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Ian Carruthers  
Chair, International Public Sector Accounting Standards Board  
277 Wellington Street West  
Toronto, ON M5V 3H2  
Canada

9 January 2024

Dear Sir,

**Response to Strategy and Work Program 2024-2028**

I am pleased to submit my comments on the Strategy and Work Program 2024-2028.

I have over 13 years of experience in the field of accounting and I am currently working as an Accountant/Senior Accountant at the Treasury, Government of Mauritius. I have been part of the team working on the transition of the Government of Mauritius towards accruals based IPSAS.

The comments enclosed in this letter represent my personal views and do not reflect the official stance of the Treasury or the Government of Mauritius.

I trust that these comments will provide valuable insights for the Board's consideration.

Yours Sincerely,



Meenakshi Devi Bookauram Seebundhun

Encls: Comments

## Comments

### Specific Matters for Comment 2:

The IPSASB proposes to add maintenance activities to its Work Program, including a process to assess IPSAS application challenges and to undertake post implementation reviews. Therefore, at this time, the IPSASB is not proposing to add new major financial reporting standard setting projects.

**Do you agree with the proposal to add maintenance activities? If you do not agree, please explain why, including any proposed alternatives.**

Yes, maintenance activities should be definitely be added to the Work Program.

Maintenance activities would provide an avenue for jurisdictions to highlight the challenges faced when implementing a particular IPSAS to the IPSASB. IPSASB could then provide relevant guidance/interpretations or even update the existing IPSAS.

This approach acknowledges the ongoing need for support and clarification in the implementation process, and recognises the dynamic nature of challenges faced by jurisdictions.

Maintenance activities enable a smoother application of IPSAS, benefiting both jurisdictions already in the process of adopting IPSAS and those contemplating its adoption.

Moreover, the inclusion of maintenance activities is aligned to what is already being done by other standard setting bodies such as the International Accounting Standards Board.

Following the findings of maintenance activities, the IPSASB could consider new financial reporting standard setting projects in its subsequent Work Program. This will further enhance its proactive role in addressing emerging challenges and evolving financial reporting needs.

Specific Matters for Comment 3:

The IPSASB's Potential Future Financial Reporting Projects, see Appendix A, include projects for the development of new IPSAS and the maintenance of existing IPSAS.

1. Are there other major financial reporting projects the IPSASB should consider adding to its Potential Future Financial Reporting Standard Setting Projects list?
2. Are there other IPSAS that the IPSASB should consider as a potential project for its maintenance program?
3. If the IPSASB's proposal to implement a PIR process is supported, what IPSAS are of the highest priority in your jurisdiction?

For each potential financial reporting project identified, please explain why you believe this has international relevance that requires a standard setting solution such that the IPSASB should consider it, and elaborate on the nature of the issue you think should be explored.

2. Other IPSAS that IPSASB should consider as a potential project for its maintenance program are as follows:

- (i) IPSAS 19—Provisions, Contingent Liabilities and Contingent Assets

*Para 4 of IPSAS 19:*

"This Standard does not apply to financial instruments (including guarantees) that are within the scope of IPSAS 41, Financial Instruments."

*Para 9 of IPSAS 41:*

"A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument."

Issue

Guarantees that meet the definition of financial guarantee contract will be accounted under IPSAS 41. What about those that do not meet the definition of guarantees (i.e. no contract)? Do they have to be recognised?

Example:

A debt is taken by a public sector entity which is not guaranteed by a government. However, the government may by past practice/ to maintain public confidence repay the debt in case of difficulty faced by the public sector entity.

Can a provision be recognised in respect of these guarantees? IPSAS 19 does not explicitly state that such guarantees fall under the standard. IG 14 in IPSAS 19 has been deleted.

Proposal

As part of the maintenance program, guidance could be given on the accounting of guarantees that are not financial guarantee contracts.

(ii) IPSAS 33- First-time Adoption of Accrual Basis IPSASs

Extract from Appendix from IPSAS 33

Transitional exemption or provision	Transitional exemptions or provisions that have to be applied	Transitional exemptions or provisions that may be applied or elected	
		Do not affect fair presentation and compliance with accrual basis IPSAS	Affect fair presentation and compliance with accrual basis IPSAS
IPSAS 21 • Apply impairment provisions prospectively on date of adoption or when assets are recognised when relief period was applied	√		
IPSAS 26 Apply impairment provisions prospectively on date of adoption or when assets are recognised when relief period was applied	√		

Issue:

Implications of not complying with transitional exemptions/ provisions that have to be applied. Does it affect fair presentation?

Example:

Property, Plant and Equipment has been recognised on the date of adoption of IPSAS but impairment has not been assessed. Does this affect fair presentation and compliance with accrual basis IPSAS? The heading of the above table states “Do not affect fair presentation and compliance with accrual basis IPSAS”.

Proposal:

As part of the maintenance program, clarifications could be provided on what happens in the transitional IPSAS financial statements, if the “Transitional exemptions or provisions that have to be applied” are not applied.

(iii) IPSAS 34—Separate Financial Statements

*Para. 12 of IPSAS 34 states the following:*

“When an entity prepares separate financial statements, it shall account for similar investments in controlled entities, joint ventures and associates either:

- (a) At cost;
- (b) In accordance with IPSAS 41; or
- (c) Using the equity method as described in IPSAS 36.”

*Issue:*

A Government does not hold any shareholding in entities such as statutory bodies but controls these entities. These controlled entities have accumulated surpluses or deficits and/or reserves in their net assets/equity and no contributed capital.

In the consolidated financial statements of the Government, these controlled entities would be consolidated as per IPSAS 35.

Should these controlled entities be accounted for in the separate financial statements? If yes, how? There is no investment made by the Government in these entities and therefore these cannot be accounted at cost. Should a deemed cost be determined? Or should these entities be accounted only as per IPSAS 41 or IPSAS 36?

*Proposal:*

There is a need for IPSASB to address and provide guidance on the accounting treatment of controlled entities with no contributed capital in the separate financial statements of the Government. This inclusion in the maintenance program would ensure a clearer and more consistent approach to financial reporting in such specific scenarios.

(iv) IPSAS 35—Consolidated Financial Statements

**A. Issue 1**

*Para 56 of IPSAS 35:*

“Except as described in paragraph 57, an investment entity shall not consolidate its controlled entities or apply IPSAS 40 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a controlled entity at fair value through surplus or deficit in accordance with IPSAS 41.”

*Para 58 of IPSAS 35:*

“A controlling entity of an investment entity that is not itself an investment entity shall present consolidated financial statements in which it (i) measures the investments of a controlled investment entity at fair value through surplus or deficit in accordance with IPSAS 41 and (ii) consolidates the other assets and liabilities and revenue and expenses of the controlled investment entity in accordance with paragraphs 38–55 of this Standard.”

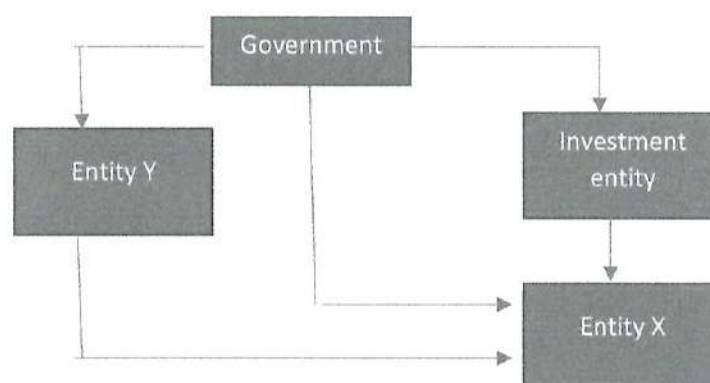
Issue

According to the above paragraphs, the controlling entity of an investment entity should measure the investments of a controlled investment entity at fair value through surplus or deficit in accordance with IPSAS 41.

However, is this treatment appropriate in all situations?

Example

For example, in the simplified diagram below, the controlling entity is a Government which controls Entity X through direct investment in Entity X and indirect investment through Entity Y and the Investment Entity.



In this case, would it be appropriate for the Government to measure the investment by the investment entity in Entity X at Fair Value Through Surplus or Deficit in accordance with para 58 of IPSAS 35.

IPSASB could consider the above issue in its maintenance program as this issue is likely to occur in many jurisdictions in the public sector.

**B. Issue 2**

Some controlled entities have treasury shares in their net assets/equity.

How should these treasury shares be accounted for in the consolidated financial statements.

(v) IPSAS 39- Employee Benefits

*Para 7 of IPSAS 39:*

“An employee may provide services to an entity on a full-time, part-time, permanent, casual, or temporary basis. For the purpose of this Standard, employees include key management personnel as defined in IPSAS 20, Related Party Disclosures. “

*Para 4 of IPSAS 20*

“Key management personnel are:

- (a) All directors or members of the governing body of the entity; and
- (b) Other persons having the authority and responsibility for planning, directing, and controlling the activities of the reporting entity. Where they meet this requirement, key management personnel include:
  - (i) Where there is a member of the governing body of a whole-of-government entity who has the authority and responsibility for planning, directing, and controlling the activities of the reporting entity, that member;
  - (ii) Any key advisors of that member; and
  - (iii) Unless already included in (a), the senior management group of the reporting entity, including the chief executive or permanent head of the reporting entity.”

Issue:

Based on Para 4(b)(i) of IPSAS 20, it seems that Members of the Parliaments that form part of a government are Key Management Personnel and therefore are employees as per Para 7 of IPSAS 39. However, there is no guidance on whether members of Parliaments who do not form part of the government (i.e. opposition party) are employees. If they are not, how should the benefits paid to them be accounted for? Members of the Parliaments in Mauritius are also entitled to various allowances and defined benefit plans.

Proposal:

IPSASB could consider providing guidance on how allowances and benefits to members of parliaments who are not in the government be accounted for under the IPSAS maintenance project.

(vi) IPSAS 41—Financial Instruments

**C. Issue 1**

Para 45(c) of IPSAS 41:

“Financial guarantee contracts. After initial recognition, an issuer of such a contract shall (unless paragraph 45(a) or (b) applies) subsequently measure it at the higher of:

- (i) The amount of the loss allowance determined in accordance with paragraphs 73–93; and
- (ii) The amount initially recognized (see paragraph 57) less, when appropriate, the cumulative amount of amortization recognized in accordance with the principles of IPSAS 9.”

Issue:

A Government guarantees the loan of various entities falling under the public sector. In practice, in the event that any of these entities face financial difficulty to repay its loan, the Government will provide funding to the entity through grants or long-term loan to prevent it from defaulting its loan.

With this perspective in mind, the amount of loss allowance will always be determined to be nil and the financial guarantee measured at the amount initially recognized less cumulative amortization.

Proposal:

IPSASB through its maintenance program could consider providing guidance on the measurement of financial guarantee in the above type of situation. This would ensure consistent application of the standard in all jurisdictions.

**D. Issue 2**

The Government measures its financial liabilities (loans, bills, notes and bonds, etc.) at amortised cost. However, there is one type of bonds i.e. silver bonds, that necessitates guidance. These bonds can be redeemed at the request of the bond holder, i.e at any time at par with accrued interest or upon death of the bond holder.

Guidance on the computation of amortised cost in the absence of redemption date would be appreciated.

**E. Issue 3**

Para 74 of IPSAS 41:

“An entity shall apply the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through net assets/equity in accordance with paragraph 41. However, the loss allowance shall be recognized in net assets/equity and shall not reduce the carrying amount of the financial asset in the statement of financial position.”

Guidance should be given on the double entries to be made for the loss allowance in particular if the Loss Allowance is to be debited, then what should be debited since the carrying amount of the financial asset is not to be reduced.



(vii) IPSAS 45—Property, Plant and Equipment

Para 11 and 12 of IPSAS:

“An item of property, plant, and equipment that qualifies for recognition shall be measured at its cost, as described in paragraphs 14-19, unless it is acquired through a non-exchange transaction.

Property, plant, and equipment acquired through a non-exchange transaction shall be measured at its deemed cost. An entity shall apply IPSAS 46 when measuring deemed cost of an item of property, plant, and equipment.”

Issue

Sniffer dogs that are used by the customs to detect drugs and plants to maintain the ecosystem meet the definition of Property, Plant and Equipment and are therefore, recognised under IPSAS 45.

However, there are instances where these sniffer dogs reproduce, and the resulting puppy sniffer dogs are trained to replace their predecessors. Similarly, ecosystem-maintaining plants also reproduce. In such cases, where there is no associated cost and the acquisitions are not deemed non-exchange transactions as specified in paragraphs 11 and 12 of IPSAS 45, a question arises regarding the appropriate treatment for the initial measurement. It may be considered whether these additions fall under non-exchange transactions or whether IPSAS 27 - Agriculture should govern their accounting.

Proposal

Guidance on the treatment of such additions that has neither cost nor are non-exchange transactions could therefore be considered.

### **3. IPSAS of highest priority for Post Implementation Review:**

Based on the comments given above, IPSAS 41- Financial Instruments have various areas that require guidance and should therefore be considered for a post implementation review.