INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA

SITUATION REPORT ON

PFM REFORMS & STATUS OF ADOPTION OF IPSAS IN UGANDA

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Contents

About ICPAU

The Institute of Certified Public Accountants of Uganda (ICPAU) was established in 1992 by an Act of Parliament now the Accountants Act, 2013. The functions of the Institute, as prescribed by the Act, are:

- To regulate and maintain the standard of accountancy in Uganda.
- To prescribe and regulate the conduct of accountants and practicing accountants in Uganda.

Vision

To be a world-class professional accountancy institute.

Mission

To develop, promote and regulate the accountancy profession in Uganda and beyond.

Core Values

- Professional Excellence.
- Accountability
- Integrity
- Innovation

International Affiliations

The Institute is a member of;

- The International Federation of Accountants (IFAC)
- The Pan African Federation of Accountants (PAFA)
- The Association of Education Assessment in Africa (AEAA).

Objective

The object of the Report is to update members and the general public on Government of Uganda's (GOU) Public Financial Management (PFM) reform journey and progress in the implementation of the IPSAS Roadmap and transition from cash accounting to full accrual IPSAS accounting.

The Report has been developed as part of knowledge series on PFM Reform in Uganda.

ICPAU will then commission a survey to validate GOU's PFM reform outcomes and to establish the challenges with IPSAS accounting across all levels of government.

Required

Members' to provide input on the Report

SITUATION REPORT ON PFM REFORMS & STATUS OF ADOPTION OF IPSAS IN UGANDA

1.0 INTRODUCTION

This Report focuses on understanding Government of Uganda's (GOU) Public Financial Management reform journey, the existing and planned reform initiatives, the choice of strategies, as well as assessing progress on the planned move to full accrual reporting based on IPSAS.

2.0 PFM REFORMS IN UGANDA

2.1 Background

Public Financial Management (PFM) refers to the set of laws, rules, systems and processes used by governments to mobilise revenue, allocate public funds and undertake public spending, account for funds and audit results.

The core element of PFM is the Budget Cycle. It encompasses a broad set of functions and is commonly conceived as a cycle of six phases beginning with policy design (budget formulation); budget execution; internal control and audit; procurement; monitoring and financial reporting arrangements and ending with external audit.

Uganda has, over the past three decades implemented PFM reforms. Government of Uganda recognizes that PFM reforms are essential in service delivery, stimulating economic transformation and eradicating poverty. Previous reforms had been guided by the PFM Reform Strategy (2014-2018), which was aligned with the national priorities as articulated in the National Development Plan (NDP II) and the sector plan.

Government has a new reform implementation strategy (2019-2023) under the Resource Enhancement and Accountability Programme (REAP). REAP is a coordination programme for PFM reforms in 6 strategic areas across government namely;

(1) Sustainable resource mobilization,
(2) Planning & budgeting,
(3) Public investment management,
(4) Accountability systems & compliance in budget execution,
(5) Local Government PFM for Service Delivery, and
(6) External oversight and governance of PFM reforms.

2.2 Key PFM Reforms to date

PFM reforms undertaken by the MoFPED to date include:

(1) Legal, Regulatory and Policy Reforms

(a) Enactment of the Public Finance Management Act, 2015 and its attendant Regulations, 2016.
(b) Amendments to the PPDA Act, 2003 & 2019 to improve value for money, strengthen compliance and transparency in public procurement.
(c) Enactment of the Public Private Partnership Act, 2015 to provide for the management of Public Private Partnerships (PPPs).
(d) The Accountants Act, 2013 and its attendant Regulations, 2016 & 2019 to regulate the accountancy profession in Uganda.
(e) The National Audit Act, 2008 to strengthen the independence of the Office of Auditor General (OAG).
(f) The Local Government Act, 1997 to provide for PFM in Local Governments.
(g) Implementation of the BUBU Policy to promote local content.

(2) Automation of PFM business processes

(a) Implementation of the Integrated Financial Management System (IFMS) in public sector to improve budgeting, accounting and reporting.
(b) Introduction of the Treasury Single Account (TSA).
(c) Rollout of the Integrated Personnel & Payroll System (IPPS) to strengthen controls and timeliness of Government payrolls.
(d) Implementation of the web-based Program Budgeting System (PBS) to support the rollout of Program Based Budgeting (PBB).
(e) Rollout of the e-Cash solution to ensure that cash transactions are appropriately authorized and properly accounted for.
(f) Extension of the online Supplier e-Registration Portal to facilitate validation and registration of government suppliers for upload into IFMS for payment processing.
(g) Implementation of security tools (GRC and Audit Vault) to minimize potential cyber risks in the GoU payment process and enhance PFM systems security.
(h) Rollout of the Academic Information Management System (AIMS) to Universities to improve education management processes and accountability in the collection and use of public funds.
(i) Launch of a Budget Website to improve access to budget information and reports.

(3) Financial Reporting Reforms

(a) Unified Government Finance Statistics (GFS) compliant Chart of Accounts (for budgeting, accounting and reporting).
(b) Consolidation of financial statements, as required by the PFMA, 2015.
(c) Issuance of Treasury Instructions.
(d) Revised financial reporting templates.

(e) Capacity building in PFM disciplines including budgeting, accounting, financial reporting, audit and performance management.

(4) E-Government Procurement to streamline the government procurement processes.

(5) Roll out of the decentralized salary and pension payment system to all MDAs and Local Governments.

(a) Accounting Officers fully in charge and responsible for their vote wage budget and expenditure.
(b) Timely processing of salary and pension payments.
(c) Clear responsibility centres established.
(d) Accurate budgeting and accounting for salaries, pensions and gratuity.

2.3 PFM Reform Outcomes

Overall, the reforms have positively improved public financial management. This has been demonstrated by the:

(a) improved accountability and reporting through the IFMS;
(b) improved public expenditure management through the Treasury Single Account (TSA);
(c) timely disbursement of funds to service delivery units;
(d) timely salary payments through the decentralized payroll management system; and
(e) improved accuracy of the payroll -the minimization of 'ghost' employees and salary arrears.

2.4 PFM Reform Challenges

Despite the long run, there are still issues with the implementation of these reforms, which hamper the effectiveness of Uganda’s public finance management and affect the delivery of public services. These challenges include among others:

(a) limited internet and other infrastructure coverage to support the IFMS and IPPS;
(b) limited coverage of the IFMS – not all government entities are connected to and using the system;
(c) limited interfacing of the IFMS with IPPS and Output Based budgeting Tools (OBT);
(d) shortage of technical capacity expertise to operate the IFMS, IPPS and OBT systems.

2.5 Key Elements of PFM Success

For the success of any PFM system reform, the following key elements[1] should be considered;

(1) The climate for reform: recognizing and acknowledging that change is required and a commitment from key stakeholders to effect the necessary reforms.
(2) Governance – legal and institutional framework: a well-defined legal and regulatory framework that facilitates implementation of efficient and effective public service arrangements, including putting in place appropriate institutions as well as a set of recognized codes, standards and practices.
(3) Governance – the values system: an open, honest and responsible approach to the way services are planned, delivered and reported, which signifies a strong intent of work in the public interest.
(4) Capacity and capability: ensuring that the appropriate resources are available to support the reform process, particularly skilled personnel and systems.
(5) Fiscal and policy framework: a clearly defined and comprehensive fiscal and policy framework.
(6) Performance management: successful implementation of the budget. The budget must be well managed, monitored and reported to achieve the anticipated outcomes i.e. value for money, efficient and effective delivery of services and financial compliance.
(7) Reporting: appropriate, transparent reporting against planned outcomes, helping government to be accountable for its fiscal actions.
(8) Scrutiny and assurance: subjecting reported information to external, independent audit to generate confidence that it can be relied upon whether for purposes of transparency, accountability or decision making.

3.0 STATUS OF ADOPTION OF IPSAS IN UGANDA

3.1 Background of Financial Reporting in Uganda's Public Sector

(1) Prior to 2003 (Cash basis of Accounting)

- Finance Act -1960's

The cash-based system of accounting for a long time was considered more appropriate in the public sector, because there was a lot of emphasis on compliance with rules and regulations. Cash basis accounting, also known as revenue and expenditure reporting, records revenue when cash is received, and expenses when they are paid in cash. Uganda's reporting framework was therefore more of compliance (Compliance-based Reporting Framework) than fair presentation.

[1]As adapted from the CAPA Public Sector Publication (2014)

It is important to note though that Lower Local Governments are still generally applying the cash basis of accounting for their financial transactions.

(2) 2003- February 2015 (Modified cash basis of accounting)

- Public Finance and Accountability Act, 2003
- PFAA Regulations, 2003
- Treasury Accounting Instructions Part I and II, 2003

Government of Uganda then moved to the modified cash basis of accounting, which uses elements of both the cash basis and accrual basis of accounting, picking pieces of each.

(3) March 2015 to date (Modified accrual basis of accounting)

- PFMA 2015, introduced requirements for Consolidation of LGs; Petroleum Fund Management & Reporting; Reporting timelines; and Auditing timelines
- PFM Regulations 2016
- Treasury Instructions 2017
- Financial reporting Guide 2018
- Circulars and guidelines issued from time to time by the AG

Government currently operates a modified accrual basis of accounting, which establishes a position part way between the cash and accrual methods. Under this basis, revenues are recognized when earned with the exception of grants and taxes, while expenses are accrued with the exception of pensions and interest.

The enactment of the Public Finance Management Act (PFMA) in 2015, gave the Accountant General authority to issue guidelines on the accounting standards to be used in the preparation of government financial statements (s.46). S.51 of the PFMA further guided that the financial statements shall be prepared in accordance with Generally Accepted Accounting Practices (GAAPs), and in accordance with instructions issued by the Accountant General.

The Accountant General's Treasury Instructions (TI), 2017 require financial statements for all government entities to be prepared in accordance with GAAPs, a set of accounting rules developed locally and exclusively for Uganda (TI 5.5). Although the TI guide for certain transactions to be accounted for in accordance with the applicable IPSAS once adopted, they do not specify the period within which full adoption should be achieved. The specific guidance given for accounting transactions does not necessarily contradict IPSAS requirements, but seeks to comply with IPSAS as much as possible.

The Accountant General is yet to make any pronouncement about IPSAS implementation stages, but adopted a modified accrual basis of accounting as a transitional arrangement towards the adoption of the full IPSAS accrual basis of accounting. This meant that with some exceptions, the Government generally applies the accrual basis of accounting for its financial transactions.

Government of Uganda prepares two (2) sets of consolidated financial statements for the 150 Central Government entities and 175 Local Government entities. In addition, a separate consolidated summary statement of performance is prepared for Public Corporations and State enterprises which largely use full accrual accounting based on IFRSs.

In comparison with the IPSAS requirements, a review of Uganda's current financial reporting regime as stipulated in the PFMA 2015 and TI 2017 revealed a number of differences, and some of these are illustrated in the table below:

Item	**Uganda's current financial reporting regime**	**IPSAS requirements**
Basis of accounting	Generally partial accrual basis of accounting: • Revenues are recognised when earned with the exception of grants and taxes • Expenditures are accrued with the exception of pensions and interest.	IPSAS allows for either cash basis of accounting OR accrual basis of accounting.
Reporting framework	Mainly Compliance framework (rule-based framework), using the Financial Reporting Guide 2018 versions 1 and 2, which requires strict obedience of instructions and the ones preparing financial statements have no choice but to follow the requirements of the framework.	Fair presentation framework which requires compliance with the provisions of a framework but in addition, acknowledges that: a. in achieving fair presentation management might have to make such additional disclosures that are not specifically required by the framework; and b. in extremely rare circumstances it might be necessary to depart from the requirements of the framework to achieve fair presentation of the entity's financial position and performance in the financial statements.
Basis of budgeting	• Cash basis budget • No disclosures are given in the accounts. • Currently moving to program-based budgeting looking at the outcomes aligned to the Third National Development Plan (NDP III).	IPSAS require note disclosures of Budgetary Basis, Period and Scope.

Consolidation of accounts	• Different sets of accounts are prepared because government entities use different bases of accounting. Therefore no single set of accounts gives a complete view of the state of government's financial affairs. • However, the treasury consolidated accounts for all public corporations and state enterprises.	IPSAS require Governments to consolidate accounts of all government controlled entities.
Fixed Assets	• 100% depreciation of fixed assets in the year of acquisition, except land. • Newly acquired land to which value can be attached is recognized. • The MoFPED acquired a fixed assets module for IFMS which is in its 2nd year of operation for accounting for public sector assets even if fully depreciated.	IPSAS require all assets owned and controlled by the government to be recorded on the Statement of Financial Position.

3.2 Scope of Public Sector Reporting in Uganda

(1) Central Government
- (a) Ministries & Agencies
- (b) Public Universities Schools and Tertiary Institutions
- (c) Referral Hospitals
- (d) Missions and Embassies abroad
- (e) Treasury Operations - Debt, Contingency Fund

(2) Local Government
- (a) District Local Governments
- (b) Lower Local Governments
- (c) Municipal Councils

(3) Petroleum Fund

(4) Public Corporations and State Enterprises

3.3 Current Challenges in Public Sector Reporting

(1) Limited human resource capacity, especially in Lower Local Governments.

(2) Differing basis of accounting across government controlled entities – this makes it difficult to compare performance across entities and affects consolidation of Government operations.

(3) Difficulties in matching the huge GoU annual expenditure to the resultant revenues generated and assets acquired.

(4) Complexities around GOU fixed assets such as the write off of most assets at year end (100% depreciation of fixed assets) due to the cash basis of accounting creates a false impression that GOU expenditure is going to waste.

(5) Loan financed capital expenditure, which accounts for about 3.9% of GDP is not reported.
(6) Infrastructural challenges, internet and systems rollout costs – to allow for automation.
(7) Attraction and retention of staff in the public sector is difficult.
(8) Comparability with other Countries across the globe is difficult because of differences in reporting frameworks used in preparation of financial information.

3.4 About IPSAS

The International Public Sector Accounting Board (IPSASB) has as part of its goal to develop and issue International Public Sector Accounting Standards (IPSAS) for application by public sector entities other than Government Business Enterprises (GBEs). The objectives of the IPSASB are to serve the public interest by developing high quality public sector financial reporting standards and facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of financial reporting throughout the world. This provides better quality information for decision-making and accountability.

The requirement to use full accrual accounting, and the approval of a new model that provides a comprehensive set of indicators that describe a government's financial position and results, are significant improvements in government financial reporting. The prospects and benefits to the nation are enormous based on a number of driving forces including international trends, regional considerations and consistent donor pressures agitating for IPSAS accounting. The modern trend is tending more and more towards efficiency in public resource management, which accrual based accounting and IPSAS reporting enable.

3.5 Which entities can adopt IPSAS?

The term Public Sector refers to central government, local governments and related government entities (e.g. agencies, boards and commissions). All public sector entities and international governmental organizations other than government business enterprises qualify as public entities to use International Public Sector Accounting Standards (IPSAS).

(1) Public sector entities

Public sector entities have to meet all the following criteria:

(a) they are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;

(b) mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other level of government, social contributions, debt or fees; and
(c) do not have a primary objective of making profits.

Government Business Enterprises (GBEs) are excluded from the list.

(2) *Government Business Enterprises*

GBEs are trading enterprises, such as National Water & Sewerage Company (NWSC). They are, in substance, no different from entities conducting similar activities in the private sector that operate to make a profit. Most GBEs have to comply with IFRS due to the nature of their operations. GBEs have all of the following characteristics:
(a) have power to contract in their own name;
(b) have been assigned the financial and operational authority to carry on business;
(c) sell goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;
(d) are not reliant on continuing government funding to be a going; and
(e) are controlled by a public sector entity.

3.6 Accounting Bases under IPSAS

The IPASB has provided IPSAS for the accrual and cash bases of accounting.

3.6.1 Cash basis IPSAS

The cash basis IPSAS is a basis of accounting that recognizes transactions and other events only when cash (including cash equivalents) is received or paid by the entity. Financial statements prepared under the cash basis provide readers with information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date.

The standard was developed as a stepping stone towards implementation of accrual basis IPSAS for public sector entities. It can also be used for financial reporting of short term projects/programmes implemented by public sector entities.

3.6.2 Accrual-basis IPSAS

Accrual basis is a method of accounting which recognizes income and expenditure transactions in the period they are earned or incurred, rather than at the time when incomes or payments are received or made respectively. Accrual accounting focuses on revenue, cost, assets, liabilities and equity – instead of cash flows only. The capitalization of assets, such as computers and machines, makes it possible to calculate depreciations and account for them in each period during which the machine is used.

A key advantage of the accrual basis is that it matches revenues with related expenses, so that the complete impact of a transaction can be seen within a single reporting period. It also allows the reporting entity to show the value of its assets and liabilities at a given point in time.

Strengthening fiscal reporting is a priority reform. Improvements in this area have benefitted and will continue to benefit from other PFM reforms including the modernization of legal frameworks, enhancements of the IFMSs, improved fiscal transparency, and subsequently the adoption of accrual basis of accounting based on International Public Sector Accounting Standards (IPSAS).

In 2018, IFAC & CIPFA published a Status Report[2] on application of IPSAS in governments across the world. Of the 150 governments taking part in the 2018 Status Report, 37 used accrual accounting for financial reporting basis, 46 used cash accounting and 67 (45%) were in the process of transitioning to accrual accounting. Only 2 countries, Nigeria and Tanzania were reported as using accruals in Africa in 2018. Uganda made its 1st commitment to adoption of IPSAS in 2003 and the 2nd to move to a full adoption of IPSAS by 2020.

Implementing accrual accounting and making the change to IPSAS is much more than just an accounting exercise. It impacts the whole government structure, the;

(1) *Policies* - Key accounting and reporting requirements, regulations
(2) *Processes* - Data collection needs, information flow, internal procedures
(3) *Systems* - Capacity of current IT systems to support the conversion
(4) *People* - Training needs, new skills, new culture, change management - participants recognized that continuous training and skills development was required so that a critical number of professionally qualified staff was available to support and sustain improvements in financial reporting.

There is therefore need to adopt a strategic and phased approach to implementing accrual-based IPSAS. Addressing the deficiencies in cash-based accounting, and improving the disclosure of data on financial assets and liabilities are very important stepping stones in the transition to accrual-based IPSAS.

3.7 What is the Rationale for Accrual Reporting in Uganda's Public Sector?

IPSAS is a catalyst to providing high quality financial information and, even more importantly, improving public finance management. Accountant

[2] The International Public Sector Financial Accountability Index 2018 Status Report ('Status Report'), published by IFAC and CIPFA (2018).

Generals in the East and Southern Africa Association of Accountants-General at the 2020 annual conference underscored the need for having the right information, especially financial information, as the foundation of good decision making in government.

The following are the benefits[3] of accrual reporting;

(1) *Improved financial reporting* in terms of sufficiency of information conferred to the users of the financial statements;
   (a) showing how government financed its activities and met its cash requirements;
   (b) allowing users to evaluate government's ongoing ability to finance its activities and to meet its present liabilities and future commitments;
   (c) showing the financial position of government and changes in financial position;
   (d) providing government with the opportunity to demonstrate successful management of its resources; and
   (e) evaluating government's performance in terms of its service costs, efficiency and accomplishments.

(2) *Improved fiscal credibility* of government and increased confidence in public financial management.

(3) *Improved transparency and accountability* thus facilitating public scrutiny.
   Information contained in financial statements prepared using the accrual basis of accounting is more complete and accurate. Users are provided with full accountability of the government resources and how they were deployed.

(4) Management and accounting for public assets
   (a) Government generally holds public assets for the delivery of public goods or services and these would likely need to be replaced if they were damaged. Accrual accounting recognizes the cost associated with deterioration in the condition of these assets and aids in identifying where maintenance is required.
   (b) Accrual accounting information can also be helpful when an asset comes to the end of its useful life. It is useful for decision makers in understanding where resources should be allocated to finance the replacement of the assets and thus help in improving the management of assets and ultimately improving the quality of public services derived from government assets.

(5) Management of liabilities and identifying fiscal risks
   (a) Accruals can benefit government by providing information to improve the management of liabilities and allows government to take decisions

[3] Maximizing the Benefits of Accrual Information in the Public Sector (IFAC/ACCA, Feb 2020)

that support their objectives without burdening future generations with unmanageable debt. For government to maintain a sustainable financial position, effective management of its liabilities is necessary.

(b) Accrual accounting also creates new information on contingent liabilities, which can be helpful for government in identifying fiscal risks. Analysis by the International Monetary Fund (IMF) shows that realized contingent liabilities can have a substantial impact on public sector balance sheets.

(6) Reducing fiscal illusions and perverse incentives

Consolidated accounts, prepared using accruals, give a more holistic picture of a government's financial position. It is only possible to provide a full financial picture of the resources and risks for the public sector if there is full consolidation, which must include all government controlled entities. The additional information provided through accrual accounting means that government decision makers are better informed on the range of liabilities and risks facing the public sector – and can then consider what steps should be taken to reduce or mitigate these challenges.

(7) Supporting long-term thinking and planning

(a) Government can use the information generated through accrual accounting to support its long-term planning and policymaking. Strong balance-sheet management supports low borrowing costs and provides flexibility for governments to respond to emerging pressures, and allows them to absorb fiscal shocks.

(b) Accrual accounts are also useful in informing governments' fiscal sustainability reports, or intergenerational reports, which can be used to project the fiscal position into the longer term. Having an accruals-based balance sheet provides the baseline.

(8) Supporting decision making

(a) Accounting and budgeting on the accrual basis facilitates frequent, often monthly, budget monitoring reports. This allows for more transparency and the opportunity to identify issues early.

(b) It also enables reforms that can lead to better and more informed resource allocation decisions and to more meaningful information being available to the public to track progress towards intended outcomes. This approach puts the needs of the people at the center of investment decision making.

(9) Comparability

(a) Working from an internationally accepted set of standards, such as IPSAS, supports the comparability of accounts both internally (between government controlled entities) and between jurisdictions. This international comparability can further reinforce fiscal credibility – as countries are able to benchmark their financial performance with international peers.

(b) Adoption of standardized reporting requirements also allows for harmonization of public financial management making the information more accessible and comparable as required by regional groupings – African Union, East African Monetary Union, etc.

3.8 Challenges with IPSAS Accounting

Despite the benefits associated with IPSAS Accounting, there are still ` notable challenges as discussed below:

(1) Cost to implement –This could be in the form of rewriting accounting manuals to incorporate IPSAS terminologies and also conform to local requirements; education and training will also constitute a substantial amount of government outlay as the nation prepares to fully adopt IPSAS, identification and valuation of assets and liabilities as at the date from which accrual accounting is intended to commence will also likely be costly.

(2) Lack of adequate qualified accountants – Many public sector entities and government agencies still lack the necessary personnel to adequately carry out the changes required by IPSAS as opposed to the financial reporting framework currently existing in the Public Sector.

(3) Apparent complexities - The use of common language to bring uniformity across cultures and governments in the public sector is also very key. Some terminologies used in the IPSAS may not apply to the Government's financial reporting systems due to uniqueness of some financial operations.

(4) Resistance to change - Not all government systems and administrative machinery may support IPSAS adoption. With the requirement that all staff get equipped with the necessary knowledge, this is likely to force a number of staff to go for further training. As a result the program may be perceived as inconveniencing to some and hence oppose the developments.

3.9 IPSAS Conversion - Key Success Factors[4]

(1) Stakeholders

(a) A variety of stakeholders (citizens, donors, funders, service users, civil society groups, and other government bodies) all need to be engaged in the process of accruals implementation.

(b) Communication and awareness creation is important to educate these potential users of the accounts and to help them contribute positively to the narrative about public finances. The need for the 'buy-in' of senior leadership and politicians as high-level champions for the changes cannot be over-emphasized. Key decision makers including the Executive, Parliament and others need to support such an agenda.

[4] Maximizing the Benefits of Accrual Information in the Public Sector (IFAC/ACCA, Feb 2020)

(c) It is very critical to identify these internal advocates and communicate the stakeholder-specific benefits that each group will receive through accruals implementation.

(2) <u>Systems support for accruals implementation</u>

(a) Government structures and new information requirements must be considered in deciding what systems will be most appropriate for accruals implementation.

(b) Consideration should be given to the integration of budgeting, accounting and government finance statistics into the same system, to enable the use of budgeting information for comparison purposes and support the creation of decision-useful information.

(c) Consideration should also be given to where additional expenditure on systems can produce good value for money and where expensive changes may be unnecessary.

(d) Consideration should also be given to replacement or adaptation of some existing technology and infrastructure including IT systems, data structures and charts of accounts and reporting systems and structures.

(3) <u>Capability and skills</u>

(a) It is essential that there are professional accountants in the public sector who can produce accrual information and managers (and politicians) who can understand the information and advice they receive in order to make good decisions.

(b) Government and public sector entities will have to identify the skills and knowledge gaps within their personnel and commission training to fill the gaps.

(c) Getting the right skills for accruals implementation requires building internal capacity within the public sector and hiring qualified and experienced accountants, possibly as external consultants. Government will also need to work with ICPAU to develop a training programme so that they can 'grow their own' rather than relying on the marketplace to supply sufficient talent.

(d) Government will need to develop remuneration packages that are sufficient to attract and retain accountants with the necessary skills, knowledge and experience.

3.10 IPSAS Conversion - Other considerations:

(1) *Strengthening the role of the Institute of Certified Public Accountants of Uganda (ICPAU) as the standard setter in Uganda* - The ICPAU is the national body mandated to ensure application of standards in conjunction with the Accountant General. The ICPAU needs to be supported by all in discharging such a challenging task.

(2) *Development of an accounting manual* –that will integrate the basic requirements of the IPSAS and the treatment of certain unique transactions in line with the IPSAS.

(3) *Learning from other countries* - Countries such as Switzerland, New Zealand, and South Africa have already made it and tapping experiences and lessons from these countries will be of help to Uganda to fast track the adoption process of IPSAS.

Below is a table of select countries in Africa and adoption progress made:

Country	**Adoption progress**
ESAAG Member States - Botswana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Rwanda, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe	The aims of the member states of the East and Southern Africa Association of Accountant Generals include the adoption of the IPSASs.
Tanzania	Tanzania adopted IPSAS in 2012/13 for the entire government.
Ghana	Ghana adopted IPSAS for all public sector accounts, beginning from 2016. However, in recognition of the complexities involved, took a step-by-step approach to implementation, spanning a five-year period from 2016.
Nigeria	Nigeria's federal government fully adopted IPSAS from January 2016, but each of its independent states determined its own implementation period.
Zambia	Zambia's government announced in 2013 that, as part of its public finance management reform, IPSAS would be adopted as its reporting framework by 2020. Preparation for IPSAS is underway, with the Zambian Institute of Chartered Accountants (ZICA) Spearheading the sensitization on IPSAS implementation.
South Africa	South Africa has partially adopted IPSAS, but is awaiting completion of the Financial Management Information Systems project that supports Generally Recognized Accounting Practice (GRAP) before full implementation can be enabled. Current reporting uses accruals, but is not fully compliant with GRAP standards.

3.11 Reported Progress to date

The GoU has undertaken the following activities towards the transition to full accrual reporting;

(1) *Undertaken a Gap Analysis* to determine:
   (a) the nature of the required change;

(b) the structure, speed, context and sequencing of change; and
(c) resources required for the implementation of the migration process.

(2) *Established the Asset Management Department* in charge of:
(a) Asset Register;
(b) Non-current asset management policy draft;
(c) Fixed asset module; and
(d) Recognition of Non-Produced Assets e.g. Land.

(3) *Issued Financial Reporting Guidelines* to reporting entities.

(4) *Developed Revised Financial Reporting Templates*.

(5) *Aligned Chart of Accounts* to Government Financial Statistics Manual 2014
The development of a new chart of accounts is a key step in the adoption of accrual accounting. A well-planned chart of accounts can assist in the efficient generation of financial information for a variety of purposes.

3.12 Planned Strategies

(1) <u>Skills Assessment and Training</u>
(a) Personnel involved should understand the reason for the change;
(b) Assess the impact of the changes on the competencies required in relevant positions;
(c) Address gaps in competency through recruitment, consultants, development of external courses, and training for existing staff;
(d) Education and creating awareness in groups such as politicians and the media through outreach activities.

(2) <u>Accounting Policy issues</u>
(a) Decide how to deal with adjustments to opening balances
(b) Comparative information at the first application of accrual IPSAS.

(3) <u>Reporting Entity Issues</u>
(a) The accrual basis IPSASs dealing with the determination of the boundaries of the reporting entity
(b) The preparation of consolidated financial statements.

(4) <u>Change Management</u>
(a) The cultural change that IPSAS necessitates is a significant challenge and requires change management capability and relevant experience.
(b) Effective communication is also essential.

3.13 Projection of the Status of IPSAS Accrual Implementation

Government has developed a roadmap that will see implementation of the 1st 5-year phase of IPSAS accrual effective FY 2021/22. The 1st phase is hoped to be completed in FY 2025/26, seeing critical IPSAS accrual provisions being implemented.

The Office of the Accountant General promises to share a comprehensive roadmap at the beginning of FY 2021/22.

4.0 ICPAU's ROLE

The ICPAU has engaged and continues to engage other public sector players, regulatory bodies, inter-governmental organizations and the donor community on the key issues and requirements that need to be addressed before the adoption of the standard.

Over the years, the stock of qualified accountants in government service has increased. This includes accountants across all levels of government; Central government, public sector agencies, commissions, as well as Local governments. Currently this number is estimated to be 1,015 accountants.

(1) Implementing Arrangements

The government, together with ICPAU, has developed a strategic roadmap towards implementation of accrual-basis IPSAS. To ensure progress in the implementation of the IPSAS Roadmap and transition from cash accounting to accrual accounting, the partnership between the ICPAU and the Accountant-General's Office needs to be enhanced to boost Uganda's public sector accounting capacity and IPSAS roll-out.

The implementation of the PFM roadmap started with formation of a Public Sector Accountancy Working Group (PSAWG) comprising of five (5) offices; ICPAU, Office of the Auditor General (OAG), Accountant General's Office (AGO), Internal Auditor General's Office (IAGO), and the Local Government Finance Commission (LGFC). The PSAWG has a Steering Committee comprising of the heads of the respective offices and a Technical Working Group comprising 2 contact persons from each of those offices.

The Steering Committee was established to provide strategic guidance and advisory to the PFM reform implementation process. It is geared at overall policy coordination and guidance to the PFM reform actors and activities cited herein. The Technical Working Group on the other hand will review and evaluate all technical issues related to the implementation of the PFM reforms and make recommendations to the Steering Committee for consideration. The work of the Technical Working Group also extends to Working Groups with Development Partners.

The objectives of the group include;

a) To support the implementation of PFM reforms in government;
b) To develop a situation report on PFM reform in Uganda;
c) To develop a PFM resource centre as a knowledge bank on PFM expertise in Uganda; and
d) To advance professionalism in public sector accountancy.

(2) *Capacity building for accountants and auditors in government*

An initial training needs assessment should be conducted and from the training gaps identified, ICPAU will develop a competency framework and learning outcomes that will specifically address PFM skills: Planning & Budgeting, Budget execution (asset management, debt management, revenue management, cash management, supply chain management), Reporting (IPSAS) & Audit (internal & external).

Currently, ICPAU organizes such training programmes for public sector personnel in various PFM disciplines and IPSAS, and believes there should be a well-structured training program for all the public sector personnel to support the IPSAS adoption process.

(3) *Implementing the IPSAS Roadmap*

ICPAU will support implementation of the roadmap toward accrual basis accounting over a given time period specified by the Accountant General. Governments recognises the need to carefully plan and control its capital expenditure and borrowing, but the assets and liabilities it needs to manage are best naturally measured using accrual-based information. There is need to standardize and manage these effectively by applying budgetary controls. Accrual budgeting has the potential to be both cheaper and more effective, using information that is transparent and aligned with best accounting practice.

(4) *Training and Skilling Framework for Local Government Finance Personnel*

ICPAU will develop a training and skilling framework that supports local government accountants and auditors. This includes a training programme to continuously build capacity of the human resources at all local government levels through simplified accounting and financial reporting guidelines and support.

(5) *Strengthening Internal Audit Capacity*

ICPAU will support the Office of the Internal Auditor General in strengthening the capacity of the internal audit function in government. Capacity building for the public sector internal audit function will ensure that their audits and recommendations are relevant to government and focused on key risks. Internal audit has the potential to substantially reduce risk and it is important that effective internal audit units (staffed by professionals with proven competencies and values of integrity) are established across government to enhance assurance for compliance of PFM systems.

(6) *Strengthen External Audit Capacity*

ICPAU will support activities aimed at strengthening the capacity of the external audit function in government and external auditors that support the Office of the Auditor General (OAG). Capacity building for the external audit function specifically to handle public sector audits will enhance the oversight role of the OAG.

REFERENCES

(1) CAPA (2014), *Improving Financial Management in the Public Sector. The Eight Key Elements of PFM Success*

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(3) IFAC and ACCA (2020), *Is Cash Still King? Maximising the Benefits of Accrual Information in the Public Sector Report*<https://www.ifac.org/knowledge-gateway/supporting-international-standards/publications/cash-still-king-maximising-benefits-accrual-information-public-sector>, accessed 16 March 2020.