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Our Ref: PSC/C&S/CP03/2014

Tuesday, 30 December 2014

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 Stephanie,

***RE: Consultation Paper (CP) - The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities***

The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the *Consultation Paper (CP) - the Applicability of IPSASs<sup>TM</sup> to Government Business Enterprises and Other Public Sector Entities*, issued by the International Public Sector Accounting Standards Board (IPSASB) of IFAC.

We commend the IPSASB for the proposed analysis and for the description of the two approaches discussed in the Consultation Paper. We believe that characterising public sector entities with a view to identify those entities that should apply IPSASs is a more positive way forward than defining GBEs in order to state that they are entities that should not apply IPSASs. We therefore support approach 1 as it paves the way to what is to us a fundamental approach in public sector accounting standard-setting: that of identifying those specificities of the public sector that may entail departures from the IFRSs. Specifically, we observe that option 1a Using IPSASB's current and developing terminology is the approach that reflects best current practice as it leaves room for regulators and relevant authorities to decide on border line cases.

We have included our responses to each of the Specific Matters for Comment in an appendix to this letter.

If you would like to discuss these comments further, please contact the undersigned on [icpak@icpak.com](mailto:icpak@icpak.com) or the undersigned at [nixon.omindi@icpak.com](mailto:nixon.omindi@icpak.com).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nixon Oindi', with a small flourish at the end.

Nixon Oindi

**For Professional Standards Committee**

### Specific Matters for Comment 1

*Do you agree with the IPSASB’s PV? If so, do you prefer Option 1a or Option 1b? Please give the reasons for your view.*

As summed up under paragraph 7.7 of the Consultation Paper; we are in agreement with the preliminary view of the Board that Approach 1 is most appropriate because it focuses on the characteristics of public sector entities for which IPSASs are intended. It is a high level, principles-based approach that draws on *the Conceptual Framework*. It is also consistent with IFRSs as issued by the IASB since option 1 would be better articulated with the *Preface to IFRSs* where the focus is on **profit-oriented entities** that are described rather than defined. In this case, the focus is on “...**delivery of services to the public...**”

Option 1 (a) is more attractive than 1 (b) as it acknowledges the role of regulators and other relevant authorities in determining which entities should apply IPSASs. In addition, we believe that the scope of public sector accounting standard-setting should mirror that of the general government sector in GFS, we would be concerned in choosing option 1b that accounting standards would introduce terms that specifically serve the purpose of statistical reporting rather than that of financial reporting. Unless those terms are to be further used to depict operations that fall under the scope of other accounting standards, we would be reluctant to introduce them in a description of characteristics of entities that may apply IPSASs. In our opinion, introducing those terms does not help classifying entities as public sector, in light of the fact that regulators and relevant authorities may decide for a different classification. We opine that option 1a in that it would remain principles-based and thus converge with GFS. We however recommend that some of these terminologies may be included under basis for conclusion or implementation guidance in IPSAS 22 *Disclosure of Financial information about the General Government Sector* or even as Recommended Practice Guidelines (RPGs) if the aim is to narrow the gap between GFS and IPSAS.

We note with concern that the consultation paper fails to address what will become of the current definition of GBEs in IPSAS 1 *Presentation of Financial Statements*. We wonder whether that definition will be merely removed and replaced with the proposed characteristics should option 1 be retained. We believe that previous attempt at defining GBEs is and remains a useful guidance, though not self-sufficient, we would be grateful if the IPSASB provide clarification as to what is intended to become of that definition. We urge the Board to maintain a reference to that definition in the Basis for Conclusions.

**Specific Matters for Comment 2**

*If you do not agree with the IPSASB’s PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.*

We are in agreement with option 1.

However we believe that some of the terminologies as explained above e.g. the definition of GBEs might be considered for inclusion in the basis for conclusion.