

Agenda Item 6 Cash Basis IPSAS

Joanna Spencer

IPSASB Meeting

September 19 – 22, 2017

Toronto, Canada

Objective of session

Note comments from respondents to the Specific Matter for Comment to ED 61, *Amendments to Financial Reporting under the Cash Basis IPSAS*

- Consolidated Financial Statements
- Disclosure of information about external assistance
- Disclosure of information about other assistance and payments from third parties
- Other amendments

Approval of revised Cash Basis IPSAS

Materials presented

6.1 Project Management including:

- 6.1.1 Instructions up to June 2017 meeting
- 6.1.2 Decisions up to June 2017 meeting
- 6.1.3 Project road map

6.2 Analysis of respondent comments to SMC

- 6.2.1 Structure of Agenda Item 6.2
- 6.2.2 Preparation of consolidated financial statements
- 6.2.3 Disclosure of information re external assistance
- 6.2.4 Disclosure of information re other assistance and payments by third parties
- 6.2.5 Other amendments

6.3 Responses to ED 61

- 6.3.1 Analysis of Respondents by Region, Function and Language
- 6.3.2 Summary of response to ED 61
- 6.3.3 [draft] Cash Basis IPSAS with staff comments
- 6.3.4 Responses to ED 61

Specific Matter for Comment re: Consolidated Financial Statements

Proposal – relocate from Part 1 (mandatory) to Part 2 (encouragement) preparation of consolidated financial statements

- 72% agreed (13 respondents)
- 11% disagreed (2 respondents)
- 17% did not comment (3 respondents)

Specific Matter for Comment re: Consolidated Financial Statements

Arguments in support

- Consolidation is a major obstacle
 - Difficulty in identifying controlled entities
 - Inconsistent and different basis of reporting
- Lack of technical capacity

Arguments against

- Financial statements will not be complete or comparable
- Entities may ‘cherry pick’

Specific Matter for Comment re: Consolidated Financial Statements

Respondent suggestions for consideration

- Provide a list of controlled entities
- Labelling of financial statements

Staff recommendations

- Recast the provision of consolidated financial statements from mandatory to an encouragement?
- Provide as an encouragement that entities provide a list and/or basic information of significant controlled entities?
- Financial statements prepared under the Cash Basis IPSAS be labelled either “Unconsolidated Cash Financial Statements” or “Consolidated Cash Financial Statements”

Specific Matter for Comment re: Disclosure of Information re External Assistance

Proposal – relocate from Part 1 (mandatory) to Part 2 (encouragement) disclosure of information about external assistance

- 50% agreed (9 respondents)
- 5.5% partially agreed (1 respondent)
- 22% disagreed (4 respondents)
- 5.5% response not clear (1 respondent)
- 17% did not comment (3 respondents)

Specific Matter for Comment re: Disclosure of information re External Assistance

Arguments in Support

- Implementation of the Cash Basis IPSAS will be easier thus improving public sector financial reporting
- External assistance is beyond the control of the reporting entity and access to information can be challenging
- Logical to remove a mandatory requirement that isn't in accrual IPSAS

Arguments against

- Information on external assistance is important, donors are concerned about the accounting information re grants and loans provided
- Questioned why gaining the information is difficult as the donors have it for their own reporting purposes
- Information on external assistance is important for understanding the full picture of the economic position in developing countries
- The provision is contrary to other changes in public financial management
- Will likely result in public sector entities not disclosing benefits received thus depriving donors and others of useful information

Specific Matter for Comment re: Disclosure of information re External Assistance

Staff recommendation

- Recast disclosures about external assistance from mandatory to an encouragement.

Specific Matter for Comment

re: Disclosure of information re Other Assistance & Payments from Third Parties

Proposal – relocate from Part 1 (mandatory) to Part 2 (encouragement) disclosure of information about other assistance & payments from third parties

- 55% agreed (10 respondents)
- 11% disagreed (2 respondents)
- 17% response not clear (3 respondent)
- 17% did not comment (3 respondents)

Specific Matter for Comment

re: Disclosure of information re Other Assistance & Payments from Third Parties

Arguments in Support

- Implementation of the Cash Basis IPSAS will be easier thus improving public sector financial reporting
- Payments made by third parties are beyond the control of the reporting entity and access to information can be challenging
- Logical to remove a mandatory requirement that isn't in accrual IPSAS

Arguments against

- The provision is contrary to other changes in public financial management
- Transparency and accountability may be undermined as donors will not be able to determine how their assistance was utilized

Specific Matter for Comment

re: Disclosure of information re Other Assistance & Payments from Third Parties

Staff recommendation

- Recast disclosures about other assistance and payments from third parties

Other amendments to Cash Basis IPSAS

Include a phrase “any information provided in the financial statements or notes ... provided in a consistent manner as accrual IPSAS (paragraphs 5-6 Agenda Item 6.2.5)

Comment boxes on [draft] Cash Basis IPSAS

- Structure of Standard (Page 3) – insert “public sector”
- Role of the Cash Basis IPSAS (page 8) re “sound Cash Financial Statements:
- Paragraph 1.1.1 – Align with Accrual Preface
- Paragraph 1.2.1 – Inclusion of definition of ‘benefits’
- Paragraph 1.2.8 – re treasury single accounts arrangements do not give rise to third party payments
- Paragraph 1.3.2 – should to shall
- Paragraph 1.5.3 – reformat paragraph to separate requirement re errors from prior and current periods
- Paragraph 1.7.19 – emphasis the importance of identifying on which bases information is provided
- Appendix 1A (page 39) – encourage the use of IPSAS 2 cash flow statement format

Approval of Cash Basis IPSAS?

Any other comments?

Approval of Cash Basis IPSAS?