



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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CASLB/G/10

June 20, 2018

Mr. Ian Carruthers
Chairman,
International Public Sector Accounting Standards Board,
The International Federation of Accountants,
277 Wellington Street West,
Toronto, Ontario M5V 3H2 CANADA

Dear Ian Carruthers,

Sub: Comment on 'IPSAS Proposed Strategy and Work Plan 2019-2023'

We are pleased to provide comments on the 'IPSAS Proposed Strategy and Work Plan 2019-2023' issued by the International Public Sector Accounting Standards Board (IPSASB) of the 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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Encl.: As above



Comments on 'Proposed Strategy and Work Plan 2019-2023'

Specific Matters for Comment 1

Do you agree with the IPSASB's proposed Strategic Objective 2019-2023? If you agree please provide any additional reasoning not already discussed in the document. If you do not agree please explain your reasoning and your proposed alternative.

ICAI's View:

While we agree with the proposed strategic objective 2019-23 of IPSAS Board, i.e., strengthening Public Financial Management through increasing adoption of accrual based IPSAS which is strategized to be delivered through two main activities as mentioned in the draft document of IPSAS Board on "*Proposed Strategy and Work Plan 2019-2023*", as the same is in concordance with the overall objective and 'terms of reference' of the IPSAS Board, we suggest that the concerns of Governments of IFAC member countries may also be obtained, assessed and addressed by IPSASB in a structured manner. Due consideration to the needs may be given based on the size of the economy of a country. In other words, holistic view of requirements and needs of various countries across globe would be useful in structuring the objective of the IPSAS Board.

Additionally, we are of the view that to achieve the overall strategic objective as identified by the IPSAS Board, review and revision of the existing IPSASs, wherever necessary, may also be required to be undertaken along with the development of new IPSASs.

In view of this, we suggest that the "review and revision of the existing IPSASs" may also be appropriately highlighted in the following main area of activity by redrafting the same.

"Developing IPSAS and other high-quality financial reporting guidance for the public sector"

In the direction of improving public financial management, we principally acknowledge that the Governments need to produce accrual based financial statements for improved transparency, accountability and decision-making purposes. In this regard, there is a need to sensitize the Governments to move on to accrual basis of accounting. The proposed strategic objective and the laid approach



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to achieve the said objective would pave the path for transformation of Government financial reporting across the globe which is absolutely essential.

Specific Matters for Comment 2

Do you agree with the IPSASB's five proposed Strategic Themes for the 2019-2023 period? If you agree please provide any additional reasoning not already discussed in the document. If you do not agree please explain your reasoning, including any proposed alternatives.

ICAI's View:

Yes, we agree with the overall Strategic themes, i.e., 'Theme A to E' that outline the activities expected to be undertaken during 2019-23 by the IPSAS Board for achieving its strategic objective. The proposed five themes have appropriately been identified to work towards the achievement of the proposed strategic objective of the IPSAS Board. Tasks/ activities as detailed out under various themes are also appeared to be fine. However, we suggest that issuing the following educational material to support the adoption of IPSASs may be considered to be developed by the IPSAS Board which may be categorized appropriately under the specified themes:

- Summary of IPSASs,
- E-learning modules on accrual accounting and IPSASs,
- Implementation/Interpretation Guidance, and
- FAQs/Educational material on IPSASs, etc.

In the direction of expanding its capacity building function, IPSAS Board may consider to set up an education division in line with IASB for undertaking aforesaid projects. For the proposed period of 2019-23, a few already issued IPSASs may be identified to initiate the above suggested projects.

Specific Matters for Comment 3

Do you agree with the criteria the IPSASB has used in deciding the proposed issues to add to its Work Plan 2019-2023? If you agree please provide any additional reasoning not already discussed in the document. If you do not agree please explain why, including any proposed alternatives.



ICAI's View:

We agree with the overall criteria identified to determine the priority of the projects under 'Theme A to C' subject to categorizing the development of educational material as suggested in our SMC 2 (above) under "Theme D".

Specific Matters for Comment 4

Do you agree with the projects that the IPSASB proposes to prioritize for addition to the Work Plan 2019–2023 on Theme A: *Setting standards on public sector specific issues (Natural Resources, Discount Rates, Differential Reporting and Conceptual Framework limited-scope Review)*? If not please explain your reasoning, and any proposed alternatives.

ICAI's View:

We agree with the prioritization of the projects under 'Theme A' except Project on "Discount rates" due to the reason as mentioned below. We also suggest that within 'Theme A', the following order can be adopted for undertaking projects keeping in view their significance:

- Conceptual Framework limited-scope Review
- Differential Reporting
- Natural Resources

In other words, since the "Conceptual Framework" forms the basis for formulating and developing IPSASs, the same should be undertaken for review on priority basis under 'Theme A'. Further, we support prioritization of "Differential Reporting" keeping in view the Indian scenario, i.e., existence of rural local bodies in India.

With regard to the project on "Discount Rate", we may mention that keeping in view the Indian conditions where we do not face a situation of any negative interest rates, we are not in the favour of prioritizing the project on 'Discount Rates'. It is mentioned that the IASB also undertook the similar project few years back to examine the differences in discount rate requirements in IFRS/IAS and to explain why those differences exist and assess whether there are inconsistencies that should be addressed by IASB by making amendments in the relevant IFRSs, however, later on IASB decided not to do any amendments in the IFRSs and decided to publish the said project in form of a research study only.



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Additionally, we would like to mention that a new public sector specific project may be considered for inclusion in the proposed work plan to provide detailed guidance for consolidation of Off-Budget Borrowings (by Bodies outside Government, e.g., autonomous bodies) in the debt of the Government, where debt service thereof is borne by the Government as:

- This phenomenon is understood to be widely prevalent.
- The legislative financial control being absent in the application of borrowed funds by the Bodies, financial reporting needs to be strengthened.
- The consequences of the absence of appropriate financial reporting to inform decision-making can impair service delivery, debt sustainability and therefore PFM.

Specific Matters for Comment 5

Do you agree with the project that the IPSASB proposes to prioritize for addition to the Work Plan 2019–2023 on Theme B: *Maintaining IFRS convergence (IPSAS 18, Segment Reporting)*? If not please explain your reasoning, and any proposed alternatives.

ICAI's View:

We agree with the prioritization of the project of revision and updation of IPSAS on "Segment Reporting" under Theme B.

In addition to the above, in view of the analysis done by IPSAS Board for IPSAS 20, "Related Party Disclosures" for setting priority under 'Theme B', it is felt that this project of updation of IPSAS 20 in line with updated/revised IAS 24, meets the criteria of prioritizations as set out in this strategy document and therefore it can also be identified for updation along with IPSAS 18 under 'Theme B'.

Specific Matters for Comment 6

Are there any projects in Appendix A that you believe should be added to the Work Plan 2019–2023 in place of a currently proposed project? If you believe that any Appendix A projects should be added, please explain your views on why the



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project should be included, which proposed project should not then be started and why.

ICAI's View:

We are of the view that in place of the "Discount Rate Project" the project on 'Accounting for Tax Expenditures' under 'Theme A' may be included in the work plan as it is stated in Appendix A that the treatment of tax expenditures raises a public interest concern because of the potential lack of transparency in the provision of tax concessions, which impairs the accountability of governments".

Further, this also seriously weakens tax estimation and budget credibility. Proper reporting can influence tax policy and tax administration for targeting benefits and improving mobilization of taxes.

Also we can add that though this subject is applicable only for "tax collecting entities", but tax collection is an important and major source of funding of any government which is used to meet/fund various expenditures/public service delivery by the government of any country.

Project on "Off- Budget Borrowings" as mentioned in our reply to SMC 4 (above) may also be considered for inclusion in the work plan 2019-23 of IPSAS Board.

Specific Matters for Comment 7

The IPSASB views building relationships with those working in the PFM space and engaging in their work as critical to furthering the use of IPSAS in PFM reform projects. Therefore, under Themes D and E, the IPSASB will actively monitor the work of others and look for appropriate opportunities to engage and support that work.

- Do you agree with the IPSASB's proposed approach under these Themes? If so, are you aware of any ongoing initiatives which the IPSASB should monitor and look to engage with (please provide details).
- If you do not agree, please explain your reasoning along with any proposed alternatives, and how those might be resourced.

ICAI's View:

Though we agree in principle with the approach as identified under proposed 'Themes D and E', in addition to the projects mentioned in our reply to SMC 2 (above), the following activities/proposals may be considered for inclusion in the proposed work plan:



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- To sensitize and update the technical knowledge of member countries/organizations so as to increase the adoption of IPSASs in various jurisdictions, IPSAS Board may consider holding joint meetings/ seminars with the member organizations in their respective countries, in which IPSAS board may support in providing technical support and faculties etc.
- IPSAS Board may also consider framing and implementing any staff deputation policy for IFAC member organisations/ governments, to provide them an opportunity to get involved in IPSAS formulation. It will also provide them an opportunity for learning that in turn will lead to awareness, promotion and adoption of IPSASs in their respective countries.
- We also suggest that the IPSAS Board may consider holding its board meetings in IFAC member countries.

Further, we believe that more than monitoring (control) it is the support and collaboration of the IPSAS Board with the other jurisdictions that is to play an important role in awareness of benefits of accrual and IPSAS adoption, therefore, we suggest to avoid using the term "monitor" in this regard.

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