



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item
11

DATE: 24 May 2007
MEMO TO: Members of the IPSASB
FROM: Paul Sutcliffe
SUBJECT: ED 32 "...Disclosure Requirements for Recipients of External Assistance"

OBJECTIVE OF THIS SESSION

To review responses to exposure draft ED 32 "Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance", and provide directions to staff for development of a draft IPSAS or amendments to the Cash Basis IPSAS.

AGENDA MATERIAL:

- 11.1 List of respondents to ED 32
- 11.2 Analysis of responses
- 11.3 Project history sheet
- 11.4 Outline of field test approach
- 11.5 Copy of ED 32

(Responses to ED 32 have previously been provided to members and observers – please bring copies of responses to the meeting.)

ACTION REQUIRED

- Review responses received to ED 32 and staff analysis and summary thereof.
- Note major issues identified by respondents and provide staff with directions for development of a first draft IPSAS.
- Consider progress on and/or results from field testing to date, and provide staff with directions on strategy to be adopted for further field testing of ED 32.

BACKGROUND

Project initiation and the development of ED 32

This project was initiated in response to proposals from the OECD-Development Assistance Committee (OECD-DAC) and the Multilateral Development Banks' Financial Management Harmonization Group (MDB-FMHG), and with the support of many participants from recipient entities, donors and the financial reporting community. The project was actioned on the basis that there was a need for an IPSAS which specified requirements for reporting development assistance in general purpose financial reports for accountability and decision making purposes, and that the issuance of an IPSAS specifying such requirements may also work to support

harmonization of donor requirements and hence reduce compliance costs of recipients. (The scope of the project was subsequently extended from development assistance to external assistance.)

The IPSASB issued ED 24 “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance” in February 2005, for comment by June 2005. ED 24 was developed with input from a Project Advisory Panel which included individuals with a broad spread of expertise and experience, and after extensive consultation with the OECD-DAC-Joint Venture on Public Financial management (OECD-DAC-JV).

Responses to ED 24 reflected concerns that its requirements were too onerous for many recipients of assistance to comply with. Following its review of responses to ED 24, the IPSASB consulted widely with constituents in the latter part of 2005 and early 2006. Subsequently, it developed ED 32, “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance” which included required and encouraged disclosures.

Key stages in the project development are outlined in the history sheet at Agenda item 11.3.

Responses to ED 32

ED 32 was issued in November 2006 for comment by March 31, 2007. The comment date was subsequently extended until 30 April 2007 on advice that a number of responses were in process but would not be completed by March 31.

As at 25 May 2007, 16 responses have been received. This number is disappointing. Staff have had discussion with a range of key constituents who have indicated support for the IPSAS and noted their intention to submit a response, but have not yet done so. It now seems unlikely that additional responses will be received. All respondents are identified at Agenda item 11.1. Figure 1 below provides a profile of respondents, including by geographic region.

Figure 1: Profile of Respondents to ED 32

Region	IFAC Member Body	Recipient of assistance/ Preparer of Fin. St'ment	Development Agency	Other	Total
Africa and Middle East	1	3			4
Asia	1				1
Australasia and Oceania					0
Europe	5		1	2	8
Latin America and Caribbean					0
North America				1	1
International Organizations			1	1	2
TOTAL	7	3	2	4	16

Field Testing

The following countries have completed, or are undertaking, field tests of ED 32: Ghana, Uganda and Kenya. As yet no reports documenting the field test results have been received. However, staff understands that finalization of the field test reports are in process.

IPSASB members and staff have followed up with a number of other jurisdictions and organizations to seek field test partners in South East and Central Asia and Central and South America, without success to this stage. However, a number of possibilities within these regions are still being pursued.

A suggested process for field testing developed by staff is attached at item 11.5. Feedback from those undertaking field testing in Africa and others is that it has been useful as an instrument to assist in the organization and structure of field test protocols.

THE ANALYSIS OF RESPONSES (Agenda item 11.2)

This memorandum provides an overview of the issues raised by the submissions made on ED 32, and explores the implications of those issues for the development of an IPSAS. It also includes staff views on the major issues raised.

The analysis of responses at Agenda item 11.2, and the overview of issues in this memorandum, have been prepared to assist members in drawing together major themes and concerns identified by respondents. They are not a replacement for the detailed views in the submissions themselves, and should be read in conjunction with those submissions. As with all summaries and analysis, some judgment has been necessary in classifying responses and drawing out major points made by respondents. In some cases, an expression of support (or opposition) was qualified with some concerns and/or an acknowledgement of the merits of an alternative approach. Staff has classified responses to reflect their perception of where, on balance, the respondent's views lay.

In some cases, a response may not have included an expression of overall support or opposition - where this occurs, the response has been classified as not including a specific view.

Where possible key views of respondents are reproduced in the analysis at 11.2 (in italics and quote marks). However, in some cases it has been necessary to summarize the issue identified to ensure that the analysis is of manageable length (these are in normal text – they represent staff interpretation/summary of the matter raised by the respondent) – reference to the views in the original response are particularly important in these cases to ensure that the full sense of the submission has been captured.

RESPONDENTS OVERALL VIEW OF ED 32

There was very strong support for the approach adopted in the ED, with a number of submissions noting that the Board had responded appropriately and effectively to concerns raised in response to ED 24, and expressing confidence in the Board's due process. A number also noted the importance of field testing the requirements before finalizing the IPSAS.

13 of the 16 responses expressed support for the approach in ED 32. No respondent expressed the view that the disclosures in the proposed IPSAS did not represent a useful addition to the information disclosed in general purpose financial reports under the cash basis of accounting. However, most respondents expressed reservation with at least one aspect of ED 32. Those

reservations/concerns are captured in the specific matters for comment 1 – 11 and the additional matters and editorial amendments identified at item 12. In addition two respondents (5-CIPFA and 9-J.S. Maresca) expressed the view that an IPSAS may not be the appropriate mechanism to satisfy donors' requirements, and one respondent (5-CIPFA) noted that it may be more appropriate that the IPSASB issue additional guidance, other than in an IPSAS, to deal with the specific purpose needs of donors.

Staff Views – process for completion of IPSAS

While not simply a matter of how many respondents supported or expressed concern about the proposed approach in the ED, the high level of support from those who did respond to ED 32 is encouraging.

In light of this support, staff is of the view that the IPSASB should press ahead to complete an IPSAS or to amend the cash basis IPSAS (pending a decision by the Board, in the remainder of this memorandum, references to completing an “IPSAS” are used to encompass amendments to the Cash Basis IPSAS). While the proposed IPSAS may not provide all the information needed to satisfy the specific needs of individual donors as noted by some respondents, it will provide a sound basis for disclosure in general purpose financial reports, will enhance the transparency of those reports and, potentially, provides a basis for donors to specify and harmonize their specific requirements within the parameters established by the IPSAS.

A number of respondents noted the importance of the due process and the central role that field testing should play in that process. Staff are of the view that while the Board should progress consideration of technical and other issues at this meeting and provide staff with directions for the development of a final IPSAS or amendment to the Cash Basis IPSAS, final decisions to approve the IPSAS should be made in the light of field test results. Staff will provide an update on progress with field testing at the meeting.

PROPOSED APPROACH AT THIS IPSASB MEETING

Introductory materials in the ED noted that the IPSASB welcomed comments on any proposals in the ED. The IPSASB also identified eleven (11) specific matters for comment (SPCs) that it particularly sought input on. An overview of the responses to each of these specific matters for comment, and staff views thereon, follows.

In broad terms, there was strong support for the required and encouraged disclosures as proposed in ED 32. For example, a clear majority of respondents agreed that:

- Re SPC 1 - the balance between required and encouraged disclosures was about right. However, a number of proposals for refinement were also included in the response to this, or other SPCs. Some respondents also advocated re-designation of certain required disclosures as encouraged disclosures and vice versa.
- Re SPC 2 - the cash basis IPSAS should be amended to include requirements and encouragements on external assistance rather than a separate IPSAS issued.
- Re SPC 3 - the definition of external assistance was sufficiently broad to encompass all official assistance. However, a number of respondents also advocated including assistance from NGOs within the scope of the IPSAS. In some cases, respondents made this point in their response to SPC 5.
- Re SPC 4 - the amount of external assistance should be disclosed on the face of the statement of receipts and payments.
- Re SPC 6 - the disclosure of significant classes for which external assistance had been provided should be encouraged (without specifying/identifying the particular classes which were encouraged for disclosure).

- Re SPC 8 - disclosure of terms and conditions that determine access to, or limit the use of external assistance, should be encouraged rather than required.
- Re SPC 9 - the disclosure of the value of external assistance received in the form of non-cash goods and services should be encouraged. In addition, if an entity elects to make such disclosure, disclosure of the basis on which that value was determined should be required.
- Re SPC 10 - the transitional provisions were appropriate.
- Re SPC 11 – while some useful refinements to existing disclosures were proposed, few additional disclosures were identified.

The most controversial of the SPCs were:

- Re SPC 5 - whether other sources of assistance, such as assistance provided by non-governmental organizations (NGOs), should also be included in the definition of “external assistance”?
- Re SPC 7 - whether disclosure of the balance of undrawn assistance should be required?

Respondents also raised a number of other issues not specifically identified as a SPCs (in the analysis of responses at 11.2 these issues are located under the SPC in which they were identified by the respondent). Staff are of the view that the major technical issues identified by respondents can usefully be grouped under the following broad heads – whether:

1. Disclosure of individual providers of assistance and the amount provided (in both the currency provided and the reporting currency) should be required. This matter was raised by respondents when commenting on SPC 1 and SPC 11. In this memorandum, it is discussed at SPC1.
2. Disclosure of the purposes for which assistance was used should be required. This issue was raised by respondents when commenting on SPC 1, SPC 6 and SPC 11. In this memorandum, it is discussed at SPC1.
3. The definition of external assistance should be amended to encompass more than official assistance – that is, whether the disclosure requirements in the IPSAS should also apply to assistance provided by non government organizations (NGOs). This issue was raised by respondents when commenting on SPC3 and SPC5. In this memorandum, it is discussed at SPC5.
4. Disclosure of undrawn assistance should be designated as a required or encouraged disclosure. This issue was raised by respondents when commenting on SPC 1 and SPC 7. In this memorandum, it is discussed at SPC7.
5. The disclosure of terms and conditions of external assistance agreements that affect access to, or limit use of, external assistance which is currently encouraged should be reclassified as a required disclosure. This is SPC 8.
6. The editorial and other refinements and amendments identified by respondent to further clarify the intent and delivery of the requirements and encouragements should be processed. These are identified at item 12 of the analysis.

A number of respondents also noted their expectation that in due course similar disclosure requirements for external assistance would be encompassed under the accrual basis of financial

reporting. In this respect, staff are of the view that following completion of the Cash Basis IPSAS dealing with external assistance, a review of IPSAS 23 “Revenue from Non-Exchange Transactions – (Taxes and Transfers)” could usefully be undertaken to determine whether the refinements to disclosure requirements in that IPSAS are necessary to parallel the disclosures in the Cash Basis IPSAS.

While it is intended that responses to all 11 SPCs be reviewed at this (July, 2007) IPSASB meeting, it is proposed that the primary focus of the discussion at the meeting will be on the major issues identified in items 1 to 5 above and, to the extent that time allows, the additional editorial and other refinements identified at item 12 in agenda item 11.2.

Staff would also welcome advice from members on mechanisms for engaging with additional the field test partners in progress finding any update on field test partners and the strategy for finalization of the IPSAS.

SPECIFIC MATTER FOR COMMENT (1)

Is the designation of certain disclosures as required and other disclosures as encouraged appropriate?

There was strong support for the designation of required and encouraged disclosures as proposed in the ED - a total of 13 respondents expressed support for the approach. However, 9 of those respondents expressed the view that at least one encouraged or required disclosure should be re-designated (encouraged to required or required to encouraged) or revised in some way.

The two items that attracted the most comment in response to this SPC were:

- Paragraph 1.9.16 - the requirement to disclose the balance of undrawn external assistance; and
- Paragraph 2.1.63 – the encouragement to identify each provider of external assistance during the period and the amount of assistance provided.

Some respondents also noted that the IPSASB may wish to consider whether the following disclosures were of such significance that they should be required, rather than encouraged: (i) the purposes for which assistance was provided by significant class (paragraph 2.1.60); (ii) amount of loans and grants which have been guaranteed and certain terms and conditions relating to those loans and guarantees (paragraph 2.1.73); and (iii) repayment terms of outstanding debt (paragraph 2.1.80). (See for example: 3 – World Bank and 14 – Pahladsingh. In respect of disclosure of details of how external assistance was spent see also responses of 5-CIPFA, 9 – Maresca under overall comment and 13- ESAAG in response to SPC 6). Issues relating to the disclosure of classes of external assistance currently encouraged by 2.1.60 are also addressed in SPC 6 and in response to SPC 11, two respondents (3 – World Bank and 14 – Pahladsingh) further developed their views on the need for the disclosure of information about the use of funds provided.

Re paragraph 1.9.16

Many respondents expressed concern about the requirement to disclose the amount of undrawn external assistance in paragraph 1.9.16 when responding to the specific matter for comment No. 7. Accordingly, that issue is discussed under that heading.

Re paragraph 2.1.63

A number of respondents (3 – World Bank, 4 – ACCA, 5 – CIPFA, 7 – ICAEW, 8 – FEE, 10 – NIVRA, 14 – Pahladsingh, 16 – SAICA) expressed the view that disclosure of the identify of each provider of assistance and the amount provided should be required. A number of these respondents also proposed the inclusion of a requirement to disclose the amount provided in the currency in which it was provided as well as the reporting currency of the recipient.

This was proposed in expectation that most providers of external assistance would seek such disclosure, and the inclusion of such a requirement was consistent with the IPSASB's objectives for this project in that it would:

- Enhance the transparency of the financial statements; and
- Enable donors to gain additional assurance from the audited financial statements that assistance had been received and was under management, at little additional cost to the reporting entity. This in turn would act as a further encouragement for donors to harmonize their specific reporting requirements within the parameters established by the IPSAS.

Staff Views

Re paragraph 2.1.63

Staff support the re-designation of paragraph 2.1.63 as a required disclosure and the requirement to disclose the originating currency of the assistance. This is because it was proposed by a number of respondents who have knowledge of both (i) the expectations and likely reactions of donors, and (ii) the ability of recipients to respond to the requirement. In addition, it does align with the IPSASB's objectives of enhancing the transparency of general purpose financial reports and providing a framework within which the specific reporting requirements of donors could be harmonized.

However, if the Board agrees with the re-designation, it will constitute the introduction of an additional requirement at the post exposure stage of the development process - there are then due process issues that need to be considered in making the change. Constituents have noted and commended the Board for the extensive due process that has already been undertaken in the development of this project to this stage. Staff are of the view that while additional formal exposure may not be needed, it is important that further consultation on this amendment take place to ensure that constituents have the opportunity to provide input on the proposed change and that the quality of the Board's due process is not eroded or compromised. Consequently staff propose that, prior to the next IPSASB meeting, the Board should seek additional input from constituents on this proposal by:

- (a) Identifying the proposed change in the Enews issued immediately following the meeting and inviting comment on it; and
- (b) Directly contacting key constituents in both the donor and recipient community, including all those that responded to ED 32 and supported the current designation of paragraph 2.1.63 as an encouragement only, to seek their views.

Re paragraph 2.1.60, 2.1.73 and 2.1.80

Staff are of the view that disclosures of these paragraphs should not be re-designated as required disclosures – that is, the following paragraphs should remain as encouragements: paragraph 2.1.60 - the classes for which assistance was provided; paragraph 2.1.73- the amount of loans and grants which have been guaranteed and terms and conditions relating to those loans and guarantees; and paragraph 2.1.80-repayment terms of outstanding debt.

Disclosure of these matters were proposed as requirements in ED 24 and were not strongly supported. Their re-designation as encouragements was part of the IPSASB's response to concerns raised in ED 24 and there appears to be general support from most respondents to their designation as encouragements. Issues relating to the disclosure of classes of external assistance currently encouraged by 2.1.60 are also addressed in SPC 6. Most respondents to SPC 6 expressed a view that the designation of these paragraphs as encouragements was appropriate.

The importance of disclosing information about the use of assistance provided by each major donor was also raised by two responses to SPC 1, and is addressed under that SPC.

SPECIFIC MATTER FOR COMMENT (2)

Should the Cash Basis IPSAS “Financial Reporting Under the Cash Basis of Accounting” be amended to include the additional required and encouraged disclosures, or should the required and encouraged disclosures be issued as a separate “stand alone” Cash Basis IPSAS?

A clear majority (13 respondents) supported amending the Cash Basis IPSAS on the grounds that that there was benefit in maintaining a single comprehensive Cash Basis IPSAS, rather than issuing a separate stand alone IPSAS.

Support for a separate stand-alone IPSAS was based on expectation that it would broaden the reach of the IPSAS – that is, a stand-alone IPSAS would provide guidance to governments that adopted a cash or modified cash basis (see 5. CIPFA). The potential for a separate IPSAS to provide guidance when the Cash Basis IPSAS was not adopted was also noted (or implied) by some respondents whose final judgment was that there was greater utility in maintaining a comprehensive cash basis IPSAS (see for example 8 - FEE).

Staff View

The Cash Basis IPSAS should be amended to incorporate the requirements and encouragements for disclosure of external assistance. This is consistent with the approach adopted by the IPSASB for disclosure of compliance with approved budgets and is supported by the majority of respondents.

SPECIFIC MATTER FOR COMMENT (3)

Is the proposed definition of “external assistance” in paragraph 1.9.1 sufficiently broad to encompass all official resources received?

The majority of respondents (12 respondents) agreed that the definition is sufficiently broad to encompass all official resources. A number of respondents also noted that it would be useful to

clarify that official assistance does not encompass all assistance (see for example, 4- ACCA, 7- ICEAW, 15- Ghana).

Three respondents to this SPC (13-ESAAG, 14- Pahladsing and 16- SAICA) and a number of respondents to SPC 5 noted that the definition should also be expanded to encompass assistance provided by non government organizations (NGO's). Whether the definition of "external assistance" should be amended to encompass assistance provided by other sources including NGO's is dealt with under SPC 5.

One respondent (6- JICPA) identified a number of editorial amendments to clarify certain definitions and the relationship between them. The majority of these and staff views thereon are identified in agenda item 11.2 at item 12 – "Other Matters Identified by Respondents", and are not further developed here. However, one matter raised by the JICPA is central to the effectiveness of the definition of external assistance (whether it encompasses assistance provided by NGO's or not) and needs to be considered at this point.

The JICPA submission expresses concern that, as defined, external assistance is not "limited to assistance from overseas". Consequently, it could encompass a situation in which one domestic government provides assistance to another domestic government (for example, a national government to a state or local government), and this was not intended by the IPSASB. To overcome this concern it is proposed that the term "external assistance" be replaced with the term "official external assistance" or similar, and that the phrase "received from overseas" be included in the definition.

Staff View

Staff is of the view that the definition(s) does need to be amended to ensure that it is clear that external assistance is provided by non-domestic governments (or agencies of such governments) as well as by bilateral or multilateral external assistance agencies. Should the Board agree that this needs to be clarified, staff will develop proposed refinements to the definition(s) – it may well be that this clarification can be effected through an amendment to the definition of official resources, and that such an amendment will also deal with some other definitional issues raised by the JICPA.

Staff does not support replacing the term "external assistance" with "official external assistance" – at least not without further consultation. The term external assistance was developed for inclusion in ED 24 (the predecessor ED to ED 32) after extensive consultation with, and input by, the project advisory panel (PAP) and international organizations.

Staff agree that commentary paragraphs could usefully clarify that official assistance does not encompass all assistance. (Note - commentary paragraphs in the Cash Basis IPSAS and in ED 32 do not yet have equal authority with the black letter standards paragraph. The IPSASB determined that the introduction of the "equal authority" regime for the Cash Basis IPSAS should be considered in the context of the general review of the Cash Basis IPSAS.)

SPECIFIC MATTER FOR COMMENT (4)

Should the separate disclosures of the amount of external assistance be required on the face of the Statement of Cash Receipts and Payments as is currently required in paragraph 1.9.6, or should the IPSAS allow such disclosure to be made either on the face of the Statement of Cash Receipts and Payments or in the notes thereto?

The majority of respondents (12 respondents) are of the view that the total amount of external assistance should be separately disclosed on the face of the financial statement. Two respondents (4- ACCA, 11-Cyprus ICPA) were of the view that the option to report on the face of the statement of cash receipts or payments or in the notes should be retained - to accommodate circumstances in which the amount of external assistance is not significant to the reporting entity.

Staff View

The majority of respondents clearly support a requirement to disclose the amount of external assistance on the face of the statement of cash receipts and payments. This is not precluded by the overarching requirements of the Cash Basis IPSAS (paragraph 1.3.12) which specifies that the entity should report on the face of the statement total cash receipts showing separately a sub-classification appropriate to the entities' operations.

The Cash Basis IPSASs does not apply to immaterial items, this then overcomes the concern of some respondents that separate disclosure would be required even if such amounts were not material.

Staff are of the view that the requirement in paragraph 1.9.6 to disclose the amount of assistance received by way of cash on the face of the statement of cash receipts and payments should be retained. However, staff are also of the view that the same requirement to disclose on the face of the statement of receipts and payments should apply to the disclosure of external assistance received by way of payments made by third parties during the period to directly settle obligations of the entity – that is, the requirement in paragraph 1.9.7 should reflect that in 1.9.6. Staff are concerned that in the absence of such a parallel requirement, whether or not disclosure of the amount of external assistance is required on the face of the statement will be determined by arrangements for the settlement of obligations – that is, whether cash is provided to the reporting entity by donors to settle obligations, or whether the donor settles the same obligation directly on behalf of the recipient can determine the location of the disclosure.

SPECIFIC MATTER FOR COMMENT (5)

Should other sources of assistance, such as assistance provided by non-governmental organizations (NGOs), also be included in the definition of “external assistance”? Currently, the proposed Standard requires that entities disclose all official resources received. Official resources as defined in paragraph 1.9.1 would exclude certain assistance received from NGOs.

Respondents were evenly divided on this issue. Seven (7) respondents supported maintaining the current position that ED 32 should only specify requirements for the disclosure of external assistance as defined – that is the focus on official assistance should be retained. Some of these respondents also noted that while in principle assistance from NGO's should be encompassed by the definition of external assistance, the costs of identification and aggregation of such

assistance necessary to comply with the disclosure requirements proposed in ED 32 would be greater than the benefits. As such, the IPSAS should encourage application of the disclosure requirements to assistance provided by NGO's (2-Uganda MoF, 3-World Bank, 4-ACCA, 6-JICPA, 8-FEE, 14-Pahladsingh).

Seven (7) respondents were of the view that other sources of assistance, such as assistance provided by non-governmental organizations (NGOs), should be included in the definition of "external assistance. However, one of these respondents (7- FEE) noted the costs of data collection may be high in some cases, so other assistance should only be included in the definition of external assistance when the benefits of its disclosure exceeded the costs.

One respondent (1-IFAC-DNC) proposed that the definition of external assistance reflect the principle that external assistance include cash assistance and third party settlements from any source. This would mean goods and services would not be classified as external assistance.

Staff View

The definition of external assistance should not be amended to encompass assistance from NGO's. The definition of external assistance in ED 32 reflects that in ED 24, the predecessor to ED 32. The definition was developed after extensive input from the PAP and other key constituents and was supported by the majority of respondents to ED 24 – primarily because of a similar cost-benefit argument to that noted by some respondents to ED 32 (albeit that the requirements in ED 24 were far more extensive than those proposed in ED 32).

However, separate disclosure of information about assistance provided by NGO's should be encouraged.

The IPSAS should also explain that this does not mean that cash and third party settlements received from NGO's would not be reported in the statement of receipts and payments. The Cash Basis IPSAS requires that cash and third party settlements, including those provided in the form of assistance to governments or government agencies by NGO's, be recognized and separately disclosed in the statement of cash receipts and payments, consistent with paragraphs 1.3.12, 1.3.14, and 1.3.24 of the Cash Basis IPSAS.

The IPSAS, or Basis for Conclusion as appropriate, could then emphasize that the issue is whether assistance provided by NGO's and recognized in the statement of cash receipts and payments should be subject to the disclosures required by ED 32 – that is, subject to the disclosures required in 1.9.8, 1.9.9, 1.9.16, 1.9.18, 1.9.20 and 1.9.22 relating to such matters as classes of donors, form of assistance, amount of undrawn external assistance, amount of external assistance debt rescheduled or cancelled and terms and conditions not complied with. The IPSAS could also encourage recipients of assistance from NGO's to make these disclosures but note they are not required to do so because, in some cases, the costs of compiling the data to make such disclosures may be greater than the benefits. This may be particularly so where the amount of assistance provided, perhaps in response to an emergency situation, has not been documented in a formal agreement and has been provided directly to a government agency. It may also be the case where an NGO provides some assistance directly to communities (and which is therefore not controlled by the government) and some assistance through a government agency, and which therefore is controlled by the government.

SPECIFIC MATTER FOR COMMENT (6)

Should the Standard encourage the disclosure of specific categories of external assistance or only the disclosure of external assistance by “significant classes” without further specification? Paragraph 2.1.60 encourages the disclosure of external assistance by significant classes. Paragraph 2.1.61 includes a description of some such classes.

The majority of respondents (13 respondents) supported the proposed encouragement in ED 32. No respondents proposed that paragraph 2.1.60 identify the particular classes that are encouraged for disclosure. Some respondents (see for example, 3- World Bank, 14- Pahladsing) indicated that it was not necessary to identify the specific classes of external assistance that might be disclosed, rather preparers should determine the appropriate basis of classification.

Two respondents noted that the classes specified in 2.1.61 may not be mutually exclusive and that further explanation and guidance of these classes may be useful (5-CIPFA and 14- Pahladsing). One respondent (13-ESAAG) proposed that the disclosures be required.

Staff View

Staff are of the view that paragraphs 2.1.60 should be retained as the encouraged disclosure.

Paragraph 2.1.61 notes external assistance may be provided for many purposes, and identifies a range of possible purposes. It does not propose that these classes will be disclosed – the specific classes disclosed will be determined by the reporting entity itself. Staff are of the view that the balance between the broad principle encouraged in paragraph 2.1.60, and examples of how it may operate depending on the circumstances of the reporting entity in paragraph 2.1.61 is appropriate.

SPECIFIC MATTER FOR COMMENT (7)

Should disclosure of the balance of undrawn external assistance loans and grants be required (paragraph 1.9.16), while the disclosure of changes therein during the period are only encouraged (paragraph 2.1.65(c))?

This SPC was intended to draw a response on whether it was appropriate that changes in the balance of undrawn assistance should only be encouraged disclosures when disclosure of the balance itself was required. However, respondents to this SPC and to SPC 1 raised some more fundamental issues with this disclosure.

Paragraph 1.9.16 requires disclosure of undrawn balance of external assistance loans and grants. Paragraph 1.9.17 explains that this is the amount committed under written agreement. This requirement was developed on the expectation that such amounts can be reliably determined and are available to the recipient - in the nature of a line of credit, overdraft facility or a deposit held in trust for the recipient, subject of course to satisfaction of any terms and conditions.

On a simple analysis, there was a very slim majority (8 respondents) in favour of the retention of the existing proposals in ED 32. Some who support the approach in the ED also noted that disclosure of the terms and conditions of undrawn assistance should be required (6- JICPA, 8- FEE, 10- NIVRA).

Respondents who did not support this requirement in ED 32, expressed concern about whether the amount of undrawn assistance could be readily determined (3- World Bank, 11- Cyprus ICPA, 14- Pahladsingh, and in their response to SPC1: 2- Uganda MoF and 4- ACCA). They noted that potentially onerous conditions may need to be satisfied to access that assistance, and this may mean that access to such assistance is doubtful - disclosure of the amount of the undrawn assistance may then give a misleading picture of the resources available to the entity. Some of these respondents also expressed the view that:

- (i) disclosure should not be required because these amounts would not be captured in the cash basis accounting system; and
- (ii) if disclosure of undrawn assistance was required, disclosure of terms and conditions associated with that undrawn assistance should also be required.

Staff View

Staff have followed up with respondents and others and sought additional input on whether the amount of undrawn assistance could be determined reliably, and the nature of the terms and conditions which may apply to it. It appears that circumstances can differ - in some cases, undrawn assistance loans and grants may be in the nature of a specified amount, but in others is more in the nature of a broad promise for potential additional assistance of an unclear amount.

In some cases, the undrawn amount relates to a project that is under development and terms and conditions have been, and are being, satisfied as the project for which the undrawn assistance is available is progressed. In other cases, amounts which may be provided as assistance in the future have been indicated to recipients. However, the amounts subsequently provided may be different from initial expectations. This is because the amounts may be dependent on the annual budgets of the donor countries, subject to performance against specified (sometimes demanding) criteria and influenced by prevailing exchange rates at the time of transfer.

The IPSASB's rationale for inclusion of this requirement in ED 32 was that it would be a "source of confidence to users of the financial statements that funds will be available to support the future operations of the entity" (ED 32 paragraph 1.9.17). The IPSASB was of the view that while this information may not be recorded routinely in the accounting records of a cash-basis preparer, it was of sufficient use that its disclosure should be required rather than encouraged – the benefits of its disclosure were greater than the costs of data collection.

Given that that rationale remains valid, staff support retention of the requirement when, and only when, it relates to undrawn assistance where the amount is specified in a binding agreement and satisfaction of related conditions is anticipated – for example, in respect of undrawn balances of project funding where the conditions relating to the funding have previously been satisfied and it is anticipated that they will continue to be satisfied. In these circumstances, any terms and conditions relating to such undrawn assistance should also be disclosed.

To deliver this result, the language in the ED will need to be sharpened to draw a clear distinction between the potentially differences circumstances relating to undrawn assistance, and whether the required disclosures apply in particular circumstances. Subject to the decision of the IPSASB, staff propose that text be drafted for consideration by the Board at the next IPSASB meeting.

This amendment will respond to the concerns of raised regarding the certainty of amount of undrawn assistance and the satisfaction of potential onerous terms and conditions. It also responds to those respondents who support the disclosure as currently reflected in ED 32.

SPECIFIC MATTER FOR COMMENT (8)

Should the disclosure of the terms and conditions of external assistance agreements that determine or effect access to, or limit the use of, external assistance which is currently encouraged (paragraph 2.1.69), be reclassified as a required disclosure?

There was strong support (13 respondents) for the encouragement as proposed in ED 32.

One respondent (2- Uganda MoF) expressed the view that such disclosure may be onerous and noted that conditions on many grants and loans would come into play if this encouragement was complied with. This respondent also noted that there was a case for focusing on breaches of the terms and conditions and encouraging (or even requiring) disclosure of breaches of terms and conditions when those breaches gave rise to an obligation to return resources, and the amount of the resources to be returned.

Staff View

Staff are of the view that the encouragement should be retained. Given that it is only an encouragement, individual reporting entities will respond by reference to their own circumstances.

Staff agree that there is a case for requiring the disclosure of breaches to terms and conditions which give rise to an obligation to return resources. Currently, paragraph 1.9.22 requires disclose of terms and conditions which have not been complied with and which have resulted in cancellation of the assistance. Staff are of the view that this requirement should be extended to encompass circumstances in which non-compliance has given rise to an obligation to return assistance in the future, or circumstances in which assistance was returned during the reporting period.

Staff also agree there is a case for encouraging disclosure of the amount of any assistance that is to be returned in a future period as a consequence of breaches of the terms and conditions of assistance which occurred during the period. Paragraph 2.1.33 (a) of the Cash Basis IPSAS currently encourages the disclosure of liabilities and paragraph 2.1.35 notes that separate classes of liability may be disclosed. Staff are of the view that this paragraph could usefully note that those classes may include external assistance to be returned as a consequence of breaches of the terms and conditions, where such is material for the entity.

(The need to expand the circumstances that trigger such a disclosure was also raised by 6-JICPA – see item 12.)

SPECIFIC MATTER FOR COMMENT (9)

Is it appropriate to encourage disclosure of the value of external assistance received in the form of non-cash goods and services (paragraph 2.1.85) and, if an entity elects to make such disclosure, to require disclosure of the basis on which that value was determined (paragraph 1.9.18)?

There was strong support (13 Respondents) for the encouragement and requirement as proposed in ED 32. One respondent (13-ESAAG) raised issues about where and how disclosure will fit, given that amounts are not included in the statement of cash receipts and payments.

Staff View

Staff view is that the encouragement to disclose the value of external assistance received in the form of non-cash goods and services and, if such disclosure is made, the requirement to disclose the basis on which that value has been determined should be retained as currently proposed in ED 32.

In the process of finalization of the IPSAS, a cross reference to paragraph 1.3.38 of the Cash Basis IPSAS, which explains that encouraged disclosures may be included in the notes, could usefully be made. This would assist in overcoming concerns about the location of such disclosures.

SPECIFIC MATTER FOR COMMENT (10)

Are the transitional provisions in paragraphs 1.9.26 and 1.9.27 appropriate:

- (a) paragraph 1.9.26 provides for a transitional period of two years for disclosure of the balance of undrawn external assistance; and*
- (b) paragraph 1.9.27 provides an exemption from the requirement to disclose comparative figures during the first year of application of the requirements relating to external assistance?*

Should other proposed requirements also be subject to transitional provisions?

There was strong support for the transitional provisions as proposed in ED 32:

- 13 respondents supported the exemption from the requirement to disclose comparative figures during the first year of application. No respondent proposed that this transitional provision should be removed.
- 10 respondents supported the two year transitional period for disclosure of the balance of undrawn external assistance. Two respondents (3- World Bank and 14- Pahladsing) noted that disclosure of the balance of undrawn external assistance should not be required and hence the transitional period was not necessary. One respondent (2- Uganda MoF) expressed a view that disclosure of the balance of undrawn external assistance should not be required, but if the Board retained this as a requirement a 3 year transitional period should be allowed. No respondent proposed that this transitional provision should be shortened or removed if the requirement was retained .
- One respondent (12-ESAAG) proposed that the application date should be 1 January 2009 – this would provide a two year period to accumulate the information.

- One respondent 1. IFAC-DNC) advocates a 3-5 year transitional period for Part 2 disclosures.

Staff View

Subject to the Board's decision on SPC7 regarding the designation of disclosure of undrawn assistance as required or encouraged disclosure, the transitional provisions should be retained.

Staff are of the view that since Part 2 is an encouraged disclosure, the application date is, in effect, open ended and a transitional period is not required. Rather entities will build these disclosures over a time period as appropriate for their environment.

SPECIFIC MATTER FOR COMMENT (11)

Are there additional disclosures that have not been dealt with and should be required or encouraged?

The majority of respondents did not identify additional disclosures to those that they had already identified in response to other of the SPC's and which have already been dealt with in this overview– for example: disclosures about the individual providers of assistance, the amount provided and the currency in which provided.

However, two respondents (3- World Bank, and 14- Pahladsing) noted their concern that the ED did not require or encourage the disclosure of how the funds provided by individual donors were spent – this type of disclosure was also noted by others in their overall reaction to the ED (for example, see 5- CIPFA response). One respondent (3- World Bank) noted that a cross reference to guidance in the Cash Basis IPSAS dealing with disclosure on the payment side (paragraph 1.3.17) could be used to underpin this disclosure and strengthen the standard in this respect.

One respondent (6- JICPA) proposes that the separate disclosure of outstanding balances of the external assistance debt should also be encouraged.

Staff View

Staff agree commentary could usefully note that disclosure of the use of funds cross referenced to individual donors was not prohibited and that the link to paragraphs 1.3.12, 1.3.14, 1.3.17 and 1.3.24 of the Cash Basis IPSAS should be strengthened as the IPSAS is finalized.

This of course does fall short of requiring the separate disclosure of the specific purposes on which external assistance provided by individual donor was spent during the reporting period. However, it is staff's view that such disclosure should not be introduced at this stage of the process. Staff's view is that the addition of commentary as proposed reflects an appropriate balance between general purpose financial reporting and special purpose financial reports that respond to the specific financial reporting needs of donors. It also allows recipients of external assistance to build into their financial reports more detailed disclosures appropriate to their circumstances and in consultation with a range of donors that might provide assistance.

OTHER MATTERS IDENTIFIED BY RESPONDENTS (Item 12)

Respondents also identified a range of editorial and other matters that were not identified in the 11 SPC's included in ED 32. Those are identified at item 12 of agenda paper 11.2.

Staff comments on each of those matters are also included in agenda paper 11.2, and are not repeated here.

RESPONDENTS TO ED 32

	Respondents	Jurisdiction	Designation
1	IFAC – DNC	International	International Organization
2	Uganda - Ministry of Finance	Africa	Ministry of Finance - Recipient of assistance and preparer of financial statements
3	World Bank	International	International Organization and Development Agency
4	Association of Chartered Certified Accountants (ACCA)	Europe	IFAC Member Body
5	The Chartered Institute of Public Finance and Accountancy, UK (CIPFA)	Europe	IFAC Member Body
6	The Japanese Institute of Certified Public Accountants (JICP)	Asia	IFAC Member Body
7	The Institute of Chartered Accountants in England and Wales (ICAEW)	Europe	IFAC Member Body
8	Fédération des Experts Comptables Européens (FEE)	Europe	Regional Accountancy Organization
9	J.S. Maresca	North America	Individual
10	Royal NIVRA – Netherlands (NIVRA)	Europe	IFAC Member Body
11	The Institute of Certified Public Accountants of Cyprus – Public Sector Committee (Cyprus ICPA-PSC)	Europe	IFAC Member Body
12	Norwegian Agency for Development Cooperation (NORAD)	Europe	Development Agency
13	East and Southern African Association of Accountants General (ESAAG)	Africa	Regional Body – Encompasses recipients of assistance and preparers of financial statements
14	Dr L.P.P. Pahladsingh	Europe	Individual
15	Ghana – Controller and Accountant- General's Department	Africa	Government Department - Recipient of assistance and preparers of financial statements
16	South African Institute of Chartered Accountants (SAICA)	Africa	IFAC Member Body

ANALYSIS OF RESPONSES TO

EXPOSURE DRAFT ED 32 – FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING – DISCLOSURE REQUIREMENTS FOR RECIPIENTS OF EXTERNAL ASSISTANCE

SUMMARY OF OVERALL VIEW OF ED 32

Support	A	13
Does not support	B	
No specific view or different view expressed	C	3
TOTAL		16

	NAME	VIEW	COMMENT
1	IFAC – DNC	A	<i>“In the DNC’s view, the IPSASB has carried out an effective listening exercise on the problems identified with ED 24....The DNC believes that ED 32 reflects a more balanced and realistic approach....welcomes the assurance that ED 32 will be field tested prior to becoming a full standard.”</i> Also proposes certain amendments – see Specific Matters for Comment (SPC).
2	Uganda Ministry of Finance	A	<i>“We note that this ED took into account our earlier comments and splits the disclosure requirements into mandatory and discretionary ones. We are indeed encouraged.”</i> Raises specific issue re: SPC1 and 7.
3	World Bank	A	<i>“We commend the IPSASB in particular for:1. Its decision to split the disclosure proposals into those that are mandatory, and those that are optional, but encouraged.2. Its proposal to incorporate the disclosure requirements for external assistance into the Cash Basis IPSAS, Financial Reporting Under the Cash Basis of Accounting. we encourage the IPSASB to pursue its plans to undertake field-testing of these proposals, and we would be happy to lend whatever assistance we can usefully provide to support this.”</i> Also notes expectation that disclosures will be reflected in the accrual IPSASs.

4	Association of Chartered Certified Accountants (ACCA)	A	<p><i>“ACCA welcomes the main thrust of the changes made in developing this Exposure Draft...Especially with the relatively minor changes we are suggesting, we consider the following objectives set by the International Public Sector Accounting Standards Board for the proposed standard will be met:</i></p> <ul style="list-style-type: none"> <i>• to increase the comparability and usefulness of the financial information to users of the statements and</i> <i>• reduce the costs that recipients of such assistance face in complying with ...requirements... imposed on them by providers.....”</i> <p>Note proposes reclassification of two disclosures. See SPC 1 and SPC 7.</p>
5	The Chartered Institute of Public Finance and Accountancy, UK (CIPFA)	C	<p>Supports ED 32 approach as far as it goes. However, not convinced that an IPSAS is best approach to providing guidance on external assistance funding and spending - more flexibility may be needed than allowed in an IPSAS and inclusion of more detailed/specific purpose information in general purpose financial reports may reduce its readability.</p> <p><i>“Given this, we wonder whether the best approach is to deliver guidance on this through IPSASs. An alternative would be to produce separate good practice guidance on ‘additional reporting’ to providers of external assistance.”</i></p>
6	The Japanese Institute of Certified Public Accountants (JICP)	A	<p><i>“We are supportive of this proposed standard.”</i></p> <p>Includes proposed amendments to clarify definitions and commentary. Raises specific issue re SPC 7.</p>
7	The Institute of Chartered Accountants in England and Wales (ICAEW)	A	<p><i>“We welcome this exposure draft, which will make a valuable contribution to helping providers of assistance trace how assistance has been applied.”</i></p> <p>Note- advocates analysis by provider and disclosure of currency provided in – see SPC 1 and 11.</p>
8	Fédération des Experts Comptables Européens (FEE)	A	<p><i>“We believe the standard will help providers of assistance to ascertain more readily how their donations have been used. Adoption of the standard, subject to its acceptance by providers of assistance, should also allow more streamlined reporting and reduction in recipients’ costs.”</i></p> <p>Proposes additional required disclosure – see SPC 1. Notes expectation that disclosures will also be captured in accrual IPSASs. See also SPC 7 re concerns.</p>

9	J.S. Maresca	C	Notes disclosures are useful but focus is only on receipts. Need information on achievement of external assistance mission. Submission provides examples of outcomes/ achievements. <i>“The Statement does not provide much detail regarding the achievement of the external assistance mission or the qualitative aspects of the benefits to the local residents impacted by the external assistance programmes. There should be some delineation of the overall mission to be accomplished by the aid, as well as program milestones for achieving the mission and the actual program results achieved to date....Another important metric for the readers of external assistance financial statements is the amount of programme funds earmarked for administration versus direct funds to the local populations....”</i>
10	Royal NIVRA – Netherlands (NIVRA)	A	<i>“We strongly support the fact that this ED speaks more in terms of encouragements instead of requirements.”</i> See also reservations regarding item 7.
11	The Institute of Certified Public Accountants of Cyprus – Public Sector Committee (Cyprus ICPA-PSC)	A	<i>“We are happy with the distinction in the Standard between required and encouraged disclosures, thus making the requirements less onerous, in the line of our suggestion in our initial response to ED 24.”</i> Note concerns re SPC 5 and 7.
12	Norwegian Agency for Development Cooperation (NORAD)	A	<i>“We agree that this is a useful approach.”</i> Note also: suggests the text could be reduced in length and seeks clarification re SPC 7.
13	East and Southern African Association of Accountants General (ESAAG)	C	An overall view not specified but comments indicate support for general approach with some substantial refinement and amendments, particularly re SPC 5, 6 and 7. Also questions some of the disclosure approaches which are required by the Cash Basis IPSAS – see SPC 12.

14	Dr L.P.P. Pahladsingh	A	<p>General support as far as ED 32 goes but notes will not meet donors' needs. Supports field testing as part of process.</p> <p><i>"..... the Exposure Draft outlines useful required and encouraged information for the users of the general purpose financial statements. However, I would like to stress that it would be an illusion to think it will be able to incorporate all specific users' needs of providers of external assistance in one overriding IPSAS..... Their focus will be more likely on the spending of the received funds, and how the external assistance has been put to use.....Therefore, a full shift from a basis of reporting away from project- and donor-specific special purpose financial reports, in favour of compliance with a generally accepted international standard (IPSAS) might be unlikely. "</i></p>
15	Ghana -Controller and Accountant-General's Department	A	No specific overall comment – but individual responses reflect support.
16	South African Institute of Chartered Accountants (SAICA)	A	<p><i>"Overall, we support the disclosure requirements in Exposure Draft (ED) 32.....We also believe that the guidance in the ED will ensure that there is consistent and comparable information provided by all the recipients of external assistance. At the same time, it will provide users of financial statements of such entities with useful information that would enable them to assess the level of reliance on assistance by such entities.</i></p> <p><i>We support the initiative to field-test the proposed standard."</i></p>

SPECIFIC MATTER FOR COMMENT (1)

Respondents were asked whether the designation of certain disclosures as required and other disclosures as encouraged is appropriate. If the proposed designation is not considered appropriate, please identify the amendments and/or reclassifications you consider appropriate.

Support designation	A	4
Support designation with reservation	A-	9
Do not support designation	B	1
No specific view or different view expressed	C	2
TOTAL		16

	NAME	VIEW	COMMENT
1	IFAC – DNC	B	<i>“...the designation of disclosures as ‘required’ and ‘encouraged’ as described in Parts 1 and 2 of the ED is appropriate”</i>
2	Uganda Ministry of Finance	A-	<i>“....disclosure of Undrawn External Assistance (para 1.9.16) may give a misleading picture.....this assistance may be tied to continued fulfillment of certain onerous conditions and its realization may be highly doubtful. As such, if disclosure of Undrawn External Assistance is to remain mandatory, the terms and conditions related to it (undrawn external assistance) should be made mandatory to help the reader of the financial statement make correct interpretation. In the alternative, this requirement should be made discretionary.”</i> See also 7 below.
3	World Bank	A-	<i>“We strongly agree with the designation of certain disclosures as required and other disclosures as encouraged. ... The approach taken in ED32 is for disclosures to be required only in respect of items that are recorded in the primary accounting records of a cash-basis preparer. Whilst this is a logically consistent.... there may be certain items that are of such relevance to users that their disclosure should be required, rather than voluntary....These items are: 2.1.60 Disclosure of purposes by significant class 2.1.63 Identification of providers of assistance 2.1.73 Guarantees 2.1.80 Financial terms of outstanding debt”</i>

4	Association of Chartered Certified Accountants (ACCA)	A-	<p><i>“ACCA largely agrees with the designation of disclosures as either required or encouraged as indicated in the ED.” However,</i></p> <p><i>(i) “ the timing of the actual payment of external assistance, even where this is “committed under a written agreement”, is often unknown. In addition, such assistance will often be denominated in a foreign currency and thus the actual amount eventually to be received in the currency of the reporting entity will not be known accurately. For these reasons, we consider that such disclosures should only be encouraged rather than being required.”</i></p> <p><i>(ii) Should require disclosure of amount from each provider – “details of assistance received in the currency in which it was provided.”</i></p>
5	The Chartered Institute of Public Finance and Accountancy, UK (CIPFA)	A-	<p><i>“In general, we agree that the designation of certain disclosures as required and other disclosures as encouraged is appropriate...However, we note that the Exposure Draft does not mandate analysis of assistance by provider, but instead mandates disclosure by significant classes of provider, and encourages disclosure by individual provider....In practice we expect that most providers of external assistance will see a need for specific assurances in connection with their assistance....It would be very difficult to specify a form of disclosure which would be appropriate for all circumstances...”</i></p>
6	The Japanese Institute of Certified Public Accountants (JICP)	A	<p><i>“....distinguishing disclosure items into requirements and encouragements is appropriate as proposed in the ED, being consistent with other sections of the cash basis IPSAS.”</i></p>
7	The Institute of Chartered Accountants in England and Wales (ICAEW)	A-	<p><i>“We agree that the designation of certain disclosures as required and others as encouraged is appropriate. We consider there may be some merit in providing information by significant provider to enhance the visibility and transparency of external assistance for the donor.”</i></p>
8	Fédération des Experts Comptables Européens (FEE)	A-	<p><i>“In general, we agree that the designation of certain disclosures as required and other disclosures as encouraged is appropriate.”</i></p> <p><i>Also require analysis of assistance by provider “except where there are specific agreements that such disclosure is not required by the provider”.</i></p>
9	J.S. Maresca	C	
10	Royal NIVRA – Netherlands (NIVRA)	A-	<p><i>“In general we agree with the designation of certain disclosures as required and other disclosures as encouraged.”</i></p> <p><i>But should mandate analysis of assistance by provider. That is, encouragement in para 2.1.63 should be requirement.</i></p>

11	The Institute of Certified Public Accountants of Cyprus – Public Sector Committee (Cyprus ICPA-PSC)	A	<i>“In general, the designations appear sensible based on the criterion that any disclosures that materially affect the truth and fairness of the financial statements are designated as required”</i>
12	Norwegian Agency for Development Cooperation (NORAD)	A	<i>“We find that the proposal has a appropriate designation between disclosures classified as required and as encouraged.”</i>
13	East and Southern African Association of Accountants General (ESAAG)	C	Note response to SPC 6 – expresses view that disclosure of classes of external assistance currently encouraged by 2.1.60 should be required.
14	Dr L.P.P. Pahladsingh	A-	<p><i>“In general I agree with the suggested distinction between required disclosure and encouraged disclosure..... I think that information provided for a class of providers will be usually not sufficient for the providers themselves.”</i></p> <p>However proposes the following be required disclosures: Para 2.1.60 Disclosure of purposes by significant classes, Para 2.1.63 Identification of providers of assistance, Par. 2.1.73 Guarantees, Para 2.1.80 Financial terms of outstanding debt.</p> <p>Also add encouragement to disclose the payments made by third parties, but not paid or verified.</p>
15	Ghana -Controller and Accountant-General’s Department	A	<i>“Disclosures as required and other disclosures as encouraged are appropriate.”</i>
16	South African Institute of Chartered Accountants (SAICA)	A-	<p><i>“We agree with the designationWe consider the ‘required’ disclosures to provide adequate information.... In addition, the requirements are not onerous on the preparer.</i></p> <p><i>Depending on comments from providers of external assistance, the Board should reconsider whether the analysis per provider should form part of <u>required</u> disclosures, a requirement that we would support.”</i></p>

SPECIFIC MATTER FOR COMMENT (2)

Respondents were asked whether the Cash Basis IPSAS “Financial Reporting Under the Cash Basis of Accounting” should be amended to include the additional required and encouraged disclosures, or whether the required and encouraged disclosures should be issued as a separate “stand alone” Cash Basis IPSAS.

Amend Cash Basis	A	13
Separate IPSAS	B	1
No specific view or different view expressed	C	2
TOTAL		16

	NAME	VIEW	COMMENT
1	IFAC – DNC	A	“...the Cash Basis IPSAS should be amended to include the additional required and encouraged disclosures rather than a ‘stand alone’ IPSAS be issued to emphasise that the reporting of external assistance is part of the wider picture of the financial stewardship of governments.”
2	Uganda Ministry of Finance	A	<i>“....incorporate it in the Cash basis IPSAS as an amendment rather than issuing separate standard.”</i>
3	World Bank	A	<i>“... We do not support the issuance of a separate, stand along IPSAS on this topic.”</i>
4	Association of Chartered Certified Accountants (ACCA)	A	<i>“...amend the Cash Basis IPSAS to include the additional disclosures....This would maintain the current position of having one comprehensive standard for the cash basis of accounting.”</i>
5	The Chartered Institute of Public Finance and Accountancy, UK (CIPFA)	B	<i>“As noted in the covering letter, an alternative approach would be to develop separate guidance.... If the Board does not produce ‘other guidance’, then we can see that there would be merit in providing a standalone IPSAS on this specific subject, as this would provide useful guidance for governments which prepare accounts on a cash basis but which have not adopted the Cash Basis IPSAS.”</i>
6	The Japanese Institute of Certified Public Accountants (JICP)	A	<i>“We support an amendment to the existing cash basis IPSAS as proposed in the ED, because a comprehensive cash basis IPSAS is a preferable approach.”</i>

7	The Institute of Chartered Accountants in England and Wales (ICAEW)	A	<i>“On balance we consider it preferable to amend the cash basis IPSAS rather than issue a separate standard.”</i>
8	Fédération des Experts Comptables Européens (FEE)	A	Notes there is a case for separate guidance for those that do not adopt the Cash Basis IPSAS. However, <i>“On balance, we consider that it would be sensible to follow current practice, and have a single set of coherent guidance for accounts prepared on the Cash Basis.”</i>
9	J.S. Maresca	C	
10	Royal NIVRA – Netherlands (NIVRA)	A	<i>“Current practice should be followed, i.e. a single standard for financial statements prepared on a cash basis.”</i>
11	The Institute of Certified Public Accountants of Cyprus – Public Sector Committee (Cyprus ICPA-PSC)	A	Amend Cash Basis IPSAS. <i>“The reasons are mainly practical, i.e. the requirements for compliance and the encouraged disclosures under Cash Basis IPSAS are all included in a single standard.”</i>
12	Norwegian Agency for Development Cooperation (NORAD)	C	While responses to a number of questions designated as “C” - no specific view - overall comment indicates support except where designated otherwise.
13	East and Southern African Association of Accountants General (ESAAG)	A	<i>“an amendment NOT stand alone”</i>
14	Dr L.P.P. Pahladsingh	A	<i>“.....a separate “stand alone” Cash Basis IPSAS is not advisable. I would rather prefer one overriding Cash Basis IPSAS, as is the current situation This will make it more likely that the envisioned disclosures will be adopted and complied with by governments and other public sector entities.”</i>
15	Ghana -Controller and Accountant-General’s Department	A	<i>“The amendment of the Cash Basis IPSAS to include the additional required and encouraged disclosures is appropriate.”</i>
16	South African Institute of Chartered Accountants (SAICA)	A	Amend Cash Basis IPSAS. <i>“....it is important to include disclosure requirement of such information in the standard that provides guidance on presentation of cash receipts and payments, a comprehensive standard on cash receipts and payments.”</i>

SPECIFIC MATTER FOR COMMENT (3)

Respondents were asked whether the proposed definition of “external assistance” in paragraph 1.9.1 is sufficiently broad to encompass all official resources received.

Agree	A	13
Disagree	B	
No specific view or different view expressed	C	3
TOTAL		16

	NAME	VIEW	COMMENT
1	IFAC – DNC	C	<i>“Please refer to the answer to question 5 below”.</i>
2	Uganda Ministry of Finance	A	<i>“The definition.....appears to be reasonable.”</i>
3	World Bank	A	<i>“...clearly sufficiently broad to encompass all official resources received.”</i>
4	Association of Chartered Certified Accountants (ACCA)	A	<i>“..is sufficiently broad to encompass all official resources received.additional guidance should be provided to clarify that the requirements do not include reporting on the receipt of assistance from Non-Governmental Organisations....”</i>
5	The Chartered Institute of Public Finance and Accountancy, UK (CIPFA)	A	<i>“We agree that the proposed definition is sufficiently broad.”</i>
6	The Japanese Institute of Certified Public Accountants (JICP)	A	<i>“....the current definition of “external assistance” does not limit assistance to assistance received from overseas. If we interpret the current definition literally, “external assistance” may include transfer from the central government to a local government.....Further, we suggest that “external assistance” be changed to “official external assistance” or similar....”</i> <i>See also SPC 5.</i>
7	The Institute of Chartered Accountants in England and Wales (ICAEW)	A	<i>“The definition is sufficiently broad, but we recommend that specific reference should be made to note that Official Resource does not include reporting the receipt of assistance from NGOs.”</i>

8	Fédération des Experts Comptables Européens (FEE)	A	<i>“We agree that the proposed definition is sufficiently broad.”</i>
9	J.S. Maresca	C	
10	Royal NIVRA – Netherlands (NIVRA)	A	<i>“We agree that the definition of “external assistance” in paragraph 1.9.1 is sufficiently broad to encompass all official resources received.”</i> But also note response in SPC 5.
11	The Institute of Certified Public Accountants of Cyprus – Public Sector Committee (Cyprus ICPA-PSC)	A	<i>“The definition appears to be sufficiently broad.”</i>
12	Norwegian Agency for Development Cooperation (NORAD)	C	
13	East and Southern African Association of Accountants General (ESAAG)	A	But define external assistance to include all resources received from donors. <i>“....external assistance is not ‘all official resources’. To make it clearer let it read as follows: ...resources ‘received from donors’ which the”</i>
14	Dr L.P.P. Pahladsingh	A	<i>“.... the proposed definition is clearly sufficient and broad enough to encompass all official resources received, however we think that private organizations should be included in the proposed definition of NGO’sand... NGO’s such as Oxfam and Red Cross....should be included in the proposed definition of external assistance.”</i>
15	Ghana -Controller and Accountant-General’s Department	A	<i>“We agreed that the definitions are broad enough. Except to say that the definition of External Assistance does come out clearly it is embedded in the term “Official Resources”. ”</i>
16	South African Institute of Chartered Accountants (SAICA)	A	<i>“We agree that the proposed definition is sufficient. However, it should be extended to include NGOs, as noted in Question 5 below.”</i>

SPECIFIC MATTER FOR COMMENT (4)

Respondents were asked whether the separate disclosures of the amount of external assistance should be required on the face of the Statement of Cash Receipts and Payments as is currently required in paragraph 1.9.6, or whether the IPSAS should allow such disclosure to be made either on the face of the Statement of Cash Receipts and Payments or in the notes thereto.

Require disclosure on face	A	12
Allow in notes	B	2
No specific view or different view expressed	C	2
TOTAL		16

	NAME	VIEW	COMMENT
1	IFAC – DNC	A	<i>“...the total of external assistance received should be stated on the face of the Statement of Cash Receipts and Payments..... The notes should however include a level of analysis appropriate to the Part 1 or 2 disclosure option selected by the reporting entity.”</i>
2	Uganda Ministry of Finance	A	<i>“This requirement is reasonable.”</i>
3	World Bank	A	<i>“...should be disclosed separately on the face of the Statement of Cash Receipts and Payments.”</i>
4	Association of Chartered Certified Accountants (ACCA)	B	<i>“... reporting entities should be given the option of disclosing the amount of external assistance in the notes to the financial statements, especially where the amounts of such external assistance are not substantial.”</i>
5	The Chartered Institute of Public Finance and Accountancy, UK (CIPFA)	A	<i>“We agree with the proposed presentation.”</i>
6	The Japanese Institute of Certified Public Accountants (JICP)	A	<i>“....disclosure on the face of the Statement of Cash Receipts and Payments as required in the ED is appropriate.....”</i>
7	The Institute of Chartered Accountants in England and Wales (ICAEW)	A	<i>“We agree that, where material, the information should be reported in the primary statements.”</i>
8	Fédération des Experts Comptables Européens (FEE)	A	<i>“We agree with the proposed presentation.Where it is not material, it would perhaps be better to make such disclosure optional.”</i>

9	J.S. Maresca	C	
10	Royal NIVRA – Netherlands (NIVRA)	A	<i>“We agree with the presentation as described in 1.9.6.”</i>
11	The Institute of Certified Public Accountants of Cyprus – Public Sector Committee (Cyprus ICPA-PSC)	B	<i>“Due to the fact that in many cases the amount of external assistance received does not significantly alter the performance of the reporting entity, we believe that the disclosure option should remain in the discretion of the preparer.”</i>
12	Norwegian Agency for Development Cooperation (NORAD)	C	While not dealt with specifically expresses broad support for all requirements except those specifically singled out.
13	East and Southern African Association of Accountants General (ESAAG)	A	<i>“What goes into the face of the Statement is the total receipt and an analysis or breakdown of the components given in the Notes to the Statements. This applies to 1.9.8 and 1.9.7.”</i>
14	Dr L.P.P. Pahladsingh	A	<i>“...should be disclosed separately on the face of the Statement of Cash Receipts and Payments.”</i>
15	Ghana -Controller and Accountant-General’s Department	A	<i>“The separate disclosure of the amount of external assistance as required by 1.9.6 is appropriate. It is not a significant departure from what pertains in the Consolidated Receipts and Payments Statements in our respective countries.”</i>
16	South African Institute of Chartered Accountants (SAICA)	A	<i>“The disclosure should be made on the face of Statement of Cash Receipts and Payments....”</i>

SPECIFIC MATTER FOR COMMENT (5)

The respondents were asked whether other sources of assistance, such as assistance provided by non-governmental organizations (NGOs), should also be included in the definition of “external assistance”. Currently, the proposed Standard requires that entities disclose all official resources received. Official resources as defined in paragraph 1.9.1 would exclude certain assistance received from NGOs.

Retain existing focus on “official resources	A	7
Support inclusion of other sources – as requirement	B	7
No specific view or different view expressed	C	2
TOTAL		16

	NAME	VIEW	COMMENT
1	IFAC – DNC	B	<i>“.... other sources of assistance such as NGOs should be included in the definition of ‘external assistance’. The relevant principle should be that any cash assistance (direct or a payment made on behalf of the recipient) from whatever source should be included in the definition. This would exclude assistance in kind from whatever source.”</i>
2	Uganda Ministry of Finance	A	<i>“This provision appears to be reasonable, but might leave out significant resources received from NGOs.....We suggest that resources from NGOs be reported on as discretionary disclosure.”</i>
3	World Bank	A	<i>“...there appear to be no compelling reasons for the scope of the Standard to be restricted to official resources. However, in light of the likely practical difficulties that preparers will face in compiling information on assistance received from non-official sources (e.g., NGOs), we recommend that disclosures relating to these forms of assistance should be encouraged, rather than required.”</i>
4	Association of Chartered Certified Accountants (ACCA)	A	<i>“...we would be content for such assistance to be encouraged by Part 2 of the proposed amendments to the Cash Basis IPSAS....”</i>
5	The Chartered Institute of Public Finance and Accountancy, UK (CIPFA)	A	<i>“We agree with the proposed approach....While disclosure of a wider definition of external assistance would provide useful information, we believe that the cost of collecting this information would, in many cases, exceed the benefit to providers of assistance and other readers of the financial statements.”</i>

6	The Japanese Institute of Certified Public Accountants (JICP)	A	<i>“We see little theoretical justification to exclude unofficial assistance such as that from NGOs. However, we support limiting “external assistance” to official resources as in the ED, on the ground of cost-benefit.”</i>
7	The Institute of Chartered Accountants in England and Wales (ICAEW)	A	<i>“We agree that NGO assistance should be excluded.”</i>
8	Fédération des Experts Comptables Européens (FEE)	B	<i>“While disclosure of a wider definition of external assistance would provide useful information, we believe that the cost of collecting this information would, in many cases, exceed the benefit to providers of assistance and other readers of the financial statements. Where the benefit exceeds the costs, disclosure of ‘other sources of assistance’ should be included and thus should be in the definition.”</i>
9	J.S. Maresca	C	
10	Royal NIVRA – Netherlands (NIVRA)	B	<i>“We believe that the assistance provided by non-governmental organizations (NGOs) should also be included in the definition of “external assistance”. It will give useful information and will give a complete view of all external assistance.”</i>
11	The Institute of Certified Public Accountants of Cyprus – Public Sector Committee (Cyprus ICPA-PSC)	B	<i>“We see no difference in assistance provided by Multilateral External Assistance Agencies and by Non-Government Organizations, so we believe they should be treated in the same way. The only reasons for exclusion would be practical, i.e. the difficulties faced by the reporting entities in amassing the required information.</i>
12	Norwegian Agency for Development Cooperation (NORAD)	C	While not dealt with specifically expresses broad support for all requirements except those specifically singled out.
13	East and Southern African Association of Accountants General (ESAAG)	B	See response to 3 above which encompasses this.
14	Dr L.P.P. Pahladsingh	A	In principle include, but on practical grounds, simply encourage.
15	Ghana -Controller and Accountant-General’s Department	B	<i>“External Assistance cannot be complete if some are left out. Except for materiality, it is proposed that assistance from non-governmental organizations (NGOs) should not be ignored.”</i>
16	South African Institute of Chartered Accountants (SAICA)	B	<i>“....we support the inclusion of assistance provided by non-governmental organizations in the definition of external assistance..... ensures completeness....”</i>

SPECIFIC MATTER FOR COMMENT (6)

Respondents were asked whether the Standard should encourage the disclosure of specific categories of external assistance or only the disclosure of external assistance by “significant classes” without further specification. Paragraph 2.1.60 encourages the disclosure of external assistance by significant classes. Paragraph 2.1.61 includes a description of some such classes.

Support disclosure of the specific categories identified	A	
Support disclosure of “significant classes” – as per ED 32 (ie allow reporting entity to determine which classes to disclose)	B	13
No specific view or different view expressed	C	3
TOTAL		16

	NAME	VIEW	COMMENT
1	IFAC – DNC	B	<i>“.... the categories stated in 2.1.61 provide for a sufficient degree of disclosure. Detailed disclosure beyond significant classes would increase the detail included in the notes....”</i> (Staff have followed up with respondent to confirm interpretation is correct.)
2	Uganda Ministry of Finance	B	<i>“.....It is also possible that there is other assistance outside the named categories and its disclosure should be facilitated...(also).. should note the particular challenges of accounting for emergency assistance especially when this is made in-kind or to third parties.”</i>
3	World Bank	B	<i>“The Standard should encourage the disclosure of external assistance by “significant classes” without further specification. It should be for the preparer to determine an appropriate form of classification for the purpose of disclosure.”</i>
4	Association of Chartered Certified Accountants (ACCA)	B	<i>“ACCA does not consider that such recommendations should be extended.”</i>
5	The Chartered Institute of Public Finance and Accountancy, UK (CIPFA)	B	<i>“We are content with the proposed approach.”</i> Costs may exceed benefits if specify. <i>“We also have some concerns that the categories set out in ED 24 were not mutually exclusive, and that further work would be required to develop a basis on which amounts could be objectively allocated.”</i>
6	The Japanese Institute of Certified Public Accountants (JICP)	B	<i>“We are supportive of the ED on disclosure by “significant class” without specification.”</i>

7	The Institute of Chartered Accountants in England and Wales (ICAEW)	B	<i>“We support the existing recommendation and would not support extension into specified categories.”</i>
8	Fédération des Experts Comptables Européens (FEE)	B	<i>“We are content with the proposed approach.”</i>
9	J.S. Maresca	C	
10	Royal NIVRA – Netherlands (NIVRA)	B	<i>“We agree with the proposed approach.”</i>
11	The Institute of Certified Public Accountants of Cyprus – Public Sector Committee (Cyprus ICPA-PSC)	B	<i>“We recognise that the classes mentioned in paragraph 2.1.61 are the major classes of assistance but do not preclude the existence of others.”</i>
12	Norwegian Agency for Development Cooperation (NORAD)	C	While not dealt with specifically expresses broad support for all requirements except those specifically singled out.
13	East and Southern African Association of Accountants General (ESAAG)	C	Staff have followed up with respondent to ensure that response not misinterpreted. Have received confirmation that view is that classes of external assistance currently encouraged by 2.1.60 should be required.
14	Dr L.P.P. Pahladsingh	B	<i>“....the proposed Standard should encourage the disclosure of external assistance by “significant classes”, without further specification...also the suggested classes are not clear cut and not mutually exclusive.”</i>
15	Ghana -Controller and Accountant-General’s Department	B	<i>“Encouraging disclosure of external assistance by significant classes as in 2.1.60 is appropriate.”</i>
16	South African Institute of Chartered Accountants (SAICA)	B	<i>“The disclosure of external assistance by significant classes is adequate.”</i>

SPECIFIC MATTER FOR COMMENT (7)

The proposal to require disclosure of the balance of undrawn external assistance loans and grants (paragraph 1.9.16), and encourage disclosure of changes therein during the period (paragraph 2.1.65(c)).

Support approach in ED 32	A	8
Do not support	B	5
No specific view or different view expressed	C	3
TOTAL		16

	NAME	VIEW	COMMENT
1	IFAC – DNC	A	<i>“...supports these proposals as reasonable measures of accountability to donors”</i>
2	Uganda Ministry of Finance	B	1.9.16 should be encouraged only (preferred position) <u>or</u> terms and conditions related to undrawn assistance <u>also</u> required.
3	World Bank	B	<i>“We do not agree with the proposal to require disclosure of the balance of undrawn external assistance loans and grants. In our view the “required” disclosures should be capable of being generated from the primary accounting records of a cash basis preparer.... the information required for its disclosure would be costly to collate. Accordingly, the disclosure of the balance of undrawn external assistance should be encouraged, rather than required.”</i>
4	Association of Chartered Certified Accountants (ACCA)	B	<i>“ACCA considers that such proposals should only be encouraged.”</i> Encourage disclosure of 1.9.16 and 2.1.65. See also response to SPC 1.
5	The Chartered Institute of Public Finance and Accountancy, UK (CIPFA)	A	<i>“We agree with the proposed approach....”</i>
6	The Japanese Institute of Certified Public Accountants (JICP)	A	<i>“We support the proposal of the ED. there is the concern that disclosure of undrawn external assistance without disclosure of the associated terms and conditions will mislead readers of financial statements into believing that such undrawn external assistance is available unconditionally.”</i>
7	The Institute of Chartered Accountants in England and Wales (ICAEW)	A	<i>“We agree with the proposal.”</i>

8	Fédération des Experts Comptables Européens (FEE)	A	<p><i>“We consider also that there may be benefits in requiring disclosure of any conditions attached to the use of undrawn amounts, such as the need to meet certain performance indicators.”</i></p> <p>However, provide relief if information difficult (almost impossible) to collect.</p>
9	J.S. Maresca	C	
10	Royal NIVRA – Netherlands (NIVRA)	A	<p>In most cases undrawn assistance will be subject to terms and conditions.</p> <p><i>“It is not clear whether IPSAS requires the disclosure in the notes to the financial statements of both undrawn assistance that is subject to certain conditions and undrawn assistance that is not”.</i></p>
11	The Institute of Certified Public Accountants of Cyprus – Public Sector Committee (Cyprus ICPA-PSC)	B	<p><i>“As information on the undrawn external assistance may be difficult to gather, we propose that both the disclosure of the balance of undrawn external assistance and of the changes therein during the period become encouraged disclosures rather than required.”</i></p>
12	Norwegian Agency for Development Cooperation (NORAD)	C	<p><i>“Is this external assistance committed only in a written agreement(s) or is it required that the amount is already transferred to a national account, but not transferred to an account controlled by the Treasury?”</i></p>
13	East and Southern African Association of Accountants General (ESAAG)	C	<p>Proposes that illustration include analysis which identifies balances from new commitments during reporting period and from older commitments. Also see item 12 re Appendix 1 note 3.</p>
14	Dr L.P.P. Pahladsingh	B	<p>Encourage only: <i>“In my view the proposed requirement to disclose the balance of undrawn external assistance, loans and grants should not be required. The balance of remaining undrawn assistance should not be captured in a cash basis prepared financial statement and would be too costly to provide when the accounting records are kept on a cash basis. Hence, the disclosure of the balance of undrawn external assistance should be encouraged, rather than required.”</i></p> <p>In addition, changes in undrawn assistance should not be encouraged to be reported at exchange rates of each transaction on practical grounds. See item 12 re para 2.1.68.</p>
15	Ghana -Controller and Accountant-General's Department	A	<p><i>“The requirements to disclose balance of undrawn external assistance loans and grants as in 1.9.16 and the encouraged disclosure of changes therein during the period as in 2.1.65c are appropriate.”</i></p>

16	South African Institute of Chartered Accountants (SAICA)	A	<i>“We agree with the proposal.”</i>
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SPECIFIC MATTER FOR COMMENT (8)

Respondents were asked whether the disclosure of the terms and conditions of external assistance agreements that determine or effect access to, or limit the use of, external assistance which is currently encouraged (paragraph 2.1.69), should be reclassified as a required disclosure.

Should be encouraged – as per ED 32	A	13
Should be required	B	1
No specific view or different view expressed	C	2
TOTAL		16

	NAME	VIEW	COMMENT
1	IFAC – DNC	A	<i>“...does not believe that changing the status of this disclosure from ‘encouraged’ to ‘required’ would provide information that is of practical use to the users of the financial statements.”</i> If such re-designation took place then only total and not details should be disclosed.
2	Uganda Ministry of Finance	A	<i>“Generally speaking, terms and conditions of external assistance agreements should not be part of the reporting standards.The proposal for this disclosure is tough enough even under discretionary disclosure, as such, and at worst it should remain discretionary.there are terms and conditions that may result in a liability when breached ie the provider requires that where certain terms and conditions are breached, the amount already disbursed shall become immediately claimable. In such a case, there is a liability looming. It is our considered view that the benefits out of recognizing contingent liabilities are higher than the benefits of understanding the extent to which external assistance is subject to conditions.”</i>
3	World Bank	A	<i>“....should be encouraged.”</i>
4	Association of Chartered Certified Accountants (ACCA)	A	<i>“ACCA does not consider that this disclosure should be reclassified as a required disclosure.”</i>
5	The Chartered Institute of Public Finance and Accountancy, UK (CIPFA)	A	<i>“We are content with the approach....”</i>
6	The Japanese Institute of Certified Public Accountants (JICP)	A	<i>“We support the encouragement as proposed in the ED.”</i> But note response to 7.

7	The Institute of Chartered Accountants in England and Wales (ICAEW)	A	<i>“We support this disclosure as encouraged.”</i>
8	Fédération des Experts Comptables Européens (FEE)	A	<i>“We are content with the approach, which encourages rather than mandates disclosure....”</i>
9	J.S. Maresca	C	
10	Royal NIVRA – Netherlands (NIVRA)	A	<i>“We agree with the approach of encouragement.”</i>
11	The Institute of Certified Public Accountants of Cyprus – Public Sector Committee (Cyprus ICPA-PSC)	A	<i>“...should remain encouraged, so as to be at the preparer’s discretion to disclose only material agreements.”</i>
12	Norwegian Agency for Development Cooperation (NORAD)	C	While not dealt with specifically expresses broad support for all requirements except those specifically singled out.
13	East and Southern African Association of Accountants General (ESAAG)	B	<i>“As required”</i>
14	Dr L.P.P. Pahladsingh	A	<i>“....encouraged, rather than required.”</i>
15	Ghana -Controller and Accountant-General’s Department	A	Should be encouraged. <i>“Classifying the terms and conditions as a required disclosure will create difficulty since some of the terms and conditions are to remain confidential among the contracting parties.”</i>
16	South African Institute of Chartered Accountants (SAICA)	A	<i>“It should be encouraged, as currently required.”</i>

SPECIFIC MATTER FOR COMMENT (9)

Respondents were asked whether it is appropriate to encourage disclosure of the value of external assistance received in the form of non-cash goods and services (paragraph 2.1.85) and, if an entity elects to make such disclosure, to require disclosure of the basis on which that value was determined (paragraph 1.9.18).

Agree the encouragement – as per ED 32	A	13
Do not support	B	
No specific view or different view expressed	C	3
TOTAL		16

	NAME	VIEW	COMMENT
1	IFAC – DNC	A	<i>“...content that this disclosure should remain on an ‘encouraged’ basis.....practical problems involved in valuation will probably tip the ‘cost/benefit’ equation...into the negative.”</i>
2	Uganda Ministry of Finance	A	<i>“The encouraged disclosure appears reasonable to us. The explanations in para 2.186, 2.187 and 2.188 are reasonable and convincing.”</i>
3	World Bank	A	<i>“ ...this disclosure should be encouraged, rather than required by the Standard. We also agree that, where an entity elects to disclose this information, it should be required to disclose the basis on which the values were determined.”</i>
4	Association of Chartered Certified Accountants (ACCA)	A	<i>“ACCA supports this proposal.”</i>
5	The Chartered Institute of Public Finance and Accountancy, UK (CIPFA)	A	<i>“We are content with the approach..... Information on non-cash goods and service is useful information, but the collection of such information could be onerous for bodies which, prima facie, already have difficulty in collecting non-cash information...We also agree that there might be a variety of approaches to such valuation.... the best way to handle uncertainty and any lack of objectivity is to disclose the basis on which the value was determined.”</i>
6	The Japanese Institute of Certified Public Accountants (JICP)	A	<i>“We support the proposal in the ED.”</i>
7	The Institute of Chartered Accountants in England and Wales (ICAEW)	A	<i>“We agree with the proposal.”</i>

8	Fédération des Experts Comptables Européens (FEE)	A	<i>“We are content with the approach, which encourages rather than mandates disclosure.”</i>
9	J.S. Maresca	C	
10	Royal NIVRA – Netherlands (NIVRA)	A	<i>“We agree with the proposed approach.”</i>
11	The Institute of Certified Public Accountants of Cyprus – Public Sector Committee (Cyprus ICPA-PSC)	A	<i>“We agree that disclosure of the value of external assistance received in the form of non-cash goods and services should be encouraged.”</i>
12	Norwegian Agency for Development Cooperation (NORAD)	C	
13	East and Southern African Association of Accountants General (ESAAG)	C	Requests additional guidance on where the disclosure will be made. Does not disagree, but note comment on para 2.1.85 which indicates focus should be on budget, and if not included in budget then would not be reported.
14	Dr L.P.P. Pahladsingh	A	Support encouragement to disclosure. <i>“I also agree that, if an entity chooses to disclose this information, it should be required to also disclose the basis on which the values were determined...I think that further information is appropriate in order to give hands-on guidance.”</i>
15	Ghana -Controller and Accountant-General’s Department	A	Support position in ED32. It will also encourage donors to provide <i>“...documents authenticating the cost of goods and services.”</i>
16	South African Institute of Chartered Accountants (SAICA)	A	<i>“We encourage the disclosure which is in line with IPSAS 23 – Revenue from Non-Exchange Transactions.”</i>

SPECIFIC MATTER FOR COMMENT (10)

Respondents were asked whether the transitional provisions in paragraphs 1.9.26 and 1.9.27 are appropriate:

- (a) Paragraph 1.9.26 provides for a transitional period of two years for disclosure of the balance of undrawn external assistance; and
- (b) Paragraph 1.9.27 provides an exemption from the requirement to disclose comparative figures during the first year of application of the requirements relating to external assistance.

The IPSASB would welcome comments on whether other requirements of this Standard should also be subject to transitional provisions.

Support transitional provisions	A	10
Support transitional provisions with reservations	A-	3
Do not support	B	
No specific view or different view expressed	C	3
TOTAL		16

	NAME	VIEW	COMMENT
1	IFAC – DNC	A	<i>“...the transitional provisions in paragraphs 1.9.26 and 1.9.27 are appropriate.”</i> Advocates 3-5 year period for Part 2 disclosures. (Staff comment – Part 2 is encouraged and does not need to be complied with. Application date is therefore open ended. Anticipated entities will build these disclosures as appropriate for their environment.)
2	Uganda Ministry of Finance	A-	3 years for balance of undrawn assistance if disclosure of terms and conditions is required. Otherwise 2 years is reasonable.
3	World Bank	A-	(a) Should remove undrawn external assistance as requirement (see question 7) and therefore no transitional. (b) Support one year transition for comparatives.
4	Association of Chartered Certified Accountants (ACCA)	A	<i>“...but disclosure of the balance of undrawn external assistance should merely be encouraged.”</i>
5	The Chartered Institute of Public Finance and Accountancy, UK (CIPFA)	A	“...the transitional period seems reasonable”

6	The Japanese Institute of Certified Public Accountants (JICP)	A	<i>“We support the transitional provisions as proposed in the ED. We do not think that other requirements in the ED need any transitional treatments.”</i>
7	The Institute of Chartered Accountants in England and Wales (ICAEW)	A	<i>“The proposals for the transitional arrangements appear appropriate.”</i>
8	Fédération des Experts Comptables Européens (FEE)	A	<i>“....the transitional period seems reasonable.”</i>
9	J.S. Maresca	C	
10	Royal NIVRA – Netherlands (NIVRA)	A	<i>“The two proposed transitional provisions are reasonable. There is no need for additional transitional provisions for other requirements.”</i>
11	The Institute of Certified Public Accountants of Cyprus – Public Sector Committee (Cyprus ICPA-PSC)	A	<i>“The proposed transitional provisions are sensible, therefore we agree with them. There are no other requirements that we believe should be subject to transitional provisions.”</i>
12	Norwegian Agency for Development Cooperation (NORAD)	C	
13	East and Southern African Association of Accountants General (ESAAG)	C	Proposes that application date be 1 January 2009 and further field testing.
14	Dr L.P.P. Pahladsingh	A-	Disclosure of undrawn assistance should not be required. Therefore no need for para 1.9.26. <i>“... agree with the proposed 1-year transitional provision for the disclosure of comparative information.”</i>
15	Ghana -Controller and Accountant-General’s Department		Two years is sufficient
16	South African Institute of Chartered Accountants (SAICA)	A	<i>“We consider the transitional provisions to be reasonable....”.</i>

SPECIFIC MATTER FOR COMMENT (11)

Respondents were asked whether there are additional disclosures that have not been dealt with and should be required or should be encouraged.

	NAME	COMMENT
1	IFAC – DNC	But see item 12
2	Uganda Ministry of Finance	But see item 12.
3	World Bank	<p><i>“...there is a significant gap in the proposed disclosures in that these address only the receipt of external assistance, but not the specific purposes on which external assistance has been spent... in the absence of any requirement in the standard to disclose information about the uses to which external assistance has been put, there is some risk that different donors will continue to maintain their own financial reporting requirements on expenditures financed with ‘their’ funds.”</i></p> <p><i>“...the standard should require certain disclosures on payment side of the financial statements, relating to external assistance. This could cross refer to the relevant provisions in the Cash Basis IPSAS that address classification....paragraph 1.3.17 as well as appendices.”</i></p>
4	Association of Chartered Certified Accountants (ACCA)	But see 12.
5	The Chartered Institute of Public Finance and Accountancy, UK (CIPFA)	
6	The Japanese Institute of Certified Public Accountants (JICP)	<p><i>“ Paragraph 2.1.80.... disclosure of the outstanding balances of the external assistance debt itself needs to be encouraged as well as the repayment terms and conditions of the debt.”</i></p> <p>See also other matters addressed in tem 12</p>
7	The Institute of Chartered Accountants in England and Wales (ICAEW)	<i>“We consider that there is some merit in analyzing the provision of external assistance by provider and providing details of the currency in which it is given.”</i>

8	Fédération des Experts Comptables Européens (FEE)	<i>“We consider that it would be helpful if the proposed standard noted the particular challenges of accounting for emergency assistance, especially when this is made in-kind or to third parties.”</i> Include commentary to explain difficulty in disclosure of information about in-kind emergency assistance or assistance provided to parties other than the government.
9	J.S. Maresca	Identifies a range of indicators of performance/service achievements.
10	Royal NIVRA – Netherlands (NIVRA)	
11	The Institute of Certified Public Accountants of Cyprus – Public Sector Committee (Cyprus ICPA-PSC)	
12	Norwegian Agency for Development Cooperation (NORAD)	
13	East and Southern African Association of Accountants General (ESAAG)	But see 12
14	Dr L.P.P. Pahladsingh	Should encourage disclosure of how providers’ funds have been spent.
15	Ghana –Controller and Accountant-General’s Department	<i>“The required and encouraged disclosures of external assistance are enough. These set only the minimum, countries are at liberty to add”</i>
16	South African Institute of Chartered Accountants (SAICA)	<i>“We do not propose additional disclosures.”</i>

OTHER MATTERS IDENTIFIED BY RESPONDENTS (12)

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE
1.9.1 - NGO	2. Uganda MoF	<i>“.... Some NGOs provide support to groups rather than government or individuals. Could add to the definition of NGO “or organizations whose activities complement those of the government to provide for the welfare of the people”.”</i>	Consider inclusion in commentary rather than amending definition.
1.9.1 Official Resources	2. Uganda MoF	<i>".... the last phrase, “at their own risk and responsibility” is not clear.... Could rephrase this to: “to be available for use to meet the entity’s objectives”. Please also note that some of the assistance goes directly to the target activities or individuals e.g. emergency relief supplied directly to an emergency area. It should also be noted that some of the assistance is not by official agreement, but this would obviously be difficult to account for, but where information is available, disclosure (discretionary) would be good.”</i>	At own risk and responsibility intended to indicate that agencies make decisions autonomously. Consider clarification as IPSAS is finalized.
1.9.1 – Definitions not necessary	6. JICPA	<p><i>“.... the following definitions are not necessary since these terms are not used in important context....</i></p> <ul style="list-style-type: none"> <i>• Assigned External Assistance</i> <i>• Re-Lent External Assistance loans</i> <i>• Non-Government Organizations (NGOs)</i> <p><i>If the IPSASB elects to keep the definition of NGOs,... the definition be changed to “NGOs are government agencies, <u>private organizations</u> or to individuals.”</i></p>	<p>Agree not used extensively, but of view that on balance should retain – may be significant in some jurisdictions currently and may become more so over time.</p> <p>Initial reaction is to amend definition to refer to “...<u>organizations</u> or to individuals” - revisit as finalize IPSAS.</p>

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE
1.9.1 - Bilateral External Assistance	13. ESAAG	<i>“insert the word “donor” in the last line so that it reads of that <u>donor</u> nation’s external assistance.”</i>	Agree.
1.9.1 – External Assistance, Multilateral and Bilateral External Assistance Agencies	6. JICPA	<i>“...definition... is a tautology. Proposes amendments to definitions of multilateral and bilateral external assistance agencies.</i>	Merit in proposals. Review definition in finalization of IPSAS. Consider in context of amendments that might be made to definition of “external assistance” to deal with the “domestic” issue.
1.9.3 -1.9.4	3. World Bank	<i>“:....External assistance agreements can evolve in many different ways, according to country circumstances, the institutions involved etc. With this in mind, we would advise against this Standard’s attempting to describe what meetings may (or may not) take place between governments and donors prior to entering into an external assistance agreement”.</i>	Agree. Will generalize paragraph for IPSASB review as draft IPSAS is developed.
1.9.3 – 1.9.4	14. Dr L.P.P. Pahladsingh	<i>“...may be illustrative for a specific arrangement of external assistances, various arrangements between providers and recipients can be made.I therefore see limited added value in detailing this specific type of arrangements.”</i>	Agree – see above.
1.9.5	6. JICPA	Recommend this paragraph: <i>“...clearly indicates the fact that in-kind goods or services are one of the major forms of external assistance....”</i>	Agree that commentary can highlight this. Consider location as IPSAS is finalized in light of other amendments.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE
1.9.7, pages 14 and 15	1. IFAC – DNC	“...“formally advised” by another party is not sufficiently robust and the DNC would be happier to rely on the organisation’s own verification of the payment. This could be achieved by striking out the wording “been formally advised by the third party or the recipient that such payment has been made or has otherwise”. This would leave it to read “the entity has verified the payment”.	Staff support this amendment. However, wording reflects requirement/wording in the Cash basis IPSAS and has implications well beyond external assistance. Do not change just for external assistance but consider in review of Cash basis IPSAS
1.9.7 and 1.9.10	3. World Bank	<i>“We recommend that the IPSASB reconsider the proposed requirement to disclose separately: (i) payments made by third parties that are part of the economic entity; and (ii) payments made by third parties that are not part of the economic entity. In our view this is an unnecessary level of detailed disclosure.... Moreover, it is debatable whether the circumstances would constitute external assistance, as defined in the Exposure Draft. Rather, these would appear to be widely-adopted treasury management practices in government, and not necessarily associated with the reporting entity’s receipt of external assistance.”</i>	These disclosures reflect a general requirement of the cash basis IPSAS. The concerns/issues here are more general than external assistance only and may validly impact a range of disclosures. Agree, driven by Treasury management practices, but appear necessary given those practices – consider for example, circumstances where cash is provided to Ministry for benefit of agency and agency is a reporting entity.
1.9.7, 1.9.8, 1.9.9	13. ESAAG	Re Paras 1.9.7, 1.9.8, 1.9.9 – Only total amount should be required on face with analysis into (i) third party payments part of Eco entity and not; (ii) significant class of provider and (iii) loans and grants required in the notes.	No change at this stage. The structure of the statement was considered by the IPSASB in finalizing the Cash Basis IPSAS. These are valid concerns and should be considered in the review of the Cash Basis IPSAS itself. Comments have broader impact on the Cash Basis IPSAS including the definition of cash and its relationship to third party payments and relationship to budget basis.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE
1.9.10 (a) and (b)	14. Dr L.P.P. Pahladsingh	<i>“....whether this concerns external assistance. Rather this constitutes widely used payment constructions, such as the single treasury account, between government departments.”</i>	Agree it flows from treasury arrangements but is driven by general requirement of the Cash Basis IPSAS and may not be able to be dismantled only for external assistance.
1.9.11	13. ESAAG	Questions whether circumstances dealt with in 1.9.11 will arise if appropriate budget controls are in place – notes that donors will only effect direct payments to third parties at the direction of the recipient.	Noted. However, the experience in different jurisdictions appears to differ. Consider in process of finalizing IPSAS.
1.9.13	14. Dr L.P.P. Pahladsingh	Disclose amount of assistance “made available” in original currency as well as reporting currency	Agree – should add as an encouragement. This will enable recipients to develop disclosures in consultation with donors, as appropriate.
1.9.18	13. ESSAG	<i>“Where will the disclosure be made? ... What connection will this have to the statement? May be a separate schedule listing the donors, items/ services received....”</i>	Agree could usefully clarify/emphasise that disclosure is in notes. As Cash Basis IPSAS is updated with requirements and encouragement, this may become clearer – consider in process of finalization of IPSAS.
1.9.20	13. ESSAG	<i>“Again, a separate schedule be prescribed, listing the partners involved, the loans in question, the amounts rescheduled and the terms e.g. renegotiated, interest rates, grace period, repayment period, etc.”</i>	Disclosure illustration only. Would prefer to allow reporting entity to develop best/ appropriate means to communicate with constituents rather than prescribing/imposing form.
1.9.22	6. JICPA	<i>“...expand the range of situations which trigger disclosure to ‘....when non compliance <u>results</u> in <u>punitive action by the donor, such as cancellation of the assistance, cessation of scheduled disbursement, or halting further provision of assistance.</u>’</i>	Agree that range of circumstances that trigger should be broadened to encompass punitive action by donor and cessation of current and future assistance – review specific wording as finalize IPSAS.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE
1.9.22	14. Dr L.P.P. Pahladsingh	Proposed required disclosure of grants or guarantees that have not been complied with when <i>“....may be too erroneous. I think further guidance is needed.”</i>	No change. Strong support for this provision.
1.9.22	13. ESAAG	need to <i>“...examine in detail also those conditions not complied by Donors that may lead to recipients resisting the terms and therefore leading to cancellations.”</i>	Noted – but additional disclosure not proposed at this stage. IPSASB consider in finalization of IPSAS.
2.1.61 and 2.1.63	14. Dr L.P.P. Pahladsingh	Donors will require information on <i>“how their allotted funds have been spent...Cross reference with funds received should be encouraged.”</i>	Classes of use is currently encouraged - can clarify. Could note in explanatory paragraphs that uses cross-referenced by donor not prohibited - consider as finalize IPSAS.
2.1.67, line 5 – 6	6. JICPA	<i>“We suggest the addition of “or expired” ... since a major reason for extinguishing undrawn external assistance is that the time limit for the disbursement of such assistance has expired. the total amounts of loans and grants cancelled or expired during the period, We also suggest amending the table in page 35 on the same ground.”</i>	Agree.
2.1.68	6. JICPA	<i>We believe that the proposal in paragraph 2.1.68 that requires an entity to apply the exchange rate of each applicable “transaction” is inappropriate..... More useful information would be presented if the exchange rates at fiscal year-end were to apply not only to the balance, but also to the changes during the period.....”.</i>	Point has merit. Take on board and consider in context of general guidance in IPSAS and, where balances are drawn down during the period, the reconciliation with amounts in the Statement. This issue will also be influenced by decision re SPC 7.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE
2.1.68	14. Dr L.P.P. Pahladsingh	<i>“Further, I believe that the proposal made in paragraph 2.1.68 regarding the conversion of each applicable ‘transaction’ by an entity is inappropriate, troublesome and not cost-effective.”</i>	Point has merit – take on board- see above.
2.1.73. to 2.1.75.	6. JICPA	<i>“We have some difficulty understanding these paragraphs, so we propose clarification. We suggest that the description of the guarantee of repayment, currently in paragraph 2.1.73(a), is placed after paragraphs 2.1.80 – 2.1.84 that describe disclosure of terms and conditions ... and that description of the disclosure of a third party “guarantee” ... is placed after paragraphs 2.1.68 – 2.1.72 We also suggest replacing the word “guarantee” in the latter case with “commitment” or a similar word.”</i>	Consider as finalize IPSAS. This paragraph deals with guarantees of loans and grants. Staff’s initial reaction is to keep together, but to clarify to overcome confusion, rather than to split.
2.1.85	13. ESSAG	<i>“IS THIS FOR ASSISTANCE INCLUDED IN THE ANNUAL BUDGET? If so, then the values for the goods and/or services to be paid for directly by the donor are known to the recipient....If they are NOT INCLUDED IN THE BUDGET they should not be associated to./with the annual financial statements”</i>	This assistance is unlikely to be included in budgets given expectation is that budget is on cash basis.
2.1.85	13. ESSAG	<i>“A Standard such as this should go into and encourage Comprehensive Budgeting, PROVIDING ROOM FOR SUPPLEMENTARY BUDGETING, thus enabling inclusion of “after budget events” in the budget, accounting and reporting.”</i>	No change. The IPSASB has not decided to deal with budget formulation. What encompassed within scope of financial reporting will be considered in Framework project.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE
Appendix 1 page 22	6. JICPA	“We suggest the following amendment since “Other Grants and Aid” cannot be part of External Assistance by definition.”	Agree.
Appendix 1, Statement Receipts Payments, page 23	13. ESSAG	<i>“Since the Payments by third parties will be treated as a cash receipt to be grossed up with the cash receipts, there should be a third column for Total Receipts to make the statement meaningful and comprehensive.”</i>	No change – in finalizing Cash Basis IPSAS the Board decided not to sum (because third party settlements do not satisfy definition of cash).
Appendix 1 Statement Receipts Payments, page 23	13. ESSAG	<i>“Governments do not trade. If this refers to receipts from government parastatals and other government business entities, etc. which are funded by the governments, then they should be referred to as Dividend Receipts”</i>	No change. The illustration is for a consolidated financial statement for the government which could/will encompass GBEs. This flows from Cash Basis IPSAS and will be clearer when included in external assistance in the IPSAS.
Appendix 1 Statement Receipts Payments, page 23	13. ESSAG	Some subtotals should be included	Agree – will review the statement.
Appendix 1 Illustrative statement page 23	14. Dr L.P.P. Pahladsingh	<i>“...not clear on the distinction between assistance and grants and other borrowings.”</i>	Agree – need to bold “other Grants” to clarify.
Appendix 1 page 24	6. JICPA	<i>“the last three lines “External assistance loans of X..... We suggest deleting this sentence since such disclosure is not required in the ED.”</i>	Agree not required. But feel useful if cancellation did occur – to ensure that no gap. IPSASB to revisit as finalize IPSAS.
Appendix 1 Note 3, page 24	13. ESSAG	<i>“...it would be better for this statement to start with Balances B/F; NEW COMMITMENTS; DRAWINGS DURING THE YEAR; BALANCES C/F. This will give light on the build up of the current balance.”</i>	No change. Intent was only to illustrate balance of undrawn assistance at reporting date. Proposal seems useful disclosure, but goes further than intended/required.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE
Appendix 1 Illustrative Note 3, page 24	14. Dr L.P.P. Pahladsingh	<i>“....proposed information....can not be reconciled with page 23 Alsoinclude the foreign currency of the provider.”</i>	Staff are of view can be reconciled. Foreign currency of provider not required so not currently illustrated. Staff agree case for its disclosure particularly given is done so for note 3. Revisit in light of IPSASB decision on currency disclosure.
Appendix 1 Example disclosure note 3, page 25	1. IFAC – DNC	<i>“...The DNC finds the current examples not entirely clear and feel that they could be improved by a statement that they are “Reported in local currency but provided in foreign currency” or similar wording.”</i>	Agree. Can usefully be clarified. In addition, Board to consider whether currency of grant or loan should also be disclosed – encourage as required.
Appendix 1 page 25	6. JICPA	<i>“We suggest deleting the example of disclosure of undrawn external assistance by currency since such disclosure is not required in the ED.”</i>	Consider in light of other decisions. Agree not required, and that disclosure by currency of provider not included in other disclosures. However, a number of respondents advocated that such disclosures be made. Revisit in context of Board decision.
Appendix 1 and 2 Examples page 25 and 36	1. IFAC – DNC	Examples illustrating 1.9.16 and 2.1.65 (pages 25 and 36) open to misinterpretation/not clear.	Agree need to revisit (see comment JICPA above).
Appendix 2 page 34	6. JICPA	<i>“We suggest changing “Loan funds” in the table below to “Borrowed funds”.”</i>	Agree need to review consistency of usage of terms.
Appendix 2 Illustrative statements/notes, page 34	14. Dr L.P.P. Pahladsingh	Check <i>“....consistent use of terms like borrowings, grants, borrowed funds, loan funds and loans.....difference between Aid and Grants and borrowed funds and loan funds, and trade assistance and trade finance, development assistance and emergency assistance should be made more clear.”</i>	Agree – will review in finalization of IPSAS.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE
Appendix 2 page 34 statements/notes,	14. Dr L.P.P. Pahladsingh	Revise structure to align “.with the proposed line items on the Statements of Cash Receipts and Payments”	Consider as finalize IPSAS and in light of other revisions.
Appendix 2 - page 41- last paragraph	6. JICPA	<i>“We suggest the addition of “and services”. ”</i>	Agree add to first line of last paragraph on page 41.
Additional Explanation – emergency assistance	4. ACCA	<i>“The proposed standard should note the particular challenges of accounting for emergency assistance, especially when this is made in-kind or to third parties.”</i>	Consider in process of finalizing IPSAS add item to paragraph 2.1.63 comments on this. Also explore if need similar observations on other forms of assistance – eg challenges re military also raised as an issue.
Additional Explanation - events after the fiscal year-end	6. JICPA	<i>“We hope that the IPSASB will consider whether events occurring after the fiscal year-end but before the preparation of financial statements need to be disclosed when such events significantly affect the availability of external assistance.”</i>	The Board did consider this matter in finalizing Cash Basis IPSAS. This has broader implications than just for external assistance. Consider in general review of Cash Basis IPSAS.
Basis for Conclusion, paragraph BC1	6. JICPA	Re: observation that donors may require recipients to follow particular accounting practices acceptable to them (donors): <i>“The statement may be true, but it is irrelevant as the basis for conclusion since the ED stipulates the disclosure of funds received or receivable but does not stipulate the disclosure of the use of the funds.”</i>	Important to retain the broad sense of this para as it has underpinned rationale for this IPSAS. However, agree “for use of the funds provided” may be deleted from first sentence.
Basis for Conclusion, paragraph BC5	16. SAICA	<i>“We suggest that the wording be amended to reflect the fact that the Board has issued IPSAS 23.”</i>	Agree. ED 32 issued before IPSAS 23 and needs to be updated.
General comment	12. NORAD	Concern that text is too long/wordy.	Consider in finalizing IPSAS – reduce if possible.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE

Project History
Cash Basis IPSAS- Disclosure by Recipients of External Assistance
(Last updated May 2007)

Nov 2002	Correspondence from the OECD-DAC (Richard Manning) and the Multi lateral Development Banks Financial Management Harmonization Group (Fayezul Choudhury).
Dec 2003	Project Advisory Panel (PAP) established.
Jan 2004	Key Decisions Questionnaire (KDQ) Issued to the PAP.
March 2004	PSC Meeting. Consultant and PAP Chair in attendance. Initial Draft Exposure Draft (ED) based on KDQ with scope defined as “Accounting for Development Assistance” discussed in principle by PSC and guidance provided by PSC. Draft ED circulated to the PAP for comment.
April - June 2004	Consultant liaises extensively with PAP members and other key constituents regarding scope of ED and key definitions. Consultant and PAP Chair meet to analyze responses from PAP.
July 2004	<p>PSC Meeting. Consultant and PAP Chair in attendance. Second Draft ED with scope widened and defined as “Accounting for Development and Humanitarian Assistance” discussed by PSC. PSC noted widening of scope based on comments received from PAP. PSC also noted subsequent proposal from OECD –DAC to expand the scope of the ED to “Accounting for External Assistance”. PSC indicated preliminary agreement with revised scope, subject to comment from PAP.</p> <p>Consultant met with the PAP through the OECD Joint Venture – Public Financial Management Committee Meeting (OECD-JVPFM). Made presentation on the draft ED and discussions at July PSC meeting. PAP agreed on expansion of the scope from “Accounting or Development and Humanitarian Assistance” to “Accounting for External Assistance”.</p>
Aug - Oct 2004	Consultant continues to liaise extensively with PAP members and other key constituents regarding scope of ED, key definitions and major requirements. Consultant redrafts ED and discusses revised versions with PSC Technical director. Consultant meets with PSC Technical Director for detailed review of revised draft prior to distribution to PSC for November PSC meeting.
Oct 2004	Third Draft ED with scope defined as “Disclosure by Recipients of External Assistance” submitted to PSC for their consideration. Also provided to OECD-JVPFM for their consideration. Consultant and PSC Chair or nominee invited to present to OECD-JVPFM to provide update on ED, and launch ED if approved by PSC.

- Nov 2004 ED agreed for issue by IPSASB (formerly PSC) subject to processing of final amendments and approval by subcommittee and chair.
- Consultant and IPSASB Chair present to OECD – DAC, noting the ED has been approved for issue in early 2005, subject to final review, and advising that ED will be publicly available from IFAC website. OECD-DAC agrees to instigate field test of ED amongst some member countries.
- Dec 04 - Jan 05 ED amended and approved for issue by subcommittee. Additional question added to respond to concern of some OECD-DAC members that disclosure requirements too onerous.
- Feb 2005 ED 24 “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance” issued with a comment period until 15 June 2005. ED 24 loaded on IFAC website. PAP and OECD-DAC advised of issue with request to field test. Hard copies printed and distributed widely.
- July 2005 IPSASB commences consideration of the 27 responses to ED 24. Agrees that additional field testing should occur prior to moving to a final IPSAS.
- Aug - Nov 2005 Chair and staff develop letter for members to use in communicating with relevant organizations, including donors and recipients, in their jurisdiction to seek additional input and support for field testing. Chair writes to OECD-DAC re their commitment to support field testing. Members and staff encourage additional input at seminars/presentations.
- Nov - Dec 2005
IPSASB meeting Members note additional responses (3) and field test potentials that appear in train. Discuss ED 24 extensively with Consultative Group members and agree to provide time for current initiatives to work through. Agree to reactivate project with review of comments and consideration of strategy for moving forward at next IPSASB meeting in March 2006.
- Staff attend a meeting of regional managers of the Multilateral Development Banks to provide an update on progress. Meeting notes that funding support was provided for this project and that support remains for an IPSAS on this topic (or for updating the Cash Basis IPSAS).
- Feb 2006 IPSASB Chair presents to OECD-DAC-JV. Notes that OECD-DAC-JV work program includes field testing of proposed IPSAS.
- March 2006 IPSASB meeting in Tokyo. IPSASB agrees to restructure ED 24 into required and mandatory sections as per the Cash Basis IPSAS, to issue a new ED and to continue to pursue field testing of the new ED. Staff directed to prepare draft ED proposing amendments to the cash basis (as an

alternative to a separate IPSAS) for consideration at the next meeting in Paris in July 2006.

- April 2006 Director of ESAAG advises staff that Namibia is prepared to field test ED 24 or a subsequent ED. Staff respond and provide update on IPSASB deliberations and plans and input on potential field test methodologies and approaches. Namibia agrees that the revised ED on external assistance should be field tested.
- May - June 2006 Staff prepare draft ED reflecting Cash Basis IPSAS approach: basic required disclosures and additional encouraged disclosures. Revised draft ED distributed to IPSASB members for consideration at July IPSASB meeting. Revised draft also provided to OECD-DAC-J.V. for review and comment prior to IPSASB meeting.
- July 2006 IPSASB Chair invited to present to OECD-DAC J.V. meeting prior to IPSASB meeting. IPSASB Chair accepts invitation. OECD-DAC JV Chair attends IPSASB meeting in Paris and notes OECD-DAC-JV support for draft ED. Identifies proposals for amendment to move certain encouraged disclosures to required disclosures. IPSASB responds positively.
- OECD-DAC-JV Chair also confirms JV members will field test ED when finalized.
- IPSASB reviews draft ED and approves it for issue subject to amendment as identified at the meeting and final approval by Chair.
- IPSASB agrees to field testing ED by OECD-DAC-JV members and ESAAG members.
- Aug - Oct 2006 Draft ED revised as directed. Approved for issue by Chair.
- November 2006 ED 32, “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance” issued in November 2006 for comment by March 31, 2007.
- Nov - Dec 2006 Staff follow up with ESAAG and with OECD-DAC-JV on field testing as previously agreed.
- ESAAG advises that country that previously volunteered to field test the ED (Namibia) was no longer able to so and would seek advice from other member countries on whether they could field test.
- Nov - Dec 2006
(cont'd) OECD-DAC-JV advises that the following countries have indicated a willingness to field test and will contact IPSASB staff directly re field testing: Nigeria, Madagascar, and Burkina Faso. Staff follow up without success.

Dec 06 – Mar 07 Application for funding support made to State Secretariat for Economic Affairs (SECO) of Switzerland. Grant approved February 2007.

Staff develop field test protocols and liaise with OECD-DAC-JV, SECO, ESAAG and others to find field test partners. Staff also make direct contact with a number of countries in Africa with a view to identifying field test partners. Ghana, Uganda and Nigeria field test ED 32.

April – May 07 Exposure period for ED 32 extended to April 30 to allow for additional responses. Members and staff continue to seek field test partners from other regions including South and Central Asia and Central and South America.



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**ED 32 “Financial Reporting Under the Cash Basis of Accounting –
Disclosure Requirements for Recipients of External Assistance”**

Broad outline of Field Test Protocols – subject to further development/refinement in conjunction with the Ministry of Finance or other field tester in each jurisdiction.

These Protocols deal separately with the requirements (Part 1 of ED 32) and the encouragements (Part 2 of ED 32). The primary focus/need is to generate field test results for Part 1 of ED 32, but input on Part 2 is also most welcome.

1. Apply ED 32 to data generated to prepare the most recent financial statements that have been finalised (2006, 2005 or 2004) - the more recent the year for which the data is available the better.

Compile the required disclosures consistent with ED requirements based on the information available for the field test year. It is only necessary to do it for one year for field testing purposes. However, comparative information for the previous year is also welcome if available.

2. Identify whether there are parts of the required component of the ED (Part 1) that the recipient country/reporting entity could not comply with in the field test year.

3. Advise on whether the recipient country/reporting entity could structure its data collection system to generate data to comply with all requirements within a short period of time - within 12 months, 2 years or a longer period.

This will assist the IPSASB to identify any transitional provisions that might be needed.

4. Advise whether Part 1 of the ED proposes disclosure of information which is not available currently, and which it is unlikely will be able to be generated however long the transitional period is. For example, because the information is not provided by donors, because the requirement(s) of the proposed standard is not clear, because currently the data is not gathered and it is too costly to restructure the system to do so, other reasons.

This will assist the IPSASB in assessing the cost-benefits of particular requirements of the ED, the practicability of the requirements, and the need to discuss further the availability of data with donors.

5. Advise on whether the recipient country/reporting entity could have complied with all or some of the encouraged disclosures in the field test year – if compliance with only some was possible, identify those disclosures. Views on whether it is useful to make such disclosures would also be most helpful.

6. Identify any encouraged disclosures which could not be complied with in the field test year, but which the recipient country/reporting entity believes would be useful to disclose in the future.

Also advise on whether revisions to the data collection systems are necessary to enable delivery of these additional disclosures and whether such revisions are practicable or are prohibitively costly.

This will assist the IPSASB to identify whether revisions to the encouraged disclosures are necessary.

7. Provide a brief note on the current basis of financial reporting, including whether the reporting entity currently applies the Cash Basis IPSAS..

8. Compile this data/advice in a brief report to the IPSASB.

IPSASB staff are available to provide input on the form of such a report and its contents, on request. Please contact Paul Sutcliffe at psutcliffe@ifac.org

(Original 28 Dec 2006 – updated March 07)

**International
Public Sector
Accounting
Standards
Board**

Exposure Draft 32

November 2006

Comments are requested by March 31, 2007

*Proposed Amendment to International Public
Sector Accounting Standard — Financial
Reporting Under the Cash Basis of Accounting*

**Financial Reporting Under
the Cash Basis of
Accounting — Disclosure
Requirements for Recipients of
External Assistance**



**International Federation
of Accountants**

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**COMMENTING ON THIS
EXPOSURE DRAFT**

This Exposure Draft of the International Federation of Accountants (IFAC) was prepared by the International Public Sector Accounting Standards Board (IPSASB). The proposals in this Exposure Draft may be modified in the final Standard in the light of comments received before being issued in the form of an International Public Sector Accounting Standard (IPSAS).

Comments should be submitted in writing so as to be received by March 31, 2007. Email responses are preferred. All comments will be considered a matter of public record. Comments should be addressed to:

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INTRODUCTION TO THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

The International Federation of Accountants' International Public Sector Accounting Standards Board (IPSASB) develops accounting standards for public sector entities referred to as International Public Sector Accounting Standards (IPSASs). The IPSASB recognizes the significant benefits of achieving consistent and comparable financial information across jurisdictions and it believes that the IPSASs will play a key role in enabling these benefits to be realized. The IPSASB strongly encourages governments and national standard-setters to engage in the development of its Standards by commenting on the proposals set out in Exposure Drafts.

The IPSASB issues IPSASs dealing with financial reporting under the cash basis of accounting and the accrual basis of accounting. The accrual basis IPSASs are based on the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB) where the requirements of those Standards are applicable to the public sector. They also deal with public sector specific financial reporting issues that are not dealt with in IFRSs.

The adoption of IPSASs by governments will improve both the quality and comparability of financial information reported by public sector entities around the world. The IPSASB recognizes the right of governments and national standard-setters to establish accounting standards and guidelines for financial reporting in their jurisdictions. The IPSASB encourages the adoption of IPSASs and the harmonization of national requirements with IPSASs. Financial statements should be described as complying with IPSASs only if they comply with all the requirements of each applicable IPSAS.

The IPSASB encourages governments to progress to the accrual basis of accounting and to harmonize national requirements with the IPSASs prepared for application by entities adopting the accrual basis of accounting. Entities intending to adopt the accrual basis of accounting at some time in the future may find other publications of the IPSASB helpful, particularly Study 14, "Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities" (2nd Edition).

This Exposure Draft proposes that Part 1 of the IPSAS "Financial Reporting Under the Cash Basis of Accounting" (Cash Basis IPSAS) be amended to include additional disclosure requirements for recipients of external assistance. It also proposes that Part 2 of the Cash Basis IPSAS be amended to identify additional encouraged disclosures for recipients of external assistance.

INTRODUCTION TO THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

Due Process and Timetable

An important part of the process of developing IPSASs is for the IPSASB to receive comments on the proposals set out in IPSAS Exposure Drafts from governments, public sector entities, auditors, standard-setters and other parties with an interest in public sector financial reporting. Accordingly, each proposed IPSAS is first released as an Exposure Draft inviting interested parties to provide their comments. Exposure Drafts will usually have a comment period of four months, although longer periods may be used for certain Exposure Drafts. Upon the closure of the comment period, the IPSASB will consider the comments received on the Exposure Draft and may modify the proposed requirements and encouragements in the light of the comments received before proceeding to issue a final Standard.

Background

Providers of external assistance, particularly providers of development assistance, require recipients to follow a variety of accounting practices. Recipients of external assistance usually receive external assistance from a number of sources. Adhering to a number of different accounting practices and reporting requirements within a portfolio of projects imposes significant compliance costs on recipients.

The Cash Basis IPSAS was issued in January 2003. Many recipients of external assistance maintain their accounts on the cash basis of accounting. In response to requests from constituents for a generally accepted accounting standard for reporting external assistance, the IPSASB has developed this Exposure Draft which proposes that the Cash Basis IPSAS be amended to include additional disclosure requirements and additional encouraged disclosures for recipients of external assistance. It reflects the view that reporting requirements for external assistance should be harmonized on the basis of accounting principles followed by the recipient.

This Exposure Draft has been developed following consideration of responses received on Exposure Draft 24, "Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance" issued in February, 2005 with comments requested by June 13, 2005.

Purpose of the Exposure Draft

This Exposure Draft proposes requirements for the disclosure of information about external assistance. It also identifies additional disclosures that a recipient is encouraged, but not required, to make.

INTRODUCTION TO THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

Request for Comments

Comments are invited on any proposals in this Exposure Draft by March 31, 2007. The IPSASB would prefer that respondents express a clear overall opinion on whether the Exposure Draft in general is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the specific issues in the Exposure Draft. Respondents are also invited to provide detailed comments on any other aspect of the Exposure Draft (including materials and examples contained in appendices) indicating the specific paragraph number or groups of paragraphs to which they relate. It would be helpful to the IPSASB if these comments clearly explained the issue and suggested alternative wording, with supporting reasoning where this is appropriate.

Specific Matters for Comment

The IPSASB would particularly value comments on:

1. Whether the designation of certain disclosures as required and other disclosures as encouraged is appropriate. If the proposed designation is not considered appropriate, please identify the amendments and/or reclassifications you consider appropriate.
2. Whether the Cash Basis IPSAS “Financial Reporting Under the Cash Basis of Accounting” should be amended to include the additional required and encouraged disclosures, or whether the required and encouraged disclosures should be issued as a separate “stand alone” Cash Basis IPSAS.
3. Whether the proposed definition of “external assistance” in paragraph 1.9.1 is sufficiently broad to encompass all official resources received.
4. Whether the separate disclosures of the amount of external assistance should be required on the face of the Statement of Cash Receipts and Payments as is currently required in paragraph 1.9.6, or whether the IPSAS should allow such disclosure to be made either on the face of the Statement of Cash Receipts and Payments or in the notes thereto.
5. Whether other sources of assistance, such as assistance provided by non-governmental organizations (NGOs), should also be included in the definition of “external assistance”. Currently, the proposed Standard requires that entities disclose all official resources received. Official resources as defined in paragraph 1.9.1 would exclude certain assistance received from NGOs.
6. Whether the Standard should encourage the disclosure of specific categories of external assistance or only the disclosure of external assistance by “significant classes” without further specification. Paragraph 2.1.60

INTRODUCTION TO THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

encourages the disclosure of external assistance by significant classes. Paragraph 2.1.61 includes a description of some such classes.

7. The proposal to require disclosure of the balance of undrawn external assistance loans and grants (paragraph 1.9.16), and encourage disclosure of changes therein during the period (paragraph 2.1.65(c)).
8. Whether the disclosure of the terms and conditions of external assistance agreements that determine or effect access to, or limit the use of, external assistance which is currently encouraged (paragraph 2.1.69), should be reclassified as a required disclosure.
9. Whether it is appropriate to encourage disclosure of the value of external assistance received in the form of non-cash goods and services (paragraph 2.1.85) and, if an entity elects to make such disclosure, to require disclosure of the basis on which that value was determined (paragraph 1.9.18).
10. Whether the transitional provisions in paragraphs 1.9.26 and 1.9.27 are appropriate:
 - (a) Paragraph 1.9.26 provides for a transitional period of two years for disclosure of the balance of undrawn external assistance; and
 - (b) Paragraph 1.9.27 provides an exemption from the requirement to disclose comparative figures during the first year of application of the requirements relating to external assistance.

The IPSASB would welcome comments on whether other requirements of this Standard should also be subject to transitional provisions.

11. Whether there are additional disclosures that have not been dealt with and should be required or should be encouraged.

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

Financial Reporting Under the Cash Basis of Accounting

Structure of the Cash Basis IPSAS

The Cash Basis IPSAS “Financial Reporting Under the Cash Basis of Accounting” comprises two parts:

- Part 1 is mandatory. It sets out the requirements which are applicable to all entities preparing general purpose financial statements under the cash basis of accounting. It defines the cash basis of accounting, establishes requirements for the disclosure of information in the financial statements and supporting notes, and deals with a number of specific reporting issues. The requirements in this part of the Standard must be complied with by entities which claim to be reporting in accordance with the International Public Sector Accounting Standard, “Financial Reporting Under the Cash Basis of Accounting” (the Cash Basis IPSAS).
- Part 2 is not mandatory. It identifies additional accounting disclosures that an entity is encouraged to adopt to enhance its financial accountability and the transparency of its financial statements.

**INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARD**

**FINANCIAL REPORTING UNDER THE CASH BASIS OF
ACCOUNTING – DISCLOSURE REQUIREMENTS FOR
RECIPIENTS OF EXTERNAL ASSISTANCE**

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Basis for Conclusions

Introduction to the Proposed Amendments to the Cash Basis IPSAS

- IN1. This Exposure Draft proposes amendments to the Cash Basis IPSAS “Financial Reporting Under the Cash Basis of Accounting” (the Cash Basis IPSAS). Therefore, it should be read in conjunction with the Cash Basis IPSAS. It requires certain disclosures about external assistance and encourages other disclosures. The required and encouraged disclosures are additional to those specified in the Cash Basis IPSAS.

Need for the amendments to the Cash Basis IPSAS

- IN2. Many entities which prepare financial statements in accordance with the cash basis of financial reporting are recipients of external assistance. However, the Cash Basis IPSAS does not currently provide guidance on the disclosures that should be made by recipients of external assistance.
- IN3. The required and encouraged disclosures proposed in this Exposure Draft will provide needed guidance to preparers of cash basis financial statements and will increase the comparability and usefulness of those financial statements to users.

Applicability of the IPSAS

- IN4. The proposed required and encouraged disclosures apply to all entities that are recipients of external assistance and prepare and present their general purpose financial statements under the cash basis of accounting as defined in the Cash Basis IPSAS. The Cash Basis IPSAS applies to all public sector entities that apply the cash basis of accounting, other than Government Business Enterprises (GBEs).
- IN5. The Preface to International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) explains that IFRSs are designed to apply to the general purpose financial statements of all profit-oriented entities. GBEs are profit-oriented entities. Accordingly, they are required to comply with IFRSs.

Disclosure

IN6. This Exposure Draft requires certain disclosures about external assistance during the period, including the amount of external assistance:

- Received in cash or paid by third parties to settle obligations of the recipient;
- Received as loans and as grants; and
- That has not yet been drawn down and the amount rescheduled or cancelled.

It also requires disclosure of significant terms and conditions that have not been complied with and have resulted in cancellation of any external assistance.

IN7. Part 2 of this Exposure Draft also encourages, but does not require, a range of other disclosures including disclosure of the significant classes of external assistance received during the period, the value of goods and services received in-kind, terms and conditions that govern the draw down or may otherwise limit access to external assistance, and the identity of each provider of external assistance and the amount of assistance provided.

IN8. The Cash Basis IPSAS requires that when an entity elects to include in its financial statements any disclosures encouraged by Part 2 of the Cash Basis IPSAS, those disclosures are to satisfy the qualitative characteristics of financial reporting as specified in Appendix 4 of the Cash Basis IPSAS. The Cash Basis IPSAS also requires that notes to the financial statements of an entity describe the specific accounting policies adopted for significant transactions and events and which are necessary for a proper understanding of the financial statements. Therefore, where an entity elects to include in its financial statements any disclosures encouraged by this Exposure Draft, those disclosures are to comply with the accounting policy and explanatory notes requirements of the Cash Basis IPSAS.

**INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARD**

**STRUCTURE OF THE PROPOSED AMENDMENTS TO
THE CASH BASIS IPSAS**

**DISCLOSURE REQUIREMENTS FOR RECIPIENTS OF
EXTERNAL ASSISTANCE**

Part 1: Requirements

Part 1 of this Exposure Draft sets out the proposed requirements for disclosure of information about external assistance by recipients that report under the Cash Basis IPSAS “Financial Reporting Under The Cash Basis of Accounting”.

The standards, which have been set in bold type, should be read in the context of the commentary paragraphs in this Exposure Draft, which are in plain type, and in the context of the “Preface to International Public Sector Accounting Standards”. International Public Sector Accounting Standards are not intended to apply to immaterial items.

Part 2: Encouragements

Part 2 of this Exposure Draft sets out disclosures that recipients of external assistance are encouraged, but not required, to make.

STRUCTURE OF THE PROPOSED AMENDMENTS
DISCLOSURE REQUIREMENTS

Disclosure Requirements for Recipients of External Assistance

Objective

This Exposure Draft proposes amendments to the Cash Basis IPSAS, “Financial Reporting Under The Cash Basis of Accounting” to require certain disclosures about external assistance and to encourage other disclosures. The term “this Standard” is used in this Exposure Draft to mean amendments to the Cash Basis IPSAS. It is not proposed to issue a separate Cash Basis IPSAS on disclosure requirements for recipients of external assistance.

Scope

These amendments to the Cash Basis IPSAS apply to all entities that are recipients of external assistance and prepare and present their general purpose financial statements in accordance with the Cash Basis IPSAS, “Financial Reporting Under The Cash Basis of Accounting”.

Amendments to the Cash Basis IPSAS

Part 1 of the Cash Basis IPSAS will be amended to include a new section, “1.9 Recipients of External Assistance” as presented in paragraphs 1.9.1 to 1.9.31. Appendix 1 which accompanies Part 1 will also be amended as outlined.

Part 2 of the Cash Basis IPSAS will be amended to include the additional encouragements presented in paragraphs 2.1.60 to 2.1.88. Appendix 2 which accompanies Part 2 will be amended as outlined. Appendix 6 “Rescheduled or Cancelled Debt” will be added.

Part 1 - Requirements

1.9 Recipients of External Assistance

Definitions

- 1.9.1 The following terms are used in this Standard with the meaning specified:

Assigned External Assistance means any external assistance, including external assistance grants, technical assistance, guarantees or other assistance, received by an entity that is assigned by the recipient to another entity.

Bilateral External Assistance Agencies are agencies established under national law, regulation or other authority of a nation for the purpose of, or including the purpose of, providing some or all of that nation's external assistance.

External Assistance means all official resources which the recipient can use or otherwise benefit from in pursuit of its objectives.

Multilateral External Assistance Agencies are all agencies established under international agreement or treaty for the purpose of, or including the purpose of, providing external assistance.

Non-Government Organizations (NGOs) are all foreign or national agencies established independent of control by any government for the purpose of providing assistance to government(s), government agencies or to individuals.

Official Resources means all loans, grants, technical assistance, guarantees or other assistance provided or committed under a binding agreement by multilateral external assistance agencies or by governments or government agencies, including bilateral external assistance agencies, at their own risk and responsibility.

Re-Lent External Assistance Loans means external assistance loans received by an entity that are lent by the recipient to another entity or to a government business enterprise.

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- 1.9.2 Different organizations may use different terminology for external assistance or classes of external assistance. For example, some organizations may use the term external aid, or aid rather than external assistance. In these cases, the different terminology is unlikely to cause confusion. However, in other cases, the terminology may be substantially different. In these cases, preparers, auditors and users of general purpose financial statements will need to consider the substance of the definitions rather than just the terminology in determining whether the requirements of this Standard apply.

External Assistance Agreements

- 1.9.3 Governments seeking particular forms of external assistance may participate in formal meetings or rounds of meetings with donor organizations. For example, governments seeking development assistance from multilateral and bilateral external assistance agencies usually participate in an annual meeting to discuss the government's macroeconomic plans and its development assistance needs. Similarly, separate meetings may be held to discuss emergency assistance needs. Some emergency situations are prolonged in nature, such as the effects of drought associated with desertification, and the need for emergency assistance may continue for a number of years. In such cases, the annual development assistance meeting may be expanded to include the country's emergency assistance needs. Such meetings usually conclude with an announcement of the total assistance pledged by the agencies, together with a breakdown of the amount of assistance pledged by each agency. Statements of intent or pledges made at these meetings are not binding on either the government or the external assistance agencies. Separate meetings between the government and individual external assistance agencies may result in specific written agreements covering development or emergency assistance loans or grants that will be available - provided any restrictions on access to the funds are met, and agreed conditions or covenants are adhered to by the entity.
- 1.9.4 External assistance may also include trade finance, military assistance, balance of payments and other forms of assistance. Trade finance and military assistance normally result from direct bilateral discussions and balance of payments assistance from a country inviting external assistance agencies to participate in a program to address the country's balance of payment concerns. Initial discussions may also result in statements of intent or pledges which are not binding on the

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government or the external assistance agency. Subsequent written agreements may result in assistance loans or grants that will be available provided restrictions on access to the funds, if any, are met and agreed conditions or covenants are adhered to by the entity.

- 1.9.5 External assistance agreements usually provide for the entity to either:
- (a) Draw down in cash the full proceeds of the loan or grant or a tranche of the loan or grant;
 - (b) Seek reimbursement(s) for qualifying payments made by the entity to a third party settling in cash an obligation(s) of the entity, as defined by the loan or grant agreement; or
 - (c) Request the external assistance agency to make payments directly to a third party settling in cash an obligation(s) of the recipient entity, as defined by the loan or grant agreement. Payments by a provider of external assistance to a third party may include payments to an NGO settling in cash an obligation of the recipient entity for goods or services provided or to be provided by the NGO.

External assistance agreements may also include provision of goods or services in-kind to the recipient.

External Assistance Received

- 1.9.6 **The entity shall disclose separately on the face of the Statement of Cash Receipts and Payments, total external assistance received in cash during the period.**
- 1.9.7 **The entity shall disclose separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements, total external assistance paid by third parties during the period to directly settle obligations of the entity or purchase goods and services on behalf of the entity showing separately:**
- (a) **Total payments made by third parties which are part of the economic entity to which the reporting entity belongs; and**
 - (b) **Total payments made by third parties which are not part of the economic entity to which the reporting entity belongs.**

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These disclosures shall only be made when, during the reporting period, the entity has been formally advised by the third party or the recipient that such payment has been made, or has otherwise verified the payment.

1.9.8 Where external assistance is received from more than one provider, the significant classes of providers of assistance shall be disclosed separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements.

1.9.9 Where external assistance is received in the form of loans and grants, the total amount received during the period as loans and the total amount received as grants shall be shown separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements.

1.9.10 External assistance may be provided directly to the reporting entity in the form of cash. Alternatively, a third party may provide external assistance by settling an obligation of the reporting entity or purchasing goods and services for the benefit of the entity. In some cases, the third party may be part of the economic entity to which the reporting entity belongs – this will occur where, for example:

- (a) A government manages the expenditure of its individual departments and other entities through a centralized treasury function or a “single account” arrangement, and the treasury or other central agency makes payments on behalf of those departments and entities, after appropriate authorization and documentation from the department; or
- (b) In those jurisdictions where government departments or other entities are established with their own bank accounts, control certain cash inflows and outflows and cash balances and, in accordance with government directions or instructions, are required to settle certain obligations of another department or entity, or to purchase certain goods or services on behalf of another department or entity.

In other cases, the third party may not be part of the economic entity - this will occur where, for example:

- (a) An aid agency makes a debt repayment to a regional development bank on behalf of a government agency, or pays a construction

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company directly for building a road for a particular government rather than providing the funds directly to the government itself; or

- (b) A national government funds the operation of a health or education program of an independent provincial or municipal government by directly paying service providers and acquiring on behalf of the other government the necessary supplies during the period.

- 1.9.11 Disclosure of the amount of external assistance received in the form of cash and in the form of third party payments made on behalf of the entity will indicate the extent to which the operations of the entity are funded from taxes and/or internal sources, or are dependent upon external assistance. In some cases, as at reporting date an entity may not be aware that payments have been made on its behalf by third parties during the reporting period. This may occur where the entity has not been formally advised of the third party payment or cannot otherwise verify that an expected payment has occurred. Consistent with the requirements of paragraph 1.3.24 of the Cash Basis IPSAS, external assistance paid by third parties should only be disclosed when during the reporting period the entity has been formally advised that such payments have been made or otherwise verifies their occurrence. Disclosure of the significant classes of external assistance is also encouraged, but not required (see paragraph 2.1.60).
- 1.9.12 Disclosure of the significant classes of providers of assistance, such as multilateral donors, bilateral donors, international assistance organizations or national assistance organizations will identify the extent of the entity's dependence on particular classes of providers and will be relevant to any assessment of the sustainability of the assistance. This Standard does not require the disclosure of the identity of each provider of assistance or the amount of assistance each provides. However, such disclosure is encouraged (see paragraph 2.1.63).
- 1.9.13 External assistance is often denominated in a currency other than the reporting currency of the entity. Cash receipts, or payments made by third parties on behalf of the entity arising from transactions in a foreign currency, will be recorded or reported in the entity's reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the receipts or payments in accordance with paragraph 1.7.2 of the Cash Basis IPSAS.

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- 1.9.14 National governments usually retain the exclusive right to enter into external assistance agreements with multilateral or bilateral external assistance agencies. In many of these cases, the project or activity is implemented by another entity. The national government may re-lend or assign the funds received to the other entity. The terms and conditions of the re-lent or assigned funds may be the same as received from the external assistance agency or may be harder or softer than initially received. In some cases, a small fee or interest spread is charged to cover the national government's administrative costs. An entity which enters into an external assistance agreement and passes the benefits as well as the terms and conditions of the agreement through to another entity by way of a subsidiary agreement will recognize or report the external assistance as it is received, and record payments to the second entity in accordance with its normal classification of payments adopted in the financial statements.
- 1.9.15 Where the initial recipient of a loan or grant passes the proceeds and the terms and conditions of the loan or grant through to another entity, the initial entity may simply be administering the loan or grant on behalf of the end user. Netting of transactions where the terms and conditions are substantially the same may be appropriate in the financial statements of the administrator, in accordance with the provisions of paragraph 1.3.13 of the Cash Basis IPSAS.

Undrawn External Assistance

- 1.9.16 **The entity shall disclose separately in the notes to the financial statements the balance of undrawn external assistance loans and grants available to fund future operations showing separately:**
- (a) Total external assistance loans; and**
 - (b) Total external assistance grants.**
- 1.9.17 The amount of external assistance currently committed under a written agreement(s) but not yet drawn may be significant. Disclosure of the amount of the undrawn balances will indicate the extent to which the entity may avail itself of external assistance loans and grants to sustain its operations in the future. This may represent a source of confidence for the readers of the entity's financial statements that funds will be available to support its future operations. Where such undrawn balances are denominated in a foreign currency, opening and closing balances will be determined by applying to the foreign currency

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amount the exchange rate on the respective dates in accordance with the provisions of paragraph 1.7.2 of the Cash Basis IPSAS.

Receipt of Goods or Services In-kind

- 1.9.18 **Where an entity elects to disclose the value of external assistance received in the form of goods or services, it shall also disclose the basis on which that value is determined.**
- 1.9.19 Paragraph 2.1.85 of this Standard encourages an entity to disclose separately in the notes to the financial statements, the value of external assistance received in the form of goods or services. Where an entity elects to make such disclosures, it is required to disclose the basis on which that value is determined. Such disclosure will enable users to assess whether, for example, the value is determined by reference to donor valuation, fair value determined by reference to prices in the world or domestic markets, by management assessment or on another basis.

Disclosure of Debt Rescheduled or Cancelled

- 1.9.20 **An entity shall disclose in the notes to the financial statements the amount of external assistance debt rescheduled or cancelled, together with any related terms and conditions.**
- 1.9.21 An entity experiencing difficulty in servicing its external assistance debt may seek renegotiation of the terms and conditions of the debt. Disclosure of external assistance debt rescheduled or cancelled, together with any related terms and conditions, will alert users of the financial statements that such renegotiation has occurred. This will provide useful input to assessments of financial condition of the entity and changes therein.

Disclosure of Non Compliance with Significant Terms and Conditions

- 1.9.22 **An entity shall disclose in notes to the financial statements significant terms and conditions associated with external assistance loans, grants or guarantees that have not been complied with, when non compliance resulted in cancellation of the assistance.**
- 1.9.23 External assistance agreements will usually include terms and conditions that must be complied with for ongoing access to assistance funds as well as some procedural terms and conditions. Consequences

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of non compliance stated in the agreement may include cessation of rights to draw funds under the affected agreement until the default is corrected.

- 1.9.24 Identifying significant terms and conditions which have not been complied with and which have resulted in cancellation of the assistance will enhance the financial accountability and the transparency of the financial statements. It will enable readers to identify the instances of non compliance that have adversely affected the funds that are available to support the entity's future operations, and will provide input to assessments of whether re-establishment of compliance with the agreement may occur in the future. Disclosure of non compliance with significant terms and conditions in other cases is also encouraged, but not required (see paragraph 2.1.76).

Effective Date and Transitional Provisions

- 1.9.25 Paragraphs 1.9.1 to 1.9.24 of this International Public Sector Accounting Standard become effective for annual financial statements covering periods beginning on or after 1 January 200X.**
- 1.9.26 Entities are not required to disclose separately in the notes to the financial statements the balance of undrawn external assistance for a period of two years from the date of first adoption of this Standard.**
- 1.9.27 Entities are not required to disclose comparative figures for amounts disclosed in accordance with paragraphs 1.9.1 to 1.9.24 in the first year of application of paragraphs 1.9.1 to 1.9.24 of this Standard.**
- 1.9.28 When an entity applies the transitional provisions in paragraph 1.9.26 and 1.9.27, it shall disclose that it has done so.**
- 1.9.29 In the first year of adoption of the requirements in this Standard relating to the disclosures about external assistance, an entity may not have readily available, or reasonable access to, the information necessary to enable it to satisfy the requirement to disclose comparative information. It may also not have the information necessary to enable it to disclose the closing balance of undrawn external assistance as required by paragraph 1.9.16. Paragraph 1.9.26 provides relief from the

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requirements of paragraph 1.9.16 for a period of two years from initial application of this Standard.

- 1.9.30 Paragraph 1.4.16 of the Cash Basis IPSAS provides relief from the requirement to disclose comparative information for the previous period on initial application of the Standard. Some entities may have adopted the Cash Basis IPSAS prior to its amendment to include the requirements relating to disclosure of information by recipients of external assistance as specified in paragraphs 1.9.1 to 1.9.24. Paragraph 1.9.27 provides relief from the requirement to disclose comparative information about external assistance as specified in 1.9.1 to 1.9.24 in this Standard in the first year of application of those paragraphs.
- 1.9.31 To ensure users are informed of the extent to which the requirements of this Standard have been complied with, paragraph 1.9.28 requires that entities that make use of these transitional provisions disclose that they have done so.

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
DISCLOSURE REQUIREMENTS FOR RECIPIENTS OF EXTERNAL ASSISTANCE

APPENDIX 1: Illustration of the Disclosure of External Assistance by a Government

The following amendments are proposed to “Appendix 1: Illustration of the requirements of Part 1 of the Standard” (proposed amendments are marked-up).

This Appendix is illustrative only and does not form part of the Standard. It illustrates an extract of a Statement of Receipts and Payments and relevant note disclosures for a government that has received external assistance loans and grants during the current and preceding periods. Its purpose is to assist in clarifying the meaning of the standards by illustrating their application in the preparation and presentation of general purpose financial statements under the cash basis of accounting for a:

- (a) Government which is a recipient of external assistance;
- (b) Governmental Entity which controls its own bank account and is not a recipient of external assistance; and
- (c) Governmental Department which operates under a “single account” system such that a central entity administers cash receipts and payment on behalf of the Department, and is not a recipient of external assistance.

The following amendments are proposed to the Appendices illustrated in the Cash Basis IPSAS.

Appendix 1A – A Government will be amended to:

- Remove the following in the Statement Of Cash Receipts And Payments:

Grants and Aid

~~—International Agencies~~

~~—Other Grants and Aid~~

Borrowings

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Insert the following in the Statement of Cash Receipts and Payments in their place:

External Assistance

Multilateral Agencies

Bilateral Agencies

Other Grants and Aid

Other Borrowings

- *Amend the notes to the Financial Statements to:*
insert a new note 3 External Assistance;
amend the numbering of the other notes accordingly; and
amend the note headed “borrowings” to “other borrowings”.

(Please note: these amendments are not identified by “mark-ups” in the attached illustration.)

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External Assistance Received by a Government

(Paragraphs 1.9.6, 1.9.7 and 1.9.8)

CONSOLIDATED FINANCIAL STATEMENTS FOR GOVERNMENT A
CONSOLIDATED STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR YEAR
ENDED 31 DECEMBER 200X
(RECEIPTS ONLY)

	Note	2000X		200X-1	
(in thousands of currency units)		Cash Receipts	Payments by third parties	Cash Receipts	Payments by third parties
RECEIPTS					
<i>Taxation</i>					
Income tax		X	-	X	-
Value-added tax		X	-	X	-
Property tax		X	-	X	-
Other taxes		<u>X</u>	<u>-</u>	<u>X</u>	<u>-</u>
		<u> </u>	<u> </u>	<u>X</u>	<u> </u>
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
External Assistance	3				
Multilateral Agencies	3	X	X		
Bilateral Agencies	3	X	X		
<hr/>					
Other Grants					
Other Borrowings		X	X		
<hr/>					
<i>Capital Receipts</i>					
Proceeds from disposal of plant and equipment		X		X	
<hr/>					
<i>Trading Activities</i>					
Receipts from trading activities		X		X	
<hr/>					
<i>Other receipts</i>		<u>X</u>	<u> </u>	<u>X</u>	<u> </u>
Total receipts		X		X	X

(Note: No amendments are proposed to the illustration of "Payments" in the Statement of Cash Receipts and Payments in Appendix 1(a))

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
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Note 3: External Assistance

(Paragraph 1.9.9)

External assistance was received in the form of loans and grants from Multilateral and Bilateral Donor Agencies under agreements specifying the purposes for which the assistance will be utilized.

	<u>200X</u>	<u>200X-1</u>
	<u>Total</u>	<u>Total</u>
<u>Borrowed Funds</u>		
Multilateral Agencies	X	X
Bilateral Agencies	X	X
Total	<u>X</u>	<u>X</u>
<u>Grant Funds</u>		
Multilateral Agencies	X	X
Bilateral Agencies	X	X
Total	<u>X</u>	<u>X</u>
Total External Assistance	<u>X</u>	<u>X</u>

Note 3: Non Compliance with significant terms and conditions and rescheduled and cancelled debt

(Paragraphs 1.9.20 and 1.9.22)

There have been no instances of non compliance with terms and conditions which have resulted in cancellation of external assistance.

External assistance loans of X domestic currency units were cancelled during the reporting period. The cancellation resulted from over estimation of the cost of specified development projects.

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
DISCLOSURE REQUIREMENTS FOR RECIPIENTS OF EXTERNAL ASSISTANCE

Note 3: Undrawn External Assistance

(Paragraph 1.9.16)

Undrawn external assistance – Loans and Grants

Undrawn external assistance loans and grants consist of the amount of external assistance loans and grants agreed with external assistance agencies that have not been utilized at the close of the fiscal year.

	Loans 200X	Grants 200X	Loans 200X-1	Grants 200X-1
Closing balance	X	X	X	X
Closing balance by currency				
US Dollar	-	X	X	X
Euro	X	X	X	X
Yen	X	X	X	X
Other	X	X	X	X
Total	X	X	X	X

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

PART 2: Encouraged Additional Disclosures

This part of the Exposure Draft proposes amendments to Part 2 of the Cash Basis IPSAS. It sets out encouraged additional disclosures for recipients of external assistance. The disclosures proposed in this section are not mandatory.

Part 2 should be read together with Part 1 of this Exposure Draft, which sets out the proposed requirements for reporting under the cash basis of accounting. The encouraged disclosures, which have been set in italics, should be read in the context of the commentary paragraphs in this part of the Exposure Draft, which are in plain type.

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

Financial Reporting under the Cash Basis of Accounting

PART 2: Encouraged Additional Disclosures

Recipients of External Assistance

- 2.1.60 *An entity is encouraged to disclose by significant class in notes to the financial statements, the purposes for which external assistance was received during the reporting period, showing separately amounts provided by way of loans and grants.*
- 2.1.61 An entity may receive external assistance for many purposes including assistance to support its:
- (a) Economic development or welfare objectives, often termed development assistance;
 - (b) Emergency relief objectives, often termed emergency assistance;
 - (c) Balance of payments position or to defend its currency exchange rate, often termed balance of payments assistance;
 - (d) Military and/or defense objectives, often termed military assistance; and
 - (e) Trading activities, including export credits or loans offered by export/import banks or other government agencies, often termed trade finance.
- 2.1.62 Part 1 of this Standard requires disclosure of the total amount of external assistance received during the reporting period. Disclosure of the significant classes of external assistance received, and whether that assistance was provided by way of loan or grant, will enable users to determine the purposes for which assistance was provided during the period, the amounts thereof and whether the entity has an obligation to repay the assistance provided at some time in the future.
- 2.1.63 *An entity is encouraged to identify each provider of external assistance during the reporting period and the amount provided, showing separately amounts provided by way of loans and grants.*

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

- 2.1.64 Disclosure of each provider of external assistance and the amount provided by way of loan and grant will indicate the extent of diversification of sources of assistance. This will assist readers of the financial statements to determine whether the entity is dependent on particular agencies for assistance, the extent of that dependency and whether the assistance is by way of a grant or a loan which will need to be repaid in the future.
- 2.1.65 *An entity is encouraged to disclose by significant class in notes to the financial statements:*
- (a) Providers of the loan assistance and grant assistance that is undrawn at reporting date;*
 - (b) The purposes for which the undrawn loan assistance and undrawn grant assistance may be used; and*
 - (c) Changes in the amount of undrawn loan assistance and undrawn grant assistance during the period.*
- 2.1.66 Undrawn external assistance balances are required to be disclosed by Part 1 of this Standard. The disclosures encouraged by paragraph 2.1.65 will enable readers of the financial statements to determine the extent to which assistance is currently available for particular purposes or activities in the future, the class of providers of that assistance and whether the undrawn loan and grant assistance declined or increased during the period.
- 2.1.67 As is appropriate for the reporting entity, the disclosures could usefully identify such matters as the opening balance of undrawn loans and grants, the amount of new loans and new grants approved or otherwise made available during the period, the total amount of loans and grants drawn or utilized during the period, the total amounts of loans and grants cancelled during the period, and the closing balance of undrawn loans and grants. Such disclosures will assist users in identifying not only the amount of the change in undrawn balances, but also the components of that change. This will enable users to determine whether, for example, assistance is being drawn and replaced and the composition of the change.
- 2.1.68 Where such disclosures are made, external assistance denominated in a foreign currency will be reported in the entity's reporting currency by applying to the foreign currency amount the exchange rate on the date

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

of each applicable transaction, consistent with the requirements of Part 1 of this Standard.

- 2.1.69 *An entity is encouraged to disclose in notes to the financial statements the terms and conditions of external assistance agreements that determine or effect access to, or limit the use of, external assistance.*
- 2.1.70 Some external assistance agreements limit or specifically define the use or purpose for which the external assistance may be used, or limit the sources from which goods or services funded under the external assistance may be purchased. This type of external assistance term or condition may specify that the funds are available only to purchase specific inputs for the construction of specified facilities at a specified location or that the goods or services purchased under the external assistance agreement must originate from a specified country or countries.
- 2.1.71 Some external assistance may be released on specific dates, or may be released upon the entity:
- (a) Undertaking actions specified in an external assistance agreement, such as implementing specific policy changes; or
 - (b) Achieving ongoing performance targets, such as budget deficit targets or other broad economic objectives, or establishing a financial sector asset recovery or management agency.
- 2.1.72 Disclosure of terms and conditions that determine or affect access to external assistance will indicate the extent to which external assistance is time bound and/or is dependent upon the entity taking certain actions and achieving certain performance objectives, and what those actions and performance objectives are.
- 2.1.73 *An entity is encouraged to disclose in notes to the financial statements:*
- (a) *The outstanding balance of any external assistance loans for which performance has been guaranteed by third parties, any terms and conditions related to those loans, and any additional terms and conditions arising from the guarantee; and*
 - (b) *The amount and terms and conditions of grants that have been guaranteed by a third party or parties, and any additional terms and conditions arising from the guarantee.*
- 2.1.74 External assistance may consist of, or include, a guarantee of the balance of a loan borrowed by an entity and payment of interest

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

thereon, in total or up to a specified amount. It may also include a guarantee of performance of some action under the loan, such as setting tariffs according to an agreed formula. Grants may also be subject to terms and conditions which are guaranteed by third parties.

- 2.1.75 Disclosure of the amounts of loans and grants guaranteed by third parties will indicate the extent of support from another entity to obtain the benefits of the external assistance agreement. This will provide readers of the financial statements with a more comprehensive overview of the extent to which the entity is dependent on external assistance to access financial resources. Disclosure of the terms and conditions of loans and grants that have been guaranteed as encouraged by paragraph 2.1.73 will also indicate the additional performance requirements or conditions that arise as a consequence of the guarantee.
- 2.1.76 *An entity is encouraged to disclose in notes to the financial statements other significant terms and conditions associated with external assistance loans, grants or guarantees that have not been complied with, together with the consequence of the non compliance.*
- 2.1.77 Paragraph 1.9.22 of Part 1 of this Standard requires the disclosure of significant terms and conditions that have not been complied with when non compliance has resulted in cancellation of the assistance. External assistance agreements may also include other significant terms and conditions that must be complied with for access to external assistance funds in the future, as well as some procedural terms and conditions. Consequences of non compliance with such terms and conditions may include a reduction in the amount of funds that may be drawn in the future until the default is corrected, an increase in the interest rate charged on loan funds, or repayment of a portion of the funds already drawn down. Default may occur during the draw down period for the loan or grant or during the life of the agreement. Guarantee agreements usually carry cross default clauses which trigger a default under the guaranteed loan if the guarantee agreement is violated.
- 2.1.78 Identifying these other significant terms and conditions which have not been complied with is likely to require professional judgment. That judgment will be exercised in the context of the entity's particular circumstances and by reference to the qualitative characteristics of financial statements. These terms and conditions are likely to be those where non compliance requires the entity to repay material amounts of assistance already drawn down or reduces the ability of the entity to access external assistance in the future.

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

- 2.1.79 Disclosure of these other significant terms and conditions that have not been complied with, and the consequences thereof, will assist the readers of the financial statements to determine such matters as whether non compliance is likely to affect the funds that will be available to support the entity's future operations, and what actions need to be taken to re-establish compliance with the agreement.
- 2.1.80 *An entity is encouraged to disclose in the notes to the financial statements, a summary of the repayment terms and conditions of outstanding external assistance debt.*
- 2.1.81 External assistance debt agreements will include terms and conditions relating to such matters as the grace period, interest rate, current debt service payments, future debt service payments, remaining term of the loan, currency of debt service payments, principal repayment requirements (where repayment of the principal is deferred until the end of the loan term, or some other future date), and any other significant repayment terms.
- 2.1.82 Debt service payments may be a significant cash outlay for the entity and will impact on cash available to fund current and additional operations. Disclosure of repayment terms and conditions of outstanding external assistance debt will enable readers of the financial statements to determine when debt service payments (principal and interest or service charges) will commence, and the amount of principal and interest or service charge payable.
- 2.1.83 Future debt service payments for outstanding external assistance debt may be denominated in a foreign currency. Where disclosures of future debt service payments are made, the entity is encouraged to report them in the entity's reporting currency by applying to the foreign currency amount of those payments the closing rate. This will indicate the nature of the foreign exchange risk, if any, associated with the future repayment of external assistance.
- 2.1.84 Disclosure of information about repayment terms and conditions may require the estimation of, for example, the interest rate to be applied to variable rate debt. The estimated interest rate will usually be determined by reference to applicable interest rates at the closing date. In accordance with the requirements of paragraph 1.3.30 to 1.3.37 of Part 1 of the Cash Basis IPSAS, when an entity elects to make disclosures which involve estimates, accounting policies selected and

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

applied in developing such estimates will be disclosed where necessary for a proper understanding of the financial statements.

- 2.1.85 *An entity is encouraged to disclose separately in the notes to the financial statements the value of external assistance received in the form of goods or services.*
- 2.1.86 Significant resources may be received under external assistance agreements in the form of goods or services in-kind. This will occur when new or used goods such as vehicles, computers or other equipment is transferred to the entity under an external assistance agreement. It will also occur when food aid is provided to a government for distribution to its citizens under an external assistance agreement.
- 2.1.87 Disclosure of the value of external assistance received as goods and services in-kind will assist readers of the financial statements to better understand the full extent of external assistance received during the reporting period.
- 2.1.88 This Standard does not specify the basis on which the value of the goods or services is to be determined. Therefore, their value may be determined as the depreciated historical cost at the time the assets are transferred to the recipient or the price paid for the food by the external assistance agency. It may also be determined on the basis of an assessment of the value by management of the transferor, or the recipient, or by a third party. Where the value of external assistance in the form of goods or services is disclosed, Part 1 of this Standard requires the disclosure of the basis on which that value is determined. Where such is described as fair value it will conform with the definition of fair value, being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

**APPENDIX 2: Illustration of Certain Disclosures Encouraged
in Part 2 of the Standard**

This Appendix is illustrative only. The purpose of the Appendix is to illustrate the application of the encouragements and to assist in clarifying their meaning.

The following illustrative disclosures are additional to those already included in Appendix 2 of the Cash Basis IPSAS. They will be added to Appendix 2.

Appendix 6 will be added to the Cash Basis IPSAS.

Appendix 3, 4 and 5 of the Cash Basis IPSAS remain unchanged.

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

Extract From Notes to the Financial Statements

Classes of External Assistance (*Paragraph 2.1.60 and 2.1.65*)

External assistance was received from Multilateral and Bilateral External Assistance Agencies under agreements specifying that the assistance would be utilized for the following purposes:

	Development Assistance		Emergency Assistance		Trade Finance		Other	
	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>
Borrowed Funds	X	X	-	-	X	-	X	-
Grant Funds	X	-	X	X	-	-	X	X
Total	X	X	X	X	X	-	X	X

	Agency 1		Agency 2		Agency 3		Agency 4	
	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>
Loan Funds	X	X	-	-	X	-	X	X
Grant Funds	X	-	X	X	-	X	X	X
Total	X	X	X	X	X	X	X	X

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

Undrawn External Assistance (*Paragraph 2.1.65*)

Undrawn external assistance loans and grants consist of amounts agreed with external assistance agencies that have not been utilized at fiscal year end. External assistance loans cancelled resulted from overestimation of the cost of development projects.

Opening balance	Development Assistance		Emergency Assistance		Trade Assistance		Other	
	200X	200X-1	200X	200X-1	200X	200X-1	200X	200X-1
Loans	X	X	-	-	X	X	-	-
Grants	X	X	X	X	-	-	-	-
Approved in period								
Loans	X	X	-	-	X	X	X	-
Grants	X	X	X	X	-	-	X	X
Total available	X	X	X	X	X	X	X	X
Loans drawn down	X	X	-		X	X	X	-
Grants drawn down	X	X	X	X	-	-	X	X
Loans cancelled	(X)	(X)	-	-	-	-	-	-
Grants cancelled	-	-	-	-	-	-	-	-
Exchange difference	X	X	-	-	X	X	-	-
Closing balance	X	X	-	-	X	X	-	-

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

Closing balance	Development Assistance		Emergency Assistance		Trade Assistance		Other	
By currency	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>
US Dollar	X	X	X	X	X	X	X	X
Euro	X	X	X	X	X	X	X	X
Yen	X	X	X	X	X	X	-	-
Other	X	X	X	X	-	-	-	-
Total	X	X	X	X	X	X	X	X
By providers								
Loans								
Multilateral agencies	X	X	X	X	X	X	X	X
Bilateral agencies	X	X	X	X	X	X	X	X
Grants								
Multilateral agencies	X	X	X	X	X	X	X	X
Bilateral agencies	X	X	X	X	X	X	X	X

Significant terms and conditions (*Paragraph 2.1.69*)

General Restrictions

The balance of commitments for, and undrawn balances of, external assistance is subject to, or restricted by, prior performance of specific agreed actions or the maintenance of agreed economic or financial performance levels by the Government or the relevant project implementation agency.

The Government has prepared an economic development plan for receipt of balance of payments assistance. The plan includes a poverty reduction strategy which is supported by the donor community. The Government and the donors have agreed targets for reducing the fiscal deficit to sustainable levels within five years through a program of tax reforms, sale of certain state owned enterprises and by focusing expenditures within the poverty reduction strategy. Fiscal expenditures will be increased for the agricultural, health, education and trade support sectors. The Government and the donor community have agreed on methods to monitor progress to achieve agreed targets and have agreed to meet annually to review progress and to ensure continued donor financial support for the Government's economic development plan.

Loans and grants to support specific projects include financial performance targets for all electricity and water utilities to ensure adequate revenue to cover the cost of providing services, to properly maintain existing utility assets and to contribute to a program of asset replacement and renewal.

Procurement Restrictions

Certain development assistance received is subject to restrictions in regards to the nature of goods or services that may be purchased or the country in which the goods or services may be purchased. All multilateral development bank loans or grants are restricted in that (a) they prohibit the use of their funds for the purchase of military goods or services, luxury goods or environmentally damaging goods and (b) the purchase of goods or services must be from their respective member countries. Bilateral Agencies are either unrestricted or limit purchases of goods or services to the country providing the funds. All "Specific Purpose Loans or Grants" fund specifically defined projects and as such the procurement of goods and services is restricted to the agreed inputs for each project.

Non Compliance with significant terms and conditions (*Paragraph 2.1.76*)

The Government's expenditures in the education sector did not meet the investment target primarily due to construction delays caused by an earthquake. Expenditures were one percent below the target. Steps have been taken to

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

correct the under investment in the education sector and the Government and the relevant donors support the corrective actions planned. The Government has complied with all procurement regulations applicable under all outstanding external assistance loans and grants.

Guarantees (*Paragraph 2.1.73*)

Undrawn external assistance – Guarantees

Guarantees issued by the Government of YYYY covering undrawn commercial export financing at the end of 200X in the amount of US Dollars XXX (200X-1: US Dollars Nil) is not included in the above tables.

Repayment Terms and Conditions - Debt Service Obligations (*Paragraph 2.1.80*)

Development Assistance terms include grace periods which range from at least five years to a maximum of seven years. Interest rates include both fixed rates and variable rates. All development assistance debt are denominated in US Dollars. Interest rates on fixed rate loans, as of fiscal year ending 200X range from 5.25 percent to 6.75 percent with a weighted average of 5.95 percent. For the fiscal year ending 200X-1, they range from 5.25 percent to 6.70 with a weighted average of 5.92 percent. Interest rates on variable rate loans range from LIBOR plus 1 percent to LIBOR plus 1.25 percent with a weighted average at the end of fiscal year 200X of 7.35 percent and at the end of fiscal year 200X-1 of 7.27 percent. Some development assistance credits include a grace period of ten years and are interest free but a service charge of 0.75 percent applies.

Major features of trade assistance/finance debt are:

- Trade Assistance/Finance terms do not include grace periods;
- Interest rates include both fixed rates and variable rates;
- Fixed rates range from 7.3 percent to 8.2 percent for debt denominated in US Dollars, with a weighted average of 7.75 percent; 7.25 to 8.4 percent for debt denominated in Euros with a weighted average of 7.76 percent and 3.25 to 4.70 percent for debt denominated in Yen with a weighted average of 3.75 percent; and
- Variable interest rates range from 5.85 percent to 8.85 percent for debt denominated in US Dollars, with a weighted average of 6.80 percent; 5.80 percent to 8.70 percent for debt denominated in Euros, with a weighted average of 6.85 percent; 3.70 percent to 3.95 percent for debt denominated in Yen, with a weighted average of 3.82 percent.

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ENCOURAGED ADDITIONAL DISCLOSURES

Other Assistance does not include a grace period and is all denominated in US Dollars and includes a Poverty Reduction and Growth Facility with interest set at 0.5 percent and an Extended Fund Facility with interest set at 4.75 percent.

200X

**Outstanding Debt by Remaining
Grace Period Years**

	Expired	0 – 4	5 – 7	Total
Development Assistance	X	X	X	X
Trade Finance	X	-	-	X
Other	X	-	-	X
Total	X	X	X	X

200X-1

**Outstanding Debt by Remaining
Grace Period Years**

	Expired	0 – 4	5 – 7	Total
Development Assistance	X	X	X	X
Trade Finance	X	-	-	X
Other	X	-	-	X
Total	X	X	X	X

Development Assistance loans have repayment periods varying from 20 years to 25 years subsequent to the grace period with a weighted average for outstanding debt of 27.7 years including the grace period. In all cases, the debt service is based on a fixed payment of principal plus interest accrued. Development assistance credits have repayment periods of 30 years following the grace period with a weighted average for outstanding debt of 32.4 years including the grace period. Debt service is based on a fixed payment of principal plus a service fee.

Trade Assistance/Finance loans have repayment periods varying from 3 to 7 years with a weighted average of 4.7 years. Debt service is based on a fixed payment of principal plus interest accrued.

Other Assistance loans have repayment periods varying from 2 to 7 years with a weighted average of 4.9 years. Debt service is based on a fixed payment of principal plus interest accrued.

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

200X

Debt Service Payments Including Interest

	US				
	Dollar	Euro	Yen	Other	Total
Development Assistance	X	X	X	X	X
Trade Assistance/Finance	X	X	X	-	X
Other	X	X	-	-	X
Total	X	X	X	X	X

200X-1

Debt Service Payments Including Interest

	US				
	Dollar	Euro	Yen	Other	Total
Development Assistance	X	X	X	X	X
Trade Assistance/Finance	X	X	X	-	X
Other	X	X	-	-	X
Total	X	X	X	X	X

All debt service payments for subsequent years are based on a fixed payment of principal plus accrued interest. Interest payments or service charges are based on the outstanding principal of each loan or credit at the end of the current year, and for variable interest rate loans, at interest rates prevailing at that date. Debt service payments denominated in foreign currency have been determined by applying the closing rate of exchange on the reporting date of the financial statements.

200X + 1 and Subsequent Years

Debt Service Payments Including Interest

	US				
	Dollar	Euro	Yen	Other	Total
Development Assistance	X	X	X	X	X
Trade Finance	X	X	X	-	X
Other	X	X	-	-	X
Total	X	X	X	X	X

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ENCOURAGED ADDITIONAL DISCLOSURES

Receipt of Goods and Services In-Kind (*Paragraph 2.1.85 and 1.9.18*)

During 200X, a severe earthquake occurred in the ZZZ Region inflicting serious damage to government property and private property, and significant loss of life. Several nations donated specialized professionals and equipment to assist in locating and rescuing individuals trapped in the rubble. In addition, specialized medical teams trained in trauma treatment together with medical equipment, were flown into the region. Temporary shelter and food were also supplied. The value of goods and services received has been estimated at XX domestic currency units. The value of those specialized emergency assistance provided has been determined based on cost estimates provided by the bilateral aid agencies involved because local prices for equivalent goods or services were not available.

Fifty thousand tons of rice was received as food aid during the year. It has been valued at XX domestic currency units which represents the wholesale price of similar rice in domestic wholesale markets.

Goods in-kind received during the year, have not been recorded in the Statement of Cash Receipts and Payments, which reflects only cash received (directly or indirectly) or paid by the Government. Goods and services-in-kind were received as part of the emergency assistance and are reflected in this note.

APPENDIX 6: Rescheduled or Cancelled Debt

This Appendix discusses the circumstances involved in rescheduling or cancellation of sovereign debt and the impact on the entity's financial statements.

The following terms are used in this Appendix with the meaning specified:

Highly Indebted Poor Countries (HIPC)s are countries which:

- (a) Are only eligible for highly concessional assistance such as from the World Bank's International Development Association (IDA) and the International Monetary Fund's (IMF's) Poverty Reduction and Growth Facility;
- (b) Face an unsustainable debt situation even after the full application of traditional debt relief mechanisms; and
- (c) Have a proven track record in implementing strategies focused on reducing poverty and building the foundation for sustainable economic growth.

HIPC Trust Fund has been established on the basis of contributions from participating multilateral creditors and bilateral donors.

A government experiencing difficulty in servicing its debt, including bilateral development assistance debt, may seek renegotiation of the terms of its sovereign debt under Paris Club arrangements. The Paris Club is not a legally established entity – it is an informal group of official creditors that seek to find coordinated and sustainable solutions to balance of payments difficulties experienced by debtor nations. Although each situation considered by Paris Club members is unique, and is considered on a case by case basis, the members have harmonized the circumstances under which they will agree to forgive, defer or reschedule debt and the amount of medium to long term debt that will be addressed.

Paris Club negotiations may respond to short term balance of payments difficulties by addressing a financing gap covering up to three years debt service payments, or may respond to long term balance of payments difficulties by addressing the remaining debt service requirements for debt existing at the time of the negotiations.

Rescheduling debt service payments for least developed countries may involve revised payment terms for sovereign commercial debt of up to 23 years (including up to 6 years grace during which only interest on the deferred

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

amount is paid) and up to 40 years for official development assistance (including a grace period of up to 16 years). Debt from multilateral agencies such as the International Monetary Fund (IMF), the World Bank or regional development banks is not eligible for Paris Club consideration.

Increasingly, debt cancellation is applied as part of the solution to addressing long term balance of payments issues. Under the negotiations described above, debt cancellation of up to 67% of the remaining debt service obligations may be considered. For the least developed and most indebted countries, the Paris Club will consider debt cancellation of up to 90% of remaining debt service obligations. HIPC's may also seek relief from debt service obligations to multilateral agencies through the HIPC Trust Fund. The proceeds of the HIPC Trust Fund are used to repay or purchase a portion of the debt owed to a multilateral creditor(s) and cancel such debt or to make a debt service payment(s) on behalf of the HIPC as it comes due.

While the Paris Club provides a structure and a harmonized approach to address a portion of a country's balance of payments difficulties, it does not provide an overarching agreement between its members and the creditor nation. Each agreement covered by Paris Club consideration must be individually amended to reflect changes in the terms and conditions of the loan. An overarching set of conditions is provided by reference in the revised agreements to adherence with the terms and conditions of an IMF loan. In the case of HIPC's the overarching conditionality is provided by a Poverty Reduction Strategy Plan supported by loans from both the IMF and the World Bank and, in some cases, other agencies.

Debt rescheduling or debt cancellation does not involve a cash receipt or a cash payment. However, the terms and conditions attached to the debt that has been rescheduled have changed. The notes to the financial statements of the entity involved should disclose the amount of external assistance debt rescheduled or cancelled, together with any renegotiated terms and conditions consistent with disclosure requirements specified in this Standard. This would include material additional terms and conditions resulting from, or in conjunction with, Paris Club negotiations or the HIPC initiative, such as obligations under an IMF or World Bank loan including a poverty reduction strategy plan. Rescheduling or cancellation of sovereign debt due to an immediate or anticipated inability to service the debt is a material event and should be disclosed in accordance with the requirements of this Standard.

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ENCOURAGED ADDITIONAL DISCLOSURES

This Standard also encourages disclosure in notes to the financial statements of significant terms and conditions associated with external assistance loans, grants or guarantees that have not been complied with together with the consequence of the non compliance. Disclosure of the entity's inability to service its debt(s) and the principal terms of the rescheduling that arise as a consequence is consistent with this encouraged disclosure.

Repayments made on behalf of the entity by the HIPC Trust Fund should be reported as cash receipts and disclosed in a separate column disclosing third party payments in the Statement of Cash Receipts and Payments in accordance with the provisions of this Standard. A third party payment(s) of debt amortization obligations as part of debt relief is likely to be a material event and should be disclosed in accordance with the provisions of this Standard with a reference to the note describing the debt relief.

Further information regarding the Paris Club may be obtained from their website <http://www.clubdeparis.org/en/>.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, the proposed amendments to the Cash Basis IPSAS.

The Need for this Standard

- BC1. Providers of external assistance, particularly development assistance, require recipients to follow accounting principles acceptable to them for the use of the funds provided. In many cases, the requirements of each of the providers will differ in some respects. In some cases, they require the recipient to follow accounting standards generally practiced in the provider country. This may include standards for the accrual basis of accounting even though the recipient's accounting system is on the cash basis of accounting. Consequently, the recipient may be required to maintain two sets of accounts, one for the provider of the assistance and a second utilizing national public sector accounting standards to meet domestic legal requirements and for submission to local authorities.
- BC2. Recipients of external assistance usually receive external assistance from a number of sources. Adhering to a number of different accounting practices and reporting requirements within a portfolio of projects imposes additional compliance costs on recipients. In many cases, those recipients have limited staff with the requisite skills. Consequently, timely submission of required financial statements is often delayed.
- BC3. The IPSASB is of the view that the preparation of financial statements in accordance with the requirements of an International Public Sector Accounting Standard (IPSAS) on external assistance provides the potential to:
- Increase the comparability and usefulness of the financial information to users of the statements; and
 - Reduce the costs that recipients of such assistance face in complying with the different reporting requirements that may be imposed on them by providers of assistance.

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Focus on Cash Basis of Accounting

- BC4. The vast majority of recipients of external assistance utilize the cash basis of accounting. The required and encouraged disclosures in this proposed Standard have been developed to respond to the need for an international generally accepted accounting Standard for the disclosure of information by recipients which adopt the cash basis of accounting.
- BC5. Some entities that receive external assistance use the accrual basis of accounting, or are in the process of conversion to the accrual basis of accounting. The IPSASB is currently progressing a project on accounting for revenue from non-exchange transactions under the accrual basis of accounting. That project will deal with certain matters relevant to accounting for external assistance under the accrual basis of accounting. The IPSASB will consider whether additional requirements on accounting for, and/or disclosure of, external assistance by recipients is necessary as the non-exchange revenue and other key accrual accounting standards are developed, and in light of relevant issues that might be identified in the course of the development of this IPSAS.

Definition of External Assistance

- BC6. This project initially focused on the disclosure of information about development assistance. The Project Advisory Panel and other key constituents advocated that the scope of the project be widened to address all official external assistance, and require disclosure of significant components of external assistance. The IPSASB (then the Public Sector Committee - PSC) responded positively to that input and expanded the scope of the exposure draft to include all official external assistance.
- BC7. External assistance is defined as official resources originating from multilateral agencies or from governments or government agencies. In developing this definition, the IPSASB considered definitions widely used in practice including those of recipients, providers/donors and industry representative organizations. While there is currently no single definition of external assistance adopted by all recipients and providers/donors, the IPSASB is of the view that the definition included in this proposed Standard captures the key features of the definitions currently in use, and is appropriate.

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Exposure Draft ED 24

- BC8. The IPSASB issued Exposure Draft ED 24, “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance” in February 2005 for comment by June 15, 2005. The IPSASB attempted to have the proposed requirements of ED 24 field tested in developing countries and sought assistance from the OECD-DAC and provider/donor organizations in a number of countries to this end. However, field testing did not occur.
- BC9. Responses to ED 24 provided mixed messages about the practicability and onerous nature of some of the proposed requirements. The IPSASB undertook extensive consultation with its Consultative Group and other constituents on whether it was important to proceed with this project. It also considered approaches that might be adopted for the development of requirements that enhance the accountability of financial statements, do not impose an inappropriate burden on reporting entities and can be justified on a cost-benefit basis across a wide range of jurisdictions.
- BC10. The IPSASB remains of the view that it is important to develop requirements for disclosure of information about external assistance by recipients that report under the Cash Basis IPSAS. This has been reinforced by discussions with constituents. However, the IPSASB recognizes that the ability of individual recipients to comply with the proposed requirements of ED 24 may differ because of the availability of the information and/or the capacity of the current accounting system to capture and process the information as proposed.
- BC11. Constituents proposed that the IPSASB develop requirements that mirror the approach in the Cash Basis IPSAS – that is, a mandatory section which establishes the minimum disclosures necessary to discharge accountability, supported by a section which identifies additional encouraged disclosures to enhance accountability and provide additional information as input for decision making purposes. The additional encouraged disclosures could then be activated as appropriate in different jurisdictions in consultation between recipients and providers/donors of external assistance. The IPSASB is of the view that this is a sensible way to proceed and can be justified on a cost benefit basis. The proposed amendments to the Cash Basis IPSAS reflected in this proposed Standard have been developed to reflect that approach.

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Required and Encouraged Disclosures

- BC12. This proposed Standard requires certain disclosures, including disclosure of the total amount of external assistance received in cash or paid by third parties to settle obligations of the recipient during the reporting period, the amount of external assistance that has not yet been drawn down and non compliance significant terms and conditions that have not been complied with when non compliance has resulted in cancellation of the assistance. The proposed IPSAS also encourages, but does not require, a range of other disclosures including disclosure of the significant classes of external assistance received during the period the value of goods and services received in-kind, and terms and conditions that govern the draw down or may otherwise affect access to external assistance.
- BC13. The IPSASB is of the view that the required disclosures are necessary to adequately inform readers of the financial statements of the total amount of external assistance received, used and available during the reporting period. The additional encouraged disclosures will also further enhance assessment of the extent to which the reporting entity is dependent on external assistance to support its activities, the sources of that assistance and the sustainability of its ongoing operations.

Third Party Settlements and Receipt of Goods and Services In-Kind

- BC14. Recipients of external assistance may receive the proceeds of an assistance package in cash as a lump sum or as tranches of the total agreed amount. In addition, particularly with project specific loans, the recipient may settle its obligations to suppliers of goods or services and ask the external assistance agency to reimburse it for the amounts paid, or the recipient may ask the external assistance agency to settle its obligations directly with, or purchase certain specified goods from, the supplier. In these cases, the goods or services utilized in accomplishing the project are determined or otherwise selected by the recipient, usually within procurement rules agreed to by the recipient and the external assistance agency. The external assistance agency then operates as a financier. The IPSASB is of the view that these payments to third parties are similar to central treasury account payments of funds designated for use by the recipient. Consistent with existing requirements of the Cash Basis IPSAS, they are reported in a separate column on the face of the Statement of Receipts and Payments.

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- BC15. In some cases, an external assistance agreement will require the external assistance agency to provide certain goods or services to the recipient. In these cases, the external assistance agency usually determines the specification of the goods or services, procures them, and then provides them to the recipients as goods or services in-kind. Therefore, the recipient receives external assistance in the form of goods and services rather than in the form of cash or by way of settlement of obligations it has incurred. An important form of this type of assistance is food aid provided by a donor entity to the recipient entity.
- BC16. The receipt of goods or services in-kind is not reported on the face of the Statement of Receipts and Payments. ED 24 proposed that the fair value of such goods and services be disclosed as a note to the financial statements, and provided guidance on how that fair value was to be determined. Respondents to ED 24 were strongly of the view that in many jurisdictions a reliable fair value for such goods and services is not available and, in many other jurisdictions, the cost of generating such value may be prohibitive. Some also questioned the purpose of such disclosures under the cash basis of financial reporting, where many assets may not be recognized.
- BC17. The IPSASB was persuaded by these arguments. Therefore, this proposed Standard does not require the disclosure of the fair value of goods and services in-kind. However, the receipt of goods or services may be an important source of external assistance, and this proposed Standard encourages the disclosure of the value of goods or services received in-kind in the notes to the financial statements. It also requires that where disclosure of such values are made, the notes disclose the basis on which the valuation is made.

Transitional Provisions

- BC18. Multilateral and bilateral agencies usually maintain detailed records of external assistance provided and available to each recipient under each external assistance agreement. In some cases, they maintain the information on computer data bases which are accessible by recipient country authorities. In most cases, they provide notification of the details of each transaction including the currency or currencies utilized – however, this notification may be sent only to the implementing agency and not to the Ministry of Finance or other agency responsible for the recipient's accounting. Usually external assistance agencies

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periodically confirm drawn and undrawn balances with the recipient. Therefore, although recipients may not initially have detailed information regarding opening and closing balances, in most cases the amount should be readily available from external assistance agencies.

- BC19. The IPSASB is of the view that a two year transitional period will provide recipients sufficient time to access the information necessary to comply with the requirements of the Standard relating to undrawn balances.
- BC20. In some cases it may not be practicable to gather all the relevant data about external assistance transactions and balances of the previous period when an entity first adopts the requirements proposed in this Standard. This is likely to be particularly true in respect of third party settlements and undrawn balances of external assistance. To provide entities with sufficient time to ensure that accounting systems capture and process the necessary data, this proposed Standard does not require comparative figures to be disclosed in the first year of operation of the Standard.



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