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

Comprehensive Gap Analysis Report

Of

The Office of the Accountants General Across 20 Member Countries of the AAAG

September 2024

Executive Summary

The African Association of Accountants General (AAAG) undertook a comprehensive gap analysis to evaluate the current state of Public Financial Management (PFM) and the structures, processes, and practices of the Offices of the Accountant General (OAGs) across 20 member countries. The primary objective of this analysis was to identify discrepancies between existing structures, practices and best practices in public sector accounting, particularly focusing on the transition to accrual-based accounting as prescribed by International Public Sector Accounting Standards (IPSAS).

The analysis revealed significant variations in the titles, hierarchical job levels and reporting structures of the Offices of the Accountant General. Furthermore, there were noticeable disparities in the legal mandates, budgetary independence, and tenure of the Office of the Accountant General, all of which affect the operational effectiveness. The adoption and implementation of Integrated Financial Management Information Systems (IFMIS) and IPSAS were also found to be uneven, with some countries lagging behind due to challenges such as inadequate technical expertise, resistance to change, and high implementation costs.

This report provides a detailed account of these gaps and offers targeted recommendations that can help standardize practices, enhance the scope of legal and operational frameworks, and eventually, promote the successful adoption of IPSAS across the member countries of the AAAG. Addressing these gaps is critical to improving the effectiveness, transparency, and accountability of public financial management systems throughout Africa.

1.0. Background and Introduction

The African Association of Accountants General (AAAG) was established as a platform for collaboration and sharing knowledge and experiences among Offices of the Accountants General (OAG) across Africa. AAAG was conceptualized based on the lessons learned from its predecessor, the East & Southern Association of Accountants General (ESAAG) which had been in existence since 1995. It was, thus, founded with the aim of addressing the unique challenges faced by public sector accountants on the continent and promoting best practices in public financial management. It is equally keen on re-positioning the the Accountant General to be effectively involved in public policy discources, since all policy discourse are eventually quantified in monetary terms. Since its strategic transformation in 2023, the AAAG is set on a path to grow and include members from five regions of Africa, each contributing to the collective goal of enhancing financial governance and accountability.

1.1 Objective of the Association

The primary aim of the Association is to foster collaboration among Accountants General to advance Public Financial Management (PFM) as a key driver of sustainable development and prosperity across Africa. Members of the AAAG firmly believe that effective PFM is crucial for economic growth, national development, and social stability. Good PFM practices enhance living standards, while poor PFM can undermine accountability, transparency, and decision-making. This, in turn, affects equity, trust in government, service delivery, investor confidence, and overall economic performance and development.

1.2 Importance of High-Quality Public Sector Accounting

AAAG recognizes that high-quality public sector accounting and financial reporting are essential for a strong PFM. A strong system of accountability enables robust external oversight of public expenditures, which fosters trust in government and improves policy outcomes. Despite this, the survey revealed that member countries, are struggling to put in place the necessary stractures to achieve effective PFM. For instance, it was noted that countries are encountering challenges to transition from the inadequate cash accounting basis to the more robust accrual-based financial accounting and reporting systems.

1.3 Purpose of the Gap Analysis

The Gap Analysis was conducted to help member countries identify key differences between their current financial reporting practices against best practices in Public Sector Accounting and PFM. The analysis focused on assessing the current state of the Offices of the Accountant General (OAGs) in 20 member countries. It aimed to pinpoint areas requiring improvement and provide recommendations to standardize practices across the member countries. Additionally, the analysis was intended to assist Accountants General to raise awareness of the gaps in current practices and eventually develop a strategy to guide implemention of accrual-based public sector accounting. The findings will also inform future capacity-building efforts and policy reforms to enhance public financial governance in member countries.

1.4 Methodology

The analysis was based on data collected through a questionnaire covering the legal structure, accounting systems, IPSAS adoption, and involvement in the PFM value chain. The analysis was primarily a desk review, with stakeholder input limited to responses from the pre-designed questionnaire distributed to OAGs in the 20 member countries, namely Zambia, Kenya, Rwanda, Uganda, Tanzania, Malawi, Botswana, Eswatini, Namibia, Lesotho, Nigeria, Somalia, South Africa, Chad, Ghana, The Gambia, Angola, Cote d'Ivoire, Mozambique and Zimbabwe. It employed a single-stage approach, where a semi-structured tool comprising qualitative questions was administered. Responses were obtained from seventeen (17) OAG representing 85% response rate.

2.0. Analysis of Findings

2.1 Legal and Reporting Status of the Structure of the Office of the Accountant General

2.1.2 Title of the Office

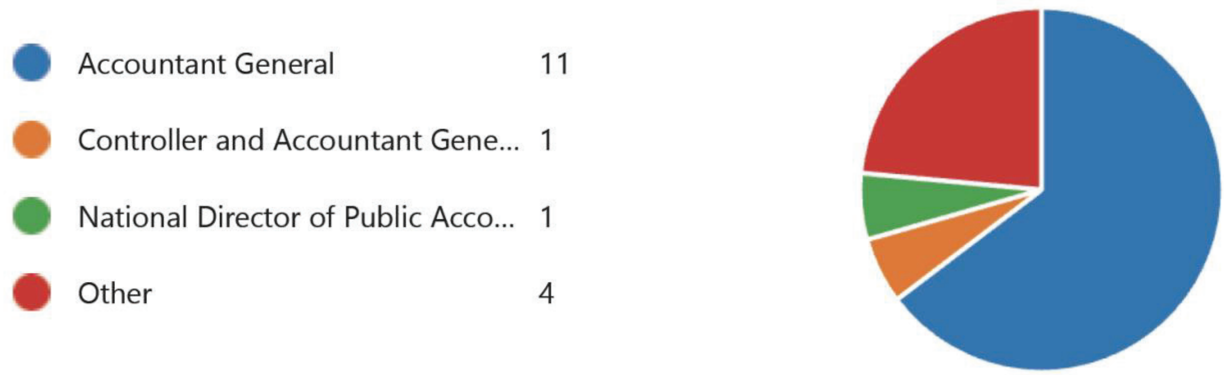
The title of the Office of the Accountant General varies among member countries. For instance, countries such as the Kingdom of Eswatini, the Kingdom of Lesotho, Somalia, Zambia, South Africa, Botswana, Uganda, Nigeria, Malawi, The Gambia, Zimbabwe, Namibia, and Rwanda use the title "Accountant General." In contrast, Ghana use "Controller and Accountant General," whereas Chad uses the term "Treasurer and Paymaster General," In Kenya title refers to "Director Accounting Services," while Angola uses "National Director of Public Accounting."

Gaps Identified

The variations in titles reflect differences in the scope and responsibilities of the office, potentially leading to inconsistencies in the functions and expectations of the Accountant General's Office (OAG) across Africa.

The figure below shows the consolidated responses from the respective OAG

Fig 1: AOG Titles



2.1.3 Hierarchical Level

The hierarchical positioning of the Accountant General relative to the Permanent Secretary or an equivalent position differs across countries. In some countries, the Accountant General holds a position equivalent to the Permanent Secretary, while in others, the role is subordinate. According to the survey, in the Kingdom of Lesotho, Ghana, Zambia, The Gambia, Nigeria, and Malawi, the position is equivalent to the Permanent Secretary. The case of Kingdom of Lesotho and the Gambia gives an interesting observation where the grading of the OAG is at the same level as the Permanent Secretary, but the Accountant General reports to the latter. On the other hand, the position hierarchy is at Deputy Permanent Secretary or Director level in South Africa, Somalia, Malawi, Namibia, Uganda, Rwanda, Angola, Chad, Botswana, Kingdom of Eswatini and Namibia. In Kenya, while the position hierarchy is at director level, it is three levels below the Permanent Secretary or equivalent position.

Gaps Identified

In countries where the Accountant General holds a lower hierarchical position, there is demonstrated reduced influence and decision-making power, potentially limiting the effectiveness of the Office.

2.1.4 Reporting Structure

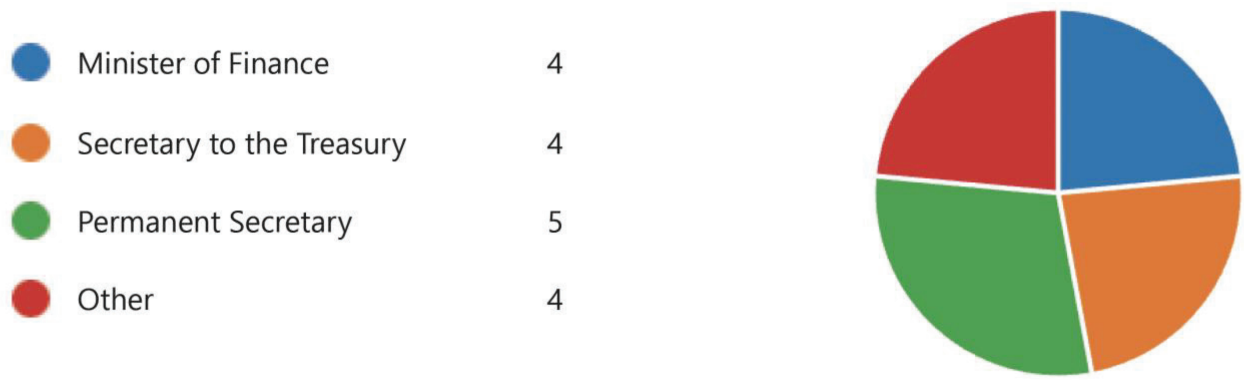
The reporting lines of the Accountant General vary across countries. In four countries, namely, Ghana, Somalia, Chad, and Nigeria, the Office of the Accountant General reports directly to the Minister of Finance. In Zambia, Malawi, Rwanda and Uganda, the office reports to the Secretary to the Treasury while Kingdom of Eswatini, Kingdom of Lesotho, Zimbabwe, Namibia, and Botswana OAG is answerable to the Permanent Secretary. In the Gambia, the Accountant General has a duo reporting structure, administratively to the Permanent Secretary and to the Minister on technical matters. The South African and Kenyan Office of the Accountant General reports to the Director General the position which eventually reports to the Permanent Secretary. In Angola the the Office of the Accountant General answerable to the Secretary of State for the Budget.

Gaps Identified

The lack of a uniform reporting structure may lead to differences in accountability and oversight, affecting the consistency of financial management practices across the region.

The figure below shows the consolidated responses from the respective OAG

Fig 2: Reporting Structure



2.1.5 Legal Mandate

Entrenched legal capacity of the Office of the Accountant General is critical to achieving effectiveness of the office. From the gap analysis, it can be reported that Kingdom of Eswatini, Ghana, Somalia, Chad, Zambia, Kenya, Malawi, The Gambia, Angola, Zimbabwe, Rwanda, Uganda, Botswana, and Nigeria, the Office of the Accountant General or equivalent, is enshrined in the respective Public Financial Management (PFM) law, providing a strong legal mandate. However, in countries such as the Kingdom of Lesotho, South Africa, and Namibia, the office operates without a clear legal framework.

Gaps Identified

The absence of a strong legal mandate in certain countries weakens the authority and independence of the OAG, potentially compromising its ability to carry out its functions effectively.

Below are the consolidated responses from the respective OAG

Fig 3: PFMA provision for OAG

2.1.6 Budgetary Independence

Operational independence as signified by budgetary autonomy is critical for the effectiveness of the Office of the Accountant General or its equivalanet, thereby allowing them to operate without financial constraints. The gap analysis revealed that

Offices of the Accountants General from Kingdom of Eswatini, Ghana, Somalia, Kenya, Malawi, The Gambia, Zimbabwe, Uganda, Botswana, and Nigeria have budgetary independence. In contrast, countries like Kingdom of Lesotho, Chad, Zambia, South Africa, Angola, Namibia, and Rwanda have their budgets under the control of the Ministry of Finance limiting their operational independence.

Gaps Identified

Lack of budgetaty autonomy of the Office of the Accountant General budget impedes on the independence of the Office to effectively drive financial management. The restrictions do impede the ability to perform the functions and duties of the Office effectively.

Fig 4: Budgetary Independence

2.1.7 Primary Responibilities

The survey established similarities of the main responsilities of the case study OAG such as ensuring effective budget execution, establishing internal controls, overseeing payment processing, development of financial management systems and financial reporting, transparency, and providing accurate financial statements. Nonetheless, some variations were observed in the key responsiblities, for instance:

a. The Office of Accounatant General for Kingdom of Eswatini and Chad also have responsibility for revenue collection and reporting.

b. In South Africa and Zimbabwe, the Office of the Accountant General is also responsible for prescribing Accounting and Reporting Requirements for the Public Sector, with the former having additional responsibilities for conducting investigations and performance audits.

c. The survey also revealed that OAG Somalia, Uganda and Namibia have responsibilities for debt management.

d. whereas the Accountant General of the Federal Republic of Nigeria, oversees the Treasury Management function.

e. The office of the Accountant General of Nambia is also in charge of Budget Preparation and Control.

2.1.8 Tenure of office

In respect of the tenure of office, the gap analysis revealed varied practices regarding the term of Office for the Accountants General. In the Kingdom of Eswatini, Somalia, South Africa, Kenya, The Gambia, Namibia, Rwanda, Uganda and Nigeria, the position is held on a permanent basis, providing continuity and stability in financial management. However, in many other countries, the role is appointed on a contractual basis, which may lead to frequent turnovers and potential disruptions in the execution of long-term financial strategies. For instance,

a. the tenure of office is three (3) years, renewable, for the Accountants General of Kingdom of Lesotho and Malawi.

b. the Controller and Accountant General of Ghana, serves a four-year renewable term whereas,

c. The Accountants General of Botswana, Zambia and Zimbabwe, serve on a tenure of five (5) years, renewable.

d. In Chad the holder of the Office of Treasurer General P(equivalent to Accountant General) does not have a defined term of office and can be removed at any time. The appointment is by decree of the President of the Republic on the recommendation of the Minister of Finance Similar to Chad, there is no fixed term for the position in Angola. Further, the appointment of the Accountant General depends on the nomination by the Minister of Finance.

Gaps Identified

This lack of uniformity in the tenure of the Accountant General's office presents challenges in maintaining consistent leadership and implementing sustained financial reforms across the region. The findings suggest a need for harmonized policies to ensure both stability and consistency in discharge of the functions of the Office of the Accountant General or its equivalent. Disruptions associated with the fluid tenure of services can impede accountability across Governments.

2.2 Accounting Systems and Configurations

2.2.1 Type of Financial Management System

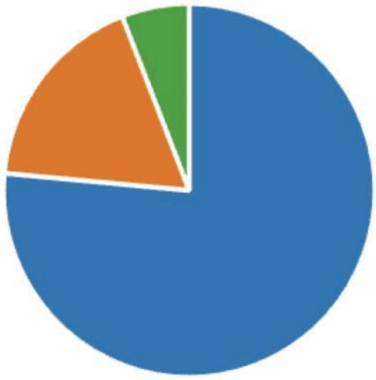
The financial management systems used by member countries differ significantly. Some countries, like Kingdom of Lesotho, Ghana, Somalia, Chad, Zambia, Kenya, Malawi, The Gambia, Angola, Zimbabwe, Uganda, Botswana, and Nigeria, use off-the-shelf systems. Others, like Kingdom of Eswatini, South Africa, and Rwanda, rely on internally developed systems. Additionally, Namibia use a combination of both off-the-shelf and internally developed systems.

Gaps Identified

Based on the survey, internally developed systems often suffer from limitations such as lack of integration, limited functionality, poor user interfaces, and inadequate reporting capabilities.

Fig 4: Financial Management System

Off-Shelf	13
Internally developed	3
Other	1



2.2.2 Effectiveness of Financial Management Systems

The effectiveness of internally developed financial management systems varies. Some countries, like Kingdom of Eswatini and Rwanda, rate their systems as very effective or good, while others, like South Africa and Namibia, rate them as average or poor.

Gaps Identified

Countries with less effective systems face challenges in achieving accurate and timely financial reporting, which can undermine the overall financial management process.

2.2.3 IFMIS Configuration and Implementation

The level of implementation of Integrated Financial Management Information Systems (IFMIS) varies as enumerated below:

a. Somalia, Rwanda, Nigeria and Uganda, reported that their core financial management system (IFMIS) are well-configured to meet their respective reporting needs. Uganda in particular reported that annual accounts are auto generated from the system. The system has thus facilitated timely payment processes and reporting.

b. Malawi reported limited network coverage of Government Wide Area Network which eventaully affects the uptake of the system. The Accountant General however reported a number of success stories including broad coverage of government transactions including public debt, transfers to local authorities, transfers to foreign missions etc, implementation of electronic funds transfer (EFT) payment method, auto bank reconciliation, configuration of the asset register in the system and submission of electronic transactions/payments by government ministries and departments to Accountant General's Office;

c. In response to the query on system effectiveness; the Accountants General of, Ghana, Zambia, South Africa, Namibia, The Gambia and Malawi, reported satisfactory facilitatition of IFMIS.

d. The Director of National Accounting of Angola reported that the system is poorly configured and posed a number of challenges including lack of integration with the core banking system, inability to produce government financial accountability reports, and lack of ownership and control of the computer system by the staff. In like maner, the Office of the Accountant General of Botswana reported inadequate and poorly configured IFMIS.

e. In the Kingdom of Lesotho, depending on thresholds, procurement does not fully happen through IFMIS. Only procurement by purchase orders is done through IFMIS while those that occur through the tender process are initiated outside the system. Furthermore, financial statements are prepared outside IFMIS because there is a number of bank accounts that operate outside IFMIS as well as data that is sourced from manual or other financial systems, like Tompro system. It was also reported that Lesotho Government does not operate a full Treasury Single Account.

f. General Treasurer and Paymaster of the Republic of Chad indicated that the implementation of IFMIS is at formative stage.

g. Kenya faces configurations issues centred around integration with the banking and tax systems as well as reconciling the cash based budget and the accrual based accounting.

h. With exception of Kingdom of Eswatini, Chad and Nigeria, the respondent countries have rolled out the IFMIS and similar systems across all government ministries and departments. While Rwanda did not report any challenges so far, the rest of countries reported varied problems.

i. In Kingdom of Eswatini while the office has neccessary technical infrastructure and buy-in from users to support the operation of IFMIS, the system is undergoing development.

j. In Ghana, lack of strong internal technical team to manage the system and challenges around execution of the approved budget were identified.

k. Issues of cultural change arising from the transition from manual processes to system automation are the painpoints face in Somalia while South Afria struggles with limited functionality and integration.

l. In Zimbabwe, it was reported that there is need for further customisation for the the system to suit the accrual based IPSAS.

m. The Federal Republic of Nigeria pointed out that IFMIS is very expensive to maintain

Rwanda has Budgeting, Accounting, Asset management, Procurement, Reporting, Debt management, Planning, Projects management and monitoring, Internal audit and consolidation functionalities. Nigeria, Malawi, Zimbabwe, Zambia, Ghana and Kingdom of Eswatini have installed the Budgeting, Accounting, Asset management, Procurement and Reporting modules whereas Uganda has also insalled the Revenue management functionality besides these. Namibia and Botswana have only Budgeting, Accounting, Asset management and Reporting. Angola has only the Accounting, Budgeting, Asset management and Reporting. Kingdom of Lesotho has only implemented the Budgeting Accounting, and partially Procurement while chad has only the Budgeting and Accounting functionalities.

Gaps Identified

Inadequate IFMIS configuration and incomplete rollout hinder the ability of these systems to support comprehensive financial management, leading to inefficiencies and data inconsistencies.

Fig 5: IFMIS Configuration

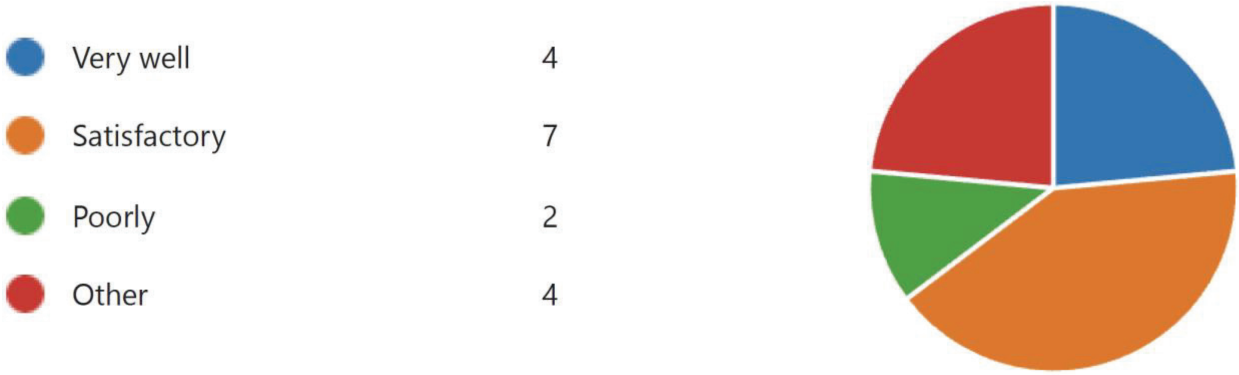


Fig 6: Financial Management Processes included in IFMIS

Fig 7: IFMIS rolledout across all government ministries and departments

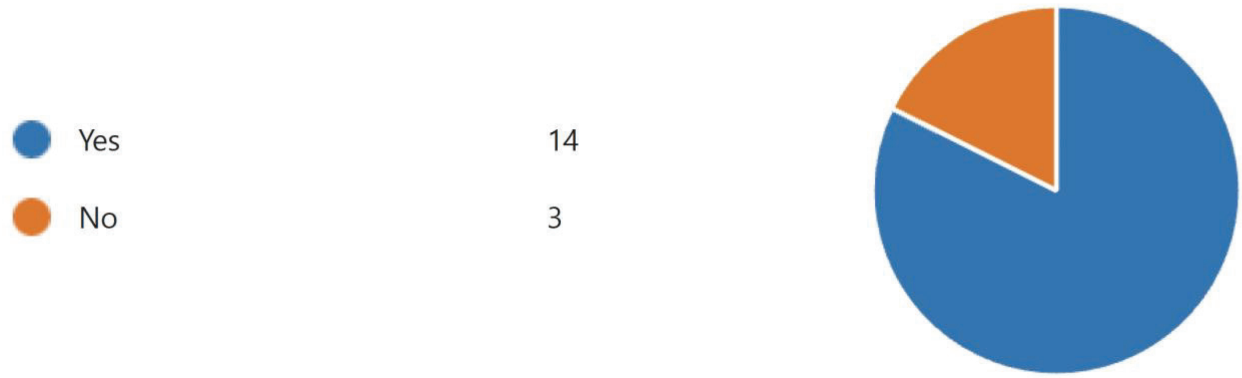


Fig 8: IFMIS ability to support accrual based information

2.2.4 Robustness of Systems to support Accrual Processes

The robustness of the accounting systems to take care of the accrual elements such as provisioning, accrual, depreciation, prepayment etc, is crucial in supporting full financial reporting. The survey establsihed that while the accounting system used in Kenya is robust and supports accrual elements like provisioning, accrual, depreciation, and prepayment,the country still prepares financial statements on modified cash basis.

The system is robust and supports the necessary accrual elements in Rwanda. While there are significant gaps in the areas of asset, inventory, and public debt management, these are being addressed as part of the IPSAS accrual transition.

In Malawi the system is also robust enough to handle accrual elements. However, it cannot generate a full set of financial reports, which is a critical gap that needs addressing. The system supports mapping to IPSAS elements and IFMIS integration.

The study also revealed that some countries have partially robust accounting systems and still needs improvement. In Ghana, the system is partially robust and can handle some accrual elements. However, there are significant gaps, particularly in the reconfiguration needed to accommodate IPSAS Accruals, chart of accounts, inventory, and fixed assets. The system does not support generating full financial reports, nor does it support integration with other systems using IFMIS. As for Zambia, the system is partially robust with some significant gaps, such as the need for an updated chart of accounts, asset valuation, and a cutoff policy for overdue amounts. However, the system can generate full financial reports, map to IPSAS elements, and integrate with other systems using IFMIS. With respect to South Africa, the system is partially robust as it does not support full accrual basis accounting due to legacy systems. The system can map to IPSAS elements and supports IFMIS integration, but it cannot generate full financial reports.

The survey also established countries with non-robust accounting systems. For instance, in Kingdom of Eswatini, the accounting system is not robust and cannot handle accrual elements. There are no significant gaps identified, but the system is limited in its capabilities, particularly in generating financial reports and supporting integration with other systems. Further, in Kingdom of Lesotho the system is not robust and has significant gaps, particularly in disclosure on assets, inventory, and the operation of a treasury single account. It can map to IPSAS elements and supports IFMIS integration. Somalia, the system is not robust and has significant gaps, particularly in transitioning from cash to accrual IPSAS. These gaps include the need to upgrade financial systems, enhance data management, provide staff training, develop policies, and strengthen internal controls. The system cannot generate full financial reports but can map to IPSAS elements and supports IFMIS integration.

In Chad, the system is not robust and is in the early stages of transitioning to accrual accounting. Significant gaps exist, particularly in the areas of financial reporting and system integration.

In Angola the system is not robust and has significant gaps, particularly in aligning financial reports with IPSAS, recording all operations based on IPSAS rules, and integrating financial flows. The system cannot generate full financial reports and lacks integration capabilities. Zimbabwe the system is not robust and has significant gaps, particularly in reconfiguring IFMIS to be accrual-based. The system cannot generate full financial reports and only partially maps to IPSAS elements. Botswana the system is not robust and has significant gaps, particularly in revising the chart of accounts to support accrual reporting. The system cannot generate full financial reports and only partially maps to IPSAS elements. In Namibia, the system is partially robust but has significant gaps. It can only partially map to IPSAS elements and lacks integration with other systems using IFMIS.

Specific gaps were identified in some countries despite robustness. These are Nigeria where the system is robust enough to handle accrual elements but has significant gaps in the recognition, measurement, and valuation of assets and liabilities. The system can generate financial reports but only partially maps to IPSAS elements.

In Uganda, while the system is robust, it has significant gaps, particularly in aligning the budget to accrual accounting. The system cannot generate full financial reports and only partially maps to IPSAS elements.

Gaps Identified

A common gap across many countries is the inability to generate a full set of financial reports. This limitation can impede comprehensive financial reporting. Other gaps identified include:

a) Many countries, particularly those with inadequate information systems, struggle with fully aligning their cash accounting systems with IPSAS elements. This gap affects the accuracy and transparency of financial statements.

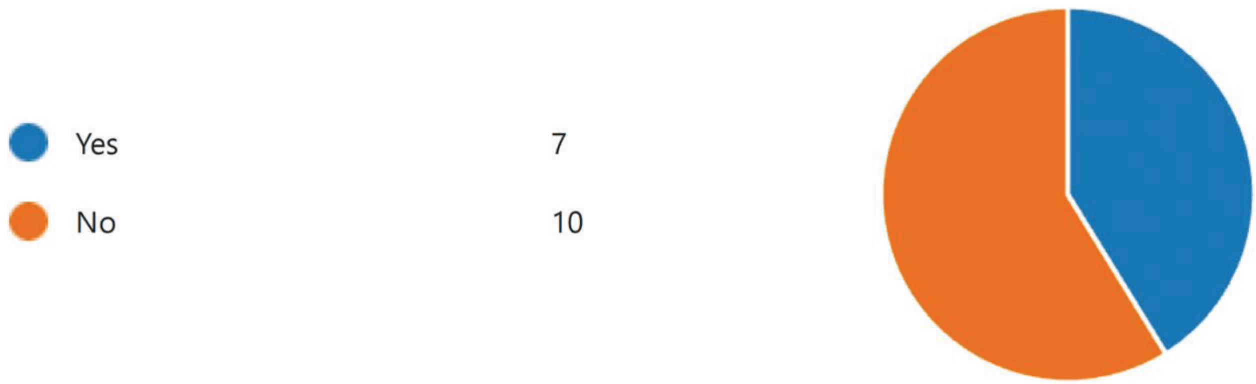
b) Lack of integration with other systems using IFMIS is a recurring issue, particularly in countries with non-robust systems. This gap can limit the ability to effectively manage and report financial information across different sectors.

c) Several countries are in the process of transitioning from cash to accrual IPSAS but face significant challenges, including system upgrades, policy development, and staff training.

Fig 9: Robustness of Systems to support Accrual Processes

Fig 10: Existance of gaps in the current accounting systems to support Accrual IPSAS

Fig 11: Ability of accounting system to generate full Financial Statements



2.3 Implementation of IPSAS

2.3.1 Accounting Basis

The accounting basis used by member countries varies. Some countries, like Kingdom of Lesotho and Somalia, use Cash IPSAS, while others, such as Kingdom of Eswatini, Zambia, South Africa, Kenya, Malawi, The Gambia, Angola, Zimbabwe, Namibia, Botswana, and Ghana, use a modified cash basis. Countries like Chad, Rwanda, Uganda, and Nigeria use Accrual IPSAS.

Gaps Identified

The variation in accounting bases reflects different stages of IPSAS adoption, with the majority of AAAG countries lagging behind in transitioning to accrual accounting.

Fig 12: Accounting System in Use

2.3.2 Adoption of Roadmap to Accrual Accounting

Kingdom of Eswatini, South Africa, Kenya, Malawi, Zimbabwe, and Botswana have respectively conducted gap analyses and have approved roadmap for adopting accrual-basis IPSAS, mostly 3 to 5 years with the exception of Kenya which projected roadmap of Less than 3 years. On the contrary, Namibia and the Gambia have not taken these steps. Despite Angola and Zambia not undertaking a gap analysis, they have an approved roadmap.

Gaps Identified

The absence of a gap analysis and roadmap in some countries indicates a lack of preparedness for the transition to accrual accounting, which could delay IPSAS adoption.

Fig 13: Countries that have conducted Gap Analysis

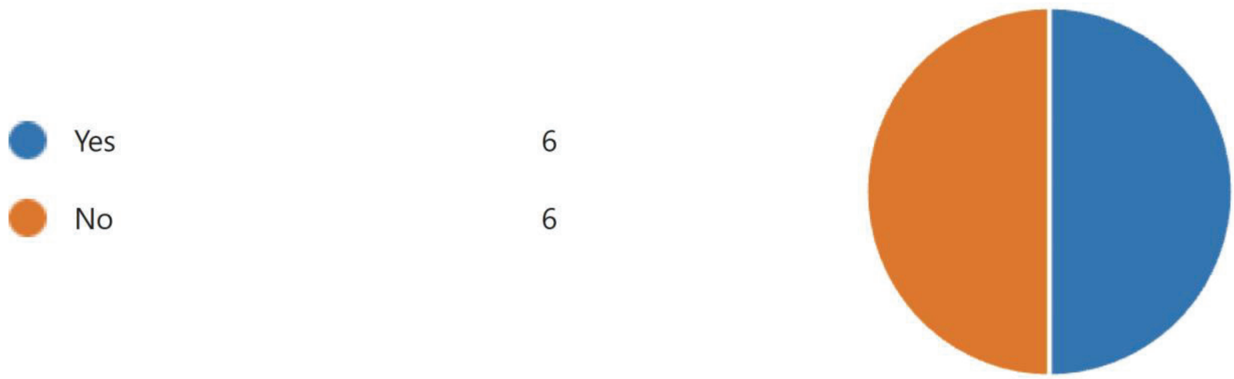
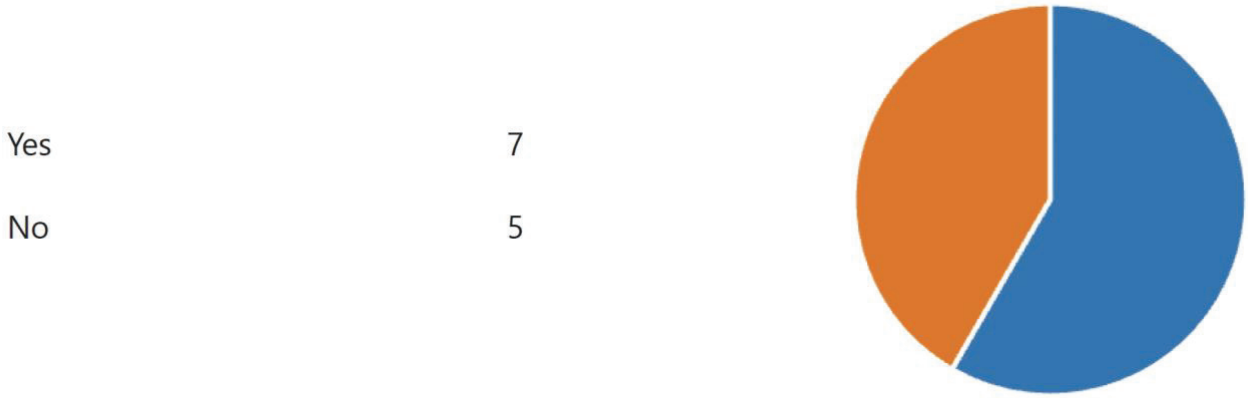


Fig 14: Countries with Approved Roadmaps



2.3.3 Challenges in IPSAS Implementation

Except for South Africa and Somalia, the case study countries indicated that they face various challenges in implementing IPSAS accrual. The cited issues included lack of technical expertise and skills in accrual accounting, inadequate accounting systems to accommodate operations under the IPSAS regime, asset identification and valuation, other prioritized PFM Reforms, business processes reengineering and resistance to change, committed implementation teams for IFMIS and Asset Management, lack of clear implementation strategy with project manager to drive the process, high cost of certain implementation activities.

Gaps Identified

These challenges highlight the need for targeted support and capacity-building efforts to facilitate the successful adoption of IPSAS.

Fig 15: Countries facing implementation challenges

2.3.4 Training and Capacity Building

Extensive training and capacity building are crucial for successful IPSAS implementation and facilitate smooth transition to accrual accounting. Countries like

Kingdom of Eswatini, Zambia, South Africa, Kenya, Malawi, Zimbabwe, Botswana, Ghana Rwanda, Uganda and Nigeria have provided training to equip their accounting staff with the skills necessary for IPSAS implementation and accrual accounting practices. However, in countries like The Gambia, Angola, Namibia, Chad, Lesotho and Somalia not provided training to their finance staff. This significantly necessitates for more technical capacity building.

Gaps Identified

The absence of sufficient training programs and technical support is a major barrier to the successful adoption of IPSAS in many member countries.

Fig 16: Countries that have undertaken training

2.3.5 Legislative Anchoring of Accrual Accounting

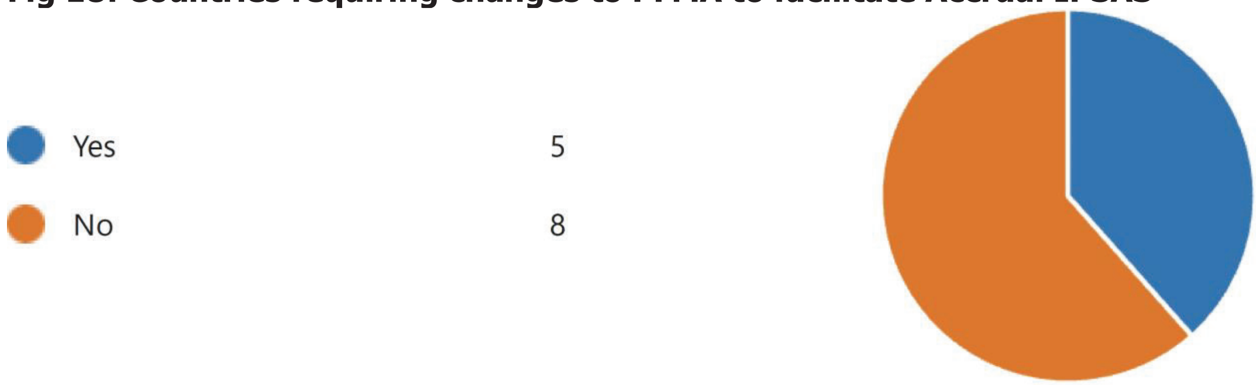
Existence of PFM laws that support the mandate of the OAG and enforce compliance with accounting standards and financial regulations are crucial for smooth transition to accrual accounting. Apart from Namibia, Botswana and Nigeria, all case study countries have legislative provisions that prescribes the accounting standards and policies applicable to government and all public entities. The survey, further, revealed that Somalia, Chad, Rwanda, Nigeria and Angola will require to make changes to their existing PFM laws to facilitate the adoption of accrual based IPSAS. In Lesotho, PFMA 2011 requires the Minister responsible for finance to issue a gazette for the accrual basis of accounting to come into operation.

Gaps Identified

Rigid legal frameworks in some countries limit the effectiveness of the OAG and hinder efforts to ensure accountability and transparency in public financial management.

Fig 17: Countries with PFMA prescribing accounting standards

Fig 18: Countries requiring changes to PFMA to facilitate Accrual IPSAS



2.3.6 Financial Reporting

The existence of a financial reporting framework can significantly improve the quality and transparency of financial reporting in the public sector. According to the survey, member countries use international accounting standards for preparing financial statements whereas Rwanda is transitioning to full IPSAS accrual, countries like Ghana, Somalia, Kenya, Malawi, The Gambia, Nigeria use IPSAS to prepare financial statements. The Kingdom of Lesotho reports on full cash basis. Countries using national standards include Kingdom of Eswatini, Chad, Zambia, Angola, Namibia and Uganda. South Africa and Zimbabwe are applying modified cash basis of reporting while Botswana does not have any standards in place. The assessment further revealed that only Ghana, Nigeria, Uganda, Rwanda and South Africa prepare full financial statements, including notes and disclosures, on accrual basis. Countries that are partially preparing full financial statements include Kenya, Malawi, Kingdom of Eswatini, Chad and Angola while Kingdom of Lesotho, Somalia, The Gambia, Namibia, Zimbabwe and Botswana do not prepare full financial statements.

Other than Ghana, Kenya and Nigeria, the rest of respondent countries reported several areas where their current financial statements differ from accrual IPSAS requirements. Kingdom of Eswatini identified none recognition of non-current Assets due to lack of the asset register and the fact that non of the accounting standards have been adopted as the main departure points. South Africa indicated the major differences as the national and provincial governments preparing financial statement using the modified cash basis while local government use Generally Recognised Accounting Practices (standards developed by the Accounting Standards Board). Partial asset recognistion, non-accrual of expense and chart of ccounts were the major issues driving the differences in Malawi whereas in Rwanda the issues revolve around biological assets, natural resources, concession assets, and long term employee benefits. For Malawi the assets are yet to be valued and reported.

Fig 19: Accounting Standards in Use

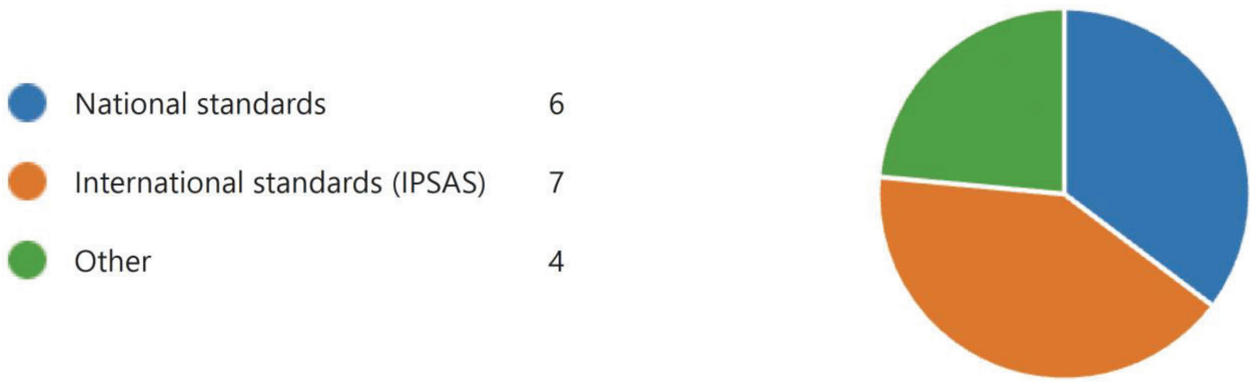


Fig 20: Existence of differences between current financial statements and accrual IPSAS requirements

2.3.7 Public Asset Management

Delivery of public service and execution of core government functions crucially depend on the availability of effectively managed public assets. Office of the Accountants

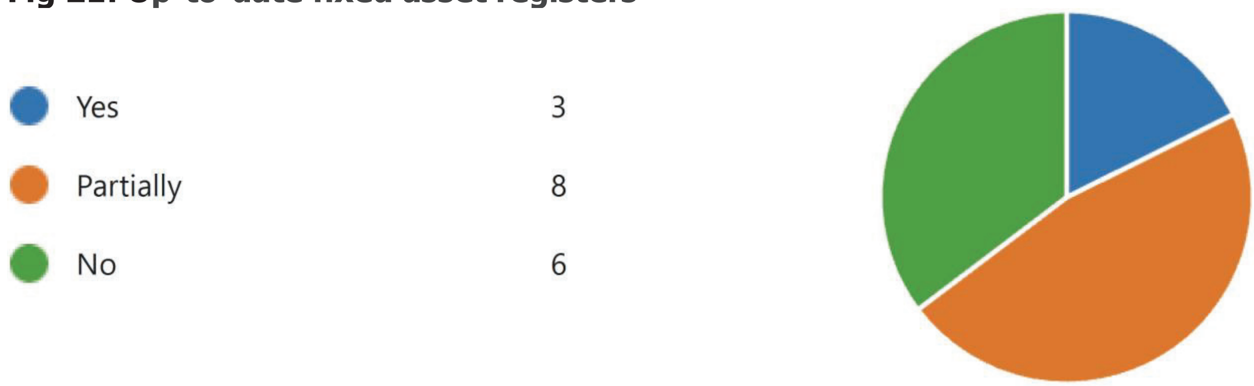
General must, therefore, strive to put in place measures to achieve effective public asset management.

The survey identified gaps in public asset management across the studied countries. For instance, only South Africa, Rwanda and Uganda maintain up-to-date fixed asset registers whereas Ghana, Zambia, Kenya, The Gambia, Angola, Zimbabwe, Nigeria, and Malawi maintain only partial registers. This suggests incomplete data and potentially unaccounted assets. Kingdom of Eswatini, Kingdom of Lesotho, Chad, Namibia, and Botswana have no asset registers at all. This indicates a significant gap in tracking and managing public assets.

Some countries do not capture essential asset classes such as infrastructure, land, and operational buildings, which are critical for public service delivery. The Gambia and Zambia have limited asset classes captured in their registers. For example, The Gambia only includes office equipment and furniture, while the asset classification in Zambia includes machinery, furniture, and office equipment.

Many countries face challenges with the identification and valuation of assets, including Ghana, Zambia, Kenya, The Gambia, Angola, Zimbabwe, Nigeria, Kingdom of Lesotho, Somalia, Namibia, and Botswana. However, Kingdom of Eswatini has not yet started the project for asset accounting, indicating a need for initial efforts in this area.

Fig 21: Up-to-date fixed asset registers



In terms of comprehensive coverage of each class of public assets, below are the highlights of the status and issues faced by respondent countries in this regard:

Country	Asset Classes Captured in Register	IPSAS Compliance	Cost Information Availability	Asset Accounting Challenges
Ghana	Infrastructure, Land, Operational buildings,	Partially	Partially	Identification, Valuation

	Machinery, Furniture and fixtures, Office equipment, Heritage collections			
Zambia	Buildings & Structures, Vehicles &Cycles, Furniture, Plant, Machichery & Equipment, Produced Assets, Office Equipment, Defence Equipment, Assets under construction (WIP), Specialised Vehicles, Medical Equipment, Biological Assets	No	Partially	Valuation
Kenya	Infrastructure, Land, Operational buildings, Machinery, Furniture and fixtures, Office equipment	No	No	Identification, Valuation
The Gambia	Office equipment, Furniture and fixtures	No	Partially	Identification, Valuation
Angola	Infrastructure, Operational buildings, Machinery, Ships, Aircraft, Furniture and fixtures, Office equipment	Partially	Partially	Valuation
Zimbabwe	Operational buildings, Land, Machinery, Weapons systems, Aircraft, Furniture and fixtures, Office equipment, Bearer plants	No	No	Valuation
Nigeria	Infrastructure, Land, Operational buildings, Machinery, Ships, Aircraft, Weapons systems, Furniture and fixtures, Office	Partially	Partially	Identification, Valuation

	equipment, Bearer plants, Heritage collections			
Kingdom of Eswatini	None	No	No	Project not started
Kingdom of Lesotho	None	No	Partially	Identification, Valuation
Somalia	Machinery, Infrastructure, Operational buildings, Ships, Aircraft, Weapons systems, Furniture, Office equipment, Bearer plants, Land	No	No	Identification, Valuation
Chad	None	No	No	-
Namibia	None	No	No	Identification, Valuation
Botswana	None	No	Partially	Identification, Valuation

Gaps Identified
These gaps will negatively affect enhanced asset management systems, improved compliance with IPSAS, comprehensive asset registers, and better access to cost information across these countries.

Fig 22: Valuation of Assets in line with IPSAS requirements

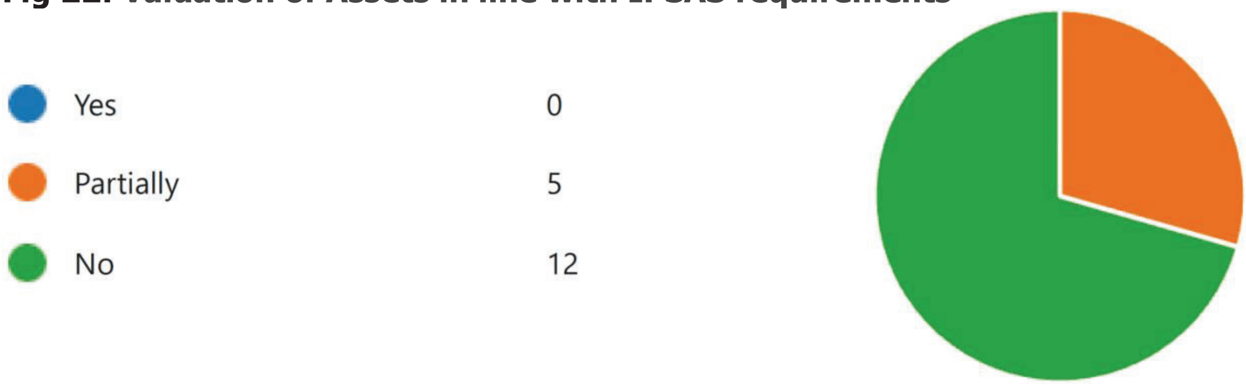


Fig 23: Availability of Cost information on all Assets

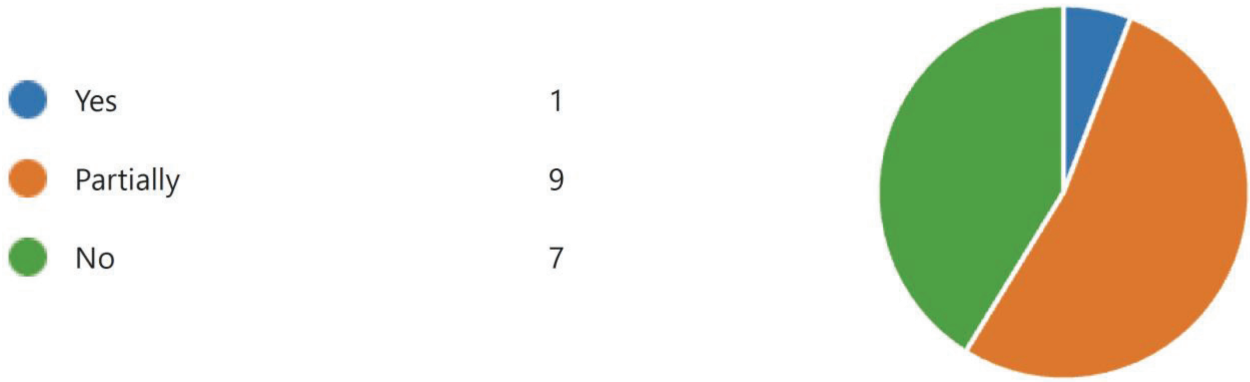
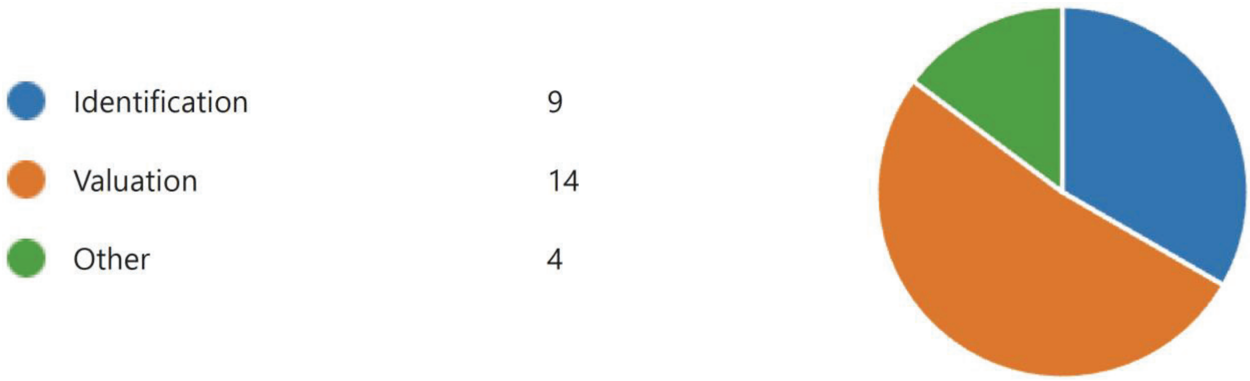


Fig 24: Prevent challenges in Assets accounting



2.3.8 Liabilities and Provisions

Based on the results, there are the gaps identified in the recognition and accounting for liabilities and provisions among the surveyed countries. Only Rwanda comprehensively recognizes and accounts for all liabilities owed for works, services and goods delivered to ministries, parastatals and other spending agencies in line with IPSAS requirements.

Several countries, including Kingdom of Lesotho, Ghana, Zambia, South Africa, Kenya, Malawi, Zimbabwe, Uganda and Nigeria, partially recognize and account for liabilities. This partial recognition indicates gaps in financial reporting and potential risks of underestimating financial obligations. However, among these countries, some, like Kingdom of Lesotho, Zambia, Uganda and Malawi do not account for provisions for future liabilities, further weakening their fiscal debt management

Kingdom of Eswatini, Somalia, Chad, The Gambia, Angola, Namibia, and Botswana do not recognize or account for liabilities at all. This represents a significant gap in public financial management and increases the risk of unaccounted-for obligations that could impact fiscal stability. Further, in these countries, there are no provisions made for future liabilities, which is a critical oversight. Without such provisions, these countries may face challenges in managing future financial risks.

The survey revealed gaps in provisioning for future liabilities. For instance, Kingdom of Lesotho, Zambia, Uganda, Kingdom of Eswatini, Somalia, Chad, The Gambia, Angola, Namibia, Malawi and Botswana do not have provisions for future liabilities, indicating a lack of forward planning and preparedness for potential future obligations.

On the other hand, Ghana, Rwanda, South Africa, Kenya, Zimbabwe, and Nigeria have made partial provisions, but these are not comprehensive, which could leave them vulnerable to unforeseen liabilities.

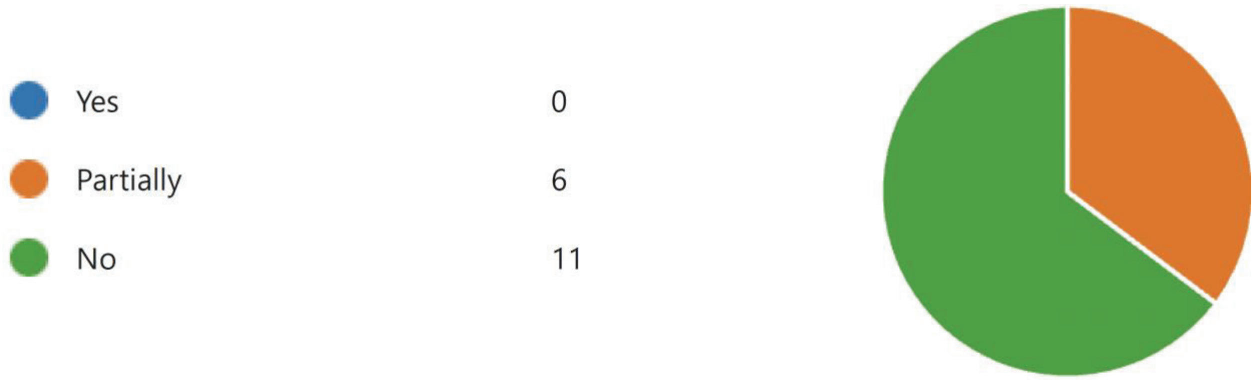
The results underscores the need for member countries to strengthen their liability recognition processes, improve financial reporting standards, and ensure adequate provisions for future liabilities to enhance overall fiscal health.

Gaps Identified

There is a widespread lack of full recognition and accounting for liabilities across the surveyed countries, with most only partially recognizing these financial obligations. Many countries either do not have provisions for future liabilities or have only partially accounted for them, exposing them to potential future financial risks. The gaps in recognizing and accounting for liabilities reflect broader issues in financial reporting and public financial management, which could impact fiscal transparency and sustainability.

Fig 25: Recognition of all liabilities

Fig 26: Recognition of all Provisions



2.3.9 Accrual adjustments for revenues or expenses

Only two countries, namely, Rwanda, and Uganda, have fully implemented accrual adjustments to account for revenues or expenses that have been earned or incurred but not yet recorded in the accounting system. This suggests that a very small portion of the surveyed countries have fully effectively transitioned to accrual-based accounting.

Ghana, South Africa, Kenya, Malawi, and Nigeria have only partially implemented accrual adjustments. This partial implementation can lead to incomplete financial reporting, with potential discrepancies between actual financial positions and what is reported.

A significant number of countries such as Kingdom of Eswatini, Kingdom of Lesotho, Somalia, Chad, Zambia, The Gambia, Angola, Zimbabwe, Namibia, and Botswana have not undertaken any accrual adjustments. This represents a major gap in the accuracy and reliability of financial statements in these countries, as revenues and expenses may not be fully accounted for in the periods they are earned or incurred.

This analysis points to a need for enhanced efforts in adopting and consistently applying accrual-based accounting practices to ensure accurate and complete financial reporting across these countries.

Gaps Identified

The lack of accrual adjustments highlights a significant gap in aligning with best practices in financial management and accounting standards, which could undermine fiscal transparency and accuracy. It indicates potential inconsistencies in financial reporting, where transactions may not be correctly accounted for.

Fig 27: Accrual adjustments for revenues or expenses

2.3.10 Basis of Budget Preparation

Only Ghana and Nigeria prepare their national budgets under accrual basis while the rest use cash basis. Countries like Rwanda, Uganda, and Botswana have only partially considered the implications of comparing cash-based budget with accrual related information suggesting some progress but not a full integration into their financial management practices.

However, a significant number of countries are using a cash basis for budget preparation, such as Kingdom of Eswatini, Kingdom of Lesotho, Somalia, Zambia, and The Gambia, have not considered the implications of cash-based against accrual accounting. This indicates a lack of strategic financial planning and awareness of the benefits of accrual accounting.

With regards to the chart of accounts supporting budgetary reporting, countries like Kenya, Angola, and Zimbabwe, while using a cash basis, have chart of accounts that only partially support budgetary reporting. This partial support could lead to difficulties in tracking and reporting financial information accurately. However, the rest of the respondent countries' Chart of Accounts fully supports budgetary reporting, which shows effort towards better financial management despite the mixed basis.

In terms of budgetary control and monitoring all countries across the different bases (cash, accrual, and mixed) conduct periodic comparisons for budgeted against actual figures. This suggests that, while there may be gaps in other areas, there is a common practice of monitoring budget performance.

Gaps Identified

These gaps highlight areas where countries need to strengthen their budget preparation practices, particularly by fully understanding and integrating the implications of different accounting bases, ensuring that their chart of accounts supports comprehensive budgetary reporting, and maintaining consistency across their budgeting frameworks.

Fig 28: Basis of Budget Preparation

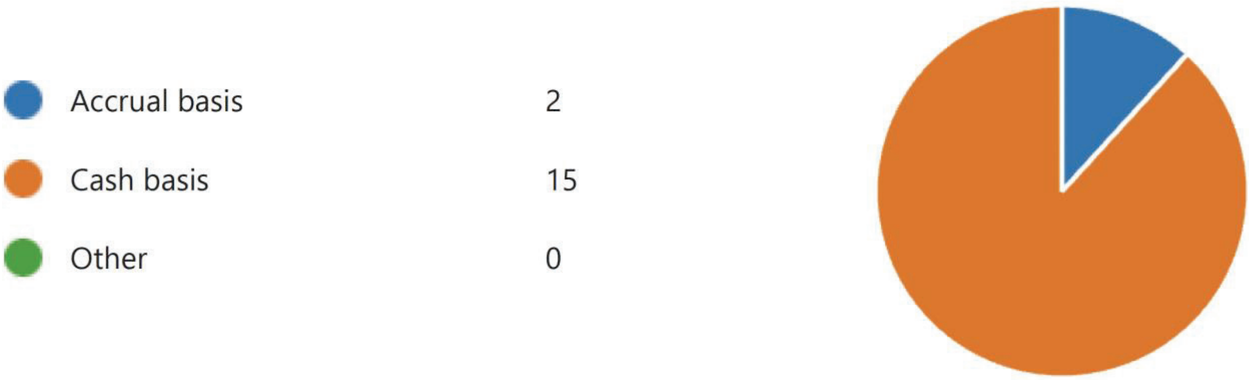
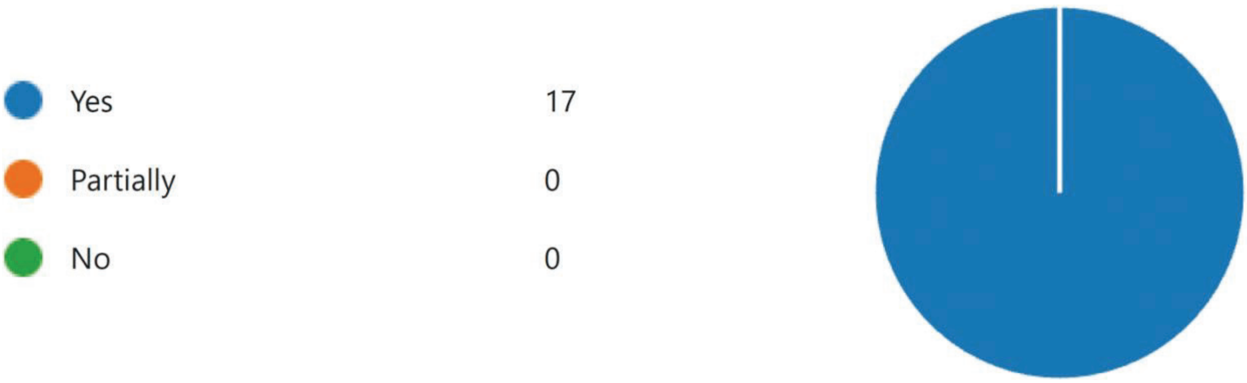


Fig 29: Budget tracking against actual



2.3.11 Technical Capacity

Ghana, Rwanda, Zimbabwe and Nigeria have provided full training on accrual IPSAS to their finance staff, demonstrating a strong commitment to the transition. This ensures that staff are better equipped to manage the complexities of accrual-based accounting.

Kingdom of Eswatini, South Africa, Kenya, Uganda, Namibia, Botswana and Malawi have only partially provided training on accrual IPSAS. Partial training may not fully prepare staff to handle all aspects of the transition, leading to potential gaps in implementation.

However, Kingdom of Lesotho, Somalia, Chad, Zambia, The Gambia and Angola have not provided any training on accrual IPSAS, indicating a significant gap in preparing their finance staff for the transition.

In terms of technical capacity building all countries indicated that their staff need technical capacity building to execute the transition program. This highlights a widespread gap in technical skills and knowledge necessary for a smooth transition to accrual-based IPSAS.

Countries with adequate staffing to spearhead the transition process. Adequate staffing is crucial for effective planning and execution of the transition includes Kingdom of Eswatini, Kingdom of Lesotho, Ghana, Somalia, Kenya, Zambia, Angola, Zimbabwe, Uganda, Nigeria and Malawi**.** However, Chad, South Africa, Namibia, Botswana and Rwanda lack enough staff to lead the transition process, which could delay or hinder the successful implementation of accrual-based IPSAS.

Kingdom of Eswatini, Ghana, Zambia, South Africa, Kenya, Angola, Zimbabwe, Uganda, Nigeria and Malawi have considered the cost implications for transitioning to accrual-based IPSAS, indicating a proactive approach in planning and resource allocation. Countries such as Kingdom of Lesotho, Somalia, Chad, Namibia and Botswana have not considered the cost implications, which could lead to budget shortfalls and insufficient resources during the transition process.

Countries with change management plans includes Kingdom of Eswatini, Ghana, South Africa, Kenya, Zimbabwe, Rwanda, Uganda, Nigeria and Malawi**.** These countries have put in place change management plans to support the transition. Effective change management is essential to ensure a smooth and organized transition process. In contrast, Kingdom of Lesotho, Somalia, Chad, Zambia, The Gambia, Angola, Namibia and Botswana lack change management plans, which could result in resistance to change, poor communication, and disorganized implementation of accrual-based IPSAS.

Gaps Identified

Majority of the countries have not fully trained their finance staff on accrual IPSAS, which is a critical gap that could hinder the effectiveness of the transition. Further, there is a universal need for technical capacity building across all countries to ensure staff are adequately prepared to manage the complexities of accrual accounting.

Fig 30: Staff training on Accrual IPSAS

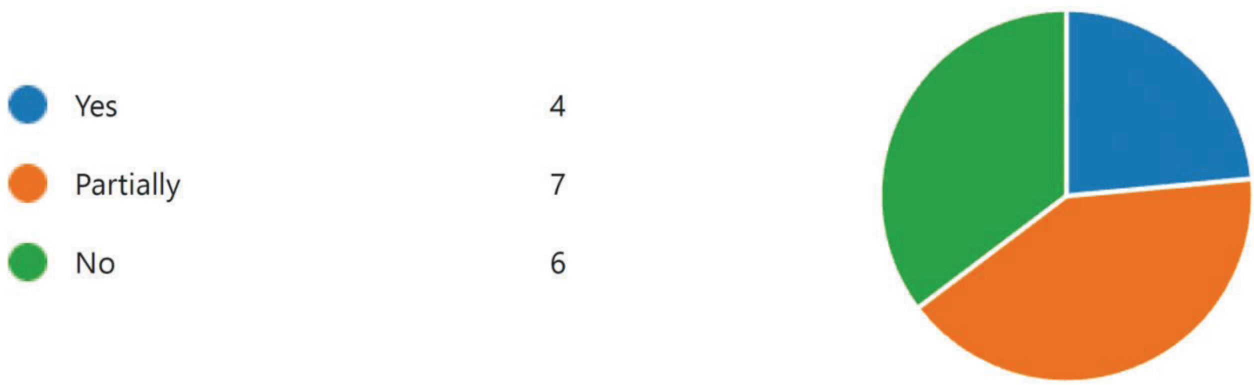


Fig 31: Staff requirement for technical capacity

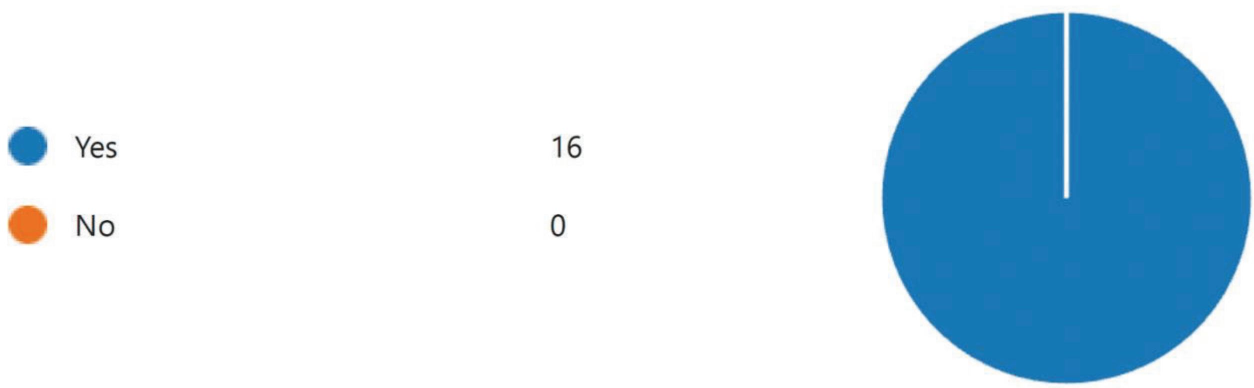


Fig 32: Adquacy of staff to spearhead the transistion process

2.3.12 Involvement of leadership and other stakeholders

Kingdom of Eswatini, Ghana, Kenya, Angola, Zimbabwe, Namibia, Rwanda, Botswana, Nigeria, and Malawi have taken steps to clarify the objectives of the IPSAS transition to their political leadership. This is crucial for ensuring that the necessary political support and resources are available to drive the transition process. Further, in these countries, the political leadership understands and supports the implications of IPSAS adoption, which is critical for securing the necessary political and financial resources for the transition

In contrast, Kingdom of Lesotho, Somalia, Chad, Zambia, South Africa, The Gambia and Uganda have not clarified the objectives of the IPSAS transition to their political leadership, which could lead to misunderstandings, lack of support, and resistance to the transition process. These countries also have political leadership that either does not understand or does not support the IPSAS transition, presenting a significant challenge to successful implementation.

In respect of project coordination and reform sequencing Kingdom of Eswatini, Ghana, Chad, Zambia, South Africa, Kenya, Angola, Zimbabwe, Rwanda, Uganda, Botswana, Nigeria and Malawi have established a project coordination team to spearhead the IPSAS migration process and have sequenced the necessary reforms. This is a positive step that demonstrates organizational commitment to the transition. Kingdom of Lesotho, Somalia, The Gambia and Namibia have not established a project coordination team, which could result in uncoordinated efforts and potential delays in the transition process.

Ghana, South Africa, Kenya, Angola, Zimbabwe, Rwanda, Uganda, Nigeria and Malawi have identified respective Project Managers to oversee the IPSAS transition, ensuring clear leadership and accountability throughout the process. Kingdom of Eswatini, Kingdom of Lesotho, Somalia, Chad, Zambia, The Gambia, Namibia and Botswana do not have a designated project manager which represents a significant gap that could hinder the coordination and successful implementation of the transition.

Gaps Identified

In several countries, there has been insufficient engagement with political leadership regarding the objectives and implications of IPSAS adoption. This gap could lead to a lack of political support, which is essential for securing the necessary resources and ensuring the prioritization of the transition.

Fig 33: Availability of change management plans

Fig 34: Political leadership understanding and support for accrual IPSAS adoption

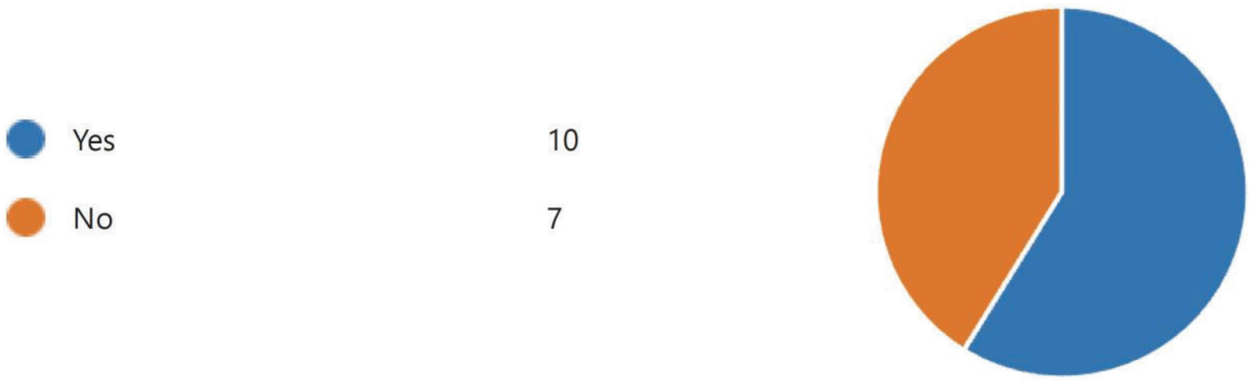
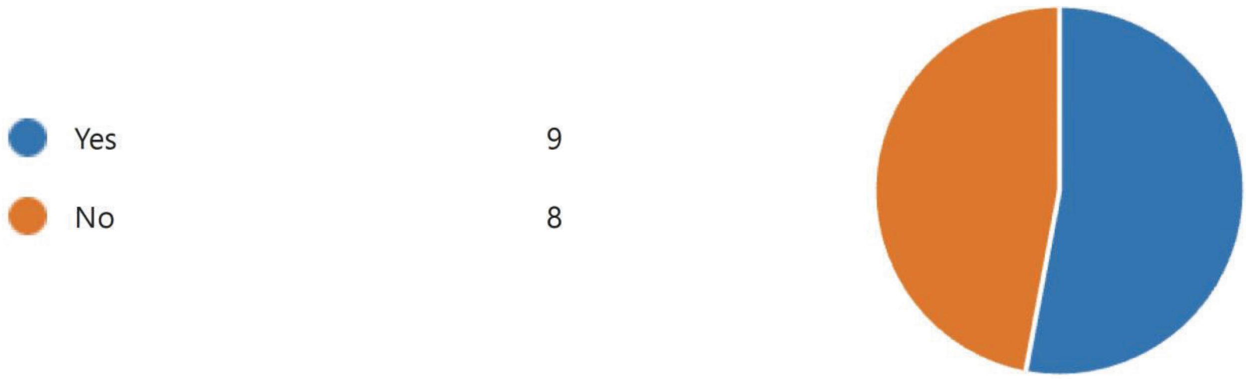


Fig 34: Accrual IPSAS Co-ordination Team

Fig 34: Designated a Project Manager for Accrual IPSAS adoption



2.3.13 Common Challenges Across Countries

Based on the country responses provided regarding the challenges faced in adopting accrual IPSAS and the support needed for successful transition, we provide the analysis below of the individual gaps identified:

a. **Lack of Technical Expertise:** This is the most frequently mentioned challenge. Many countries, including Kingdom of Lesotho, Zambia, Nigeria, Zimbabwe, and others, recognize a significant gap in the technical skills required to implement accrual IPSAS effectively.

b. **Inadequate Accounting Systems:** Countries like Kingdom of Eswatini, South Africa, Rwanda, and Uganda reported that their current accounting systems are not equipped to handle the transition to accrual IPSAS. This includes outdated or incompatible software and processes or inadequate accounting systems as a significant barrier. These systems are often not equipped to handle the complexities of accrual-based accounting.

c. **Resistance to Change:** Resistance to change from stakeholders, including government officials and employees, was noted as a significant obstacle is a noted challenge in several countries, including Ghana, Nigeria, Malawi, Chad and Rwanda. This may stem from a lack of understanding or fear of the unknown, especially when it comes to shifting from cash-based to accrual-based accounting.

d. **High Implementation Costs:** High costs associated with the transition are highlighted by countries such as Kingdom of Eswatini, South Africa, The Gambia, Zimbabwe, Kenya, Malawi, Rwanda, Nigeria and Uganda. These costs can include upgrading systems, training personnel, and other resources required to implement IPSAS.

e. **Lack of Clear Roadmap and Implementation Strategy.** Countries such as Kingdom of Eswatini Namibia, Kingdom of Lesotho, South Africa, Kenya, Namibia, Uganda The Gambia, and Nigeria reported that the absence of a well-defined roadmap and implementation strategy hampers progress toward accrual IPSAS adoption.

f. **Lack of Political Support and Willingness:** This is among the key hindrances to transitioning to accrual based IPSAS. Four countries mentioned the lack of political support and willingness as a barrier. This could be due to a lack of awareness or understanding of the benefits of adopting accrual IPSAS.

Fig 35: Challenges faced in Accrual IPSAS adoption

- Lack of technical expertise 12
- Inadequate accounting systems 11
- Resistance to change 6
- Lack of political support and will... 3
- High implementation costs 10
- Lack of a clear roadmap 7
- Lack of implementation strategy 8
- Other 4

2.3.14 Support needed for Successful Transition

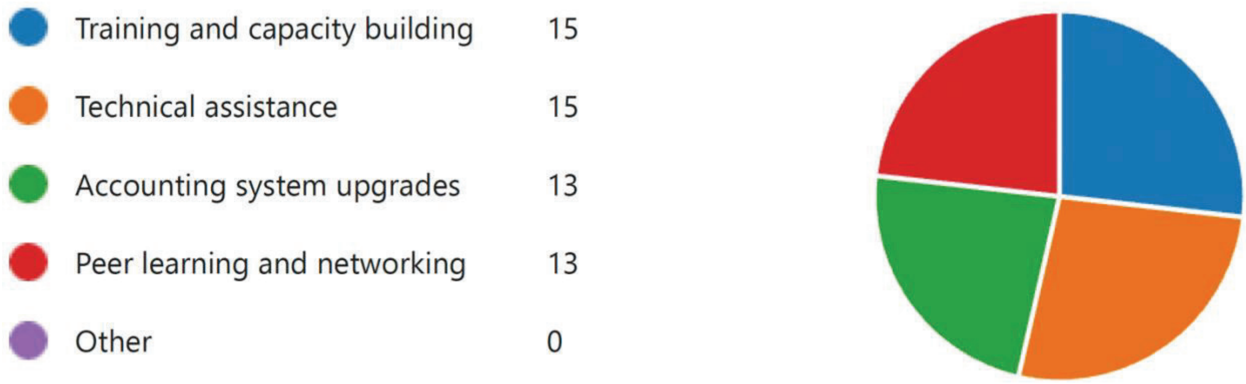
In order for AAAG member countries to fully transition from Cash Basis Accounting to Accrual Basis IPSAS, this gap analysis has identified the following as imperatives:

a. **Training and Capacity Building -** All the AAAG member countries identified the need for extensive training and capacity-building initiatives to equip their personnel with the skills and knowledge required for the transition. The need for technical assistance, including expert advice and support during the transition, was also frequently mentioned. This could involve external consultants or partnerships with organisations experienced in IPSAS implementation.

b. **Accounting System Upgrades -** Upgrading or overhauling existing accounting systems to make them compartible with accrual IPSAS is a key requirement for many countries.

c. **Peer Learning and Networking -** Several countries emphasized the value of learning from others who have successfully implemented accrual IPSAS. Peer learning and networking opportunities can provide insights, best practices, and shared experiences that can facilitate the transition.

Fig 36: Support needed to facilitate Accrual IPSAS adoption



3.0 Recommendations

a. **Strengthen Legal Frameworks -** Countries with weak legal mandates should prioritize the establishment of comprehensive PFM laws that clearly define the roles, responsibilities, and independence of the OAG. This will provide a stronger foundation for effective financial management and accountability.

b. **Enhance Financial Management Systems –** Countries should invest in modern, integrated financial management systems like IFMIS, ensuring comprehensive rollout and technical support to address current limitations in functionality, integration, and reporting capabilities. This will support accurate and timely financial reporting.

c. **Promote IPSAS Adoption** – Countries will need to accelerate the transition to accrual-based IPSAS by developing and implementing clear roadmaps with specific timelines. Countries should focus on extensive training and capacity-building programs to equip their finance staff with the necessary skills for this transition.

d. **Allow Budgetary Independence for Office of Accountants General** - Advocate for budgetary autonomy for the OAGs in countries where their budgets are controlled by the Ministry of Finance. This independence is crucial for enabling these offices to operate effectively without financial constraints.

e. **Standardize Reporting Structures –** Prioritize development and implementation of standardized reporting structures for the OAGs across member countries to ensure consistency in accountability, oversight, and financial management practices.

f. **Improve Asset Management Systems -** Establish comprehensive asset management systems, including up-to-date fixed asset registers that capture all essential asset classes. This will enhance the management, tracking, and reporting of public assets, contributing to better compliance with IPSAS.

g. **Address Technical Capacity Gaps -** Provide targeted training and technical assistance to address the widespread gaps in technical capacity, particularly in areas such as accrual accounting and asset management. This will support a smoother transition to IPSAS and improve the overall quality of financial reporting.

h. **Foster Stakeholder Engagement -** Engage political leadership and other key stakeholders to build awareness and secure the necessary support for the IPSAS transition. Effective stakeholder management will help mitigate resistance to change and ensure the availability of resources required for successful implementation.

i. **Develop Change Management Plans -** Countries should develop and implement change management plans to facilitate the transition to IPSAS, addressing issues such as resistance to change, communication, and the coordination of implementation efforts.

j. **Leverage Peer Learning and Networking -** Create platforms for peer learning and networking among member countries to share experiences, best practices, and challenges in implementing IPSAS. This collaborative approach will foster knowledge exchange and support the transition process.

4.0 Conclusion

The gap analysis underscores the diverse challenges and disparities in the structures, systems, and processes of the OAGs across the 20 member countries of the AAAG. While some countries have made significant strides in aligning their practices with international standards, others continue to face obstacles that hinder their progress. Addressing these gaps requires a coordinated effort to strengthen legal frameworks, upgrade financial management systems, and promote the adoption of best practices across the region. Implementing the recommendations outlined in this report will significantly enhance the effectiveness, transparency, and accountability of public financial management systems in Africa, contributing to sustainable development and economic prosperity.

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