



EXPERIENCE ON ACCRUAL IPSAS IMPLEMENTATION- TANZANIA CASE STUDY

By Study S. Mwakipesile

Senior Accountant – Consolidation unit

Ministry of Finance - Tanzania

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INTRODUCTION

- The Government being aware of the changes that had been taking place in the accounting profession decided to adopt IPSAS Accrual in the year 2012.
- The Government believes reliability and timely reporting of financial information is crucial for policy setting and decision making.



LEGAL FRAMEWORK

- NBAA was established in 1972 and started carrying out its functions from January 1973. The Board is mandated among other functions to set Accounting and Auditing Standards.
- The Board was compelled to demand preparers of Financial Statements to apply International Standards namely; IPSAS and IFRS due to involvement of Multinationals Companies in the Country's economy through their investments.



LEGAL FRAMEWORK Cont...

- NBAA was established by Parliament Act and mandated to oversee all issues concerning accounting and auditing.
- Public Finance Act was also enacted to accommodate the application of IPSAS for Public Sectors Entities.



ACCOUNTING POLICIES ADOPTED

- Before adoption of IPSAS, the Government of Tanzania used local Accounting Standards in preparation of financial reports.
- These standards were customized to suit Tanzanian environment.
- IPSAS based accounting policies were selected and applied based on the types of transactions, events as well as conditions that reflect day to day activities of the Government.



ACCOUNTING POLICIES ADOPTED Cont...

Various Accounting policies were adopted to comply with accrual IPSAS, For example:

- ❖ The use of direct method in Preparation of Cash flow statement
- ❖ Cost model for Property, Plant and Equipment
- ❖ The use of straight-line method of depreciation
- ❖ Fair value model for Biological assets



▶ DEVELOPMENT OF AN IPSAS ACCOUNTING MANUAL

- In the year 2015 after full IPSAS compliant at all Government levels, Accounting Procedure Manual was developed.
- In financial year 2020/21 & 2023/24 Accounting Procedure manual was revised to accommodate various changes that had taken place in Public Financial Management(IPSAS).
- IPSAS Quick user Guide was established to smoothen IPSAS implementation.



RECOGNITION AND VALUATION OF ASSET AND LIABILITY

- Cost model was adopted for initial and subsequent recognition of all Government assets.
- Schedule of estimated useful life for each assets class was provided to smoothen subsequent recognition of assets.
- For Legacy assets fair value was established and used as a deemed cost (IPSAS 33 para 64).



RECOGNITION AND VALUATION OF ASSET AND LIABILITY

- Local valuers were used to get fair value of legacy assets for initial recognition in the statement of Financial Position.
- Liabilities were recognized as obligations of the Government arising from past events, their settlements required resources with economic benefits or service potential.
- Liabilities were measured at invoice prices or amortized costs depending on the nature of transactions.



REVISION OF CHART OF ACCOUNTS

- Chart of Account was improved from GFSM 1986 to GFSM 2001 in 2009/2010 .
- Also, in financial year 2018/19 the government of Tanzania adopted GFSM 2014 that is compliant with IPSAS Accrual.
- The classifications are defined in IFMS for budget preparation, execution and financial statement preparation.



IFMS IMPROVEMENT

IPSAS implementation involves development of modified financial systems;

- MUSE- Government Accounting System to facilitate accrual basis expenditure and inventories control;
- Government Electronic Payment Gateway (GePG) enabled Revenue collection and registration of accrual revenue;
- Government Assets Management Information System (GAMIS) for maintenance of asset register and movement schedule; and
- Integration among systems for easy Consolidation of Financial reports.



KEY CHALLENGES ENCOUNTERED ON ADOPTION OF IPSAS AND ACTIONS TO ADDRESS THEM.

- As a result of adopting IPSAS for the first time, there were some challenges that the Public Sectors Entities encountered. The challenges were as follows:
- Lack of adequate knowledge on the application of adopted standards.
- ❖ Resolution : This led to an engagement of a consultant to train the Public Sectors Entities' staff.



KEY CHALLENGES ENCOUNTERED ON ADOPTION OF IPSAS AND ACTIONS TO ADDRESS THEM Cont...

- Recognition of the PPE. This exercise demanded the use of IPSAS 17 for recognition and measurement of Assets and therefore all PSE's were demanded to prepare Fixed Asset Register especially those PSEs that were lacking it.
- ❖ Resolution : The entities were required to value assets as per IPSAS 33 for assets that were with no values as first-time adopter and prepare Asset Register.



KEY CHALLENGES ENCOUNTERED ON ADOPTION OF IPSAS AND ACTIONS TO ADDRESS THEM Cont...

- Use of different Computerized Accounting systems among Government entities;
- ❖ Resolution: Development of MUSE as Accounting Package across Public Sector Entities



KEY CHALLENGES ENCOUNTERED ON ADOPTION OF IPSAS AND ACTIONS TO ADDRESS THEM Cont...

- Using different accounting Framework (IPSAS VS IFRS);
- ❖ Resolution: Circular was issued for service-oriented PSE to use IPSAS as reporting framework



KEY CHALLENGES ENCOUNTERED ON ADOPTION OF IPSAS AND ACTIONS TO ADDRESS THEM Cont...

- Different GFS codes across Public Sector entities.
- ❖ Resolution: Harmonization of GFS codes was done across Public Sector entities



KEY CHALLENGES ENCOUNTERED ON ADOPTION OF IPSAS AND ACTIONS TO ADDRESS THEM Cont...

- Introduction of new standards which require expertise out of accounting eg IPSAS 41 Financial instruments require the use of Economist and Statistician in Macro variables projections.
- ❖ Resolution: Economists and Statisticians from other Departments of Ministry of Finance was used in formulation of IPSAS 41 ECL models



KEY CHALLENGES ENCOUNTERED ON ADOPTION OF IPSAS AND ACTIONS TO ADDRESS THEM Cont...

- The increase of new standards recently (from IPSAS 41 to IPSAS 50)
- ❖ Resolution: IPSAS Technical team is formed to acquire knowledge of new standards and train other PSE Accountants for new standards implementations.



LESSONS LEARNT FROM ADOPTION AND IMPLEMENTATION OF IPSAS

- In order to have success implementation of IPSAS, the implementing agent should consider the following:
 - i. Implement IPSAS in a project perspective;
 - ii. Ensure availability of resources;
 - iii. competent human personnel; and
 - iv. Commitment and devotion human resource.



THANKS

MWISHO