

DISCLOSURE REQUIREMENTS FOR RECIPIENTS OF EXTERNAL ASSISTANCE (EXPOSURE DRAFT 24)

- IFAC International Public Sector Accounting Standards Board

Response from the Treasury of the Republic of Cyprus – Accounting and Financial Services Directorate (AFSD)

Introduction

1. We comment the IFAC International Public Sector Accounting Standards Board for developing this standard for accounting of external assistance by its recipients, who use cash basis of accounting as the basis for preparation of their financial statements.

Analysis of external assistance by category

2. We consider that it is probable not to find recipient countries adherent to the disclosure of military assistance, as required by paragraphs 13 and 14, and especially the one made in-kind, as required by paragraph 44, obviously due to public benefit reasons.

External assistance paid by or paid to third parties

3. Whilst external assistance 'paid by third parties' is mentioned in paragraphs 13 and 14 and also in Appendix 1, p. 24 and 25, it is not clear for us whether it should be 'paid to third parties', instead, given the term 'third party settlements' used and the understanding of the content of paragraph BC10.

Receipt of goods or services in-kind

4. The proposed standard should consider the particular difficulties for fair value measurement, and the subjectivity involved, in recognising in the notes to the accounts the goods and services in-kind received as external assistance (required by paragraph 44).

Suggested good practice by the providers of external assistance

5. It would be useful for the recipients of external assistance, if their providers of assistance had to satisfy – in their financials or as part of their financials - the mandatory requirements of the proposed standard (with regards to the assistance provided and not received, of course) for each of the public entity, separately, to whom they provide assistance. Such a requirement would facilitate the recipient public entities to prepare their financial statements according to the requirements of the proposed standard and to reconcile their records with the corresponding ones of their providers. Obviously, this practice would lead to many public entities to seek compliance with the standard.

Disclosure of separate providers of external assistance

6. Although paragraph 15 of the proposed standard requires for major classes of providers of assistance to be disclosed, given the suggestion noted in the previous section of this response regarding good practice by the providers of external assistance is implemented, the classes of providers could be analysed by each provider. Thus, the financial statements of the recipients to be prepared under this standard would be more transparent for their users.

Additional disclosure requirements

7. Further to the requirements commented in sections 2 and 4 of this response, we consider that the following disclosure requirements outlined in the Exposure Draft are not essential for disclosure purposes in the financials, since they are assessed of either minor importance or difficult to be adhered to or not practical to comply with. Therefore, we think that these requirements would be better included in a section to be named 'Encouraged disclosures', representing optional good practice:
 - undrawn external assistance (paragraphs 22 and 23)
 - terms and conditions of external assistance loans or grants (paragraphs 26 to 28)
 - guarantees (paragraph 33)
 - non-compliance with terms and conditions of external assistance (paragraph 36)
 - repayment terms of external assistance loans (paragraphs 39 and 40)
 - disclosure of rescheduled or cancelled external assistance debt (paragraph 50).

Conclusions

8. We believe that the development of this standard could assist public sector entities, which use the cash basis of accounting as the basis of preparation of their financial statements, to sustain or increase the assistance currently received from multilateral and bilateral external assistance agencies, by governments and government agencies by the use of minimum extra resources from the ones currently used to meet their statutory requirements.
9. However, in order for public entities to achieve external assistance by the minimum use of extra resources, the proposed standard should not include onerous disclosure requirements as mandatory. If this is not the case, many recipient governments would not be in a position to claim compliance with IPSAS Cash basis of accounting. Also, in our opinion, extensive detailed requirements - which cover both significant and less significant areas and items of disclosure of both frequent and less frequent use - could lead the users (and particularly providers of external assistance) to have to examine sets of financial statements with high volume of information regarding external assistance compared to the content of the other notes to the financials, which is also of major importance for financial decision making.