

# **CONSOLIDATION OF GOVERNMENT WIDE ACCOUNTS**

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# Introduction

- ❑ Consolidated financial statements are the financial statements of an economic entity presented as those of a single entity.
- ❑ The term economic entity is used in IPSAS to define, for financial reporting purposes, a group of entities comprising the controlling entity and any controlled entities.
- ❑ The Government of Tanzania has 614 controlled entities according to the 2016 institution table.
- ❑ First set of Consolidated Government-Wide Accounts (CGWA) was prepared in 2013
- ❑ Elimination of inter-entity transactions started in 2015

# Is there value in consolidating government accounts?

- Ability to know how Government entities transact together
- Increased control over all resources
- Better information for deciding priorities
- Better allocation of resources in accordance with priorities
- Better-informed public

# Intended users of the consolidated government accounts

- Members of Parliament
- Cabinet
- Investors
- Lenders and borrowers
- Taxpayers
- Citizens
- Elected representatives
- Oversight groups
- Bondholders
- Others in the financial community
- Public at large

# Are the CGWA really useful?

- Consolidated financial statements provide a panoramic view of a government's activities and current financial position
- This panoramic view ensures that users do not lose sight of the risks associated with certain sectors
- It shows the performance of the government as a whole

# What is the significance of the CGWA?

- ❑ Whole of government financial statements have a different perspective from separate financial statements
- ❑ Separate financial statements provide information on the activities of the core government.

# Do the CGWA enhance transparency and accountability?

- ❑ CGWA encourage greater accountability through greater transparency of links between government bodies and the amalgamation of financial obligations across the various bodies into one single figure
- ❑ The CGWA address public accountability issues inherently related to the unique aspects of the government environment



# Challenges in implementing IPSAS for Consolidated Wide Accounts

## ❑ Professional Challenges

Although the number of professional accountants in Tanzania has increased tremendously, IPSAS is a new concept, which is not understood by many. The Government as the leading user of these standards has to undergo massive capacity building to enlighten its accountants on IPSAS for quality accounts of government entities to be Consolidated.

## ❑ Political Challenges

The full potential of using accrual-based information can be realized only if political office holders are convinced of the value of accrual-based data and are able to act on it so as to improve reporting processes.

Unless there is political commitment and honesty from the elected officials who virtually power lies in their hands, the exercise will end in paper.

## ❑ Organizational Challenges:

IPSAS adoption is a complex and comprehensive change management process. While it offers numerous benefits over the medium and long term, it also entails short-term costs and challenges that need to be seriously addressed by the executive heads of all the organizations concerned.

In fact IPSAS adoption is a complete change that may face vigorous resistance. Therefore without total organizational transformation and leaders commitment, realization will end up as a myth.

## ❑ Systematic challenges:

Automation of the consolidation process

Valuation of PPE

Actuarial valuation

Recording of taxes on accrual basis

# Practical and substantive issues

There are some substantive issues relating to IPSAS implementation for consolidated wide accounts in Tanzania as follows

## **i. Improved accountability**

By implementing IPSAS we will be providing a complete and accurate view of Tanzania's Public sector services and performance

## **ii. Transparency;**

Lucidity over the use of tax payers' resources and other resources given to Tanzania by donors and loans.

## **iii. Credibility;**

Implementation of IPSAS improved reliability on accounting information due to the use of the same accounting standards throughout the Government and its Controlled entities.

## Practical and substantive issues.....*Cont'*

### **iv. Improved overall management and planning**

It is also a result of more precise estimates of income and expenditure in the Government.

### **v.Improved programme management;**

As IPSAS supports the results based management approach, the implementation of IPSAS has improved budget programmes management.

### **vi. Harmonization of reports and statements across the country.**

IPSAS implementation has enhance Tanzania's ability to act in unison towards key regional and global objectives, including the Millennium Development goals.

## Public sector peculiarities

- ❑ Governments serve a broader group of stakeholders, including taxpayers, citizens, elected representatives, oversight groups, bondholders, and others in the financial community.
- ❑ Most government revenues are raised through involuntary taxes rather than a willing exchange of comparable value between two parties in a typical business transaction.
- ❑ Monitoring actual compliance with budgeted public policy priorities is central to government public accountability reporting.
- ❑ Governments exist longer than for-profit businesses and are not typically subject to bankruptcy and dissolution.

# How to overcome the challenges

- ❑ Top leadership as the owners of the initiative — words backed up with actions to reinforce a sense of urgency and to make necessary investments
- ❑ A well-defined statement of the objective and its importance
- ❑ A clear assignment of operational responsibility together with the authority to achieve the objective, i.e., someone in charge with the ability to enforce decisions across Government entities
- ❑ Standardized processes, data and systems
- ❑ Discipline in adopting business rules and providing needed information
- ❑ Accountability and ability to hold people accountable

# Understanding fiscal position implications

- Disclosure of public debt for the whole government
- Disclosure of government assets
- Consistency of accounting policies across the whole government

# Conclusion

- The success of IPSAS implementation in Tanzania depended largely on the ability to identify and measure the government's assets and liabilities. Corruption tends to result in understatement of government's assets or overstatement of government's liabilities, unless financial integrity is assured, the credibility of government's financial information suffers.
- Thus both financial integrity assurance *and* accurate accrual accounting must be accountants' professional contribution to development of the Country.

*Thank you very much for  
listening*