

Benefits & Pitfalls In Implementing International Public Sector Accounting Standards (IPSAS) In India

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Abstract

The recent global financial and economic crisis has heightened the ongoing need for countries around the world to improve the information supplied by public accounting bodies. The most important duty of a government entity is financial information reporting, notably annual result reporting to the public. Harmonization of high-quality public-sector accounting standards at an international level improves the credibility of government financial statements and makes comparisons within the Global Public Sector easier. The primary goal of this article is to assess the pitfalls and benefits of implementing IPSAS in Indian accounting.

Introduction

The current economic position in India has improved, and this scenario has commanded as autonomous among the world countries while also necessitating similar financial norms. Why have governments created, formulated, and regulated accounting standards for the correction of financial statements and report reporting in their own territories. On the other side, the business environment has increased as a result of globalization, which has resulted in ever-increasing collaboration among countries around the world in the area of international trade and commerce. As a result, there is a requirement to maintain accounting standard and administrative financial uniformity. The IFRS serve as a foundation for the establishment of international accounting standards for the public sector.

International public sector accounting standards (IPSAS) are analogous to international financial reporting standards that govern accounting procedures in private businesses. Over the previous 12 years, public sector accounting has evolved in terms of implementation.

One of the four independent standard boards of the International Federation of Accountants is the international public sector accounting standard board. IFAC is an international organization dedicated to satisfying the public's curiosity by strengthening the profession and contributing to the establishment of strong international financial prudence. The IPSAB is an autonomous organization in accounting standards set up by IFAC in responsibility for defining country accounting standards for public sector firms. Its goal is to ensure that financial information is consistent and comparable across jurisdictions.

Therefore, International Federation of accountant was main board to establish of " international public sector accounting standards board ", well known as "International Public Sector Accounting Standard". IPSAS is in charge of accounting information that is precise and thorough, as well as its interpretation, in order to establish a high level of accountability, stewardship, and trustworthiness.

Literature Review:

Debrun & Kumar (2007) Agency theory supports increasing openness through upgrading government accounting methods. It has long been considered that bureaucratic officials engage in opportunistic conduct in order to conceal financial information from mandate givers such as parliament, law, voters, or authorities.

Allen, (2009) Changes in government structures and systems take a long time due to the complex and interrelated nature of such systems. Hence one will expect that it will take some time for countries to see some benefits of changing the government accounting system.

Likierman (2000) argues that the benefit of any new government accounting system may take a long time to manifest. This is because changes in government accounting systems are not usually completed in a single year and are spread over time under different stages.

Rossietta et al. (2018) aimed to measure accrual based IPSAS implementation and its relationship to central government fiscal transparency. It covered 77 countries from 2008 to 2015 and found that the accrual level scores meet the requirements of the external validity test as evidenced by its positive correlation with the Financial Transparency Index for the International Budget Initiative Evidences. Suggest that central governments should strategically implement IPSAS-based accruals. Additionally IPSAS-based accrual practices (implicit or explicit) enhance financial transparency when giving priority to developing accounting policies based on accruals considerably rather than commitment to accrual and completion of reports.

Saadani & Kiir (2019) have examined, in their theoretical part, an assessment of the reality of public accounting of a non-profit nature in Algeria, and the requirements for applying International Accounting Standards in the public sector and the challenges of their application. The study concludes that the majority of the sample's approval that the public accounting system suffered from a deficiency in the government financial reporting process as a result of its lack of response to global changes. And with the need to update and undertake a comprehensive reform of the public accounting system in its various legal and technical aspects.

Objective of study

The current study can assist government organizations in India in making plans to transition from the cash to the accrual basis of accounting and to turn in line with the accrual basis IPSAS. To identify the benefits and pitfalls that government organizations will face when they implement the IPSAS guidelines.

Benefits of Implementing IPSAS:

Better decision-making abilities: Knowing an entity's financial situation as well as the financial consequences of a proposed policy measure aids decision-makers in making better financial decisions concerning the entity and its activities. The planning of the future is aided by public bodies and other parties.

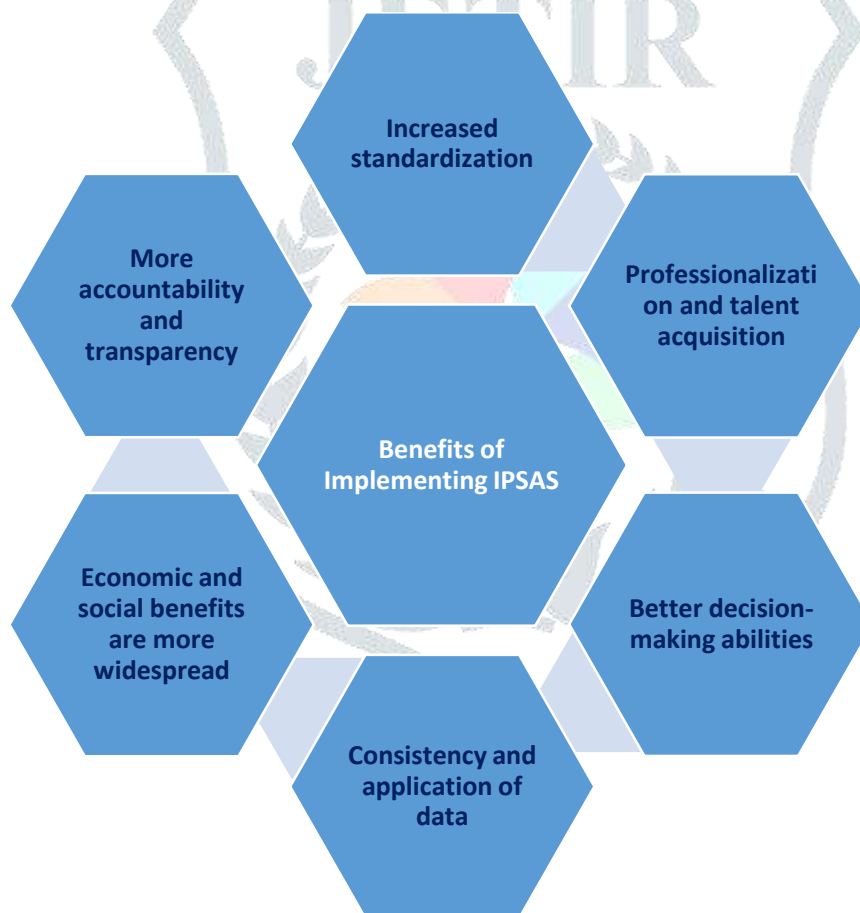
Consistency and application of data: More options to analyses data and improve decision-making are provided by more standardization of reporting methods and underlying data. Supreme audit institutions can use IPSAS-created standardized data to make relevant judgments and comparisons using approaches like data analytics

Economic and social benefits are more widespread: Adoption of IPSAS has a wide range of social and economic benefits. It aids in recruiting foreign direct investment into the public sector, particularly in emerging economies. When financial statements are prepared in compliance with the norm, investors have more confidence. It is possible to improve international comparability among public sector entities.

More accountability and transparency: There is significant evidence that IPSAS improve financial transparency for public sector institutions around the world. IPSAS play a critical role in improving transparency and, as a result, reducing fraud and corruption. IPSAS-compliant financial statements show what a government receives and allocates, as well as what it owns and owes.

Increased standardization: Increased standardization aids in the provision of more efficient audits and helps to reduce the risk of material misstatement. Standardizing the accounting and reporting process opens up more possibilities for data analysis and decision-making.

Professionalization and talent acquisition: The use of IPSAS helps to increase the 'professionalization' of the finance function and accounting in the public sector. It presents substantial chances to strengthen the financial organization's impact while using the capabilities of younger entrants into the industry, ensuring that the public sector remains a desired career destination.



Pitfalls of Implementing IPSAS:

Different Levels of Costs: The costs of implementation (both financial and resource based) should not be under-estimated from both a finance and audit perspective. Costs will be incurred for training, the use of specialised external consultants, IT upgrades and the development of appropriate guidance and translation tools. Amounts of money should also be set aside for targeted stakeholder involvement as well as other engagement and awareness activities. Most of the nations in our study implemented IPSAS as part of a larger public financial management improvement initiative, which necessitated additional investment.

Transformation: The majority of countries who embraced IPSAS experienced a significant transformation and change imperative as a result. Adoption of the IPSAS programme necessitates excellent project management, as well as change management expertise and appropriate experience; excellent communication is also required.

Methodology for implementation: Plans for implementation should be considered on a national level. In contrast to a "big bang" implementation, most of the countries we looked at preferred a phased approach. Implementation required a project management methodology, which included change management. It's critical to learn from those who have gone through the process before you, and to find best and reproducible practices.

Capacity for skills: Governments and public sector organizations may lack the necessary skills, competence, and manpower; in many countries, implementing IPSAS has proven difficult. Implementation will necessitate a skill-building programme, and there will be additional pressures to recruit and retain IPSAS-focused and qualified personnel.

Stakeholder participation: The extent of stakeholder engagement in the adoption of the IPSAS framework varies greatly among countries, as does the amount of awareness and comprehension of the framework. Cash accounting concepts are familiar to public sector firms, ministries, parliaments, politicians, and the general public. Key stakeholders, such as political office holders, auditor generals, accountants general, state banks, and ministries, must comprehend, educate, and engage in IPSAS implementation for it to be successful. This is challenging, and the executive branch, as well as the public accounts committee and the audit and finance divisions, must be involved and supportive of the process.

Changes in structure and law: The work of structural restructuring in order to facilitate IPSAS adoption is a major undertaking. New laws and governance procedures, as well as legal reforms, are required; they may be complex and time-consuming, and will vary by country. To review and deliberate on country-specific interpretations and applications, a government standards body and a finance committee will be required. Some countries have chosen to implement an advanced cash standard as a helpful stepping stone toward complete IPSAS implementation.

Pitfalls of Implementing IPSAS

Methodology for implementation	Capacity for skills	Stakeholder participation	Changes in structure and law	Different level of Costs	Transformation

Conclusion:

Identified challenges in India firstly include the differing states of readiness of entities within the Indian Government and across different public sector entities for IPSAS adoption. There are more specific core accounting challenges too – there is a paucity of information on assets and liabilities across many public sector entities in India at present. As part of a strong project management approach pilot studies will need to be conducted; accounting standards and policies and a chart of accounts will need to be developed; mapping will also be required to create a timetable for new processes; decisions will have to be made on IT requirements to support accrual accounting; organizational restructuring is also likely to be necessary; pilot implementation sites will have to be determined and prioritized; and a thorough implementation programme agreed for the whole of government financial statements. Users require assistance in order to comprehend the information provided in financial statements. Statements, regardless of whether they are cash-based or accrual-based IPSAS. The accounting profession must play a critical role in supporting them in comprehending financial reporting. A collaboration between governments, their public sector institutions, financial report users, and the accounting profession can accomplish a lot.

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