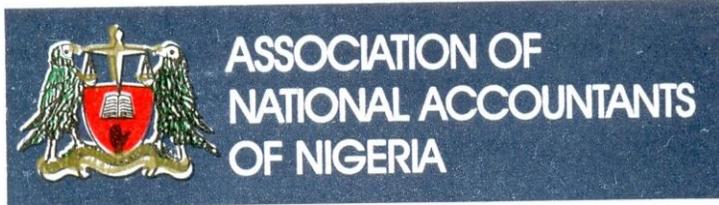


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13th July, 2016

Dear Sir,

RESPONSE TO THE EXPOSURE DRAFT 61 ON PROPOSED AMENDMENTS TO FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING (THE CASH BASIS IPSAS).

Association of National Accountants of Nigeria is very pleased to comment on Exposure Draft 61 on Proposed Amendments to Financial Reporting under the Cash Basis of Accounting (the Cash Basis IPSAS).

Our responses to specific matters for comments (1-2) are set out below:

Our Response:

Comment 1:

In Nigeria, the Government has already approved the implementation of Accrual IPSAS with effect from 1st January, 2016, and as such the amendments proposed on this Cash Basis IPSAS may not have material effect on our jurisdiction for the reason aforesaid. However, ANAN has been acknowledged as the leader in public sector accounting in Nigeria, it thus behoves on us to comment and share our experiences with others.

ANAN agrees with almost all the changes to the Cash Basis IPSAS proposed in the current Exposure Draft (ED 61) for the following reasons:-

1. The encouraged additional disclosures will provide additional information that will satisfy the purpose of accountability and aid informed decision making. These "encouraged" additional disclosures are not complex by their nature and would easily

have been provided by the Public Sector Entities (PSEs) in Nigeria if these standards were to be relevant to Nigeria jurisdiction. They would have also facilitated the transition of PSEs in Nigeria to the accrual basis of reporting.

2. The experience of PSEs in Nigeria showed that, like PSEs in other developing economies, the requirements for the preparation of consolidated financial statements and disclosure of external assistance and payments made by third party constituted major obstacles to adoption of the Cash Basis IPSAS. The change currently proposed by this ED to encourage rather than require consolidation will go a long way in removing these obstacles. ANAN believes that Nigeria jurisdiction would have benefited from this amendment if they had been made before the country's implementation of Accrual IPSAS in 2016. However, it is still very apt for other jurisdictions in developing economies that have not transitioned to Accrual IPSAS.

3. **Consolidation**

a. Nigeria like most other developing economies experienced the problem of technical capacity by reporting activities to collect and process necessary data for the preparation of consolidated financial statements on timely basis to meet the reporting deadlines. Therefore, the removal of this requirement will assist them in the preparation of Cash Basis IPSAS pending their transitioning to Accrual IPSAS.

b. Consolidation problem for public sector on cash basis is one of the major reasons why Nigeria is in support of the proposed changes in this ED because at a point in time, it was difficult for PSEs to consolidate their accounts due to the gaps identified in the background section.

c. ANAN agrees with the IPSASB's approach to remove the requirements that controlling entities should prepare consolidated financial statements from Part 1 of the standards and recast as encouragement in Part 2 of the standards. This is because jurisdictional experience have proved that a transitional period of 3 to 5 years as an alternative approach cannot assist in overcoming the obstacles with consolidation as identified in many jurisdictions. However, ANAN will still wish that a time line be imposed in order to avoid open ended permission.

4. **Budget**

The need for disclosure of budget information in preparing Cash Basis IPSAS financial statements will assist in encouraging the adoption of Accrual Basis IPSAS in the sense that preparers would have become used to this presentation prior to adoption of the Accrual Basis IPSAS of which budget information is a requirement.

6. External Assistance

ANAN agrees with the proposal that the amount of external **non-cash** assistance received should be recast in Part 2 as an item encouraged to be disclosed while disclosure of all external assistance received in **cash** should continue to be a requirement to form an embodiment of Part 1 compulsory disclosure in the financial statements to engender openness and transparency.

7. Third Party Payment

In Nigeria jurisdiction, Treasury Single Account (TSA) is operated in the same way that banks operate customers account whereby payment made on behalf of Ministries, Departments and Agencies (MDAs) through the TSA are reflected in the concerned MDAs accounts as either a disbursement or a receipt. It usually assumed that MDAs would control the cash inflows, outflows and balances in their accounts. However, they do have limited control over the accounts. This arrangement confirms that payments made on behalf of MDAs through Treasury Single Account should not be recorded as third party payment. It is on this basis, that ANAN agrees with the proposal in the ED to include additional information in respect of treasury single account arrangement to reflect the fact that such arrangement could not give rise to third party payment.

8. Housekeeping

Some of the minor amendments made to terminologies and explanations of the defined terms in some of the sections of the ED in relation to some of the standards are indeed necessary e.g. IPSAS 3 and IPSAS 4 are necessary to ensure internal consistency between the older version and updated version of the standards. ANAN therefore agrees with this minor amendments which is part of IPSASB housekeeping process.

Comment 2:

ANAN has not identified any of the IPSASs or Recommended Practice Guides (RPGs) currently on issue that should be included as additional requirements or encouragements in the Cash Basis IPSAS in IPSASBs future agenda.

General Matters

1.2. The Cash Basis

Control of an entity - Rather than having the definition of control of entity separated by a colon from the subject, ANAN beliefs that the statement should be crafted thus:-
"Control of an entity arises when an entity controls another entity such that the entity is exposed, or has right to variables benefits....."

1.2.8. Cash controlled by the Reporting Entity. ANAN agrees with the IPSASB proposal to delete unnecessary detailed description of centralised treasury function because of the different variants in the mode of operating treasury single account in different jurisdictions.

1.3 *Presentation and Disclosure Requirements*

1.3.1 Line 4 - Rather than having the definition of "materiality" separated with a colon from the subject, it should be crafted thus: "Materiality means information, the omission or misstatement of which could influence the discharge of accountability by the entity"

1.3.2 Line 8 - The word "**should**" should be changed to "**shall**" to ensure consistency with the IPSASB proposal to change the word "should" to "shall" to reflect authoritative requirements of Part 1.

Financial Statements

The IPSASB should be consistent in the use of the phrase "**Financial Statements**" as either singular or plural.

For example in 1.3.6 line 1 - "the financial statements comprises" is inconsistent with 1.3.2 line 5 - "the financial statements provide...." and 1.7.40 "present consolidated financial statements which encompass....."

On page 55, the two asterisks associated with "difference" should be reduced to one. This should also be reflected in the foot note - "Difference"

2.1.1 The definition of closing rate under paragraph 2.1.1 on page 71 of the ED is a repetition of the definition in 1.6.1 on page 32. It suffices to make reference to the definition in 1.6.1.

2.1.33 Similar correction has been made in 1.2.1 on page 14. The correction in 1.2.1 should also apply here.

2.2.8 Line 5 - should read "to adopt one or more of" instead of "to adopt one of more of".

"s" should be added to "other" to read "others" under Assistance on page 113.

Amendments to Appendix 2, 3, 4 and 5

We expect a reference to be made to the cancellation of "Extract from Notes to the Financial Statements of Government C" on pages 119 - 125 so that readers will know that those items no longer form part of the standards.

ABOUT ANAN

Association of National Accountants of Nigeria (ANAN) is a statutorily recognized Professional Accountancy body in Nigeria. The body is charged among others, with the duty of advancing the science of accountancy.

The Association was formed on 1st January, 1979 and operates under the ANAN Act 76 of 1993(Cap A26 LFN 2004), working in the public interest. The Association regulates its practicing and non-practising members, and is overseen by the Financial Reporting Council of Nigeria.

ANAN members are more than 21,000, they are either FCNA OR CNA and are found in business, practice, academic and public sector in all the States of Nigeria and Overseas. The members provide professional services to various users of their services.

ANAN is a member of the International Federation of Accountants (IFAC), International Association for Accounting Education & Research (IAAER), The Pan African Federation of Accountants (PAFA), and Associate of Accountancy Bodies in West Africa (ABWA).

Yours faithfully,

ASSOCIATION OF NATIONAL ACCOUNTANTS OF NIGERIA



DR. SUNDAY A. EKUNE, FCNA

Registrar/Chief Executive