

Hi Stephenie

Thanks for the opportunity to review and comment on the "*consultation on the IPSASB work program 2013 - 2014*". I consider the program reasonable and I have no comments.

#### **Additional comment**

However, I request the Board to consider how to assist many countries who are attempting to implement IPSAS standards; especially to respond to the question - *if we are preparing financial statements using modified accrual basis, which standards/framework should we state that we have complied with (in the financial statements)? Would the standard/framework be acceptable to the Auditor General?*

I think there is an opportunity to further **revise study 14** to provide guidance on this question to these countries.

#### **Scenario- that I face in a number of African countries**

1. Patrick, we prepare our financial statements on modified accrual basis - cash information with recognition of some accrual based information. After every two or three years, we include more accrual information.
2. We would like to adopt IPSAS standards. Do we first go back to cash based standards - and state compliance with cash based standards in our AFS? or Should we start transitioning to accrual based IPSAS which will take us a long period of time? If to transition, what will we state in our financial statements as the standards/framework that we have complied with - considering that we shall not be fully compliant with accrual based IPSAS for a number of years? Is there a standard for modified accrual - that we can use during the transition period and hence refer to it in the AFS?

Our response.....

1. You (the government) should continue to make progress in incorporation accrual information in AFS - by making reference to accrual based IPSAS on transactions that you are recognising - in order to improve on the comprehensiveness and completeness of financial information. Therefore, there is no need to first go back and apply cash based IPSAS standard.
2. The incorporation of accrual information should be based on a **comprehensive road map** that the country should develop to guide adoption of accrual based standards. To develop the road map, reference should be made to the guidance in study 14, other country experiences and country specific circumstances.
3. In addition, in designing the road map, the country should consider developing a "**reporting framework (in the form of a template)**" which should be revised/updated on say 2/3/4 years intervals to incorporate more accrual based information - dependent on the steps in the road map. The reporting framework should be agreed upon by the Auditor General. The financial statement should state that the AFS have been prepared using the framework - as it is inappropriate to refer to the IPSAS accrual based standards. The road map should also specify the reforms that the country should undertake during the implementation period to generate necessary accrual information say on assets, liabilities.
4. Once the road map is fully implemented, the country should fully apply the standards (and refer to them in the AFS).

**So, how should IPSASB assist countries facing this scenario:** I think the Study 14 should be further revised to provide more guidance on how to develop the reporting framework: revise it on regular intervals...and who to involve in preparing the

framework. Guide the countries on what they should state as the reporting framework during the transition period.

I think it is wrong to request countries who are preparing financial statements on modified basis of accounting to first revert to cash based IPSAS Standards: it is like requesting them to move a step backward. Unfortunately, this is the advise that a number of consultants are offering to countries in Africa - I think it is wrong and costly to countries who have limited resources in the first place..... any wording/direction from the Board on this matter would go a long way.

Please note the above are personal views and not those of the Bank.

Best

Patrick