

## Exposure Draft 61, Cash basis IPSAS

A public consultation issued by International Public Sector Accounting Standards Board® (IPSASB®)

Comments from ACCA to IPSASB

31<sup>st</sup> July 2016

Ref: TECH CR ED 61 CASH BASIS IPSAS

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Further information about ACCA's comments on the matters discussed here can be requested from:

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ACCA welcomes the opportunity to comment on the proposals issued by IPSASB. The ACCA Global Forum for Public Sector has considered the matters raised and their views are represented in the following:

## SUMMARY

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We agree with the proposed amendments set out in Exposure Draft 61 relating to cash basis IPSAS.

## AREAS FOR SPECIFIC COMMENT:

### SPECIFIC MATTER FOR COMMENT 1:

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***Do you agree with the changes to the Cash Basis IPSAS proposed in this ED? If not, please provide your reasons. In explaining your reasons for supporting or disagreeing with the proposed amendments, the IPSASB would welcome your views on the capacity of public sector entities in your jurisdiction to achieve compliance with the requirements of, and present the additional information encouraged by, the Cash Basis IPSAS amended as proposed by this ED.***

We fully agree with the proposed amendments to remove the requirement to prepare consolidated financial statements (under cash basis IPSAS) and for the proposal for these to be relocated in the encouragements section of the standard.

This is a pragmatic solution and removes a significant barrier to adopting the cash basis IPSAS. Those countries that are on the first rung of improving accountability and providing greater transparency in public sector expenditure, by implementing the cash basis IPSAS, will appreciate the fact that a significant barrier has been removed and feel less daunted by the challenge of practical implementation of IPSASs.

In our research concerns have been expressed by some countries that are on the path to implementing IPSASs as to the huge cost caused by complexity. This proposed change will help to address these concerns by clearly advocating a staged approach to implementing IPSASs; which in turn is important in helping to both recognise achievements of those that have implemented cash basis IPSAS and ensure continued commitment by politicians and public sector leaders as they realise benefits sooner.

This fits in with the overarching strategic aim to encourage eventual transition to implementing the accruals based IPSASs. This has to be the real prize as enhanced, consistent and comparable financial reporting information is provided to improve public financial management.

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The option to make the requirement to prepare consolidated financial statements as an encouragement allows flexibility. Some jurisdictions that have already implemented the cash basis IPSAS and so have prepared consolidated financial statements will not need to amend their financial statements. Other jurisdictions that are confident that they can achieve consolidation are given the option to do so.

Linked to the above the proposal to remove the mandatory disclosure of certain information about external and other assistance and payments made by third parties and to make this an encouragement would prima facie seem to be moving away from enhanced transparency and accountability. This may be a key requirement from donors and other funding bodies supporting public expenditure.

However, the disclosures required under the cash basis IPSAS were more onerous than the equivalent accrual requirements. Therefore the proposed amendment to this disclosure is sensible.

Again allowing the option [ie encouraging the provision of this information] will give control back to jurisdictions to determine whether they are able and wish to provide disclosures.

Hopefully longer term this will lead to greater adoption of IPSASs, starting with cash and eventually full accrual basis IPSAS.

## SPECIFIC MATTER FOR COMMENT 2:

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***Since issue of the Cash Basis IPSAS in 2003, the accrual IPSASs then on issue have been updated, and in some cases withdrawn and/or replaced, and new IPSASs and Recommended Practice Guides (RPGs) have been issued. The IPSASB would welcome your views on whether requirements or guidance drawn from any of these IPSASs or RPGs should be included as additional requirements or encouragements in the Cash Basis IPSAS in the future and, if so, which requirements or guidance.***

It is sensible to review the updates to recommended disclosures to recognize changes to accruals IPSAS to ensure there is better alignment between the cash and accruals basis thereby allowing for an easier transition path.

Overall there is a clear overarching strategic approach implementing IPSASs through a staged approach from cash to accrual, aligning the disclosures to ensure greater consistency and streamlining implementation for jurisdictions. We have not identified

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any requirements or guidance that we consider should be included in the Cash Basis IPSAS

IPSASB are to be commended for actively listening and managing concerns raised by various jurisdictions and developing pragmatic solutions to encourage greater public financial management.

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