



Ministry of Finance of Georgia
State Treasury



PUBLIC NON-FINANCIAL ASSETS
ACCOUNTING - MOVING TO IPSAS 17

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IPSAS IMPLEMENTATION IN GEORGIA



- IPSAS project launched in 2007;
- Long-term IPSAS Implementation Strategy Developed and Approved (2009 წ.);
- Georgia Public Sector Accounting Standards Board Established;
- Treasury personnel trained and prepared;
- After the successful Pilot Exercise (2011), Modified cash IPSAS was rolled out for the Entire Central Government and first International Standards Based Financial Statement prepared for the Y2012.
- IPSAS translated in Georgian. The official Georgian Edition of IPSAS is published on the Treasury web-page with IFAC acknowledging property rights;
- Non-financial assets accounting standard (IPSAS 17 -PPE) requirements are analyzed against the local legislation and practices and gap analysis prepared with assistance of the Technical Expert supported by the EU.



TECHNICAL ASSIGNMENT ON NON FINANCIAL ASSETS ACCOUNTING – PROJECT OBJECTIVES



- Introduce IPSA Standard of non-financial assets and improve non-financial assets management in the Public Sector through bringing it in compliance with the best international practice
- Enhance the accuracy and transparency of the accounting & reporting system of the non-financial assets in the public sector;
- Achieve consolidation and disclosure of information about the contents and characteristics of non-financial assets in the public sector;

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PROJECT DELIVERABLES



- Prepare gap analysis between current legal base and practice and International standard requirements;
- Design the database structure for public non-financial assets register and define linkage between synthetic and analytical accounting entries into the Treasury General Ledger;
- Propose prototype non-financial assets register populated with different asset classes;

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IPSAS MODEL



- Recognition;
- Valuation of assets in the process of recognition;
- Depreciation;
- Impairment;
- Write off;
- Explanatory comments;

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PRESUMPTIONS FOR ANALYSIS



The following is taken into consideration:

- The report should focus on PPE rather than “Non Financial Assets”
- Military and Education assets excluded.
- Budget execution is on GFS but financial reporting is on IPSAS cash and conventional accrual accounting;
- Basis for grouping of assets into accounts –classification provided by GFSM 2001 methodology
- To move fully to IPSAS (Accruals) will require that PPE is accurately recorded and reported transparently. Therefore a PPE Register will be required.

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KEY FINDINGS



- Regulation of accounting and reporting of fixed assets in compliance with normative acts regulating the public sector
- Unavailability of universal system of accounting and related risks (including incorrect or incomplete accounting, incorrect valuation and etc);
- There is a Risk of incomplete record keeping in ministries;
- The current book values of property may differ radically from market value or fair value. Usually the accounting records show a lower value.

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KEY FINDINGS



- Incomplete information on state-owned nonfinancial assets
- Unavailability of comprehensive policy in regard to transfer of assets between budgetary entities (e.g. book value, zero value, revaluated value and etc);
- Unavailability of practice of recognition of fixed assets, designated for selling by the authorized agency as stock of materials - Revaluations generally only occur on disposal – book value significantly different from realizable value;

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KEY FINDINGS



- Insufficiency of parameters reflected in available registries
- Reflecting of cultural / historical / environmental heritage assets in the registry for the purpose of their maintenance and protection of monuments and not for the purpose of financial accounting
- Tax issues are encouraging agencies to value property at valuations greatly different from the market value as tax is payable on the value of the property.

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KEY FINDINGS



- Rare application of accounting of impairment
- Stocktake practices are inconsistent
- Depreciation norms for individual assets without taking into consideration their useful service life; Centrally set depreciation norms do not necessarily result in carrying amounts that bear any relation to a fair value. IPSAS based depreciation is focused more on individual assets/ groups of assets.
- Some “Fully Depreciated Assets” were moved to off balance sheet accounts

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KEY RECOMMENDATIONS



Sequence of priorities



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KEY RECOMMENDATIONS



- Maintaining of effective registry of fixed assets which shall ensure precise and transparent accounting of public assets. Ensure publicity of information in accordance with international practices. There are internationally acknowledged two models:
 - Each entity keeps its own PPE register and a monthly mandated report is consolidated in Treasury
 - A common system is implemented that will be used by all entities.
- Decisions are require on the scope of a PPE register (for custodial, accounting, or managerial information);

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KEY RECOMMENDATIONS



- Accounting policies required for PPE. E.g. Asset Classes, Depreciation, Revaluation, Assets held in trust, Assets Held for sale, Leased Assets (as lessor and lessee) etc.
- Collection of data on assets will be a large task spanning a number of years.
- Valuing the asset may also take much time and require the services of professional valuers, or alternatively budget entities can conduct valuation independently.
- Additional data will have to be collected as PPE related activities take place, so that the PPE register reflects a current record of all government PPE (Except Military, Education)

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KEY RECOMMENDATIONS



- Impairment reviews should be undertaken each year.
- Minimum level for asset acquisition and capitalization (GEL 500 – which equals to USD 300 roughly) very low.
- The use of multiple levels based on risk assessment should be considered. Introduction of effective system of internal control over assets - such control, along with other mechanisms shall also imply frequency of physical examination of assets taking into consideration related risks. Periodic physical examination of assets is important part of internal control;

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Thank you

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