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INTEGRITY

THE INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)

P. O. Box 4268
Accra, Ghana
Tel.: 0544336701/2,
0277801422/3/4.
E-mail: info@icagh.com
Web: www.icagh.com

The Technical Director

International Public Sector Accounting Standards

New York

15th December, 2014

Dear Sir,

Comments on the Applicability of IPSASs to Government Business Entities (GBEs) and Other Public Sector Entities.

We are pleased to comment on the above Consultation Paper as follows:

Specific Matters for Comment 1

Do you agree with the IPSASB's PV? – **No, we have a different view with the IPSASB's preliminary view.**

Rationale for not supporting option 1(a) and (b)

Option 1(a) is a principles based approach utilizing IPSAS terminology (makes it easier for those versed in IPSAS to apply) to define the characteristics of public sector entities, but it does not provide much by way of guidance on borderline cases. Option 1(b) defines the characteristics of public sector entities that are developed using the "GFS reporting guidelines description of the GGS". With option 1(a) and 1(b), the term GBE will be excluded from IPSAS terminologies. The rationale is that regulators should be able to assist with the determination of which entities within the Public Sector that should apply IFRS.

The questions to ask are as follows:

a) Are there clearly established bodies in all jurisdictions designated as regulators in the accounting profession?
b) Are all regulatory bodies appropriately staffed with qualified personnel to be able to deal with the complex issues of which entity within the public sector falls outside the scope of GGS and therefore should apply IFRS?

c) Where each individual regulator in different jurisdictions determine (by their own developed criteria) the entities falling outside the scope of the GGS, would we still have an international standard that is comparable across jurisdictions and also achieve international harmonisation/convergence?
d) Would the introduction of new literature on GFS need to replace the definition of GBE?

We provide below detailed comments on the questions raised:

a) Comparability

We believe that IPSASs are to be international in nature. It should therefore be able to provide clarity on every aspect it deals with and not leave any grey area to be determined by regulators in different jurisdictions. Where this is done, it may be difficult to achieve one of the qualitative characteristics of financial statements (comparability).

b) Convergence and international harmonisation

For instance, in jurisdiction (A), a regulator may come up with criteria to determine which entities fall outside a GGS. Those criteria may not be the same as those that may be applicable for jurisdiction (B). Hence, comparing financial information prepared in accordance with IPSAS from those two jurisdictions may be like comparing apples to oranges.

The above example will defeat efforts aimed at achieving convergence and international harmonisation. Should option 1 be supported, we may in the not distant future be dealing with the need to harmonise and converge, which is difficult to achieve.

c) Capacity of regulators

In some jurisdictions (Sub-Saharan Africa), the regulator, usually, the Institute of Chartered Accountants in that country is not yet codified in Law as the regulator. Hence, in terms of mandate to determine which entities apply IPSAS or IFRS, they may not have the mandate. There is therefore the need for clear guidance within the IPSAS standard for a preparer of financial statements to be able to make the judgement call rather than depend on the judgement of the regulator who may not have all the legal backing to play that role.

Additionally, most regulatory entities in Sub-Saharan Africa are in the process of recruiting qualified personnel to assist them to discharge their regulatory role. In some areas, there are capacity gaps that would not allow for discretion and judgement in terms of the correct financial reporting framework to be used by public sector entities

d) Reduction in unnecessary differences between IPSAS and GFS

GFS reporting guidelines are related to the presentation of statistics about the GGS. We believe that IPSAS 22 can be amended to accommodate the write-up on GFS. Hence, instead of taking out the criteria for determining GBE, we can review IPSAS 22 to address any gaps within the existing standard (IPSAS 22) and GFS guidelines.

Specific Matters for Comment 2

If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b? **- We are in support of option 2(b).**

Reasons for supporting option 2(b)

Per the description in the consultation paper, options 2(a) and (b) are not mutually exclusive. They are intended to clarify the existing definition of GBE and also to narrow it.The primary aim of entities using IPSAS is not to make profit. Companies that are in business to recover cost are also not profit oriented. Therefore such companies should be excluded from GBEs by narrowing the definition of GBEs to exclude cost recovery entities. The current definition of GBEs in 3.4 states that GBEs should have all the characteristics of a GBE before it can qualify as a GBE. Based on the jurisdiction of an entity, it may not have all the characteristics stated, yet it is a profit-oriented entity.

Under the revised definition, entities may qualify as GBEs even if it cannot contract in its own name (6.19&6.20). Narrowing the definition to exclude cost recovery entities, would mean that all entities under GBEs would not be reliant on government funding to remain a going concern. It also further changes the words "at a profit" to "with a profit-oriented objective" (6.23b) to acknowledge the fact that profit-oriented entities can also make losses in its business operationsWe believe option 2(b) has the following advantages:

a) Benchmark for deciding whether an entity applies IPSAS or IFRS

The terminology GBE has been consistently used in IPSAS and has become the benchmark in making the decisions whether or not an entity within the Public Sector is required to apply IPSAS. For instance, where a Public Sector entity decides to opt for IPSAS as a financial reporting framework, it needs to go through the criteria for GBE. It is when an entity passes/ fails the GBE test that it can fully tilt towards IFRS or IPSAS.

Where this criterion is taken off and option 1 is taken, more power will be given to regulators. This will leave room for individual regulators in different jurisdictions to have their own criteria for determining entities that qualify to use IPSAS.

b) Limited definition of GBE to focus on profit oriented entities

The preface to IFRS indicates that they are designed to apply to general purpose financial statements and other financial reporting of profit oriented entities.

With the limited definition of a GBE focussing on profit oriented entities, once the preparer of financial statements establishes the objective of a reporting entity, the first test of determining the appropriate applicable financial reporting framework is checked. Then, the other narrow criteria for the GBE are applied to confirm the applicable standard.

We believe this should be a simple process for every qualified accountant to be able to make a consistent judgement call rather than leave a grey area for a regulator to determine.

Conclusion

We hope the IPSASB find this letter helpful in further developing the Applicability of IPSASs to GBEs and Other Public Sector Entities. We are committed to helping the Board in whatever way we can to build upon the results of this Consultation Paper. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Yours sincerely,

Fred N. K. Moore

For [Institute of Chartered Accountants, Ghana]