The project plan is sufficiently detailed to avoid significant and expensive variations in subsequent phases of the project

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## ***Our Conversion Methodology***

### ***Phase Two: Conversion***

This phase begins with communication of government's intent and purpose to all stakeholders, constitution and training of the conversion committee and implementation team, design of accounting policies, chart of accounts, procurement and installation of systems and mapping of transactions to the IPSAS account codes.

Conversion also includes mapping of information flows and identification and fair valuation of assets for the creation of a comprehensive Fixed Assets Register (FAR).

Setup activities are followed by test conversion where the accounting ledgers and FAR are designed, opening balances and initial IPSAS adjustments determined, initial three months of transactions posted and test IPSAS-compliant financial statements prepared to validate the project outcomes. Once completed, test conversion is extended to initial conversion where the first full year of IPSAS accounting is completed to produce Year 1 IPSAS financial statements.

Finally, the project outcomes and deliverables are assessed against the project plan and necessary adjustments are made.

### ***Phase Three: Embedding***

In the final phase, experience gained within the close conversion team is shared with the wider organisation and specific training programmes and activities are conducted to make IPSAS a comfortable everyday accounting language for users.

Embedding the change involves:

- continuing IPSAS training throughout the entity
- inculcating the accrual mindset
- documentation of policies, processes and procedures including internal control, risk management and accounting manuals
- training with the systems and
- modification of budgeting processes
- In practice, certain aspects of the work relating to any of the three phases are carried out simultaneously.

## ***How PwC and Brandsmith can assist you***

We can offer either assistance on a full conversion process or ad hoc services on request.

<i><b>Examples of potential challenges</b></i>	<i><b>How we can assist you</b></i>
<i><b>Project and change management</b></i> specific or full assistance with your IPSAS conversion process or outsource entire management	Management of all or part of the IPSAS conversion project. Full conversion includes training, technical advice, development of conversion strategy, etc
<i><b>IPSAS accounting advice</b></i> Insufficient internal expertise for specific accounting standards	Gap analysis between current accounting standards and IPSAS and technical analysis on critical financial statement areas
<i><b>Training and workshops</b></i> Your financial professionals require individual training on key IPSAS accounting areas	Provide overseas and local technical training sessions and workshops through our IPSAS Academy
<i><b>Process and system improvement</b></i> Uncertainty that changes to your organisation and business processes are effectively translated into the IT environment	Business process reviews, design of risk and compliance frameworks, internal control procedures and manuals and assistance with embedding the changes into your IT environment
<i><b>Financial management and reporting</b></i> inability to reconcile financial and budgetary accounts. Need for improved financial reporting	Compliance reviews of whether IPSAS requirements are met in financial statements and annual reports

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## ***How PwC and Brandsmith can assist you***

You can draw on our network to deploy teams comprising local and international experts combining practical IPSAS expertise, specialist and local public sector knowledge.



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