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

# AAAG Transition Guide to Accrual Accounting

May 2024

**AAAG Guide on Transition to Accrual Accounting and Reporting**

Transitioning from cash accounting to accrual accounting in the public sector in line with International Public Sector Accounting Standards (IPSAS) involves several stages and requires careful planning, resources, and commitment. The Guide covers all critical components of the Accrual Accounting adoption project and is designed to provide AAAG member countries with a phased and systematic checklist for adopting Accrual IPSAS.

**Objectives**

The guide aims to:

- **Enhance Public Financial Management (PFM):** Improve transparency, accountability, and comparability of financial reports across African member states.
- **Capacity Building:** Develop institutional capacity to transition to and sustain accrual-based IPSAS.
- **Harmonize Financial Standards:** Align with global standards while accommodating local contexts.
- **Strengthen Decision-Making:** Provide accurate financial information for policy and economic decisions.

**Model Checklist**

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| **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? | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| **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? | | | | |
| **Project Governance Structure** | | | | |
| 1) Have you established a Steering Committee with representatives from government entities and technical partners? | | | | |
| 2) Have you defined the roles and responsibilities for the project Steering Committee (e.g., policy advisors, technical experts, project leads). | | | | |
| 4) Have you defined and approved terms of reference for committees and working groups? | | | | |
| 5) Has the entity put up a project co-ordination team to spearhead the migration process (have you sequenced the reforms?) | | | | |
| 6) Has the entity determined who the project manager will be? | | | | |
| **Funding and Resources** | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| 1) What are the estimated funding requirements for the entire project? | | | | |
| 2) How can funding be secured from government budgets and development partners? | | | | |
| 3) How can resources be allocated efficiently to priority areas? | | | | |
| **B. Policy and Legal Framework** | | | | |
| **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) How can the roadmap be effectively published and communicated 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:<br>a. Short-term (1–2 years): Preparatory steps.<br>b. Medium-term (3–5 years): Transition and implementation.<br>c. Long-term (5+ years): Post-implementation review and continuous improvement. | | | | |
| 2) Does the roadmap prioritize high-impact areas such as assets, and liabilities? | | | | |
| **Policy Development** | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| 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? | | | | |
| **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 alignment with national laws? | | | | |
| 6) What amendments or new legislation can be proposed to support Accrual IPSAS adoption? | | | | |
| **C. Capacity Building and Technical Assistance** | | | | |
| **Training and Awareness** | | | | |
| 1) Have you conducted training needs assessments? | | | | |
| 2) Have you developed a training curriculum covering Accrual IPSAS principles and applications? | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| 3) Have you considered delivering targeted and customized training programs for:<br>a. Accountants and auditors (IPSAS technical standards).<br>b. Policymakers and non-finance staff (challenges of the current system, benefits and importance of IPSAS). | | | | |
| 4) Have you considered establishing certification tracks in collaboration with professional bodies to create a pool of accounting staff who are skilled in public sector accounting? | | | | |
| 5) Have you considered training Trainers for sustained capacity building? | | | | |
| 6) Have you considered publishing simplified guides and materials? | | | | |
| 7) Have you considered developing online and in-person training materials? | | | | |
| **Technical Assistance** | | | | |
| 1) Have you considered partnering with organizations like World Bank, PULSAR, and the IMF for technical guidance? | | | | |
| 2) Have you created guidance manuals and practice notes for Accrual IPSAS adoption. | | | | |
| 3) Have considered translating IPSAS literature into relevant languages for ease of adoption? | | | | |
| 4) Have you considered knowledge exchange with countries that have already adopted IPSAS accrual? | | | | |
| 5) How can simplified guides be published and seminars conducted for policymakers effectively? | | | | |
| **Change Management** | | | | |
| 1) Have you established a Change Management Office to handle resistance and communication? | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| 2) Are there plans for conducting regular workshops, updates and meetings to address concerns and motivate stakeholders? | | | | |
| 3) Have you developed a structured change management framework, such as ADKAR, to ensure a sustained adoption process? | | | | |
| **D. System Development and Data Preparation** | | | | |
| **Chart of Accounts and IT System Upgrade** | | | | |
| 1) Have you assessed the existing financial management systems? | | | | |
| 2) Does the Chart of Accounts require redesigning to align with Accrual IPSAS and Government Financial Statistics requirements? | | | | |
| 3) Do your IT systems, including IFMIS, require upgrade to support Accrual IPSAS reporting? | | | | |
| 4) Have you tested IT systems for compatibility and functionality? | | | | |
| 5) Can the system support accrual-based entries, asset management, and financial reporting? | | | | |
| **Accounting Policies and Procedures** | | | | |
| 1) Have you developed detailed accounting manuals aligned with IPSAS standards? | | | | |
| 2) Have you established standard operating procedures for reporting and compliance? | | | | |
| 3) Have you considered piloting the procedures with select entities? | | | | |
| **Data Migration** | | | | |
| 1) Have you conducted a comprehensive audit of existing financial records? | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| 2) Have you considered conducting a data quality review and clean-up exercise? | | | | |
| 3) Have you developed protocols for accurate data migration into the accrual-based system? | | | | |
| 4) Have you established data validation and verification mechanisms? | | | | |
| 5) How will you identify and collect data on key transactions and events for IPSAS-compliant reporting? | | | | |
| 6) Have you populated systems with historical and current financial data? | | | | |
| **Transition Process** | | | | |
| **Accounting Policies and Procedures** | | | | |
| 1) Have you drafted and implemented IPSAS-compliant accounting policies for recognition, measurement, and disclosure of:<br>a) Revenues and expenses?<br>b) Fixed assets and liabilities?<br>c) Financial instruments and leases? | | | | |
| 2) Have you established standard operating procedures for reporting and compliance? | | | | |
| **Project Rollout** | | | | |
| 1) Have you rolled out pilot implementations in selected MDAs to test the framework and address challenges before full-scale implementation? | | | | |
| 2) Have you evaluated the pilot results and refined the approach accordingly? | | | | |
| 3) How do you plan to implement Accrual IPSAS across all public entities in phases? | | | | |
| 4) What measures are in place to ensure ongoing training during the rollout phase? | | | | |
| 5) How will real-time support be provided to entities during implementation? | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| **Change Management** | | | | |
| Have you established a change management unit to:<br>a) Monitor implementation?<br>b) Address resistance through targeted communication? | | | | |
| **Risk Management** | | | | |
| 1) Have you identified potential risks, such as lack of technical skills, resistance, or funding gaps? | | | | |
| 2) Have you developed a Risk Management Plan, including mitigation strategies? | | | | |
| 3) How do you plan to monitor and update the Risk Management Plan regularly? | | | | |
| **E. ASSETS AND LIABILITIES** | | | | |
| **ASSETS** | | | | |
| 1) Has the entity identified existing classes of assets? | | | | |
| (a) Cash and Cash equivalents- (IPSAS 2,29/41)<br>- Cash at bank<br>- Cash in hand<br>- Deposits and investments maturing within 3 months | | | | |
| (b) Property, Plant and Equipment- Consisting of Land, buildings, Heritage Assets, Infrastructure Assets, motor vehicles, furniture and fittings, machinery and equipment, ICT, capital work in progress equipment among others (IPSAS 45 on an early adoption basis) | | | | |
| (c) Investment property- Does the entity have land and buildings held for rental purposes or for capital appreciation? (IPSAS 16) | | | | |
| (d) Investments- Does the entity have shares, treasury bills, bonds, corporate bonds and fixed deposits placed with financial institutions? (IPSAS 29/41) | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| (e) Inventory- Does the entity hold inventory (raw materials, finished goods, work in progress or consumables) for distribution or sale to other departments for use? (IPSAS 12) | | | | |
| (f) Intangible assets- Does the entity have assets in form of software, patents, rights, copyrights, goodwill etc.? (IPSAS 31) | | | | |
| (g) Biological assets- Does the entity hold any form of biological assets in form of plants and animals? (IPSAS 27) | | | | |
| (h) Receivables- Does the entity expect to receive dues from third parties at any given point in time in form of trade debtors, loan receivables imprests and other staff debtors? Are there comprehensive lists for such receivables? (IPSAS 29/41) | | | | |
| (i) Prepayments- Has the entity made any prepayments for its services for example rental leases, insurance etc.? | | | | |
| 2) Is there a documented inventory/list of all fixed assets in form of a fixed assets register? | | | | |
| 3) Is information on cost for the identified assets available or deemed cost be determined in line with IPSAS 45 as the basis of accounting and recording? | | | | |
| 4) Has the entity assessed the useful life of the classes of its assets? | | | | |
| 5) Does the entity have a depreciation policy? | | | | |
| 6) Have the assets been depreciated over the years? If not, can this be done with respect to the identified assets? | | | | |
| 7) Has the country developed and issued an Asset and Liability Management Policy? | | | | |
| 8) Where information on cost may not be available, has there been any valuation done? (Valuation shall be guided by the Asset and Liability Management Policy – referenced in 7 above. | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| 9) Does the entity have a policy on capitalization thresholds? (The policy above provides guidance on capitalization thresholds) | | | | |
| 10) Does the entity have any audit queries (Internal and external) on assets? Have these been fully addressed? | | | | |
| 11) Leased assets- Has the entity entered lease arrangements that may give rise to assets? (IPSAS 43 on an early adoption basis) | | | | |
| 12) Has the entity done a physical verification of all its assets? Has it reconciled the existing records with the actual assets? | | | | |
| **LIABILITIES** | | | | |
| 1) Has the entity identified all its liabilities? | | | | |
| a) Trade payables- Pending bills arising from purchase of goods, services and works. (There should be a list of all domestic debts relating to goods and services delivered but have not been paid for) | | | | |
| b) Staff payables- Pending bills relating to statutory deductions such as payroll taxes (PAYE), mandatory pension contributions, statutory national medical insurance deductions, salaries and wages among others. All the payroll deductions which would have been deducted and are yet to be remitted to the relevant authorities | | | | |
| c) Accruals- Goods and services received in a particular reporting period yet to be invoiced by the supplier e.g. electricity or water consumed but bills are yet to be received. Can use prior period bills to accrual; | | | | |
| d) Provisions- Liabilities of uncertain timing and amount for which the entity must make an estimate for. | | | | |
| e) Contingent liabilities- Liabilities arising from legal proceedings, guarantees and indemnities not determinable but should be disclosed in the financial statements for example cases in court of laws whose outcome can be estimated. | | | | |
| | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| g) Debt - Does the entity hold any form of debt instruments from commercial banks, the government and other parties including development partners and other public sector entities? | | | | |
| h) Refundable deposits from customers- Where applicable, does the entity require its customers to place deposits of any kind? Is there a list for such deposits? Are these deposits supported by bank balances? | | | | |
| f) Employee benefit obligations- Pension, gratuity, outstanding retirement benefit contributions, disability benefits which are long term in nature | | | | |
| g) Retention funds – third party retention for contracted services where applicable. Are they supported by a movement? | | | | |
| h) Leases- Has the entity have lease arrangement which have a potential raise to liabilities? (Consider the provisions of IPSAS 43 on early adoption basis) | | | | |
| 2) Does the entity have a policy with respect to liabilities management? | | | | |
| 3) Has the entity adopted a lability management policy | | | | |
| 4) Has the entity done reconciliation of all its liabilities to establish an aging schedule? | | | | |
| 5) Has the entity received audit queries in relation to its liabilities in the past? Have these been fully addressed? | | | | |
| **F. Revenue and Expenses** | | | | |
| **Revenue** | | | | |
| 1) Has the entity identified all classes of revenue? | | | | |
| a. Revenue transactions without binding arrangements such as exchequer transfers, grants, fees, levies and charges as prescribed in under the new IPSAS 47 (on early adoption basis.) | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| b. Revenue transactions with binding arrangements such as revenue from exchange transactions for example sale of goods, sale of services, interest, dividends and rental income. | | | | |
| c. Other revenue such as gain on disposal of assets | | | | |
| 2) Does the entity have accrual-based policy to support the recording of revenue instead of receipts | | | | |
| 3) Is the policy broadly in line with applicable IPSAS 47? | | | | |
| 4) Revenue accrued will be supported by assets in form of debtors. (See the comments under receivables) Ensure there is a list of these receivables | | | | |
| **Expenses** | | | | |
| 1) Does the entity have clear categories of expenses? | | | | |
| 2) Does the entity have accrual-based policy to support the recording of expenses (when incurred) instead of payments? | | | | |
| 3) Does the entity distinguish between payables, accruals, provisions and contingent liabilities? | | | | |
| 4) Has the entity considered presentation of expenses in form of nature or classification by function? | | | | |
| **G. Budget Versus Actual amounts** | | | | |
| 1) Has the entity considered implications of comparing cash-based budget with accrual related information? | | | | |
| 2) Has the entity considered a reconciliation for budgeted amounts and actual amounts when different accounting and budgeting basis are applied? | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| 3) Does the entity have an accounting policy on accounting for budgeted versus actual amounts? Has the adopted a synchronized Chart of Accounts that can support budgetary reporting? | | | | |
| 4) Has the entity been able to map the various vote heads under cash accounting system appropriately into various category of Assets, Liabilities, Income and Expenditure or accrual IPSAS-style elements of financial statements? | | | | |
| 5) Is the accounting system in use robust enough to take care of the accrual elements such as provisioning, accrual, depreciation, prepayment etc.? | | | | |
| 6) Does the accounting system in use need any modifications to support accrual reporting? | | | | |
| 7) Can the accounting system in use generate a full set of financial reports? | | | | |
| 8) Where IFMIS is used, are all reconciliations done within the system including bank reconciliations? Is the statement of assets and liabilities in agreement with the **latest** accounts submitted for audit? | | | | |
| 9) Where IFMIS is used, does it support integration with other accounting systems that support accrual- based information and reports? | | | | |
| 10) Where a separate system may be required to process accrual related information, has a budget been set aside for it? | | | | |
| **H. Audit Implications** | | | | |
| 1) Has the entity considered audit implications for non- compliance during the transition period? | | | | |
| 2) Has the entity obtained unqualified audit opinion under the current reporting framework? | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| 3) Have all audit queries been addressed from prior period audits? | | | | |
| 4) Are all financial statements audits up to date and opening balances verifiable? | | | | |
| 5) Has communication of the transition been made to both internal and external auditors? | | | | |
| **I. Monitoring, Evaluation, and Post-Implementation** | | | | |
| **Monitoring and Evaluation** | | | | |
| 1) Have you developed a Monitoring and Evaluation Framework? | | | | |
| 2) Have you established KPIs to track implementation progress? | | | | |
| 3) Which Key Performance Indicators (KPIs) are being used to measure success, such as:<br>a) What percentage of MDAs are compliant with IPSAS?<br>b) How timely and high-quality are the financial reports?<br>c) Has there been a reduction in audit queries? | | | | |
| 4) Are you conducting regular monitoring and evaluation using tools like the World Bank's PEFA assessments for benchmarking? | | | | |
| 5. How frequently are periodic progress reports prepared for stakeholders? | | | | |
| 6. Are you benchmarking results against international best practices? | | | | |
| **Reporting** | | | | |
| 1) Have you published annual implementation progress reports? | | | | |
| 2) How are success stories and lessons learned shared with stakeholders? | | | | |
| 3) Have reports been submitted to the Steering Committee for review and approval? | | | | |
| | | | | |

| Areas of Preparedness | Yes | No | On-going | Comment |
|---|---|---|---|---|
| **Post-Implementation** | | | | |
| 1) Have you established a Knowledge Hub for sharing best practices and ongoing learning? | | | | |
| 2) Are IPSAS policies and procedures reviewed and updated periodically? | | | | |
| 3) Have impact assessments been conducted to measure the benefits of Accrual IPSAS adoption? | | | | |
| 4) Is the implementation roadmap periodically reviewed? | | | | |
| 5) How are guidelines updated to reflect revisions in IPSAS standards? | | | | |
| 6) Have external bodies been engaged to review and validate implementation? | | | | |
| 7) How is feedback from audits and reviews incorporated into annual implementation updates? | | | | |

Additional review comments:

a. _____

b. _____

Sign of by the Accountant General/Designated Officer _____Sign: _____

Date of Review: _____

***N/B –***
***AAAG presents this checklist in an advisory capacity only, and it cannot be relied upon singularly without reference to the core body of the applicable standards as issued by the International Public Sector Accounting Standards Board and IFAC..***

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