

# IPSAS Implementation Experience: Global Perspectives

Thomas Müller-Marqués Berger

5 May 2015



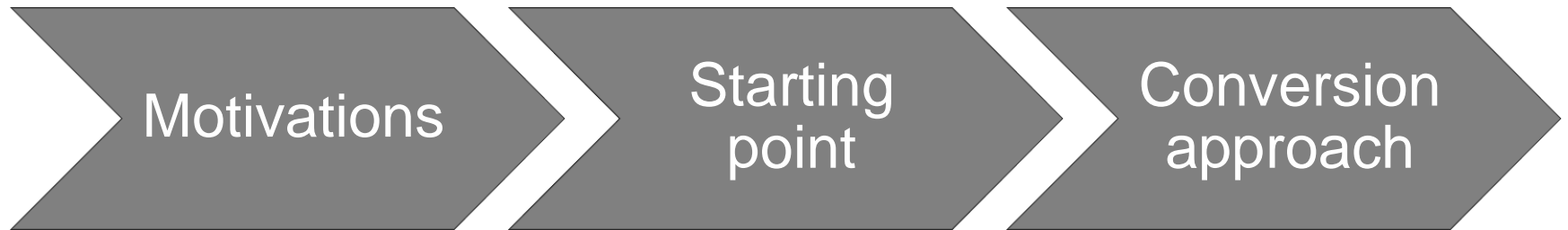
Building a better  
working world

# IPSAS conversions – approaches and organization



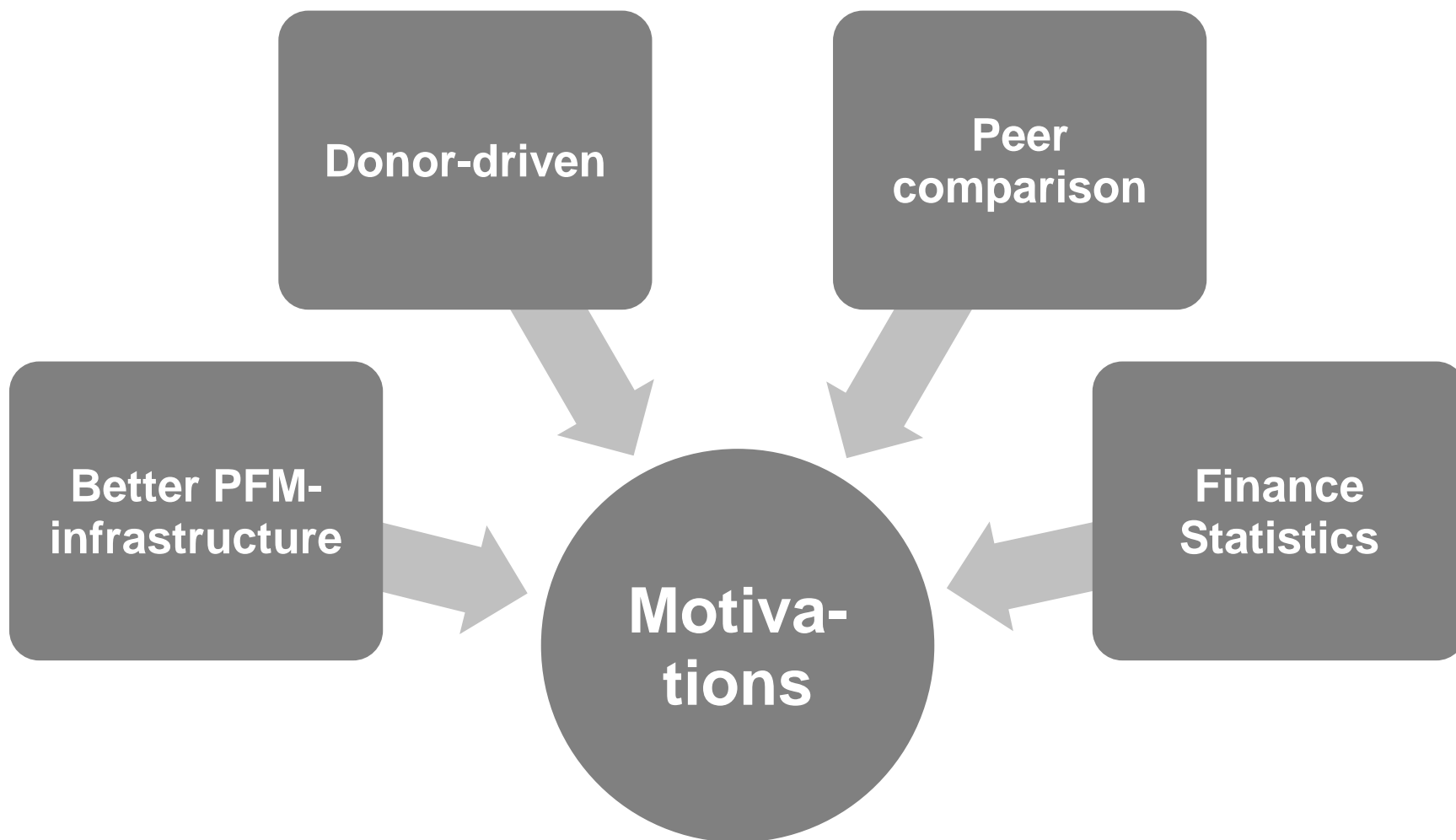
# Relationship between Motivations, Starting Point and Conversion Approach

---



# Potential motivations for accounting reforms

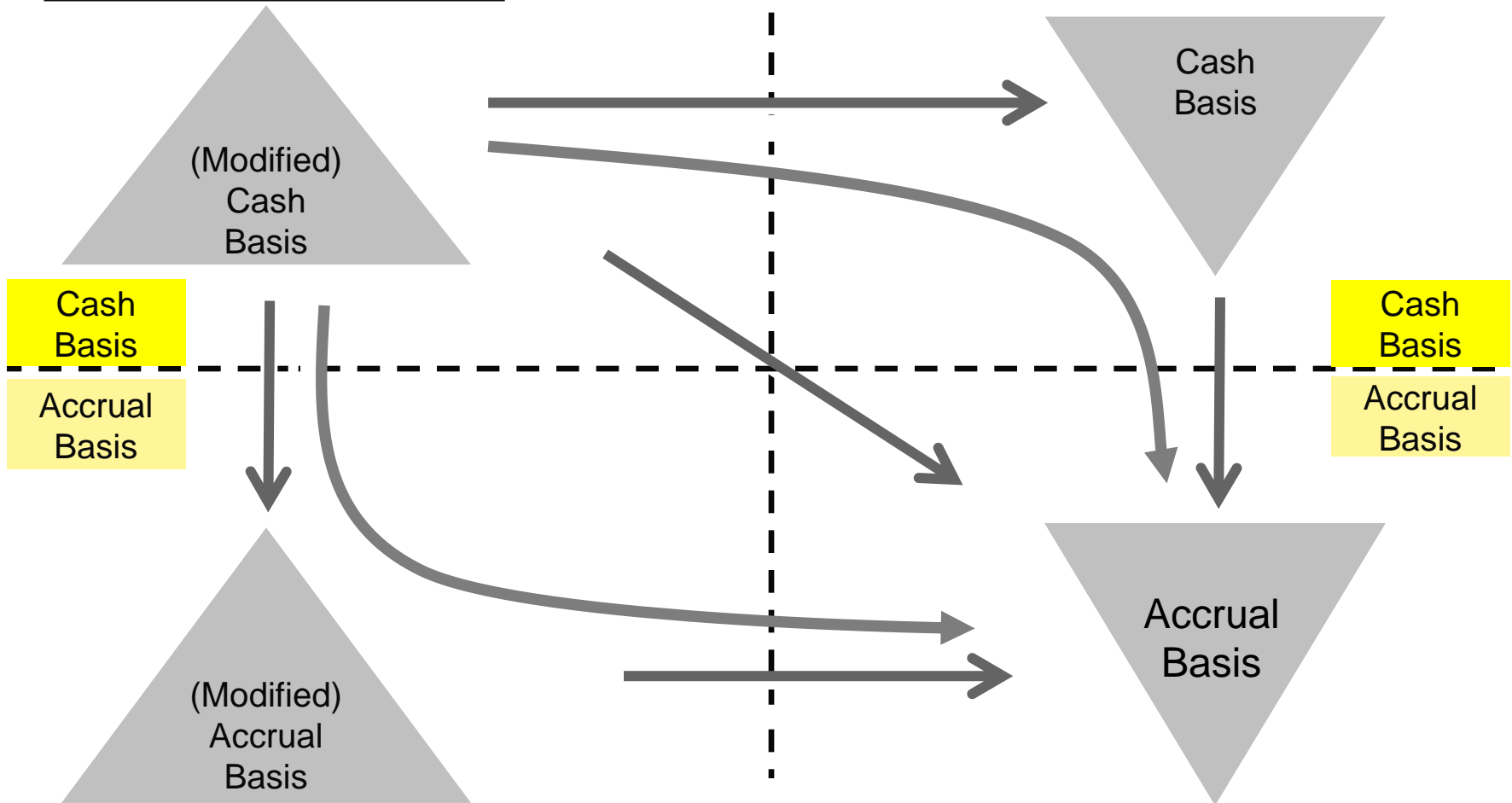
---



# Benefits, challenges and cost depend significantly on your starting point

## Non-IPSAS-Compliance

## IPSAS-Compliance



# Selected Conversion Approaches

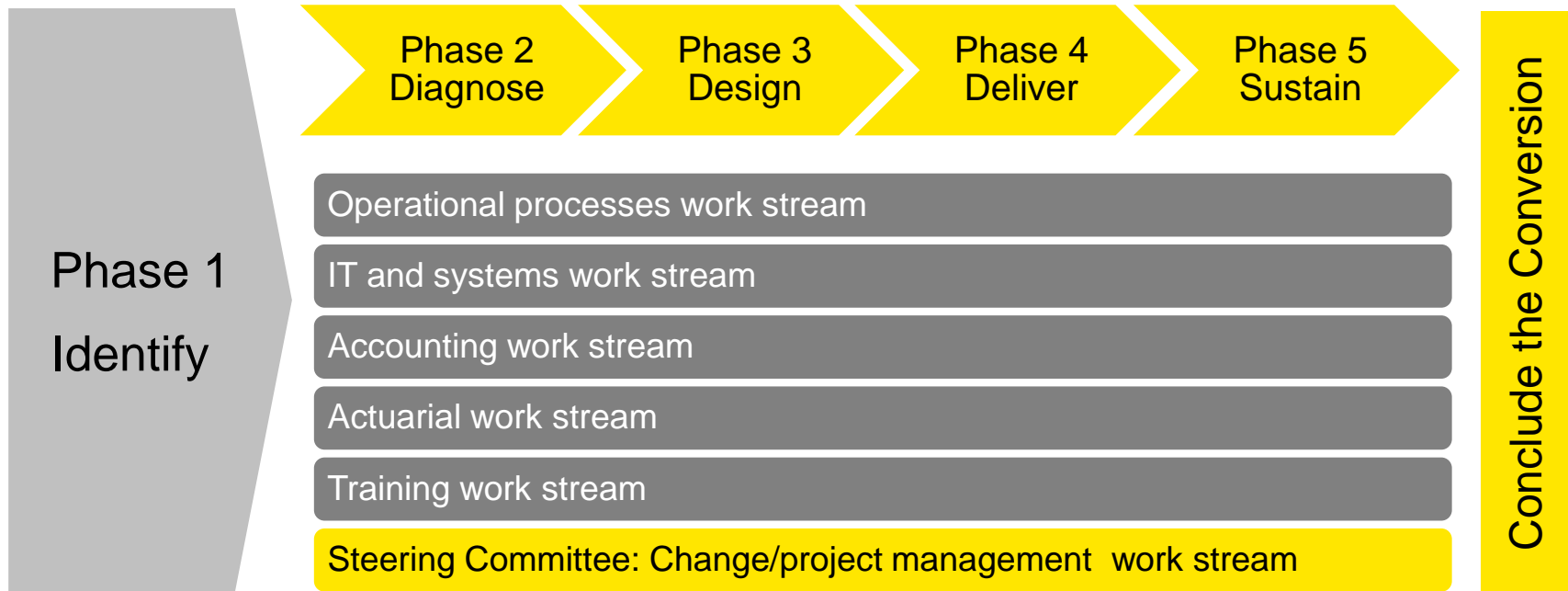
---

- ▶ Africa
  - ▶ Diverse picture (e.g. South Africa vs. cash based countries)
  - ▶ Some African countries first move/moved to Cash Basis IPSAS (e.g. Nigeria)
  - ▶ Collective approach by some countries (e.g. East African Community)
- ▶ Asia
  - ▶ China pursued pilot projects for the provinces, staged approach
  - ▶ Malaysia on the way to accrual (federal and states) via Cash Basis IPSAS
  - ▶ Other countries like Indonesia, Sri Lanka and The Philippines follow
- ▶ Europe
  - ▶ Development of accrual-based European Public Sector Accounting Standards (EPSAS) – finance statistics as one driver for the reform
  - ▶ Covers all layers of administration (federal, states, agencies and municipalities)
  - ▶ Phased approach; gradual adoption planned, exemptions for smaller entities
- ▶ MENA - United Arab Emirates
  - ▶ “Best in Class”
  - ▶ Focus on preparation of (first) IPSAS financial statements

# Process of Conversion

## Implementation Process - Overview

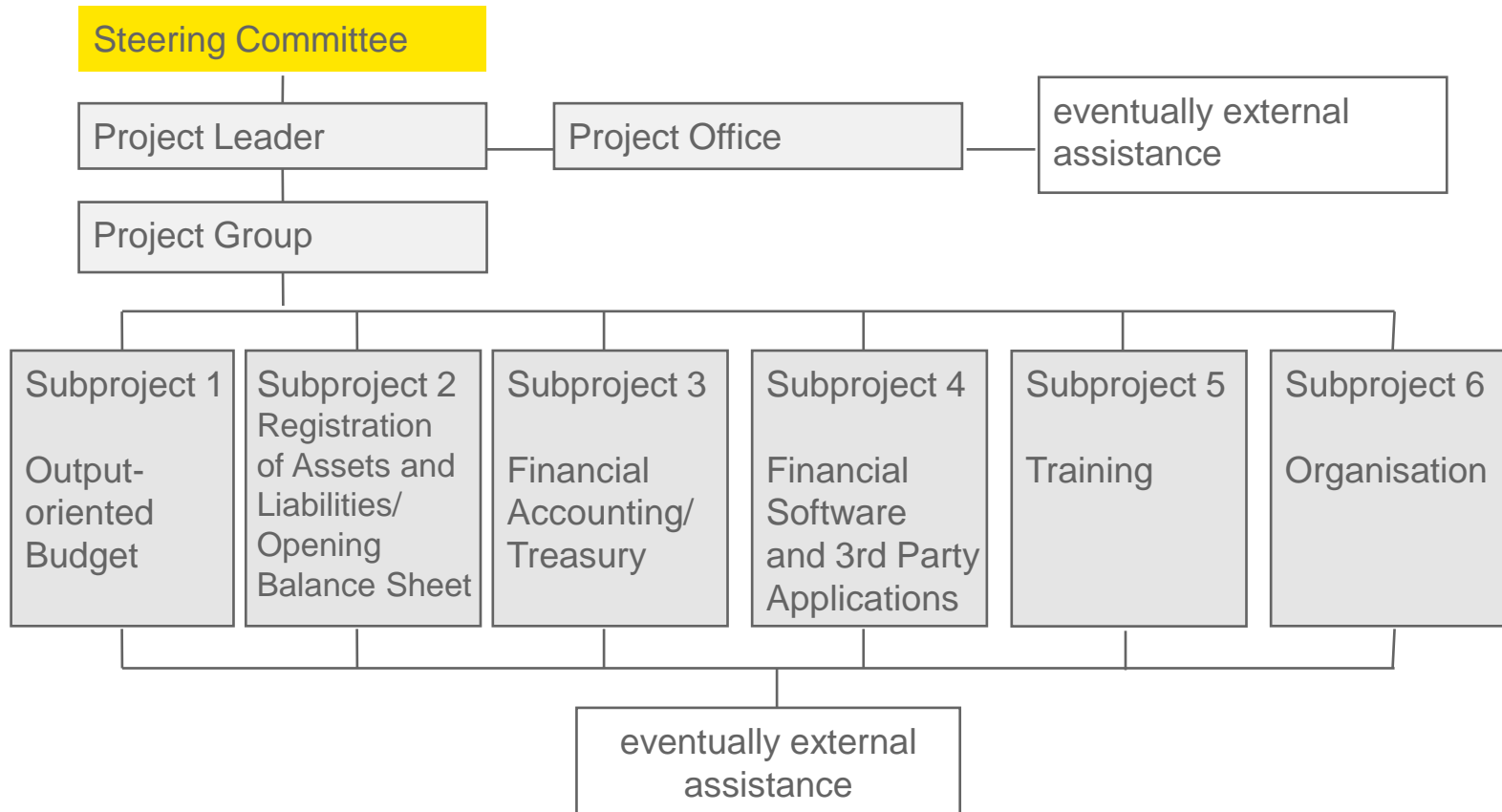
---



# Process of Conversion to IPSAS

## Illustrative Structure of a Conversion Project

---





# IPSAS Conversions – Challenges and Do's & Don'ts



# Conversion Impact and Challenges

## Challenges

### *Change Management*

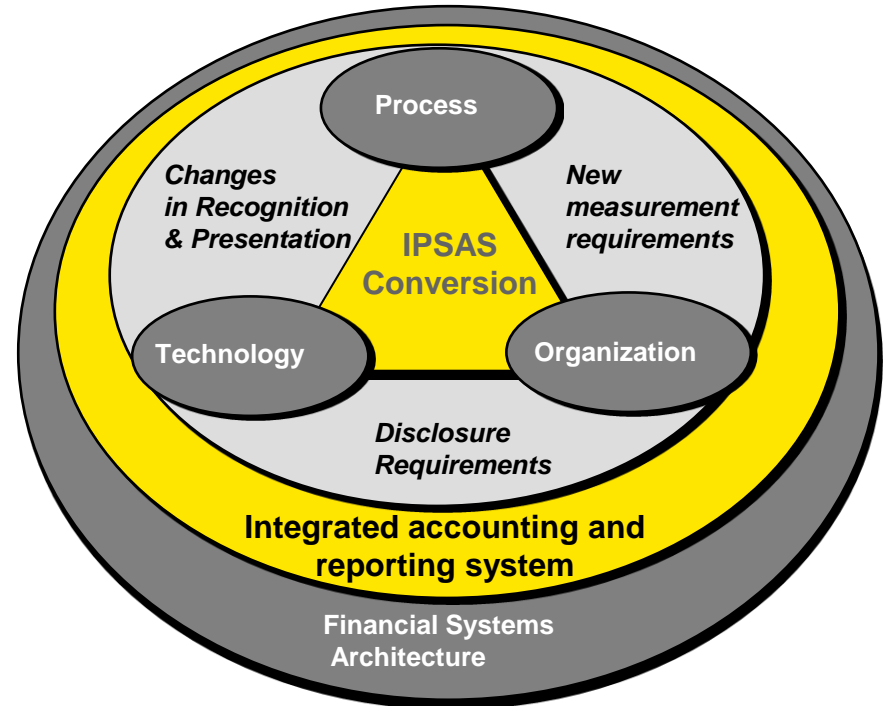
- ▶ Reform will of politicians and executives -> sponsorship required!
- ▶ Change of mind necessary – setting up of „climate of change” required
- ▶ Avoidance of reform fatigue

### *Resources*

- ▶ Capacity building on accrual accounting
- ▶ Creation of necessary capacities
- ▶ Involvement of responsible auditor/s essential

### *Technology & organisation*

- ▶ Selection and implementation of appropriate IT-/ERP-systems
- ▶ Effects on processes and organisation
- ▶ Recognition and measurement of assets and liabilities in the opening balance sheet



1. Accounting requirements imply changes/adaptations in processes, technology and organisation
2. Not a treasury project: also areas outside the accounting function are affected

# Lessons learned

## IPSAS Conversions – Do's

---

### ▶ Scope of reform

- ▶ Recognize the **importance of budgeting** => consider reform scope carefully
- ▶ make the project relevant - reform needs to be **linked to decision-making**

### ▶ Project Management

- ▶ **Plan** and **manage** the conversion project **carefully** – project hides multiple interrelations and complexities
- ▶ Invest time in the **gap analysis** and development of a **realistic roadmap**
- ▶ Identify the entities which will **determine the majority of the values** regarding the items in the government's balance sheet (materiality)
- ▶ Involve **technical expertise** in the conversion (auditors, statistical offices)

### ▶ Organisation

- ▶ Establish a **conversion project steering committee** (milestones, com. protocols)
- ▶ **Anticipate the major challenges** around a successful conversion
- ▶ Think of having a **trial opening balance sheet** and **dry run** accounts

### ▶ Communication

- ▶ Aspire stakeholder-specific **explanation of benefits of IPSAS conversion** in order to obtain buy-in of all groups concerned, esp. political commitment.

# Lessons learned

## IPSAS Conversions – Don'ts

---

### ▶ Scope of reform

- ▶ Do not limit the project to an **accounting reform**
- ▶ Do not assume that it is a **desktop exercise**
- ▶ Don't aspire to be **100% IPSAS compliant** in the first stage of the reform; there will also be a learning curve

### ▶ Project Management

- ▶ Don't be **over ambitious** in terms of timing -> damage of **lost trust** is higher than initial increase in confidence after having announced great plans
- ▶ The conversion should not be undertaken without **adequate training of accounting personnel** on accrual accounting and IPSAS standards
- ▶ Don't do without an **early assessment of IT system conversion readiness**

### ▶ Organisation

- ▶ Don't assume all **documentation will be in place** – plan time for stock take

### ▶ Communications

- ▶ Don't **underestimate communication** – get especially the media involved

# Thank you for your attention!

---



**Thomas Müller-Marqués Berger**  
Wirtschaftsprüfer • Steuerberater  
Partner  
Global Leader International Public Sector  
Accounting

Phone: +49 711 9881 15844  
Mobil: +49 160 939 15844  
Fax: +49 181 3943 15844  
thomas.mueller-marques.berger  
@de.ey.com

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft  
Mittlerer Pfad 15  
70499 Stuttgart



ey.com

About the global EY organization

The global EY organization is a leader in assurance, tax, transaction and advisory services. We leverage our experience, knowledge and services to help build trust and confidence in the capital markets and in economies the world over. We are ideally equipped for this task — with well trained employees, strong teams, excellent services and outstanding client relations. Our global purpose is to drive progress and make a difference by building a better working world — for our people, for our clients and for our communities.

The global EY organization refers to all member firms of Ernst & Young Global Limited (EYG). Each EYG member firm is a separate legal entity and has no liability for another such entity's acts or omissions. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

For more information, please visit [www.ey.com](http://www.ey.com).

In Germany, EY has 22 locations. In this publication, "EY" and "we" refer to all German member firms of Ernst & Young Global Limited.

© 2015 Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft  
All Rights Reserved.

[www.de.ey.com](http://www.de.ey.com)