

Transition to the Accrual Basis of Accounting: ° Guidance for Public Sector Entities Tanzania Case

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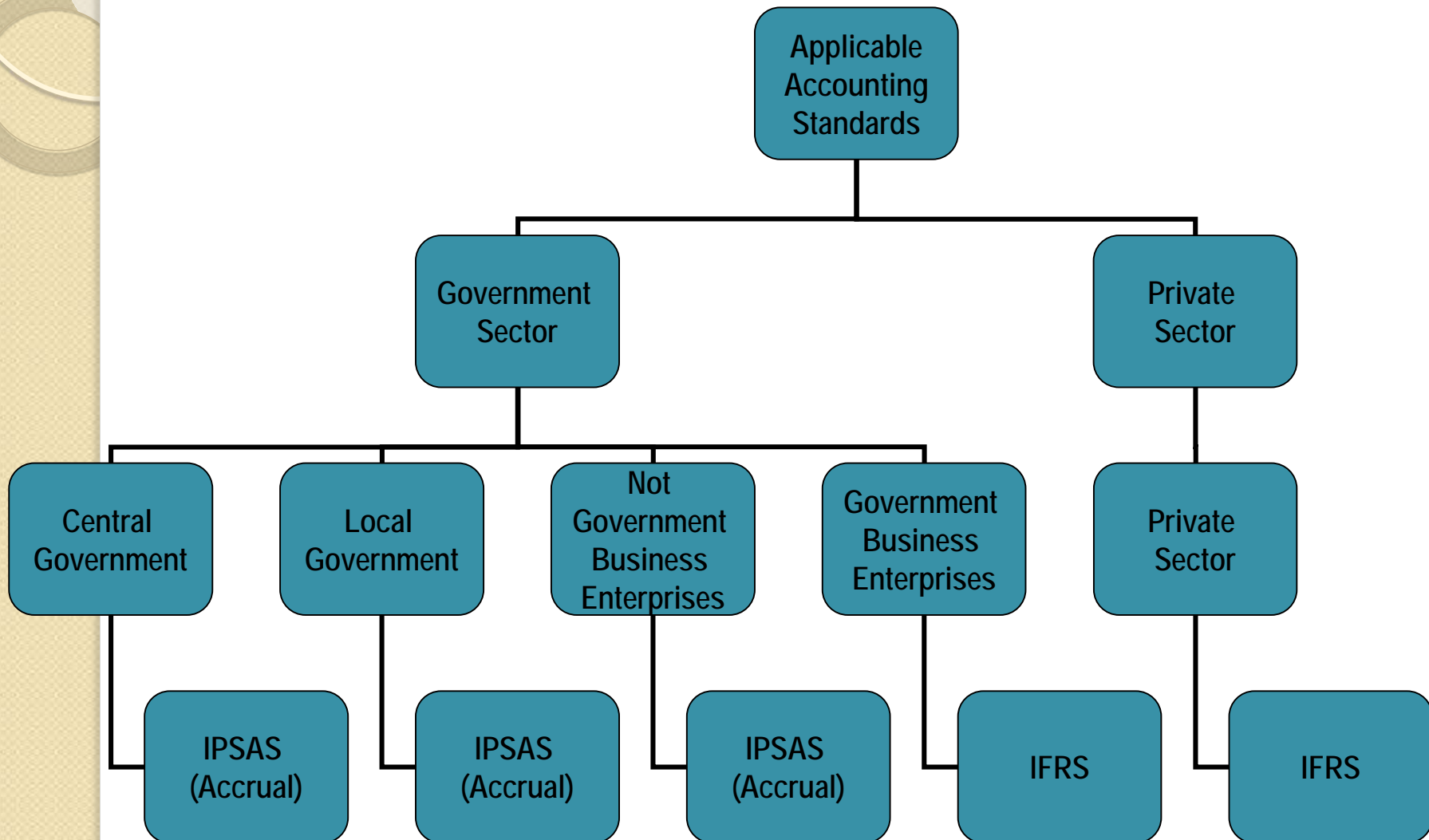
Agenda

- Introduction
- Challenges & Managing the process
- Skills assessment and training
- General financial reporting issues
- Progress of 2014 Consolidated financial statements
- Areas of Emphasis
- Conclusion

Introduction

- Applicable Accounting Standards
- Give guidance for preparers of financial statements to ensure that financial statements presents truly and fairly state of affairs of the entity.
 - International Standards:
 - International Financial Reporting Standards (IFRS) issued by IASB
 - International Public Sector Accounting Standards (IPSAS) issued by IPSASB

IntroductionCont



IntroductionCont

Two major basis of reporting are:

- **Cash basis**
 - Transactions recorded as cash is paid or received
- **Accruals basis**
 - Transactions recorded as commitments are effected not when cash is received or paid

Introduction.....Cont

Benefits of Accrual Accounting

- The information contained in reports prepared on an accrual basis of accounting is useful both for accountability and decision-making. Financial reports prepared on an accrual basis allow users to:
 - Assess the accountability for all resources the entity controls and the deployment of those resources;
 - Assess the financial position, financial performance, and cash flows of the entity; and
 - Make decisions about providing resources to, or doing business with, the entity.

IntroductionCont

Benefits of Accrual Accounting

- More detailed importance of reporting under accrual basis of accounting:
 - Shows how an entity financed its activities and met its cash requirements;
 - Allows users to evaluate an entity's ongoing ability to finance its activities and to meet its liabilities and commitments;
 - Shows the financial position of an entity and changes in financial position;
 - Provides an entity with the opportunity to demonstrate successful management of its resources; and
 - Is useful in evaluating an entity's performance in terms of its service, costs, efficiency, and accomplishments.

Challenges & Managing the process

Challenges faced by Tanzania when adopting IPSAS which slowed the speed of the transition to accrual accounting include:

- a. The system of government and the political environment;
- b. Set up of business process, such as CoA, IFMIS and ICT
- c. Change management - whether the changes are being driven from the top down, or bottom up. For example, changes driven by the top level of government may be mandatory for all entities within that government and may have fixed time frames;
- d. The current basis of accounting used by the entity, the capability of existing information systems, and the completeness and accuracy of existing information particularly in relation to assets and liabilities;
- e. Misconception between Management personnel concerning the impact of change to the budgeting basis;
- f. The level of political commitment to the adoption of accrual accounting; and
- g. The capacity and skills of the staff and organizations responsible for implementation of the changes.
- h. Geographical environment of the Country;

Challenges & Managing the process...Cont

To overcome the challenges mention and successful implement accrual based IPSASs,Tanzania did the following:

- a) Having the support and political will of the government through Parliamentary Oversight Bodies i.e. LAAC & PAC;
- b) Strengthening the standard setting and regulator bodies;
- c) Strengthen the operating system (IFMS) by upgrading epicor version 7.3.5 to 9.05;
- d) Review and update the chart of accounts from GFS 1986 to GFS 2001;
- e) Developing of the financial statement template to suite the accrual environment;
- f) Building capacity to the accountants and other stake holders; and
- g) Having a clear strategy for implementation with clear deadlines by developing a roadmap basing on activities to be taken and time frame for accomplishment.

Skills assessment and training

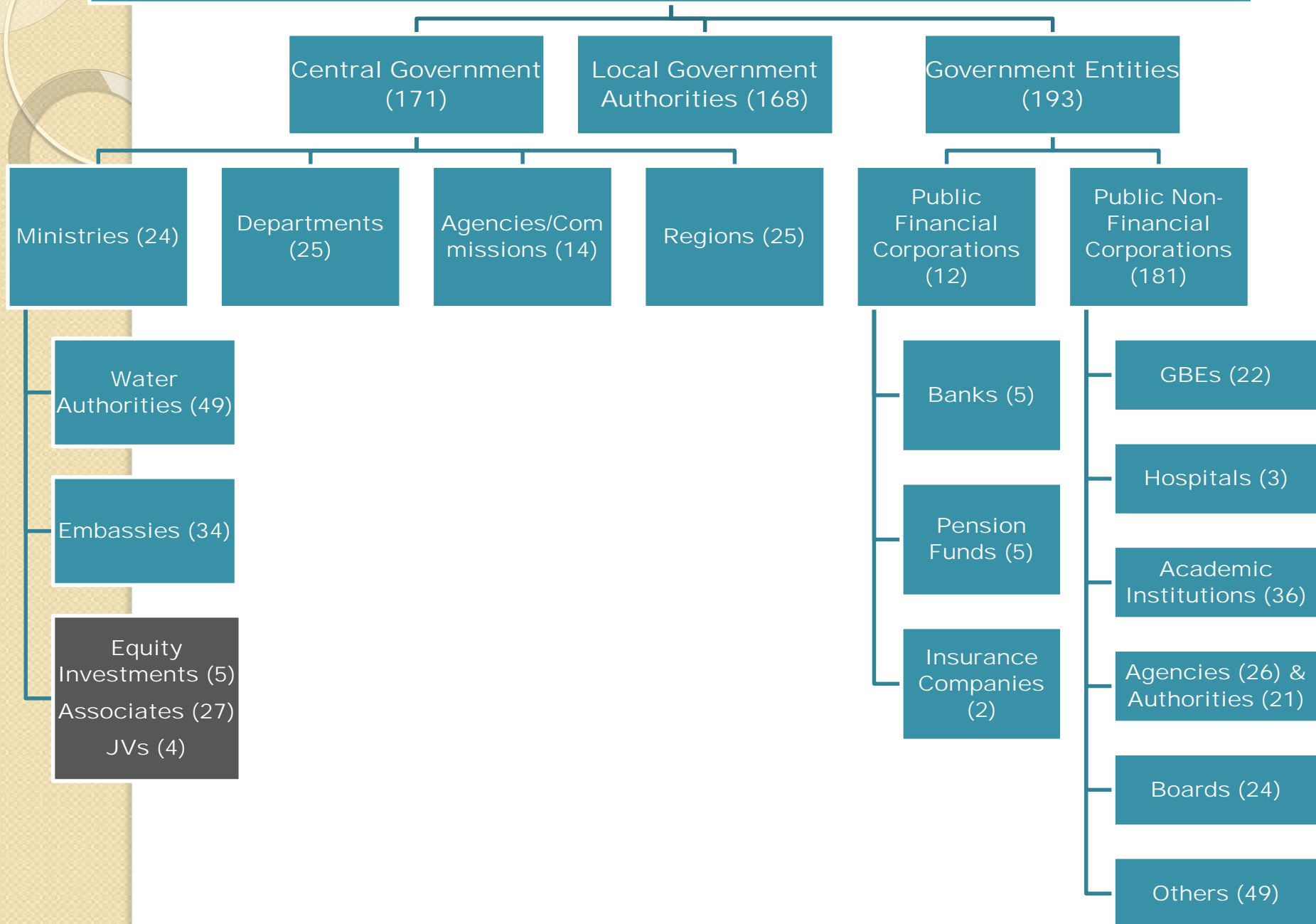
In common when need to engage in a major reform of systems and reap the full benefits of the change, it is important that you assess your personnel to see if they:

- Understand the reasons for the changes, the reform design, the implementation approach and reform implications (training is one way of implementing a communications strategy);
- Understand the practicalities of implementing the reforms in their own entity and been able to implement the changes;
- Are able to operate systems and procedures following implementation (at both a centralized and decentralized level); and
- Are able to use the information generated by new systems.
- Are able to persevere, work hard and tirelessly to achieve the target.

GENERAL FINANCIAL REPORTING ISSUES

- Accounting policy issues
 - Ensuring that accounting policies are consistent applied throughout with all Public Sector Entities
- Reporting entity issues
 - Identifying all (Controlled)reporting entities and ensuring that there is consistency in reporting procedures for those entities.
 - Ensure every controlled entity is taken on board in consolidated financial statements.

Government of Tanzania (Mainland) – (532)



PROGRESS OF 2014 CONSOLIDATION

- ❖ So far 532 entities have been consolidated in the financial year ended 30th June, 2014 to produce a single set of Consolidated Financial Statements for Tanzania Mainland.
- ❖ Initiative to ensure that all entities which qualify to be controlled entities are consolidated.

Areas of Emphasis

- ❑ Computerisation of Accounting System is very important
- ❑ Disclosures of Related Party Transactions and Balances
- ❑ Preparation of the Fixed Assets Register
- ❑ Completeness of Public Debt Records
- ❑ Recognition of Biological Assets
- ❑ Valuation of Employee Benefits Obligation
- ❑ Completeness of Inventories valuation
- ❑ Completeness of Receivables and Payables
- ❑ Recognition of Investment in Associates and Joint Ventures
- ❑ Disclosures of Services – In – Kind
- ❑ Preparation of Segment Information

Areas of EmphasisCont

Framework for action plans:

- Resolve key fiscal management policy issues and secure political ownership / support
- Standards & Accounting Policies
- Legal basis
- Phased approach
- Development of reporting formats
- Data collection
- Changes to business process, CoA, IFMIS and ICT
 - Financial assets
 - Financial liabilities
 - PPE
- Staffing & training
- Change management
- Audit arrangements

Conclusion

- In order to accomplish the whole process of adopting IPSAS Accrual Basis the Government must ensure that:
 - There is a clear action plan which shows all activities to be done are well planned.
 - Have a clear vision and mission.
 - Have a National IPSAS Steering Committee
 - There must be a team work.
 - Adopt IPSAS in a project perspective
 - Availability of resources and competent human personnel will fasten to accomplish this mission.



++ Thank you very much for
listening ++