



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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DATE: 10 JUNE, 2006
MEMO TO: MEMBERS OF THE IPSASB
FROM: PAUL SUTCLIFFE
SUBJECT: BUDGET REPORTING

ACTION REQUIRED

The IPSASB is requested to:

- **Review** the first draft IPSAS, “Presentation of Budget Information in Financial Statements” with a view to its approval for issue or further development; and
- **Note** the table of additional comments made in responses to ED 27 and the additional responses to ED 27.

AGENDA MATERIAL:

	Pages
14.2 First draft of proposed IPSAS – marked up	14.7 – 14.41
14.3 Table of additional comments on ED 27, “Presentation of Budget Information in Financial Statements”	14.42 – 14.67
14.4 Additional Submissions on ED 27	14.68 – 14.98
14.5 Analysis of Responses to ED 27	Dist. previously
14.6 Submissions made on ED 27	Dist. previously

BACKGROUND

Responses to ED 27

ED 27, “Presentation of Budget Information in Financial Statements” was issued by the IPSASB in October 2005, with comments requested by February 10, 2006. Thirty six (36) responses which deal specifically with ED 27 have been received.

A summary of the 31 responses received by March 1, 2006 was included in Agenda materials for the meeting in March 2006, and considered by the IPSASB at that meeting. That summary focused on responses to the specific matters for comment identified in the ED. In broad terms, the major issues identified in the responses included in that summary are whether:

- Budget information should be included (a) within the general purpose financial statements (GPFSS) – particularly if prepared on a basis different to the accounting basis; (b) in management discussion and analysis (or similar) that accompanies the financial statements; or (c) in budget overrun reports.
- If budget information is included in GPFSS, just what should be included – some advocate that the analysis and explanation of differences between actual and budget, (and original and final budget), should be dealt with in supplementary materials issued in conjunction with, at the same time as (or before), the financial statements. Some also advocate that only budget information prepared on the same basis as the financial statements should be included within those statements.

- The disclosure of both the original and final budget should be required.
- Whether the IPSAS should apply only to those entities that make publicly available their budgets, or should encourage, if not require, all public sector entities (other than GBE's) to make their budgets publicly available.

The five additional submissions received subsequent to the preparation of the summary are attached as agenda item 14.4. They have been included in the submissions made publicly available on the IPSASB website.

These submissions reflect the major themes identified in the summary considered at the March 2006 as outlined above – that is, respondents supported the broad principle of an IPSAS dealing with the disclosure of budget information, but expressed reservations about one or more proposals in the ED. One of the submissions also deals with issues related to identifying the performance and compliance aspects of reporting budget and actual information and its implications for disclosures in financial statements, and another raises the not unrelated issue of whether comparisons should be made on an IPSAS basis or a budget basis.

Table of other comments

Staff have prepared a table of other comments (agenda item 14.3). This table focuses on matters not dealt with under the summary of responses to specific matters for comment considered at the last meeting. It deals with drafting issues related to specify paragraphs of the draft IPSAS (the initial sections of the table) and general issues about such matters as the approach, authority and scope of ED 27 and/or of the IPSASs themselves (the latter section of the table).

The final column of the table identifies staff views on whether the matter raised should result in an amendment to ED 27 in finalizing the IPSAS. Where staff agree with the comment, the attached first draft IPSAS has been marked up to reflect the amendment.

Meeting Objective

The IPSASB agreed that a first draft IPSAS based on ED 27 should be prepared for consideration at this meeting, and identified a number of editorial and other revisions to be processed – an extract of the March 2006 minutes which identifies these matters is included as an attachment to this memorandum. The IPSASB also agreed to consider further at this meeting whether:

- explanation of the difference between actual and budget should be included in the financial statements or in a performance/evaluation report issued with or before the financial statements;
- whether the structure of the draft IPSAS should be revised to identify performance and compliance aspects of reporting budget and actual information; and
- whether the requirements should be included in a separate IPSAS or as revisions to IPSAS 1 and the Cash Basis IPSAS

A first draft IPSAS has been prepared in accordance with the Board's directions.

Consistent with the decision of the IPSASB at its last meeting, the draft IPSAS includes an Introduction that explains the reason for issuing the IPSAS and the main features of the IPSAS.

At this meeting staff are seeking approval of the IPSAS subject to resolution of the outstanding issues as noted above, and any final revisions or directions for the development of an IPSAS.

The major outstanding issues and staff views on them are identified below.

ISSUES

Performance and Compliance aspects of reporting budget and actual information and location of final requirements (separate IPSAS or amend 1 and cash basis IPSAS)

The first draft IPSAS has been prepared as if a stand alone IPSAS is to be issued to deal with budget reporting. To justify the presentation in financial statements of budget information prepared on a different basis to the accounting basis the performance and compliance aspects of accountability is drawn out in the text and in the Basis for Conclusions

Staff have not proposed any restructuring of the draft IPSAS pending IPSASB consideration of whether IPSAS 1 and the Cash Basis IPSAS should be revised to include requirements for the comparison of budget and actual, or whether a stand alone IPSAS should be developed. The views of respondents on this matter differed with a good spread across a range of alternative approaches. The tentative staff view noted at the last meeting was for an amendment to the Cash Basis IPSAS to incorporate the required disclosures, and a stand alone accrual IPSAS. This is because a comprehensive Cash Basis IPSAS is in place, but separate accrual IPSASs deal with specific issues. The staff has not changed its view.

If the cash basis was to be amended in 2007 for requirements and encouragements for external assistance, it would be timely to deal also with budget reporting as an amendment to the Cash basis IPSAS at that time. Appendix A to ED 27 identified amendments to other standards on the basis that a stand alone IPSAS was to be issued. Amendments to IPSAS 1 for budget reporting could be processed as the improvements amendments are agreed.

Whether explanation of the difference between actual and budget should be included in the financial statements or in a performance/evaluation report issued with or before the financial statements.

ED 27 included the proposed requirement to disclose in the financial statements, the reasons for material differences between budget and actual amounts unless such explanation is included in other public documents issued at the same time as, or in conjunction with the financial statements. These requirements are reflected in the draft IPSAS. The draft IPSAS also provides that such explanation may be included in reports issued before the financial statements. This was agreed at the last meeting, though members noted they would revisit this requirement.

Staff are of the view that this disclosure requirement should be maintained. This is consistent with the view that such disclosures are a key component of accountability in the public sector. It also enables preparers to determine the location of such disclosures within reporting arrangements in place in their own jurisdiction

Relief from Comparatives

As noted at the last meeting, some respondents questioned whether it was appropriate to provide relief from the disclosure of comparative information for the previous period

(paragraph 12 of ED 27). Some also questioned whether the explanation of such relief is clear.

The IPSASB agreed that relief from the disclosure of prior period comparatives should be retained, but that the wording of the paragraph should be revised to better reflect and clarify the IPSASB's intention. The IPSASB also agreed that an explanation of the reasons for such relief should be included in the Basis for Conclusion.

The draft IPSAS has been amended to reflect these directions. Staff also propose that the relief be relocated from paragraph 12 and constituted as a stand alone paragraph. This would mean that disclosure of prior period comparative information would not be required in respect of any of the specific disclosures required by the IPSAS.

Additional matters identified by respondents

Respondents raised a number of proposals to strengthen the drafting and clarity of the final IPSAS, additional to those considered by the IPSASB at its last meeting. These are identified in the table of additional comments at agenda item 14.3 together with staff views thereon.

In a number of cases, the value added by these proposals is clear and staff have processed the changes – they are marked up in the draft IPSAS at agenda item 14.2. In a number of other cases, while the proposals may have merit in themselves, they refer to a matter on which the IPSASB has already deliberated or which reflects agreed drafting protocols/precedents. Staff have not made amendments in respect of these proposals. Staff also have a reluctance to amend the proposed IPSAS for changes that are not obviously necessary. This is because they may be jurisdictional specific and run the risk of giving rise to unintended consequences at the international level.

Of the amendment processed, staff wish to bring the following to members' attention. This is because these tend to have a pervasive effect on the drafting of the IPSAS.

Use of the term general purpose financial statements (GPFs)

IPSASs use the term general purpose financial statements and financial statements interchangeably. For example, the scope clause of IPSAS 1 "Presentation of Financial Statements" specifies that "This Standard should be applied in the presentation of all general purpose financial statements prepared and presented under the accrual basis....." IPSAS 1 includes an explanation of general purpose financial statements, but does not include a black letter definition of the term.

The equivalent scope clauses of most other IPSASs refer to financial statements, rather than general purpose financial statements. For example, the scope clause of IPSAS 2 "Cash Flow Statements" specifies that " An entity which prepares and presents financial statements under the accrual basis....."

However, the term general purpose financial statements is used in the text of a number of IPSASs and Exposure Drafts.

Some respondents noted that the term general purpose financial statements (GPFs) is widely used in ED 27 but is not defined. (It is also used in other EDs currently being considered by the IPSASB.) Staff are of the view that the term financial statements, rather than general purpose financial statements should be used at this stage, and have amended the

draft IPSAS accordingly. It is likely that the term GPFS will be the subject of close scrutiny in the development of the public sector conceptual framework and staff are of the view that any formal definition of the term should be linked to developments in that project.

Terminology – legislative body/legislature

The definitions of “appropriations”, “budgetary basis” and “final budget” in ED 27 refer to legislative body, legislature and authorized legislative changes. However, in the text such references are extended to also encompass the notion of “other authority” - to accommodate different forms of governance/authority that might exist in different jurisdictions. Some respondents noted and expressed concern about the inconsistency of use of terminology. Staff have amended the definition and supporting explanation to reflect the broader notion intended by the Board.

ATTACHMENT:
EXTRACT FROM ATTACHMENT TO MINUTES OF MARCH 2006 IPSASB MEETING

16 BUDGET REPORTING

The IPSASB agreed that the first draft IPSAS should:

- Include additional explanation to emphasize that the objective was to compare actual with the publicly available budget and this would direct whether in paragraph 12 the comparison was with the original or final budget;
- In paragraph 12, clarify that the relief was only from providing the previous period's budget and comparison of budget and actual (not from disclosing actuals of a prior period) and specify in the basis for conclusions the reasons for providing such relief;
- Explain that if the government financial reporting "package" included a management discussion and analysis, budget out-turn or similar report which included an explanation of the difference between actual and the publicly available budget, then such explanation need not be included in the GPFS;
- Be revised to acknowledge that explanations of differences between actual and budget should not be required in the GPFS if such were included in reports issued before, at the same time or in conjunction with the GPFS;
- Note that, if in a whole of government GPFS a budget was only made publicly available for a component of the government, the comparison would be made in respect of that budget/component;
- Retain the prohibition on adding additional budget columns to the primary financial statements when the budget and accounting basis are not the same;
- Clarify and emphasize that disclosure of the reasons for differences between the original and final budget are to be included in reports issued before, at the same time or in conjunction with the GPFS. That is, they are not required to be included in the GPFS;
- Continue to require that the budget basis is to be used for comparisons and that a reconciliation to the GPFS be prepared;
- Clarify that "actual" as used in the IPSAS may be referred to as budget out-turn or budget execution in budget reports;
- Explain that while budgets may focus on commitments to expend funds and changes therein, the GPFSs "actuals" related to revenues, expenses, assets, liabilities and cash flows; and
- Strengthen paragraph 10 if necessary to ensure the link between approved budgets and the legislature, or other authoritative approving body was clear.

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD IPSAS XX — PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS

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International Public Sector Accounting Standard XX, “Presentation of Budget Information in Financial Statements” (IPSAS XX) is set out in paragraphs 1-~~54~~55 and the Appendix. All the paragraphs have equal authority. IPSAS XX should be read in the context of its objective, the Basis for Conclusions, and the “Preface to the International Public Sector Accounting Standards”. International Public Sector Accounting Standard IPSAS ~~13~~, “Accounting Policies, Changes in Accounting Estimates and Errors~~Presentation of Financial Statements~~” and Cash Basis IPSAS “Financial Reporting Under the Cash Basis of Accounting” provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

INTRODUCTION

Reasons for Issuing the IPSAS

- IN1. Most governments prepare and issue as public documents, or otherwise make publicly available, their financial budgets. The budget documents are widely distributed and promoted. The budget reflects the financial characteristics of the government's plans for the forthcoming period, is a key tool for financial management and control, and is the central component of the process that provides for government and parliamentary (or similar) oversight of the financial dimensions of operations.
- IN2. Some entities are required to make publicly available their approved budgets. In such cases, the entity will be held publicly accountable for its compliance with, and performance against, that budget.
- IN3. Previously, IPSAS 1, "Presentation of Financial Statements" encouraged, but did not require disclosure of a comparison with budget amounts where the financial statements and budget are on the same basis. The Cash Basis IPSAS, "Financial Reporting Under the Cash Basis of Accounting" (the Cash Basis IPSAS) also encouraged the disclosure of a comparison of budgeted amounts with actual amounts for the reporting period. However, the budgets for which the entity is held publicly accountable may not be prepared on the same basis as the financial statements and neither Standard provides guidance on the details to be disclosed or the manner of presentation when the budget and the financial statements are not prepared and presented on the same basis
- IN4. This International Public Sector Accounting Standard (IPSAS) identifies disclosure of comparisons of actual with budgeted amounts that are to be made by entities which are held publicly accountable for their compliance with, and performance against, their approved budget. It applies to both entities that prepare financial statements in accordance with the accrual basis IPSASs and entities that prepare financial statements in accordance with the Cash Basis IPSAS.

STAFF NOTE: PARA IN4 SUBJECT TO IPSASB DECISION REGARDING DISPOSITION OF REQUIREMENTS BETWEEN IPSAS 1 AND CASH BASIS IPSAS.

Main features of the IPSAS

Applicability

IN5. This IPSAS applies to public sector entities that are required to make their approved budgets publicly available. It requires such entities to make certain disclosures about budget and actual amounts in their financial statements or other reports. It does not require that public sector entities make publicly available their approved budgets, nor does it specify requirements for the formulation or presentation of approved budgets that are made publicly available.

Disclosure

IN6. This IPSAS requires that the financial statements of public sector entities that are required to make their approved budgets publicly available include:

- (a) A comparison of actual amounts with amounts in the original and final budget. This comparison is to be made on the same basis of accounting as adopted for the budget, even if that basis is different from the basis adopted for the financial statements;
- (b) An explanation of material differences between budget and actual amounts, unless such explanation is included in other public documents issued before or at the same time as, or in conjunction with, the financial statements; and
- (c) A reconciliation of actual amounts on a budget basis with actual amounts presented in the financial statements

IN7. This IPSAS allows comparison of budget and actual amounts to be made in the financial statements as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis, including that they are on the same basis of accounting.

IN8. This IPSAS also requires that an explanation of the reasons for differences between the original and final budget, including whether those differences arise from reallocations within the budget or other factors such as policy shifts, natural disasters, or other unforeseen events be made in a report issued before, in conjunction with, or at the same time as, the financial statements.

IN9. Comparative information in respect of the previous period is not required.

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD IPSAS XX — PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS

Objective

1. This Standard requires a comparison of budget and actual amounts to be included in the ~~general purpose~~ financial statements (~~GPFs~~) of entities which are required to make publicly available their approved budget(s) and for which they are held accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. Compliance with the requirements of this Standard will ensure that public sector entities ~~which are required to make publicly available the approved budget(s) for which they are held accountable,~~ discharge their accountability obligations and enhance the transparency of their ~~GPFs—financial statements~~ by demonstrating compliance with the approved budget for which they are held publicly accountable and, where the budget and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.

Scope

2. **An entity that prepares and presents ~~general purpose~~ financial statements under the accrual or cash basis of accounting in accordance with International Public Sector Accounting Standards shall apply this Standard.**
3. **This Standard applies to public sector entities, other than Government Business Enterprises, that are required to make publicly available their approved budgets.**
4. This Standard applies to all entities that are required to make publicly available their approved budgets, other than Government Business Enterprises (GBEs). It deals with both reporting under the accrual basis and the cash basis of accounting. If the accrual basis of accounting is adopted, this Standard should be read in conjunction with the accrual basis International Public Sector Accounting Standards (IPSASs). IPSAS 1 “Presentation of Financial Statements” establishes that under the accrual basis a complete set of financial statements includes a statement of financial position; statement of financial performance; statement of changes in net assets/equity; cash flow statement; and accounting policies and notes to the financial statements. If the cash basis of accounting is adopted, this Standard should be read in conjunction with the Cash Basis IPSAS, “Financial Reporting Under the Cash Basis of Accounting” (the Cash Basis IPSAS). The Cash Basis IPSAS requires that an the entity should prepare and present financial statements which include a statement of cash receipts and payments and accounting policies and explanatory notes.

5. This Standard does not require approved budgets to be made publicly available, nor does it require that the ~~GPFSS-financial statements~~ disclose information about, or make comparisons with, budgets which are not required to be made publicly available.
6. In some cases, approved budgets will be compiled to encompass all the activities controlled by a public sector entity. In other cases, separate approved budgets may be required to be made publicly available for certain activities, groups of activities or entities included in the ~~GPFSS-financial statements~~ of a government or other public sector entity. This may occur where, for example, a government's ~~GPFSS-financial statements~~ encompass government agencies or programs that have operational autonomy and prepare their own budgets. ~~In still other cases, approved budgets may be required to be made publicly available for only a component of the GPFSSs. This may occur~~ where a budget is prepared only for the general government sector of the whole-of-government ~~GPFSSs~~. This Standard applies to all entities which present ~~GPFSS-financial statements~~ when approved budgets for the entity, or components thereof, are required to be made publicly available.
7. The "Preface to International Public Sector Accounting Standards" issued by the International Public Sector Accounting Standards Board (IPSASB) explains that GBEs apply International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board (IASB). Therefore, this Standard does not apply to GBEs. GBEs are defined in ~~paragraph 8 below~~ IPSAS 1.

Definitions

8. The following terms are used in this Standard with the meanings specified:

Accounting basis means the accrual or cash basis of accounting as defined in the accrual basis International Public Sector Accounting Standards and the Cash Basis International Public Sector Accounting Standard.

Annual budget means an approved budget for one year. **It does not include published forward estimates or projections for periods beyond the budget period.**

Appropriation is an authorization granted by a legislative body to **set aside/allocate** funds for purposes specified by the legislature **or similar authority.**

Approved budget means the expenditure authority derived from laws, appropriation bills, government ordinances and other decisions related to the anticipated revenue or receipts for the budgetary period.

Budgetary basis means the accrual, cash or other basis of accounting adopted in the budget that has been approved by the legislative body.

Comparable basis means the actual amounts classified on the same basis for the same entities covering the same period as the approved budget.

Final budget is the originally approved budget adjusted for all reserves, carry over amounts, transfers, allocations, supplemental appropriations, and other authorized legislative or similar authority changes applicable to the budget period.

~~**Government Business Enterprise** means an entity that has all the following characteristics:~~

- ~~(a) — Is an entity with the power to contract in its own name;~~
- ~~(b) — Has been assigned the financial and operational authority to carry on a business;~~
- ~~(c) — Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;~~
- ~~(d) — Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and~~
- ~~(e) — Is controlled by a public sector entity.~~

Multi-year budget is an approved budget for more than one year. It does not include published forward estimates or projections for periods beyond the budget period.

Original budget is the initial approved budget for the budget period.

Terms defined in other International Public Sector Accounting Standards are used in this Standard with the same meaning as in those other Standards, and are reproduced in the Glossary of Defined Terms published separately.

Approved Budgets

9. An approved budget as defined by this Standard reflects the anticipated revenues or receipts expected to arise in the annual or multi-year budget period based on current plans and the anticipated economic conditions during that budget period, and expenses or expenditures approved by a legislative body, being the legislature or other relevant authority. An approved budget is not a forward estimate or a projection based on assumptions about future events and possible management actions which are not necessarily expected to take place. Similarly, an approved budget differs from prospective financial information which may be in the form of a forecast, a projection or a combination of both – for example, a one year forecast plus a five year projection.
10. In some jurisdictions, budgets may be signed into law as part of the approval process. In other jurisdictions, approval may be provided without the budget becoming law. Whatever the approval process, the critical feature of approved budgets is that the authority to withdraw funds from the government treasury

or similar body for agreed and identified purposes is provided by a higher legislative body or other appropriate authority. The approved budget establishes the expenditure authority for the specified items. The expenditure authority is generally considered the legal limit within which an entity must operate. In some jurisdictions, the approved budget for which the entity will be held accountable may be the original budget and in others it may be the final budget.

Original Budget

11. If a budget is not approved prior to the beginning of the budget period, the original budget is the budget that was first approved for application in the budget year.

Presentation of a Comparison Between Budget and Actual Amounts

12. **Subject to the requirements of paragraph 19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with International Public Sector Accounting Standards. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:**
 - (a) The original and final budget amounts;
 - (b) The actual amounts on a comparable basis; and
 - (c) By way of note disclosure, an explanation of material differences between the budget for which it is held publicly accountable and actual amounts unless such explanation is included in other public documents issued before, at the same time as, or in conjunction with, the general purpose financial statements, and a cross reference to those documents is made in the notes.

The presentation-disclosure of comparative information for in respect of the previous period in accordance with the requirements of this paragraph is not required.

Staff are of the view that if comparatives are not to be required, the relief should be provided to all disclosure requirements in this IPSAS. If this was agreed by the IPSASB, the final phrase would be constituted as a separate paragraph and relocated to follow paragraph 52.

13. Presentation in the financial statements of the original and final budget amounts, and actual amounts on a comparable basis with the budget which is made publicly, in GPFSS will available will complete the accountability cycle by enabling users of the financial statements to identify whether resources were obtained and used in accordance with the approved budget. Differences

between the actual amounts and the budget amounts, whether original or final budget (often referred to as the “variance” in accounting), may also be presented in the GPPSSfinancial statements for completeness.

14. An explanation of the material differences between actual amounts and the budget amounts which are made publicly available will assist users in understanding the reasons for material departures from the approved budget for which the entity is held publicly accountable.
15. An entity may be required to make publicly available its original budget, its final budget or both its original and final budget. Where both original and final budget are required to be made publicly available, the legislation, regulation or other authority will often provide guidance on whether explanation of material differences between the actual and the original budget amounts or actual and the final budget amounts is required in accordance with paragraph 12(c). In the absence of any such guidance, material differences may be determined by reference to, for example, differences between actual and original budget to focus on performance against original budget, or differences between actual and final budget to focus on compliance with the final budget.
16. In many cases, the final budget and the actual amount will be the same. This is because budget execution is monitored over the reporting period and the original budget progressively revised to reflect changing conditions, circumstances and experiences during the reporting period. Paragraph 29 of this Standard requires the disclosure of an explanation of the reasons for changes between the original and final budget. These disclosures together with those required by paragraph 12 above will ensure that entities which are required to make publicly available their approved budget(s) are held publicly accountable for their performance against, and compliance with, the relevant approved budget as intended by the legislature or similar authority.
- ~~15.~~17. Management discussion and analysis, operations review or other public reports which provide commentary on the performance and achievements of the entity during the reporting period, including ~~its compliance with budgets~~ explanations of any material differences from budget amounts, are often issued at the same time as, or in conjunction with, the financial statements. In some jurisdictions, such commentary may also be included in budget out-turn or similar public reports issued before the financial statements. In accordance with paragraph 12 (c) of this ~~This Standard requires that such explanation~~Standard, explanation of material differences between actual and budget amounts will be included in notes to the financial statements, unless included in other public reports or documents issued before, at the same time as, or in conjunction with, the GPPSSfinancial statements and the notes to the financial statements identify the documents in which the explanation can be found.

STAFF NOTE – PARA 14 AND 17 HAVE BEEN RESTRUCTURED. PARA 14 WAS SECOND SENTENCE OF PARA 17 BUT WAS MOVED TO ENHANCE “FLOW”. HOWEVER, ONLY CHANGES IN WORDING IS MARKED UP

18. Where approved budgets are only required to be made publicly available for some of the entities or activities included in the financial statements, the requirements of paragraph 12 will apply to only the entities or activities reflected in the approved budget. This means that where, for example, a budget is prepared only for the general government sector of a whole of government reporting entity, the disclosures required by paragraph 12 will be made only in respect of the general government sector of the government.

Presentation and Disclosure

15.19. An entity shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the ~~GPPFS~~financial statements and the budget are prepared on a comparable~~on the same~~ basis of accounting and adopt the same classification structure.

16.20. Comparisons of budget and actual amounts may be presented in a separate financial statement (“statement of comparison of budget and actual amounts” or a similarly titled statement) included in the complete set of financial statements under the accrual or cash basis of accounting as specified in IPSAS 1. Alternatively, where the ~~GPPFS~~financial statements and the budget are prepared on a comparable basis – that is, on the same basis of accounting for the same entity and reporting period, and adopt the same classification structure, additional columns may be added to the existing primary financial statements presented in accordance with IPSASs. These additional columns will identify original and final budget amounts and, if the entity so chooses, differences between the budget and actual amounts.

17.21. In those jurisdictions where budgets are prepared on the accrual basis and encompass the full set of ~~GPPFS~~financial statements, or where budgets are prepared on the cash basis and adopt a format for presentation consistent with the Cash Basis IPSAS, additional budget columns will can be added to all the primary financial statements required by IPSASs. In some jurisdictions, budgets prepared on the accrual basis may be presented in the form of only certain of the primary financial statements that comprise the full set of the ~~GPPFS~~financial statements as specified by IPSASs – for example, the budget may be presented as a statement of financial performance or a cash flow statement, with additional information provided in supporting schedules. In these cases, the additional budget columns will can be included in the primary financial statements ~~in the GPPFS~~ that are also adopted for presentation of the budget.

Level of Aggregation

~~18.22.~~ Budget documents may provide great detail about particular activities, programs or entities. These details are often aggregated into broad classes ~~and under common~~ “budget heads”, “budget classifications” or “budget headings” for presentation to, and approval by, the legislature or other authoritative body. The disclosure of budget and actual information consistent with those broad classes and budget heads ~~or headings approved by the legislature or other authoritative body is required by this IPSAS.~~ This will ensure that comparisons are made at the level of legislative or other authoritative governing body oversight identified in the budget document(s).

~~19.23.~~ IPSAS 1 and the Cash Basis IPSAS require GPFSSfinancial statements to provide information that meets a number of qualitative characteristics, including that the information is:

- (a) Understandable;
- (b) Relevant to the decision-making and accountability needs of users; and
- (c) Reliable in that it:
 - (i) represents faithfully transactions and other events;
 - (ii) reflects the economic substance of transactions and other events and not merely their legal form;
 - (iii) is neutral, that is, free from bias;
 - (iv) is prudent; and
 - (v) is complete in all material respects.

~~20.24.~~ In some cases, the detailed financial information included in approved budgets may need to be aggregated for presentation in GPFSSfinancial statements in accordance with the requirements of this Standard. Such aggregation may be necessary to avoid information overload and to reflect relevant levels of legislative or other authoritative body oversight. Determining the level of aggregation will involve professional judgment. That judgment will be applied in the context of the objective of this Standard and the qualitative characteristics of financial reporting as outlined in paragraph 19 above. Appendix 4 of the Cash Basis IPSAS and Appendix 2 of IPSAS 1 summarize the qualitative characteristics of financial reporting.

~~21.25.~~ Additional budget information, including information about service achievements, may be presented in documents other than GPFSSfinancial statements. A cross-reference from GPFSSfinancial statements to such documents is encouraged, particularly to link budget and actual data to non-financial budget data and service achievements.

Original and Final Budget

22.26. The final budget shall include all changes approved by legislative actions or other designated authority to revise the original budget.

23.27. The original budget may include residual appropriated amounts automatically carried over from prior years by law. For example, governmental budgetary processes in some jurisdictions include a legal provision that requires the automatic rolling forward of appropriations to cover prior year commitments. Commitments encompass possible future liabilities based on a current contractual agreement. In some jurisdictions, they may be referred to as obligations or encumbrances. Commitments include outstanding purchase orders and contracts where goods or services have not yet been received.

24.28. Supplemental appropriations may be necessary where the original budget did not adequately envisage expenditure requirements arising from, for example, war or natural disasters. In addition, there may be a shortfall in budgeted revenues during the period, and internal transfers between budget heads or line items may be necessary to accommodate changes in funding priorities during the fiscal period. Consequently, the funds allotted to an entity or activity may need to be cut back from the amount originally appropriated for the ~~reporting~~ period in order to maintain fiscal discipline. The final budget includes all such authorized changes or amendments.

25.29. An entity shall present an explanation of whether changes between the original and final budget are a consequence of reallocations within the budget, or of other factors, in a report issued in conjunction with, or at the same time as, the financial statements.

26.30. ~~Consistent with the requirements of this Standard a~~ public sector entity ~~is required to disclose the original budget and the final budget in the financial statements. It is also required to~~ will include in a separate report issued ~~before,~~ in conjunction with or at the same time as the financial statements, an explanation of ~~whether—~~changes between the original and final budget including whether, for example, changes arise as a consequence of reallocations within the original budget parameters or as a consequence of other factors, such as changes in the overall budget parameters, including changes in government policy. Such disclosures are often made in a management ~~discussion and analysis or similar, report on operations issued in conjunction with, but not as part of, the financial statements~~ operating- or budget out-~~turn~~ turn reports issued by governments to report on budget execution.

Comparable Basis

27.31. All comparisons shall be presented on a comparable basis to the budget.

28.32. The comparisons of budget and actual amounts ~~shall will~~ be presented on the same accounting basis (~~format, terminology, budgetary basis~~ accrual, cash or other basis), ~~same—and~~ classification basis) and for the same entities and

period as for the approved budget. This will ensure that the disclosure of information about compliance with the budget in the GPFSs financial statements is on the same basis as the budget itself. In some cases, this may mean presenting a budget and actual comparison on a different basis of accounting, for a different group of activities, and with a different presentation or classification format than that adopted for the GPFSs financial statements.

29.33. GPFSs Financial statements consolidate entities and activities controlled by the entity. As noted in paragraph 6, separate budgets may be approved and made publicly available for individual entities or particular activities that make up the consolidated GPFSs financial statements. Where this occurs, the separate budgets may be recompiled for presentation in the GPFSs financial statements in accordance with the requirements of this Standard. Where such re-compilation occurs, it will not involve changes or revisions to approved budgets. This is because this Standard requires a comparison of actual amounts with the approved budget amounts.

30.34. Entities may adopt different bases of accounting for the preparation of their GPFSs financial statements and for their approved budgets. For example, a government may adopt the accrual basis for its GPFSs financial statements and the cash basis for its budget. In addition, budgets may focus on, or include information about, commitments to expend funds in the future and changes in those commitments, while the financial statements will report cash flows and, under the accrual basis, revenues, expenses, assets, liabilities, net assets/equity and changes therein. However, notwithstanding these differences, the budget entity and financial reporting entity will often be the same. Similarly, the period for which the budget is prepared and classification basis adopted for the budget will often be reflected in GPFSs financial statements. This will ensure that the accounting system records and reports financial information in a manner which facilitates the comparison of budget and actual data for management and for accountability purposes – for example, for monitoring progress of execution of the budget during the budget period; and for reporting to the government, the public and other users on a relevant and timely basis.

31.35. In some jurisdictions, budgets may be prepared on a cash or accrual basis consistent with a statistical reporting system that encompasses entities and activities different from those included in the GPFSs financial statements. For example, budgets prepared to comply with a statistical reporting system may focus on the general government sector and encompass only entities fulfilling the “primary” or “non-market” functions of government as their major activity, while GPFSs financial statements report on all activities controlled by a government, including the business activities of the government. IPSAS XX Exposure Draft 28, “Disclosure of Financial Information about the General Government Sector” (ED 28) specifies requirements for note disclosure of financial information about the general government sector of a

whole of government entity ~~by entities~~ which adopts the accrual basis of accounting and elects to make such disclosures. In many cases, disclosures made in accordance with ~~ED-28~~IPSAS XX will encompass the same entities, activities and classification bases as adopted in budgets prepared consistent with the general government sector as defined in statistical reporting models. In these cases, disclosures made in accordance with ~~ED-28~~IPSAS XX will also facilitate the disclosures required by this Standard.

32.36. In statistical reporting models, the general government sector may comprise national, state or provincial and local government levels. In some jurisdictions, the national government may control state/provincial and local governments, consolidate those governments in its GPFSs financial statements and develop, and require to be made publicly available, an approved budget that encompasses all three levels of government. In these cases, the requirements of this Standard will apply to the GPFSs financial statements of those national governmental entities. However, where a national government does not control state or local governments, its ~~general purpose~~ financial statement will not consolidate state, provincial or local governments. Rather, separate GPFSs financial statements are prepared for each level of government. The requirements of this Standard will only apply to the GPFSs financial statements of governmental entities when approved budgets for the entities and activities they control, or subsections thereof, are required to be made publicly available.

Multi-year Budgets

33.37. Some governments and other entities approve and make publicly available multi-year budgets, rather than separate annual budgets. Conventionally, multi-year budgets comprise a series of annual budgets or annual budget targets. The approved budget for each component annual period reflects the application of the budgetary policies associated with the multi-year budget for that component period. In some cases, the multi-year budget provides for a roll forward of unused appropriations in any single year.

34.38. Governments and other entities with multi-year budgets may take different approaches to determining their original and final budget depending on how their budget is passed. For example, a government may pass a biennial budget that contains two approved annual budgets, in which case an original and final approved budget for each annual period will be identifiable. If unused appropriations from the first year of the biennial budget are legally authorized to be spent in the second year, the “original” budget for the second year period will be increased for these “carry over” amounts. In the rare cases in which a government passes a biennial or other multi-period budget that does not specifically separate budget amounts into each annual period, judgment may be necessary in determining which amounts are attributable to each annual period. For example, the original and final approved budget for the first year of a biennial period will encompass any approved capital

acquisitions for the biennial period that occurred during the first year, together with the amount of the recurring revenue and expenditure items attributable to that year. The unexpended amounts from the first annual period would then be included in the “original” budget for the second annual period and that budget together with any amendments thereto would form the final budget for the second year. Where multi-period budgets are adopted, entities are encouraged to provide additional note disclosure about the relationship between budget and actual amounts during the budget period.

Note Disclosures of Budgetary Basis, Period and Scope

~~35.39. IPSAS 1 and the Cash-Basis IPSAS require entities to present in notes to the financial statements, information about the basis of preparation of the financial statements and the accounting policies adopted. Entities may adopt different accounting policies for the preparation and presentation of their GPFSs and for the preparation and presentation of their approved budgets. The inclusion in the notes to the financial statements of the policies adopted for the preparation and presentation of approved budgets will enable users to better understand the basis on which the approved budget has been prepared, and whether and how it differs from the financial statements.~~

STAFF NOTE: MATTERS ADDRESSED IN THIS PARA REPEATED IN PARAS FOLLOWING THE BLACK LETTER PRINCIPLE.

36.40. An entity shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget.

37.41. There may be differences between the accounting basis (cash, accrual, or some modification thereof) used in preparation and presentation of the budget and the accounting basis used in the GPFSsfinancial statements. These differences may occur when the accounting system and the budget system compile information from different perspectives – the budget may focus on cash flows, or cash flows plus certain commitments, while the financial statements report cash flow and accrual information.

38.42. Formats and classification schemes adopted for presentation of the approved budget may also differ from the formats adopted for the GPFSsfinancial statements. An approved budget may classify items on the same basis as is adopted in the GPFSsfinancial statements, for example, by economic nature (for example compensation of employees, use of goods or services), function (for example, health, education) as is adopted in the GPFSsfinancial statements. However, the budget may classify items by specific programs (for example, poverty reduction, control of contagious diseases) or program components linked to performance outcome objectives (for example, tertiary education – students graduating, hospital emergency services – surgical operations performed), which differ from classifications adopted in the GPFSsfinancial statements. Further, a recurrent budget for ongoing operations

(for example, education, health) may be approved separately from a capital budget for capital outlays (for example, infrastructure, buildings).

39.43. IPSAS 1 and the Cash Basis IPSAS require entities to present in notes to the financial statements, information about the basis of preparation of the financial statements and the accounting policies adopted. Disclosure of the budgetary basis and classification basis adopted for the preparation and presentation of approved budgets will assist users to better understand the relationship between the budget and accounting information disclosed in the GPFSs financial statements.

40.44. **An entity shall disclose in notes to the financial statements the period of the approved budget.**

41.45. GPFSs Financial statements are presented at least annually. Entities may approve budgets for an annual period or for multi-year periods. Disclosure of the period covered by the approved budget where that period differs from the reporting period adopted for the GPFSs financial statements will assist the user of those financial statements to better understand the relationship of the budget data and budget comparison to the GPFSs financial statements. Disclosure of the period covered by the approved budget where that period is the same as the period covered by the GPFSs financial statements will also serve a useful confirmation role, particularly in jurisdictions where interim budgets and financial statements and reports are also prepared.

42.46. **An entity shall identify in notes to the financial statements the entities included in the approved budget.**

43.47. IPSASs require entities to prepare and present GPFSs financial statements that consolidate all resources controlled by the entity. At the whole-of-government level, a GPFS prepared in accordance with IPSASs will encompass budget-dependant entities and GBEs controlled by the government. However, as noted in paragraph 354, approved budgets prepared in accordance with statistical reporting models may not encompass operations of the government that are undertaken on a commercial or market basis. Consistent with the requirements of paragraph 2731, budget and actual amounts will be presented on a comparable basis. Disclosure of the entities encompassed by the budget will enable users to identify the extent to which the entity's activities are subject to an approved budget and how the budget entity differs from the entity reflected in the GPFSs financial statements.

Reconciliation of Actual Amounts on a Comparable Basis and Actual Amounts in the General Purpose Financial Statements

44.48. **The actual amounts presented on a comparable basis to the budget in accordance with paragraph 27-31 shall be reconciled to the following actual amounts presented in the general purpose financial statements, identifying separately any basis, timing and entity differences:**

- (a) **When the cash basis is adopted for the presentation of the general purpose financial statements: total cash receipts and total cash payments; and**
- (b) **When the accrual basis is adopted for the presentation of the general purpose financial statements:**
 - (i) **total revenues, total expenses and net cash flows from operating activities, investing activities and financing activities, if the accrual basis is adopted for the budget; or**
 - (ii) **net cash flows from operating activities, investing activities and financing activities if a basis other than the accrual basis is adopted for the budget.**

The reconciliation shall be disclosed on the face of the statement of comparison of budget and actual amounts or in the notes to the financial statements.

45.49. Differences between the actual amounts identified consistent with the comparable basis and the actual amounts recognized in the GPFSS financial statements can usefully be classified into the following:

- (a) Budgetary basis differences, which occur when the approved budget is prepared on a basis other than the accounting basis. For example, where the budget is prepared on the cash basis or modified cash basis but the financial statements are prepared on the accrual basis;
- (b) Timing differences, which occur when the budget period differs from the reporting period reflected in the GPFSS financial statements; and
- (c) Entity differences, which occur when the budget omits programs or entities that are part of the entity for which the GPFSS financial statements are prepared.

There may also be differences in formats and classification schemes adopted for presentation of GPFSS financial statements and the budget.

46.50. ~~This Standard requires that the actual amounts on a comparable basis to the budget presented in a budget and actual comparison be reconciled to certain equivalent amounts presented in the GPFSS, identifying separately amounts attributable to basis, timing or entity differences.~~ The reconciliation required by paragraph 48 of this Standard will enable the entity to better discharge its accountability obligations by identifying major sources of difference between the actual amounts on a budget basis and the amounts recognized in the GPFSS financial statements. This Standard does not preclude reconciliation of each major total and subtotal, or each class of items presented in a comparison of budget and actual amounts with the equivalent amounts in the GPFSS financial statements.

47.51. For some entities adopting the same basis of accounting for ~~both~~ preparation of ~~both~~ the budget documents and the GPFSSfinancial statements, only the identification of differences between actual amounts in the budget and the equivalent amounts in the GPFSSfinancial statements will be required. This will occur where the budget is prepared for the same period, encompasses the same entities and adopts the same presentation format as the GPFSSfinancial statements. In these cases, the comparison may be ~~ae~~ affected by the inclusion of an additional budget column in the financial statements consistent with the requirements of paragraphs 12 and 19~~5~~ of this Standard. For other entities adopting the same basis of accounting, there may be a difference in presentation format, reporting entity or reporting period – for example, the approved budget may adopt a different classification or presentation format to the GPFSSfinancial statements, may include only non-commercial activities of the entity, or may be a multi-year budget. A reconciliation would be necessary where there are presentation, timing or entity differences between the budget and the GPFSSfinancial statements prepared on the same accounting basis.

48.52. For those entities using the cash basis (or a modified cash or modified accrual basis) of accounting for the presentation of the approved budget and the accrual basis for their GPFSSfinancial statements, the major totals presented in the statement of budget and actual comparison will be reconciled to net cash flows from operating activities, net cash flows from investing activities, and net cash flows from financing activities as presented in the cash flow statement prepared in accordance with IPSAS 2, “Cash Flow Statements”.

STAFF NOTE: IF RELIEF FROM COMPARATIVES IS TO BE PROVIDED AN ADDITIONAL PARAGRAPHS MAY BE INCLUDED HERE:

53. The disclosure of comparative information in respect of the previous period in accordance with the requirements of this Standard is not required.

54. This Standard requires a comparison of budget and actual amounts to be included in the financial statements of entities which are required to make publicly available their approved budget(s) and for which they are held accountable. It does not require the disclosure of a comparison of actuals of a previous period with the budget of that previous period, nor does it require that the related explanations of differences between the actuals and budget of that previous period be disclosed in the financial statements of the current period.

Effective Date

49.53. An entity shall apply this International Public Sector Accounting Standard for annual financial statements covering periods beginning on or after ~~MM-January 1, 2009DD, YYYY (2 years after issue of the Standard)~~. Earlier application is encouraged. If an entity applies this

Standard for a period beginning before January 1, 2009MM DD, YYYY it shall disclose that fact.

~~50.54.~~ When an entity adopts the accrual or cash basis of accounting, as defined by International Public Sector Accounting Standards, subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption.

~~51.55.~~ Application of this Standard is not required for 2 years from its issue date. The deferred application is intended to provide sufficient time for entities currently adopting, or about to adopt, IPSASs to develop and, as appropriate, align their budget and financial reporting procedures, time periods and coverage. Earlier adoption of this Standard is encouraged.

Appendix A

Amendments to Other International Public Sector Accounting Standards

STAFF NOTE: TO BE AMENDED FOLLOWING IPSASB CONSIDERATION OF LOCATION OF REQUIREMENTS

The amendments in this appendix shall be applied for annual financial statements covering periods beginning on or after MM DD, YYYY. If an entity applies this Standard for an earlier period, these amendments shall be applied for that earlier period.

A1. IPSAS 1, "Presentation of Financial Statements" is amended as described below.

Add the following (identified by underlining) to paragraph 19:

19. ...
- (a) ...
 - (b) ...
 - (c) ...
 - (d) ...
 - (e) When the entity is required to make publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in other financial statements; and
 - (ef) Accounting policies and notes to the financial statement

Add the following (identified by underlining) to paragraph 22:

22. ...Entities which make publicly available their approved budgets are required to comply with the requirements of IPSAS XX, "Comparison of Budget and Actual Amounts". For other entities, where the financial statements and the budget are on the same basis of accounting, this Standard encourages the inclusion in the financial statements of a comparison with the budgeted amounts for the reporting period. Reporting against budgets for these entities may be presented in various different ways, including:
- (a) The use of a columnar format for the financial statements, with separate columns for budgeted amounts and actual amounts. A column showing any differences from the budget or appropriation may also be presented, for completeness; and

- (b) A statement by the individual(s) responsible for the preparation of the financial statements that the budgeted amounts have not been exceeded. If any budgeted amounts or appropriations have been exceeded, or expenses incurred without appropriation or other form of authority, then details may be disclosed by way of ~~foot~~note to the relevant item in the financial statements.

A2. Cash Basis IPSAS, “Financial Reporting Under the Cash Basis of Accounting” is amended as described below.

Add the following (identified by underlining) to paragraph 1.3.4.

1.3.4

- (a);
- (b) and
- (c) When the entity is required to make publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the Statement of Cash Receipts and Payments.

Insert an additional paragraph following paragraph 1.3.8:

- 1.3.8A Entities which are required to make publicly available their approved budgets are required to comply with the requirements of Cash Basis IPSAS, “Comparison of Budget and Actual Amounts”.

Rewrite paragraph 2.1.33 as follows:

- 2.1.33 *An entity is encouraged to disclose in the notes to the financial statements information about assets and liabilities of the entity.*

Add a new paragraph following paragraph 2.1.34:

- 2.1.34A *Entities other than those which make publicly available their approved budgets and are required to disclose budget and actual comparisons in accordance with IPSAS XX, are encouraged to include in the financial statements a comparison with the budgets.*

Add the following (identified by underlining) to paragraph 2.1.36:

- 2.1.36 ... In some jurisdictions, this requirement is reflected in legislation. Entities which are required to make publicly available their approved budgets are required to comply with the requirements of IPSAS XX, “Comparison of Budget and Actual Amounts”. This Standard encourages other entities to include in their ~~general~~

~~purpose financial statements~~ the disclosure of a comparison of actual with the budgeted amounts for the reporting period where the financial statements and the budget are on the same basis of accounting. Reporting against budgets may be presented in different ways, including: ...

Implementation Guidance – Illustrative Examples

This guidance accompanies, but is not part of, IPSAS XX.

- A. Statement of comparison of budget and actual amounts when the cash basis is adopted for the budget**
- B. Additional column approach when the accrual basis is adopted for the presentation of the budget and the ~~general purpose~~ financial statements. (Illustrated only for the statement of financial performance.)**
- C. Note disclosures**
- D. Encouraged Note disclosure: biennial budget**

A. Statement of Comparison of Budget and Actual Amounts
For Government XX for The Year Ended 31 December 20XX
Budget On Cash Basis
(Classification Of Payments By Functions)

(in thousands of currency units)	Budgeted Amounts		Actual Amounts on Comparable Basis	<i>*Difference: Budget and Actual</i>
	Original	Final		
RECEIPTS				
Taxation	X	X	X	X
Aid Agreements				
International agencies	X	X	X	X
Other Grants and Aid	X	X	X	X
Proceeds: Borrowing	X	X	X	X
Proceeds: disposal of plant and equipment	X	X	X	X
Trading Activities	X	X	X	X
Other receipts	X	X	X	X
Total receipts	X	X	X	X
PAYMENTS				
Health	(X)	(X)	(X)	(X)
Education	(X)	(X)	(X)	(X)
Public order/safety	(X)	(X)	(X)	(X)
Social protection	(X)	(X)	(X)	(X)
Defense	(X)	(X)	(X)	(X)
Housing and community amenities	(X)	(X)	(X)	(X)
Recreational, cultural and religion	(X)	(X)	(X)	(X)
Economic affairs	(X)	(X)	(X)	(X)
Other	(X)	(X)	(X)	(X)
Total payments	(X)	(X)	(X)	(X)
NET RECEIPTS/ (PAYMENTS)	X	X	X	X

* The “Difference...” column is not required. However, a comparison between actual and the original or the final budget, clearly identified as appropriate, may be included.

B. Separate Column Approach

For Government YY for the Year Ended 31 December 20x2

Both Annual Budget And General Purpose Financial Statements Adopt Accrual Basis

(Illustrated only for Statement of Financial Performance. Similar presentation would be adopted for other financial statements)

Actual 20x1	(in thousands of currency units)	Actual 20x2	Final Budget 20x2	*Difference: Budget and Actual	Original Budget 20x2
	Operating revenue				
X	Taxes	X	X	X	X
X	Fees, fines, penalties and licenses	X	X	X	X
X	Revenue from exchange transactions	X	X	X	X
X	Transfers from other governments	X	X	X	X
X	Other operating revenue	X	X	X	X
X	Total operating revenue	X	X	X	X
	Operating expenses				
(X)	Wages, salaries, employee benefits	(X)	(X)	(X)	(X)
(X)	Grants and other transfer payments	(X)	(X)	(X)	(X)
(X)	Supplies and consumables used	(X)	(X)	(X)	(X)
(X)	Depreciation/amortization expense	(X)	(X)	(X)	(X)
(X)	Other operating expenses	(X)	(X)	(X)	(X)
(X)	Total operating expenses	(X)	(X)	(X)	(X)
	Surplus/(deficit) from operating activities				
X		X	X	X	X
(X)	Finance costs	(X)	(X)	(X)	(X)
X	Gain on sale: property, plant, equipment	X	X	X	X
(X)	Total non-operating revenue/(expenses)	(X)	(X)	(X)	(X)
	Surplus/(deficit) from ordinary activities				
X		X	X	X	X
(X)	Minority interest share of surplus/(deficit)	(X)	(X)	(X)	(X)
X	Net surplus/(deficit) for the period	X	X	X	X

* The “Difference...” column is not required. However, a comparison between actual and the original or the final budget, clearly identified as appropriate, may be included.

C. Extract of Note Disclosures for Government X

(which presents its approved budget on a cash basis and the ~~general purpose~~ financial statements on the accrual basis)

1. The budget is approved on a cash basis by functional classification. The approved budget covers the fiscal period from 1 January 20XX to 31 December 20XX and includes all entities within the general government sector. The general government sector includes all entities identified as government departments in note xx (prepared in accordance with IPSAS 6 “Consolidated and Separate Financial Statements”).
2. The original budget was approved by legislative action on (date) and a supplemental appropriation of XXX for disaster relief support was approved by legislative action on (date) due to the earthquake in the Northern Region on (date). The original budget objectives and policies, and subsequent revisions are explained more fully in the Operational Review and Budget Outcomes reports issued in conjunction with the financial statements.
3. The excess of actual expenditure over the final budget of 15% (25% over original budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final approved budget and the actual amounts.
4. The ~~general purpose~~ financial statements for the whole of government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The ~~general purpose~~ financial statements are consolidated statements which include all controlled entities, including government business enterprises for the fiscal period from 1 January 20XX to 31 December 20XX. The ~~general purpose~~ financial statements differ from the budget which is approved on the cash basis and which deals only with the general government sector which excludes government business enterprises and certain other non-market government entities and activities.
5. The amounts in the ~~general purpose~~ financial statements were recast from the accrual basis to the cash basis and by functional classification, to be on the same basis as the final approved budget. In addition, adjustments to amounts in the ~~general purpose~~ financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amount of these adjustments are identified in the following table:

6. A reconciliation between the actual amounts on a comparable basis as presented in the Budget and Actual Comparative Statement and the actual amount in the Statement of Cash flows for the Year Ended 31 December 20XX is presented below. The financial statements and budget documents are prepared for the same period. There is an entity difference: the budget is prepared for the general government sector and the financial statements consolidate all entities controlled by the government; and a basis difference: the budget is prepared on a cash basis and the financial statements on the accrual basis.

	Operating	Financing	Investing	Total
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	X	X	X	X
Basis Differences	X	X	X	X
Timing Differences	-	-	-	-
Entity Differences	X	X	X	X
Actual Amount in the Statement of Cash Flows	X	X	X	X

*This reconciliation could be included on the face of the Budget and Actual Comparative Statement or as a ~~footnote~~ [disclosure](#).

D. Encouraged Note Disclosure Government B: -Biennial Budget On Cash Basis - For The Year Ended 31 December 20XX

(in thousands of currency units)	Original Biennial Budget Year	Target Budget for 1st Year	Revised Budget in 1st Year	1st Year Actual on Comparable Basis	Balance Available for 2nd Year	Target Budget for 2nd Year	Revised Budget in 2nd Year	2nd Year Actual on Comparable Basis	<i>*Difference: Budget and Actual over Budget Period</i>
RECEIPTS									
Taxation	X	X	X	X	X	X	X	X	X
Aid Agreements	X	X	X	X	X	X	X	X	X
Proceeds: Borrowing	X	X	X	X	X	X	X	X	X
Proceeds: Disposal of plant and equipment	X	X	X	X	X	X	X	X	X
Trading Activities									
Other receipts	X	X	X	X	X	X	X	X	X
Total receipts	X	X	X	X	X	X	X	X	X
PAYMENTS									
Health	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Education	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Public order and safety	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Social protection	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Defense	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Housing, community amenities	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Recreational, cultural, religion	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Economic affairs	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Other	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
Total payments	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
NET RECEIPTS/ (PAYMENTS)	X	X	X	X	X	X	X	X	X

* This column is not required. However, a comparison between actual and the original or the final budget, clearly identified as appropriate, may be included.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, the proposed International Public Sector Accounting Standard.

Scope of the Standard

- BC1. In many jurisdictions, legislation or other authority requires public sector entities, whether the government or particular government entities, to make public the approved budgets for which they are held accountable. Such disclosure is made in the interest of transparency of government. This proposed Standard applies to governments and government entities that are required to make publicly available the approved budget(s), for which they are held accountable.
- BC2. The approved budget reflects the financial characteristics of the government's or other entity's plans for the forthcoming period and, in respect of activities funded from the government budget, represent the authority to expend funds. ~~The International Public Sector Accounting Standards Board (IPSASB) is of the view that r~~Reporting against those financial plans will enhance the transparency of general purpose financial statements and is an important element in the discharge of accountability of entities which are required to make their budget publicly available. The inclusion of a comparison of budget and actual amounts in general purpose financial statements (GPFs) will provide financial information to assist users to assess whether resources were raised as anticipated and used in accordance with budgets approved by the legislature or similar other authoritative body.
- BC3. Many governments and government entities which are required to make publicly available their approved budget already report actuals against budgeted amounts in their financial statements, in management discussion and analysis or similar reports which accompany the financial statements, or in budget out-turn ~~ome~~ reports or similar documents which report on budget execution and are issued before or in conjunction with their financial statements. For these governments, comparisons of budget and actual amounts are generally made at the levels of legislative oversight approved by the legislature or similar authority, and explanations of material differences are made where budgetary authority is exceeded. This proposed Standard reinforces that practice, and requires that it be adopted by all entities that are required to make publicly available their approved budgets.
- BC4. Many governments and government entities not specifically required to make publicly available their approved budgets do so in the interests of enhanced transparency and accountability. These governments and

government entities may also include in their GPFSS financial statements comparisons of budget and actual amounts in accordance with the requirements of this proposed Standard.

- BC5. This proposed Standard does not require entities to make publicly available their approved budgets, or specify presentation requirements for approved budgets that are made publicly available. The IPSASB has indicated that in the future it will consider whether an International Public Sector Accounting Standard (IPSAS) should be developed to deal with these matters.

Need for an International Public Sector Accounting Standards

- BC6. Currently IPSAS 1, "Presentation of Financial Statements", encourages but does not require comparisons of budget and actual amounts where the financial statements and the budget are on the same basis. The Cash Basis IPSAS, "Financial Reporting Under the Cash Basis of Accounting" also encourages a comparison between the budget and actual amounts. However, budgets may not be prepared on the same basis as the financial statements, and neither Standard provides guidance on the details to be disclosed or the manner of presentation when the budget and the financial statements are not prepared and presented on the same basis.

- BC7. This Standard applies where an e-IPSASB considered whether compliance with this proposed Standard should be encouraged or required by entities that are required to make publicly available their budgets and prepare entity prepares and present their-its financial statements in accordance with the Cash Basis IPSAS or with accrual basis IPSASs and is required to make publicly available its approved budget(s). In such cases, the intent and effect of the legislature or other authority is clear – the entity is held publicly accountable for its performance against and compliance with the budget. The IPSASB# concluded that disclosure of information about budget and actual amounts is a necessary element for the discharge of accountability for such entities, and an IPSAS should be prepared to specify appropriate disclosure requirements. Accordingly this proposed Standard applies to financial statements prepared on the cash basis and the accrual basis in accordance with IPSASs.

- BC8. The IPSASB considered whether it should require or encourage all public sector entities other than GBEs to make publicly available their approved budgets and comply with the requirements of this Standard, or to require that this Standard apply to all public sector entities other than GBEs which elect to make publicly available their approved budgets. The IPSASB noted that such requirements were outside the scope of this IPSAS as originally conceived, and agreed that it should not impose such requirements on entities or add to existing encouragements until it had further considered its role in respect of developing requirements for budget reporting. The

IPSASB also noted that public sector entities were not prohibited from applying the requirements of this Standard if they so chose.

Disclosure of Original and Final Budget

BC7:BC9. This ~~proposed~~ Standard requires the disclosure of the original budget and the final budget and, in a report issued in conjunction with, or at the same time as, the financial statements, an explanation of whether changes between the original and final budget are a consequence of reallocations within the budget, or of other factors.

BC8:BC10. Budgets are prepared in advance of the reporting period and the occurrence of natural disasters and changes in political or economic conditions may dictate a need for revisions to the initially approved budget during the budget period. In some jurisdictions, the authority for such revision is delegated to the Minister of Finance (within specified limits) or similar office holder. In other jurisdictions, the revisions must be approved by the legislature. Where those revisions are authorized by the appropriate authority, they comprise the final budget for the reporting period. The IPSASB is of the view that disclosure of the original and final budget is necessary to ensure that readers of the financial statements are aware of the nature and extent of changes to the original budget that have been approved during the course of the reporting period.

BC9:BC11. Revisions to the original budget may occur as a result of policy shifts, including changes in government priorities during the reporting period, or of unanticipated economic conditions. The disclosure of the reasons for changes between the original and final budget during the reporting period is necessary for the discharge of accountability and will provide useful input for analysis of the financial effects of changing economic conditions and of policy shifts. The IPSASB is of the view that such disclosures are more appropriately made in reports accompanying the financial statements, rather than as part of the financial statements themselves.

Comparisons with approved budget

~~BC11. This proposed Standard requires disclosure of the original and final budget amounts and actual amounts on a comparable basis with the budget amounts. Users of the financial statements will be able to identify and determine the differences between amounts in the original and/or final approved budget and their equivalent actual amounts (often referred to as "variances" in accounting) for each level of legislative oversight disclosed. Entities may elect, but are not required, to present these differences in the financial statements.~~

~~BC12. This proposed Standard requires an explanation of material differences (whether positive or negative) between actual and budget amounts to be made by way of note disclosure in the financial statements, unless such explanation is included in other publicly available documents issued at the same time as, or in conjunction with, the financial statements. The IPSASB is of the view that disclosure of this information will enhance the transparency of financial statements and strengthen the accountability of entities that make their budgets publicly available. The explanation of such differences may be included in a management discussion and analysis, operations review, budget overrun or similar report issued in conjunction with the financial statements. The IPSASB is of the view that where explanation is included in such reports, and notes to the financial statements direct readers to those reports, it is not necessary to repeat that explanation in the financial statements.~~

STAFF NOTE – THESE PARAGRAPHS HAVE BEEN RELOCATED TO BECOME BC 16 and 17.

Adoption of the budget basis and reconciliation of budget and accounting bases

- BC12. Entities may adopt different accounting bases for the preparation of their GPFSs financial statements and for their approved budgets. In particular, some entities that adopt the accrual basis of accounting for preparation of their GPFSs financial statements prepare their budgets on the cash basis. ~~In these circumstances, the financial reporting and budget basis will differ.~~ Differences between the budgetary basis and the GPFSs financial statements may also arise as a consequence of timing, entity or classification differences.
- BC13. This Standard requires that the comparisons of budget and actual amounts shall be presented on the same basis (format, terminology, budgetary basis and classification) and for the same entities and period as for the approved budget. This is necessary to enable the financial statements to demonstrate the extent to which actual amounts were used in accordance with legally authorized budgets. It will ensure that disclosures are made on a comparable basis, and the financial statements demonstrate compliance with the approved budget. Consequently, amounts reflected in the GPFSs financial statements under the accrual IPSASs or the Cash Basis IPSAS will need to be recast to be comparable to the final approved budget where there are basis, timing or entity differences.
- BC14. IPSAS 1 deals with financial statements prepared under the accrual basis and explains that the purpose of financial statements encompasses the disclosure of information to discharge the entity's obligation to be accountable for

- its financial position, performance and cash flows and its service costs, efficiency and accomplishments; and
- its compliance with, for example, the legally adopted budget.

IPSAS 1 encourages the disclosure of a comparison with budgets where the financial statements and the budget are prepared on the same basis. The Cash Basis IPSAS also explains that if not disclosed in the financial statements themselves, comparisons with budget may be included in the notes.

BC15. The disclosure of a comparison of actual and budget amounts where the financial statements and the budget are prepared on the same basis will further enhance the discharge of the entity's accountability for its performance. The IPSASB is of the view that application of the requirements of this Standard will reinforce the role of financial statements in discharging the entity's obligation to be accountable for its compliance with approved budgets where the budget and the financial statements are prepared on different bases.

BC14:BC16. To better enable users to identify the relationship between the budget entity and the financial reporting entity, the proposed Standard requires that actual amounts on the budget basis be reconciled to specified equivalent amounts presented in the GPFSs financial statements, identifying separately any basis, timing and entity differences.

budgetDisclosure of original and final budget

BC10:BC17. This ~~proposed~~ Standard requires disclosure of the original and final budget amounts and actual amounts on a comparable basis with the budget amounts. This reinforces the compliance component of accountability identified in IPSAS 1. Users of the financial statements will be able to identify and determine the differences between amounts in the original and/or final approved budget and their equivalent actual amounts (often referred to as "variances" in accounting) for each level of legislative oversight disclosed. Entities may elect, but are not required, to present these differences in the financial statements.

BC11:BC18. This proposed Standard requires an explanation of material differences (whether positive or negative) between actual and budget amounts to be made by way of note disclosure in the financial statements, unless such explanation is included in other publicly available documents issued at the same time as, or in conjunction with, the financial statements. The IPSASB is of the view that disclosure of this information will enhance the transparency of financial statements and strengthen the accountability of entities that make their budgets publicly available. The explanation of such differences may be included in a management discussion and analysis,

operations review, budget overrun or similar report issued in conjunction with the financial statements. The IPSASB is of the view that where explanation is included in such reports, and notes to the financial statements direct readers to those reports, it is not necessary to repeat that explanation in the financial statements.

Presentation of budget and actual information

BC15-BC19. This proposed Standard allows the budget and actual information to be presented in a separate statement or as an additional budget column in existing financial statements. Flexibility in the method of presentation allows entities to present the comparison in a manner that best serves user needs, while at the same time retaining the prominence that comes from inclusion in the GPFSs financial statements. The prohibition on adopting the additional column approach for presentation when the financial statements and budget are prepared on a different basis of accounting is necessary to ensure that budget and actual amounts are presented on comparable basis.

Initial application

BC20. This IPSAS was approved by the IPSASB in (month) 2006. Its application is not required for 2 years from its issue date. The deferred application is intended to provide sufficient time for entities to develop and, as appropriate, align their budget and financial reporting procedures, time periods and coverage. Earlier adoption of this Standard is encouraged.

BC21. The IPSASB considered whether to also provide relief from application of this standard for two years from initial adoption of IPSASs, but considered that such relief was not necessary. This was because entities would assess, and factor into their timing for initial adoption of all IPSASs, the requirements of this IPSAS.

Relief from the requirement to disclose Comparative amounts

BC22. This Standard does not require that the financial statements of the current period include the disclosure of a comparison of actuals of a previous period with the budget of that previous period, nor does it require that the related explanations of differences between the actuals and budget of that previous period be disclosed in the financial statements of the current period.

BC23. The focus of this IPSAS is on supporting the discharge of the entity's obligation to be accountable for its compliance with the authorized budget for the current reporting period. Many explanatory disclosures required by this IPSAS may be located in other documents issued in conjunction with but not as part of the financial statements. The IPSASB is concerned that the requirement for disclosure of comparative information would result in information overload and an over complex network of reporting

requirements and would not be in the interests of users of the financial statements.

ATTACHMENT 14.3

Table of Other Comments

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
EQUAL AUTHORITY				
Equal Authority	11	Institute for Public Finance and Auditing	<p>The equal authority paragraph currently states: 'International Public Sector Accounting Standard IPSAS 1, "Presentation of Financial Statements" provides a basis for selecting and applying accounting policies in the absence of explicit guidance.'</p> <p>Based on the proposed revisions to IPSAS 1 and 3 issued as part of the ED 26, the equal authority paragraphs of this standard will need to amended as follows:</p> <p>'IPSAS 3, "Accounting Policies, Changes in Accounting Estimates and Errors" provides a basis for selecting and applying accounting policies in the absence of explicit guidance.'</p>	Agreed, will be updated
Equal Authority	23	SIDA	<p>Page 7: In the box it is presumed that "all the paragraphs have equal authority"; however this issue is still being discussed (Exposure draft 25), and the outcome of that discussion should maybe not be taken for granted. Very often it is convenient and appropriate in this type of documents to make a distinction between on one hand compulsory requirements and on the other hand recommendations, explanations and examples. The reference to IPSAS 1 in the box is a bit confusing since this IPSAS relates to accruals based accounting, and the proposed IPSAS (ED 27) is meant to apply also to entities accounting on a cash basis.</p>	Agree this needs to be linked to responses to ED 25. In addition, amendment to the equal authority box to refer also to the cash basis IPSAS is necessary if a single IPSAS.
Equal authority	34	Accounting Standards Board (South Africa) and the South African Institute of Chartered Accountants.	<p>The table published on page 7 of the ED refers to IPSAS 1. ED 26 has resulted in the relevant sections being moved to IPSAS 3. This should be corrected in all relevant IPSAS.</p>	Agreed, will be updated to align with changes to improvements if agreed.
PARA 1			OBJECTIVES	

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
Objective	34	Accounting Standards Board (South Africa) and the South African Institute of Chartered Accountants.	We have introduced the term "GPFs" in this exposure draft. If it is going to be used in future, we should make consequential amendments to all the other IPSASs.	This term is used in IPSAS 1 scope and in a number of the later EDs and IPSASs. Agree need to monitor and standardize terminology. Amend wording for consideration by IPSASB
Objective	52	New Zealand Institute of Chartered Accountants	<p>Respondent notes proposed standard appears to provide users with information to meet two different objectives:</p> <p>Accountability for financial performance (performance objective).... We believe it is important that financial performance is assessed based on amounts prepared in accordance with GAAP because GAAP provides a framework for general-purpose reporting of financial performance.; and</p> <p>Accountability for compliance (compliance objective).....The focus for the compliance objective is the authorised budget regardless of its basis of preparation, because the authorised budget is the legal document against which compliance is assessed. Other than establishing some fairly general requirements, it is likely to be problematic to write an international standard catering appropriately for all cases.</p> <p>.....Different information is needed to meet each objective and in our view the information needs to be presented discretely in order to avoid confusion.The focus for the performance objective is the</p>	Noted - the IPSASB has agreed to consider the performance and compliance aspects of budget reporting as it develops the IPSAS.
PARAS 2-7			SCOPE	
2	13	Association of Chartered Certified Accountants	ACCA considers that it is unnecessary to include the words, 'under the accrual or cash basis of accounting' in the bold-lettered paragraph two of the Exposure Draft. This point is adequately covered within paragraph four. We believe that repetition of this phrase in paragraph two may imply, for example, that the requirements of the proposed Standard do not apply to entities preparing and presenting general-purpose financial statements under the modified cash basis.	Staff do not have strong views on inclusion in para 2 but think it worth making it clear in that this is the first IPSAS to apply to both. Staff also note that IPSASs do in fact apply to only the cash and the accrual basis. No change proposed.
2	29	Jean-Bernard Mattret	Add all, for example local governments... at the sentence "This standard applies to <u>all</u> public sector entities..." in accordance with paragraph 4 of the revised IPSAS 1 (para 5 of superseded IPSAS 1).	Noted, but this is standard wording. Commentary para makes it clear. No change proposed.

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
2	34	Accounting Standards Board (South Africa) and the South African Institute of Chartered Accountants.	We recommend that paragraph 2 should include reference to the preparation of the budget. We propose that the paragraph should read "An entity that prepares and presents general purpose financial statement under the accrual or cash basis of accounting in accordance with IPSASs shall apply this Standard <i>in preparing a budget against actual amounts.</i> "	Staff do not have strong views but feel there is merit in retaining this as a generic type para which refers to the basis of accounting. However, if any extension in wording to para it should refer to "which makes publicly available its budget" to clarify applicability. No change proposed.
7	11	about GBEs disclosing budget information.	<p>This paragraph currently states:</p> <p>The "Preface to International Public Sector Accounting Standards" issued by the International Public Sector Accounting Standards Board (IPSASB) explains that GBEs apply International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board (IASB). Therefore, this Standard does not apply to GBEs. GBEs are defined in paragraph 8 below.</p> <p>This paragraph has undergone revision as part of the revised IPSAS issued as ED 26. In most instances in ED 26, this paragraph makes reference to the fact that GBE's are defined in IPSAS 1. The paragraph included as part of this standard should be aligned with the paragraph used in the revised IPSAS.</p>	Agree paras need to be aligned and to retain reference to IPSAS 1. In finalizing this ED, IPSASB of view important to define GBEs in ED because of relationship to GGS (and PFCs and PNFCs) and sensitivities . Staff of view case diminished re final IPSAS, but worth retaining sentence to confirm budget disclosures do not apply to GBEs.
7	23	SIDA	"The Preface - - explains that GBEs apply - - IFRSs - -" This sentence ignores the fact that there may be – and very often is – national legislation requiring the GBEs to use specific accounting standards other than IFRSs. Therefore the sentence should read "Due to the different nature of GBEs, this Standard does not apply to that type of public sector entity" (possibly with a recommendation to follow IFRSs instead).	IPSASB standard wording and intent. No change proposed.
6	40	Australian Accounting Standards Board	Where paragraph 6 refers to disclosing budgets for "components" of the entity, it is not clear whether the term is referring to the levels of government, or the general government sector individual entities and programs.	Anticipated that in most cases will be general government sector at whole of government level, but intended to cover other circumstances where budget is made publicly available for subset of an entity. Amendment to para proposed.

PARAS 8-11		DEFINITIONS	
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Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
8	11	Institute for Public Finance and Auditing	<p>The definition of a multi-year budget includes the following:</p> <p>Multi-year budget is an approved budget for more than one year. It does not include published forward estimates or projections for periods beyond the budget period.</p> <p>A similar sentence should be included as part of the 'Annual budget' definition, as forward estimates and projections can still be published as part of an annual budget.</p>	Included for IPSASB consideration. Amendment proposed.
8	11	Institute for Public Finance and Auditing	The term 'publicly available' is used throughout the document, and is key to deciding whether or not this standard should in fact be applied. We suggest that a definition be included explaining what is meant by 'publicly available'.	Noted. Staff view specific definition not required. No change proposed.
8	11	Institute for Public Finance and Auditing	The standard refers to budget information being presented in accordance with each 'level of legislative oversight'. This term may require a definition or further explanation, as this becomes the 'minimum' information required to be presented as part of the comparison.	Noted. Staff view specific definition not required- explanation in new para 21 provides the link/context.
8	11	Institute for Public Finance and Auditing	<p>We suggest that the standard paragraph be included after the section on definitions as follows:</p> <p><i>'Terms defined in other International Public Sector Accounting Standards are used in this Standard with the same meaning as in those other Standards, and are reproduced in the Glossary of Defined Terms published separately.'</i></p>	Agreed, will be updated
9	11	Institute for Public Finance and Auditing	<p>This paragraph currently states:</p> <p><i>'An approved budget as defined by this Standard reflects the anticipated revenues or receipts expected to arise in the annual budget period.'</i></p> <p>The standard makes provision for budgets other than those covering just one year. Consider amending as follows:</p> <p><i>'An approved budget as defined by this Standard reflects the anticipated revenues or receipts expected to arise in the annual or multi-period budget....'</i></p>	Agreed, will be updated

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
6	34	Accounting Standards Board (South Africa) and the South African Institute of Chartered Accountants.	We recommend the deletion of "still" in paragraph 6. The sentence should read "In still other cases ...".	Staff have no strong views - not convinced of need to amend. No change proposed.
8, 33 -34	23	Swedish International Development Cooperation Agency (SIDA)	"Appropriation is an authorization granted by a legislative body to set aside <u>allocate</u> funds for purposes specified by the legislature". However the level of details depends on legal and political requirements, and cannot be based on "professional judgement" as proposed in para 20.	Agree - "allocate" better reflection, amend definition. No change proposed regarding presentation in GPFS which comply with IPSASs
8, 33 -34	23	SIDA	In order not to miss important items, the seventh definition could simply read: "Final budget is the originally approved budget adjusted for all changes in amounts relating to the period (expenditure, revenue/receipts, commitments or other financial authority)". In this context, which deals with accounting for financial outcome, it should be sufficient to mention "amounts" and not purposes etc.	View noted - definition developed after input from many sources and staff reluctant to propose amendments.
8, 33 -34	23	SIDA	According to classical budgetary principles, government budgets are annual, and the ninth definition (Multi-year budget) may be confusing. Mostly, the "multi-year budgets" are planning instruments, such as Medium Term Expenditure Frameworks, rather than financial authorizations....	IPSASB advised it was important in some jurisdictions when developing the ED. Staff reluctant to propose amendments
8, 33 -34	23	SIDA	The term "appropriation bills" may have different meanings in different jurisdictions; it may mean the Executive's proposal rather than the Approved budget. Also the Approved budget should include the revenues/receipts and not only "expenditure authorizations".	Approved budget defined in terms of authority to expend. Agree potential for different meaning/terminology including inclusion of revenue but in this context - no amendment proposed at international level.
10	23	SIDA	Last sentence: How can any entity be held accountable for other than the final budget (which may, of course be identical with the original budget)?	Focus of IPSAS is on budget made publicly available - no change proposed.

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
8 - 11	29	Jean-Bernard Mattret	General purpose financial statements (GPFS) are not defined by § 8 – 11. We propose that GPFS could be defined as all components of financial statements (see IPSAS 1), e.g. statement of financial position, statement of financial performance, statement of changes in net/ assets/equity and notes comprising a summary of significant accounting policies and other explanatory notes.	Agree need an explanation of components for cash and accrual around para 4 and 5. Formal definition of GPFS is broader issue than for this IPSAS and may develop out of conceptual framework.
8	34	Accounting Standards Board (South Africa) and the South African Institute of Chartered Accountants.	We recommend the inclusion of the word 'final' in the definition of comparable basis. The definition should read "... covering the same period as the approved final budget".	Given IPSASB view that comparison should be with the publicly available budget, do not propose this amendment.
8	34	Accounting Standards Board (South Africa) and the South African ICA	The definition of multi-year budgets includes the phrase "It does not include published forward estimates or projections for periods beyond the budget period". The same principle applies to annual budgets. We suggest either deleting the phrase, or repeating it in the definition of the term "annual budget".	Agreed, will be updated
8	34	Accounting Standards Board (South Africa) and the South African Institute of Chartered Accountants.	At the end of the definition the standard phrase to refer to other definitions in other standards have been omitted, i.e.: <i>'Terms defined in other International Public Sector Accounting Standards are used in this Standard with the same meaning as in those other Standards, and are reproduced in the Glossary of Defined Terms published separately.'</i>	Agreed, will be updated
9 & 10	20	New Zealand Treasury	We suggest that paragraphs 9 and 10 need to be reworded. The budget information provided as a comparison to the actual financial statements will be the forecast financial statements produced as part of the budget process. While appropriation schedules or expenditure limits may be consistent with such forecast financial statements, this will only occur when appropriations are on the same basis as the reporting, and when the public sector entity reporting is subject to such expenditure control. Such circumstances are currently rare.	Staff are of view that wording change is not necessary, but IPSASB to consider whether to include comment that in some jurisdictions forecast financial statements may be compared with actual.

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
Para 9	34	Accounting Standards Board (South Africa) and the South African ICA.	The phrase "and multi year budget" should be included in paragraph 9. The sentence should read "...expected to arise in the annual and <i>multi year</i> budget period based on ...".	Agreed, will be updated
8	36	Isaac Umansky	drafting should be the following: Annual budget is the approved and current budget for a year even when it is part of a larger budget period.	View noted - definition developed after input from many and staff reluctant to propose amendments.
8	36	Isaac Umansky	I think it could be proper to read: final budget is the budget originally approved by the Legislative Branch and passed by the Executive Branch and after that adjusted for all the reserves, outstanding amounts, allocations, supplementary appropriations and other legislative and administrative changes legally authorized applicable to the period. I note that in my country the Executive Branch can administratively adjust, within certain restrictive limitations, budget appropriations, that is why I note the administrative changes.	View noted - IPSASB to consider. Arguable that administrative is encompassed by legislatively authorized.
8	38	Tunisian Court of Accounts	The ED defines the annual budget as " an approved budget for one year" We suggest to cancel the term approved since we do think that the term budget involves the fact of being approved.	This was considered by IPSASB to be important in limiting/focusing the scope/applicability of the ED. No change proposed.
8	38	Tunisian Court of Accounts	We suggest to add the term " all " so the definition will be as follows " approved budget means all the expenditures... related to all the anticipated..." This addition is justified with the view to the budgetary principle of universality which stipulates that a budget must contain all the receipts and expenditures of a given entity. The Tunisian Court of Accounts supports distinction made within the ED (paragraph 9) between approved budget and a forward estimate or projections made on the basis of assumptions. It also makes a distinction with prospective financial information. However, we believe it would be interesting to specify the methods used to anticipate revenues or receipts expected to be collected which would render the comparison with forward estimate and prospective financial information more clear.	This reflects broad intent of definition. But amendment not necessary. IPSASB did not intend this ED to deal with budget formulation - so no inclusion of guidance/requirements on methods to project revenues.

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
8	40	Australian Accounting Standards Board	Definition of "budgetary basis": Despite the fact that it would be encroaching into ex-ante issues, the AASB believes that ED 27 should at least encourage entities to prepare budgets on an accrual accounting basis in accordance with IPSASs. Where the encouragement is not followed, consistent with the AASB view expressed on specific matter for comment 5, if SP5 is adopted the reconciliation between the budget and accounting bases should be presented in a way that does not detract from GAAP (e.g. no greater prominence).	IPSASB considered this matter in agreeing scope of IPSASB - no amendment proposed.
8	40	Australian Accounting Standards Board	Definition of "final budget": The AASB suggests that the definition of 'final budget' clarify that the final budget is the most recent budget, since adjustments and/or revisions can be made throughout the period.	Point noted. IPSASB developed definition after input from budget specialists - staff reluctant to propose amendment at this stage, but IPSASB to consider in finalizing IPSAS.
8	51	New South Wales Treasury	NSW Treasury queries the definition of "approved budget", which refers to "expenditure authority" and the related commentary in paragraph 10. In NSW, the Budget includes both budget-dependent and non-budget dependent GGS entities. However, only budget-dependent entities receive direct appropriations and draw funds from the Treasury. Application of paragraph 10 seems to apply only to budget-dependent GGS entities, even though in NSW the Budget also includes non-budget dependent GGS agencies. It is unclear whether or not hsi was the intent of the ED. In NSW Treasury's view, it is appropriate that where the Budget covers the GGS, all individual GGS entities, including non-budget dependent entities, should be required to disclose budget amounts in their GPFS.	Not the intention.
15	51	New South Wales Treasury	NSW Treasury believes that the proposed IPSAS should clarify that budget information is only required to be disclosed for the primary financial statements, not the notes. Detailed classifications of budget estimates for the various notes required by other IPSASs are not generally available.	The intention is that the budget will drive the disclosures, subject to scope of financial statements.

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
12	51	New South Wales Treasury	NSW Treasury suggests that additional guidance should be provided about what is meant by the requirement to disclose budget and actual amounts for "each level of legislative oversight". For example, is this referring to different levels of government (i.e., national state, and local) where one level controls the other? Or alternatively, is it referring to the GGS, entity, and program or function level? This should be made more explicit.	Additional explanation included.
6	51	New South Wales Treasury	Where para 6 refers to disclosing budgets for "components" of the entity, is it referring to levels of government, or the GGS individual entities and programs?	Amendments made
PARAS 12-14			COMPARISON	
12 - 14	9	Institute of Cost and Management Accountants of Pakistan	The material difference between Budget (original or approved) and actuals be disclosed in a comparative statement and incorporated in the Annual financial statements. The reason for difference between Actual and Budget be incorporated in the comparative statement.	Noted, this is not precluded by Standard
12	14	Association of Chartered Certified Accountants	ACCA believes that transparency and accountability would be improved if comparative information for the previous period were to be provided for the budget and actual amounts provided in general-purpose financial statements. For this reason, we consider that paragraph 12 of the Exposure Draft should be amended to require the provision of such information and that the final sentence of this paragraph should be deleted.	The IPSASB discussed this matter in reviewing comments on para 12 and have agreed to retain relief from comparatives at this stage.
12	14	Association of Chartered Certified Accountants	In paragraph 12 (a) the phrase 'where applicable' should be added between the words 'and' and 'final' on page 11. This would clarify the presentation of information on any final budget.	Amendments with similar intent made as per IPSASB decisions
12	23	SIDA	... anything else than a separate statement should only be presented as a possible exception – rather than the normal – in order for the IPSAS not to appear irrelevant. This comment is valid also for para 16-17, 28-32 and 35.	Noted - explanation now included
12 (Continued)	23	SIDA	The reason why both the original and the final budgets should be presented ought to be discussed, since accountability must necessarily relate to the final budget. The reason given in BC8 might be valid for jurisdictions where the authority to make budgetary amendments has been delegated at or above the level of detail reported, but not for lower level amendments.	Proposed IPSAS does not require presentation of budgets. Explanation of relationship now included

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
12 (Continued)	23	SIDA	The note disclosure containing an explanation of material differences between budget and actual amounts risks being excessively detailed, see comments to para 8 above. The reference to other public documents should be tied to the publication of the budget outcome statement rather than to the general purpose financial statements, but ideally all these statements are publicized simultaneously.	Explanation added
12(a)	32	Ramachandran Mahadevan	The words "original and final" be deleted.	IPSASB of view should be required. No change proposed
12	32	Ramachandran Mahadevan	The last paragraph be reworded to require presentation of comparative information since financial statements are to give comparatives always.	IPSASB of view should be required. No change proposed
12	34	Accounting Standards Board (South Africa) and the South African Institute of Chartered Accountants.	We recommend that paragraph 12 (c) be expanded to require an explanation of material differences between the final and original budget. The sentence should read "...of material differences between <i>final and original</i> budget and actual amounts..."	This matter dealt with by para 25 of ED 27(para 29 in draft IPSAS). No restructuring proposed.
12	40	Australian Accounting Standards Board	additional guidance should be provided about what is meant by the requirement to disclose budget and actual amounts for "each level of legislative oversight". For example, is it referring to different levels of government (i.e. national, state and local) where one level controls the other? Or alternatively, is it referring to the general government sector, entity and program or function level?	Additional commentary included in updated para 21 intended to assist.
12	52	New Zealand Institute of Chartered Accountants	Paragraph 12 states that "The comparison of budget and actual amounts shall present separately for each <u>level of legislative oversight</u> ..." It is unclear what is meant by reference to "each level of legislative oversight". We recommend that a commentary paragraph be added to explain the meaning of this term. For example the term "legislative oversight" could be interpreted to refer to different entities that are subject to legislative oversight. Alternatively the term could be interpreted as referring to line items or groups of line items within a budget.	Additional commentary included in updated para 21 intended to assist.
Paras 15-21			Presentation, Disclosure, level of aggregation	

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
15 - 17	9	Institute of Cost and Management Accountants of Pakistan	The comparative statement of Actuals and Budget can be prepared and submitted along with Account statements even if Budget is on cash basis by making necessary adjustment in figures of Budget Accounts.	Noted, but IPSASB agreed budget basis for comparisons
15	11	Institute for Public Finance and Auditing	We propose that this paragraph be amended to take into account 'the same entities', as follows: 'An entity shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the GPFs and the budget are on the same basis of accounting, and adopt the same classification structure, <u>and cover the same entities.</u> '	Agreed, will be addressed
16	11	Institute for Public Finance and Auditing	This paragraph currently states: ' <u>Comparisons of budget and actual amounts may be presented in a separate financial statement ("statement of comparison of budget and actual amounts" or a similarly titled statement) included in the complete set of financial statements under the accrual or cash basis of accounting.</u> Alternatively, where the GPFs and the budget are on the same basis of accounting and adopt the same classification structure, additional columns may be added to the existing primary financial statements presented in accordance with IPSASs. These additional columns will identify original and final budget amounts and, if the entity so chooses, differences between the budget and actual amounts.'	Staff are of view that current location is appropriate in equal authority regime given para 15 and para 12 .
18 - 21	9	Institute of Cost and Management Accountants of Pakistan	For more realistic comparison of Budget with Actuals, Flexible Budget can be prepared giving Budgeted figures at different levels of activities and comparisons of Actuals with Budgeted figures relating to activity level achieved.	Noted, this is not precluded by Standard, but goes beyond scope of this IPSAS

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
18	11	Institute for Public Finance and Auditing	Paragraph 18 makes reference to 'governing body oversight', while the definitions and paragraph 12 refer to 'legislative body oversight.' Terminology should be kept as consistent as possible throughout the document. In addition, paragraph 18 and 24 makes reference to 'budget heads' – it is unclear what is meant by this terminology. An elaboration in the discussion might be useful to users.	Agreed - amendments proposed. The terms budget headings has been included to amplify.
19	29	Jean-Bernard Mattret	You could add that the information is <u>comparable</u> .	Could be added, but Board decided not to because prior period comparatives not proposed.
15	32	Ramachandran Mahadevan	The words "where the GPFS and the budget" be replaced by the words "after ensuring the GPFS and the budget".	Same intent - IPSASB consider if rewording is necessary
15	34	Accounting Standards Board (South Africa) and the South African Institute of Chartered Accountants.	We recommend that paragraph 15 specifies that the comparison should be presented for the <i>same entities</i> as explained in paragraph 28. The sentence should read "...in the primary financial statements <i>for the same entities</i> only where the GPFSs"	Agreed needs amendment - the comparable basis is used.
Para 18	34	Accounting Standards Board (South Africa) and the South African Institute of Chartered Accountants.	The phrase "budget heads" used in paragraph 18 is not commonly understood. Alternative suggestions more readily understood include, headings, categories and groupings.	Agreed, amended.
Paras 22-43			Original and final budget, comparable basis, note disclosures	
22 - 26	9	Institute of Cost and Management Accountants of Pakistan	The figures of original budget is no longer important after it is revised and approved by competent authority. The comparison of original budget with Revised budget is of academic importance.	Noted. Intent of IPSASB to require disclosure of both. No change proposed

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
24	11	Institute for Public Finance and Auditing	<p>Paragraph 24 refers to fiscal and reporting period as follows:</p> <p>'In addition, there may be a shortfall in budgeted revenues during the period, and internal transfers between budget heads or line items may be necessary to accommodate changes in funding priorities during the fiscal period. Consequently, the funds allotted to an entity or activity may need to be cut back from the amount originally appropriated for the reporting period in order to maintain fiscal discipline. The final budget includes all such authorized changes or amendments.'</p> <p>As these two words are used with the same meaning, we propose that terminology be kept consistent throughout the document.</p>	Agreed, will be updated
36	11	Institute for Public Finance and Auditing	Consider relocating paragraph 36 to before paragraph 35, so that paragraph 35 is an explanatory paragraph to 36.	Staff have no strong views on location.
23	23	SIDA	distinction should be made between expenditure authorizations, which in most governments are identical with disbursements; incurred expenditure including liabilities; liabilities for future disbursements that are difficult to calculate (such as pensions); and contingent liabilities (such as guarantees). Accountability needs to be required not only for liabilities in a strict accounting sense.	Noted. What included in budget drives the comparison. No change proposed given focus of IPSAS.
26	23	SIDA	The requirement in para 26 of a disclosure presenting differences between original and final budgets (as opposed to differences between final budget and actual outcome) is probably an innovation in most jurisdictions. The objective is praise-worthy, but the level of detail raises the same concern...explanations may be ...hard to define. ... stressing materiality ... may be rather useful	Noted
32	23	SIDA	In para 32, it is not clear why the IPSAS should only apply to national government entities. Municipal and provincial entities normally have the same budgetary accountability as entities at the national level.	Para 32 deals only with circumstances in for consolidation particular circumstances - does not deal with applicability of IPSAS. No change proposed.
38	23	SIDA	Purely results based budgets will most probably remain very rare within the foreseeable future, and this should be reflected in para 38.	Staff of view that no change is necessary

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
40 - 41	23	SIDA	... multi-year periods will be exceptions (see comments to para 8 and illustrative example D). The entities included in the budget (para 42) are normally shown as items in the budget itself.	No Change proposed.
25 and 26	32	Ramachandran Mahadevan	Paras should be deleted as entities prepare revised estimates and revised estimates are compared with the actuals at the year end since fixed budgets are not practised by public sector entities in India. Reallocation and other factors need not be disclosed in the financial statements.	Need to acknowledge jurisdictional differences - no change proposed
27 & 28	36	Isaac Umansky	Also, a difference should be made between the appropriations used in the capital budgets, as investment in the public sector has different impact in the global economy than investment in the private sector.	Noted - consider as part of final drafting review
27 & 28	36	Isaac Umansky	The economic and accounting impact should reflect the different stages of the capital budget such as: Pre-investment, Investment, Operation with Operation Liquidation or concession to the private sector	Noted - consider as part of final drafting review
28	36	Isaac Umansky	Budget practices have developed their own language and it is prudent to use the same to describe facts and events which have a particular logic. To that respect, I suggest replacing actual for effectively executed amounts or "effectively executed, accrued amounts and outstanding balances where it corresponds (this for those using the basis of accrual). "	Noted - consider as part of final drafting review
30	36	Isaac Umansky	I suggest adding the following: " and the expenses approved by the legislative Branch or any other relevant authority having the pertinent legal competence "	Noted - consider as part of final drafting review
30	36	Isaac Umansky	I suggest the following drafting: "In some jurisdictions, the approved budget for which the entity is responsible for can be the original budget, and in others it can be the final budget, so the nature and the regime used for its operations should be clarified. "	Commentary has been included following para 12 along these lines.
33	36	Isaac Umansky	I suggest another characteristic is added: "It shall be adapted to the financial administration standards of the country." This characteristic is qualitative as it reflects a given institutional organization for each country.	Noted - consider as part of final drafting review
34	36	Isaac Umansky	I suggest adding the following: "The final budget includes any authorized changes and modifications, which shall have a reference to the authorizing standards. "	Noted - consider as part of final drafting review

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
35	36	Isaac Umansky	I suggest adding the following: "Nevertheless, apart from this difference, the budget of the entity and the financial report of the entity will frequently be the same, and the reconciliation method shall be disclosed as an annex."	Noted - consider as part of final drafting review
Paras 44 - 51			Reconciliation and Effective date	
44 (b) (ii)	11	Institute for Public Finance and Auditing	We recommend that the same information as in (i) be presented as part of the reconciliation for entities that apply a modified cash/accrual basis of accounting. I.e. that total cash receipts/revenues, total cash payments/expenses, and cash flow information be required as part of 44(b)(ii).	This would not reconcile to line items in the statement of cash flows, which was the Board's intent
48	11	Institute for Public Finance and Auditing	<p>Paragraph 48 contradicts paragraph 44(a). Paragraph 44 (a) states that:</p> <p>'When the cash basis is adopted for the presentation of the general purpose financial statements: total cash receipts and total cash payments; and....'</p> <p>Paragraph 48 states that:</p> <p>For those entities using the cash basis (or a modified cash or modified accrual basis) of accounting for the presentation of the approved budget and the accrual basis for their GPFs, the major totals presented in the statement of budget and actual comparison will be reconciled to net cash flows from operating activities, net cash flows from investing activities, and net cash flows from financing activities as presented in the cash flow statement prepared in accordance with IPSAS 2, "Cash Flow Statements".</p> <p>Paragraph 48 will need to be revised so as to cater for the requirements of those entities applying either the cash basis and entities applying a modification of either the cash or the accrual basis</p>	Staff do not believe there is a contradiction 44(a) deals with the cash basis for GPFS and 48 deals with cash/modified cash basis for the budget.
49 - 51	23	SIDA	...Sovereign governments have the right to decide if, and when to start following the recommendations.	Reflects IPSASB view as reflected in introduction. No Change proposed.

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
44	34	Accounting Standards Board (South Africa) and the South African Institute of Chartered Accountants.	<p>In paragraph 44, a distinction is made between the disclosure requirements for GPFs on the accrual basis and when the budget is on an accrual basis and when it is not. We do not understand the need for different disclosure requirements, particularly with regards to total revenue and expenditure, required for an accrual budget, but not for any other budget. It is more likely to be available if the cash basis is used for the budget.</p> <p>It may be useful to explicitly state that the comparisons should only be performed for the statement of financial performance and not the other primary financial statements, even though it may be possible to do comparisons.</p>	When cash basis adopted for budget anticipated that information for reconciliation to other accrual totals will not be available.
44(b)	26	National Audit Office - Malta	Article 44(b) refers to the Accruals basis in the preparation of the Budget. Should this basis be used for the Budget, one might issue a full set of financial statements including the cash flow statement (using the direct method) and then compare the final full set of financial statements to the budgeted financial statements, including changes in cash flows.	Yes, not precluded and not inconsistent with requirement which focuses only on minimum disclosures
44	32	Ramachandran Mahadevan	Last para be deleted as disclosure in the notes will not help users.	No change - notes may be appropriate where basis different
			Consequential amendments to Other Standards	
		Accounting Standards Board (South Africa) and the South African Institute of Chartered Accountants.	<p>The consequential amendment to paragraph 2.1.36 encourages disclosure of a comparison of actual with budget where they are prepared on the same basis. Should we not also be encouraging a comparison when they are not on the same basis?</p> <p>The proposed amendments to IAS 1 arising from ED 26 require the disclosure of key sources of estimation uncertainty. Where reference is made to judgment, for example in paragraph 34 of the ED, it may be useful to refer to this disclosure requirement.</p>	<p>IPSASB directed amendments to cash basis IPSAS encouragements to reflect the IPSAS 1 encouragement. No amendment proposed.</p> <p>IPSAS 1 disclosures re uncertainly relate only to assets and liabilities that have a significant risk of causing material adjustments in the next year. Staff do not support establishing link to para 34 type budget information.</p>
Implement. Guidance			Implementation Guidance	

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
Implementation Guidance	23	SIDA	<p>Illustrative Example A:</p> <ul style="list-style-type: none"> - Taxation: the X's have been omitted - "Aid agreements" may give the impression that amounts should be reported upon the signing of an agreement rather than upon receipt of aid. - Why should "international agencies" be separated from "other grants and aid" (which presumably include all bilateral grants)? - "Proceeds from disposal of plant and equipment" should include other public assets such as privatization of utilities etc. This should come immediately after – not before – Trading activities and Other receipts, and Borrowing should be last, preferably separated from the other receipts. The reason is the different economic meaning and consequences of the concepts. 	<p>Agree Include XXX for Taxation, indent aid agreements. Statement is illustrative only.</p> <p>No Change proposed for restructuring of statement</p>
Implementation Guidance	23	SIDA	<p>Illustrative Example C:</p> <p>3. "- expenditures above the level approved by legislative action - -" is not a good example since it would be illegal in most countries. The text implies that the budget was revised, and since outcome should be compared with final budget the "overdraft" becomes irrelevant.</p> <p>5. Respondent notes very few prepare budget on this basis).</p> <p>6. Respondent does not believe reconciliation would be useful</p>	No Change proposed.
Implementation Guidance	23	SIDA	<p>Illustrative Example D:</p> <p>Does this exist in reality anywhere? See comments to para 8.</p>	No change proposed, but IPSASB review/confirm.
Implementation Guidance	29	Jean-Bernard Mattret	The implementation guidance could be part of future IPSAS about information budget in financial statements.	Agreed - consider as appropriate.
Implementation Guidance	29	Jean-Bernard Mattret	In examples of statements, the column "Difference ..." should be required to compare budget information and actual amounts.	IPSASB of view should not be required. No change proposed
Implementation Guidance	33	Alan Mackenzie	It is felt that the addition of a departmental level example would be useful rather than only the national level examples. (A sample of departmental report on programme (activity based) and by economic classification was provided by respondent)	Additional examples may be useful - but staff concerned about adding to volume of IPSAS.

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
Implementation Guidance	34	Accounting Standards Board (South Africa) and the South African Institute of Chartered Accountants.	The illustrative examples are very basic. We recommend an additional example to illustrate that public available budgets are generally more complex and that the comparison should be done on more than one level. On page 26, below the table, reference is made to the term "footnotes". We refer to notes to the financial statements in other IPSASs.	IPSASB to consider in final review. Agree footnote should be changed.
GENERAL	OBSERVATIONS		GENERAL OBSERVATIONS ABOUT ED 27 APPROACH	
General	4	Colegio de Contadores Publicos de Costa Rica	It would be useful to disclose in the notes to the financial statements an evaluation of the quantified budget targets and the degree of achievement of same. (Operative Annual Plan)	Noted, this is not precluded by Standard
General	13	Association of Chartered Certified Accountants	ACCA notes that the proposed standard 'does not require approved budgets to be made publicly available, nor does it require that the GPFs disclose information about, or make comparisons with, budgets which are not required to be made publicly available' (paragraph 5). We also note that paragraph BC5 of the Exposure Draft indicates that in future this may be a requirement. ACCA believes that the proposed standard should at least encourage public disclosure. Thus, paragraph 5 should include the expectation that the good practice outline in the Public Expenditure and Financial Accountability (PEFA) Performance Measurement Framework (June 2005) would be followed.	The IPSASB discussed whether to require or encourage disclosure in process of finalizing ED and in review of specific matters for comment - no change proposed at this stage. IPSASB to consider.
General	20	New Zealand Treasury	We suggest that disclosure of the date that the original budget and final budget are approved would be useful for feedback and accountability purposes	For IPSASB consideration

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
General	20	New Zealand Treasury	<p>We suggest that the definition of appropriations be dropped in the standard. The legislative meaning of appropriation varies from jurisdiction to jurisdiction, but can be broadly categorized as follows:-</p> <ul style="list-style-type: none"> - Legislative approval of cash provided to public sector entities (decentralised cash system) - Legislative approval of cash disbursed by public sector entities (centralised cash system) - Legislative approval of prices paid to public sector entities (decentralised accrual system) - Legislative approval of costs incurred by public sector entities (decentralised accrual system) <p>The definition proposed in the standard is appropriate only for the first of these categories. In most cases where the term “appropriation” is found in the standard the term approved budget will equally suffice.</p>	Point noted - for consideration by IPSASB
IPSASs - General	23	Swedish International Development Cooperation Agency	According to the preamble, the objective of IPSASB is to converge IPSAs with IFRSs unless there is a public sector specific reason for a departure. The need for international standardization seems to be taken for granted, but has yet to be demonstrated and weighed against the risks in terms of decreased relevance for each jurisdiction.	IPSASB deals with public sector specific issues as its first priority. Convergence with IFRS is second priority occurs where IFRS is applicable to public sector - no change proposed.
IPSASs - General	23	Swedish International Development Cooperation Agency (SIDA)	It is also important to acknowledge the fact that most countries already have standard setting bodies for the public sector accounting ... The development of IPSASB as a “competing” standard setting body will cause legal problems and diminish the authority of the national public sector body.	IPSASB acknowledges authority in Introduction and works with national standards setters . No change proposed.
ED 27 General	23	SIDA	The purpose of this proposed IPSAS is unclear. What is it wants to achieve that is not already done according to the consitutions and laws of each jurisdiction?... The added value should be made clearer,	Point noted - amendments are being made to objectives and commentary

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
ED 27 General	23	SIDA	It is also necessary to make a clear distinction between on one hand general purpose financial statements, which can and should have a common, logical structure, and on the other hand budget documents (including outcome reports), which are political tools intended for resource allocations and therefore need to be tailored to needs and circumstances, specific to each jurisdiction and varying over time. Therefore the nature of budget documents make them less suitable for standardization.	Point noted -the ED did not propose that budget formulation be standardized - IPSASB to consider whether further clarification needed.
General	26	National Audit Office - Malta	for consistency and comparability.. preferably calculate separately the variance between the original budget and the final budget amount, and the variance between the final budget amount and the actual amount. Therefore the actual amount would only be compared to the final budget amount and not to the original amount...	Noted - additional explanation on basis for comparison now included.
General	27	NATO Maintenance & Supply Agency	Accounting for budgets on an accrual basis causes a great deal of debate.... The standard and practice does not make a clear distinction regarding the appropriate treatment. For instance, should non-cash items such as depreciation be budgeted for? The distinction of the differences between cash and accrual budgeting need to be clarified to ensure consistency and comparability.	The IPSAS does not deal with budget formulation. It requires comparison to the budget however developed.
General - Nature of the budgetary information and the nature fo the financial statements (Continued)	35	Ministere de l'Economie, des Finances et de l'Industrie	A clear distinction has to be made between the audit report of the GPFs and the audit report of the budget statements. In such a context, it could be hazardous to mix up budgetary information with accounting elements, from the audit point of view. In addition, what would be the status of the "additional columns"? Should they have to be audited in the same conditions as the rest of the financial statements?	If included in fin.St would need to be audited. IPSASB will revisit this consideration at this meeting
General - Commitments, revenue (Continue)	35	Ministere de l'Economie, des Finances et de l'Industrie	...the word "commitment" appears only at a few times, with a secondary signification....The cash outflows are an interesting indicator, but it is also interesting to follow the respect of the commitment ceiling, beyond the cash outflows. Unfortunately, the ED does not broach the topic, as it speaks of two systems of budgetary prevision and execution: cash and accruals. That subject deserves yet a careful examination, as commitments should be reported in a specific manner.	Point noted- explanation added to note financial statements do not report commitments - does not overcome problem identified.

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
General - Commitments, revenue (Continue)	35	Ministere de l'Economie, des Finances et de l'Industrie the ED implicitly treats revenue like outflows or expenditures, without making any explicit difference. In our opinion, that should be carefully examined. On the one hand, budgetary revenues are generally not subject to commitments, as it is the case for expenditures. That point should lead to distinct budgetary statements for revenue and for expenditure. On the other hand, the "prevision" aspect is much more significant for revenue, in opposition to the "ceiling" aspect that concerns expenditures.	Agree IPSAS not deal with the characteristics of revenue for budget purposes. IPSASB made conscious decision not to deal with budget formulation and comparisons will be driven by budget, subject to restrictions of GPFs
General - Commitments, revenue (Continue)	35	Ministere de l'Economie, des Finances et de l'Industrie	In the definition of a "multi-year budget", it is clearly said that elements that concern projections or estimates for periods beyond the budget period are not included. The limit between a projection or an estimate relating to periods beyond the current budget period, and a tax revenue prevision for the current budget period can be very thin, as they rely on the same basis. It is hard to justify a difference of reporting on such a basis.	Agree can be thin. However intent of IPSAS to limit to approved budgets being expenditure authority
General - Commitments, revenue (Continue)	35	Ministere de l'Economie, des Finances et de l'Industrie	Furthermore, there is no difference in the ED between revenues that appear to be "of a certain amount", and the ones that can be of "uncertain amount" in the budget. For example, the French central Government supports the risk of non or bad collection on certain taxes that will flow to local Governments : the Central Government has committed itself on a given amount, that will automatically go to local Governments (and there fore constitute « certain revenues » for them) whatever the collection level will be at the central level. These revenues are not of the same nature for local Governments and for the central Government, in the prevision budget. Should be dealt with.	Agree not addressed in this ED. Intended that this ED not deal with budget formulation/classification but rather that budget will drive the disclosures subject to parameters of GPFs.
General - Commitments, revenue	35	Ministere de l'Economie, des Finances et de l'Industrie	There is no difference made in the ED, between expenditures that are limited by a « hard » ceiling and those for which the final amount depends on extra-budget data (like social obligations, that can depend on the final individual income of the citizens for example). Should be dealt with	Agree not addressed in this ED - intended that budget will drive the disclosures subject to parameters of GPFs.
General	38	Tunisian Court of Accounts	...we suggest to put in evidence that accountability of governments against their budgets should be submitted to the legislative power. We also see fit to precise that this standard aims to allow the SAI to assist parliaments to control the budget execution.	Goes beyond intended scope.

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
General	38	Tunisian Court of Accounts	...some terms, definitions and concepts used within the exposure draft don't fit with the context of the all the supreme audit institutions especially those organised as courts..... As a result, the board should consider how to incorporate the specificities of the SAI organised as courts within the exposure draft so to increase the applicability of the standard.	Noted Staff do not propose amendments at this stage.
General	51	New South Wales Treasury	ED 27 and ED 28 do not specifically address whether the general government sector is a separate reporting entity. If the general government sector is a separate reporting entity, then the appropriate place to disclose budget information relating to the GGS is as part of the GGS GPFs, rather than as part of the whole-of-government GPFs. Conversely, if the GGS is not a separate reporting entity, the appropriate place to disclose budget information relating to the GGS is as part of the whole-of-government GPFs. The IPSAS should clarify whether or not the GGS is a separate reporting entity.	Noted. ED not intended to do that - however ED 28 implies is a sector of the whole of government. No change proposed.
General	53	Australasian Council of Auditors General	There should be two different types of actual to budget comparisons .. An "IPSAS-based" comparison ...if budget amounts have been prepared in accordance with IPSASs or can be readily recast to an IPSAS basis (whether cash or accrual). A "budget-based" comparison ... where budget amounts have not been prepared in accordance with IPSASs and are unable to be readily recast to an IPSAS basis. ...a comparison of IPSAS-based budget amounts and IPSAS-based actual amounts should be made wherever possible	IPSASB has agreed to consider in context of performance and compliance components.

Section/ Paragraphs	Submission Number	Name	Respondent Comment	Staff Response
General	50	Governmental Accounting Standards Board (USA)	<p>We believe that the provision that allows approved budgets that "are not required to be made publicly available" to be excluded from the scope of this standard should be eliminated. If a budget is legally adopted and therefore has the force of law, it should be required to be presented. Otherwise, the transparency associate with those statements is severely compromised.</p> <p>If a government chooses for whatever reason not to present a budgetary comparison related to a legally adopted budget, this should be considered a departure from the IPSASB standards and should be noted in the auditor's report. Such a reason would not be acceptable in other circumstances. (For example, if the amount of fixed assets the government controlled were not required to be made publicly available, any statements that reflected that exclusion would not be deemed to be in accordance with IPSASB Standards.)</p>	IPSASB considered scope/applicability when finalizing ED. Unless IPSASB changes view, no amendment proposed.

17 March 2006

The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
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Dear Paul

Exposure Draft 27 Presentation of Budget Information in Financial Statements

Thank you for the opportunity to comment on Exposure Draft 27. Apologies for the delay in getting our submission to you.

Reporting against budgets is a key accountability mechanism in the public sector. We therefore strongly support the development of reporting requirements governing the reporting of budget information in general purpose financial reports.

We note that given the different administrative arrangements in different jurisdictions the proposed standard has taken a broad approach to establishing requirements for presenting budget information in general purpose financial statements. However, in our view, there are a number of areas where the proposed standard could be improved. In particular we believe that the objective of the standard requires clarification and that restructuring the proposed requirements may improve the clarity, understandability, and application of the proposals.

Our other overall comment is that we believe that only when both the budget and the actual amounts are prepared on a comparable basis in accordance with IPSASs (cash basis or accrual basis) will users have clear and unambiguous information to assess the actual performance and position of a public sector entity against the intentions set out in a budget.

We understand that implementing the preparation of budgets in accordance with the accrual basis IPSASs is likely to be difficult in many jurisdictions and may only be achievable in the long term. However, we believe that IFAC and the IPSASB should actively promote strong accountability in the area of budget reporting and publicly encourage all governments to prepare budgetary information in accordance with the accrual basis IPSASs.

Our general comments and our responses to each of the specific matters for comment are attached. If you have any queries, or require clarification on any matters in the submission, please contact me or Simon Lee (simon.lee@nzica.com).

Yours sincerely

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International Public Sector Accounting Standards Board
Exposure Draft 27 Presentation of Budget Information in Financial Statements

General Comments

Objective of the proposed standard

We believe that the objective of the proposed standard needs to be clarified. IPSAS 1, paragraphs 13 and 14, provide a basis for clarifying the objective of the proposed standard. Those paragraphs indicate that users require information to enable them to hold an entity accountable for its performance against budget and to hold an entity accountable for its compliance with the budget or other authorised levels of expenditure.

The proposed standard appears to provide users with information to meet two different objectives:

- Accountability for financial performance (performance objective); and
- Accountability for compliance (compliance objective).

Different information is needed to meet each objective and in our view the information needs to be presented discretely in order to avoid confusion. We recommend that the proposed IPSAS clarify the two objectives and clarify the specific information required to meet each objective. We also recommend that the information is presented in a manner that enables users to clearly distinguish which objective it relates to.

Accountability for performance (performance objective)

This objective requires reporting entities to provide users with information to assess whether the entity has performed in accordance with its stated intentions. The focus for the performance objective is the actual amounts prepared in accordance with generally accepted accounting practice (GAAP). We believe it is important that financial performance is assessed based on amounts prepared in accordance with GAAP because GAAP provides a framework for general-purpose reporting of financial performance. It is specifically developed for users of financial statements and takes account of certain qualitative characteristics of financial information – i.e. GAAP should result in financial information that is understandable, relevant, reliable and comparable.

In our view, the performance objective can be met only by comparing actual amounts and budget amounts where both are prepared in accordance with GAAP. Entities should only be allowed to report budget amounts against the performance objective when the budget amounts have been prepared in accordance with GAAP or the budget can be readily recast to a GAAP basis.

We note that the proposed standard focuses on the budget rather than on prospective financial statements. In many jurisdictions a budget may not include a set of prospective financial statements. However, we recommend that in order to meet the performance objective the requirements should focus on prospective financial statements prepared consistent with the original budget.

Accountability for compliance (compliance objective)

This objective requires entities to provide users with information to assess whether the entity has complied with its authorised budget. The focus for the compliance objective is the authorised budget regardless of its basis of preparation, because the authorised budget is the legal document against which compliance is assessed.

The form of budget authorisations is likely to differ significantly between jurisdictions. Other than establishing some fairly general requirements, it is likely to be problematic to write an international standard catering appropriately for all cases.

Structure and broad content of the proposed standard

Given our view that the performance objective can be met only by comparing actual amounts and budget amounts where both are prepared in accordance with GAAP, we believe that the performance objective should be addressed by amending IPSAS 1 and the Cash Basis IPSAS. These standards should set out the requirements for budget amounts to be taken from the original budget, for those amounts to be included on the face of the primary financial statements and for explanations of variances between actual amounts and original budget amounts to be included in the notes to the financial statements.

If the performance objective is dealt with as noted above, then the scope of the proposed standard should be limited to the compliance objective. The proposed standard should require a comparison of final budget amounts to actual amounts to be included in the notes to the financial statements, along with explanations of variances. Where the budget amounts and corresponding actual amounts are not prepared in accordance with GAAP, the proposed standard should also require a reconciliation between the GAAP based amounts and the actual amounts presented in the budget to actual comparison.

Specific Matters for Comment

1. *To require a comparison of actual amounts with amounts in the original and final budget as part of the general purpose financial statements (GPFSS) (paragraph 12).*

We believe that IPSAS 1 and the Cash Basis IPSAS should require a comparison of actual amounts in the general purpose financial statements with amounts in prospective financial statements consistent with the original budget only where the actual amounts and the budget amounts are prepared on the same basis of accounting and for the same reporting entity. This comparison is necessary to provide information to users to hold entities accountable for their performance.

In order to meet the compliance objective we believe that the proposed standard should require a comparison of final budget amounts and actual amounts on a budget basis, presented in a separate statement or in the notes to the financial statements. As noted in our general comments above any reporting against the compliance objective will necessarily be driven by the form and content of the budget authorisations which are likely to differ significantly between jurisdictions.

In New Zealand the Financial Statements of the Government include a Statement of Unappropriated Expenditure showing breaches in appropriations only. The key point we wish to make is that none of the forecast to actual information in the financial statements of the New Zealand Government provides information on compliance, and the Statement of Unappropriated Expenditure itself says nothing about financial performance and position compared to expectations.

2. *To require disclosure of the reasons for material differences between budget and actual amounts unless such explanation is included in other public documents issued at the same time as, or in conjunction with, the financial statements (paragraph 12). The IPSASB would welcome views on whether such disclosure should be required or encouraged.*

Disclosure

We agree that the reasons for material differences between the prospective financial statements consistent with the original budget and actual amounts in the general purpose financial statements should be made available to users of the financial statements. An explanation of the major reasons for material changes between actual and prospective figures is essential to assist users understand the performance of an entity against its stated intentions.

As currently drafted the proposed standard is not clear whether the explanation of material differences is between the original budget and the actual amounts or the final budget and the actual amounts, or both. In order to ensure that the proposed IPSAS meets the performance objective we recommend that the proposed IPSAS be amended to make it clear that the explanations required are those for the differences between the prospective financial statements consistent with the original budget and the actual amounts.

We believe that such explanations should be disclosed in the notes to the financial statements. We understand that there may be concerns that including such explanations within the financial statements will subject such explanations to audit and that such explanations may be difficult to audit. However, we believe that any such explanations should be reliable and that it is appropriate for them to be included in the financial statements.

We also note that requiring such explanations to be included in the financial statements may create incentives to provide only very basic explanations in the financial statements. To address this concern we recommend that the proposed standard encourage entities to provide commentary outside of the audited financial statements to elaborate on the explanations for major variances.

We suggest that paragraph 12(c) be clarified to encourage the explanation of the major differences to be included elsewhere in an annual report such as in management commentary.

To implement our recommendations paragraph 12(c) could be amended as follows:

[12](c) **By way of note disclosure, an explanation of material differences between the prospective financial statements consistent with the original budget and actual amounts in the general purpose financial statements. Entities are also encouraged to provide additional explanations of material differences between the prospective financial statements consistent with the original budget and actual amounts in the general purpose financial statements in other information published with the financial report or in other public documents issued at the same time as, or in conjunction with, the general purpose financial statements.**

Level of detail

We are concerned that the wording of the proposed standard appears to require explanation of material differences between budget and actual amounts for each line item. We consider that this would result in an excessive level of disclosures. We recommend that the accompanying commentary paragraphs be amended to clarify that the explanation of material differences is expected to be a broad explanation of the major differences and not necessarily explanation of differences on a line by line basis.

3. *That an entity shall present a comparison of budget and actual amounts in the GPFSS as additional budget columns in the primary financial statements only where the GPFSS and the budget are on the same basis of accounting and adopt the same classification structure (paragraph 15). The IPSASB would also welcome views on whether the budget figures should be required to be presented on the face of the primary financial statements when the budget amounts and the actual amounts in the GPFSS are prepared on a comparable basis.*

Subject to our general comments above, we agree with the proposal to require an entity to present a comparison of budget and actual amounts in the GPFSS as additional columns in the primary financial statements only where the GPFSS and the budget are prepared on the same basis and for the same reporting entity.

Paragraph 15, however, is not clear whether it requires a comparison of actual amounts against the original budget or the final budget. In order to meet the performance objective we recommend that paragraph 15 be amended to require comparison of actual amounts against the prospective financial statements consistent with the original budget, and that this requirement be included in IPSAS 1 and the Cash Basis IPSAS.

Consistency of paragraphs 12 and 15

Paragraph 12 and paragraph 15 appear to be inconsistent. The primary requirement, as set out in paragraph 12, permits entities to present a comparison of budget and actual amounts either as a separate additional statement or as additional budget columns in the financial statements. However, paragraph 15, requires entities to present a comparison of budget and actual amounts as additional columns in the financial statements where the GPFSS and the budget are on the same basis of accounting. We note also that the wording in the last sentence of paragraph 15 could be simplified by referring to the defined term "comparable basis". Use of the term comparable basis also encompasses the notion that the budget information covers the same entity as the actual financial statements. This notion is not covered explicitly with the use of the term "same basis".

We recommend that paragraph 15 be amended as follows:

15. *An entity ~~may shall~~ present a comparison of prospective financial statements consistent with the original budget and actual amounts as additional ~~budget~~ columns in the primary financial statements only where the GPFs and the prospective financial statements consistent with the original budget are on a comparable basis. ~~the same basis of accounting and adopt the same classification structure.~~*

In our view the standard should require inclusion of additional columns in the financial statements wherever prospective and actual information is on a comparable basis.

Proposed amendments to IAS 1

We also note that the IASB is proposing amendments to IAS 1 to require the disclosure of additional columns on the face of the financial statements. Given the IPSASB's commitment to harmonising with the standards issued by the IASB, we acknowledge that requiring additional budget columns to be presented on the face of the financial statements may create practical difficulties for public sector entities. We suggest that the IPSASB monitor the IASB revision to IAS 1 and take into account the IASB requirements in finalising the location of reporting budget figures.

4. *To require that disclosure of an explanation of the following be made in a report issued in conjunction with, or at the same time as, the financial statements: whether differences between the original and final budget arise from reallocations within the budget or other factors such as policy shifts, natural disasters, or other unforeseen events (paragraphs 25-26).*

Preferred approach

We do not consider that an explanation of the changes between the original and final budget is necessary and we do not agree that this explanation should be required to be disclosed in the general purpose financial statements. We do not believe that an explanation for the changes between the original budget and the final budget is required to meet either the performance objective or the compliance objective. In most situations explanations for material changes from the original budget are provided at the time the changes are made.

We therefore recommend that IPSAS 1 and the Cash Basis IPSAS be amended to require disclosure of an explanation of the differences between the prospective financial statements consistent with the original budget and the actual figures in the general purpose financial statements, and that paragraphs 25 and 26 be deleted.

Alternative approach

If the IPSASB decides to retain paragraphs 25 and 26 these paragraphs should be amended. Paragraph 25 requires an entity to present an explanation of whether the changes between the original and final budget are a consequence of reallocations within the budget or of other factors. In many cases budget reallocations will be a consequence of changes in government policy or of other factors. We do not believe that requiring entities to categorise changes from the original to the final budget into "reallocations" or "other factors" will provide users with useful information.

We also disagree that such explanations should have to be presented in a report outside of the financial statements. If paragraphs 25 and 26 are retained we recommend that the following amendments:

25. **An entity shall present an explanation of the whether changes between the original and final budget are a consequence of reallocations within the budget, or of other factors, unless such explanation is included in other public documents. ~~obtained.~~**
26. A public sector entity is required to disclose the original budget and the final budget in the financial statements. It is also required to provide an explanation of the changes between the original budget and the final budget unless such explanations are included in a separate report issued in conjunction with or at the same time as the financial statements.

Such disclosures are often made in a management, operating or budget overrun report issued by government.

5. *To require the comparison of actual and budget amounts to be made on the same basis of accounting as adopted for the budget, even if that basis is different from the basis adopted for the GPFs (paragraph 27).*

Preferred approach

This requirement relates to the compliance objective. We recommend that where an entity adopts different bases for the preparation of the original budget and the preparation of the actual financial statements that a comparison of actual and budget amounts be made on the same basis as adopted for the budget. We believe that this comparison should be presented in the notes to the financial statements.

Alternative approach

If the IPSASB decides to retain the focus on budgets, as opposed to prospective financial statements, where the basis of accounting differs to the budgetary basis then it will be necessary to make require adjustments to ensure a comparison can be made. However, we are concerned that an additional column "actual amounts on comparable basis" introduces another set of numbers and that this set of numbers would not necessarily meet the qualitative characteristics of financial reporting (understandability, reliability, relevance, faithful representation).

We emphasise again that in order to achieve full accountability and to provide understandable information to users, the accounting and the budgetary basis need to be the same. We recognise that change in this area is difficult given the different administrative arrangements existing in different jurisdictions. However, we believe that it would be appropriate for the IPSASB to publicly encourage public sector entities to prepare budgets and financial statements on the accrual basis in order to enhance accountability.

6. *To require a reconciliation of actual amounts on a budget basis with actual amounts presented in the GPFs (paragraph 44).*

As noted above, we believe that a comparison of actual amounts against budget amounts should only be made when they are prepared on the same basis.

However, if the IPSASB decides to retain the approach proposed in ED-27 then reconciliation between actual amounts on a budget basis and the actual amounts presented in the GPFs is critical.

The IPSASB would also welcome views on whether:

- *separate IPSASs specifying requirements for the comparison of budget and actual amounts should be issued for application when the accrual basis is adopted and when the cash basis is adopted; or*
- *the requirements proposed in this ED should be included in IPSAS 1 for those entities adopting the accrual basis of accounting, and in the Cash Basis IPSAS for those adopting the cash basis of accounting.*

Preferred approach

As mentioned in our general comments above, we recommend that the IPSASB consider restructuring the proposals to report against budget to reflect that the financial statements and the budget may be prepared on the same basis or on a different basis.

Consistent with our general comments we believe that the requirements to report against prospective financial statements prepared consistent with the budget should be located in IPSAS 1 and the Cash Basis IPSAS.

We also believe that the proposed standard should focus only on the compliance objective and require a comparison of final budget amounts to actual amounts to be included in the notes to the financial statements, along with explanations of variances.

Alternative approach

If the IPSASB does not agree to restructure the requirements as we have suggested above, from a user perspective we believe that it would be appropriate to maintain two separate streams of IPSAS as follows:

- (i) a suite of standards for entities adopting the accrual basis, including a separate standard on budget reporting; and
- (ii) a single comprehensive standard for entities adopting the cash basis standard, incorporating the budget reporting requirements for entities adopting the cash basis of accounting.

As part of this second approach we also recommend that the proposed consequential amendment to IPSAS 1, paragraph 19 be amended as follows:

19...

- (e) *When the entity is required to make publicly available its approved budget, a comparison of the prospective financial statements consistent with the original budget amounts and actual amounts in the general purpose financial reports either as a separate additional financial statement or as a budget column in other financial statements, as required by IPSAS XX Presentation of Budget Information in Financial Statements.*

A similar amendment may also be appropriate in respect of the Cash Basis IPSAS.

Appendix 1: Other Comments

Paragraph 12

Paragraph 12 states that "The comparison of budget and actual amounts shall present separately for each level of legislative oversight ..."

It is unclear what is meant by reference to "each level of legislative oversight". We recommend that a commentary paragraph be added to explain the meaning of this term. For example the term "legislative oversight " could be interpreted to refer to different entities that are subject to legislative oversight. Alternatively the term could be interpreted as referring to line items or groups of line items within a budget.

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24 February 2006

Our Ref: PS24-0006
ER02-0008

The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017
United States of America

Dear Technical Director

ED 27 - PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS

Members of the Australasian Council of Auditors-General (ACAG) have been canvassed and submit the attachment in response to the exposure draft referred to above. We apologise that this submission is late.

This represents the views of the New Zealand, and all Australian, members of ACAG with the exception of the Auditor-General for South Australia, who reserves his right to respond separately to auditing and accounting exposure drafts where he deems it appropriate, rather than as a member of ACAG.

The opportunity to raise comment is appreciated and I trust you will find the attached comments useful.

Yours faithfully

Frank McGuiness
Chairperson
ACAG Financial Reporting Group

ED 27 Presentation of Budget Information in Financial Statements

Note – reference below to ACAG includes only the Australian and New Zealand members of ACAG, excepting the Auditor-General for South Australia.

ACAG congratulates the IPSASB on the release of ED-27, and sees that reporting of actual financial performance against approved budgets is a critical aspect of accountability within the public sector.

ACAG has reviewed the exposure draft, including each of the significant proposals in ED 27, and has provided both general comments and comments on the specific matters raised.

General Comments

We see there are two different types of budget to actual comparison

The exposure draft seems to have been written with a focus that budget to actual comparisons start with the budget amounts (regardless of the basis upon which they have been prepared) and require actual amounts to be determined on the same basis as the budget amounts, so as to be comparable. In our view, there are two different types of actual to budget comparisons – an “IPSAS-based” comparison and a “budget-based” comparison.

An “IPSAS-based” comparison is carried out if budget amounts have been prepared in accordance with IPSASs or can be readily recast to an IPSAS basis (whether cash or accrual). In this circumstance both the budget and actual amounts will be in accordance with IPSASs.

A “budget-based” comparison is carried out where budget amounts have not been prepared in accordance with IPSASs and are unable to be readily recast to an IPSAS basis. In this circumstance the actual amounts used to compare against the budget amounts are prepared on the same basis as the budget – i.e. the actual amounts will not be IPSAS based. Such a comparison is akin to a budget compliance statement.

In our view, a comparison of IPSAS-based budget amounts and IPSAS-based actual amounts should be made wherever possible because IPSASs have been developed for general purpose public sector financial reporting and we believe they are appropriate to both prospective (budget) and historical financial information. However, we recognise that in many countries public sector budgetary processes are not carried out with regard to financial reporting standards.

We believe it is important that a standard (or standards) on presenting budget information explicitly recognises the two different types of actual to budget comparisons and is clear about the reporting requirements for each comparison.

We are concerned at having two different sets of actual amounts

We have a general concern that the requirements included in the exposure draft will result in a set of general purpose financial statements (GPFS) prepared in accordance with IPSASs

containing both IPSAS-based actual amounts and another competing set of actual amounts adjusted to be on the same basis as the budget amounts. We do not want to see IPSAS-based actual amounts undermined in any way.

In GPFS it is normally comparative amounts that are adjusted to ensure comparability with current year actual amounts. If budget information is to be reported as part of a set of GPFS, we consider the same principle should be followed, i.e. the budget amounts should be adjusted to ensure they are comparable in all respects with the actual amounts.

However, where it is necessary to include some non IPSAS-based actual amounts to achieve a budget to actual comparison, we believe such comparisons should be disclosed in the notes to the financial statements. Further, we believe it is important to disclose the purpose for providing the information and how it relates to the IPSAS based primary financial statements.

Specific matters for comment:

(1) To require a comparison of actual amounts with amounts in the original and final budget as part of the general purpose financial statements (GPFS)

Apart from the Australian National Audit Office (ANAO), we agree that it is important for public sector entities to report actual financial performance against both the original and final budgets (where these are different). The original budget outlines the intentions of the entity and is normally approved prior to, or at the start of, the reporting period. In many entities this co-incides with the setting of taxes (or rates in the case of local Government entities) for the period based on the budgeted expenditure programme outlined in the budget.

Comparison with the final budget on the other hand provides assurance that the entity has incurred expenditure in accordance with approved amounts (often in the form of Appropriations from Parliament, including supplementary estimates).

We, therefore, see that original and final budgets serve different purposes and should both be reported against (where they are different).

However, as referred to in our general comments, the comparison should be reported in the primary financial statements only if both the budget amounts and actual amounts are prepared in accordance with IPSASs. In all other cases, the comparison should be disclosed in the notes to the financial statements.

We have a practical concern with requiring two columns of budget numbers – from a presentation perspective, the greater the number of columns presented, the more difficult it is to present meaningful information.

In addition, we would find it helpful if the definition of “Final Budget” was clarified. We understand a final budget to be the final budget for a financial reporting period approved and published before the end of that financial reporting period (which is often within a month or two of year end).

The ANAO believes that a comparison of actual to one set of budget numbers might be appropriate, but that the presentation of more than one set of budget numbers will complicate the statements and not enhance their understandability. Where budget numbers are revised regularly during a year, publication of explanations of those variations at those times is probably a better accountability mechanism. In addition, final budget numbers may not reflect amounts legally authorised for spending, since many appropriations are not limited by amount but by the meeting of eligibility criteria.

- (2) **To require disclosure of the reasons for material differences between budget and actual amounts, unless such explanation is included in other public documents issued at the same time as, or in conjunction with, the financial statements. The IPSASB would welcome views on whether such disclosure should be required or encouraged.**

We agree that, for a comparison of budget and actual amounts to be meaningful to users of the information, it is preferable to also include the reasons for all material differences between budget and actual amounts.

In the interest of users, we consider it appropriate to require disclosure of reasons for material differences between budget and actual amounts in GPFS, unless such disclosures are included in other public documents issued at the same time as, or in conjunction with, the financial statements.

However, we note that disclosure of reasons for material differences between budget and actual amounts will present auditors with challenges as far as auditing the reasons is concerned. In addition, it is unclear to us what the responsibilities of the auditor should be, where reasons for material differences between budget and actual amounts are disclosed outside the GPFS.

- (3) **That the entity shall present a comparison of budget and actual amounts in the GPFS as additional budget columns in the primary financial statements, only where the GPFS and the budget are on the same basis of accounting and adopt the same classification structure. The IPSASB would also welcome views on whether the budget figures should be required to be presented on the face of the primary financial statements when the budget amounts, and the actual amounts in the GPFS, are prepared on a comparable basis.**

We agree that columns of both budget and actual amounts should only be included in the primary financial statements when the budget amounts are prepared or can be recast to the same basis as the actual amounts in all respects. To do otherwise will result in comparisons being drawn between the two sets of numbers that do not reflect 'apples with apples', which would significantly undermine the primary objective of accountability.

We also consider that, where budget amounts are prepared or can be recast to the same basis as the actual amounts in all respects, such amounts should be required to be included in the primary financial statements. This is on the basis that, if accountability is the primary objective, we consider the best way to achieve this is

through the primary financial statements, rather than the notes to the financial statements.

- (4) **To require that disclosure of an explanation of the following be made in a report issued in conjunction with, or at the same time as, the financial statements: Whether differences between the original and final budget arise from reallocations within the budget or other factors such as policy shifts, natural disasters, or other unforeseen events.**

We do not agree that explanations for differences between original and final budget amounts should be required to be in a report issued in conjunction with or at the same time as the financial statements. In our view, it is important that the information is made available to users in a public document. In terms of the timing of publication of this information, we believe it is more likely to be at the time final budget amounts are reported rather than at the time the GPFS are published.

- (5) **To require the comparison of actual and budget amounts to be made on the same basis of accounting as adopted for the budget, even if that basis is different from the basis adopted for the GPFS.**

We have already expressed some concerns in our general comments. As a principle, we would prefer the comparison of actual and budget amounts to be based on IPSASs and therefore, where possible, for budget amounts to be adjusted. Nevertheless, we recognise that a standard based on the exposure draft needs to allow for the comparison to be made on the same basis as the budget amounts have been prepared. Where the budget and actual amounts compared are not based on IPSASs, we believe the comparison should be disclosed in the notes to the financial statements and that it is important to disclose the purpose for providing the information and how it relates to the IPSAS based primary financial statements.

- (6) **To require a reconciliation of actual amounts on a budget basis with actual amounts presented in the GPFS.**

Where actual amounts presented in the GPFS are not comparable with the budget amounts and require adjustment, we agree that a reconciliation of the two different sets of actual amounts must be produced. We believe that this type of information should accompany the comparison of budget amounts to actual amounts on a budget basis in the notes to the financial statements (see also our general comments).

- (7) **Whether separate IPSASs specifying requirements for the comparison of budget and actual amounts should be issued for application when the accrual basis is adopted and when the cash basis is adopted, or whether the requirements proposed in this ED should be included in IPSAS 1 for those entities adopting the accrual basis of accounting, and in the cash basis IPSAS for those adopting the cash basis of accounting.**

While we can see the logic for including these requirements within IPSAS 1 and the cash basis IPSAS, we would like to see prominence given to this subject. We therefore consider that separate IPSASs should be issued.



New South Wales
TREASURY

The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
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United States of America

Contact: R. Williams
Telephone: (02) 9228 3019
Our Reference:
Your Reference:

20 December 2005

Dear Sir

Exposure Draft 27 Presentation of Budget Information in Financial Statements

I refer to Exposure Draft 27 *Presentation of Budget Information in Financial Statements*. Detailed comments regarding the proposals in Specific Matters for Comment are attached.

New South Wales Treasury supports the mandatory inclusion of original budget information in general purpose financial statements (GPFs). The original budget is the primary basis for comparison with the actual amounts, as it represents Parliament's original intentions. However, NSW Treasury does not object to also disclosing and comparing actual to the 'final budget'.

NSW Treasury strongly opposes the disclosure within the GPFs of reasons for material differences between budget and actual amounts. NSW Treasury views this type of explanation to be management information more appropriately provided outside the audited GPFs. In NSW Treasury's view this disclosure should be optional. It is inappropriate for an Accounting Standard to require this type of information to be disclosed either as part of or outside the GPFs, as this exceeds the mandate and scope of the Accounting Standards.

Further, NSW Treasury believes that agencies should be provided with the option of disclosing the budget amounts either on the face of the GPFs or in the notes. NSW Treasury agrees the amounts must be on a comparable basis. However, rather than presenting comparisons on a comparable basis to the budget, NSW Treasury supports restating the budget (where possible) to align with the IPSAS. This makes the disclosure more understandable, as users are familiar with the bases of accounting under IPSAS.

Finally, NSW Treasury believes that the proposed Standard should clarify whether or not the general government sector is a separate reporting entity. This is also relevant to the ED 28 proposals.

If you have any queries regarding NSW Treasury's comments, please do not hesitate to contact me on 612 9228 3019 or Dianne McHugh on 612 9228 5340.

Yours faithfully

Robert Williams
for Secretary

cc: Australian Accounting Standards Board

**INVITATION TO COMMENT – EXPOSURE DRAFT 27 PRESENTATION OF
BUDGET INFORMATION IN FINANCIAL STATEMENTS**

1. Should a comparison of actual amounts with original and final budget amounts be required as part of the general purpose financial statements (para 12)?

Yes. NSW Treasury supports the mandatory inclusion of the original budget information as the primary basis of comparison with the actual amounts. Reporting actual amounts against the original budget ensures that all movements in budget estimates throughout the reporting period are disclosed. This provides users with complete information on the total variations between the Government's original financial plan and the final outcome for the year and ensures that a high level of accountability is provided.

In addition, NSW Treasury does not object to also disclosing and comparing actual amounts against the 'final budget' as a means of reporting on compliance with the legislative authority; i.e. to disclose the actual expenditure compared to the final budget.

2. Should reasons for material differences between budget and actual amounts be required to be disclosed (para 12)?

No. NSW Treasury believes that disclosure of reasons for material differences between budget and actual amounts should be an option, not a requirement. This type of explanation is considered to be management information more appropriately provided outside the audited general purpose financial statements (GPFSSs), for example in a management discussion and analysis. It is inappropriate for an Accounting Standard to *require* this type of information to be disclosed either as part of or outside the GPFSSs, as this exceeds the mandate and scope of the Accounting Standards (also refer to response to question 4).

3. Should a comparison of budget and actual amounts be presented as additional budget columns in the primary financials only where the general purpose financial statements and the budget are on the same basis of accounting and adopt the same classification structure (para 15)? And should budget figures be required to be presented on the face of the primary financial statements when the budget amounts and the actuals are prepared on a comparable basis?

NSW Treasury believes that agencies should be provided with the option of disclosing the budget amounts either on the face of the GPFSSs or in the notes. This provides additional flexibility for jurisdictions that present more than one comparative period on the face of their financial reports.

NSW Treasury agrees that in comparing budget and actual, the amounts must be on a comparable basis. However, rather than presenting comparisons on a comparable basis to the budget, NSW Treasury supports restating the budget (where possible) on a comparable basis to align with the IPSAS. This makes the disclosure more understandable, as users are familiar with the bases of accounting under IPSAS, rather than introducing and explaining a potentially different framework.

Where the budget relates to a component, such as the general government sector, the budget should be restated on a comparable basis to the equivalent actual IPSAS component information. Disclosure of such disaggregated information for the general government sector is addressed by ED 28.

4. Should disclosure be required in a report issued in conjunction with the financial statements of an explanation where differences between original and final budget arise from reallocations within the budget or other factors (paras 25-26)?

No. As per the response to question 2 above, NSW Treasury believes this disclosure should be optional. NSW Treasury agrees that if this information is disclosed, it is in the nature of management information that is more appropriately disclosed outside the audited GPFSSs. However, in NSW Treasury's view it is inappropriate for an Accounting Standard to *require* such information to be disclosed either as part of or outside the GPFSSs, as this exceeds the mandate and scope of the Accounting Standards.

5. Should a comparison of actual and budget amounts be required to be made on the same basis of accounting as adopted for the budget, even if that basis is different from the basis adopted for the general purpose financial statements (para 27)?

NSW Treasury agrees that any comparison between actual and budget amounts should be on a comparable basis. However, NSW Treasury believes that the budget should be restated to be on a comparable basis with the GPFSSs (if possible), as per the response to question 3 above.

6. Should a reconciliation be required of actuals on a budget basis with actuals in the general purpose financial statements be required (para 44)?

NSW Treasury does not believe that this reconciliation is required if, as discussed in the responses to questions 3 and 5 above, the budget is restated on a comparable basis to the GPFSSs.

Other matters

General government sector as a separate reporting entity

ED 27 and ED 28 do not specifically address whether the general government sector is a separate reporting entity. If the general government sector is a separate reporting entity, then the appropriate place to disclose budget information relating to the general government sector is as part of the general government sector GPFSSs, rather than as part of the whole-of-government GPFSSs. Conversely, if the general government sector is not a separate reporting entity, the appropriate place to disclose budget information relating to the general government sector is as part of the whole-of-government GPFSSs.

In NSW Treasury's view, the IPSAS should clarify whether or not the general government sector is a separate reporting entity.

Scope

NSW Treasury queries the definition at paragraph 8 of ‘approved budget’, which refers to the ‘expenditure authority’. Further, paragraph 10 states that:

“...the critical feature of approved budgets is that the authority to withdraw funds from the government treasury or similar body for agreed and identified purposes is provided by a higher legislative body or other appropriate authority.”

In New South Wales, the Budget includes both budget-dependent and non-budget dependent general government sector entities. However, only budget-dependent entities receive direct appropriations and draw funds down directly from Treasury. Application of paragraph 10 seems to apply only to budget-dependent general government sector entities, even though in New South Wales the Budget also includes non-budget dependent general government sector agencies. It is unclear whether or not this was the intent of the Exposure Draft.

In NSW Treasury’s view, it is appropriate that where the Budget covers the general government sector, all individual general government sector entities, including non-budget dependent entities, should be required to disclose budget amounts in their GPFSSs.

Extent of budget disclosures

NSW Treasury believes that the proposed IPSAS should clarify that budget information is only required to be disclosed for the primary financial statements, not the notes. Detailed classifications of budget estimates for the various notes required by other IPSAS are not generally available.

Level of legislative oversight and aggregation

NSW Treasury suggests that additional guidance should be provided about what is meant by the requirement to disclose budget and actual amounts for ‘each level of legislative oversight’. For example, is this referring to different levels of government (i.e. national, state and local) where one level controls the other? Or alternatively, is it referring to the general government sector, entity and program or function level? This should be made more explicit.

Further, where paragraph 6 refers to disclosing budgets for ‘components’ of the entity, is it referring to levels of government, or the general government sector individual entities and programs, as above?

Application only where entity required to make publicly available

NSW Treasury suggests that the proposed Standard should also apply to entities that choose to make their approved budgets publicly available, whether or not they are required to.



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Subject: Comments on EDs 25, 27 and 28:

Sir,

Please find comments on EDs:25, 27 & 28 issued by IFAC- IPSASB:

Exposure Drafts	Specific Matters for Comment	Comments
ED 27 - Presentation of Budget Information in Financial Statements (accrual basis and cash basis)	The IPSASB would particularly value comment on proposals: 1. To require a comparison of actual amounts with amounts in the original and final budget as part of the general purpose financial statements (GPFs) (paragraph 12)	The Exposure Draft in general is supported subject to the following comments. 1. Yes. In many jurisdictions compliance on appropriations or budgetary authorizations is presented in addition to the GPFs at the end of the financial year as part of legislative control. Governments in India, both at the Federal and the Provincial levels, have annual Appropriation Accounts (budget accounts) that present comparison between budget (original, final and intra-year re-appropriations) and actual amounts. Requiring a comparison of actual



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| <p>2. To require disclosure of the reasons for material differences between budget and actual amounts unless such explanation is included in other public documents issued at the same time as, or in conjunction with, the financial statements (paragraph 12). The IPSASB would welcome views on whether such disclosure should be required or encouraged.</p> <p>3. That an entity shall present a comparison of budget and actual amounts in the GPFs as additional budget columns in the primary financial statements only where the GPFs and the budget are on the same basis of accounting and adopt the same classification structure (paragraph 15). The IPSASB would also welcome views on whether the budget figures should be required to be presented on the face of the primary financial statements when the budget amounts and the actual amounts in the GPFs are prepared on a comparable basis.</p> <p>4. To require that disclosure of an explanation of the following be made in a report issued in conjunction with, or at the same time as, the financial statements: whether differences between the original and the final budget arise from reallocations within the budget or other factors such as policy shifts, natural disasters, or other unforeseen events (paragraphs 25-26).</p> <p>5. To require the comparison of actual</p> | <p>amounts with amounts in the original and final budget as part of the GPFs either as additional budget columns or as separate additional financial statement will serve the purpose of budgetary reporting.</p> <p>2. Yes. Disclosure of reasons for material differences in case of both excesses and savings over the budgetary allocations in India is disclosed in the Appropriation Accounts which are made available at the same time. Such disclosures <u>should be required</u>. In case of non-disclosure, there should be requirements for giving reasons thereof.</p> <p>3. Yes. Wherever budget and accounts are both on cash basis or both on accrual basis, there has to be a budget accounts comparison in GPFs. Budget figures should be presented on the face of the primary financial statements when the budget amounts and the actual amounts in the GPFs are prepared on a comparable basis. However, where budget is on cash basis but accounting done on accrual basis, budget-accounts correspondence needs to be established by comparing the budget against the cash transactions taken from accounts.</p> <p>4. Yes. Disclosure of an explanation of differences between the original and the final budget should be required as this would help in budget management and extent to which difference between the original and final arise due to reallocations or other reasons including policy shifts.</p> <p>5. Yes. As mentioned at point 3 above,</p> |
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and budget amounts to be made on the same basis of accounting as adopted for the budget, even if that basis is different from the basis adopted for the GPFs (paragraph 27)

6. To require a reconciliation of actual amounts on a budget basis with actual amounts presented in the GPFs (paragraph 44).

in many jurisdictions, budgetary classification provides primary basis for accounting classification. As such, all comparisons should be made on the comparable basis to the budget.

6. Yes. Reconciliation of actual amounts on a budget basis with actual amounts presented in the GPFs as stipulated in paragraph 44 should be required. In India, budget as well as appropriation accounts are presented on gross basis while a financial statements are prepared on net basis. A correspondence between the two is established by including a separate statement in the appropriation accounts presenting net figures.

The IPSASB would also welcome views on whether:

- separate IPSASs specifying requirements for the comparison of budget and actual amounts should be issued for application when the accrual basis is adopted and when the cash basis is adopted; or
- the requirements proposed in this ED should be included in IPSAS 1 for those entities adopting the accrual basis of accounting, and in the Cash Basis IPSAS for those adopting the cash basis of accounting.

No. There may not be requirement of issuing separate IPSASs specifying the requirements when the accrual basis is adopted and when the cash basis is adopted as this requirement is fully taken care of in this ED, particularly by requiring comparable presentation to budget basis in the GPFs. Instead of including the requirements of this ED in IPSAS 1 and the Cash Basis IPSAS as relevant, Presentation of Budget Information in Financial Statements should be a separate IPSAS as proposed. Cash Basis IPSAS vide paragraph 2.1.36 already provides for comparison with budget as encouraged.

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DAVID R. BEAN
Director of Research

March 6, 2006

Mr. Paul Sutcliffe
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017

Dear Mr. Sutcliffe:

Thank you for the opportunity to offer comments on Exposure Draft 27, *Presentation of Budget Information in Financial Statements*. This response was prepared by the Governmental Accounting Standards Board's (GASB) staff. A draft of this response was provided to individual GASB members for their input. Official positions of the GASB are determined only after extensive due process and deliberation.

Overall, we support the issuance of this document as a final standard. We do hope that the IPSASB finds the following responses to specific matters for comment and detailed observations of value during its deliberations.

Question 1. Requirement of a comparison of actual amounts in the original and final budget as part of the general purpose financial statements.

The GASB standards currently require the presentation of budgetary comparisons of major governmental funds as Required Supplementary Information (RSI) with a government option to present that information in the basic financial statements. This comparison calls for the presentation of both the original and final budget amounts. The addition of the original budget to the budgetary comparison was the result of extensive user research conducted over a 15-year period. In many cases, users believed that they were analyzing the original budgets to final results, when in reality they were making comparisons with budgets that were in some cases significantly modified during the year (and in a few cases even after year end).

The addition of the original budget to the comparison has been very favorably received since its introduction in 1999; therefore, we fully support its inclusion in the IPSASB's final standard.



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Question 2. Requirement to disclose the reasons for material differences between budget and actual amounts unless explanation is included in other public documents issued at the same time as, or in conjunction with, the financial statements.

The GASB standards currently require that an analysis of significant variations between the original budget and final budget and between the final budget amounts and final actual results be presented in the Management's Discussion and Analysis (MD&A). We understand that the IPSASB currently does not have an MD&A requirement, which limits the options at its disposal. Although this analysis again appears to have been well received by the user community in the United States, we would not recommend a required disclosure because of audit concerns related to the verifiability of the assertions made in explaining these differences. If the IPSASB were to require an MD&A in the future, we believe that this analysis should be a required item. Until that time, we believe that the IPSASB should encourage the presentation of this analysis.

Question 3. Presentation of additional columns on existing final statements when the budget is adopted using the same or similar basis of accounting and classification structures.

The GASB's financial statement structure is not conducive to the presentation of additional columns; therefore, this alternative presentation was not considered in establishing our standards. Because of the structure of the IPSASB statements, we do believe that the statements could be simplified with this presentation as long as the integrity of the original statements is not compromised. Therefore, we believe that this alternative should only be made available to governments that adopt budgets with the same basis of accounting (accrual or cash) and the same classification structures that are found in the IPSASB standards.

Question 4. Requirement to disclose an explanation of differences between the original and final budget.

As discussed in the response to Question 2, we believe that the IPSASB should encourage the presentation of the analysis until an MD&A with a required analysis is introduced.

Question 5. Requirement to present comparison of actual and budget amount on the same basis of accounting as adopted for the budget.

The GASB concerns about presenting non-GAAP presentations in the basic financial statements was a primary driver in the recommendation to present budgetary comparisons in RSI; however, in all circumstances, we believed that it was important that the final budget should be compared to actual results using the same budget basis. We believe (USA)

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do otherwise would confuse a financial statement reader by producing an “apples to oranges” comparison. The difference between the budgetary basis and the basis of accounting used in the general purpose financial statements can be more appropriately identified and explained in a reconciliation. (See response to question 6.)

Question 6. Requirement to present a reconciliation of actual amounts on budget basis with actual amounts presented in the GPFS.

Accounting standards in the United States have required a reconciliation between the budget results and GAAP results since 1983. The need for this reconciliation was raised during the developmental research that led to the GASB’s new financial reporting model. The results of the research strongly supported the continued presentation of this reconciliation. The facts provided to the financial statement users have proved to be invaluable to their understanding of the information provided in the budgetary comparison.

Additional question. Presentation of budgetary information standards for governments that follow cash basis standards.

We believe that the Cash Basis IPSAS should be amended so that governments that follow those standards can readily locate guidance that specifically relates to the general purpose financial statement requirements.

Final Comment

We believe that the provision that allows approved budgets that “are not required to be made publicly available” to be excluded from the scope of this standard should be eliminated. If a budget is legally adopted and therefore has the force of law, it should be required to be presented. Otherwise, the transparency associated with those statements is severely compromised.

If a government chooses for whatever reason not to present a budgetary comparison related to a legally adopted budget, this should be considered a departure from the IPSASB standards and should be noted in the auditor’s report. Such a reason would not be acceptable in other circumstances. (For example, if the amount of fixed assets the government controlled were not required to be made publicly available, any statements that reflected that exclusion would not be deemed to be in accordance with IPSASB standards.)



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Again, thank you for the opportunity to respond to this Exposure Draft. If you have any questions, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "D. R. Bean".

David R. Bean