

Mr. Andreas Bergman
Chairman
IPSASB

Paris, 25 June 2014

RE : International standards Group of Financial Professions Center comments on the IPSASB strategy consultation 2014.

Dear Chairman,

Financial professions Center (www.professionsfinancieres.com) is, as a think tank, dedicated to forge and transmit ideas in collaboration with institutions in the world of finance, banking, university and with accounting standards organizations. In this last domain the Center's Group on accounting standards ("The Group") is actively implicated in the present debates relative to international standards.

1. The Group is pleased to provide you with its comments in relation to the Strategy Consultation issued by IPSASB on 31 march 2014.
2. The Group has noted the three strategic objectives identified by IPSASB. The Group main comment will be that it is necessary for the IPSASB to retain as the major of the strategic objectives proposed the completion of what appears to be the important gap in the coverage of IPSAS activity up to now. The 14th May annual OECD public sector accrual symposium has clearly shown (OECD public governance and territorial development Directorate) that " *IPSASB 's very reason for its existence is to promulgate public sector specific standards. However only 4 "original" IPSAS standards exist while the remaining 28 accrual basis IPSAS standards are a tweaking of already existing IFRS private sector standards ... Very significant gaps exist in what many expect IPSASB to end its currently promulgated standards and future work program* ".
The Group fully concord with this comment and strongly support future work to be concentrated on the development of high quality reporting standards to fill the gaps mentioned on public sector specific issues. For the Group this should be the central objective for the IPSASB for the years 2015 to 2019 and after.
3. This new dedication will be all the more easy to take on board that recent events in the relationship between IASB and FASB would relinquish somehow the previous convergence process with its implication between converged IFRS and IPSAS.
4. The Group has identified new information on the strong need for the use of cash basis IPSASs or modified cash basis IPSASs by an important number of countries. The Group has determined strong reasons to maintain and/or increase the work expected by these constituencies as details will be shown on answer to question

6. Therefore, if supplementary resources were be felt to be needed for this, the Group is of the opinion that a specific mention should be clearly and properly presented to the Review group since these international institutions (World Bank notably) have consistently promoted all ways to a clear and accurate quality of governments reporting, and specifically through a good accounting.

Yours sincerely,

Philippe Adhémar

Appendix . Responses to the specific questions on Strategic Consultations 2014.

Question 1.

See previous general comments on the necessary concentration on developing financial standards dedicated to public sector specifics in order to fill the important gaps currently recognised.

Question 2.

Same comments.

Question 3.

Acceptation of IPSASs will need strong cooperation with preparers of financial statements as well as other users.

Question 4.

See comments on question 3 and on general comments number 2 and 4 on feedback mechanisms in smaller countries.

Question 5.

We do not agree with the five key factors identified. “Significance for the public sector” and “addressing gaps in the standards “are, in our views the two most important factors. IFRS convergence has taken a very important role in the past and, as we have already mentioned, would, in the next four to five years, leave the room to public sector specific issues. We also have strong reservations on factor 2 on the concept and use of “urgency”.

Question 6 and question 7.

First of all we believe the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge in a large number of countries, in particular developing countries.

Indeed the consolidated cash receipts and payments table, which is the core feature of the Cash basis IPSAS, is a strong instrument of fiscal discipline. It is of great value to keep control of cash flows for countries where the budget execution is often seriously flawed by weak preparation and execution procedures and late and/or inaccurate reporting.

We also agree that the Cash Basis IPSAS is in a second stage an excellent basis on which to build for preparing full IPSAS implementation.

Experience shows that numerous developing countries that have been induced to directly implement full IPSAS are facing huge difficulties of implementation with the risk

of remaining with too a formal approach of the requirements and finally unsatisfactory financial disclosure.

This concern is precisely the rationale for a step-by-step approach, building on the Cash Basis IPSAS.

Therefore it seems crucial to maintain in the standard provisions on encouraged disclosures related to the basic features of accrual accounting. Information could be for example provided in the notes to the financial statements on payables and receivables, financial liabilities, elements of inventories.

Concerning the three options open in question 7, we strongly disagree with option (b) whose proposal is to withdraw the Cash Base IPSAS. We would support option (a) to retain the cash basis IPSAS and complete the review process with mention of access for a modified cash basis which, in our view, is a way to go forward to the implementation of full IPSAS

A revised version of the cash Basis IPSAS should be finalized based on some of the Task Force's recommendations and further consultation aiming at building on the most recent experiences in implementing the standard.

As we agree with IPSAS Board that preparing the access to full IPSAS is of the essence, we consider as crucial to maintain, contrary to the recommendation of the working group, provisions on encouraged disclosures in the Cash basis IPSAS itself.

We agree with the Task Force that *“ an IPSAS dealing with the modified cash or modified accrual basis should not be developed ”*, since there are very different practices that cannot come together under a common standard. However we consider that the cash basis IPSAS could include specific provisions for a limited use of modified cash accounting according to strictly defined rules.

In the same vein we would suggest to put more emphasis on the importance of applying from the outset the classification of cash flows defined in IPSAS 2 (operating, financing and investing cash flows), as recommended in the provision 2.2.1. of the Cash basis IPSAS, and to possibly consider introducing it in the mandatory requirements of the standard.

As for external assistance, we agree with the task force' recommendations 6 and 7 of reconsidering the content of the disclosure. In particular, we note that it is crucial to gain access to exhaustive information on external assistance often hampered by conditions put by various donors on assistance channeling and reporting process.

If it were agreeable to IPSASB, two of our experts members would be available for further consultation and participation in any preparatory work for reviewing the Cash basis IPSAS

We are fully aware of the limited resources issue for IPSASB. Nevertheless this issue in our view is part of a global issue on funding not specific to cash basis IPSASs.

Question 8.

Our views are that IPSASB should concentrate on a few future necessary public sector specific issues naming for example social benefits as well as the non exchange revenues.