

Projet soumis aux membres du Groupe, pour répondre à l'appel à commentaire de l'IPSASB sur sa stratégie future.

Financial Professions Center (International standards Group) comments on the IPSASB Strategy consultation 2014.

Dear Chairman

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

Financial professions Center is, as a think tank, dedicated to forge and transmit ideas in collaboration with institutions in the world of finance, banking, and university and with accounting standards organizations. In this last domain the Center's Group accounting standards is actively implicated in present debates relative to international standards like IAS, and IPSASB's.

1. The Group (www.professionsfinancieres.com) is pleased to provide you with its comments in relation to the Strategy Consultation issued by IPSASB on 31march 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 whit this comment and strongly support future work to be concentrated on 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 ,
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 recognized.

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.

We had a lengthy discussion on the topic and the importance of cash basis and modified cash basis and we are pleased to share with you our views. (see joint document presented by M. Mordacq and Mme Laurence).

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 clearly defined modified cash basis which , in our views , is a way to go forward to the implementation of full IPSAS in the future..

We are fully aware of the limited resources issue for IPSASB. Nevertheless this issue in our view is a global issue, which should not be pinpointed only on the cash basis debate. The IPSASB governance discussed in another consultation is also and probably more important issue in terms of funding.

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.

Further comments on questions 6 and 7

Question 6

We believe the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge by itself in a large number of countries, in particular in developing countries. We also agree that in a second stage it is an excellent basis on which to build for preparing full IPSAS implementation.

The consolidated cash receipts and payments table, which is the core feature of the Cash basis IPSAS, is first of all a strong instrument of fiscal discipline. It is of great value to have the 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 totally agree that the cash basis IPSAS is an excellent basis for a future access to full IPSAS.

Indeed numerous developing countries that have been induced to directly implement full IPSAS face huge difficulties of implementation with the risk of remaining with a very formal approach of the requirements and finally unsatisfactory financial disclosure.

This concern is precisely the rationale for having an approach step by step 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 submitted in the notes to the financial statements on the accurate situation of payables and receivables, financial liabilities, elements of inventories.

Question 7

As said above, we strongly recommend option a)

The principle of a Cash Basis IPSAS should, in our view, be maintained and a revised version 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 the IPSAS Board that preparing the access to full IPSAS is of the essence, we consider, as said above, 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 gist of the task force’ recommendations 6 and 7 to reconsider the content of the disclosure. In particular, we note that gaining access to exhaustive information on external assistance is hampered by conditions put by various donors on the assistance channeling and reporting process.

Developments on cases and situations that only may occur in the private sphere, like referring to the going concern concept, should be avoided.

On the contrary emphasis shall be given to common practices of the public management, like transactions administered on behalf of other public entities, that should be considered among the provisions related to mandatory requirements

Overall it would be advisable to use as frequently as possible within the text of the standard terms commonly used in public finance management.