



# Effect of IPSAS on enhancing quality and transparency

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## Session Overview

IPSAS: Better Governance and Transparency

IPSAS Special Considerations

IPSAS Adoption Examples

External Audit



# IPSAS: Better Governance & Transparency

- Improved **governance**: complete **information** on assets, liabilities, revenues and expense together with **disclosures**.
- Recognition of receivables and inventories leads to **better asset management** and enhanced resource-allocation decisions.
- Recognizing the **fair market value** of assets and any impairments.
- More **reliable estimates** of liability (eg. post-employment benefits)



# IPSAS: Better Governance & Transparency

- Related party transactions of senior executives and key management personnel - **assurance of integrity**.
- Impairment test for assets are carried out at each reporting date.
- **Comparative information** become feasible with:
  - Budget amounts for the reporting period .
  - Previous period.
  - Peer entities.



## IPSAS: Special Considerations

- First time adoption: **transition period** with specific exemptions (obtaining fair values, establishing assets' useful lives).
- **Presentation options**: current vs. noncurrent, order of liquidity.
- **Revenue recognition** of voluntary contributions takes place when a binding unconditional agreement has been entered into, and not simply on the date when funds are received.
- IPSAS 24 requires **reconciling** budget and actual information comparison when the period basis is different.



## IPSAS: Special Considerations – Cont'd

- IPSAS 38 requires **disclosing material uncertainties** related to events/conditions casting significant doubt on going concern.
- While finance and accounting are most commonly associated with training requirements, **all staff involved** in any aspects of **spending or management** of resources need some level of training (including HR, project managers, asset manager, etc.).
- Successful implementation needs strong senior management support, applying **project management approach**, and intra-department coordination.



## IPSAS Adoption Example: WHO

- The World Health Organization (WHO) presented IPSAS financial statements for the first time in 2012.
- Inventories of vaccines, medicines and humanitarian supplies were recorded as assets, enabling enhanced stewardship and **management of logistics**.
- Property, Plant & Equipment (PPE) are recognized as assets and amortized over their useful lives under IPSAS. However, due to the **complexity of valuations** and establishing useful lives, the **transition period** permitted under IPSAS was applied.



## IPSAS Adoption Example: WHO – Cont'd

- Revisiting the basis for **estimating allowances** for doubtful accounts receivable (eg. assessed contributions not received at year end).
- The FS recognized **full actuarial valuation** for after-service health insurance and other staff benefits.
- The FS also included a **statement of comparison** of budget and actual amounts showing:
  - Breakdown by strategic objective.
  - Program Budget vs. Utilization.
  - Percentage Completion.





## External Audit On Board

- A professional and competent external audit is crucial.
- **Advance communication** between the preparers of financial statements and the auditors is key.
- An **interim review/audit** may be sought early on.
- An Independent Oversight Committee may be established to review the different financial risks.

# Discussion

