Response to PIOB on IPSASB Oversight

Q4: Would you support the IPSASB being subject to PIOB oversight? Why? What conditions, if any, would you impose on such oversight? Would you see as a factor to take into account the fact that IPSASB deals with accounting rules instead of auditing ones?

I have been impressed with the progress that the IPSASB has made in developing the accrual IPSASs. However, I would support PIOB oversight of the IPSASB primarily due to the lack of progress in the implementation of the Cash Basis IPSAS. The original Cash Basis IPSAS was issued in 2003 with revisions made in 2006 and 2007. However, progress has been slow in the implementation of the required portions (Part 1) of the Cash Basis IPSAS. In fact, I have not yet found any country that has fully implemented Part 1 of the Cash Basis IPSAS. A Task Force was established by the IPSASB in 2008 to propose recommendations to ease the requirements for implementation of the standard. The Task Force completed their work in 2010 and forwarded their recommendations to the IPSASB for consideration. However, no progress (to my knowledge) has been made on implementing any of those recommendations even though the majority of the countries throughout the world use a cash (or modified cash) approach.

I do not see any need to impose any conditions on any oversight by the PIOB. Nor do I know of any reason to deal with the accounting rules established by the IPSASB in any manner other than the oversight provided on auditing rules.

During the past 12 years, I have worked to implement IPSAS in 30 developing countries or countries in transition. All of these countries were trying to first implement the Cash Basis IPSAS before they were able to transition to the accrual IPSAS. The majority of the countries throughout the world use cash budgets which drive the method of accounting to be used.

These countries must first identify the entities that they control. The process to identify controlled entities is included in the Cash Basis IPSAS and expanded upon in IPSAS 6 (an accrual IPSAS). The greatest difficulty that I encounter is the requirement in Part 1 of the Cash Basis IPSAS to prepare consolidated statements for the whole of government. To assist the countries with which I work to perform this task, I suggest that they break out the country's controlled entities into the following three categories: budgetary entities, government business enterprises, and all other controlled entities. First, I recommend that these countries concentrate on implementing Part 1 of the Cash Basis IPSAS for budgetary entities and to progressively transition to implementing Part 1 for the other controlled entities at a later date (perhaps this step would take 10 years or more). To make the Cash Basis IPSAS more acceptable and easier to implement, the consolidation requirement in Part 1 should be moved to Part 2 (the optional Part). After the optional Part 2 has been fully implemented, the countries are in a much better position to adopt the accrual IPSAS.

I have been a member of the Consultative Group to the IPSASB since the establishment of the IPSASB (and its predecessor). Yet I have never been consulted on proposed standards prior to the release of an Exposure Draft or any other material issues. However, I did prepare (in coordination with the IPSASB) the Research Report on Budgetary Reporting in 2004 and helped draft IPSAS 24 on Budgetary Reporting as well as comparable revisions to the Cash Basis IPSAS in 2006.

I can only speak for myself but I think I express the sentiment of many of my colleagues who are working with developing countries and countries in transition that are attempting to implement the Cash Basis IPSAS. I would be happy to work with the IPSASB to address the difficulties present in the existing Cash Basis IPSAS. I am sure that many of my colleagues who are working with the implementation of this standard would also welcome the opportunity.

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