

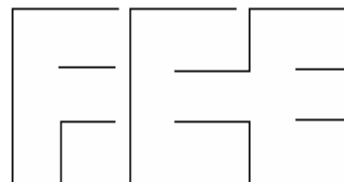
Date
20 March 2007

Le Président

Fédération
des Experts
Comptables
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Ms Stephanie Fox
The Technical Director
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Dear Ms Fox,

Re: IPSASB Exposure Draft 32 “Financial Reporting Under the Cash Basis of Accounting - Disclosure Requirements for Recipients of External Assistance”

FEE welcomes the initiative taken by the IPSASB in developing this standard on External Assistance and the opportunity to comment on this exposure draft.

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.

Specific responses to the questions in the Request for Comment are set out in the Annex to this letter.

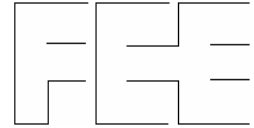
I hope these comments are a helpful contribution to IPSASB's finalisation of the standard.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jacques Potdevin', is written over a horizontal line. The signature is fluid and cursive, with a prominent initial 'J'.

Jacques Potdevin
President

Encl.



ANNEX

Specific Matters for Comment

IPSASB Exposure Draft 32 “Financial Reporting Under the Cash Basis of Accounting - Disclosure Requirements for Recipients of External Assistance”

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.

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 the assistance provided **by them**. Information provided for a class of providers will normally not provide adequate assurances, although there may be exceptions, for example, where a group of assistance providers work in partnership.

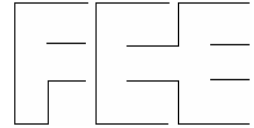
We recognise that it would be difficult to specify a form of disclosure which would be suitable for all circumstances. We also recognise that para 2.1.63 within the “encouraged” disclosures provides a basis for discussions between providers and recipients of external assistance. However, in our view it would be better to mandate some disclosure by individual provider, except where there are specific agreements that such disclosure is not required by the provider. It would also increase the assurance provided by the audited accounts to the providers if the assistance were disclosed in the notes in the original currency.

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.

There would be some merit in providing standalone guidance on this specific subject, as this would provide useful guidance for government which prepare accounts on a cash basis but which have not adopted the Cash Basis IPSAS. Separate disclosure would also provide indicative guidance which might be useful for governments which use the accruals basis. However, as the Board is considering these issues for Accruals Basis IPSAS, the benefit of such separate disclosure is reduced. 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.

3. Whether the proposed definition of “external assistance” in paragraph 1.9.1 is sufficiently broad to encompass all official resources received.

We agree that the proposed definition is sufficiently broad.



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.

We agree with the proposed presentation.

In circumstances where external assistance is material, or has been material in recent years, this is important information, which warrants disclosure in primary statements. Where it is not material, it would perhaps be better to make such disclosure optional.

5. Whether other sources of assistance, such as assistance provided by nongovernmental 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.

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.

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

We are content with the proposed approach.

While providing information on standardised categories of assistance might assist comparability between countries, it would seem sensible to allow recipients to disclose assistance on a basis which balances the provision of information which is useful to the users of financial statements, with the cost of allocating assistance to categories.

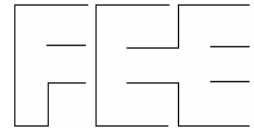
7. The proposal to require disclosure of the balance of undrawn external assistance loans and grants (paragraph 1.9.16), and encourage disclosure of changes therein during the period (paragraph 2.1.65(c)).

Where information on the undrawn external assistance may be extremely difficult to collect, there should perhaps be an option not to disclose undrawn loans and grants. The ‘difficulty’ here would have to be expressed in clear terms (i.e. almost impossible), so that the proposed approach, which mandates a key disclosure, while allowing for reduced disclosure for entities which would find more detailed disclosures on the changes from one year to another onerous, is generally workable.

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.

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.

We are content with the approach, which encourages rather than mandates disclosure and allows for disclosure where the terms and conditions are particularly relevant.



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).

We are content with the approach, which encourages rather than mandates disclosure.

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 cash information.

We also agree that there might be a variety of approaches to such valuation depending on specific circumstances, and that, where there is disclosure, the best way to handle uncertainty and any lack of objectivity is to disclose the basis on which the value was determined.

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.

The revised proposals in ED 32 include fewer mandatory disclosures, and provide an opportunity for governments to develop 'encouraged' disclosures on a slower timescale. In the light of this, the transitional period seems reasonable.

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

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. Thus, in most cases, it should be recognised that such external assistance will not be disclosed in the financial statements of recipient governments (an exception could be emergency assistance provided in cash direct to the recipient government).