



Indian Governmental Accounting Standards Advisory Board (GASAB) and the Australasian Council of Auditors General. The Task Force on Harmonisation of Public Sector Accounting also provided an update to their response.

## **MAJOR ISSUES**

Staff have interpreted the responses as indicating that 24 of the 33 respondents support issuing a final IPSAS based on ED 28. The respondents also supported the IPSASB's views on the major issues raised in the ED, as indicated at the previous meeting. The additional responses reviewed in attachment 16.2 Summary of Late Responses to ED 28, raise one additional substantive matter, this is addressed under "Classification of Expenses" below.

### **Scope of IPSAS XX**

At the meeting in March, it was noted that a number of respondents had misinterpreted the intent of the standard, and thought that the IPSASB was proposing that they prepare general purpose financial statements that included entities not subject to common control. This is because government finance statistics, at their highest level, present the entire public sector as if it were one entity. Many respondents noted that in their jurisdictions, the national government does not control state/provincial or local entities, and would be unable to prepare such financial statements. The IPSASB directed staff to include a paragraph that made it explicit that such was not the intent of the IPSAS. Staff have included this paragraph as paragraph 6.

### **Classification of Expenses**

This was raised in the TFHPSA's update to their response. The TFHPSA note that it is unusual to present expenses by Classification of Function of Government (COFOG) as the primary income statement, that it is more usual to present the income statement using the economic classification of expense. To address this issue, staff have included an additional statement of financial performance in the implementation guidance that presents the economic classification of expense.

### **Other changes**

#### *ED Items*

The Request for Comments, Introduction to the ED and Specific Matters for Comment have been deleted but not shown in mark up form.

#### *Other Comments*

The Table of Other Comments (Attachment 16.3) notes in the final column where staff have proposed a change in relation to a comment made by a respondent. Very few comments proposed changes that are consistent with the approach taken generally in IPSASs, these comments were not adopted. Several respondents made suggestions for improvements or editorial changes, where these were considered appropriate, they were processed.

#### *Inside Front Cover*

The IFAC Communications team has developed standardized inside front covers for all IFAC publications; this inside cover has been adopted in this IPSAS.

*Introduction to the IPSAS*

Consistent with the Improvements Project and the approach adopted by the IASB in its standards, the draft IPSAS includes an Introduction that explains the reason for issuing the IPSAS, and the main features of the IPSAS.

*Effective Date*

Staff propose that the effective date be January 1, 2008. This is consistent with the approach generally taken, that is, allowing at least a full year from the publication date until the effective date.

*Appendix B: Qualitative Characteristics of Financial Reporting*

Appendix B is a reproduction of Appendix B of IPSAS 1, “Presentation of Financial Statements”. Staff recommend that the IPSASB consider deleting this appendix from this IPSAS as both IPSASs will appear in the *2007 Handbook of International Public Sector Pronouncements*.

**RECOMMENDATION**

Staff request that the IPSASB undertake a page-by-page review of the draft IPSAS, provide directions for any additional changes, and approve the IPSAS for issue. The IPSAS would be issued electronically as soon as possible, and included in the 2007 edition of the *Handbook of International Public Sector Pronouncements*.

**Matthew Bohun**  
**TECHNICAL MANAGER**

**ATTACHMENT 1 – ANALYSIS OF LATE RESPONSES TO ED 28 “Disclosure of Financial Information About the General Government Sector”**

**SUMMARY OF OVERALL VIEW**

SUPPORT	A	25
DOES NOT SUPPORT	B	7
NO VIEW, OR NO CLEAR VIEW, EXPRESSED	C	2
TOTAL		34

	NAME	VIEW	RESPONDENT COMMENT
28/45	Task Force on Harmonization of Public Sector Accounting (TFHPSA)		This response supplements the two previous responses from TFHPSA for deliberations of its meeting in Paris in March 2006. This response does not count in the total number of responses.
6/47	CNDC & CNR	A	
49	GASAB	A	
52	Australasian Council of Auditors General (ACAG)	A	ACAG strongly supports the ED. The comments reflect those of the Auditors General of Australia, New Zealand, and the Australian States/Territories: Australian Capital Territory, New South Wales, Northern Territory, Queensland, Tasmania, Victoria, and Western Australia. The Victorian Auditor General’s Office has different views on some issues ( <i>Staff note: the Victorian Auditor General’s Office submitted a separate comment letter.</i> )

**SPECIFIC MATTER FOR COMMENT 1**

The IPSASB would particularly value comment on whether requirements for the disclosure of financial information about the GGS should be included in GPFs prepared in accordance with IPSASs, and if yes, whether such disclosures should be allowed, encouraged or required. The proposed Standard prescribes the basis on which the disclosure of information about the GGS is to be made by those entities which elect to make such disclosures. It does not require, encourage or prohibit such disclosures (see paragraph 2).

Do not include	A	3
Include - Allowed	B	15
Include - Encouraged	C	10
Include - Required	D	4
No view, or no clear view, expressed	E	2
<b>TOTAL</b>		<b>34</b>

	<b>NAME</b>	<b>VIEW</b>	<b>RESPONDENT COMMENT</b>
28/45	TFHPSA	E	
6/47	CNDC & CNR	B	Do not think that it should be encouraged as it could be onerous. This principle (disclosure of GGS should be extended to the Cash Basis.
49	GASAB	C	
52	ACAG	C	

**SPECIFIC MATTER FOR COMMENT 2**

The IPSASB would particularly value comment on whether the proposed definition of the GGS in paragraph 14 is appropriate.

Appropriate	A	18
Not Appropriate	B	10
No view, or no clear view, expressed	C	6
<b>TOTAL</b>		<b>34</b>

	<b>NAME</b>	<b>VIEW</b>	<b>RESPONDENT COMMENT</b>
28/45	TFHPSA		TFHPSA strongly recommend that the explicit reference be made to GFSM 2001 so that the terms and definitions are always clear and do not lead to confusion.
6/47	CNDC & CNR	A	
49	GASAB	B	
52	ACAG	B	The proposed definition references “statistical reporting bases” but does not identify them. Paragraph 5 references SNA 93 and assumes that the definition in all bases is the same, if this is so, paragraph 14 is acceptable, if not the IPSASB should consider the merit of prescribing a common statistical base, e.g. the IMF’s GFSM 2001.

**SPECIFIC MATTER FOR COMMENT 3**

The IPSASB would particularly value comment on whether the proposed treatment of investments in public corporations in the GGS disclosure is appropriate. The proposed Standard requires that the investment be presented as an asset at the carrying amount of the net assets of its investees (see paragraph 24).

Appropriate	A	20
Not Appropriate	B	8
No view, or no clear view, expressed	C	6
<b>TOTAL</b>		<b>34</b>

	<b>NAME</b>	<b>VIEW</b>	<b>RESPONDENT COMMENT</b>
28/45	TFHPSA		
6/47	CNDC & CNR	A	
49	GASAB	A	
52	ACAG	A	The proposed treatment is supported where no direct market valuation of the investee is available. Where the investee is listed on a stock exchange such than an active market price for the investee is available, that price should be mandated by the proposed standard. This proposed treatment would be consistent with the relevant IASB standard.

**SPECIFIC MATTER FOR COMMENT 4**

The IPSASB would particularly value comment on whether a government which elects to disclose information about the GGS should be required or encouraged to separately disclose information about the GGS of each level of government consolidated in its whole-of-government GPFs (see paragraph 32).

Required to disclose	A	7
Encouraged to disclose	B	20
No view, or no clear view, expressed	C	7
<b>TOTAL</b>		<b>34</b>

	<b>NAME</b>	<b>VIEW</b>	<b>RESPONDENT COMMENT</b>
28/45	TFHPSA		
6/47	CNDC & CNR	C	Disagree with the entire proposal. It is not feasible in countries where different levels of government are autonomous to provide information about different levels of government.
49	GASAB	B	
52	ACAG	B	



**SPECIFIC MATTER FOR COMMENT 5**

The IPSASB would particularly value comment on whether a reconciliation to the statistical reporting basis should be required. The proposed Standard notes that such a reconciliation may be presented, but does not require it (see paragraph 45).

Allow, do not require	A	20
Require	B	9
No view, or no clear view, expressed	C	5
<b>TOTAL</b>		<b>34</b>

	<b>NAME</b>	<b>VIEW</b>	<b>RESPONDENT COMMENT</b>
28/45	TFHPSA		
6/47	CNDC & CNR	A	
49	GASAB	A	
52	ACAG	A	A reconciliation should be encouraged rather than simply allowed.

**SPECIFIC MATTER FOR COMMENT 6**

The IPSASB would particularly value comment on whether there should be a separate IPSAS on disclosure of information about the GGS, or whether the requirements proposed in this Standard should be included as an addition to IPSAS 1, “Presentation of Financial Statements” for governments which elect to disclose information about the GGS.

Separate	A	15
Incorporate into IPSAS 1	B	9
No view, or no clear view, expressed	C	8
Do not develop standards	D	2
<b>TOTAL</b>		<b>34</b>

	<b>NAME</b>	<b>VIEW</b>	<b>RESPONDENT COMMENT</b>
28/45	TFHPSA		
6/47	CNDC & CNR	C	
49	GASAB	A	
52	ACAG	A	ACAG can see the logic for inclusion in IPSAS 1, but would prefer the prominence that a separate standard gives.

**SPECIFIC MATTER FOR COMMENT 7**

The IPSASB would particularly value comment on whether requirements for disclosure of the GGS under a cash basis IPSAS should also be developed.

Develop Cash Basis requirements	A	15
Do not develop	B	8
No view, or no clear view, expressed	C	12
<b>TOTAL</b>		<b>34</b>

	<b>NAME</b>	<b>VIEW</b>	<b>RESPONDENT COMMENT</b>
28/45	TFHPSA	C	
6/47	CNDC & CNR	A	Develop a general principle that can be applied to both bases of accounting.
49	GASAB	A	
52	ACAG	A	Support the development of cash basis disclosures, but only to the extent that it is IPSASB policy to continue to support the issue of IPSASs on a cash basis.

**ATTACHMENT 16.3**

**Table of Other Comments**

<b>Question/ Paragraph</b>	<b>Submission Number</b>	<b>Name</b>	<b>Respondent Comment</b>	<b>Staff Response</b>
General	16	CEFMI/AID (Argentina)	The respondent recommends that the statistical bases follow the IPSASs, in order to avoid distortions in the information disclosed to the IMF.	Noted, however, the development of statistical bases is not the role of the IPSASB.
General	23	Swedish International Development Cooperation Agency	The need for IPSASs has not been demonstrated. There is a greater need for national standards that conform to legal requirements in specific jurisdictions.	View noted, however, the IPSASs are being developed in response to the stated demands of constituents.
General	23	Swedish International Development Cooperation Agency	The need for ED 28 has not been demonstrated, the GFSM has already elaborated statistical requirements - therefore there is no need for this proposed IPSAS.	View noted, however, this IPSAS is being developed in response to a stated demand from constituents.
General	29	Jean-Bernard Mattret	Why explicate differences between the objectives of GPFS and GFS? Fiscal policy is a part of financial information.	View noted. Agree the IPSASB supports convergence.
1	20	NZ Treasury	The order of priority of the objectives should be reversed: 1. to provide a better understanding of the relationship between GPFS and GFS. 2. to provide for a better understanding of the relationship between the market and non-market activities of governments and 3. to enhance the transparency of financial reports.	View noted, however, the IPSASB has generally held that enhancing the transparency of financial reports is one of its highest priorities.

Question/ Paragraph	Submission Number	Name	Respondent Comment	Staff Response
3	45	TFHPSA	The sentence "Some entities rely primarily on appropriations or allocations from taxes or other government revenues to fund their service delivery activities, but may also undertake additional revenue generating activities" is not clear. What are additional revenue generating activities if they are not other government revenues? The following sentence: "Other entities may generate their funds primarily or substantially from commercial activities" seems to imply that commercial activities do not produce revenue. Perhaps one could say "Some entities rely primarily on appropriations or allocations from taxes and fees or transfers from other government entities to fund their service delivery activities. Other entities may generate their funds primarily or substantially from commercial activities."	Staff are of the view that the meaning of the paragraph is clear and do not propose any amendments.
5	23	Swedish International Development Cooperation Agency	Budgets are political instruments and their structure and basis may, consequently not always be logical according to a predefined basis of accounting.	This point is implied in the IPSAS.
5	45	TFHPSA	Suggest saying " <u>the United Nations and other international organizations.</u> " Later in the same paragraph say "...about the corporations <del>sector of</del> <u>controlled by</u> government which primarily engages in market activities ( <u>usually categorized as the public</u> ."	Staff agree with the last point, and will process the amendments. In respect of the first two point, the views are noted, however, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.

Question/ Paragraph	Submission Number	Name	Respondent Comment	Staff Response
6 & 7	41	SA ASB & SAICA	Paras 6 & 7 (Segment Reporting) should be removed from under the heading "Scope" and should be included under a separate heading "Segment Reporting" with equal prominence as the headings such as "Definitions", "Accounting Policies", or "Disclosures".	Staff are of the view that these paragraphs are appropriately located, however, this issue may need to be addressed by the IPSASB itself.
6 & 7, BC 10	45	TFHPSA	There is concern that the text "the IPSASB is of the view that a government electing to disclose information of the GGS needs also to disclose information about segments" when read with paragraphs 6 and 7, may inadvertently mandate a requirement for sector reporting in accordance with IPSAS 18. TFHPSA recommends that this text be removed from ED 28 and that clarification be provided on whether reporting of the GGS under ED 28 mandates segment reporting in accordance with IPSAS 18.	IPSAS 18 mandates the disclosure of segment information. The IPSASB specifically wanted to include this commentary to make it clear that anything reported about the GGS was in addition to segment information.
6 & 7, BC10	42	HoTARAC	HoTARAC is concerned that the text "the IPSASB is of the view that a government electing to disclose information of the GGS needs also to disclose information about segments" when read with paragraphs 6 and 7, may inadvertently mandate a requirement for sector reporting in accordance with IPSAS 18. HoTARAC recommends that this text be removed from ED 28 and that clarification be provided on whether reporting of the GGS under ED 28 mandates segment reporting in accordance with IPSAS 18.	IPSAS 18 mandates the disclosure of segment information. The IPSASB specifically wanted to include this commentary to make it clear that anything reported about the GGS was in addition to segment information.

Question/ Paragraph	Submission Number	Name	Respondent Comment	Staff Response
8 - 10	41	SA ASB & SAICA	Paras 8 - 10 (Statistical Reporting Bases) should be removed from under the heading "Scope" and should be included under a separate heading "Segment Reporting" with equal prominence as the headings such as "Definitions", "Accounting Policies", or "Disclosures".	Staff are of the view that these paragraphs are appropriately located, however, this issue may need to be addressed by the IPSASB itself.
8	20	NZ Treasury	The IPSASB should reconsider the inter-relationship between the disaggregation of whole of government reports into GGS, PFC & PNFC sectors and segmentation as per IPSAS 18. Neither sectoral or segment information will provide information about the government's telecommunication, healthcare or educational objectives unless supplemented with non-financial performance analysis.	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.
10	42	HoTARAC	HoTARAC does not support mandating whether original, revised or both sets of budget estimates should be disclosed in accordance with ED 27.	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.
10	45	TFHPSA	Whilst ED 27 "requires that GPFs include a comparison of budget and actual amounts on the basis consistent with that adopted for the budget" it does not support mandating whether original, revised or both sets of budget estimates should be used.	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.
11	23	Swedish International Development Cooperation Agency	Users of financial information from the government sector will not normally be dependent on general purpose financial statements, and it is highly probably that the costs for preparing GGS disclosures will exceed the benefits. Therefore the purpose and expected benefits of the proposed IPSAS should be more clearly proven.	View noted, this is precisely why the proposed IPSAS will not be mandatory.

Question/ Paragraph	Submission Number	Name	Respondent Comment	Staff Response
11	41	SA ASB & SAICA	Para 11 (Accounting Policies) should be removed from under the heading "Scope" and should be included under the heading "Accounting Policies" that begins at paragraph 22.	Staff are of the view that this paragraph is appropriately located, however, this issue may need to be addressed by the IPSASB itself.
11	45	TFHPSA	Suggest saying: "Therefore, this Standard encourages, but does not..."	The IPSASB did not want to go so far as to encourage entities to disclose GGS information. No amendment is proposed in response to this comment.
12	23	Swedish International Development Cooperation Agency	The lack of a discussion about users and their needs makes it difficult to assess what an "appropriate" representation should look like.	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.
13	1	AASB Staff	Suggest that the second sentence be amended to "...it is only possible to disclose a meaningful representation of the GGS of (prev. for) a government at the whole-of-government level" because it is conceivable that a government department incorporates a quasi-corporation.	Staff agree and have proposed an amendment for consideration by the IPSASB.
13	21	Slovak Ministry of Finance	Suggest that the final sentence should read: "Whole-of-government entities are those that include national, state/provincial and local governmental units in a single GPFS"	Staff disagree, the IPSASB only deals with GPFRs of entities subject to common control.
14	15	USA Association of Government Accountants	The term "whole-of-government" is not defined in IPSASs, it could be useful to define this term.	Point noted, however, the text of the IPSASs makes it clear what is meant by the term.
14	21	Slovak Ministry of Finance	The term "whole-of-government" is not defined in IPSASs, it has been used in different ways by different governments, so a definition would be useful.	Point noted, however, the text of the IPSASs makes it clear what is meant by the term.
14	24	Swiss Ad Hoc Committee	The Swiss preparer of GFS would prefer explicit reference to GFSM 2001, and full adoption of the GFS taxonomy.	IPSASs have their own glossary. Staff do not propose any amendments in relation to this comment.



Question/ Paragraph	Submission Number	Name	Respondent Comment	Staff Response
14	24	Swiss Ad Hoc Committee	The definition of "expenses" in IPSASs is not the same as the GFS definition of expenses.	Point noted, staff do not propose amending the draft IPSAS.
14	28/50	TFHPSA	Explicit reference to GFSM2001 would be desirable in the standard so that the terms and definitions are always clear and do not lead to confusion	The IPSASB did not want to refer to a particular statistical base. Staff do not propose any amendments in relation to this comment.
14	31	Andre Schwaller	The definition of "expenses" in IPSASs is not the same as the GFS definition of expenses.	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.
14	31	Andre Schwaller	The ambiguities in the definition of expense flow through to the measure of deficit. It is presumed that the measure of deficit includes net acquisition of non-financial assets, whereas the operating balance in GFS would not include such acquisition.	The IPSASs make it clear that items that meet the definition of an asset and satisfy the recognition criteria for assets, are not recognized as expenses in the statement of financial performance. Staff do not propose any amendments in relation to this comment.
14	38	Tunisian Court of Accounts	It would be useful to include a specific definition of the GGS.	The Project Advisory Panel advised referring to the statistical bases to determine the definition. Staff do not propose any amendments in relation to this point.
14	41	SA ASB & SAICA	A definition for "Statistical Reporting Bases" should be included.	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.
14	45	TFHPSA	Suggest saying: "The General Government Sector comprises all organizational entities of the general government..."	Staff have included the TFHPSA's suggestion as an amendment for consideration by the IPSASB.
14 - 18	6 & 47	CNDC & CNR	The concepts elaborated in these paragraphs could be summarized in paragraph 14, making these paragraphs superfluous.	Point noted, however, this is the approach adopted in existing IPSASs. Staff do not propose any amendments in respect of this comment.
17	45	TFHPSA	The comment on disclosure seems out of place with the rest of the paragraph which gives definitions	The final sentence of the paragraph makes the link to disclosure. Staff do not propose any amendments in relation to this comment.

Question/ Paragraph	Submission Number	Name	Respondent Comment	Staff Response
17	45	TFHPSA	...all social security funds...and all non-market non-profit institutions controlled by government units. [The TFHPSA is proposing the SNA be revised to say NPIs controlled rather than controlled and mainly financed.] Later in the same paragraph: "As such, the financing of these entities is sourced primarily from appropriation or allocation of the government's taxes, other revenues, or borrowings. The GGS typically includes entities such as government departments, legislatures, law courts..."	Staff have included the TFHPSA's suggestion as an amendment for consideration by the IPSASB.
19	45	TFHPSA	What is meant by "utilities that trade in goods and services"? "Utilities" usually refers to enterprises providing electricity, natural gas, water, sewage disposal, and so forth. Perhaps it would be better to say "utilities and other entities that trade in goods and services."	Staff have included the TFHPSA's suggestion as an amendment for consideration by the IPSASB.
20(b)	23	Swedish International Development Cooperation Agency	It seems odd that an entity in the public sector could exist without being legally established, and an example is needed to explain this phenomenon.	Financial reporting standards generally do not require a reporting entity to be synonymous with a legal entity. Staff do not propose any amendment in relation to this comment.
24	42	HoTARAC	HoTARAC has a preference for accounting for investments in subsidiaries measured at, depending on circumstances, fair value or the carrying amount of the government's proportional share of net assets.	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.
32	45	TFHPSA	The paragraph needs to be clear and say that in some countries GPFS would include local authorities but in other countries it may not. In all countries the GGS includes local authorities, so in some countries the GGS will include units that GPFS does not.	This issue has been addressed by including a new paragraph 6.

Question/ Paragraph	Submission Number	Name	Respondent Comment	Staff Response
37	1	AASB Staff	Suggest that, consistent with paragraph 6.1 of GFSM 2001, the first sentence be changed to "Under statistical reporting bases government expenses are disaggregated and disclosed by classes in two ways: the economic nature of the expenses and the Classification of Functions of Government".	Staff have included the this suggestion as an amendment for consideration by the IPSASB.
39	45	TFHPSA	The paragraph should say that in some cases generic types (publicly financed hospitals for example) could be given rather than a complete list of all units.	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.
39	45	TFHPSA	Suggest adding "and vice-versa" at the end of the paragraph.	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.
43	23	Swedish International Development Cooperation Agency	The users to whom the government will be able to "better discharge its accountability obligations" should be defined.	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.
43 and related paragraphs	1	AASB Staff	The IPSAS should at least encourage a full disaggregation of the whole-of-government into the three sectors: General Government, Public Financial Corporations and Public Non-Financial Corporations	The IPSASB did not wish to go as far as to encourage making disclosures under this proposed IPSAS, it wanted to allow them.
45	32	Ramachandran	The last sentence should be deleted.	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.
46	23	Swedish International Development Cooperation Agency	It seems difficult to prescribe an effective date since the application of this IPSAS is voluntary, and governments may decide to apply IPSAS several years after they have been issued.	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.

Question/ Paragraph	Submission Number	Name	Respondent Comment	Staff Response
Implementation Guidance	24	Swiss Ad Hoc Committee	The ambiguities in the definition of expense flow through to the measure of deficit. It is presumed that the measure of deficit includes net acquisition of non-financial assets, whereas the operating balance in GFS would not include such acquisition.	The acquisition of items that meet the definition of assets and satisfy the recognition criteria for assets are not recognized as expenses in the statement of financial performance.
Implementation Guidance	28	TFHPSA	<p>The illustrative performance statement in ED 28 currently presents accrued expenses based only on the functional classification used in GFSM2001, such as General public services, Defense, Public order and safety, Economic affairs, etc. It is requested that the statement shows expenses by the economic classification used in GFSM2001, such as compensation of employees [GFS], use of goods and services, consumption of fixed capital [GFS], interest [GFS], etc with the existing functional classification of general government expenses retained as a note disclosure through a requirement or a 'strong encouragement' in the standard.</p> <p>The current performance statement has no illustration of expenses by economic categories nor any requirement, suggestion or encouragement that they be shown as note disclosures to the accounts. The full benefits of accepting the concept of the general government sector in the ED (based as it does on statistical or economic accounting criteria) are therefore not being utilised. A compiler of national accounts, sourcing data</p>	Staff have proposed including a further statement disclosing expenses by economic classification.
Implementation Guidance	24	Swiss Ad Hoc Committee	The analysis of expenses using COFOG is unusual, it is more common to use economic classification of expense.	Staff have proposed including a further statement disclosing expenses by economic classification.

Question/ Paragraph	Submission Number	Name	Respondent Comment	Staff Response
Implementation Guidance	31	Andre Schwaller	The analysis of expenses using COFOG is unusual, it is more common to use economic classification of expense.	Staff have proposed including a further statement disclosing expenses by economic classification.
Implementation Guidance	31	Andre Schwaller	The way the financial results are presented in ED 28 creates confusion and is not transparent. If one uses a statistical base of reporting as a reference, then the taxonomy of the GFSM 2001 and ESA 95 should be adopted.	Staff do not propose any amendment in relation to this comment.
Implementation Guidance	45	TFHPSA	Statement of Financial Performance and Cash Flow Statement: It would be useful to identify social contributions and social payments (pensions, benefits, and so on) given that they are large and of a different character to the other categories shown.	The disclosures regarding pensions and other social policy obligations are being dealt with by projects on pensions and social policies.
Implementation Guidance, page 22, last paragraph	45	TFHPSA	"During the reporting period, activities related to the postal service, previously undertaken by the ministry of communications, have been reconstituted on a commercial basis and are no longer included in the financial information presented for the GGS" is an example of disclosure about public corporations. Suggest simply listing all public corporations somewhere as well as ones that have appeared or disappeared during the reporting period?	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.

Question/ Paragraph	Submission Number	Name	Respondent Comment	Staff Response
Implementation Guidance, Page 23	45	TFHPSA	In this example, all PFCs and PNFCs are combined in one column. The entire Standard constantly refers to PFCs separately from PNFCs and it would be nice to have separate data for each category. Because they are elsewhere referred to separately, it would be nice to have separate columns in the example. Otherwise, the Standard could simply refer to public corporations and not define the difference between financial and non-financial corporations.	View noted, consistent with IPSASB decisions, staff do not propose amending the draft IPSAS.

International Public Sector Accounting Standards Board  
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This International Public Sector Accounting Standard was prepared by the International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IPSASB is to serve the public interest by developing high quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements. This will enhance the quality and transparency of public sector financial reporting and strengthen public confidence in public sector financial management.

This publication may be downloaded free-of-charge from the IFAC website: <http://www.ifac.org>. The approved text is published in the English language.

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Item 16.4 Draft IPSAS XX, "Disclosure of Financial Information about the General Government Sector"  
IPSASB Paris, July 2006

## **INTRODUCTION TO THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS**

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

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

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



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THE GENERAL GOVERNMENT SECTOR  
**FOR REVIEW BY IPSASB**

**INTERNATIONAL PUBLIC SECTOR ACCOUNTING  
STANDARD XX — DISCLOSURE OF FINANCIAL  
INFORMATION ABOUT THE  
GENERAL GOVERNMENT SECTOR**

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International Public Sector Accounting Standard XX, “Disclosure of Financial Information about the General Government Sector” (IPSAS XX) is set out in paragraphs 1 – ~~47-48~~ and the Appendices. 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”. IPSAS ~~13~~, ~~“Presentation of Financial Statements~~Accounting Policies, Changes in Estimates and Errors” provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

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## Introduction

### Reasons for Issuing the IPSAS

IN1. Statistical bases of financial reporting such as the System of National Accounts 1993 (SNA 93), Government Finance Statistics Manual 2001 (GFSM 2001) and the European System of Accounts 1995 (ESA 95) require governments to publish financial information about the general government sector (GGS). For statistical purposes, the GGS comprises government controlled entities primarily engaged in non-market activities. The GGS is sometimes described as comprising those entities that fulfill the core functions of government as their primary activity.

IN2. Current IPSASs require entities to prepare general purpose financial statements (GPFSS) that include information about all the resources controlled by the reporting entity, and prescribe rules for consolidation of all controlled entities. IPSASs also require GPFSS to make disclosures about segments, a segment is defined as “a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity’s past performance in achieving its objectives and for making decisions about the future allocation of resources. IPSASs do not require public sector entities to disclose information about the GGS in their GPFSS.

IN3. This Standard establishes requirements for application by whole-of-government reporting entities which elect to disclose information about the GGS and prepare financial statements under the accrual basis of accounting as prescribed by IPSASs. The disclosures described in this Standard provide a useful bridge to the statistical bases of reporting.

### Main Features of the Standard

IN4. The Standard establishes requirements for preparing and presenting information about the General Government Sector, which is defined in statistic reporting bases as consisting of all entities that are mainly controlled or financed by the government. Information prepared in accordance with this standard recasts GPFSS information according to GGS rules and conventions. The Standard does not permit reporting entities to

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include information about entities that are not subject to common control, as GFS information published by a statistical agency would. The Standard is only applied in respect of consolidated whole-of-government general purpose financial statements.

- IN5. The Standard is not mandatory. As noted above some governments prepare and widely publish both GPFS and GFS information, but many do not. In jurisdictions where GFS information is not widely disseminated, the preparation and presentation of financial information about the general government sector may not satisfy a cost/benefit analysis.
- IN6. The Standard requires entities electing to make GGS disclosures to apply all IPSASs except IPSAS 6, “Consolidated and Separate Financial Statements”. GFS uses different consolidation rules to IPSAS 6; applying IPSAS 6 would not enable comparison of GPFS information with GGS information.
- IN7. This Standard requires a different basis for dealing with investments in the public corporations sectors than is normally required by IPSASs. IPSAS 6 requires full consolidation of all entities, however, this standard requires the public financial corporations sector and the public non-financial corporations sector to be presented as investments of the general government sector.
- IN8. Making the GGS disclosures set out in this IPSAS does not exempt entities from the operation of IPSAS 18, “Segment Reporting”.
- IN9. Entities may apply the Standard for annual periods beginning on or after January 1, 2008, but earlier application is encouraged.

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## Objective

1. The objective of this Standard is to prescribe disclosure requirements for governments which elect to present information about the general government sector (GGS) in whole-of-government general purpose financial statements (GPFs). The disclosure of appropriate information about the GGS can enhance the transparency of financial reports, and provide for a better understanding of the relationship between the market and non-market activities of the government and between GPFs and statistical financial reporting bases.

## Scope

2. **An entity that prepares and presents consolidated whole-of-government general purpose financial statements under the accrual basis of accounting and elects to disclose financial information about the general government sector shall do so in accordance with the requirements of this Standard.**
3. Governments raise funds from taxes, transfers, and a range of non-market and market activities to fund their service delivery activities. They operate through a variety of entities to provide goods and services to their constituents. Some entities rely primarily on appropriations or allocations from taxes or other government revenues to fund their service delivery activities, but may also undertake additional revenue generating activities. Other entities may generate their funds primarily or substantially from commercial activities. These include government business enterprises (GBEs) as defined at paragraph 14 of this Standard.
4. GPFs for a government prepared in accordance with International Public Sector Accounting Standards (IPSASs) provide an overview of the assets controlled and liabilities incurred by the government, the cost of services provided by the government and the taxation and other revenues generated to fund the provision of those services. GPFs for a government which delivers services through controlled entities, whether primarily dependent on the government budget to fund their activities or not, are consolidated financial statements.
5. In some jurisdictions, financial statements and budgets for the government, or sectors thereof, may also be ~~prepared~~**issued** in accordance with statistical bases of financial reporting (statistical reporting bases). These bases reflect requirements consistent with, and derived from, the System of National Accounts 1993 (SNA 93) prepared by the United Nations. These statistical reporting bases focus on the provision of financial information about the GGS. The GGS encompasses those non-profit entities which undertake non-

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market activities and rely primarily on appropriations or allocations from the government budget to fund their service delivery activities (hereafter referred to as non-market entities or activities). The statistical reporting bases may also provide information about the corporations sector of government which primarily engages in market activities (usually characterized as the public financial corporations (PFC) sector and the public non-financial corporations (PNFC) sector) and the public sector as a whole. (The major features of the PFC and PNFC sectors are outlined at paragraphs 18 and 19 of this Standard.)

6. GPFs present information about entities subject to common control. Such a limitation is not made in statistical reporting bases. In some jurisdictions whole-of-government GPFs include national, state/provincial and local government entities but in other jurisdictions they do not. In all jurisdictions the GGS includes all levels of government, so in some jurisdictions the GGS will include units that GPFs does not. This standard does not permit the presentation, as part of the GGS, of any information about an entity not included within the whole-of-government consolidated general purpose financial statements.

### Segment Reporting

- 6.7. IPSAS 18, “Segment Reporting” requires the disclosure of certain information about the service delivery activities of the entity, and the resources allocated to support those activities, for accountability and decision-making purposes. Unlike the sectors reported under statistical reporting bases, segments reported in accordance with IPSAS 18 are not based on a distinction between market and non-market activities.
- 7.8. The disclosure of information about the GGS does not replace the need to make disclosures about segments in accordance with IPSAS 18. This is because information about the GGS alone will not provide sufficient detail to enable users to evaluate the entity’s past performance in achieving major service delivery objectives, when those objectives are achieved through non-GGS entities. For example, identifying the GGS as a segment will not provide information about a government’s performance in achieving its telecommunication, healthcare or educational objectives where government corporations or quasi-corporations deliver services related to those objectives. Because the scope of the GGS is narrower than the whole-of-government, important information would be omitted if entities did not present segment information in respect of their whole-of-government financial statements.

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### Statistical Reporting Bases

8.9. The objectives of GPFSSs and financial statements prepared in accordance with statistical reporting bases differ in some respects. The objectives of GPFSSs are to provide information useful for decision-making and to demonstrate the accountability of the entity for the resources entrusted to it and which it controls. The purpose of financial statements prepared in accordance with statistical reporting bases is to provide information suitable for analyzing and evaluating fiscal policy, especially the performance of the GGS and the broader public sector of any country. In addition, although statistical reporting bases may be described in accounting terms, they might differ in important ways from the underlying financial accounting system from which most of the GFS statistics will be derived. However, GPFSSs and statistical reporting bases also have many similarities in the treatment of transactions and events. For example, they adopt an accrual basis of accounting, deal with similar transactions and events, and in some respects have a similar type of report structure.

9.10. In some jurisdictions, the disclosure of appropriate information about the GGS in GPFSSs can support and enhance the decision-making of, and accountability to, users of those statements. For example, disclosure of information about the GGS is consistent with enhanced transparency of financial reporting and will assist users of the financial statements to better understand:

- (a) the resources allocated to support the service delivery activities by the GGS, and the government's financial performance in delivery of those services; and
- (b) the relationship between the GGS (which is sometimes described as comprising those entities that fulfill the core functions of government as their primary activity) and the corporations sectors, and the impact each have on overall financial performance.

10.11. In those jurisdictions where financial statements for the government are prepared in accordance with statistical reporting bases and widely published, the disclosure of information about the GGS sector in GPFSSs will form a useful link between GPFSSs and statistical based financial statements. This will assist users in reconciling information presented in GPFSSs to information presented in statistical based financial statements. ~~Exposure Draft 27~~**IPSAS XX**, "Presentation of Budget Information in Financial Statements" (~~ED 27~~) requires that GPFSSs include a comparison of budget and actual amounts on a basis consistent with that adopted for the budget. Where government budgets are prepared for the GGS rather than the whole-of-government, financial information about the GGS disclosed in accordance

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with this Standard will be relevant to the comparisons required by ~~ED~~  
**27IPSAS XX**.

### Accounting Policies

~~11.12.~~ **12.12.** IPSAS 1, “Presentation of Financial Statements” requires the development of accounting policies to ensure that the financial statements provide information that meets a number of qualitative characteristics. The compilation and presentation of GGS data which satisfy the qualitative characteristics of GPFSS and related audit requirements may add significantly to the workload of preparers and auditors in many jurisdictions, and may increase the complexity of the GPFSS. This will be particularly so in jurisdictions where financial statements based on, or which incorporate, GGS disclosures in accordance with statistical bases of financial reporting are not currently prepared. In addition, in some jurisdictions users may not be dependent on GPFSS for information about the GGS. In those jurisdictions, the costs involved in preparing and presenting GGS disclosures as part of the GPFSS may be greater than their benefit. Therefore, this Standard allows, but does not require, the disclosure of information about the GGS. Whether or not disclosure of information about the GGS will be made in GPFSS will be determined by the government or other appropriate authority in each jurisdiction.

~~12.13.~~ **13.13.** This Standard requires that when disclosures about the GGS are made in GPFSS, those disclosures are to be made in accordance with the requirements prescribed in this Standard. This will ensure that an appropriate representation of the GGS is made in GPFSS and that disclosures about the GGS satisfy the qualitative characteristics of financial information, including understandability, relevance, reliability and comparability.

~~13.14.~~ **14.14.** IPSASs generally apply to all public sector entities. However, it is only possible to disclose a meaningful representation of the GGS ~~for~~**of** a government at the whole-of-government level. Therefore, this Standard specifies requirements for application only by whole-of-government reporting entities which prepare GPFSS under the accrual basis of accounting as prescribed by IPSASs. These reporting entities may include national, state/provincial and local governments.

### Definitions

~~14.15.~~ **15.15.** The following terms are used in this Standard with the meanings specified:

**The General Government Sector** comprises all ~~activities~~**organizational entities** of the general government as defined in statistical reporting bases.

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**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.**

*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.*

### **Government Business Enterprises**

~~15-16.~~ Government Business Enterprises (GBEs) include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge.

### **General Government Sector**

~~16-17.~~ Under statistical reporting bases the public sector comprises the general government sector (GGs), the public financial corporations (PFC) sector and the public non-financial corporations (PNFC) sector. Additional subgroups within these sectors may be identified for statistical analytical purposes.

~~17-18.~~ The GGS is defined in the SNA 93 as consisting of all resident central, state and local government units, social security funds at each level of government, and non-market non-profit institutions controlled ~~and mainly financed~~ by government units. Under statistical reporting bases, the GGS encompasses the central operations of government and typically includes all those resident non-market non-profit entities that have their operations funded primarily by the government and government entities. As such, the financing of these entities is sourced primarily from appropriation or allocation of the government's taxes, dividends from government

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corporations, borrowings and other revenues. The GGS typically includes entities such as government departments, law courts, public educational institutions, public health care units and other government agencies. The GGS does not include PFCs or PNFCs. Disclosure of GGS information will be made in those jurisdictions where strengthening the link between IPSAS and statistical based financial statements is considered useful and relevant to users of GPFSS. Governments electing to make GGS disclosures will therefore need to ensure that the information included in the GPFSS is consistent with the definition of GGS, and any interpretations thereof, adopted for statistical reporting purposes in their jurisdiction.

*Public Financial Corporations Sector*

~~18.19.~~ The PFC sector comprises resident government controlled financial corporations, quasi-corporations and non-profit institutions which primarily engage in financial intermediation and the provision of financial services for the market. Included within this sector are government controlled banks, including central banks, and other government financial institutions that operate on a market basis.

*Public Non-Financial Corporations Sector*

~~19.20.~~ The PNFC sector comprises resident government controlled non-financial corporations, quasi-corporations and non-profit institutions that produce goods or non-financial services for the market. Included within this sector are entities such as publicly owned utilities and other entities that trade in goods and services.

~~20.21.~~ Statistical reporting bases define:

- (a) Corporations as legal entities created for the purpose of producing goods and services for the market;
- (b) Quasi-corporations as enterprises that are not incorporated or otherwise legally established but function as if they were corporations; and
- (c) Non-profit institutions as legal or other entities which produce or distribute goods and services but which do not generate financial gain for their controlling entity.

~~21.22.~~ A GBE as defined in this Standard has similar characteristics to a public corporation or public quasi-corporation as defined in statistical reporting bases. However, there may not be an identical mapping of GBEs and the PFC and PNFC sectors.

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## Accounting Policies

22-23. **Financial information about the general government sector shall be disclosed in conformity with the accounting policies adopted for preparing and presenting the financial statements of the consolidated whole-of-government entity, except as required by paragraphs 23 and 24.**

23-24. **In presenting financial information about the general government sector, entities shall not apply the requirements of IPSAS 6, “Consolidated Financial Statements and Accounting for Controlled Entities” in respect of entities in the public financial corporations and public non-financial corporations sectors.**

24-25. **The general government sector shall recognize its investment in the public financial corporations and public non-financial corporations sectors as an asset and shall account for that asset at the carrying amount of the net assets of its investees.**

25-26. This Standard reflects the view that the consolidated financial statements of a government which elects to disclose information about the GGS are to be “disaggregated” to present the GGS as one sector of the “whole-of-government”. Consistent with this view, this Standard requires that the same definitions and the same recognition, measurement and presentation requirements that are applied when preparing the consolidated GPFSS are also applied to the GGS disclosures, with one exception. That exception being that the requirements of IPSAS 6 are not applied in respect of the relationship of the GGS sector with entities in the PFC and PNFC sectors.

26-27. IPSAS 6 requires controlling entities to prepare financial statements that consolidate controlled entities on a line-by-line basis. IPSAS 6 also contains a detailed discussion of the concept of control as it applies in the public sector and guidance on determining whether control exists for financial reporting purposes. Consistent with the requirements of IPSAS 6, entities in the PFC and PNFC sectors as defined in statistical reporting bases are controlled entities of the jurisdiction(s) reflected in the GPFSS.

27-28. Financial statements prepared consistent with statistical reporting bases portray the impact of the GGS on the public sector as a whole and, in the context of the SNA 93, on a national economy. Consistent with that focus, statistical reporting bases require the GGS financial statements to present public sector entities outside that sector as investments in other sectors. In addition, under statistical reporting bases, transactions of the GGS with entities in other sectors are not eliminated from the statement of government operations or a similar statement.

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- ~~28.29.~~ To apply the IPSAS 6 requirements for consolidation to the GGS would result in the re-presentation of the consolidated whole-of-government financial statements, rather than the GGS financial statements.
- ~~29.30.~~ Therefore, in disclosing financial information about the GGS, balances and transactions between entities within the GGS are eliminated in accordance with IPSAS 6. However, balances and transactions between entities in the GGS and entities in other sectors are not eliminated.
- ~~30.31.~~ This Standard requires the GGS sector to recognize its investment in entities in the PFC or PNFC sectors at the carrying amount of the net assets of those entities. This will ensure that the GGS disclosures reflect a disaggregation of financial information presented in the consolidated financial statements for the whole-of-government of which it is a part. Consistent with the GGS being a disaggregation of the consolidated whole-of-government financial statements, changes in the carrying amount of the net assets of those entities will be recognized in the same manner as they are recognized in the whole-of-government GPFSSs.
- ~~31.32.~~ Statistical bases of reporting require all assets and liabilities (except loans) to be revalued to market value at each reporting date. IPSASs include different measurement requirements, and require or permit cost and current values for certain classes of assets and liabilities. They do not require all assets and liabilities to be revalued to market value. Therefore, the measurement of assets and liabilities in the GGS disclosures in the GPFSSs, including the investment in the PFC and PNFC sectors, may differ from the measurement basis adopted in statistical bases of reporting.

### **Further Disaggregation**

- ~~32.33.~~ In some jurisdictions, national governments may control provincial and/or local governments and, consequently, GPFSSs will consolidate different levels of government. If GPFSSs consolidate different levels of government, further disaggregation of the consolidated financial statements may occur in accordance with the requirements of this Standard to separately disclose information about the GGS at each level of government.
- ~~33.34.~~ This further disaggregation is not required by this Standard. However, it may be presented to further assist users to better understand the relationship between the GGS activities of each level of government consolidated in the GPFSSs, and the relationship between GPFSSs and the statistical basis financial reports in those jurisdictions.

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## Disclosures

34-35. Disclosures made in respect of the general government sector shall include at least disclosure of the following:

- (a) Assets by major class, showing separately the investment in other sectors;
- (b) Liabilities by major class;
- (c) Net assets/equity;
- (d) Total revaluation increments and decrements and other items of revenue and expense recognized directly in net assets/equity;
- (e) Revenue by major class;
- (f) Expenses by major class;
- (g) Net surplus or deficit;
- (h) Cash flows from operating activities by major class;
- (i) Cash flows from investing activities; and
- (j) Cash flows from financing activities.

The manner of presentation of the general government sector disclosures shall be no more prominent than the whole-of-government general purpose financial statements prepared in accordance with International Public Sector Accounting Standards.

35-36. IPSAS 1 identifies a complete set of financial statements (under the accrual basis) as 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.

36-37. ~~Under statistical reporting bases government expenses are disaggregated and disclosed by classes in two ways: the economic nature of the expenses and the Classification of Functions of Government. This Standard requires disclosure of the major classes of assets, liabilities, revenues, expenses and cash flows reflected in the financial statements.~~ This will enable users to better understand the relationship of financial information presented for the GGS to the financial information presented for the whole-of-government. This Standard does not specify the manner in which the GGS disclosures shall be made. Jurisdictions electing to make GGS disclosures in accordance with this Standard may make such disclosures by way of note disclosure, separate columns in the primary financial statements, or otherwise as considered appropriate in their jurisdiction. However, the manner of

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presentation of the GGS disclosures will be no more prominent than the whole-of-government GPFs prepared in accordance with IPSASs.

37.38. Statistical reporting bases require government expenses to be disaggregated and disclosed by classes based on either the economic nature of the expenses or by the Classification of Functions of Government (COFOG). This Standard does not require nor prohibit entities disclosing GGS information from presenting disaggregated GGS information classified by economic nature or consistent with the COFOG classification basis. It is likely that in many jurisdictions, the COFOG classifications adopted in respect of the GGS disclosures will be similar to the classifications adopted in accordance with IPSAS 18 for segment disclosures for the whole-of-government reporting entity.

38.39. Entities will also make such additional disclosures as are necessary for users to understand the nature of the information presented.

39.40. **Entities preparing general government sector disclosures shall disclose the significant controlled entities that are included in the general government sector and any changes in those entities from the prior period, together with an explanation of the reasons why any such entity that was previously included in the general government sector is no longer included.**

40.41. This Standard requires entities electing to disclose information about the GGS, to disclose a list of the significant controlled entities that are included in the GGS. IPSAS 6 requires entities preparing consolidated financial statements to disclose a list of the significant controlled entities that are included in the consolidation. Disclosure of which of the entities consolidated in the GPFs in accordance with IPSAS 6 are included in the GGS will assist users in developing an understanding of the relationship between IPSAS information and GGS information, and in better understanding the GGS information itself.

41.42. Similarly, disclosure of changes in the controlled entities included in the GGS will enable users to monitor the relationship between the whole-of-government and the GGS over time.

### **Reconciliation to the Whole-of-Government General Purpose Financial Statements**

42.43. **The general government sector disclosures shall be reconciled to the consolidated whole-of-government general purpose financial statements showing separately the amount of the adjustment to each equivalent item in those financial statements.**

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43.44. This Standard requires the amounts disclosed in respect of the GGS to be reconciled to their equivalent amounts in the whole-of-government GPFs. Entities will present separately the adjustment in the amount of the asset investment in PFC and PNFC sectors determined in accordance with paragraph 24 and adjustments to each of the items disclosed separately in accordance with paragraph 34. In addition, entities may, but are not required to, disclose separately the amount of the adjustment to each item attributable to the PFC and the PNFC sectors. This reconciliation will enable the government to better discharge its accountability obligations by demonstrating the relationship between the amounts of each item controlled by the GGS with the total amount of that item.

### **Reconciliation to Statistical Reporting Bases**

44.45. Statistical reporting bases and IPSASs have many similarities in their treatment of particular transactions and events. However, there are also differences. For example, in addition to differences in the measurement basis for assets and liabilities outlined in paragraph 31 above, statistical reporting bases treat dividends as expenses while IPSASs treat them as distributions. Statistical reporting bases also make a distinction between transactions and other economic flows for presentation of financial information that is not currently reflected in the GPFs presentation of financial information, and focus on particular measures relevant for analysis of fiscal policy such as net lending/borrowing and cash surplus/deficit.

45.46. This Standard does not require that there be a reconciliation of the GGS disclosures in the GPFs and the GGS disclosures under statistical reporting bases. This is because of concerns about the practicability, and the costs and benefits, of such a requirement in all jurisdictions. However, the inclusion of such a reconciliation by way of note disclosure is not precluded.

### **Effective Date**

46.47. **An entity that elects to disclose financial information about the general government sector shall apply this International Public Sector Accounting Standard for annual financial statements covering periods beginning on or after ~~MM-DD, YYYY~~ January 1, 2008. Earlier application is encouraged. If an entity applies this Standard for a period beginning before ~~MM-DD, YYYY~~ January 1, 2008 it shall disclose that fact.**

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

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the date of adoption. In accordance with the requirements of IPSAS 1, the disclosure of comparative information is not required for the reporting period in which this Standard is first applied.



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## Appendix A

### Amendments to Other International Public Sector Accounting Standards

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

A1. In IPSAS 18, “Segment Reporting”, paragraph 24 is amended to read as follows:

24. ...However, in some cases an entity’s internal reporting to the governing body and the senior manager may be structured to aggregate and report on a basis which distinguishes revenues, expenses, assets and liabilities related to budget-dependent activities from those of trading activities, or which distinguishes budget-dependent entities from GBEs. Reporting segment information in the financial statements on the basis of only these segments is unlikely to meet the objectives specified for this Standard. This is because these segments are unlikely to provide information that is relevant to users about, for example, the performance of the entity in achieving its major operating objectives. IPSAS XX, “Disclosure of Financial Information about the General Government Sector” includes requirements for governments which elect to disclose financial information about the general government sector (GGS) as defined in statistical reporting bases. The GGS comprises those entities and activities that have their operations funded primarily by the government through the annual budget process.

A2. Amendments to IPSAS 1, “Presentation of Financial Statements” will be necessary if IPSAS 1 is to be updated to include requirements for governments which elect to disclose information about the general government sector, rather than issuing a separate IPSAS to deal with this matter.

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## Appendix B

### Qualitative Characteristics of Financial Reporting

*IPSAS 1, “Presentation of Financial Statements” requires the development of accounting policies to ensure that the financial statements provide information that meets a number of qualitative characteristics. This Appendix is reproduced from Appendix 2 of IPSAS 1. It summarizes the qualitative characteristics of financial reporting.*

Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability and comparability.

#### Understandability

Information is understandable when users might reasonably be expected to comprehend its meaning. For this purpose, users are assumed to have a reasonable knowledge of the entity’s activities and the environment in which it operates, and to be willing to study the information.

Information about complex matters should not be excluded from the financial statements merely on the grounds that it may be too difficult for certain users to understand.

#### Relevance

Information is relevant to users if it can be used to assist in evaluating past, present or future events or in confirming, or correcting, past evaluations. In order to be relevant, information must also be timely.

#### *Materiality*

The relevance of information is affected by its nature and materiality.

Information is material if its omission or misstatement could influence the decisions of users or assessments made on the basis of the financial statements. Materiality depends on the nature or size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful.

#### Reliability

Reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.

[Item 16.4 Draft IPSAS XX, “Disclosure of Financial Information about the General Government Sector”](#)  
[IPSASB Paris, July 2006](#)

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### *Faithful Representation*

For information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form.

### *Substance Over Form*

If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form.

### *Neutrality*

Information is neutral if it is free from bias. Financial statements are not neutral if the information they contain has been selected or presented in a manner designed to influence the making of a decision or judgment in order to achieve a predetermined result or outcome.

### *Prudence*

Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenue are not overstated and liabilities or expenses are not understated.

However, the exercise of prudence does not allow, for example, the creation of hidden reserves or excessive provisions, the deliberate understatement of assets or revenue, or the deliberate overstatement of liabilities or expenses, because the financial statements would not be neutral and, therefore, not have the quality of reliability.

### *Completeness*

The information in financial statements should be complete within the bounds of materiality and cost.

## **Comparability**

Information in financial statements is comparable when users are able to identify similarities and differences between that information and information in other reports.

Comparability applies to the:

- comparison of financial statements of different entities; and
- comparison of the financial statements of the same entity over periods of time.

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An important implication of the characteristic of comparability is that users need to be informed of the policies employed in the preparation of financial statements, changes to those policies and the effects of those changes.

Because users wish to compare the performance of an entity over time, it is important that financial statements show corresponding information for preceding periods.

### **Constraints on Relevant and Reliable Information**

#### *Timeliness*

If there is an undue delay in the reporting of information it may lose its relevance. To provide information on a timely basis it may often be necessary to report before all aspects of a transaction are known, thus impairing reliability. Conversely, if reporting is delayed until all aspects are known, the information may be highly reliable but of little use to users who have had to make decisions in the interim. In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the decision-making needs of users.

#### *Balance between Benefit and Cost*

The balance between benefit and cost is a pervasive constraint. The benefits derived from information should exceed the cost of providing it. The evaluation of benefits and costs is, however, substantially a matter of judgment. Furthermore, the costs do not always fall on those users who enjoy the benefits. Benefits may also be enjoyed by users other than those for whom the information was prepared. For these reasons, it is difficult to apply a benefit-cost test in any particular case. Nevertheless, standard-setters, as well as those responsible for the preparation of financial statements and users of financial statements, should be aware of this constraint.

#### *Balance between Qualitative Characteristics*

In practice a balancing, or trade-off, between qualitative characteristics is often necessary. Generally the aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial statements. The relative importance of the characteristics in different cases is a matter of professional judgment.

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## Implementation Guidance – Illustrative Financial Statement Structure

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

### GOVERNMENT A – EXTRACT OF FINANCIAL STATEMENTS

#### *Extract from the Notes to the Financial Statements*

#### **Note: General Government Sector (GGS) Disclosures**

The following disclosures are made for the general government sector (GGS). They reflect the accounting policies adopted in the consolidated financial statements except that the consolidation requirements have been varied in respect of the public financial corporations (PFCs) sector and public non-financial corporations (PNFCs) sector. In accordance with the requirements of IPSAS XX, “Disclosure of Financial Information about the General Government Sector”, PFCs and PNFCs are not consolidated in the GGS disclosures. The investment in PFCs and PNFCs are presented as a single line item measured at the carrying amount of the net assets of the investees.

The GGS comprises all central government ministries and other budget-dependent entities. These entities are:

Ministry of x

y

z.

During the reporting period, activities related to the postal service, previously undertaken by the ministry of communications, have been reconstituted on a commercial basis and are no longer included in the financial information presented for the GGS.

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**STATEMENT OF FINANCIAL POSITION FOR THE GGS –  
AS AT 31 DECEMBER 20X2**

(in thousands of currency units)

	GGS		PFC and PNFC		Eliminations		Total W-of-G	
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
<b>ASSETS</b>								
<b>Current assets</b>								
Cash and cash equivalents	X	X	X	X	(X)	(X)	X	X
Receivables	X	X	X	X	(X)	(X)	X	X
Inventories	X	X	X	X			X	X
Prepayments	X	X	X	X	(X)	(X)	X	X
Investment	X	X	X	X			X	X
Other current assets	X	X	X	X			X	X
	X	X	X	X	(X)	(X)	X	X
<b>Non-current assets</b>								
Receivables	X	X	X	X	(X)	(X)	X	X
Investments	X	X	X	X			X	X
Investment in other sectors	X	X			(X)	(X)		
Other financial assets	X	X	X	X	(X)	(X)	X	X
Infrastructure, plant and equipment	X	X	X	X			X	X
Land and buildings	X	X	X	X			X	X
Intangible assets	X	X	X	X			X	X
Other non-financial assets	X	X	X	X			X	X
	X	X	X	X	(X)	(X)	X	X
<b>TOTAL ASSETS</b>	X	X	X	X	(X)	(X)	X	X
	X	X	X	X	(X)	(X)	X	X
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Payables	X	X	X	X	(X)	(X)	X	X
Short-term borrowings	X	X	X	X			X	X
Current portion of borrowings	X	X	X	X			X	X
Provisions	X	X	X	X			X	X
Employee benefits	X	X	X	X			X	X
Other current liabilities	X	X	X	X	(X)	(X)	X	X
	X	X	X	X	(X)	(X)	X	X
<b>Non-current liabilities</b>								
Payables	X	X	X	X	(X)	(X)	X	X
Borrowings	X	X	X	X			X	X
Provisions	X	X	X	X			X	X
Employee benefits	X	X	X	X			X	X
Other liabilities	X	X	X	X	(X)	(X)	X	X
	X	X	X	X	(X)	(X)	X	X
<b>TOTAL LIABILITIES</b>	X	X	X	X	(X)	(X)	X	X
	X	X	X	X	(X)	(X)	X	X
<b>NET ASSETS</b>	X	X	X	X	(X)	(X)	X	X
<b>NET ASSETS/EQUITY</b>								
Reserves	X	X	X	X	(X)	(X)	X	X
Accumulated surpluses/ (deficits)	X	X	X	X	(X)	(X)	X	X
	X	X	X	X	(X)	(X)	X	X

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**TOTAL NET ASSETS/  
EQUITY**

X	X	X	X	(X)	(X)	X	X
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**STATEMENT OF FINANCIAL PERFORMANCE FOR THE GGS -  
FOR YEAR ENDED 31 DECEMBER 20X2 – ECONOMIC  
CLASSIFICATION OF EXPENSE**

(in thousands of currency units)

	<u>GGS</u>		<u>PFC and PNFC</u>		<u>Eliminations</u>		<u>Total W-of-G</u>	
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
<b><u>Revenue</u></b>								
Taxes	X	X			(X)	(X)	X	X
Fees, fines, penalties	X	X	X	X	(X)	(X)	X	X
Revenue from other sectors	X	X	X	X	(X)	(X)		
Transfers from other governments	X	X	X	X			X	X
Other operating revenue	X	X	X	X	(X)	(X)	X	X
<b><u>Total operating revenue</u></b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>
<b><u>Expenses</u></b>								
Compensation of Employees	X	X					X	X
Use of Goods and Services	X	X					X	X
Consumption of Fixed Capital	X	X	X	X			X	X
Interest	X	X					X	X
Subsidies	X	X	X	X	(X)	(X)	X	X
Social Benefits	X	X	X	X	(X)	(X)	X	X
Other Expense	X	X	X	X			X	X
<b><u>Total operating expenses</u></b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>
<b><u>Surplus/(deficit) from operating activities</u></b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>
Finance costs	X	X	X	X			X	X
Gains on sale of property, plant and equipment	X	X	X	X			X	X
<b><u>Total non-operating revenue/(expenses)</u></b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>
<b><u>Net surplus/(deficit) for the period</u></b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>



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**STATEMENT OF FINANCIAL PERFORMANCE FOR THE GGS -  
FOR YEAR ENDED 31 DECEMBER 20X2 – CLASSIFICATION OF  
FUNCTION OF GOVERNMENT (Alternative presentation method)**

(in thousands of currency units)

	GGS		PFC and PNFC		Eliminations		Total W-of-G	
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
<b>Revenue</b>								
Taxes	X	X			(X)	(X)	X	X
Fees, fines, penalties	X	X	X	X	(X)	(X)	X	X
Revenue from other sectors	X	X	X	X	(X)	(X)		
Transfers from other governments	X	X	X	X			X	X
Other operating revenue	X	X	X	X	(X)	(X)	X	X
<b>Total operating revenue</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>
<b>Expenses</b>								
General public services	X	X					X	X
Defense	X	X					X	X
Public order and safety	X	X	X	X			X	X
Economic affairs	X	X					X	X
Environmental protection	X	X	X	X	(X)	(X)	X	X
Housing and community amenities	X	X	X	X	(X)	(X)	X	X
Health	X	X	X	X			X	X
Recreational, cultural and religion	X	X					X	X
Education	X	X	X	X	(X)	(X)	X	X
Social protection	X	X	X	X	(X)	(X)	X	X
<b>Total operating expenses</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>
<b>Surplus/(deficit) from operating activities</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>
Finance costs	X	X	X	X			X	X
Gains on sale of property, plant and equipment	X	X	X	X			X	X
<b>Total non-operating revenue/ (expenses)</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>
<b>Net surplus/(deficit) for the period</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>

*Item 16.4 Draft IPSAS XX, "Disclosure of Financial Information about the General Government Sector"*

*IPSASB Paris, July 2006*

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**STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE GGS -  
FOR THE YEAR ENDED 31 DECEMBER 20X2**

(in thousands of currency units)

	GGS			PFC and PNFC	Elimin- ations	Total W-of-G
	Revalu- ation Reserve	Trans-lation Reserve	Accumu- lated Surpluses/ (Deficits)			
Balance at 31 December 20X0	X	(X)	X	X	X	X
Surplus on revaluation of property	X			X		X
Deficit on revaluation of investments	(X)			(X)	X	(X)
Currency translation differences		(X)		(X)		(X)
Net gains and losses not recognized in the statement of financial performance	X	(X)		X	(X)	X
Net surplus for the period			X	X	(X)	X
Balance at 31 December 20X1	X	(X)	X	X	(X)	X
Deficit on revaluation of property	(X)			(X)	X	(X)
Surplus on revaluation of investments	X			X	(X)	X
Currency translation differences		(X)		X		X
Net gains and losses not recognized in the statement of financial performance	(X)	(X)		(X)	(X)	(X)
Net deficit for the period			(X)	(X)	(X)	(X)
Balance at 31 December 20X2	X	(X)	X	X	(X)	X

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**CASH FLOW STATEMENT FOR THE GGS -  
FOR YEAR ENDED 31 DECEMBER 20X2**

(in thousands of currency units)

	GGS		PFC and PNFC		Eliminations		Total W-of-Gov	
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts								
Taxation	X	X			(X)	(X)	X	X
Sales of goods and services			X	X	(X)	(X)	X	X
Grants			X	X	(X)	(X)	X	X
Interest received			X	X			X	X
Dividend from other sectors to government	X	X			(X)	(X)		
Other receipts	X	X	X	X	(X)	(X)	X	X
Payments								
Employee costs	(X)	(X)	(X)	(X)			(X)	(X)
Superannuation	(X)	(X)	(X)	(X)			(X)	(X)
Suppliers	(X)	(X)	(X)	(X)			(X)	(X)
Interest paid	(X)	(X)	(X)	(X)			(X)	(X)
Dividend to other sectors			(X)	(X)	X	X		
Other payments	(X)	(X)	(X)	(X)	X	X	(X)	(X)
<b>Net cash flows from operating activities</b>	X	X	X	X	(X)	(X)	X	X
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchase of plant and equipment	(X)	(X)	(X)	(X)			(X)	(X)
Proceeds from sale of plant and equipment	X	X	X	X			X	X
Proceeds from sale of investments	X	X	X	X			X	X
Purchase of foreign currency securities	(X)	(X)	(X)	(X)			(X)	(X)
<b>Net cash flows from investing activities</b>	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Proceeds from borrowings	X	X	X	X			X	X
Repayment of borrowings	(X)	(X)	(X)	(X)			(X)	(X)
<b>Net cash flows from financing activities</b>	X	X	X	X	(X)	(X)	X	X
<b>Net increase/(decrease) in cash and cash equivalents</b>	X	X	X	X	(X)	(X)	X	X
<b>Cash and cash equivalents at beginning of period</b>	X	X	X	X	(X)	(X)	X	X
<b>Cash and cash equivalents at end of period</b>	X	X	X	X	(X)	(X)	X	X

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*IPSASB Paris, July 2006*

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## Basis for Conclusions

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

### Introduction

- BC1. The System of National Accounts 1993 (SNA 93), Government Finance Statistics Manual 2001 (GFSM 2001), the European System of Accounts 1995 (ESA 95), and the ESA 95 Manual on Government Deficit and Debt (EMGDD) all require governments to publish financial information about the general government sector (GGS). For statistical purposes, the GGS comprises government controlled entities primarily engaged in non-market activities. The GGS is sometimes described as comprising those entities that fulfill the core functions of government as their primary activity. The GGS does not include public corporations, even when all the equity of such corporations is owned by the government or government entities.
- BC2. Current International Public Sector Accounting Standards (IPSASs) do not require entities to disclose information about the GGS in their general purpose financial statements (GPFs). IPSASs require entities to prepare GPFs that include information about all the resources controlled by the reporting entity, and prescribe rules for consolidation of all controlled entities. IPSAS 18, “Segment Reporting” also requires entities to identify segments and present information about those segments.
- BC3. Some governments prepare, present and widely publish both GPFs and information about the financial characteristics and performance of the public sector prepared in accordance with statistical bases of financial reporting.
- BC4. ~~IPSASB supports the convergence of IPSASs with statistical bases of financial reporting where appropriate. The statistical community encouraged the IPSASB to present GGS information as part of the whole-of-government general purpose financial statements as a means of facilitating convergence. Working Group I (WG1) of the Task Force on Harmonization of Public Sector Accounting (TFHPSA) recommended that the International Public Sector Accounting Standards Board (IPSASB), then named the Public Sector Committee (PSC), consider explicitly allowing or encouraging the disclosure of financial information about the GGS as defined in statistical reporting bases in whole-of-government GPFs. WG1 also recommended that the IPSASB specify rules to be followed by a government electing to disclose GGS information in its GPFs. WG1 expressed the view that:~~

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- ~~(a) users of financial reports of public sector entities are confused by differences between statistical and accounting reporting bases and that there is significant benefit in better explaining those differences and in converging treatments of similar transactions and events to the extent possible; and~~
- ~~(b) the presentation of GGS financial information is important as a means of facilitating the convergence of international public sector accounting.~~

- BC5. The IPSASB ~~was persuaded by the arguments of WG1~~is of the view that disclosure of GGS information can provide useful information to users of general purpose financial statements, particularly ~~for-in~~ those jurisdictions that publish for national or other governments, both GPFSs in accordance with IPSASs and financial information in accordance with statistical reporting bases. The IPSASB ~~was is~~ also of the view that the disclosure of such information would assist users in better understanding the relationship between the market and non-market activities of the government. However, the IPSASB ~~was is not persuaded convinced~~ that the benefits of making such disclosures ~~were are~~ significantly greater than their costs in those jurisdictions where financial statements prepared in accordance with statistical reporting bases ~~were are~~ not routinely prepared and made publicly available. As such, the IPSASB ~~was is~~ not prepared to make these disclosures mandatory for all jurisdictions.
- BC6. This Standard specifies requirements for application only by whole-of-government reporting entities. This is because it is only possible to disclose a meaningful representation of the GGS for a government at the whole-of-government level. In some jurisdictions, national governments may control provincial and or local governments. The IPSASB is of the view that where this occurs, the GPFSs may be further disaggregated to separately disclose information about the GGS for each level of government. Such disclosure is likely to assist users to better understand the relationship between the GGS activities of each level of government. However, in some jurisdictions, such disclosures may impose additional pressure on the accounting system and those responsible for data collection and aggregation, and it is not clear that the benefits of such disclosure for users of the GPFSs will exceed their cost. Therefore, this Standard does not require entities that elect to disclose information about the GGS to also disclose separately information about the GGS of each level of government consolidated in the GPFS. However, such disclosures are not precluded.

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### Consolidation and Disaggregation

- BC7. Statistical reporting bases and IPSASs have many similarities in their treatment of particular transactions and events. However, there are also differences. For example, statistical bases:
- (a) require all assets and liabilities (except loans) to be revalued to market value at each reporting date. IPSASs include different measurement requirements, and require or permit cost and current values for certain classes of assets and liabilities;
  - (b) treat dividends as expenses while IPSASs treat them as distributions;
  - (c) make a distinction between transactions and other economic flows for presentation of financial information. IPSASs do not currently make a similar distinction; and
  - (d) focus on the presentation of financial information about the GGS and other sectors of the public sector as separate components and, in this context, adopt the same rules for recognition and measurement as are adopted for presentation of the rest of the economy to ensure consistency of the macro-economic totals. Under statistical reporting bases, financial statements prepared for the GGS do not include consolidation of public non-financial corporations (PNFCs) being government controlled entities that trade in goods and services, and public financial corporations (PFCs) such as central banks that operate on a commercial basis. The IPSASs focus on consolidated financial statements which present financial information about all the assets, liabilities, revenues, expenses and cash flows controlled by the entity.
- BC8. ~~The IPSASB is of the view that while~~This Standard requires that the disclosure of information about the GGS may be made in GPFSS, such disclosure is in the nature of be a disaggregation of the whole-of-government financial statements. This is a similar perspective that is adopted for disclosure of segment information in accordance with IPSAS 18. Accordingly, the same accounting policies as those adopted for the consolidated financial statements are to be adopted in making GGS disclosures with one exception as noted below.
- BC9. ~~The IPSASB is of the view that when~~When GGS disclosures are made in GPFSS, the requirements of IPSAS 6, “Consolidated Financial Statements and Accounting for Controlled Entities” should not be applied in respect of public financial corporations and public non-financial corporations. This is because the application of IPSAS 6 to the PFC and PNFC sectors would

~~EXPOSURE DRAFT~~**DRAFT IPSAS XX**  
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**FOR REVIEW BY IPSASB**

result in the re-presentation of the consolidated whole-of-government financial statements rather than the GGS. This would defeat the purpose of the disclosure of GGS information as a bridge between financial statements prepared in accordance with IPSASs and those prepared in accordance with statistical bases of financial reporting.

### **Segment Reporting**

- BC10. IPSAS 18 requires the separate disclosure of certain information about significant activities or groups of activities for the evaluation of the performance of the entity in achieving its objectives, and for decision-making purposes. IPSAS 18 does not distinguish between exchange and non-exchange transactions and events, or market and non-market activity of government. Rather, its focus is on the disclosure of the revenues, expenses, assets and liabilities associated with the delivery of major services or groups of services – whether these services are delivered by the GGS of the government or by PFCs and PNFCs. The objective of segment reporting is not achieved by the disclosure of information about the GGS. Accordingly, ~~the IPSASB is of the view that~~ a government electing to disclose information of the GGS needs also to disclose information about segments.
- BC11. Statistical reporting bases present information about expenses or expenditure of the government classified either by economic nature or the functions of government (COFOG). Either of these classification bases may be applied to disclose additional information about the GGS. The IPSASB also notes that in some cases a COFOG classification may be adopted to disclose information at the whole-of-government level.

### **Reconciliation**

- BC12. The information disclosed about the GGS in accordance with the requirements of this Standard may differ in content and form from that presented under statistical reporting bases.
- BC13. The IPSASB considered whether those governments which elect to disclose information about the GGS in accordance with this Standard should be required to disclose a reconciliation of the GGS disclosures in the GPFS and the GGS disclosures under statistical reporting bases. The IPSASB was concerned that such a requirement may impose significant costs on the preparer, and that those costs may be greater than the benefits in some jurisdictions. This would then discourage governments which might otherwise elect to make such disclosures. Of particular concern to the IPSASB in this respect was, for example, whether the:

~~EXPOSURE DRAFT~~DRAFT IPSAS XX  
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FOR REVIEW BY IPSASB

- (a) timing of compilation of GPFs and statistical information is such that a reconciliation could be completed within the timeframe necessary for the general purpose financial statements to be audited and “signed off” or “authorized for issue” in accordance with legislative requirements and/or requirements of the IPSASs;
  - (b) inclusion of such a requirement would trigger an audit of the reconciliation and may also trigger an audit of the statistical financial reports themselves; and
  - (c) entity may be required to remeasure and reclassify assets, liabilities, revenues and expenses in accordance with the requirements of the statistical reporting bases, and whether this would discourage disclosure of the GGS information.
- BC14. On balance, the IPSASB concluded that such a reconciliation should not be required at this stage. However, the IPSASB was of the view that a reconciliation of the GGS disclosures presented in accordance with the requirements of this Standard to the equivalent items in the general purpose financial statements prepared in accordance with the requirements of IPSASs was consistent with enhanced transparency, was not onerous and would be useful to users. The disclosure of a reconciliation of the GGS disclosures presented in accordance with the requirements of this Standard and the GGS disclosures presented under statistical reporting bases is not prohibited.



## **Additional Comments on ED 28 from the TFHPSA**

The following additional comments on ED 28 arose as a result of its March 2006 meeting in Paris.

### **1 Classifications in the illustrative performance statement:**

The illustrative performance statement in ED 28 currently presents accrued expenses based only on the functional classification used in GFSM2001, such as General public services, Defense, Public order and safety, Economic affairs, etc. It is requested that the statement shows expenses by the economic classification used in GFSM2001, such as compensation of employees [GFS], use of goods and services, consumption of fixed capital [GFS], interest [GFS], etc with the existing functional classification of general government expenses retained as a note disclosure through a requirement or a 'strong encouragement' in the standard.

The current performance statement has no illustration of expenses by economic categories nor any requirement, suggestion or encouragement that they be shown as note disclosures to the accounts. The full benefits of accepting the concept of the general government sector in the ED (based as it does on statistical or economic accounting criteria) are therefore not being utilised. A compiler of national accounts, sourcing data for the general government sector's contribution to GDP from this operating statement, would find it very unhelpful. The economic categories of GFSM2001 are a useful first step as input for national accounts purposes whereas the CoFOG functional categories in this context are more in the nature of nice-to-have rather than necessary-to-have. The proposed economic classification of expenses would not be detrimental to countries that do the reverse i.e. compile or extract GFS from the national accounts.

If the above proposal is accepted then the classification basis in the accrual performance statement will be aligned much better with the basis already shown in the illustrated cash flow statement.

### **2 Reference to GFSM2001**

Explicit reference to GFSM2001 would be desirable in the standard so that the terms and definitions are always clear and do not lead to confusion.

### **3 Accrual basis:**

Notwithstanding comments already made, the TFHPSA strongly supports the accrual basis of reporting for the general government sector and for the ED as a whole.

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CONSIGLIO NAZIONALE DOTTORI  
COMMERCIALISTI



CONSIGLIO NAZIONALE RAGIONIERI

10 February, 2006

**Philippe Adhémar,**  
**Chairman**  
**International Public Sector Accounting Standards Board**  
**IFAC - 545, Fifth Avenue - 14th Floor**  
**New York, NY 10017**

Email: publicsectorpubs@ifac.org

Re: Proposed International Public Sector Accounting Standard – Accrual basis, Disclosure of Financial Information about the General Government Sector

Dear Mr. Adhémar,

The Italian accountancy profession, represented by the Consiglio Nazionale dei Dottori Commercialisti (CNDC) and the Consiglio Nazionale dei Ragionieri (CNRPC), supported by an ad hoc 'Consultative Group', is pleased to submit its comments on the Exposure Draft Proposed International Public Sector Accounting Standards – Accrual Basis, Disclosure of Financial Information about the General Government Sector.

The National Councils strongly support IPSASB's project in order to define Accounting standards of high quality for the public sector and to define a disclosure of statistical nature.

This said, we believe the current ED's requests to be of difficult implementation in several regulation systems. In particular:

- The GPFSS is drafted according to its peculiar governing responsibilities. Therefore, whereas the drafting of a consolidated budget aims at making the general picture more intelligible, the drafting of a GGS provides for a completely different area of consolidation, both in a vertical (non-market entities only) and in a horizontal (central state, local government) direction;
- Europe adopted a statistical system – on which the concertation between European countries and central government policies is based – that may present accounting figures determined according to an 'accrual basis' logic; however, this is not comparable with the figures obtained through the implementation of IPSAS. Under this viewpoint, because of homogeneity inconsistency, the disclosure foreseen by ED28 is not comparable with GPFSS. Should one however decide to not take this remark into consideration, we advise that an accrual and cash based IPSAS should be envisaged;



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- We therefore agree – and here share your approach – that the disclosure of financial information in question should not be mandatory nor encouraged. Even better, it might be foreseen as a non-mandatory, voluntary external document to attach to GPFSSs.

- We also think that a reduction of the merely descriptive parts is appropriate, as they do not reflect the characteristic practice of Accounting standards, which are prescriptive documents by their own nature.

By attaching our comments to ED28 we hope to provide a fruitful contribution to the development of the Exposure Draft.

We are open to discussion on any aspect of the letter.

Yours sincerely,

Mr. Antonio Tamborrino  
President of CNDC

Mr. William Santorelli  
President of CNRPC



GOVERNMENT ACCOUNTING STANDARDS ADVISORY BOARD (GASAB)

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**Subject: Comments on ED 28:**

Sir,

Please find comments on ED 28 issued by IFAC- IPSASB:

Exposure Drafts	Specific Matters for Comment	Comments
ED 28 - Disclosure of Financial Information about the General Government Sector	The IPSASB would particularly value comment on proposals: 1. Whether requirements for the disclosure of financial information about the GGS should be included in GPFs prepared in accordance with IPSASs, and if yes, whether such disclosures should be allowed, encouraged or required. The proposed Standard prescribes the basis on which the disclosure of information about the GGS is to	The Exposure Draft in general is supported subject to the following comments: 1. As it relates to disclosure of information relating to transactions of government's non-market activities in consolidated whole-of-government GPFs and also seeks to align reporting with statistical bases, requirements for the disclosure may be encouraged. This will help convergence between financial reporting and statistical bases.



- be made by those entities which elect to make such disclosures. It does not require, encourage or prohibit such disclosures (see paragraph 2).
2. Whether the proposed definition of the GGS in paragraph 14 is appropriate.
  3. Whether the proposed treatment of investments in public corporations in the GGS disclosure is appropriate. The proposed Standard requires that the investment be presented as an asset at the carrying amount of the net assets of its investees (see paragraph 24).
  4. Whether a government which elects to disclose information about the GGS should be required or encouraged to separately disclose information about the GGS of each level of government consolidated in its whole-of-government GPFs (see paragraph 32).
  5. Whether a reconciliation to the statistical reporting basis should be required. The proposed Standard notes that such a reconciliation may be presented, but does not require it (see paragraph 45).
  6. Whether there should be a separate IPSAS on disclosure of information about the GGS, or whether the requirements proposed in this Standard should be included as an addition to IPSAS I, "Presentation of Financial Statements" for governments which elect to
2. No. While defining the GGS, SNA 93/ GFSM 01 as the standard statistical reporting bases should be indicated. Further, relationship between GGS and government as 'reporting entity' should be clarified given different requirements of IPSASs and statistical bases as mentioned in paragraph 31 of Ed 28.
  3. Yes. Proposed treatment of investments in public financial and non-financial corporations in the GGS disclosure is appropriate as government investments are financial assets.
  4. Government should be encouraged to separately disclose information about the GGS of each level of government consolidated in its whole-of-government GPFs as per information available. This is because in many jurisdictions including India, besides provincial, local governments are present and at times, information in case of some or the other of these bodies may not be comparable given different classification structure. Further, there may be problem in segregating transactions given inter-government transactions.
  5. No. As mentioned in paragraph 31 of ED 28, there may be different requirements of IPSASs and statistical bases.
  6. There should be a separate IPSAS on disclosure of information about the GGS. IPSAS 1 is within the financial reporting framework while GGS is based on statistical reporting bases.
  7. Yes. Given the predominance of cash basis of accounting followed by many government jurisdictions,



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| 7. | disclose information about the GGS.<br>Whether requirements for disclosure of the GGS under a cash basis IPSAS should also be developed. | requirements for disclosure of the GGS under a cash basis IPSAS should also be developed. |
|----|--|---|
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# AUSTRALASIAN COUNCIL OF AUDITORS-GENERAL

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

28 February 2006

Dear Sir

## **Exposure Draft ED 28**

### **Disclosure of Financial Information about the General Government Sector (GGS)**

Members of the Australasian Council of Auditors-General (ACAG) have been canvassed and submit the following response to the exposure draft referred to above.

This letter represents the views of New Zealand and eight of the nine Australian members of ACAG, the exception being for 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 responding members of ACAG strongly support the Exposure Draft. However, while supporting the Exposure Draft, the Victorian Auditor-General's Office is of the view that as the Exposure Draft has regarded GGS as a sector of the government, segment reporting should apply and hence does not support the proposal of treating the other sectors of government as investments of the GGS.

You will be aware that the nine Australian federal, state and territory governments have, for a number of years, been required by Australian Accounting Standard AAS 31 *Financial Reporting by Governments* to report disaggregated information in respect of each broad sector of activity and that, in practice, the sectors reported are the sectors identified by the statistical reporting base, Government Finance Statistics (GFS) Australia.

You will also be aware that the Australian Accounting Standards Board (AASB) is currently considering submissions on an Exposure Draft (ED 142) for a standard on *Financial Reporting of General Government Sectors by Governments* which proposes that governments prepare general purpose financial statements for the GGS in which financial information

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IPSASB Paris March 2006

prepared in accordance with accounting standards (other than in respect of the consolidation of controlled entities in other sectors) is reconciled with financial information required to be reported under the IMF 2001 version of GFS. The responding members of ACAG, other than the Auditor-General of Victoria, have expressed overall support for ED 142.

The responding members, other than the Auditor-General of Victoria, note that question 5 asks whether a reconciliation to the statistical reporting base should be a requirement of this standard, rather than the proposed mention in paragraph 45 that such a reconciliation is not required but also not precluded.

While it may be premature for jurisdictions that do not currently provide sectoral information in their government's financial statements to reconcile GGS information to the statistical base for the reasons given in Basis for Conclusions paragraphs BC 12 to BC 14, this reconciliation should be encouraged by the proposed standard and the matter given appropriate priority in the IPSASB work program.

Further, a reference somewhere in the material accompanying the proposed standard to the current work being done in Australia on this subject may be useful for other jurisdictions.

Comments on each of the seven specific matters for comment are attached.

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

Yours sincerely

Frank McGuiness  
Chairperson  
ACAG Financial Reporting Group



## ATTACHMENT

### Specific Matters for Comment

**1. Whether requirements for the disclosure of financial information about the GGS should be included in GPFSs prepared in accordance with IPSASs, and if yes, whether such disclosures should be allowed, encouraged or required. The proposed Standard prescribes the basis on which the disclosure of information about the GGS is to be made by those entities which elect to make such disclosures. It does not require, encourage or prohibit such disclosures (see paragraph 2).**

We support the issue of a standard for disclosures about GGS in the GPFSs of governments and believe that such disclosures should be explicitly encouraged (there is implicit encouragement by virtue of the issue of the standard itself).

**2. Whether the proposed definition of the GGS in paragraph 14 is appropriate.**

The proposed definition is by reference to the definition of GGS in “statistical reporting bases”. These bases are not identified in the standard; paragraph 5 refers to bases which are consistent with and derived from SNA 1993 prepared by the UN. The definition appears to assume that the definition in different bases will be the same, but this is not stated.

If all statistical bases carry the same definition of GGS, paragraph 14 is acceptable. If not, the IPSASB should consider the merit of prescribing a common statistical base e.g. the IMF’s GFSM 2001.

**3. Whether the proposed treatment of investments in public corporations in the GGS disclosure is appropriate. The proposed Standard requires that the investment be presented as an asset at the carrying amount of the net assets of its investee (see paragraph 24).**

The proposed treatment is supported where no direct market valuation of the investee is available. Where the investee is listed on a stock exchange such that an active market price for the investee is available, that price should be mandated by the proposed standard.

In this way, traded shares in an investee will be measure in a manner that is consistent with the relevant IASB standard.

These views do not have the support of the Auditor-General of Victoria, as noted in the covering letter.

**4. Whether a government which elects to disclose information about the GGS should be required or encouraged to separately disclose information about the GGS of each level of government consolidated in its whole-of-government GPFSs (see paragraph 32).**

The additional disclosure should merely be encouraged.

**5. Whether a reconciliation to the statistical reporting basis should be required. The proposed Standard notes that such a reconciliation may be presented, but does not require it (see paragraph 45).**

A reconciliation should be encouraged – see covering letter.

**6. Whether there should be a separate IPSAS on disclosure of information about the GGS, or whether the requirements proposed in this Standard should be included as an addition to IPSAS 1, “Presentation of Financial Statements” for governments which elect to disclose information about the GGS.**

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

**7. Whether requirements for disclosure of the GGS under a cash basis IPSAS should also be developed.**

Yes but no more than to the extent that it is IPSASB policy to continue to support the issue of IPSASs on a cash basis.