

International Public Sector Accounting Standards

Accounting Advisory Services



What is IPSAS?

The International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting board, develops international public sector accounting standards (IPSAS), a suite of cash- and accrual-based standards used by governments and other public sector entities around the world to prepare general purpose financial statements.

Financial and sovereign debt crises have brought to light, as never before, the need for better financial reporting by governments worldwide, and the need for improvements in the management of public sector resources. The IPSASB has established IPSAS to improve the quality, consistency and transparency of public sector financial reporting globally.

Benefits of IPSAS

Improved accountability and decision-making

Adopting accrual-based IPSAS:

- improves the quality of general purpose reporting by public sector entities
- can lead to better informed assessments of governments' resource allocation decisions
- helps increase transparency and accountability

Improved management of assets and liabilities

Governments reporting on a cash basis do not account for significant liabilities, such as pensions, and property or plant and equipment, such as infrastructure development. Adopting accrual-based accounting will improve financial management and give a more complete, accurate view of assets and liabilities.

Improved accuracy in reflecting revenues and expenses

Accrual-based standards provide a complete, reliable picture of a government's financial and economic position and performance.

Main challenges

Budgeting

Many public sector entities have complex budgeting processes. IPSAS requires entities to report budgets in their financial statements. Implementing IPSAS will mean revising budgeting procedures (such as cash verses accrual accounting) and introducing a separate capital budget. It also has implications for reconciliations and reporting to management.

Time and resources

Converting to accrual-based IPSAS transforms the finance function, affecting the whole organization.

Cost

Public sector entities will need to develop communication plans, minimize surprises for stakeholders, and reassess internal management reporting and business measurement matrices. They will need to evaluate the impact on management compensation metrics and on general business issues such as contractual terms, pricing practices, lease or buy decisions, and debt covenant compliance.

Systems, processes, people and staff

IPSAS conversion will hinge on successful IT system changes. Effective change management, focusing on people, is also a crucial implementation success factor.

Accounting issues and disclosure requirements

Accounting policy changes will impact financial information, require new data and change mindsets. Implications for people within the organization must drive training for employees across functions and locations.

How we can assist you?

KPMG's IPSAS team provides clients with a broad range of solutions, including preparing and presenting an **IPSAS implementation impact analysis and translating accounting impacts into tangible actions** to help deliver required changes in an organization's systems, processes, people, and the wider business.

In particular, we can support in:

- Assess the impact of IPSAS adoption
- Modifying budgeting procedures
- Modifying accounting and financial reporting
- Changing processes
- Changing IT systems
- Training staff

Contact us



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Why KPMG?

KPMG's global conversion methodology has been used extensively on IPSAS, IFRS, and US GAAP conversions. KPMG's tested methodology helps ensure a smooth transition from cash to accrual accounting, reducing interference with normal operating practices and allowing for greater productivity. Our specialists have delivered and managed complex, large scale projects, enabling us to anticipate and address specific impacts.

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