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January 28, 2014

Ms. Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board (IPSASB)
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms. Fox:

1. The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to Exposure Draft (ED) 53 distributed by the IPSASB on First Time Adoption of the IPSAS. We are pleased that the IPSASB is establishing a standard to recognize and measure the financial statement elements upon adoption of the IPSAS. However, we are disappointed that the standard only applies to the accrual IPSAS and does not recognize the Cash Basis IPSAS.
2. Working globally with governments, organizations, and individuals, ICGFM is dedicated to improving financial management by providing opportunities for professional development and information exchange. ICGFM conducts two major international conferences each year and publishes an international journal twice each year. Services are provided to its membership through an international network. ICGFM represents a broad array of financial management practitioners (accountants, auditors, comptrollers, information technology specialists, treasurers, and others) working in all levels of government (local/municipal, state/provincial, and national). Since a significant number of our members work within government and audit institutions around the world, our response to this exposure draft is one from an international perspective.
3. We believe that the following should have been emphasized to lay the foundation for the discussion in the ED:
 - a. Many countries implement Part 1 of the Cash Basis IPSAS until they develop their capacity to transition to the accrual IPSAS. As such, they prepare the two required financial statements (Budget to Actual Comparative Statement and Cash

Receipts/Cash Payments Statement). As they transition to the accrual IPSAS, many countries will implement the options in Part 2 of the Cash Basis IPSAS.

- b. The Cash Basis IPSAS is recognized as Generally Accepted Accounting Principles (GAAP) by those countries that have fully implemented Part 1. Thus, the Supreme Audit Office performs their financial audits of the financial statements in order to express an opinion on fair presentation. Yet, these audited financial statements are not separately recognized for inclusion in the opening or comparative statements.
4. Relative to our thoughts above, our responses to the comments on the specific matters are as follows:
- a. **Comment 1.** The objective of this Exposure Draft is to provide a comprehensive set of principles that provides relief to entities that adopt accrual basis IPSASs for the first time. (a) Do you agree with the proposed transitional exemptions included in the Exposure Draft; and (b) Do you believe that the IPSASB achieved its goal in providing appropriate relief to a first-time adopter in transitioning to accrual basis IPSASs? Please provide a reason for your response. **Response.** Agree. However, those countries that have previously implemented the Cash Basis IPSAS should be permitted to reformat their Cash Receipts/Cash Payments Statement into the Cash Flow Statement format prescribed by IPSAS 2 for reconciliation with the Cash Balance in the Opening Statement of Financial Position. If this is not included in the ED, it should at least be mentioned in the Basis for Conclusions or the Implementation Guidance. The Budget to Actual Comparative Statement requires no further action since paragraph 1.9 of the Cash Basis IPSAS is already in agreement with IPSAS 24.
 - b. **Comment 2.** The IPSASB agreed that there should be a differentiation between those transitional exemptions that do not affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis IPSASs, and those that do. (a) Do you agree with the proposed differentiation and how it is addressed in the Exposure Draft, and (b) Do you agree that the individual categorization is appropriate? If not, please provide a reason for your response and provide an alternative approach. **Response.** Agree.
 - c. **Comment 3.** This Exposure Draft proposes a relief period of three years for the recognition and/or measurement of specific assets and/or liabilities in allowing a first-time adopter to transition to accrual basis IPSASs. Do you agree that a relief period of three years is appropriate? If not, please indicate the time frame that, in your view, would be appropriate, supported with the reason for the longer or shorter transitional relief period. **Response.** We agree with a relief period of only three years for those entities that have implemented the Cash Basis IPSAS. In those countries that are developing their capacity, our experience indicates that it takes 10-15 years to implement the Cash Basis IPSAS; we would anticipate another 5-10 years to implement the accrual IPSAS.

5. We appreciate the opportunity to comment on this ED and would be pleased to discuss this letter with you at your convenience. If you have questions concerning this letter, please contact Dr. Jesse Hughes, CPA, CIA, CGFM at jhughes@odu.edu or 757.223.1805.

Sincerely,

A handwritten signature in blue ink that reads "Jesse W. Hughes".

ICGFM Accounting Standards Committee

Jesse W. Hughes, Chair

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Cc: Manuel Pietra
President, ICGFM