

# **ED 34 Social Benefits: Disclosure of Cash Transfers to Individuals or Households Submission**

18 August 2008

Ms Stephenie Fox  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto Ontario Canada M5V 3H2

Dear Ms Fox

## **ED 34 Disclosure of Cash Transfers to Individuals or Households Submission**

1 Thank you for the opportunity to comment on *ED 34 Disclosure of Cash Transfers to Individuals or Households*.

### **United Nations System Task Force on Accounting Standards**

2 These comments represent the views of Members of the Task Force on Accounting Standards (Task Force). The Task Force is an inter-agency group consisting of directors of accounting, chief accountants and chief financial officers from United Nations System organizations. The individual organizations that provided comment on this submission and concurred with its submission to the IPSASB are listed in Appendix 1. Where an individual organization disagreed with a particular recommendation but agreed to the recommendation going forward to the IPSASB, this has been noted against the individual recommendation.

### **General Comments**

3 The development of ED 34 is likely to represent a significant advance in cash transfer disclosures for governments where cash transfer programs such as social security pensions have potentially major ramifications for the fiscal sustainability of governments looking forward. While the United Nations System submission supports this objective, it makes suggestions to ensure that ED 34 avoids unnecessary disclosures for entities that operate cash transfer programs on a more discretionary basis, where the nature of these cash transfers do not have long term fiscal sustainability implications for the entities concerned.

### **Specific Matters for Comments and Comments on Further Issues**

4 Our detailed comments on the specific matters for comment identified in ED 34 and our comments on further issues are attached as Appendix 2.

5 Should you have any queries on our comments, please contact Ms Gwenda Jensen, Accounting Standards Specialist at [jensen4@un.org](mailto:jensen4@un.org).

Yours Sincerely

Mr Jayantilal Karia  
Director, Accounts Division of the United Nations  
Chairman, Task Force on Accounting Standards

## APPENDIX 1: UNITED NATIONS SYSTEM TASK FORCE ON ACCOUNTING STANDARDS

Task Force members from the following organizations reviewed this submission and concurred with its contents.

Organization	Agree (Disagree)
FAO	√
IAEA	√
ICAO	√
ILO	√
IMO	√
ITC	√
ITU	√
PAHO	√
UN	√
UNDP	√
UNESCO	√
UNFPA	√
UNHCR	√
UNICEF	√ - NB: in relation to paragraph 1g of submission: A third alternative would be to add a sentence after paragraph 13 that lists examples of benefits <u>excluded</u> , e.g., Social benefits of limited duration that do not have any fiscal sustainability issues; Cash transfer programs not established by legislation; and Cash transfer programs used as part of an interchangeable set of tools to deliver goods and services to households for aid work.
UNIDO	√
UNOPS	√
UNRWA	√
WFP	√
WHO	√
WIPO	√
WMO	√
WTO (Tourism)	√

## APPENDIX 2: ED 34 SPECIFIC MATTERS FOR COMMENT

1 The scope of this ED is appropriate (paragraphs 2–8). If you do not think that the scope is appropriate please detail how you would modify the scope. Please state your reasons.

### Disagree

1a While we support the general aim of achieving greater disclosure in the area of social benefit related cash transfers, the current scope of ED 34 may unintentionally capture entities operating cash transfer programs that do not warrant the separate disclosures required by the draft Standard. While the discussion below is focused on United Nations System organizations, the further examples make clear that the identified problem is not limited to international organizations. As presently worded ED 34 appears likely to affect a variety of different public sector entities and different ‘cash transfer programs’ that we consider the Board did not intend to be impacted by this standard.

1b The types of benefits provided in paragraph 13 of ED 34 are non discretionary obligations. They are invariably passed into legislation. In the example of pensions, these settings are seldom legislatively altered, and if so, currently eligible retirees are generally ring-fenced from the changes as they have no ability to financially plan for them.

1c Moreover, the benefits in paragraph 13 of ED 34 are ongoing programs, where the collective scale and profile of related payments has fundamental implications for the fiscal sustainability of governments not this year or next year, but over longer term (e.g. 10-50 years). A strong user need therefore exists for information about such programs from a governmental perspective.

1d However, United Nations System organizations utilize cash transfer programs under a significantly different set of circumstances:

- The cash transfer programs are limited duration, for example five months. They may be directly funded by voluntary contributions from donor countries, where the program ceases when the funding stops (limiting any fiscal sustainability issues).
- The cash transfer programs are not set in place by legislation, and therefore more discretion exists in relation to the execution of the program relative to the legislatively mandated examples set out in paragraph 13 of ED 34.
- Cash transfer programs are increasingly being used as part of an interchangeable set of tools to deliver goods and services to households for aid work. For example an organization addressing a food shortage in a region may use voucher program, a work for food program, or a cash for work program (none of which are captured by ED 34). Alternatively it may use a program of cash transfers to eligible recipients, where this intervention is then subsequently monitored and evaluated for effectiveness in terms of addressing household food security (which is captured by ED 34). The impact of the above programs and ability to alter the settings of the above programs are very similar.

1e In the case of United Nations System organizations’ cash transfer programs it is therefore difficult to justify singling out cash transfer programs for separate disclosures in the financial statements relative to other intervention mechanisms which have a very similar effect. An obligation of the nature of that incurred by governments in relation to

cash transfer programs such as pensions does not exist. Nor do these limited duration projects have any fiscal sustainability issues over the longer term.

1f It is likely that other organizations will face similar problems with ED 34. For example, a council operating a mayoral relief fund may decide to send a series of payments over the course of a few months to help individuals meet immediate needs while recovering from flood damage to their properties. Or a regional electricity trust may run a small scholarship program whereby it makes payments to supplement the income of eligible students from the region during their studies. It is not clear that these sorts of programs should be captured by ED 34, particularly if organizations have a level of discretion over either adjusting the payments, and the nature of the programs have no or minimal implications for fiscal sustainability of the organizations over the longer term.

1g We have two alternative suggestions for altering the scope of cash transfer programs captured by ED 34 to ensure it captures more non-discretionary and ongoing obligations with potential longer term fiscal implications that are characteristic of the examples cited in paragraph 13.

1h The first suggestion is to adjust paragraph 2:

An entity that prepares and presents financial statements under the accrual basis of accounting acting under a legislative power in relation to the delivery of social benefits shall apply this Standard in disclosing information about cash transfer programs transferring economic benefits in non-exchange transactions to eligible individuals or households.

1i The consequential amendment to paragraph 3 would be:

Social benefits are provided to eligible individuals or households in non-exchange transactions. The entity providing these benefits does not receive consideration that is approximately equal to the value of the cash transfers and goods and services provided, directly in return from the recipients of these benefits. Social benefits include health and educational services and cash transfers such as unemployment benefits. This Standard deals with the disclosure by entities acting under a legislative power in relation to the delivery of social benefits of amounts expected to be transferred to individuals or households that are eligible at the reporting date for cash transfers provided in non-exchange transactions. It does not include requirements for social benefits provided in the form of goods and services or for recognizing expenses and liabilities relating to cash transfers provided in non-exchange transactions.

1j The consequential new paragraph in the Basis for Conclusions in the scope section after BC 7 would be:

The IPSASB limited the applicability of the standard to entities that are acting under a legislative power in relation to the delivery of social benefits. Other entities such as international agencies, trusts and universities may also make cash transfers to individuals or households. However, the programs operated by these entities are generally more discretionary in nature, for example an entity may adjust or cancel the program if funding is insufficient. The cash transfer programs operated by these entities are also unlikely to have fiscal sustainability implications for the entity in the longer term, for example the programs are generally of limited duration.

1k The second suggestion is to amend the *definitions* section, which is discussed below.

2 The new definitions in this ED at paragraph 10 are sufficiently clear and comprehensive. If you disagree, please indicate (a) how these definitions should be modified and (b) which new terms should be defined. Please state your reasons.

**Disagree**

2a To avoid unnecessary disclosures for the types of programs outlined in the section above, an alternative suggestion is to amend the definition of cash transfer programs in paragraph 10 as follows:

A cash transfer program is a program passed into legislation that operates to make cash transfers to an individual or household.

2b The consequential amendment to paragraph 13 would be:

In many instances, governments and public sector entities acting under legislation will provide social benefits in the form of cash transfers to individuals or households to address social risks facing individuals and/or their households.

2c The consequential new paragraph in the Basis for Conclusions in the scope section after BC 15 would be:

The IPSASB limited the definition of cash transfer programs to include only those cash transfer programs that are passed into legislation. Other cash transfer programs to individuals or households that are not passed into legislation may be provided by entities such as international agencies, trusts and universities. However, these cash transfer programs are generally more discretionary in nature, for example an entity may adjust or cancel the program if funding is insufficient. Cash transfer programs not passed into legislation are also unlikely to have fiscal sustainability implications in the longer term for the entity operating the program, for example the programs are generally of limited duration.

3 The requirements for the determination of amounts expected to be transferred to eligible individuals or households are appropriate (paragraphs 30–44). If you do not think that they are appropriate please indicate what those requirements should be. Please state your reasons.

**No comment.**

4 The disclosure requirements in paragraph 45 are appropriate. If you think that they are unduly onerous, which disclosures should not be required? Conversely, if you think that the disclosures are inadequate, what further disclosures would you include? Please state your reasons.

**No comment.**

5 The disclosure requirements in paragraph 45 are going to provide information that is verifiable. If you think that the disclosure requirements are not going to provide information that is verifiable, please identify the specific disclosures and state what those implications are.

**No comment.**

6 The implementation arrangements are appropriate (paragraphs 50–53). If the implementation arrangements are inappropriate, please specify how you would change them. Please state your reasons.

**No comment.**

## SUMMARY: ED 34 DRAFT SUBMISSION RESPONSES AND ACTION TAKEN

Organization	Agree with submission?	Specific Comments?	Action Taken
FAO	√ (nil response)		
IAEA	√	Expressed concern over adding a definition for “individuals”	Paragraph deleted. This was only a minor sidepoint.
ICAO	√ (nil response)		
ILO	√ (nil response)		
IMO	√ (nil response)		
ITC	√ (nil response)		
ITU	√ (nil response)		
PAHO	√		
UN	√ (nil response)		
UNDP	√	Add final question with a “no comment” for completeness of submission.	Submission updated to include question 6 with a “no comment.”
UNESCO	√		
UNFPA	√ (nil response)		
UNHCR	√ (nil response)		
UNICEF	√	<p>Clarify intent of paragraph 1 d in relation to voluntary contributions.</p> <p>Suggest a third alternative means of scope exclusion, being a sentence in paragraph 13 that lists examples of benefits excluded.</p> <p>Clarify intent of footnote to paragraph 2a (regulation point).</p>	<p>Paragraph 1 d extended to add further context i.e. that “the program ceases when the funding stops (limiting any fiscal sustainability issues).”</p> <p>Good suggestion. Included this suggestion as specific comment from UNICEF in table of organizations’ comments in Appendix 1 (in the absence of a second consultation round on the submission).</p> <p>Footnote deleted – this was only a minor sidepoint.</p>
UNIDO	√ (nil response)		
UNOPS	√ (nil response)		
UNRWA	√ (nil response)		
WFP	√		
WHO	√ (nil response)		
WIPO	√ (nil response)		
WMO	√		
WTO (Tourism)	√ (nil response)		