

By e-mail
Stephanie Fox
Technical Director
International Public Sector Accounting Standards Board
IFAC

Our ref: TECH-CDR-1141

26 October 2012

Dear Ms Fox

IPSASB: Consultation on IPSASB Work Programme 2013 -14

ACCA (The Association of Chartered Certified Accountants) welcomes the opportunity to comment on the above.

ACCA is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. We support our 154,000 members and 432,000 students throughout their careers, providing services through a network of 83 offices and centres. A significant proportion of our members work within public services around the world making this consultation highly relevant to them.

We very much value IPSASB's continuing work on improving financial reporting standards for the public sector, particularly given the current financial climate and the need for governments to improve both accountability and transparency. We believe IPSASB has set out an ambitious work programme for 2013-14, and the challenge now will be to deliver the plan with limited resources and without being potentially side tracked by the oversight and related governance changes. Our thoughts on your specific questions are outlined below.

Responses to specific questions

Considering the additional potential projects outlined above and described in Appendix C, are there any other projects that you think need to be added to the list of potential projects?

In our view the list of potential projects is relatively comprehensive and addresses a number of topical and/or thorny issues in relation to financial reporting. We do not envisage adding more projects to the list.

What projects do you think the IPSASB should prioritise for 2013-14?

In considering what we believe are the three most important projects from those outlined in Appendix C, we have selected:

Social benefits

As this consultation paper rightly sets out, accounting for social benefits has been a thorny issue for at least a decade and there have been many failed attempts to arrive at a consensus on the accounting treatment. Given accounting for social benefits remains topical and inextricably linked to the long – term sustainability of public finances, we believe that it should be prioritised in the 2013-14 work programme. We recognise the complexities involved, but believe that further delay in addressing the issue will reflect on the credibility of IPSASB and its standards setting ability.

Extractive Industries

Earlier this year, members of ACCA's Public Sector Global Forum <http://www.accaglobal.com/en/research-insights/global-forums/public-sector/members.html> identified accounting for natural resources (oil, gas, mining and agriculture) as a significant issue in countries such as Africa, particularly, sub Saharan Africa. Countries which have extractive industries such as oil, forestry, mining account for a significant share of exports and rising commodity prices have boosted economic growth and exports in these countries. They generally feel the strain because of their vulnerability to volatile commodity markets and exchange rates, as well as problems in tax and regulatory frameworks. They are also industries which generally make a small contribution to budget revenue despite significant outflows. We recognise that this is an area that will require substantial research, but believe that the development of a comprehensive accounting standard should be prioritised.

Heritage Assets

No matter whether it is a developed or developing country questions always arise about the accounting treatment and disclosure of heritage assets. Whilst we agreed with IPSASB's logic of deferring the project until the completion of the public sector project, we now are of the view that the conceptual framework is sufficiently advanced to allow consideration of issues, such as heritage assets.

Further comments

We have no other comments to make other than to express that we are delighted to see that an ED on the adoption of accruals IPSASs is planned for December 2012. In our view this development is much needed by countries struggling with the challenge of migrating to accruals based accounting.

We hope you find the above useful. If you would like to discuss any of the above further please contact Gillian Fawcett (Head of Public Sector) on 02070595674 or e-mail: gillian.fawcett@accaglobal.com



Gillian Fawcett
Head of Public Sector

25 October 2012

Ms Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms Fox

Consultation Paper: *IPSASB Work Program 2013-2014*

The New Zealand Treasury welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on the Consultation Paper *Consultation on IPSASB Work Program 2013-2014*. We commend the IPSASB for providing the opportunity for stakeholder input.

As the IPSASB will be aware, the New Zealand standard setter is in the process of implementing IPSAS based standards for the New Zealand public sector, replacing the IFRS based standards that are currently in use.

In accordance with international best practice, and as noted in the IPSASB preface, New Zealand public sector profit-oriented entities (termed GBEs in the IPSAS literature) will continue to prepare IFRS based financial statements.

The Treasury urges the IPSASB to pay strong regard to the implications of this recommended best practice for whole-of-government reporting where the consolidation of profit-oriented and public-benefit-oriented entities is required. In particular I believe that the IPSASB should, as part of its strategy, seek to ensure that

- no unnecessary or unjustified accounting differences arise between IFRS and IPSAS that will make consolidated financial statements of governments harder for users to understand, and preparers to prepare, and
- preparers of public sector financial statements, and the users of those financial statements are not denied the opportunity arising from improvements to financial statements from early adoption of recently released IFRS standards, where there are no special public sector characteristics.

Under this strategy the following projects should get high priority in 2013/14:

1 The Terrace
PO Box 3724
Wellington 6140
New Zealand

tel. 64-4-472-2733
fax. 64-4-473-0982

www.treasury.govt.nz

- Financial Instruments (IPSAS 28-30 updated from IFRS 9) – we note this is already a committed project,
- Leases (IPSAS 13 Update from IFRS expected Q1 2013), and
- Revenue (IPSAS 9 update from IFRS expected Q2 2013)

The Treasury considers the “public sector critical” projects generally require the completion of the Conceptual Framework, which Treasury agrees should continue to be a strategic priority. As a result, in response to the three questions on which comment was sought:

- Treasury does not think there are any other projects that need to be added to the list of potential projects,
- Financial Instruments, Leases and Revenue should be prioritised in the 2013/14 financial year, and
- Treasury has no further comments on the IPSASB’s Work Program for 2013-2014.

If you have any queries regarding our comments, please contact me at Nicola.Haslam@treasury.govt.nz or on +644 917 6943.

Yours sincerely

Nicola Haslam
Manager, Fiscal Reporting
New Zealand Treasury



Paris, 25th October 2012

THE CHAIRMAN

5, place des vins de France
75573 PARIS Cedex 12
FRANCE
TELEPHONE: + 33 1 53 44 22 80
E-mail: michel.prada@finances.gouv.fr

Ms Stephenie Fox
Technical Director
International Public Sector
Accounting Standards Board
International Federation of
Accountants
277 Wellington Street, 4th floor
Toronto
Ontario M5V 3H2 CANADA

Re: Consultation on IPSASB Work Program 2013-2014

Dear Ms Fox,

Please find herewith the reply of the French Public Sector Accounting Standards Council (CNOCP) to the above Consultation Paper.

To begin with, the CNOCP wishes to stress the relevance of the process initiated by the IPSAS Board. Indeed it is important to consult stakeholders on its work program for the coming years, both as regards the topics on the agenda and the scheduled timetable.

The CNOCP notes that this Consultation Paper is not on the current work program but on the additional potential projects the IPSAS Board should prioritize for 2013-2014, which limits however the relevance of the question.

To answer more specifically to the questions that are to identify the subjects the IPSAS Board should prioritize for 2013-2014, the CNOCP considers the following two topics as a priority because they are conceptual framework themes:



- Social Benefits ;
- Sovereign Powers and their Impact on Financial reporting.

The third project may be Heritage Assets, this public sector feature finding no appropriate response from existing standards.

Although the following are not the subject of this consultation, the CNOCP wishes to remind the following points:

1 - The priority is to devote all efforts to finalize the public sector Conceptual Framework, before beginning new projects.

2 - The highest priority should be given to general accounting topics dealing with public sector specificities. The CNOCP regrets that IPSAS Board does not focus primarily on specific public sector topics that can not find today answer in existing private accounting standards.

- As mentioned in the CNOCP's previous replies, the ongoing consultations on Reporting on the Long-term Sustainability of Public Finances, Financial Statement Discussion and Analysis and Reporting Service Performance are not directly within the accounting standard-setting scope of the IPSAS Board and the resources allocated to these projects could be transferred to other subjects.
- Topics relating to the Public Sector Conceptual Framework should be dealt as a priority. Thus the theme of Social Benefits should be examined as soon as possible and topics dealing with First Time Adoption of Accrual IPSASs and Government Business Enterprises, not considered urgent, need to be postponed to free up resources.



3 - Finally, the Consultation Paper addresses also the governance of the IPSAS Board and reference is made to the recent consultation of the Monitoring Group and PIOB. Once again, the CNOCP wishes to remind that the public sector matters require a suitable mode of governance, closely involving governments and international bodies. The solution of supervision by the PIOB will not apprehend in its entire dimension the complex issues that public sector accounting should reflect.

Yours sincerely,

Michel Prada

ANNEX

RESPONSES TO THE QUESTIONS OF THE CONSULTATION PAPER

QUESTION 1

Considering the additional potential projects identified above and described in Appendix C, are there any other projects that you think need to be added to the list of potential projects?

The Council considers that the major accounting issues relating to the Public Sector should be addressed as a priority by the IPSASB.

QUESTION 2

Which projects do you think the IPSASB should prioritize for 2013-2014? In your response you could consider providing your assessment of the 3 most important projects or a ranking of all projects on the list. Please explain the reasons for your answers.

The Council considers that the three topics to prioritize are those related to the specific public sector not addressed so far by the different accounting standards.

These are the following topics:

- Social Benefits;
- Sovereign Powers and their Impact on Financial reporting;
- Heritage Assets.

The Council believes as essential to address these complex issues parallel to reflections on the Public Sector Conceptual Framework.



QUESTION 3

Please provide any further comments you have on the IPSASB's Work Program for 2013-2014.

As mentioned above, the CNOCP notes that this Consultation Paper is not on the current work program but on the additional potential projects the IPSAS Board should prioritize for 2013-2014, which limits however the relevance of the question.

Indeed, the CNOCP is unfortunate that current work program leaves few resources for many additional projects that are public sector specific (the number of new projects for 2013-2014 is estimated to be two to four).

FRENCH VERSION

Nous vous prions de bien vouloir trouver ci-joint la réponse du Conseil de normalisation des comptes publics (CNOCP) sur la consultation relative au programme de travail 2013-2014 de l'IPSAS Board.

A titre liminaire, le Conseil souligne l'intérêt de la démarche initiée par l'IPSAS Board. Il est en effet important de consulter les parties prenantes sur son programme de travail pour les prochaines années, en ce qui concerne tant les sujets inscrits à l'agenda que le calendrier envisagé.

Le Conseil note que la présente consultation ne porte pas sur l'agenda des travaux déjà engagés par l'IPSAS Board, mais que les questions posées ne sont relatives qu'aux sujets restant à inscrire à l'agenda, ce qui limite donc l'intérêt de l'exercice.

Pour répondre plus spécifiquement aux questions posées qui consistent à choisir les sujets à inscrire au programme de travail de l'IPSAS Board, le Conseil estime les deux sujets suivants comme prioritaires, dans la mesure où ce sont des thèmes de cadre conceptuel :

- Les prestations sociales
- La souveraineté de l'Etat et l'impact sur le reporting financier.

Le troisième sujet à instruire pourrait être les biens historiques et culturels de la Nation, spécificité du secteur public ne trouvant pas de réponse appropriée dans les référentiels existants.



Bien que les éléments suivants ne fassent pas l'objet de la présente consultation, le Conseil tient à rappeler :

1 - La nécessité de consacrer tous les efforts à la finalisation du Cadre conceptuel pour le secteur public avant d'engager de nouveaux projets.

2 - La priorité absolue qui doit être donnée aux sujets de comptabilité générale traitant des spécificités du secteur public. Le Conseil regrette en effet que l'IPSAS Board ne se concentre pas prioritairement sur les sujets propres au secteur public qui, aujourd'hui, ne trouvent pas de réponse dans les référentiels existant de la comptabilité privée.

- Comme rappelé dans les précédentes réponses du Conseil, les consultations en cours sur la soutenabilité à long terme des finances publiques, le rapport de gestion et le rapport de performance n'entrent pas directement dans le périmètre de compétence de l'IPSAS Board, et les moyens alloués à ces projets pourraient être reportés sur d'autres sujets normatifs de comptabilité générale.
- Les sujets touchant au Cadre conceptuel doivent être traités en priorité. Ainsi le thème des prestations sociales (« Social benefits ») doit être instruit dès que possible. A l'inverse, les sujets traitant de la première application des normes (« First Time Adoption of Accrual IPSASs ») et des entreprises publiques à activité marchande (« Government Business Enterprises »), considérés comme non urgents par le Conseil, doivent être reportés afin de dégager des ressources.

3 – Enfin, la gouvernance de l'IPSAS Board est également abordée dans le document de consultation et il est fait référence à la récente consultation du Monitoring Group et du PIOB. Le Conseil tient, encore une fois, à rappeler que les spécificités du secteur public nécessitent un mode de gouvernance adapté, associant étroitement les pouvoirs publics et les instances internationales et que la solution d'une supervision par le PIOB ne permettra pas d'appréhender dans toute leur dimension les problématiques complexes du secteur public que la comptabilité doit traduire.

ANNEXE

RÉPONSES AUX QUESTIONS POSÉES DANS LA CONSULTATION

QUESTION 1

Ayant pris connaissance des projets potentiels identifiés dans l'annexe C, pensez-vous que d'autres projets doivent être ajoutés à la liste des projets potentiels ?

Le Conseil considère que les sujets comptables relatifs au secteur public doivent être traités en priorité par l'IPSAS Board.

QUESTION 2

Quels sont, selon vous, les projets prioritaires pour 2013-2014? Dans votre réponse, vous pouvez évaluer les trois projets les plus importants ou classer tous les projets de la liste. Merci d'expliquer les raisons de votre choix.

Le Conseil considère que les trois sujets à instruire en priorité sont ceux qui ont trait à des particularités du secteur public et qui ne sont pas traités à ce jour par les différents référentiels comptables.

Il s'agit des sujets suivants :

- Les prestations sociales ;
- La souveraineté de l'Etat et l'impact sur le reporting financier ;
- Les biens historiques et culturels de la Nation.

Le Conseil pense qu'il est indispensable de traiter en priorité ces sujets complexes nécessitant une norme spécifique en parallèle des réflexions sur le Cadre conceptuel du secteur public.

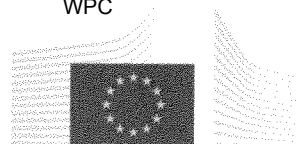


QUESTION 3

Merci de fournir les autres commentaires que vous avez sur le programme de travail de l'IPSASB pour 2013-2014.

Le Conseil note que la présente consultation ne porte pas sur l'agenda des travaux déjà engagés par l'IPSAS Board, mais que les questions posées ne sont relatives qu'aux sujets restant à inscrire à l'agenda, ce qui limite donc l'intérêt de l'exercice.

A ce titre, le Conseil regrette que le programme de travail actuel laisse peu de ressources pour davantage de projets qui traiteraient des spécificités du secteur public (le nombre de nouveaux projets pour 2013-2014 est estimé entre deux et quatre).



EUROPEAN COMMISSION
EUROSTAT

Directorate D Government Finance Statistics (GFS)

Luxembourg, 29-10-2012
ESTAT/D-3/FL/JV/eb D(2012) 1425342

Ms Stephenie Fox
IPSASB Technical Director
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017
USA

**Subject: Eurostat response to the consultation on IPSASB work program
2013-2014**

Dear Ms Fox,

Thank you for the opportunity to comment on the IPSAS Board's work program for 2013-2014. As an observer to the IPSAS Board, Eurostat appreciates the broad range of work undertaken by the Board and the resource constraints it faces.

As a general comment, Eurostat believes that the IPSAS Board adds greatest value for preparers and users when it works on public sector specific projects, addressing gaps which these groups have identified.

The on-going work on the Conceptual Framework is clearly a high priority, given the significance of this issue in responding to an acknowledged need to underpin the standards with principles based on public sector specific characteristics. We strongly encourage the IPSAS Board to complete the project in good time, thereby providing a sound conceptual basis and freeing resources for other projects.

In the framework of its study on the suitability of IPSAS for EU Member States, Eurostat supports the continuation, completion and implementation of the on-going projects on IPSASs and Government Finance Statistics Reporting Guidelines and on First Adoption of Accrual IPSASs. From a statistical perspective, Eurostat also sees the current projects on Government Business Enterprises and IPSAS 6-8 (notably control aspects) as good opportunities to clarify these important definitions in relation to statistical rules, reducing differences where appropriate.

From the list of potential projects identified, Eurostat would identify the following as being of significant interest:

- Social Benefits – this issue has been on the agenda for some time, and it is important – given the size of social benefit programmes in Europe - that the IPSAS Board brings it to a close, one way or another, notably with respect to the central question of what liabilities (if any) should be recorded for future social benefit payments.

- Emissions Trading Permits – given that the European Union has the largest emission trading system in the world, the amounts potentially at stake are very large and clear harmonised standards are needed. It may be noted that the statistical community has just completed its conceptual work on this issue, and the EU is now implementing this approach in its government finance statistics.
- Sovereign powers and their impact on financial reporting – even if the central question of tax-raising powers has been discussed several times, the experience of statisticians is that the recording of government licences and concessions is rather complex, and that there is a growing use of these types of instruments as revenue sources by EU governments.

We would make comments on two other potential projects:

- Small and Medium sized enterprises – adoption of accrual-based accounting is particularly challenging for small government bodies and, even with the concept of materiality, there are strong cost/benefit considerations to take into account. We wonder if there is a way of sharing practical experience from jurisdictions adopting IPSASs at this stage (perhaps in "Study 14" or elsewhere), in advance of a possible project leading to an IPSAS later?
- Heritage assets – we are aware that this is a very challenging subject, especially for first time adopters, and that the IPSAS Board has faced difficulties to progress this in the past. We have doubts that taking forward the project to find a potentially complex (and controversial) solution would represent a good use of the IPSAS Board's limited resources at this stage.

In addition, Eurostat would like to encourage the IPSAS Board to consider – within the limits of resources, and perhaps in place of one or two projects – the provision of an interpretations function to preparers, which could help to ensure a greater uniformity of implementation of IPSASs across governments when such interpretations are published. This function could also usefully feed into standards development over time, through testing the standards against practical cases.

Finally, Eurostat takes note of the on-going work of the IPSAS Board in relation to governance issues. Eurostat agrees that this is an important area, to ensure that the governance and public oversight arrangements in place provide the greatest possible legitimacy to the Board's standard-setting, notably for preparers. During the preparation of Eurostat's assessment on the suitability of IPSAS for the EU Member States, many European public accounts experts have commented that preparers should have a greater role in the establishment of standards applicable in the EU.

We look forward to strengthening further our relationship and coordination with the IPSAS Board in the coming years, taking account of the Eurostat assessment mentioned above and in the context of EU public sector accounting practices.

I am copying this letter to Rosa Aldea Busquets at the European Commission's Directorate General for Budget.

Yours sincerely,



François Lequiller
Director

The Technical Director
 International Public Sector Accounting Standards Board
 International Federation of Accountants
 277 Wellington Street West
 Toronto, Ontario M5V 3H2 CANADA

Dear Sirs,

Consultation Paper on IPSASB work programs 2013-2014

The Accounting and Auditing Standards Desk of the Abu Dhabi Accountability Authority (ADAA) is pleased to provide a response to the International Public Sector Accounting Standards Board (IPSASB) request for comments on its Consultation Paper regarding IPSASB work program 2013-2014 (CP). We are wholly supportive of the IPSASB's objectives to enhance the quality and consistency of financial reporting of Public Sector Entities (PSEs) and improve the transparency and accountability of government reporting.

IPSASBs current projects include:

- *Public Sector Conceptual Framework*
- *Reporting on the Long-Term Sustainability of Public Finances*
- *Financial Statement Discussion and Analysis*
- *Reporting Service Performance*
- *Public Sector Combinations*
- *IPSASs and Government Finance Statistics Reporting Guidelines*
- *Revision of IPSASs 6-8*
- *First Time Adoption of Accrual IPSASs*
- *Government Business Enterprises*
- *Public Sector Financial Instruments*
- *Improvements*
- *Amendments to IPSASs 28-30*
- *Review of Cash Basis IPSAS*

IPSASBs potential projects that the IPSASB has developed based on its deliberations include:

- *Borrowing Costs* (Update of IPSAS 5 - underlying standard IAS 23)
- *Emissions Trading Schemes*
- *Extractive Industries* (IFRS 6 interim standard but no comparable IPSAS)
- *Heritage Assets* (Public sector specific)
- *Improvements to IPSAS 23 – Non-Exchange Revenues*
- *Insurance Contracts* (IFRS 4 interim standard but no comparable IPSAS)
- *Leases*
- *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5 but no comparable IPSAS)
- *Presentation of Financial Statements* (Update of IPSAS 1 - underlying standard IAS 1)
- *Related Party Transactions* (Update of IPSAS 20, underlying standard IAS 24)
- *Revenue Recognition*
- *Segment Reporting* (Update of IPSAS 18, underlying standard IAS 14, superseded by IFRS 8)
- *Small and Medium Enterprises* (SMEs)
- *Social Benefits*
- *Sovereign Powers and their Impact on Financial Reporting*

General Comment

The IPASB has a significant number of current projects ongoing and we are highly supportive in seeing the IPSASB bring those projects to a swift conclusion so that the new accounting standards may be implemented by Public Sector Entities (PSEs) quickly, thus enhancing PSE and whole of government financial statement reporting.

Our comments on the specific questions asked by the IPSASB are as follows:

1. Considering the additional potential projects identified above and described in Appendix C are there any other projects that you think need to be added to the list of potential projects?

a) Sovereign wealth funds and other entities held for investment purposes

One of the IASB's current projects concerns the accounting by investment funds which proposes fair value or equity accounting rather than the full consolidation of entities that are controlled by the investment fund. The rationale being that the investments are held for their dividends and capital growth. There are considerable parallels in this thinking with sovereign wealth funds and other entities held for investment purposes. We acknowledge that IPSAS 22 *'Disclosure of financial information about the General Government Sector'* adopts this form of accounting. We suggest consideration is given to whether it should also be applied in the whole of government consolidated financial statements. We note the divisions in the responses to the IASB's project concerning grandfathering of the investment fund accounting in the consolidated accounts of the parent of an investment fund and we observe the view of respondents who consider there is little point in having such a standard if the accounting is not grandfathered. Government spends to provide social services and invests to provide future resources for the country, this is the information that users of Government financial statements want to understand. Consolidating entities that are controlled by government that are held for investment purposes potentially distorts the financial statements and makes them less transparent, rather than more.

b) Determining when a government is acting in its capacity as government from when a government is acting in its capacity as owner.

GBEs are required to apply IFRSs not IPSASs. IFRSs include IAS 20 *"Accounting for Government Grants and Disclosure of Government Assistance."* IAS 20 has not been updated for some time and is not likely to be in the near future. However, IAS 20 provides not only contradictory accounting treatments within itself, it is also contradictory of other IFRSs notably IAS 1. In particular, the accounting treatment of funds and resources provided by governments in their capacity as government rather than in their capacity as shareholder is not well defined. Whilst rewriting IAS 20 is not within the remit of the IPSASB, determining when the government is acting as government rather than acting as the shareholder of a GBE, or as the shareholder of a PSE that is not a GBE but does provide below market price goods and/or services to the public, does seem to fall within the IPSASBs remit.

c) Accounting for subsidized Rate Regulated Activities.

We note that the IASB has returned its Rate Regulated Activities project to its agenda, perhaps at the behest of its American and North American participants. However given that the European rate regulated entities have been applying IFRS for some time without the need for such a standard it seems likely that the IASB's project is going to take some time to conclude. The IASB has previously stated that it does not wish to develop industry based standards however IAS 26, 39, IFRS 4 and 6 arguably contradict this view. Subsidized rate regulated activities are however different from subsidized market based activities and subsidized social service based activities. Generally they are monopolies, hence the need for a regulator to assess their performance and the prices they charge for their goods and services. Those good and services are subsidized by government because there is an element of social provision in making those goods and services available to all the public. Guidance from the IPSASB in this area would be useful.

2. Which projects do you think the IPSASB should prioritize for 2013-2014? In your response you could consider providing your assessment of the 3 most important projects or a ranking of all projects on the list. Please explain the reasons for your answers.

a) **Related party transactions** (Update of IPSAS 20, underlying standard IAS 24). In countries where government individuals are involved in the governance of entities and government interaction with government and non-

government entities is pervasive the identification and reporting of government related party transactions are matters of continuous discussion amongst the accounting profession. IPSAS 20 currently contains some useful exemptions for government related entities however we think that the exemptions could be broader and wider. When pervasive interaction with government is well known we consider that disclosure of government related party transactions should be limited only to those that are of such significance that non-disclosure of the transactions distorts the 'true and fair view' of the financial statements.

- b) Borrowing Costs** (Update of IPSAS 5 - underlying standard IAS 23). All governments borrow to finance investment in assets and some governments also borrow to cover operating expenditure deficits. Clearly borrowing to finance operating expenditure deficits should be expensed, however borrowing costs incurred in financing investment in assets is simply another cost of that asset. The current accounting standard and the treatment proposed in the exposure draft can potentially be circumvented by arranging contracts such that the finance cost is not deemed to fall on the government. In principle we see no reason for a distinction between cash generating and non cash generating assets for capitalizing or not capitalizing interest costs. Whether an asset is used for producing economic returns, or for social provision we do not consider a reason for capitalizing different amounts of cost.
- c) Leases.** In our experience government entities have capital budgets and operating budgets. Funding for financed leased assets is from capital budgets and funding for operating leased assets is from operating leased budgets. The IASB's current leasing standard is widely acknowledged to be open to interpretation. The Chair of the IASB's quote that one day he would like to fly in an airplane that is actually on an airplane company's balance sheet is well known. GBEs use IFRSs and therefore will apply the new leasing standard (when it appears) therefore we agree that the IPSAS should keep pace with the introduction of a replacement for the current leasing standard.

3. Please provide any further comments you have on the IPSASB's Work Program for 2013-2014.

We have no further comment.

Yours faithfully

Steven Ralls BA, FCA
Head of Accounting and Auditing Standards Desk
Financial Audit and Examination, Abu Dhabi Accountability Authority



Department of Treasury and Finance

1 Treasury Place
GPO Box 4379
Melbourne Vic 3001
Australia
Telephone: (+61 3) 9651 5111
Facsimile: (+61 3) 9651 5298
DX 210759

Ms Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms Fox

Consultation Paper: *Consultation on IPSASB Work Program 2013-2014*

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on the Consultation Paper *Consultation on IPSASB Work Program 2013-2014* and commends the IPSASB for providing the opportunity for stakeholder input.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee is comprised of the senior accounting policy representatives from all Australian States, Territories and the Australian Government.

HoTARAC recommends the work plan should not be considered exclusive of the IPSASB's long-term strategic direction and objectives. To this end, HoTARAC further recommends key components of the long term strategy and hence drivers of the work plan be:

- finalising IPSASB's Conceptual Framework;
- ongoing convergence with International Financial Reporting Standards, as appropriate; and
- continuing to pursue the *IPSASs and Government Finance Statistics Reporting Guidelines* project.

HoTARAC's detailed comments and responses to the Specific Questions to consider in the Consultation Paper are outlined in the attachment to this letter.

If you have any queries regarding HoTARAC's comments, please contact Veronique Row from the Australian Department of Finance and Deregulation on +612 6215 2104.

Yours sincerely

For Grant Hehir

CHAIR

**HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY
COMMITTEE**

30th October 2012

International Public Sector Accounting Standards Board (IPSASB)

Consultation on IPSASB Work Program 2013-2014 – Consultation Paper (the CP)

General Comments

HoTARAC welcomes the International Public Sector Accounting Standards Board (IPSASB) providing the opportunity for stakeholders to comment on its work program.

HoTARAC recommends the following priorities for IPSASB:

- To consider their strategic direction in developing the work plan.
- Finalising IPSASB's Conceptual Framework.
- Ongoing convergence with International Financial Reporting Standards (IFRS) to remain a key strategic priority of IPSASB.
- Continue to pursue the *IPSASs and Government Finance Statistics Reporting Guidelines* project.

HoTARAC has the following recommendations:

Alignment with strategic long term direction – Developing a conceptual framework and maintaining convergence with international accounting standards

Whilst the consultation paper articulates IPSASB's strategic priorities, it also proposes this be the subject of future consultation. HoTARAC believes a strategic direction is integral to the development of a work plan and should not be considered separately.

In turn, in determining its strategic direction IPSASB should clearly outline its goals. HoTARAC's preference is for IPSASB to focus on two main goals: finalising its Conceptual Framework and maintaining convergence with IFRSs, modified as required.

- A well designed conceptual framework assists preparers to identify the appropriate accounting treatment when no specific standards exist (e.g. accounting for emissions trading schemes). In addition, such a framework provides a foundation on which the Board is able to rely to develop standards based on consistent and sound accounting concepts. For example, in HoTARAC's view, the International Accounting Standards Board (IASB) is currently experiencing difficulties in developing consistent standards post GFC given the lack of an overarching conceptual framework. HoTARAC considers this evident in the development of the IASB's standard on leasing. Leases would fall within the definitions of financial instruments, however the decisions reached to date do not require measurement at fair value and a tentative decision has been reached to prohibit fair value measurement of the right to use asset¹. A decision has also been reached to exclude variable lease payments from the lessor's receivable, again inconsistent with the fair value measurement principles. The IFRIS interpretations committee considered the implications of this latter

¹http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB/FASBContent_C/ProjectUpdatePage&cid=900000011123#summary

inconsistency for variable payments in the purchase of intangibles and property plant and equipment at their September 2012 meeting².

HoTARAC considers continuing converging with IFRSs and providing interpretations or amendments in the public sector context is critical to better meet users' needs and the IPSASB's mission of developing a full suite of high-quality standards for use by public sector entities. As noted in previous responses to the IPSASB's Conceptual Framework project, HoTARAC strongly recommends the IPSASB and the IASB work more closely to achieve alignment of their Conceptual Frameworks. Divergence between the frameworks will result in difficulties in consolidating GBE's at whole of government level and would compromise the desirable goal of accounting standards for the private and public sectors achieving consistency, comparability and understandability of financial information. HoTARAC acknowledges there may be public sector specific issues that drive divergence, but, as is the case for the development of International Public Sector Accounting Standards (IPSASs), recommend these be justified in terms of the IPSASB's Process for Reviewing and Modifying IASB documents.

HoTARAC further believes convergence would be the best use of the IPSASB's limited resources as it is easier and simpler to modify existing standards for public sector use than to develop a separate, stand-alone suite of standards. For example, HoTARAC considers convergence with IFRS to be a preferable approach for the following current/potential projects –

- Financial Statement Discussion and Analysis;
- Revision of IPSASs 6 – 8;
- First Time Adoption of Accrual IPSAS;
- Public Sector Financial Instruments (HoTARAC also considers any specific public sector issues should be dealt with in conjunction with the project “Amendments to IPSASs 28 – 30”);
- Amendments to IPSASs 28 – 30;
- Extractive Industries;
- Segment Reporting; and
- Small and Medium Enterprises.

² <http://www.ifrs.org/Current-Projects/IFRIC-Projects/Pages/Current-Projects.aspx>

Additional suggestions:

HoTARAC believes the stage of completion of projects may also be relevant in assessing priorities. Where a project has been exposed for comment, HoTARAC views this as close to completion and would recommend finalisation of the project be included in the IPSASB's short term work program. HoTARAC would further recommend, as part of the *Updating IPSASs* project, the IASB's timetable for projects also be considered in developing the timelines for convergence projects.

HoTARAC suggests the IPSASB periodically updates its work plan and make it easily accessible through its website in a clear and comprehensive format (e.g. tables with timeline for anticipated release of standards or exposure drafts) for stakeholders. IASB and AASB are providing this and HoTARAC finds it very useful in terms of identifying the current projects, assessing whether there is a need for a HoTARAC response and planning the time and resources to be allocated to responses.

Specific Questions to consider:

1. **Considering the additional potential projects identified above and described in Appendix C, are there any other projects that you think need to be added to the list of potential projects?**

As part of maintaining convergence with IFRSs, HoTARAC recommends the IPSASB consider the current IFRSs on control, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* and IFRS 13 *Fair Value Measurement*, to determine if this should be a convergence project under the *Process for Reviewing and Modifying IASB Documents*. The issue of fair value measurement and the control concept outlined in these standards are likely to cause challenges in their applicability to the public sector. HoTARAC notes that Appendix C of the Consultation Paper lists Fair Value Measurement as an additional potential project, but this is not reflected in section 4 of the Consultation Paper.

2. **Which projects do you think the IPSASB could prioritize for 2013-2014? In your response you could consider providing your assessment of the 3 most important projects or a ranking of all projects on the list. Please explain the reasons for your answers.**

As noted in the general comments, HoTARAC believes the prioritisation of projects should be dictated by the IPSASB's strategic priorities. However, based on HoTARAC's recommended strategic approach for the IPSASB, HoTARAC is of the view that the following projects are most important and should take priority:

- a. *Public Sector Conceptual Framework*. As noted above, HoTARAC considers the finalisation of the IPSASB's conceptual framework a key strategic priority for the IPSASB.
- b. Ongoing convergence with IFRS to remain a key strategic priority of IPSASB. For example, IFRS's control and fair value concepts are likely to create issues for the public sector. The recently issued IPSASB CP *Public Sector Combinations* touched on both of these concepts.
- c. A majority of HoTARAC would also recommend the *IPSASs and Government Finance Statistics Reporting Guidelines* project be a priority. The majority believes that continuing work toward the alignment of statistical and financial reporting

frameworks will assist promoting IPSASs as an appropriate public sector framework. A minority of HoTARAC does not support convergence of IPSASs between Government Finance Statistics being prioritised and consider this inconsistent with the goal of converging with IFRS

In the instance that additional capacity is available, HoTARAC recommends the *Emissions Trading Schemes* project be given priority. Governments are developing and implementing schemes to price carbon. There is an urgent requirement to develop guidance in this area to prevent divergent accounting practices emerging.

3. Please provide any further comments you have on the IPSASB's Work Program for 2013-2014.

HoTARAC suggests that the IPSASB specifies the start and end of its work program years. Does the work plan run parallel to the July to June financial year? HoTARAC notes that the IPSASB is a global standard setter and different countries have different start and end dates for their financial years.

IPSASB Consultation Paper on Work Programme 2013 - 2014

Comments by Michael Parry

1. I am a member of the ICGFM Ad Hoc Committee that has considered this Consultation Paper. As such I fully support the comments submitted by the ICGFM.
2. These comments are in addition to the ICGFM comments.
3. IPSAS have been developed to provide reporting standards for public sector entities up to and including sovereign governments. Conceptually the standards have been derived from commercial entity reporting standards as embodied in the IFRS. This seems a very appropriate basis for sub-national entities, e.g. local authorities, not-for-profit educational institutions, etc.
4. However, increasingly the focus of IPSAS has become on sovereign government reporting. This is particularly because of the pressure of international agencies to standardise government financial reporting.
5. However, sovereign government financial reporting presents issues and problems that are conceptually very different to those of sub-national entities.
6. One of these issues the definition of the entity itself. The IPSAS definition is based on the concept of “control”, but by definition a sovereign government is “sovereign” over its realm (within constitutional limits in, for example, a federal structure). Governments can and on occasions do exercise control over entities completely outside government, e.g. in the UK decisions to take control over private sector banks in the face of a banking crisis. In fact the sovereign entity is a nebulous concept and control seems an inadequate basis for a decision. Given that the IMF GFS uses a completely different approach to defining the entity of government I am of the view that the issue of defining the sovereign entity warrants further study.
7. A second issue I believe should be addressed is the role and purpose of sovereign government financial statements. This is especially important because of the dominance of statistical reporting systems. For example, in Europe discussion of issues around sovereign debt always use information from ESA 95 or other statistical reporting - never from government financial statements. Is the intention that IPSAS compliant financial statements should supersede statistical reports for these purposes, or if not what separate functions do sovereign government financial statements fulfill?

8. The final area that I consider should be addressed is the subject of the recently released Consultation Paper on IPSAS and Finance Statistics Reporting Guidelines. Nevertheless I still include the issue in this response because I consider it a matter of fundamental importance.
9. As indicated above statistical reporting systems are the dominant financial reporting systems for sovereign governments. This is inevitable because they existed first and are supported by the whole panoply of international financial institutions. But statistical reporting systems leave many gaps. Perhaps most importantly they do not generate auditable financial statements. Hence following on from the question posed above on the purpose of financial statements, should not the proper role of such financial statements and IPSAS standards for sovereign governments be to integrate with statistical reporting guidelines so as to address the gaps in such guidelines and to generate auditable financial statements compatible with both statistical and IPSAS standards?

Michael Parry

October 30, 2012

michael.parry@michaelparry.com

www.michaelparry.com

Consultation Paper

Consultation on IPSASB Work Program 2013-2014.

Dear Stephenie,

It is a pleasure to contact you. We hope you are doing well. We would like to make some comments on the Work Program 2013-2014.

Our views are based on the experience obtained in some countries of Latin America (Panamá, El Salvador, Costa Rica and Dominican Republic). These countries are at different stages of implementation, from those modifying their own legislation for adoption, to the ones already under the implementation process.

We ordered our comments as follows:

- Current Projects
- Potential Projects
- Not contemplated Projects

Current Projects	Comments	Public Sector specific needs
IPSAS and Government Finance Statistics Reporting Guidelines	We highly appreciate the treatment of this issue	
Revision of IPSASs 6-8	IPSAS 6 – Concept of Control	<p>We expect this is not only the convergence of the amendments of the IAS/IFRS, but also the study of the concept of Control, as in the Public Sector (at least in Latin American countries) said concept is different from the one contemplated in IPSAS 6.</p> <p>PS entities understand control to the procedures performed by external and internal control bodies. Little is mentioned about “audit” and only control is mentioned.</p> <p>Also, it is material not to limit the consolidation to the control procedures, when talking about the elaboration of FFSS at national level, there is no “control” (in the terms of IPSAS 6) from a governmental level to the other. Even if IPSAS 22 allows for the elaboration of financial information on the GGS, there could be a country wishing to consolidate line by line with financial companies</p>

		<p>and entities, and this would not be permitted with the current regulatory framework.</p> <p>Finally, the possibility of accounting for shares at cost under IPSAS 7 should be limited to exceptional cases where the shares method cannot be used (taking this as the method which most clearly allows for measurement of shares in other entities).</p>
First Adoption of IPSASs	Time of	<p>We highly appreciate the treatment of this issue (issue requested at CReCER Bs.As. 2011)</p>
Public Sector Financial Instruments		<p>The treatment of Instruments of Liabilities and Patrimony are for the Private Sector. Even though there are some comments son Public Bonds, the development is limited, and there is large detail about the issuance of Shares, with the knowledge that in the GGS there is no issuance of Shares (or any other bond granting a share on the patrimony), which can be held by Public Business Enterprises, but the latter are ruled by the IFRS.</p> <p>Thus, we understand that the detailed development of patrimony bonds is unnecessary. On the contrary, it is necessary to deal with the purchase of shares as Assets instrument and its holding, as Governments do purchase shares.</p> <p>The Public Sector has a set of Debt Instruments which is material for every country: the sovereign debt collocation, either internal or external, through Bills and Bonds, of any type (in foreign currency, variable interest rate, by inflation ratio, etc.). In some cases, guarantees for the issuance of said bonds are future tax collection or strategic reserve funds.</p> <p>Also, the “renegotiation of sovereign debt” should be highlighted (capitalization, refinancing, reduction, etc.).</p>
	Coverage Accounting	<p>In Latin American countries we are in the struggle of changing to governmental accounting, which is not easy at all. Thus, thinking of dealing with a coverage accounting when many countries are not yet</p>

		<p>thinking about governmental accounting would be impracticable, at least at medium term.</p> <p>For this reason, we understand this issue should be taken as “non compulsory” (may be within a term of five to ten years after adoption), but of course recommended in order to increase accountability.</p>
	Patrimony Instrument	<p>There should be analysis of “capital transfers” granted by the Central Government to governmental entities, when said transfers can be capitalized, as they are made to finance works, purchase of property, plant and equipment and other similar purposes. Also, it is necessary to be more specific about the moment when debt contracted or cancelled by controlled entities is considered capitalized, as IPSAS 23 only indicates they could be contributions from shareholders.</p> <p>About this, we mention again the large development of patrimony instruments (when this is not applicable to non business public entities) and the lack of treatment of the concept of capital in said entities.</p>
Amendments to IPSASs 28-30	<p>We are concerned about the fact that convergence of IPSASs 28-30 with new IFRS is included in this Group of current projects. Changes in the IFRS are relevant and especially about the new potential classification (from four categories to two). We should mention that the IPSAS on Financial Instruments are complex for the Public Sector and specifically for accounting areas; and less for the areas of Treasury and Public Credit issuance; but accounting areas in general are not prepared</p>	<p>For this reason, we consider that firstly the current IPSASs on Financial Instruments should be adjusted to the Public Sector, and then see if they adjust to the new IFRSs, and we ask for prudence in this convergence.</p> <p>To try convergence without considering the real situation of the public sector will be a double effort as they will have to be adapted to the characteristics of said sector.</p>

	to deal with these issues yet.	
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Potential Projects	Comments	PS specific needs
Heritage Assets (public sector specific)	This has been an issue under study by the IPSASB for several years. We consider the same should be changed to <u>priority</u> .	This is one of the most requested issues by the Public Sector authorities. We think there has been great progress with the regulations of IPSAS 31 “Intangible Assets”, being it mandatory to disclose them in the Notes, if they cannot be reliably measured. This should be the concept applied to the standard on Heritage Assets, but we insist on the fact that its treatment should be priority, as it is of material importance for the Public Sector.
Small and Medium Enterprises (SMEs)	Within IPSASs, IPSAS 22 clearly defines Sectors. Even if said standard is optional, it groups the information according to GGS, and clearly defines the “governmental entities” within the GGS. Under said concept, it can be given <u>priority</u> and not be delayed until the Conceptual Framework for the Public Sector has been completed.	For the countries implementing IPSASs, it is a problem to implement IPSASs for “small and medium governmental entities” (it is suggested to replace the word Enterprises). Especially, small and medium municipalities (local governments), which have very limited accounting movements (small revenue, transfers received from central government and minimum municipal expenses) and not very complex transactions. They also have little technical background and equipment, which limit the integral application of IPSAS in very little municipalities. Thus, small and medium municipalities need a simplified framework adapted to the simplicity of their transactions as well as said limitations and weaknesses.
Social Benefits	This has been an issue under study by the IPSASB for several years. We consider the same should be changed to <u>priority</u> .	This is one of the mostly needed standards of the Public Sector, not only due to its specificity but also for its high incidence on the total budget of the Government.
Sovereign Powers and their impact on Financial Reporting	<u>Eliminate</u> the issue from potential projects	Taken as an isolated accounting concept from the reality where it is to be applied, it could be considered an intangible asset. But the real thing is this asset is peculiar for its measurement in the Public Sector,

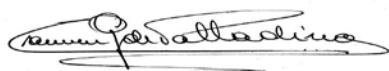
		<p>as it:</p> <ul style="list-style-type: none"> • Is not very reliable and • Can be used politically. <p>If to be considered in a future IPSAS, this will imply to give governments a tool to be used politically to adjust results to unrealistic positions.</p> <p>Prudence is suggested in said application as the future standard can become a boomerang against accountability and we would be dealing with a political aspect which we are not concerned with.</p>
Revenue recognition	Exchange revenue with tax nominations	<p>The Public Sector has a lot of Special Fees and Contributions which in most cases can be treated as non Exchange revenue (assimilated to Taxes), but in other cases represent sale of services (and sometimes goods).</p> <p>We think it is necessary to enlarge IPSAS 9 to explicitly include these cases which are material for the Public Sector (and are not dealt with in IFRS/IAS. For example, fees for the issuance of driving permits, lighting contributions, fees for vaccination, among others.</p>

NOT Contemplated Projects	Comments
Revision of IPSAS 11 Construction Contract	<p>This standard should be adapted to real situations of the Public Sector, such as:</p> <ul style="list-style-type: none"> • Construction of Works by administration (that is, undertaken by the PS entity) has materially decreased. • On the other side, contracts by the government of private entities for the performance of said works has increased, mainly through concessions. • Operations within the Public Sector in which a governmental entity (Ministry of Public Works) constructs or hires a private to construct, with its own Budget a school for the Ministry of Education and transfers it when it is finished. This origins a series of accounting movements which should be included in the standards • It is highly probable that if an entity performs works, either constructs or hires, the disposition of the asset in favor of a third party will be a non exchange transaction. <p>Basically the standard needs to be adjusted to these new situations and mostly to the fact that for PS entities the revenue could be null</p>

	<p>or insignificant in relation to the product delivered. To relate it to Works hired under concessions Systems. Enhance the concepts when the government hires the work from a third party under different characteristics to be considered, such as:</p> <ul style="list-style-type: none"> • Contract key in hand, where the third party (private) constructs and delivers the work finished, and at that moment the government implements its payment method X. • Contracts key in hand, but with regular payments by the government. • Contracts for work progress. • Treatment of financial advance payments.
Trust Funds (TF)	<p>TF are frequently used in the Public Sector as they are used to draw funds from the financial administrative circuit and manage them more independently, or at least with greater flexibility from the budgetary aspects. Said TF are constituted for different activities such as the construction of houses, schools and hospitals, projects defined by the government, and other objectives. TF have the characteristic of being considered by most of the national laws, as TF with own patrimony, as thus separated from the patrimony of the government by dependant from the contributions of the same. Their accounting treatment is not clear; some countries consider it as another accounting entity of the Government, taking it as a capital share, and others as a credit or account collectible due to the assets transferred to the TF, and its variations according to its participation in the net assets of said TF. It is noted that some do not register them, and only when transferring funds destined to a TF register directly an expense. We consider this a mistake. Most of the Latin American countries request treatment of this issue.</p>
Natural Resources (exploitable and under conservation)	<p>One of the main problems of the PS is Natural Resources. The same are not inventoried, there is no idea of which they are, and let alone of their value, but they are frequently granted for exploitation by third parties (gold and copper mines, sand extraction, oil exploitation, use of rivers and energy resource, use of waters). We consider that an organization such as the IPSASB should include in its agenda this issue for its accounting treatment, as they are probably the main assets of governments. Examples:</p> <ul style="list-style-type: none"> • The exploitation of open air gold mines in Argentina has led to a request from the justice to the Central Government of an inventory of the Glaciers (fresh Waters reservoirs)

	<p>due to the exploitation of the same for the extraction of gold from said mines.</p> <ul style="list-style-type: none"> • The exploitation of Paraguay River by the Government of Paraguay. • The contribution of Natural Resources (Paraná River) to the Joint Business “Ente Binacional Yacyreta” (Paraguay / Argentina). • The treatment of Waters reservoirs (Guarani aquifers) • The exploitation of forests. <p>Basically, a guideline should be provided in order to measure said assets when the same are exploited by third parties, because when the same are granted to be exploited the government ignores what to give and at what value, and thus if what it receives for the exploitation is at a reasonable value or it is granting the exploitation of the natural resources at a loss of value.</p> <p>To this respect, at least the guidelines should be defined to register said resources when the same are exploited, and then deal with said natural resources when at a conservation status. However, an integral treatment is recommended (resources exploited and under conservation).</p>
Infrastructure Assets	<p>We consider pertinent, due to its specificity, to develop a specific standard to deal with the registration, measurement and disclosure of infrastructure assets. Usually, this type of assets has not been registered in the accounts of any country, which requires not only larger implementation periods than those set for Property, Plant and Equipment, but also higher detail for depreciation, tear and wear, revaluations and, especially, to set precise limits for the treatment of improvements, which in most cases result in mere maintenance expenses of services potential (sometimes of generation of future economic benefits) of said assets.</p>

Regards,



Cont. Carmen Giachino de Palladino



Cont. Pablo Adrian Maroni.



International Public Sector Accounting Standards Board
Ms Stephenie Fox
IPSASB Technical Director
529 Fifth Avenue 6th Floor
New York, NY 10017
United States of America

31 October 2012

Dear Ms Fox,

Consultation on IPSASB Work Program 2013-2014

PwC welcomes the opportunity to respond to the consultation paper on IPSASB work program for 2013-2014, which addresses fundamental questions for the development of public sector accounting.

This response summarises the views of firms in the PricewaterhouseCoopers ('PwC') network that commented on the consultation paper. 'PwC' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

PwC is one of the world's largest accounting firm and services organisation. Since the first IPSAS adoption by the OECD (Organisation for Economic Co-operation and Development), we have been involved in large accounting reforms in international organisations and governments. We have developed a network of IPSAS specialists who have experience in implementing IPSAS. In this capacity, we are very committed to promoting good and transparent accounting as well as sound public finance management.

Moreover, the sovereign debt crisis is more than ever reinforcing the need for robust and transparent public accounting and financial reporting. In this context, this IPSASB consultation paper provides a unique opportunity to actively participate in the public debate and impact on the development of public accounting and financial reporting in the world.

PricewaterhouseCoopers International Limited
1 Embankment Place
London WC2N 6RH
T: +44 (0)20 7583 5000 / F: +44 (0)20 7822 4652



Our responses do not comment on the technical content of the various accounting topics which are included as current projects in the IPSASB work program or identified as additional potential projects. We only provide our views on the areas in which the IPSASB should place its focus when developing the IPSAS framework in order to meet the needs of its stakeholders.

We fully support the IPSASB's strategy in developing its work program for 2013-2014. Our responses to the specific questions in the consultation paper can be found in the Appendix to this letter.

If you would like to discuss any of these points in more detail, please contact Jan Stureson ((+46) 10 212 99 39), John Hitchins ((+44) 207 804 2497), Jean-Louis Rouvet ((+33) 1 56 57 85 78) or Patrice Schumesch ((+32) 2 710 40 28).

Yours sincerely,

PricewaterhouseCoopers IL

A handwritten signature in black ink, appearing to read "Ian Dilks".

Ian Dilks,
PwC Global Leader Policy and Public Affairs

Appendix: Response to the questions in the IPSASB consultation paper on its work program 2013-2014

1. Considering the potential projects identified and described in Appendix C of the consultation paper, in addition to the projects which are part of the IPSASB current work program, are there any other projects that you think need to be added to the list of potential projects?

We believe that the projects which are either part of the IPSASB's current work program, or which are identified as potential projects in Appendix C of the consultation paper, cover most of the important topics to be considered by the IPSASB in its work program.

For 2013-2014, the full focus should be on finalising the projects which are most critical to develop a high-quality framework which is comprehensive in the sense that it addresses the major accounting and financial reporting principles and topics that are relevant for public sector entities, and which is sufficiently tailored to address the specific characteristics of the public sector.

This will provide an adequate response to those who criticise the alignment of IPSASs to IFRSs on the grounds that certain accounting rules applicable to private sector companies are not suitable for governments and other public sector entities, and will greatly contribute to the credibility of the IPSAS framework and hence to its recognition as a global and widely accepted framework.

Keeping this objective in mind, we recommend putting additional projects on the agenda to deal with topics which are currently not specifically covered by a standard or for which divergent application by governments is noted in practice. We are in particular thinking of the following two topics:

- accounting for military weapons and equipment: whether and when should they be recognised as assets? how should they be classified and measured? and
- treatment of grants or other financial contribution/aid/funding from the perspective of the donor/contributor/lender: this project would address the accounting of non-exchange transactions by the transferor and might in certain circumstances involve the standards on financial instruments.

Because these items or transactions usually involve large amounts for governments, we believe that specific accounting guidance should be developed for them. This will enhance consistency of IPSAS application by governments and other public sector entities.

In order to be credible, the standards issued must not only be of a high quality, they must also follow an independent standard-setting process and gain the widest consensus. Oversight of the IPSASB is thus a key area of focus in the IPSAS rule-making process.

We believe the IPSASB should be careful not to take too much on its agenda to be able to finalise in the shortest possible time those projects that will be identified as the main priorities. Our views in terms of priorities are explained under question 2. below.

2. Which projects do you think the IPSASB should prioritize for 2013-2014? In your response you could consider providing your assessment of the 3 most important projects or a ranking of all projects on the list. Please explain the reasons for your answers.

We provide below our comments on the projects that should, in our view, be finalised in priority as part of the IPSASB 2013-2014 work program.

Priority n° 1

We agree with the IPSASB that developing a conceptual framework that addresses the unique characteristics of public sector entities should be priority number one on the IPSASB's agenda. A sound and robust conceptual framework that clarifies the concepts, definitions and principles that form the basis for the development of the accounting standards is the foundation of any accounting framework.

Primary users of IPSAS financial statements are the citizens and their representatives as well as funding providers. The information needs of these users and hence the objective of the IPSAS financial statements is therefore specific and this specificity should be adequately addressed in the standards. In this regard, we welcome the development of a conceptual framework which will help further achieve this objective. Completing this conceptual framework project will greatly add to the quality of the IPSAS framework and to its recognition by stakeholders around the world.

Priority n° 2

Completion of the conceptual framework should be accompanied by a review of existing standards to identify those that conflict with the framework and need to be amended, and prioritising the amendments to be made.

It should also be accompanied by an increased focus on some of the projects which are directly impacted by the principles defined in the framework and that have a potential significant impact on the IPSAS financial statements.

The first area of focus is consolidation. Clear rules and principles regarding the boundaries of the consolidation scope are important to produce financial statements that can serve the accountability and decision-making objectives of financial statements. The concept of control should be clearly defined taking into account the specific facts and circumstances of the public sector and a link should be made with the definition of a reporting entity addressed in the conceptual framework. From this perspective, revisions to IPSAS 6 'Consolidated and separate financial statements', IPSAS 7 'Investments in associates' and IPSAS 8 'Interests in joint ventures' should be finalised according to the initially defined timeline. The development of a standard addressing the issues specific to public sector combinations is also important to provide comprehensive rules and principles on consolidation matters.

The second area of focus relates to those other topics that may potentially significantly impact the financial statements of public sector entities reporting under IPSAS. In our view, the most important topics which may concern very large amounts, especially for governments, and are directly impacted by the definitions of assets and liabilities in the conceptual framework, are the following: 'Heritage assets', 'Sovereign powers and their impact on financial reporting' and 'Social benefits'. These topics are identified as additional potential projects in the consultation paper. Because of their potential significance, we believe that these projects should be added to

the IPSASB 2013-2014 work program. This is in line with the estimated number of new projects for 2013-2014 mentioned in the consultation paper.

Priority n° 3

The IPSASB 2013-2014 work program includes a project on public sector financial instruments. The recent financial crisis has led many governments to intervene in various ways, including by investing in financial institutions that needed capital injection or by purchasing so-called “toxic” financial assets. Governments at all levels often incur large amounts of borrowings to fund their activities, including their social programs or the construction of infrastructure assets. Public sector entities can also provide financial guarantees to banks and other fund providers, putting them at risk if the debtor defaults. With the recent financial crisis, financial guarantees have been provided by governments in many countries. This context increases the relevance of the IPSASB project. We recommend that this be conducted in coordination with the projects amending IPSAS 28 ‘Financial instruments: presentation’, IPSAS 29 ‘Financial instruments: recognition and measurement’ and IPSAS 30 ‘Financial instruments: disclosures’, as well as with the project on ‘Fair value measurement’, the latter not being part of the IPSAS current work program for 2013-2014.

Priority n°4

Another high priority project is the project on ‘IPSASs and government finance statistics reporting guidelines’. Many governments use the statistical basis of reporting to provide information which is suitable for analyzing and evaluating fiscal policy options and outcomes and to make national and international comparisons. Accounting and statistical reports provide complementary financial information that enables users to evaluate the performance of government and the economy as a whole. Accounting and statistical standards are both primarily accrual-based and are used to record the same transactions and events, although important differences arise due to differences in their underlying reporting objectives.

Highlighting the similarities and differences between IPSASs and the rules included in the government finance statistics manual 2008 (GFSM 2008), and working on a further alignment of the two sets of rules will facilitate understanding of IPSAS by a wider range of potential users and hence its adoption by governments around the world.

In this respect, we welcome the issuance by the IPSASB of its consultation paper on IPSASs and government finance statistics reporting guidelines.

Priority n° 5

Other projects that we consider critical are those projects that address issues specific to the public sector. These include projects that provide information that is complementary to the information included in the IPSAS financial statements and related notes. These are the projects on:

- ‘Reporting service performance’ which will provide financial and non-financial information about the achievement of the entity’s service delivery objectives during the reporting period;

- ‘Reporting on the long-term sustainability of public finances’ which will give prospective financial and non-financial information about its future service delivery activities, objectives and resource needs;
- ‘Financial statement discussion and analysis’, which will develop mandatory guidance on narrative information that accompanies financial statements.

Priority n° 6

As suggested under question 1, we would add the following two topics to the list of projects: accounting for military weapons and equipment, and treatment of grants or other financial contribution/aid/funding from the perspective of the donor/contributor/lender.

Next in terms of priority we would put the other public sector critical projects included by the IPSASB on its current work program, including the projects on ‘First-time adoption of accrual IPSASs’ and ‘Government business enterprises’.

3. Please provide any further comments you have on the IPSASB’s work program for 2013-2014.

We encourage the IPSASB to continue working cooperatively with the IASB to have alignment of IPSAS and IFRS for transactions and events that are not specific to the public sector. Where facts and circumstances are the same, we do not see any basis for having a different accounting treatment. In addition, more and more governments prepare consolidated accrual based accounts that include all their controlled entities, both entities reporting under IPSAS and GBEs reporting under IFRS; aligning the two sets of rules where appropriate should reduce the number of restatements on consolidation and hence facilitate the consolidation process.

Looking at the IFRS developments proactively is also important to ensure timely alignment of the two sets of rules where needed.

This recommendation does not negate the need to focus first on those accounting topics that are specific to public sector entities, and to develop standards that are sufficiently tailored to address the specific characteristics of the public sector.