

## Transition to Accrual Preparedness Checklist

Name of the Entity: \_\_\_\_\_

Areas of Preparedness	Y	N	NA	On-going	Comment
<b>A. Assets and Liabilities</b>					
<b>ASSETS</b>					
1) Has the entity identified existing classes of assets?					
(a) Cash and Cash equivalents- (IPSAS 29/41) - Cash at bank - Cash in hand - Deposits and investments maturing within 3 months					
(b) Property, Plant and Equipment- Consisting of Land, buildings, motor vehicles, furniture and fittings, machinery and equipment, ICT, capital work in progress equipment among others (IPSAS 17/45)					
(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 41)					
(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 41)					
(i) Prepayments- Has the entity made any prepayments for its services for example rental leases, insurance etc.?					

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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?					
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 identified					
7) Has the entity aligned its policy with the recently approved policy on assets and liabilities management released by the National Treasury for periods beginning 1 <sup>st</sup> July 2020? (Policy can be downloaded from National Treasury's website. The entity can also use this policy as it prepares to update its own policy)					
8) Where information on cost may not be available, has there been any valuation done? (As per policy above, consideration is given to a government valuer)					
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 into finance lease liabilities that give rise to assets? (IPSAS 13/43)					
12) Has the entity done a physical verification of all its assets? Has it reconciled the existing records with the actual assets?					
<b>LIABILITIES</b>					

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13) 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 pending bills relating to goods and services delivered but have not been paid for)					
b) Staff payables- Pending bills relating to statutory deductions including NSSF, PAYE, staff loans, SACCO deductions, salaries and wages among others (Those that have been deducted from staff 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.					
f) Borrowings- 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?					
g) 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?					
h) Employee benefit obligations- Pension, gratuity, outstanding retirement benefit contributions, disability benefits which are long term in nature					
i) Retention funds – third party retention for contracted services where applicable. Are they supported by a movement?					
j) Leases- Has the entity have leases in form of finance leases which bring rise to liabilities? (IPSAS 13/43)					
14) Does the entity have a policy with respect to liabilities management?					

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15) Has the entity adopted or aligned its liabilities management policy issued by the National Treasury on assets and liabilities? (As referred above)					
16) Has the entity done reconciliation of all its liabilities with the payees?					
17) Has the entity received audit queries in relation to its liabilities in the past? Have these been fully addressed?					
<b>B. Revenue and Expenses</b>					
<b><u>REVENUE</u></b>					
18) Has the entity identified all classes of revenue?					
a. Revenue from non- exchange transactions for example, exchequer transfers, grants, fees, levies and charges.					
b. 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					
19) Does the entity have accrual-based policy to support the recording of revenue instead of receipts					
20) Is the policy broadly in line with applicable IPSAS i.e IPSAS 23, IPSAS 9 and IPSAS 11?					
21) Revenue accrued will be supported by assets in form of debtors. (See the comments under receivables) Ensure there is a list of these receivables					
<b><u>EXPENSES</u></b>					

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22) Does the entity have clear categories of expenses?					
23) Does the entity have accrual-based policy to support the recording of expenses (when incurred) instead of payments?					
24) Does the entity distinguish between payables, accruals, provisions and contingent liabilities?					
25) Has the entity considered presentation of expenses in form of nature or classification by function? PSASB encourages Nature classification in its templates					
<b>C. Budget Versus Actual amounts</b>					
26) Has the entity considered implications of comparing cash-based budget with accrual related information?					
27) Has the entity considered a reconciliation for budgeted amounts and actual amounts when different accounting and budgeting basis are applied?					
28) Does the entity have an accounting policy on accounting for budgeted versus actual amounts?					
<b>D. Accounting System in use</b>					
29) Is the accounting system in use robust enough to take care of the accrual elements such as provisioning, accrual, depreciation, prepayment etc.?					
30) Does the accounting system in use need any modifications to support accrual reporting?					
31) Can the accounting system in use generate a full set of financial reports?					
<b>E. Involvement of leadership and other stakeholders</b>					

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32) Has the entity conducted a gap analysis to assess the current status/level in the transition process (this is to be done using this checklist)					
33) Has the entity clarified its objectives of the reform or transition to its leadership? Do they understand the implications?					
<b>34)</b> Have proper mechanisms been put in place to sensitize the commissioners on the move and obtain support from leadership at the top?					
35) Has the entity put up a project co-ordination team to spearhead the migration process (have you sequenced the reforms?)					
36) Has the entity determined who the project manager will be?					
37) Has the entity developed an action plan for the transition based on the gap analysis made?					
<b>F. Technical capacity</b>					
38) Have the accounting staff been trained on accrual related concepts?					
39) Does the entity have enough members of staff to spearhead the transition process?					
40) Do staff need technical capacity building to enable them to execute the transition program?					
41) Are change management plans in place?					
42) Are there any considered cost implications?					
<b>G. Audit Implications</b>					

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43) Has the entity considered audit implications for non-compliance during the transition period?					
44) Has the entity obtained unqualified audit opinion under the current reporting framework?					
45) Have all audit queries been addressed from prior period audits?					
46) Are all financial statements audits up to date and opening balances verifiable?					
47) Has communication of the transition been made to both internal and external auditors?					
<b>H. General Preparedness</b>					
48) Is the transition to accrual project plan well documented?					
49) Has the plan been communicated to the accounting officer, commissioners/Speakers/Registrar and other key stakeholders within the organization?					
50) Has the plan been communicated to relevant external stakeholders?					
51) Has the entity identified a technical working group that will report to the accounting officer and the board of commissioners on the progress of the project?					
52) Does the entity have an accrual- based finance manual that is broadly in line with IPSAS? Has this been benchmarked to NT policy on assets and liabilities?					

Additional review comments:

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_



### **Transition to Accrual Preparedness Checklist**

Name of the Reviewing staff \_\_\_\_\_ Sign: \_\_\_\_\_

Date of review: \_\_\_\_\_