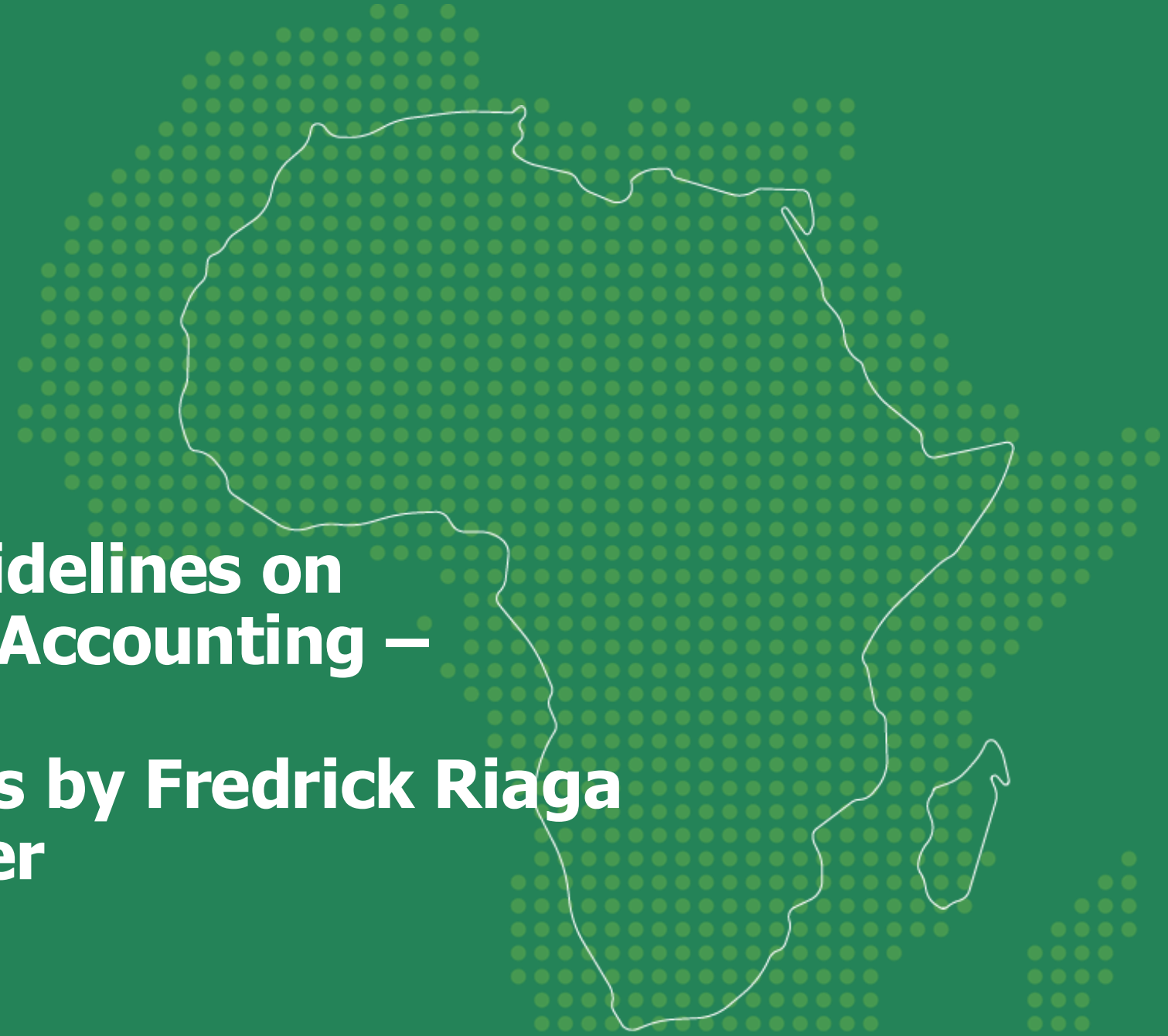




AFRICAN ASSOCIATION OF ACCOUNTANTS - GENERAL
ASSOCIATION AFRICAINE DESOMPTABLES - GÉNÉRAUX
ASSOCIAÇÃO AFRICANA DE CONTADORES GERAIS

Collaborating for Prosperity



Webinar on AAAG Guidelines on Transition to Accrual Accounting – Introductory Remarks by Fredrick Riaga Chief Executive Officer

Background - About AAAG



01. Introduction

- African Association of Accountants General (AAAG) is a premier organization committed to enhancing **Public Financial Management (PFM)** across the African continent.
- Conceptualized from lessons learned from its predecessor, the East & Southern Association of Accountants General (ESAAG)
- AAAG unifies & strengthens PFM through transparency, accountability & efficiency across Africa's financial management ecosystem.

Vision, Mission & Core Values

Vision	Mission	Core Values
Accountable, Integrated & Prosperous Africa	To build trust in PFM by fostering continental synergies for integrated & sustainable development across Africa	A ccountable C ollaborative I nnovative R espectful T ransparent

Background - About Africa from Governance Perspective....

Africa: Overall Governance trends (2023)



33 countries improved their Overall Governance performance over the decade 2014-2023, while 21 deteriorated

- Trend
- Increasing Improvement
 - Slowing Improvement
 - Warning Signs
 - Bouncing Back
 - Slowing Deterioration
 - Increasing Deterioration

Source: MIF



Can collective Africa (fifty-four (54)) countries a reporting positives results on the various governance indices.

Can accrual accounting contribute to better scores for Africa on the governance indices?

Global Surveys and Projections – Implementation Status

Worldwide Accrual
Reporting Status



A 2021 status report by IFAC and CIPFA on International Public Sector Financial Accountability indicates that:

By 2020, 30% of jurisdictions were on accrual basis of accounting compared to 24% in 2018.

By 2025, 50% of all jurisdictions in the world will be reporting under accrual basis of accounting - Be it IPSAS or IFRS.

9 of these jurisdictions are in Africa – Tanzania, South Africa, Ghana, Rwanda, Uganda, Kenya – all registered some level of adoption.

From the EAC perspective, Kenya ranks behind Tanzania, Rwanda and Uganda.

Justifications for Accrual IPSAS Reporting Framework

Avoid fiscal illusions – the basis for fiscal sustainability

Increased trust and confidence in financial reporting by internal and external users as the standards are developed based on a robust and inclusive due process.

Increased interaction between operations and finance functions

Create comparability cross-country, cross-county, cross-entity enables worldwide “lessons learnt process”.

Increased processes and embedded internal controls

Enables mobility of knowledge between different levels of Governments, among counties, across sectors and entities of public sector as well as within entities

Enable and improve asset management

Aids assembling a comprehensive data sets on assets owned by different levels of government, enables cross government transfer of assets thus supporting decision making

Entrenches future focus in decision making

Enables decision making to underpin decisions on future-relevance of current decisions in respect of the unexpected future outcomes - owing VUCA

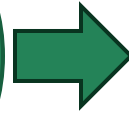
Accrual Accounting – Entity Level Benefits



Better Asset Management	Complete account of liabilities	Better Budgeting	Enhanced Strategic Planning	Enhanced Prudence
<ul style="list-style-type: none"> • Location • Asset type • Usability and condition • Valuation • Capacity • Transferability 	<ul style="list-style-type: none"> • Creditors • Aging of the creditors • Due dates • Relationship Management • Bring on board public debt • Pension liabilities better thought reflected. • Deal with pending bills menace. 	<ul style="list-style-type: none"> • Realism of budgets • Realistic revenue forecasts • Better cash flow management 	<ul style="list-style-type: none"> • Effective planning • Solid decisions on commitments. • Better view of the entity financial position in a manner that secures sustainable futures. • Focused entity expenditures 	<ul style="list-style-type: none"> • Enhances financial and resource stewardship • Sustainable public debt

Necessity for Accrual Accounting?

Why the Trouble with
this Complex Reporting
Framework?



Greater accountability and
transparency.

Better decision-making/
better planning

Improved efficiency and
effectiveness in financial
reporting and auditing
processes across the sector

Greater standardization of
the reporting processes and
underlying data provides
more opportunities to
analyze data and improve
decision making.

Able to depict the net worth
of a country

Improved management of
assets and liabilities.

Professionalization and
access to talent.

Efficiency in oversight of
public resources.

Enhanced resource
stewardship

Government stability

International consistency and
comparability.

Global understanding of the
financial position as opposed
to revenue position

Transitional to Accrual Accounting – Key Considerations

What would be the key considerations to bear in mind whenever an institution of country is considering a transition



Project

A. Preparation and Planning Phase – Institutional Assessment



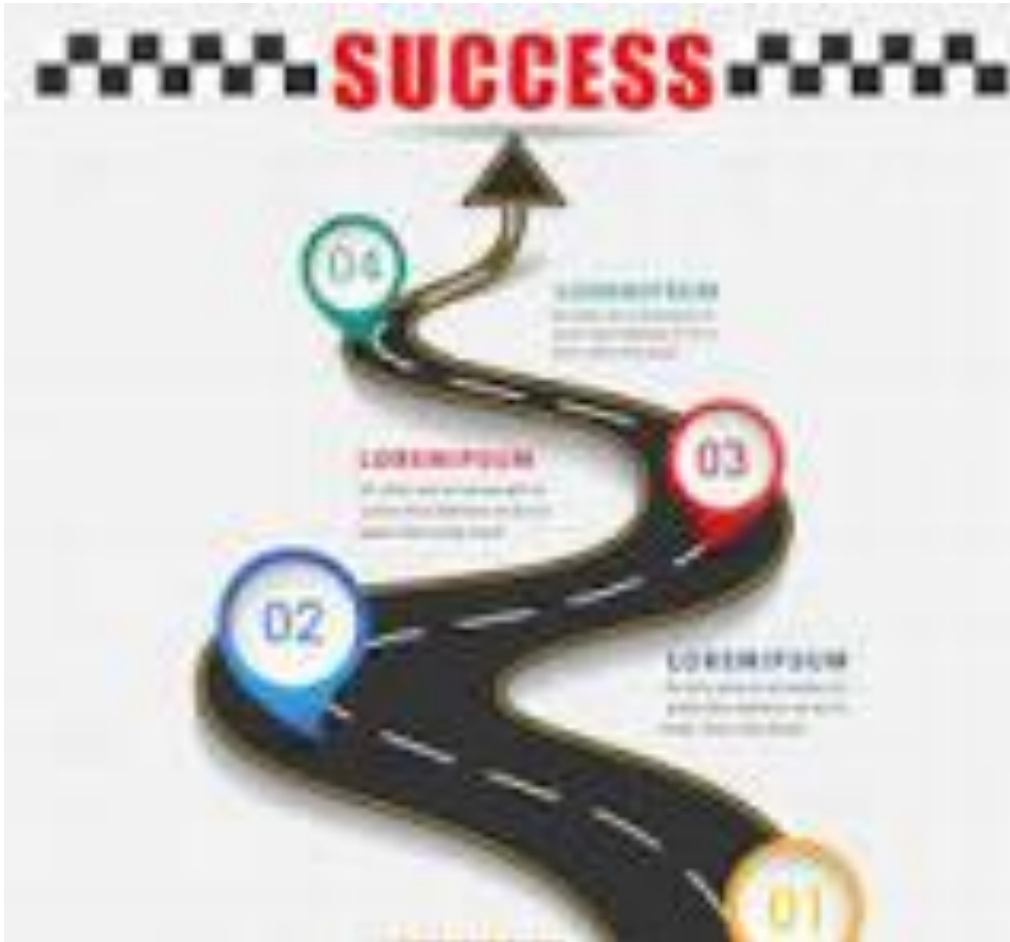
- 1) Has the entity conducted a comprehensive assessment of current financial reporting practices versus Accrual IPSAS requirements?
- 2) Have you identified key gaps in policies, processes, systems, and human capacity needed for adoption?
- 3) Does the entity have enough members of staff to spearhead the transition process?
- 4) Do staff need technical capacity building to enable them to execute the transition program?
- 5) Have you documented the gaps in legal, technical, and human resource capacities.
- 6) Have you identified legal and regulatory adjustments needed for adoption?

A. Preparation and Planning Phase – Stakeholder Engagement

- | |
|---|
| 1) Have you identified key stakeholders (ministries, government agencies, regulators, civil society, professional accountancy organisations, development partners)? |
| 2) Has the entity clarified its objectives of the reform or transition to its leadership? Do they understand the implications? |
| 3) Have proper mechanisms been put in place to sensitize the governing body on the project and obtain support from leadership at the top? |
| 4) Have you established a consultation mechanism with stakeholders and engagement plan with them? |
| 5) Has the entity conducted awareness sessions and consultations to ensure buy-in from stakeholders? |
| 6) Have you developed a communication strategy for regular updates and to manage stakeholder expectations and create awareness? |



B. Policy and Legal Framework – Develop and Adopt a Roadmap



Adoption Roadmap

- 1) Has the entity developed a phased implementation roadmap with clear timelines and milestones?
 - 2) Is the roadmap aligned with strategic national plans and PFM reform strategies?
 - 3) Does the roadmap for the transition take into account the gap analysis made?
 - 4) Publish and communicate the roadmap to all stakeholders
 - 5) Does the roadmap include multi-year implementation with key milestones, timelines, and deliverables?
-
- 1) Does the roadmap have clear timelines for adoption:
 - a. Short-term (1–2 years): Preparatory steps.
 - b. Medium-term (3–5 years): Transition and implementation.
 - c. Long-term (5+ years): Post-implementation review and continuous improvement.
 - 2) Does the roadmap prioritize high-impact areas such as assets, and liabilities?

B. Policy and Legal Framework – Establish Facilitative Legal Framework.



Legislative Framework

- 1) Have you reviewed existing Public Financial Management (PFM) laws and regulations?
- 2) Have you identified areas requiring amendment to support IPSAS adoption?
- 3) Are public sector accounting standards incorporated into the national legal frameworks?
- 4) Do PFM laws require amendments to recognize Accrual IPSAS as the official financial reporting framework for public entities?
- 5) Have you engaged parliament and legal experts to ensure
- 6) Propose amendments or new legislation to support Accrual IPSAS adoption.

B. Policy and Legal Framework – Establish Best Fit Institutional Policy Framework to IPSAS Accrual Standards.



- 1) Does the budgeting, accounting, and auditing policies align with IPSAS principles (e.g., accrual-based budgeting and reporting)?
- 2) Have you updated or developed accounting policies to align with IPSAS?
- 3) Have you defined roles for the finance ministry and other oversight bodies in policy implementation?
- 4) Have you drafted policy documents and shared them with stakeholders for feedback?



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**The Next step would be the
Technical Evaluations
which Bruce Mwewa will
handle... I thank you.....**

