



School of  
Management and Law

# Implementing accrual accounting: Main challenges and lessons learnt



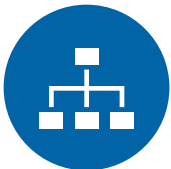
**Building Competence. Crossing Borders.**

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# Successful accrual accounting reforms require a comprehensive reform model



**Political capacity** is the capacity of a government to secure political support as well as securing the necessary resources (i.e., financial and non-financial) to be consumed / invested within the reform process. Political capacity also includes a clear vision and reform objective.



**Institutional / organizational capacity** is the ability to define institutional arrangements, structures and processes in support of the envisaged public sector accounting and financial reporting reform. It includes proper reform governance and monitoring of the reform process.



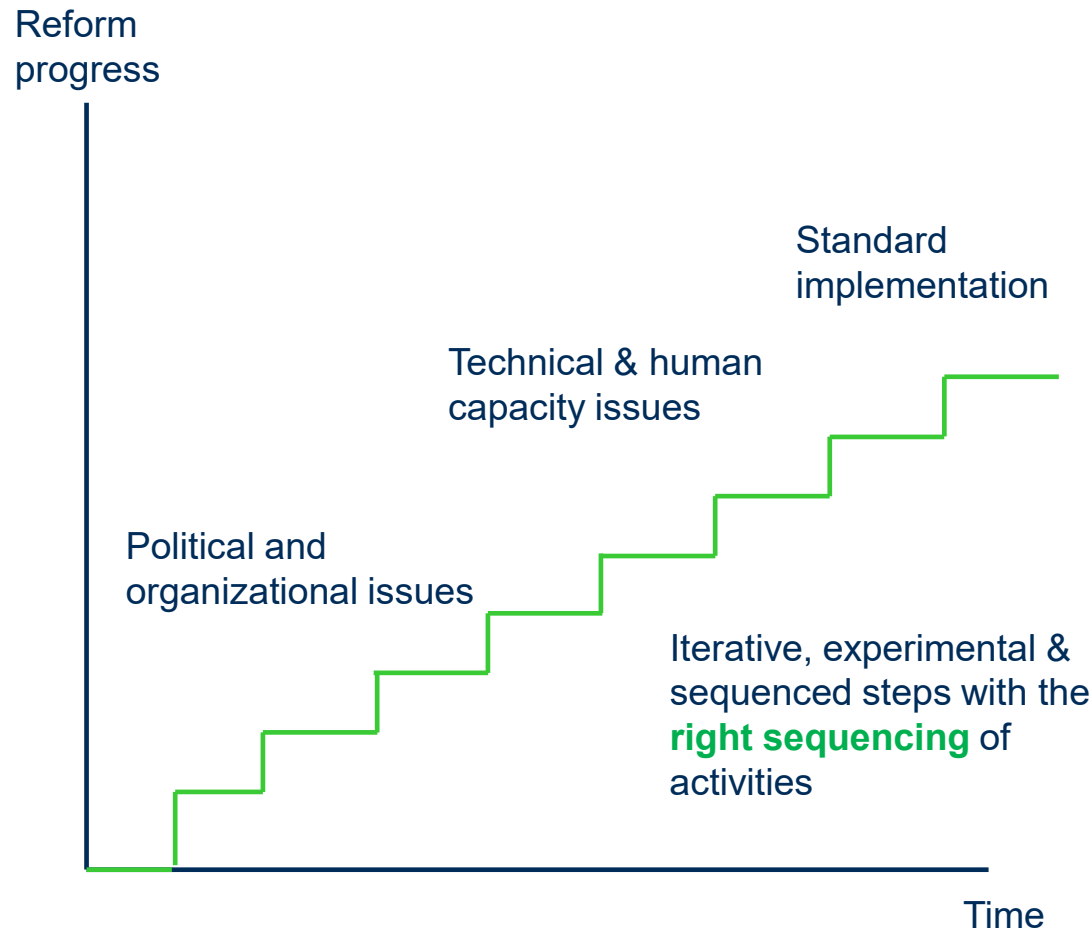
**Technical capacity** is the ability to set up proper technical infrastructure and other form of capacities (i.e., IT, IFMIS, Software, development and integration of Chart of Accounts, etc.) to support the reform process.



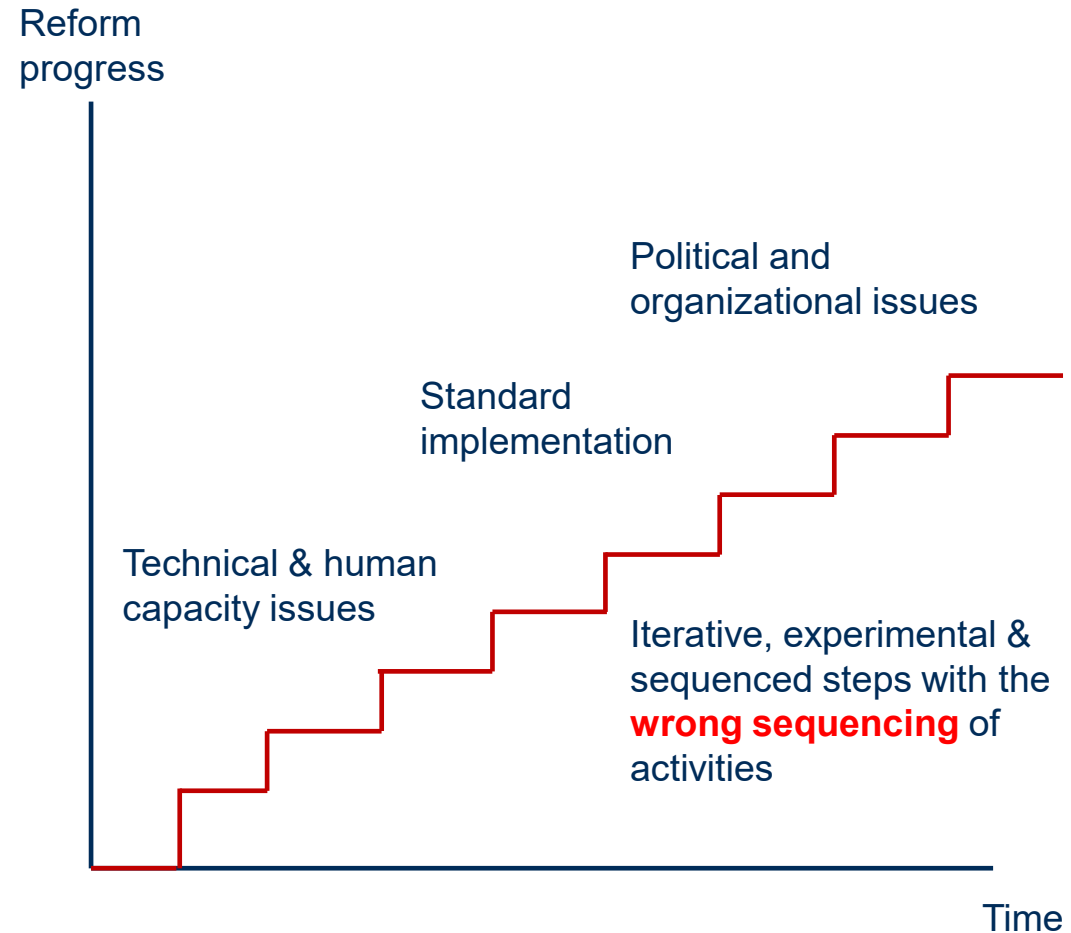
**Human capacity** is the ability to develop a sustainable human-capacity building program, therefore preparing and enabling people to conduct new tasks arising from the envisaged reform.

# Different accounting reform models

## Feasible & successful transformation model



## Transformation model with lower probability of success



# Implementing IPSAS: Main challenges and lessons learnt



**Direct vs. indirect adoption:** Both have been completed successfully. Indirect has the advantage that the issues are addressed early in the process.

- **Political and institutional capacity:** Are clarified early.
- **Normative basis:** Stringent anchoring in the national legislation. Clear normative hierarchy including Conceptual Framework, Standards, Policies, Chart of Accounts, Interpretations and Guidance.



**Multi-Annual Implementation Projects take 5 to 7 years:** Rigorous preparation, with clearly defined and measurable milestones, but then transition in only one year (≠ IPSAS 33).



**Technical capacity:** There is no IT solution “from the shelf” and a design has to be developed, including the interface with GFS.

Thank you!



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