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28 March 2013

Stephanie Fox,
IPSASB Technical Director,
International Public Sector Accounting Standards Board,
International Federation of Accountants,
277 Wellington Street West,
Toronto, Ontario M5V 3H2,
Canada.

Dear Madam:

RE: CONSULTATION PAPER - IPSASs AND GOVERNMENT FINANCE STATISTICS REPORTING GUIDELINES

The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the Consultation Paper – IPSASs and Government Finance Statistics issued by the International Public Sector Standards Board (IPSASB) of the International Federation of Accountants.

The Institute believes that quest towards harmonisation of IPSASs and GFS portend numerous advantages. We certainly agree that an integrated financial information system, which is able to generate historical financial data for both the preparation of IPSAS financial statements General Purpose Financial Statements (GPFS) as well as the financial information to be reported under Government Finance Statistics (GFS) creates synergies for the reporting entity while also improving the quality of information thus enhancing understandability and credibility of both GPFS and GFS.

We have included our responses to each of the Specific Matters for Comment and IPSASB's Preliminary View in an appendix to this letter.

If you would like to discuss these comments further, please contact the undersigned on icpak@icpak.com or the undersigned at nixon.omindi@icpak.com.

Yours Faithfully,

Nixon Omindi
Manager, Professional Standard

Specific Matter for Comment 1

With respect to the summary in Table 2 of progress on reducing differences and the supporting detail in Appendix B:

- a. Do you agree that the issues categorized as resolved (Category A in Table 2) are indeed resolved?***
- b. Are there further differences between IPSASs and GFS reporting guidelines that should be added to this list? If so, please describe these.***

We are in agreement that the issues identified in category A have been addressed.

Other differences not identified in the consultation paper in our view include: -

- i. IPSASB identified the issue of tax payable by public sector entities was identified as a difference in 2005, however this has not been included in the table provided. We opine that this be included as tax is a significant component in government statistics and public sector entities.
- ii. The point in time at which tax due shall be recognised is also an issue we believe portend some differences between IPSAS s and GFS (IPSAS 23 does not require the existence of a tax demand or tax file, rather that the taxable event has occurred).
- iii. Carbon trading has become an important revenue stream for a number of government entities in this day of green energy and difference exist between IPSASs and GFS hence IPSASB ought to include this component.

Specific Matter for Comment 2

Do you agree that the IPSASB, in conjunction with the statistical community, should develop guidance on the development of integrated Charts of Accounts, which would include (i) an overview of the basic components of an integrated Chart of Accounts, and (ii) wider coverage such as that listed in paragraph 4.16 of this CP?

We appreciate that an integrated Chart of Accounts could be beneficial in assisting public sector entities to comply with both IPSASs and GFS reporting guidelines. We also note that a common taxonomy such as the XBRL taxonomy already available for IFRS is referred to in the consultation paper and we suggest that IPASAB take this approach to ride on the similarities between IPSAS and IFRS as it will be more effective and efficient.

Specific Matter for Comment 3

- a. Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines?***
- b. If so, are there changes other than those listed in paragraph 5.4, which the IPSASB should consider adopting?***

We do not deem it fitting for the IPSASB to specify the formal changes to its existing approach to standard setting as proposed in paragraph 5.4 (a)-(b) and (d) so as to adopt a more systematic approach to minimizing or eliminating “unnecessary differences”. According to us, the existing statement in the IPSASB’s terms of reference “...the IPSASB supports convergence of accounting and statistical bases of financial reporting where appropriate...” remains sufficient.

Appendix – ICPAK’s Submission on the Consultation Paper - IPSASs And Government Finance Statistics Reporting Guidelines

General purpose financial reporting framework is normally geared toward financial reporting that meets the needs of the general users and amendments to such matters deserve wider consideration aligned to the Conceptual Framework. We do agree that inclusion of GFS comparisons in all IPSASs as proposed in paragraph 5.4 (e) would be useful to inform preparers and other users on the differences between the two frameworks.

Specific Matter for Comment 4

Are there other areas where IPSAS changes could address GFS differences? Please describe these.

As highlighted above, we believe general purpose users’ needs must provide the basis for the IPSASB’s standard setting work and not those of the statistical community. The proposal in paragraph 5.5, which suggests optional additional disclosures to IPSASs where the fundamental requirements remain unaligned, has the risk of disclosure overload which remains a subject of discussion in financial reporting. We portend that the guidance proposed in the third bullet of paragraph 5.5 may be more appropriate to deal with such instances.

Specific Matter for Comment 5

This CP describes three options concerning IPSAS 22: Option A, revisions to improve IPSAS 22; Option B, withdrawal of IPSAS 22 without replacement; and, Option C, replacement of IPSAS 22 with a new IPSAS.

- a. Are there any further IPSAS 22 options that should be considered? If so, what are these?***
- b. Which one of the options do you consider that the IPSASB should consider adopting?***

IPSAS 22, Disclosure of Financial Information about the General Government Sector; applies only to those governments that elect to present information about the general government sector. BC 4 of IPSAS 22, *“The IPSASB supports the convergence of IPSASs with statistical bases of reporting where appropriate. The statistical community encouraged the IPSASB to develop an IPSAS addressing the presentation of GGS information as part of a government’s consolidated financial statements as a means of facilitating convergence.”* This implies that it is not mandatory unlike other IPSASs. We would urge IPSASB to assess global uptake of this standard before making a decision on the next course of action.

Preliminary View 1

The IPSASB should amend Study 14, Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities, to include a chapter on IPSAS options that reduce differences with GFS reporting guidelines.

In our opinion, the fundamental aim of achieving faithful representation for the financial statement users must be made clear in any guidance issued, and we therefore agree with the last two sentences proposed in paragraph 5.34 and the Board’s preference for the provision of guidance, rather than any additional requirement(s).