



# THE INSTITUTE OF CHARTERED ACCOUNTANTS - (GHANA)

CEO/ED-CMTS-IPSASs/14

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The Technical Director  
The International Public Sector Accounting Standards Board (IPSASB)

Dear Sir,

**Subject: Comments on Exposure Draft (ED) 53: -First- Time adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)**

We forward below our comments on the Exposure Draft (ED) 53 - First Time Adoption of Accrual Basis IPSASs issued by the IPSASB.

**Matter for comment 1**

*The objective of this Exposure Draft is to provide a comprehensive set of principles that provides relief to entities that adopt accrual basis IPSAS for the first time.*

- a) Do you agree with the proposed transitional exemptions included in the Exposure Draft; and*
- b) Do you believe that the IPSASB achieved its goal in providing appropriate relief to a first-time adopter in transitioning to accrual IPSASs?*  
*Please provide a reason for your response.*

- a) Yes. The IPSASB proposed transitional exemptions are comprehensive and provided the necessary guidance for entities transiting to IPSASs for the first time.
- b) With reference to the comments under (b), we believe the IPSASB has provided clear information on the various reliefs available for first time adopters and when to apply them. The detailed guidance provided under - Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities* issued by the IPSASB, would further assist public sector entities' transition to IPSAS. Local accountancy regulators have responsibility to develop detailed guidance to assist entities with the adoption of the accrual basis IPSASs.

## Matter for comment 2

*The IPSASB agreed that there should be a differentiation between those transitional exemptions that do not affect the fair presentation of a first-time adopter's financial statements and its ability to assert compliance with accrual basis IPSASs, and those that do.*

- a) *Do you agree with the proposed differentiation and how it is addressed in the Exposure Draft; and*
  - b) *Do you agree that the individual categorization is appropriate? If not, please provide a reason for your response and provide an alternative approach.*
- a) We agree with the differentiation between those transitional exemptions that do not affect the fair presentation of a first-time adopters financial statements and its ability to assert compliance with accrual basis IPSASs, and those that do. This differentiation by the IPSASB we believe will achieve the following benefits to these key groups of users.
- i) **Entities preparing IPSAS financial statements:** The differentiation provides clear guidance to these entities by specifying the exemptions and standards as indicated under paragraphs 32 to 60. The inability to fully comply with all the various IPSASs and not making full claim would mislead users /readers of the Public entities financial statements. As indicated under paragraph 26, a first time adopter shall claim full compliance with IPSASs only when it has complied with all the requirements of the applicable IPSASs effective at that date.
  - ii) **Auditors:** The clear differentiation between the exemptions that affect and those that do not affect compliance with IPSASs would minimise the information gap that might be associated with providing opinion by Auditors on Entities adopting the Standards for the first time. For example, the exemptions provided under paragraphs, 32 to 60 and 62 to 125 constitute an area where Auditors can develop a checklist based on this guidance to monitor compliance by Entities in the measurement and recognition of assets and liabilities. The Auditors would also be able to engage management based on this guidance in order to arrive at a common conclusion.
- b) The individual categorisation is deemed appropriate as it captures most of the key areas and aspects required to address the issues of compliance with the Standards.

## Matter for comment 3

*This Exposure Draft proposes a relief period of three years for the recognition and/or measurement of specific assets and/or liabilities in allowing a first-time adopter to transition to accrual basis IPSASs. Do you agree that a relief period of three years is appropriate? If not, please indicate the time frame that, in your view, would be appropriate, supported with the reason for the longer or shorter transitional relief period.*



We agree with the proposed three years relief period for the recognition of assets and liabilities by entities. Based on experience with developing countries strategic plans for IPSAS adoption, much longer period or years are required for such transition to allow Governments adequate time to be able to fully adopt the Standards. This is usually planned for a five year period.

One of the key areas of challenge has been on property plant and equipment. This has been a challenging exercise for most entities. The period of time usually required in compiling the assets coupled with the fact that most of the information may not be available at the time of first adoption is a challenge for most developing countries and those adopting accrual IPSAS for the first time.

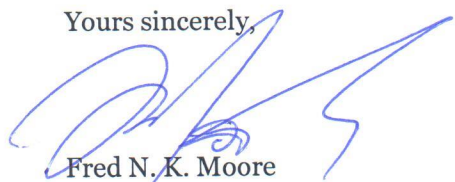
Our view is that despite these challenges the 3-year transition period for recognition of assets/liabilities is sufficient. The 3-year relief period starts at the date of adoption of IPSAS and governments may start taking action well beyond the date of adoption of IPSAS. The Government of Ghana, for instance is implementing an Integrated Financial Management Information System (IFMIS) which would assist Ministries, Departments and Agencies provide timely, accurate, and consistent data for management and budget decision-making as well as facilitate financial statements preparation. We are of the view that when the project tenure is long, there is a possibility of loss in momentum leading to inefficiencies in the implementation. Allowing a longer relief period would in our view not provide a good incentive for governments to take pro-active actions regarding implementation.

#### **Other comments**

#### **Date of application of the Standard**

Based on paragraph 143 of the ED 53, there was no proposed date for the application of the Standard by the IPSASB. This should have been included in the commentary as various countries or entities are at different stages of the adoption process. The Board intends to publish this Standard in September 2014 and therefore a proposed period of adoption will be beginning on or after 1 January 2016 whilst encouraging earlier application is recommended. This is based on the assumption that entities and countries would use part of 2014 and the entire 2015 to provide the needed guidance in the application of this Standard in addition to the already existing Standards.

Yours sincerely,



Fred N. K. Moore

**Chief Executive Officer**

**For: The Institute of Chartered Accountants [Ghana]**