

The Republic of Uganda
Ministry of Finance, Planning and Economic Development
Accountant General's Office

**Comments on Exposure Draft 24 – Proposed Public Sector Accounting Standard
Financial Reporting Under the Cash Basis of Accounting - Disclosure
Requirements for Recipients of External Assistance**

Introduction

We are grateful to the International Public Sector Accounting Standards Board for giving us the opportunity to comment on Exposure Draft 24. We are aware that the deadline for submission of comments was 15 June 2005. However, Mr Paul Sutcliffe, Technical Director of IPSASB allowed us to comment by 18 July, and for this we are grateful.

We are in the process of implementing IPSAS and as such interested in developments in this area. Consequently, we are pleased to make comments amid constraints of competing work schedules.

We note that this ED provides additional reporting requirements for entities reporting under the cash basis of accounting and will be used together with the Cash IPSAS.

General

We are in support of the Exposure Draft in general because it handles a pertinent area for developing countries because of the amounts of external assistance received. We note that the standard does not apply to the donors (providers of the external assistance), but it is noted that the Standard has been developed in response to a request by the OECD Development Assistance Committee and the Multilateral Development Banks' Financial Harmonization Working Group (BC5, page 49). Consequently, we hope that the donors will also use the Standard and help provide the information required for disclosure in accordance with the Standard.

We note that the ED is not clear as to whether the disclosure requirements are all mandatory or not (or does it relate to part of Part 2 of the CASH BASIS IPSAS). We would suggest that some of the disclosures are left to be discretionary given the effort required to get information, politics, and government disclosure regulations e.g. for classified expenditure. We have highlighted provisions which should be discretionary (see specific comments below).

On the other hand, we note that this standard is an extension of the Cash Basis IPSAS (some of the provisions therein are also in the Cash Basis IPSAS). It could be said that most countries following this standard would wish to go accrual and use the full range of IPSAS but are help back by the complexity of the accrual accounting. Consequently, it might be reasonable to incorporate this exposure draft into the Cash Basis IPSAS as an amendment – Justification: it is an expansion of the Cash Basis IPSAS and should keep all provisions together and simple to ensure adoption and compliance.

Specific Matters for Comment

You particularly requested for comments on the following:

1. *Whether the proposed definition of “external assistance” in paragraph 5 is sufficiently broad to encompass all official resources received.*

- (a) The definition of external assistance in paragraph 5 appears to be reasonable. We suggest that a definition for the donor agencies be included. This would complement the definition of “Bilateral External Assistance Agencies” on page 8 because not all donors have to be established as donors as such. **Define Development Partners as “bilateral or multilateral or other organization/agency involved in provision of development assistance to an entity”**
- (b) Definition of NGO (page 8) – specifying of purpose of NGO to providing assistance to government(s), government agencies or individuals is too restrictive. Some NGOs provide support to groups rather than government or individuals. Could add to the definition **“or organizations whose activities complement those of the government to provide for the welfare of the people”**.
- (c) Definition of Official Resources (page 8) – the last phrase, “at their own risk and responsibility” is not clear and might even suggest that these agencies take some risk after provision of the assistance so that for example if the money is used to construct a bridge and it collapses, the donor is responsible. Could rephrase this to: **“to be available for use to meet the entity’s objectives”**. Please also note that some of the assistance goes directly to the target activities or individuals e.g. emergency relief supplied directly to an emergency area. It should also be noted that some of the assistance is not by official agreement, but this would obviously be difficult to account for, but where information is available, disclosure (discretionary) would be good. Definition of Official Resources should also be extended to **bilateral agencies**.
- (d) Re-lent (page 9) – could be changed to “on-lent”

2. *Whether other sources of assistance, such as assistance provided by non-governmental organizations (NGOs), should be included in the definition of “external assistance”. Currently the Exposure Draft requires that entities disclose all official resources received. Official resources as defined in paragraph 5 would exclude certain assistance received from NGOs.*

This provision appears to be reasonable, but might leave out significant resources received from NGOs. NGOs provide a lot of assistance to various public sector entities and should be reported upon, to the extent possible. We suggest that resources from NGOs be reported on as discretionary disclosure.

3. *Whether the Exposure Draft should specify the categories of external assistance as required in paragraphs 13-15 or only require the disclosure of external assistance by “major classes” without further specification.*

Paragraphs 13-15 are noted, but we should be conscious of the difficulty of obtaining information on military assistance. The proposed standard should note the particular challenges of accounting for emergency assistance especially when this is made in-kind or to third parties. This would make life difficult if it is

mandatory disclosure. Propose that disclosure of military, and emergency assistance should be discretionary.

With regard to paragraph 15, we agree that where external assistance is received from more than one provider then this should be analysed by each provider. In addition, the notes to the financial statements should provide details of the assistance in the currency in which it was provided. This would allow each provider to identify the total assistance which they have provided in the audited financial statements of the entity.

But, in general, users (especially the general public) are interested in not only the source of the assistance but also the use of the proceeds. Disclosure of the assistance by category would, therefore, help identify the purpose of the resources and therefore facilitate follow up action. It is also possible that there is other assistance outside the named categories and its disclosure should be facilitated.

4. *The proposal to disclose the balance of, and changes in, undrawn external assistance during the period (paragraph 22).*

Paragraph 22 is ok, but could add “any other assistance” to the list of assistance (enumerated) to ensure that all assistance is captured. Thus any other assistance will then be reported as “other”.

5. *The proposal to disclose the terms and conditions of external assistance agreements as required by paragraphs 26-28 and any non-compliance thereof (paragraph 36).*

Provisions of paragraph 28 appear to be included in paragraphs 26-27. Need to cross-check. It should be noted, however, that some agreements might have confidentiality/non-disclosure clauses. Any move to disclose should bear in mind the impact of disclosure on the sovereignty of the entity where such disclosure might lead the population might perceive policies to be externally driven. This comment applies to paragraphs 32 and 36 as well.

Therefore, this disclosure should not be mandatory and the entity should be given discretion to assess the desirability of making the disclosures.

On the other hand, terms and conditions that determine or affect access to external assistance are often so detailed, so are the terms and conditions that limit use of such funds. Therefore reporting does not have to include all the terms, but there could be emphasis on reporting by exception to focus on breach of terms and conditions rather than the terms and conditions per se.

The above notwithstanding, there are terms and condition that may result into a liability when breached i.e. the provider requires that where certain terms and conditions are breached, the amount already disbursed shall become immediately claimable. In such a case, there is a liability looming. Such contingent liabilities should be disclosed as provided for by the Public Sector Accounting Standards and paragraph 36 of the exposure draft

6. *Whether the proposals in paragraph 44 as noted below are appropriate:*
- (a) *To disclose the fair value of non-cash goods-in-kind; and*
 - (b) *That fair value should be based on the prices of equivalent goods or services in the recipient country.*

Paragraph 44 should not be mandatory because of difficulty of obtaining information from the providers of assistance, but should be left for discretionary disclosure as part of good practice. There is also an issue with valuation of some of the assistance, and it might be costly to undertake the valuation – in some cases, the cost of valuation might even exceed the value of the asset/assistance.

On the other hand, it might be difficult to get a record of assistance in case of emergencies due to focus on addressing the emergency (see also comments on item 3 above).

Using “fair value” as stated in the last sentences of paragraphs 46 and 47 is reasonable, but subject to the reservations above on cost and practicality.

7. *Whether the disclosures proposed are appropriate. If the disclosures are considered excessive, the IPSASB would welcome input on which disclosures should not be required. The IPSASB would also welcome input on any key disclosures that have not been dealt with and should be required.*

Refer to the comments on the specific paragraphs and classify as mandatory or discretionary as appropriate.

8. *Whether the proposal in paragraph 54:*
- (a) *For a transition period of two years is sufficient to apply this Standard. Is a longer transitional period necessary to ensure that the appropriate authorities in each recipient country are able to access the data necessary to properly account for external assistance?*
 - (b) *To exempt the requirement to disclose comparative figures during the first year of application of this Standard.*

The transitional provisions are noted, but a transitional period of three (3) years might be better.

Other Comments

1. Page 12, 13(d) – disclosure of Military Assistance might be difficult due to problems with obtaining information because of the secretive nature of military records. For example some of the transactions of the military are confidential (classified) and reports on them are made directly to Parliament. Consequently, this disclosure might be difficult to achieve and at best could be discretionary.
2. The main text of paragraph 14 could read **“the entity shall disclose separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements, total external assistance paid payments made by third parties on behalf of the entity during the period to directly settle obligations of the entity showing in separate columns: ...”**.
3. Paragraph 18 – is very good. Could add an explanatory note on NGOs because their activities/objectives are diverse yet the entity could disclose some of the NGO participation in the nation to the extent possible.

4. Paragraph 33 – how about guarantees made by the entity (similar to re-lent loans?). This might be necessary to show the extent of contingent liabilities.
5. Paragraph 50 – should come before paragraph 44 in order to keep the flow and perspective. We note that it is necessary for an entity to disclose separately (in the notes to the financial statements) the amount of external assistance debt rescheduled or cancelled, but it might be laborious to comply with the additional requirement to disclose the terms and conditions associated with the restructuring of the entity’s debt. Consequently, we suggest that this be left to discretionary disclosure.
6. Paragraph 51 – check the typo in line 4 and insert “or” after “rescheduled”