PRESENTATION OF FINANCIAL STATEMENTS

IPSASB Meeting – September 2023
Anthony Heffernan, Principal
Christoph Braxton, Principal
João Fonseca, Principal
Zurich, Switzerland
1. Education Session on IPSAS 22 and IPSAS 24

2. Approval of Project Brief (Agenda Items 10.2.1 and 10.2.2)

3. Project Management Update: Consultation Paper Stage (Agenda Items 10.2.3)
AGENDA

1. Education Session on IPSAS 22 and IPSAS 24
Agenda Item 10 – Presentation of Financial Statements

Relevant IPSAS, Objectives and Applicability

IPSAS Related to Presentation of Financial Statements on Accrual Basis

- **IPSAS 1** Presentation of Financial Statements
- **IPSAS 2** Cash Flow Statements
- **IPSAS 24** Presentation of Budget Information in Financial Statements *
- **IPSAS 22** Disclosure of Information About the General Government Sector **

Separate and Consolidated Financial Statements

Consolidated Financial Statements

* Entities are **required** to, or elect to, make approved budget publicly available

** Government **elects** to present information on General Government Sector if consolidated in the financial statements
Agenda Item 10 – Presentation of Financial Statements

IPSAS 24 — Summary

• Comparison
  – Approved Budget (Original/Final/Both) vs. Actual Amounts
    • Separate column in the financial statements (only if budget and actual on comparable basis), or
    • Separate “Statement of Comparison of Budget and Actual Amounts”
  – Actual presented on a Comparable Basis to the Budget
    • Accounting – Accrual, Cash, Other
    • Classification
    • Entities
    • Period
IPSAS 24 — Summary

- **Reconciliation** of Actual Amounts on Comparable Basis and Actual Amounts in Financial Statements
  - Budget on Accrual accounting basis
    - Total Revenues; Total Expenses; and Net cash flows from operating, investing, financing
  - Budget **not** on Accrual accounting basis
    - Net cash flows from operating, investing, financing
  - Differences can arise from: Basis; Timing; Entity; or Classification

- **Explanations** in the notes
  - Budgetary and classification basis of the Approved Budget
  - Changes between Original and Final Budget
  - Material differences between Final Budget and Actual

Disclosed in the financial statements or the notes
### Agenda Item 10 – Presentation of Financial Statements

**Illustrative Example: Government of Canada—Condensed Consolidated Financial Statements—year ended March 31, 2022**

#### Condensed Consolidated Statement of Operations and Accumulated Deficit for the Year Ended March 31, 2022

<table>
<thead>
<tr>
<th></th>
<th>2022 Budget (Note 3)</th>
<th>2022 Actual</th>
<th>2021 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax revenues</td>
<td>240,497</td>
<td>287,989</td>
<td>236,974</td>
</tr>
<tr>
<td>Other taxes and duties</td>
<td>57,308</td>
<td>62,680</td>
<td>46,954</td>
</tr>
<tr>
<td>Employment insurance premiums</td>
<td>23,657</td>
<td>23,856</td>
<td>22,392</td>
</tr>
<tr>
<td>Proceeds from the pollution pricing framework</td>
<td>6,352</td>
<td>6,341</td>
<td>4,380</td>
</tr>
<tr>
<td>Other revenues</td>
<td>27,315</td>
<td>32,411</td>
<td>5,746</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>355,129</td>
<td>413,277</td>
<td>316,446</td>
</tr>
</tbody>
</table>

#### Expenses

<table>
<thead>
<tr>
<th></th>
<th>2022 Budget (Note 3)</th>
<th>2022 Actual</th>
<th>2021 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old age security benefits and related payments</td>
<td>62,474</td>
<td>60,774</td>
<td>58,529</td>
</tr>
<tr>
<td>Major transfer payments to other levels of government</td>
<td>90,500</td>
<td>88,386</td>
<td>106,653</td>
</tr>
<tr>
<td>Employment insurance and support measures</td>
<td>41,179</td>
<td>39,923</td>
<td>38,356</td>
</tr>
<tr>
<td>Children’s benefits</td>
<td>27,190</td>
<td>28,226</td>
<td>27,370</td>
</tr>
<tr>
<td>COVID-19 income support for workers</td>
<td>13,918</td>
<td>15,582</td>
<td>55,832</td>
</tr>
<tr>
<td>Canada emergency wage subsidy</td>
<td>26,955</td>
<td>22,291</td>
<td>80,166</td>
</tr>
<tr>
<td>Proceeds from the pollution pricing framework returned</td>
<td>6,324</td>
<td>3,814</td>
<td>4,566</td>
</tr>
<tr>
<td>Other transfer payments</td>
<td>84,960</td>
<td>88,478</td>
<td>97,963</td>
</tr>
<tr>
<td><strong>Total transfer payments</strong></td>
<td>353,100</td>
<td>344,474</td>
<td>489,437</td>
</tr>
<tr>
<td>Other expenses, excluding net actuarial losses</td>
<td>122,465</td>
<td>124,342</td>
<td>119,089</td>
</tr>
<tr>
<td><strong>Total expenses, excluding net actuarial losses</strong></td>
<td>475,565</td>
<td>468,816</td>
<td>608,522</td>
</tr>
<tr>
<td>Public debt charges</td>
<td>22,066</td>
<td>24,487</td>
<td>20,358</td>
</tr>
<tr>
<td><strong>Total expenses, excluding net actuarial losses</strong></td>
<td>497,631</td>
<td>493,303</td>
<td>629,880</td>
</tr>
<tr>
<td><strong>Annual deficit before net actuarial losses</strong></td>
<td>(142,502)</td>
<td>(80,026)</td>
<td>(312,434)</td>
</tr>
<tr>
<td><strong>Net actuarial losses</strong></td>
<td>(12,210)</td>
<td>(10,186)</td>
<td>(15,295)</td>
</tr>
<tr>
<td><strong>Annual deficit</strong></td>
<td>(154,712)</td>
<td>(90,212)</td>
<td>(327,729)</td>
</tr>
<tr>
<td>Accumulated deficit at beginning of year</td>
<td>(1,048,746)</td>
<td>(1,048,746)</td>
<td>(721,160)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>4,465</td>
<td>3,434</td>
</tr>
<tr>
<td><strong>Accumulated deficit at end of year</strong></td>
<td>(1,203,458)</td>
<td>(1,134,493)</td>
<td>(1,048,746)</td>
</tr>
</tbody>
</table>

#### Condensed Consolidated Statement of Change in Net Debt for the Year Ended March 31, 2022

<table>
<thead>
<tr>
<th></th>
<th>2022 Budget (Note 3)</th>
<th>2022 Actual</th>
<th>2021 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net debt at beginning of year</strong></td>
<td>(1,149,825)</td>
<td>(1,149,825)</td>
<td>(812,891)</td>
</tr>
<tr>
<td><strong>Change in net debt during the year</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual deficit</td>
<td>(154,712)</td>
<td>(90,212)</td>
<td>(327,729)</td>
</tr>
<tr>
<td>Acquisition of tangible capital assets</td>
<td>(11,197)</td>
<td>(9,588)</td>
<td>(10,127)</td>
</tr>
<tr>
<td>Amortization of tangible assets</td>
<td>6,009</td>
<td>5,433</td>
<td>5,969</td>
</tr>
<tr>
<td>Other</td>
<td>2,272</td>
<td>1,361</td>
<td>(5,390)</td>
</tr>
<tr>
<td><strong>Net increase in net debt due to operations</strong></td>
<td>(157,628)</td>
<td>(93,006)</td>
<td>(337,277)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>4,465</td>
<td>343</td>
</tr>
<tr>
<td><strong>Net increase in net debt</strong></td>
<td>(157,628)</td>
<td>(88,541)</td>
<td>(336,934)</td>
</tr>
<tr>
<td><strong>Net debt at end of year</strong></td>
<td>(1,307,453)</td>
<td>(1,238,366)</td>
<td>(1,149,825)</td>
</tr>
</tbody>
</table>
IPSAS 22 — Summary

The public sector and its relation to institutional sectors

- Financial Corporations
  - Public
  - Private

- Non-Financial Corporations
  - Public
  - Private

- General Government
  - Public

- Non-profit institutions serving households
  - Private

- Households
  - Private

Source: 2008 System of National Accounts
IPSAS 22 — Summary

• **Apply** to GGS the Accounting Policies adopted for Consolidated Financial Statements, *except*:
  - No elimination of balances and transactions between GGS with interests in PFC/PNFC sectors
  - Investment by GGS in PFC/PNFC sectors are Assets measured at the Carrying Amount of Net Assets of investee

• **Disclosures**
  - Minimum information per §35 (incl.: Assets by major class; Revenue by major class), presented as:
    - Note disclosure
    - Separate column in financial statements; or
    - Other appropriate presentation
  - Significant controlled entities that are included in GGS (including changes and explanation)

Does not replace requirements in IPSAS 18, *Segment Reporting*

Disaggregation of GGS information allowed

Reconciliation to Consolidated FS required

Reconciliation to info on Statistical Basis allowed
Agenda Item 10 – Presentation of Financial Statements

Illustrative Example: HM Treasury—Whole of Government Accounts—year ended 31 March 2021

<table>
<thead>
<tr>
<th>Public Sector Net Debt compared to total WGA net liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Sector Net Debt (National Accounts)</strong></td>
<td><strong>£bn</strong></td>
<td><strong>£bn</strong></td>
</tr>
<tr>
<td>Add liabilities not recognised in National Accounts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net public sector pensions liability</td>
<td>2,306</td>
<td>2,093</td>
</tr>
<tr>
<td>Provisions</td>
<td>366</td>
<td>375</td>
</tr>
<tr>
<td>PFI contracts</td>
<td>27</td>
<td>31</td>
</tr>
<tr>
<td>Adjust assets measured differently in national accounts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset Purchase Facility</td>
<td>(1,557)</td>
<td>(181)</td>
</tr>
<tr>
<td>Unamortised premia on gilts</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>UK Asset Resolution (UKAR) net impact on net debt</td>
<td>5</td>
<td>(1)</td>
</tr>
<tr>
<td>Add assets and liabilities excluded from measure of PSND:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>(1,270)</td>
<td>(1,313)</td>
</tr>
<tr>
<td>Investment property</td>
<td>(17)</td>
<td>(24)</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>(41)</td>
<td>(40)</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>(43)</td>
<td>(45)</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>(79)</td>
<td>(88)</td>
</tr>
<tr>
<td>Inventories</td>
<td>(15)</td>
<td>(11)</td>
</tr>
<tr>
<td>Investments</td>
<td>(41)</td>
<td>(33)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>44</td>
<td>56</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>81</td>
<td>66</td>
</tr>
<tr>
<td>Deduct liabilities not yet recognised in WGA Housing associations</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other adjustments including eliminations</td>
<td>1,663</td>
<td>(16)</td>
</tr>
<tr>
<td><strong>Net liabilities (WGA)</strong></td>
<td><strong>3,326</strong></td>
<td><strong>2,834</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Public sector current budget deficit</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public sector current budget deficit/(surplus) (National Accounts)</strong></td>
<td><strong>£bn</strong></td>
<td><strong>£bn</strong></td>
</tr>
<tr>
<td>Add expenditure on liabilities excluded from National Accounts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in provisions</td>
<td>32</td>
<td>74</td>
</tr>
<tr>
<td>Adjust expenditure calculated differently from National Accounts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public sector pensions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(16)</td>
<td>(19)</td>
</tr>
<tr>
<td>Impairments and revaluations of assets</td>
<td>27</td>
<td>16</td>
</tr>
<tr>
<td>Net (gains)/losses on sale of assets</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Capital grants</td>
<td>42</td>
<td>9</td>
</tr>
<tr>
<td>Research and development</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Other adjustments including eliminations</strong></td>
<td>39</td>
<td>17</td>
</tr>
<tr>
<td><strong>Net expenditure on public services (WGA)</strong></td>
<td><strong>331</strong></td>
<td><strong>105</strong></td>
</tr>
<tr>
<td>Financing costs of long-term liabilities, including discounting</td>
<td>56</td>
<td>67</td>
</tr>
<tr>
<td>Revaluation of financial assets and liabilities</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total net expenditure / (income) (WGA)</strong></td>
<td><strong>404</strong></td>
<td><strong>192</strong></td>
</tr>
</tbody>
</table>
AGENDA

2. Approval of Project Brief (Agenda Items 10.2.1 and 10.2.2)
Objective—“Enhance communication of financial information by replacing IPSAS 1, Presentation of Financial Statements” (§4.1 of [draft] Project Brief).

Scope—Financial statements in IPSAS 1 and consequential amendments to other IPSAS (§5.1–5.3 of [draft] Project Brief).

Final Output—Issuance of a new IPSAS on presentation of financial statements that will replace IPSAS 1 (§7.8 of [draft] Project Brief).

Four significant issues:

– Consistency with Conceptual Framework (§5.4–5.8 of [draft] Project Brief);
– Identification of user’s needs (§5.9–5.14 of [draft] Project Brief);
– Alignment with Government Finance Statistics (GFS) (§5.17–5.22 of [draft] Project Brief); and

Consultation paper stage, including an illustrative Exposure Draft (§7.2 of [draft] Project Brief).
Agenda Item 10.2.2

Approval of Project Brief, *Presentation of Financial Statements*

**Analysis**

- **June 2023:**
  - IPSASB discussion of key topics to be included in the project brief
  - IPSASB CAG consulted on some topics to be included in the project brief

- **September 2023:**
  - Page-by-page review of [draft] Project Brief
  - Consider critical comments that require updates to the Project Brief

**Recommendation**

- Approve the Project Brief, *Presentation of Financial Statements*
AGENDA

3. Project Management Update: Consultation Paper Stage (Agenda Item 10.2.3)
Agenda Item 10.2.3

Project Management Update: Consultation Paper Stage

- **June 2025:** Approval of Consultation Paper (7 meetings)
- The topics generally follow the sequence of topics in IPSAS 1.
- At each meeting, at least one key issue identified in the Project Brief would be discussed.
- Chapters of the Consultation Paper and the illustrative Exposure Draft written at the same time, including the IPSASB's preliminary views.
- Basis for Conclusions reviewed by the IPSASB at the next meeting related to decisions taken in the previous meeting.
- Implementation Guidance and Illustrative Examples discussed once the principles in the authoritative part of the illustrative Exposure Draft and corresponding text in the Consultation Paper are finalized by the IPSASB.