



# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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CASLB/G/10

July 31, 2014

Stephenie Fox  
Technical Director,  
International Public Sector Accounting Standards Board,  
International Federation of Accountants,  
277 Wellington Street West,  
Toronto, Ontario M5V 3H2 CANADA

Dear Stephenie,

**Sub: Comment on Exposure Draft 'IPSASB Strategy Consultation 2015 Forward'**

We are pleased to provide comments on the Exposure Draft (ED) on "IPSASB Strategy Consultation 2015 Forward" issued by the International Public Sector Accounting Standards Board (IPSASB) of International Federation of Accountants (IFAC). Our views on the each of the specific questions for comments are enclosed with this letter.

Please feel free to contact us, in case any further clarification in this regard is required.

Thanking you,

Yours sincerely,

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**Annexure**

**Comments on the Exposure Draft on 'IPSAS Board Strategy consultation'**

**Specific Questions:**

- 1. Do you agree with the IPSASB's tentative view on its strategic objectives for the period from 2015 forward? If not, how should it be revised?**

**ICAI's View:**

Yes, we agree with the view of the IPSAS Board in respect of its given below strategic objective. However, interpretations of IPSASs can be issued similar to IFRSs interpretations issued by the IASB.

*"Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSASs by: a) developing high-quality financial reporting standards; (b) developing other publications for the public sector; and (c) raising awareness of the IPSASs and the benefits of their adoption.*

- 2. Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?**

**ICAI's View:**

The following outcomes are identified by the IPSASB:

- Improved ability of public sector entities to reflect the full economic reality of their finances as well as of stakeholders to understand.*
- Increased awareness of IPSASs and their public finance management benefits in order to influence their adoption*

In this regard, it is mentioned that the outcome mentioned at bullet no 1 (above) seems to be very broad and vague. It is suggested that the said outcome should be more focused on improvement in financial reporting by the Public Sector entities. The suggested outcome may be as:

*"Improved ability of the public sector entities to reflect economic reality of its financial information reported through financial reports to enable the stakeholders to understand"*



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3. Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

ICAI's View:

Outputs identified by the IPSAS Board:

- *High-quality public sector financial reporting standards and other publications- IPSASs & RPGs*
- *Presentations, speeches and other outreach activities in order to engage with stakeholders*

It is felt that the both identified outputs will assist in achieving the stated outcomes. In respect of the output mentioned above at second bullet, it is mentioned that IASB organises a World Standards Setters meet every year wherein various technical issues are discussed and their experience is shared with the National Standard Setters (NSS).

On the same lines, it is suggested that a meeting/conference of the National Standard Setters for Government/ Public sector may be organised wherein the NSS may share their experience in government accounting and discuss their issues.

It may also be useful to include webinars/ webcasts in the outreach activities of the IPSAS Board.

4. What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

ICAI's View :

In this regard, it is mentioned that apart from the feedback mechanism mentioned in the Exposure Drafts of the IPSAS Board, it may be mentioned that the various outreach activities as suggested above would also help them in getting the views of the stakeholders.

5. Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

ICAI's View :

Yes, we are agree with the five key factors i.e. *significance for the public sector, urgency of the use, gaps in standards, IFRS convergence and alignment with GFS*, as identified by the IPSAS Board to be considered in deciding about initiating a project in assessing relative priority.



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6. Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

## ICAI's View:

It may be mentioned that similar to other countries, India is also moving towards implementing accrual basis of accounting. Many Urban Local Bodies and various Government Departments have adopted accrual basis of accounting and some are in transitioning phase. However, many others such as rural local bodies are yet on cash basis of accounting. Similarly, many other developing countries could also be in transitioning phase.

In view of this, it is felt that in the countries who are yet to adopt accrual basis of accounting or are in transitioning phase, the Cash Basis IPSAS may be used as an interim measure till the whole of the Government shift to accrual basis of accounting. Since the Standard prescribes various disclosures relating to assets and liabilities, it would facilitate transitioning to accrual basis of accounting and adopting accrual based IPSASs. The use of Cash Basis IPSAS would also enhance the transparency in the financial reporting under the existing cash basis of accounting.

7. Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

## ICAI's View:

It is felt that revising the existing Cash Basis IPSAS may not be of very use. More focus required on accrual basis of IPSASs, existing commitments and other resource constraints such as manpower and funding etc, suggests that IPSAS Board may adopt the second option i.e.

*'Retain the Cash Basis IPSAS unchanged; this would mean suspending the review project and doing no further work on the IPSAS'*

8. Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

## ICAI's View:

Following potential Projects as identified by the IPSAS Board can be undertaken in the order as given in the Exposure Draft:



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- *Projects to address public sector issues*
- *Projects to maintain existing IPSAS*
- *Projects to converge with IFRS*
- *Other projects*

The suggestions in respect of the projects given under all above four heads are given below:

All projects mentioned under the '*Projects to address public sector specific issues*' are important. In this regard, it may be suggested that given below projects can be taken up on priority considering their importance and need for public sector in the following order:

Infrastructure Assets

Role of Government as owner rather than Government

Heritage Assets

Military Assets

Non-Exchange Expenses

Natural Resources

It may also be mentioned that various projects under this head such as Infrastructure Assets, Intangible Assets-Public Sector Specific which are addressed in the relevant existing IPSAS. As per the Exposure Draft some research is required in regard to such subjects as to whether these can be handled through revision in the respective existing IPSAS. Such research may also be undertaken on priority basis so as to make the position clear. Subsequently, on the basis of the research findings the projects may be taken up for formulation of new IPSASs or revision of existing IPSAS as the case may be.

Secondly, under the head '*Projects to maintain existing IPSASs*' there are various IPSASs such as IPSAS 1, IPSAS 23, and IPSAS 5 etc, whose revision was deferred until the completion of the IPSAS Conceptual Framework. Since the completion of the Conceptual Framework is expected to be completed by the end of the year 2014 as per the IPSAS Board, therefore, we are of view that the projects which were deferred earlier until the completion of the aforesaid framework, may be taken up on priority on completion of the conceptual framework.

It may also be suggested that formulation of the IPSASs which are less resource intensive may be taken up along with the above/other priority projects as completion of these may take less time and manpower.