

Office of the
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No. CAG Report-2/480/3743

Date: 31-05-2005

To,
Mr. Paul Sutcliffe
IFAC, Psutcliffe@ifac.org

Sub: Comments on the Exposure Draft (ED) of proposed new IPSAS on 'Financial Reporting Under the Cash Basis of Accounting Disclosure Requirements for Recipients of External Assistance'

Ref: Letter of Mr. Burhanuddin Ahmed, Senior Financial Management Specialist, South Asia Regional Financial Management, World Bank, Dhaka Office, dated April 07-2005.

In response to the letter under reference on the above subject, firstly I would like to comment generally that the captioned ED is in its final draft and is about to be issued as a confirmed standard by the IFAC IPSASB. The proposed standard has already been scrutinised, analysed and evaluated at various stages of its preparation to improve its measurement focus and disclosure contents so it is difficult to detect any errors, omissions or conceptual weaknesses at this stage.

Having said that, reading of the proposed standard gives the impression that the onus for creating improvements in the disclosure requirements of External Assistance falls squarely upon the recipient of the assistance. However, experience shows that the various 'ring fencing' funding and reporting systems could cause serious upheaval in the mainstream reporting system of the recipient.

Quite often it can be seen that external assistance, particularly with mixed funding projects (donor funds and recipient funds combined), leads to the mainstream reporting system becoming corrupted as a result of the ring fencing requirements, to such an extent that the quality of financial information in terms of its reliability and relevance suffers greatly.

Consequently, in our view, the assertion by the IPSASB Chairman, Philippe Edema that the adoption of the international standards on accounting for external assistance will benefit both the reporting entity (through reduced compliance costs) and users (through enhanced ability to assess the impact of development aid or other assistance on the reporting entities) is not entirely valid if the standard does not also prescribe guidelines to be followed by the assistance providers.

In conclusion, it may be said that the guideline should assert that all donors should rely on the mainstream reporting systems of the recipient rather than creating 'ring-fencing' systems within the main system. In this way, a uniform reporting system will exist to enhance the 'Understandability and Comparability' of financial information, two of the four qualitative characteristics of financial reporting recognised by the IFAC.

Thanking you,

Yours Sincerely,

Nurul Islam 31/05/05
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