

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Toronto, Canada

Meeting Date: June 17–20, 2013

Agenda Item 10

For:

☐ Approval

☒ Discussion

☒ Information

IPSASs and GFS Reporting Guidelines: Review of Responses

Objective of Agenda Item

1. To **discuss** an initial, high level review of responses to the consultation paper *IPSASs and Government Finance Statistics Reporting Guidelines* (CP) and **provide direction** on the issues identified and any further issues that arise during the discussion.

Materials Presented

Agenda Item 10.1	Issues Paper
Agenda Item 10.2	Overview of respondents by region, function and language
Agenda Item 10.3	Staff summary and collation of responses received
Previously distributed	CP, <i>IPSASs and Government Finance Statistics Reporting Guidelines</i>
Previously distributed	Copies of all responses received

Actions Requested

2. The IPSASB is asked to consider the significant issues in Agenda Item 10-1, and provide direction on next steps.

Background

1. CP, *IPSASs and Government Finance Statistics Reporting Guidelines* (CP) was issued in October 2012, with a request for comments by March 31, 2013. The CP was developed by a joint Task Force, chaired by Ian Carruthers. Task Forces Members are from both the IPSASB and the statistical community, including international organizations such as the IMF and Eurostat and country representatives from Brazil, the United Kingdom, South Africa, and Switzerland. Members are Sagé de Clerck (IMF), John Verrinder (Eurostat), André Schwaller (Swiss Federal Finance Administration), Lindy Bodewig, Marta Abilleira, Thomas Müller-Marqués Berger, Tim Youngberry, Bruno Fabrício Ferreira da Rocha (Brazilian National Treasury), and Karen Sanderson (United Kingdom Treasury).
2. 25 submissions on the CP have been received. Agenda Item 10.2 provides an analysis of the 25 respondents by region, function and language.
3. The CP identified five specific matters for comment (SMCs) and one preliminary view (PV1). Agenda Item 10.3 is a staff summary and collation of responses. Most respondents structured their responses around the five SMCs and PV1. The collation of responses at 10.3 broadly follows that structure, starting with general comments on the CP as a whole, and then responses to each of the SMCs and PV1. It also includes staff comment on issues raised, where appropriate. Staff have applied their views on whether responses support or oppose particular proposals in the CP to classify responses. These are staff views only. They do not reflect the views of IPSASB Members. Judgment has been applied by staff and, therefore, the analysis in this memorandum and the attached collation should be read in conjunction with the detailed responses.

Connection with Agenda Item 3, Update of IPSASs 6–8 Issues Paper

4. Staff responsible for two other projects—Update of IPSASs 6–8 and Government Business Enterprises—have reviewed the responses received on the CP for possible implications for those two projects. Agenda Item 3 discusses the responses received to SMC 5, which are relevant to the IPSASB's consideration of the *Update of IPSASs 6–8* project.

Overview of Issues

5. This Issues Paper, Agenda Item 10.1, provides a high level review of responses received. It begins with a discussion of respondents' General Comments in combination with their responses to SMC 3. It then considers the remaining SMCs in order, followed by PV1. The issues considered in this memorandum are:
 - 1) The IPSASB's role with respect to reduction of differences, including taking a more systematic approach to this (SMC 3);
 - 2) The extent of resolution of specific issues, and the basis for this assessment (SMC 1);
 - 3) Guidance on development of an integrated Chart of Accounts (SMC 2);
 - 4) Other areas where the IPSASB could address differences (SMC 4);
 - 5) Options for IPSAS 22, *Disclosure of Financial Information about the General Government Sector* (SMC 5); and
 - 6) Guidance in Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities* (PV 1).

6. As is noted below, the Task Force needs to review and discuss responses on specific issues, particularly those discussed under SMC 1 and SMC 4, before a more in-depth review of responses is provided. Task Force Members had an opportunity to comment on this summary, but it is, in large part, the responsibility of staff.

Key Issues

Issue 1 IPSASB's Role with Respect to Reducing Differences (General Comments and SMC 3)

7. Respondents mainly used their general comments to discuss the IPSASB's role with respect to reducing differences between IPSASs and GFS Reporting Guidelines, including whether they supported the overall aim of the CP. Given the main focus of respondents' general comments, these have been grouped with responses to SMC 3, which asked respondents:
 - (a) Whether they think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines; and
 - (b) If so, are there changes other than those listed in paragraph 5.4, which the IPSASB should consider adopting?

General Comments—Views on Reducing Differences

8. Respondents' General Comments provided reasons either in support of or opposing the reduction of differences. The main reasons in support of the reduction of differences were:
 - (a) More useful information (R9);
 - (b) Benefits that arise from integrating systems to produce the two types of reports, particularly improvements to timeliness and reliability (R13);
 - (c) Synergies for the reporting entity, as a result of an integrated information system, which also improves the quality of information thus enhancing understandability and credibility of both GPFS and GFS (R14);
 - (d) The same benefits as those listed in the CP (R18); and,
 - (e) Improvements to the quality and timeliness of GFS reports, while reducing their preparation costs (R24).
9. The main reasons for opposing an IPSASB focus on reducing differences were that this would:
 - (a) Undermine the IPSASB's development of high quality IPSASs appropriate for financial reporting, by introducing a factor (reduction of differences) unrelated to or inconsistent with GPFR objectives, the Conceptual Framework, and/or IFRS convergence (R11 and R20);
 - (b) Have the probable consequence of "...a drastic revision of the 32 existing standards" (R20); and,
 - (c) Involve a large amount of resources without achieving a successful outcome, given the underlying differences (R23).

Should the IPSASB Take a More Systematic Approach to Reducing Differences? (SMC 3(a))

10. Respondents' General Comments were, with only four exceptions, aligned with their views on whether or not the IPSASB should take a more systematic approach to reducing differences (SMC 3). If a respondent supported the reduction of differences in their general comments, then they also supported the IPSASB taking a more systematic approach to that effort. (The four exceptions were:

- (a) two respondents who supported reducing changes, but considered that no change needs to occur to the IPSASB's present approach (R14 and R24); one respondent who acknowledged the benefits of reducing differences but opposed making this a constraint on the IPSASB's standards development (R22); and one respondent who supported reducing changes, but did not respond to the specific matters for comment, so was noted as a "did not comment" for SMC 3 (R21).
11. 15 of the 25 respondents supported the IPSASB taking a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines (R1, R2, R4, R5, R6, R7, R8, R9, R10, R12, R13, R15, R16, R18, R19). The main reasons given for this support were:
- (a) Benefits from using IPSAS-based data for GFS reports (R1);
 - (b) This will help to reduce unnecessary differences (R8);
 - (c) Supports reconciliations between GFS reporting guidelines and IPSASs (R10);
 - (d) Provides useful information to both the preparers and users of financial statements and GFS reporting (R10); and,
 - (e) Helps stakeholders understand the conceptual differences between IPSASs and GFS in their standard setting processes (R10).
12. Eight respondents (R3, R11, R14, R17, R20, R22, R23, and R24) disagreed with the IPSASB taking a more systematic approach. Of these respondents four disagreed on the basis that the two types of reporting have different objectives (R11, R20, R22, and R24). Three expressed concern that taking a more systematic approach could undermine IPSASs (R1, R20, and R22). By contrast, R24 supported on-going dialogue, while also supporting, under SMC 3(b), specific ways to take a more systematic approach. As noted above, one respondent (R14) considered that the existing reference to supporting convergence, in the IPSASB's terms of reference, is sufficient. One respondent (R23) disagreed on the basis that the assets and liabilities have a different measurement basis, under the two reporting types. One respondent (R17) did not give a reason. One respondent (R3) argued against a focus on reducing differences, but also agreed with two of the specific changes proposed as ways to achieve a more systematic approach.

Support Conditional—No Negative Impact on More Important Considerations

13. Of the 15 respondents who agreed with the IPSASB taking a more systematic approach, seven stated that such support should not be at the expense of other, more important considerations (R1, R2, R9, R12, R13, R16 and R19). The General Comments of two further respondents (R10 and R15) indicated that their support for reduction of differences was also conditional on other considerations being a higher priority. The main higher priority factors identified were:
- (a) Consistency with the Conceptual Framework,
 - (b) IFRS convergence, and,
 - (c) Remaining true to financial reporting's objectives.
14. For these nine respondents their support could be described as *conditional* on the reduction of differences not impacting other, more important, IPSAS aims.
15. In other words, six of the respondents agreed with the IPSASB taking a more systematic approach, *without* commenting on qualifications for this support, nine agreed, on condition that reduction of differences not impact negatively on other considerations, and eight disagreed. (Two respondents did not comment).

Specific Changes Proposed and Further Changes (SMC 3(b))

16. The CP illustrated five possible changes to the IPSASB's standard-setting approach, which a more systematic approach could involve. The five changes, in paragraph 5.4 of the CP, were:
- (a) A positive commitment not only to avoid unnecessary differences between GFS and IPSASs and support their reduction, but to make the reduction of unnecessary differences a more important factor in the review and development of IPSASs;
 - (b) Development of criteria or broad policies that could guide the decision process that the IPSASB follows when considering issues that impact on GFS differences;
 - (c) GFS issues (i) considered regularly by the IPSASB, and (ii) where appropriate included in the biennial improvements projects that currently address IFRS changes and IPSAS standards-wide issues;
 - (d) Inclusion of reference to the reduction of differences, where appropriate, between IPSASs and GFS reporting guidelines in the IPSAS Handbook's preface¹; and
 - (e) Inclusion of GFS comparisons in all IPSASs, similar to the IFRS comparisons already included.
17. SMC 3(b) asked respondents whether there were any further changes which the IPSASB should consider adopting. 13 respondents did not identify further changes (R1, R2, R3, R4, R6, R9, R10, R12, R13, R16, R17, R19, and R24). Five respondents did identify further changes (R5, R7, R8, R15 and R18), while seven respondents did not comment (R11, R14, R20, R21, R22, R23, R25).
18. Of those identifying further changes, three (R7, R8 and R15) stated their support for an "integrated" approach similar to that used in Australia. (The Australian approach is one of the IPSAS 22 related options raised under SMC 5 and this issue is discussed further under SMC 5.) Of the other two respondents, one respondent (R5) emphasized that a clear policy statement on the role of GFS in the IPSAS framework needs to be developed, and this should be done as part of the finalization of the Conceptual Framework (R5). The other respondent (R18) stated that the IPSASB's Terms of Reference should be amended. That respondent also recommended that, where development of an IPSAS involved consideration of a difference between the IPSAS and GFS reporting guidelines, the Basis for Conclusions should explain the IPSASB's basis for its decision—whether or not that decision removes the difference.
19. Respondents were not asked to identify specific changes that they either supported or opposed. Some respondents did provide information on this, which has been noted and will be considered as part of the next discussion of issues. (For example, R16 questioned whether the annual improvements project was the right vehicle to address reduction of differences).

¹ The IPSASB's terms of reference note that, in pursuit of its objective, the IPSASB supports the convergence of international and national public sector accounting standards and the *convergence of accounting and statistical bases of financial reporting where appropriate*; and also promotes the acceptance of its standards and other publications. (*Italics added.*)

Action Requested:

1. Members are asked to
 - a) **Confirm** that a set of specific proposals on possible changes to the IPSASB's approach to standard setting, to take a more systematic approach to reducing differences between IPSASs and GFS Reporting Guidelines, should be brought back to the IPSASB for discussion, after further analysis and Task Force deliberation; and,
 - b) **Provide direction** on whether there are any particular approach changes that should be either included or excluded from the set of specific proposals.

Issue 2 Resolution of Issues that the CP Classified as Resolved (SMC 1)

SMC 1 (a) Are the Issues Resolved?

20. SMC 1(a) asked respondents whether they agreed that the issues categorized as resolved in Table 2 (Category A) are indeed resolved. Seven respondents agreed that the issues were resolved (R2, R4, R6, R7, R10, R14, and R24). Five partially agreed (R1, R5, R13, R15 and R17). Ten respondents did not agree (R8, R9, R11, R12, R16, R18, R19, R20, R22 and R23). Three respondents did not comment (R3, R21 and R25).
21. For the majority of disagreements, the reason for disagreement was the approach used to define resolution. From this perspective there were three main categories of disagreement. Respondents disagreed that an issue should be classified as resolved where:
 - (a) The CP's reason for resolution was that there is a GFS-aligned option in an IPSAS (see, for example, R9, R11, R12, R16, R20, R22 and R23);
 - (b) Alignment exists at the level of IPSASs and Reporting GFS Guidelines, but the respondent considers that, in practice, application of the IPSAS (or GFS Reporting Guideline) allows divergence (see, for example, R1, R8, R19, R20, and R22); and,
 - (c) Measurement differences (discussed in the CP) exist due to different approaches to deriving a current value measure (R1, R11, R22 and R23).

SMC 1 (b) Do Further IPSAS-GFS Reporting Guidelines Differences Need to be Added?

22. SMC 1(b) asked whether there were further differences between IPSASs and GFS reporting guidelines that should be added to the list in the CP. 12 respondents stated that there were further differences that should be added to the list (R1, R3, R6, R8, R9, R11, R12, R14, R15, R16, R19, and R23). Eight respondents stated that there are no further differences to add (R2, R4, R5, R7, R10, R13, R17 and R24). Five respondents did not comment (R18, R20, R21, R22 and R25). While R25 only provided general comments, those comments described issues related to different treatments of cash flows, which have been noted.
23. A more in-depth analysis of respondents' discussions of issues, with actions identified for consideration, will be provided to a subsequent IPSASB meeting.

Action Requested:

2. Members are asked to **note** that a more in-depth discussion of specific issues raised under SMC 1 will be provided for consideration at a future meeting.

Issue 3 Guidance on the Development of an Integrated Chart of Accounts (SMC 2)

24. SMC 2 asked respondents whether they agreed that the IPSASB, in conjunction with the statistical community, should develop guidance on the development of integrated Charts of Accounts, which would include:(i) an overview of the basic components of an integrated Chart of Accounts, and (ii) wider coverage such as that listed in paragraph 4.16 of this CP?
25. There was strong support for development of such guidance, with only one respondent (R23) disagreeing. 16 of the 23 respondents agreed that guidance on the development of integrated Charts of Accounts should be developed (R1, R2, R4, R5, R6, R7, R10, R11, R12, R13, R15, R16, R18, R19, R22, and R24). Seven respondents partially agreed with this proposal (R3, R8, R9, R14, R17, R21, and R20). The main reasons for partial agreement were that:
- (a) Respondents saw development of guidance as conditional on staff resource availability or other constraints, such as achievement of existing IPSASB work plan priorities (R3 and R8);
 - (b) Only some of the guidance proposed was supported (R9, R20 and R21); or
 - (c) Guidance was seen as beneficial, but less beneficial than another solution (R14).
26. Respondent 24 raised the possibility of a joint project with the statistical community to develop general guidance, noting that” “Within Europe, the on-going “European Public Sector Accounting Standards (EPSAS) project led by Eurostat will look at the feasibility of developing an EU-wide chart of accounts.”
27. The one respondent who disagreed with development of guidance did so on the basis that such guidance should only be developed after the statistical and IPSAS communities had been asked whether they would implement an integrated Chart of Accounts (R23). However, this respondent appears to have reacted to development of a full chart of accounts for global (mandatory) application to entities, which is not what the CP proposed.
28. Several respondents raised the benefits to be gained from the IPSASB developing an XBRL taxonomy (R8, R12, R14, and R19). For example, Respondent 8 stated that:
- We believe that eXtensible Business Reporting Language (XBRL) reporting may have an important role to play in future developments. We encourage the IPSASB to consider the development of a XBRL taxonomy in conjunction with any work it undertakes on a chart of accounts project.
29. Several respondents explicitly supported the view, expressed in the CP that Chart of Accounts work should remain at the high level of guidance rather than development of a global Chart of Accounts (R11, R15 and R19). Some respondents also provided further comment on the preferred focus for the guidance. For example, Respondent 9 stated that:
- ...a certain standardization of the accounting framework is desirable. For this an integrated Chart of Accounts is not necessary, but rather explanations of how one moves from one set of rules to the other to contribute to convergence. For example, it would be necessary in the 4th part of the Framework to mention what are the guidelines to be followed when designing a Chart of Accounts. It is not the task of the standard setter to issue these explanations.

Action Requested:

3. Members are asked to **provide direction** on development of a more specific proposal for *guidance* on the development of integrated Charts of Accounts, for the IPSASB's consideration at a subsequent meeting.

Issue 4 Other Areas Where IPSAS Changes Could Address Differences (SMC 4)

30. SMC 4 asked respondents whether there are any other areas where IPSAS changes could address GFS differences and, if so, to describe those areas. (This question follows paragraphs 5.5 to 5.19 of the CP, which identify IPSASB's Work Program options that could support governments' production of statistical information. The options included ways to address issues identified in Category B of Table 2 in the CP, which identified specific differences that could be addressed through IPSAS changes).
31. 17 of the 23 respondents considered that there were no further areas to be addressed. Five respondents identified further areas (R6, R8, R16, R19 and R20). Three respondents did not comment (R4, R21 and R25).
32. For two of the five respondents who identified further areas, the issues raised had already been identified under SMC 1, because they related to Category A issues (resolved) that the respondents considered unresolved (R6, R16). The further issues for resolution identified under SMC 4 were:
 - (a) Further progress on IFRS convergence, particularly development of an IFRS 9, *Financial Instruments* equivalent (R8 and R19);
 - (b) Two issues presently included in Category D i.e. issues that cannot be resolved (R19); and,
 - (c) A revision to IPSAS 22 (R20).
33. Seven respondents provided comment on particular options proposed in the CP (R1, R3, R14, R15, R16, R18, and R19). Comments generally either opposed or supported particular options. Two respondents supported the IPSASB working on consistent measurement (R3 and R16). Two respondents opposed the possibility of requiring or encouraging additional disclosures on fair value measurements in IPSASs, stating that this should be addressed through guidance rather than prescription (R3, R14, and R19). Comments received on a range of further issues were noted.
34. Staff proposes that further consideration of specific issues be carried out by the project's Task Force, and then this would be brought back to the IPSASB for discussion.

Action Requested:

4. Members are asked to **note** that a more in-depth discussion of specific issues raised under SMC 4 will be provided for consideration at a future meeting.

Issue 5 IPSAS 22 Options (SMC 5)

35. SMC 5 notes that the CP describes three options concerning IPSAS 22:

Option A, revisions to improve IPSAS 22;

Option B, withdrawal of IPSAS 22 without replacement; and,

Option C, replacement of IPSAS 22 with a new IPSAS.

36. The SMC then asks respondents (a) whether any further IPSAS 22 options should be considered and, if so, what those would be; and, (b) which of the options they consider that the IPSASB should consider adopting.

Further IPSAS 22 Options to Consider

37. Respondents generally did not have further IPSAS 22 options that they wanted the IPSASB to consider. 13 respondents indicated that there were no further options. Eight respondents did not comment. Only four respondents suggested further options (R2, R11, R19 and R22).

38. The further IPSAS 22 options proposed were to:

(a) Support IPSAS 22 by providing a separate document with guidance, such as that discussed under SMC 2 (R2);

(b) Include a reconciliations and/or narrative explaining the differences between the financial statement amounts and those in the GFS reports (R11 and R22); or,

(c) Make IPSAS 22 mandatory, before deciding its future (R19).

39. Three respondents also commented that the IPSASB's decision on IPSAS 22's future should be conditional on first gathering information about either the extent to which it is being applied (R3 and R14), or why governments have decided not to apply it (R23).

Support for Each IPSAS 22 Option

40. Respondents were split between the three options. Of the 25 respondents, eight respondents supported withdrawing IPSAS 22 without replacement (R1, R3, R4, R9, R10, R11, R22 and R23). Six respondents supported replacing IPSAS 22 with a new IPSAS (R5, R6, R8, R13, R15 and R16). Only three respondents supported revising IPSAS 22 (R2, R7 and R17), however two further respondents provided a mixed response which involved support for IPSAS 22 revisions, followed by the replacement option (R12 and R18). One respondent (R12) stated support for *either* a revised IPSAS 22 or a replacement IPSAS, and one respondent supported revision as a medium term solution, while stating that ultimately IPSAS 22 should be replaced (R18).

41. Of the eight respondents supporting withdrawal without replacement, four of the respondents (R11, R20, R22 and R23) were generally opposed to attempts to reduce differences between IPSASs and GFS reporting guidelines, viewing the two types of reporting as distinct separate spheres, as indicated by their responses to SMC 3 and their general comments.

Action Requested:

5. Members are asked to **provide direction** on next steps with respect to IPSAS 22.

Issue 6 Preliminary View 1, Guidance in Study 14

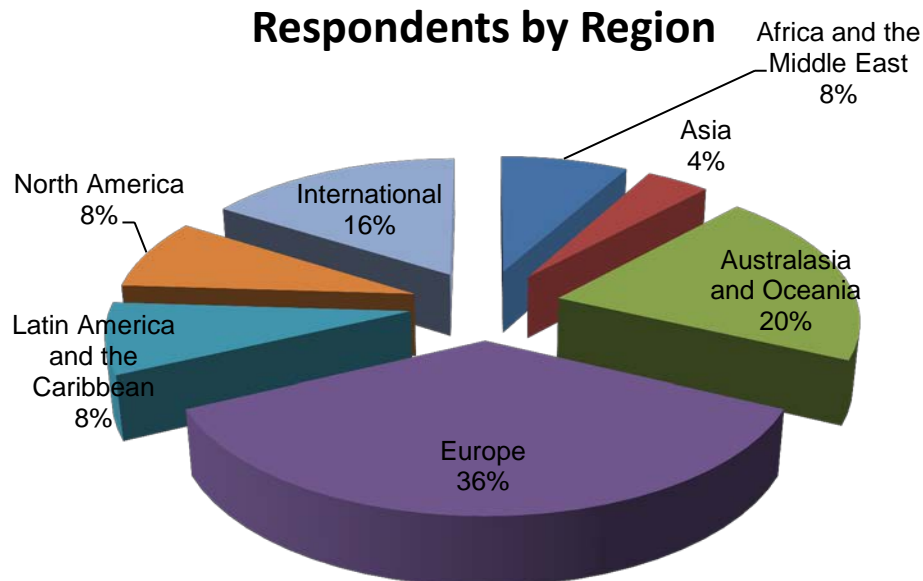
42. Respondents were asked for their views on Preliminary View 1 (PV 1), which states that:
- The IPSASB should amend Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*, to include a chapter on IPSAS options that reduce differences with GFS reporting guidelines.
43. There was good support for provision of guidance from the 16 respondents who provided commented on PV1. Ten respondents agreed with PV1 (R4, R5, R6, R8, R9, R10, R13, R17, R19 and R22). Two partially agreed (R3 and R14). Of the four respondents who disagreed with PV1, three of these four respondents supported provision of guidance (R2, R15 and R16), but considered that it should be located somewhere other than Study 14, either in a separate document, or in an IPSAS replacing IPSAS 22.
44. The respondents classified as “partially agreeing” (R3 and R14) supported provision of guidance, but opposed any guidance that linked accounting policy choices to reduction of differences between financial reporting and GFS reporting. (The CP’s description of the proposed guidance included guidance on choice of policy options that align with GFS reporting guidelines). By contrast, three of those agreeing with PV1 commented in favor of the guidance including coverage of choice of policy options that align with GFS reporting guidelines.
45. Only one respondent disagreed completely with providing guidance (R23). The basis for disagreement was that first “...the likelihood of governments preparing SNA reporting requirements should be evaluated”. It should be noted that some form of SNA is implemented in all national statistical systems. Governments that do not follow SNA would be subnational governments.
46. Nine respondents did not comment (R1, R7, R11, R12, R18, R20, R21, R24 and R25).

Action Requested:

6. Members are asked to **approve in principle** the development of guidance for inclusion in Study 14, consistent with PV1, conditional on consideration of competing work plan priorities and the availability of staff resources.

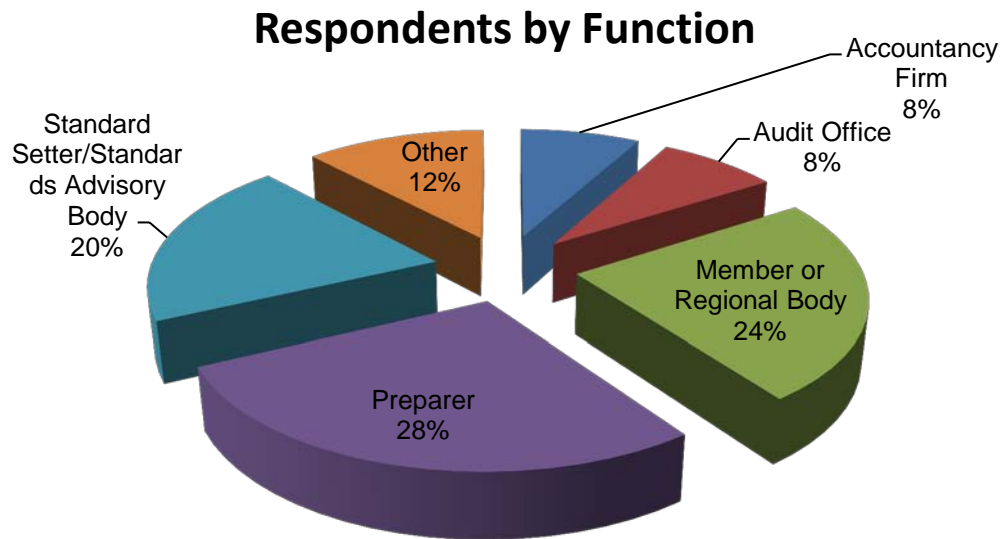
IPSASS AND GFS REPORTING GUIDELINES**Analysis of Respondents by Region, Function, and Language****Geographic Breakdown**

Region	Respondents	Total
Africa and the Middle East	14, 16	2
Asia	10	1
Australasia and Oceania	5, 6, 8, 15, 19	5
Europe	3, 9, 11, 13, 20, 21, 22, 24, 25	9
Latin America and the Caribbean	4, 17	2
North America	1, 23	2
International	2, 7, 12, 18	4
Total		25



Functional Breakdown

Function	Respondents	Total
Accountancy Firm	12, 18	2
Audit Office	5, 20	2
Member or Regional Body	3, 7, 8, 10, 13, 14	6
Preparer	4, 6, 11, 15, 21, 23, 24	7
Standard Setter/Standards Advisory Body	1, 9, 16, 19, 22	5
Other	2, 17, 25	3
Total		25

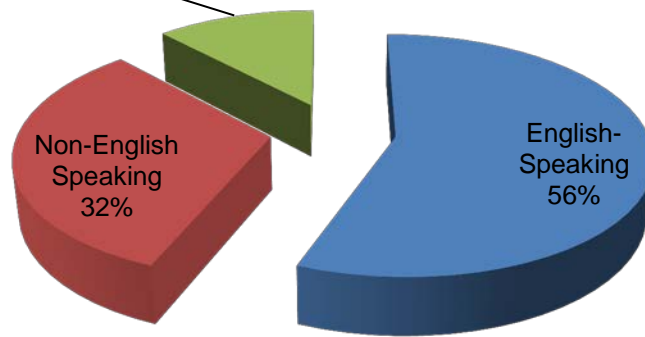


Linguistic Breakdown:

Language	Respondents	Total
English-Speaking	2, 5, 6, 7, 8, 12, 13, 14, 15, 16, 18, 19, 23, 25	14
Non-English Speaking	4, 5, 10, 11, 17, 20, 21, 22	8
Combination of English and Other	1, 3, 24	3
Total		25

Combination
of English
and Other
12%

Respondents by Language



STAFF SUMMARY OF RESPONSES TO CONSULTATION PAPER IPSASS AND GFS REPORTING GUIDELINES

Note: This paper includes extracts of each response received to the ED which have been grouped to identify respondents' views on the Specific Matters for Comment (SMCs) set out in the ED as well as the key issues identified by staff. In some cases, an extract may not do justice to the full response. This analysis should therefore be read in conjunction with the submissions themselves.

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List of Respondents:

Response #	Respondent Name	Country	Function
001	Staff of the Public Sector Accounting Board (PSAB)	Canada	Standard Setter/Standards Advisory Body
002	International Consortium on Governmental Financial Management (ICGFM)	International	Other
003	Institut der Wirtschaftsprüfer (IDW)	Germany	Member or Regional Body
004	Ministry of Public Finance of Guatemala	Guatemala	Preparer
005	Australasian Council of Auditors-General (ACAG)	Australia	Audit Office
006	Australian Bureau of Statistics	Australia	Preparer
007	Association of Chartered Certified Accountants (ACCA)	International	Member or Regional Body
008	Joint Accounting Bodies (CPA Australia, and Institute of Chartered Accountants Australia)	Australia	Member or Regional Body
009	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Switzerland	Standard Setter/Standards Advisory Body
010	The Japanese Institute of Certified Public Accountants (JICPA)	Japan	Member or Regional Body
011	Direction Générale des Finances Publiques (DGFIP)	France	Preparer
012	PricewaterhouseCoopers (PwC)	International	Accountancy Firm
013	Chartered Institute of Public Finance and Accountancy (CIPFA)	UK	Member or Regional Body
014	Institute of Certified Public Accountants of Kenya (ICPAK)	Kenya	Member or Regional Body
015	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)	Australia	Preparer
016	Staff of the Accounting Standards Board	South Africa	Standard Setter/Standards Advisory Body
017	Denise Silva Ferreira Juvenal	Brazil	Other
018	Ernst & Young	International	Accountancy Firm
019	Australian Accounting Standards Board (AASB)	Australia	Standard Setter/Standards Advisory Body
020	Cour des comptes	France	Audit Office

Staff Summary and Collation of Responses Received
IPSASB Meeting (June 2013)

Response #	Respondent Name	Country	Function
021	Ministry of Economy and Finance	Italy	Preparer
022	Conseil de Normalisation des Comptes Publics (CNOCP)	France	Standard Setter/Standards Advisory Body
023	Government, Province of British Columbia	Canada	Preparer
024	European Commission Directorate-General Budget and Directorate-General Eurostat (Joint Response)	International	Preparer & Standard Setter/Standards Advisory Body
025	Joe Cavanagh	UK	Other

General Comments on the ED:

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
001	Understanding that the objective of this project is to further reduce the differences between International Public Sector Accounting Standards (IPSASs) and public sector government finance statistics (GFS) reporting guidelines, it is important to note that due to some key conceptual differences, specifically those discussed in Table 1 of the consultation paper, it would be extremely difficult to reduce all the differences between the two reporting frameworks.	Noted: Key conceptual differences—extremely difficult to reduce all differences.
002	<p>We believe that the following general overview should have been emphasized in the Executive Summary to lay the foundation for the discussion in the CP:</p> <p><i>Developing the Accounting System</i></p> <p>“The government’s accounting system lies at the foundation of an FMIS and should meet certain recognized standards. While it is important that the system should be able to record more than just cash transactions, this does not imply a move to a full accrual basis of accounting which involves considerable costs in its introduction and maintenance. Rather, the output of the accounting system should match the information requirements demanded by the PFM system’s stage of development. Accordingly, a development path for the accounting system can be described as a progressive movement to full accruals: first getting cash accounting to work well; progressively integrating operating accounts and financial asset and liability accounts (to move to modified accruals); introducing more elements of accrual recording, and finally recognizing nonfinancial assets (final stage for accrual accounting). A further stage of development, to move to accrual accounting and budgeting, (currently attempted by only a very few countries), is perhaps best pursued after operating full accrual accounting for a period of time. The intermediate accrual stage (modified accruals) should be regarded as a reasonable target for LICs, and would allow them to satisfy international reporting requirements. In this regard, IPSAS cash and GFSM 2001 standards, met at least at the central government level, are the most relevant. The production of financial reports compliant with these international standards should be considered a benchmark output for a successfully functioning FMIS and a requirement for moving to further reforms beyond the “core”. ”</p> <p><i>Government Finance Statistics</i></p> <p>In order to collect comparable government finance statistics, the International Monetary Fund (IMF) issued the Government Finance Statistics Manual (GFSM 2001) to implement the System of National Accounts promulgated by the United Nations in 1993. “Although the GFS system is described in standard accounting terms, it is important to remember that it is a statistical reporting system that might differ in important ways from the underlying financial accounting system from which most of the GFS will be derived.” The GFSM requires the data to be collected on the accrual basis of accounting and to be reported in the following financial statements:</p> <ul style="list-style-type: none"> • Balance Sheet • Statement of Government Operations • Statement of Sources and Uses of Cash 	Respondent provides information on the transition from cash to accruals, differences between IPSASs and GFS reporting guidelines and implementation of IPSASs.

R#	<p style="text-align: center;">RESPONDENT COMMENTS GENERAL COMMENTS</p>	STAFF COMMENTS
002	<ul style="list-style-type: none"> • Statement of Other Economic Flows <p>Since many countries were not on the accrual basis of accounting, IMF issued a compilation guide for developing countries to assist these countries in transitioning from the prior requirement for cash reporting to the current requirement to report on the accrual basis of accounting. This Guide recommended that the GFSM 2001 methodology be implemented in the following four main stages (the time estimated to complete each stage is shown in parenthesis):</p> <ol style="list-style-type: none"> 1. Introducing the presentation (summary statements and detail tables) and classifications of the GFSM 2001 only for existing budget execution data, commonly referred to as adoption of the GFSM 2001 format (about one year); 2. Expanding the institutional and transactional coverage of GFS to include all general government (public) units, on a cash basis (2-4 years); 3. Expanding the coverage of GFS to include selected noncash items, commonly referred to as compiling GFS on a modified cash basis (3-5 years); and, 4. Expanding the coverage of GFS to cover all flows and stocks associated with general government (public) units, i.e., compilation of GFS on both a cash basis and an accrual basis for the whole general government (public) sector and its sub-sectors (10 years or more). <p>In Chapter 2 of the Guide referenced above, the IMF further recommends that consolidated financial statements for each of the following controlled entities be included in the financial statements of the controlling entity, as appropriate:</p> <ol style="list-style-type: none"> 5. General Government Sector (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. Includes the following: <ol style="list-style-type: none"> a) Central Government—the political authority of a country’s central government extends over the entire territory of the country. The central government can impose taxes on all resident institutional units and on non-resident units engaged in economic activities within the country. It also includes those expenses incurred on the provision of services primarily for the benefit of individual households (e.g. education and health). b) State Government c) Local Government d) Social Security 2. Public Financial Corporation Sector (PFC)—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. Includes the following: <ol style="list-style-type: none"> a) Monetary (e.g. Central Bank) b) Non-monetary 3. Public Non-Financial Corporation Sector (PNFC)—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 government owned entities that trade in goods and 	

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002	<p>services.</p> <p><i>The Accounting System</i></p> <p>The IPSAS identify which accounting elements are to be recognized and how these elements will be measured. The chart of accounts used in the accounting system will need to be robust enough to meet the needs of management as well as provide the data required for government finance statistics identified above. It is not necessary that the chart of accounts use the same coding as identified in the GFSM 2001 since the data for those codes can be derived electronically from the accounting system through the use of bridging tables. However, in those instances where there are differences in the way that the accounting elements are measured (i.e., historical cost in the IPSAS and current market prices in the GFSM), the data extracted from the accounting system will need to be adjusted for reporting in the statistical reporting system. The financial statements required to be prepared from the accounting system are as follows:</p> <p><i>Cash IPSAS</i></p> <p>Statement of Cash Receipts and Payments (with a separate column for budgetary comparisons or a separate Comparative Statement of Budget and Actual Amounts)</p> <p><i>Accrual IPSASs</i></p> <p>Comparative Statement of Budget and Actual Amounts</p> <p>Statement of Cash Flows</p> <p>Statement of Financial Position</p> <p>Statement of Financial Performance</p> <p>Statement of Changes in Equity/Net Assets</p> <p>The accrual IPSASs are based on the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) published by the International Accounting Standards Board and applicable to the private sector. The IAS/IFRS have been modified by the IPSAS Board, where appropriate, to adapt them to the public sector. If there are no applicable IAS/IFRS, separate IPSASs have been established. However, the Government Business Enterprises (GBEs) should adhere to the IAS/IFRS in a manner similar to that applied in the private sector. These are referred to as Public Corporations (financial and non-financial) in the GFSM.</p> <p>Since most countries around the world currently report on the cash or modified cash/modified accrual basis, developing countries intending to migrate to the accrual basis of accounting will generally accomplish this in stages for each of the government controlled entities identified in the GFSM 2001. Sequence and timing are only indicative and some countries or some elements within the country may follow a different sequence or proceed at a different pace. To transition to the accrual IPSAS, ICGFM has identified the following six main stages (the time estimated to complete each stage is shown in parenthesis):</p> <ol style="list-style-type: none"> 1. Preparing a Statement of Cash Position, as well as a Comparative Statement of Budget to Actual Amounts, for select entities within the central government (about 1 year). 2. Expanding the coverage to include a Statement of Cash Receipts and Payments, as well as a Comparative Statement of Budget to Actual Amounts, as prescribed in Part 1 of the Cash Basis IPSAS for the central government. However, it is not 	

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002	<p>expected that consolidated statements would be prepared at this stage. This is generally referred to as the Cash Basis (about 3 years). Preparation of financial statements for the other controlled entities within the GGS, as well as the public corporations, is delayed until later stages;</p> <ol style="list-style-type: none"> 3. Expanding the coverage to include financial assets and liabilities for central government in the format required for the statements prescribed by the accrual IPSAS above. Part 2 of the Cash Basis IPSAS can assist in this effort. This is generally referred to as the Modified Cash or Modified Accrual Basis; for ease in presentation, this will be referred to as the Modified Cash Basis in this Guide (3-5 years); 4. Expanding the coverage to include all assets and liabilities for the GBEs (public corporations in the GFSM literature). This is referred to as the full accrual basis of accounting in the format required for the statements prescribed by the IAS/IFRS (3-5 years). 5. Expanding the coverage in Stage 3 to include all assets and liabilities for general government in the format required for the statements prescribed by the accrual IPSAS above. This is generally referred to as the full accrual basis of accounting. Some developing countries may prefer to break Stage 5 into two sub-stages: 5a—simple accrual, basically tangible, non-heritage assets without anything complicated and 5b—all the IPSAS (which may not be achievable in the near term for many developing countries). (5-8 years); and 6. Expanding the coverage to include all assets and liabilities for all general government controlled entities and GBEs in the format required for the statements prescribed by the accrual IPSAS above. This is generally referred to as the full accrual basis of accounting (10 or more years). <p><i>Further general points (after SMCs):</i> In addition to including the above in the Executive Summary, we would like the following additional points considered:</p> <ol style="list-style-type: none"> a. (pg. 7, par. 1.1) GPFRs are subject to a financial audit by the SAI while the financial statements in the GFSM are not. b. (pg. 7, par. 1.2) IPSASs provide the foundation (recognition and measurement) for the accounting system while GFSSs could extract most of their information from the accounting system. This was alluded to in footnote 5 of the GFSM 2001 as noted above. c. (pg. 8, par. 1.6) There is also a Cash Basis IPSAS for those public sector entities that are not yet prepared to implement the accrual IPSASs. There is no similar requirement in the GFSM except for the preparation of a Statement of Sources and Application of Cash. d. (pg. 8, par. 1.7) A Compilation Guide for Developing Countries was issued by the IMF in September 2011 but IPSAS was not recognized until footnote 99, pg. 193 on valuation of nonfinancial assets. <p>(pg. 47, Box 1) The Cash Basis IPSAS is not mentioned.</p>	
003	<p>As an IFAC Member Body, the IDW has supported the IPSASB in its standard setting role in regard to the development of its suite of IPSASs for some time now. IPSASB pronouncements in relation to financial reporting are intended to meet the information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs (i.e., general purpose financial statements (GPFS) and general purpose financial reports (GPFR)). In contrast,</p>	<p>Noted: (1) Different users, different needs, so differences between the two frameworks will</p>

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003	<p>the bodies or authorities that require GFS reports for policy making purposes are in a position to specify their own particular needs. The paper rightly recognizes that the informational needs of these respective users diverge due to the nature of their different perspectives and economic decision-making capacities, and that as a result certain differences between the two frameworks remain inevitable.</p> <p>This notwithstanding, we are concerned that the paper does not make entirely clear whether fostering this initiative would mean the IPSASB is retaining or departing from its stance to date in regard to convergence of private and public sector standards. Given constituents' views in support of minimizing divergence from IFRSs, we believe that clarification about the compatibility of these two different objectives is needed. Unless there is sufficient clarity on this important issue, the paper may give rise to certain – likely diverging – expectations that may not, or cannot be met.</p> <p>Recent developments in Europe continue to underline the necessity for all policy makers in the public sector to have access to accurate and reliable public sector financial information. As a representative of the German auditing profession, the IDW would also like to emphasize the importance of audit and assurance engagements in this context.</p> <p>We are concerned that the wording of the last part of paragraph 1.7 “applying an independent audit to both the information systems and resulting information” could be understood as meaning that the IPSASB would advocate both the audit of a financial information system and of the GPFSS/GFS reports; i.e., three distinct audits. According to the International Standards on Auditing (ISAs), an audit of GPFSS involves the auditor performing certain audit procedures in relation to the entity's information systems in order to assess the risks of material misstatements and design further audit procedures responsive to assessed risks. (Here, we would like to emphasize that this does not constitute an audit of those systems). The exact audit procedures may vary with the circumstances of the entity and the auditor's risk assessment and audit approach.</p> <p>The fact that an auditor will be to some degree concerned with the entity's financial information system might ultimately, result in users perceiving that a degree of credibility attaches to GFS information when that GFS information has been derived from the entity's same information systems. However, the degree of credibility would depend heavily on the extent to which such systems were addressed as part of the financial statements' audit and the results of audit procedures performed. Therefore, whilst we agree with the statement that “Independent audit of IPSAS-based financial reports can enhance their usefulness for GFS purposes” in the last sentence of paragraph 2.1, we would like to caution that it is not possible to “quantify” such enhancement in any accurate measure, and that therefore any perceived enhancement may be difficult to assess meaningfully. The IPSASB needs to clarify that under current ISAs no audit of the financial information system as such is performed, and thus it would be inappropriate to suggest that the audit of an entity's financial statements could be relied upon in place of an assurance engagement on GFS reports. Nevertheless, when GPFSS are subject to independent audit, a degree of synergy could be expected in terms of work effort regarding any assurance engagements or other form of “validity” check that might be performed in respect of the GFS information.</p> <p>We further note that the last sentence of paragraph 2.25 states: “Statisticians' measurement practices can involve sampling, indexing to inflation, and other estimation techniques that generate different values from those produced by financial accountants.” As we do not have any information as to the extent to which such differences in measurement might be considered</p>	<p>remain. Users of GFS reports have the power to specify the reports required.</p> <p>(2) Importance of IFRS convergence. Be clear on this issue.</p> <p>Noted: Should not advocate audit of GFS reports. GPFSS audits do not audit the underlying systems.</p> <p>Noted: Do not imply greater credibility to GFS information than exists.</p> <p>Noted: Yes, independent audit does enhance the usefulness of IPSAS reports for GFS purposes, but this benefit cannot be quantified.</p> <p>Noted: Measurement differences should be drawn to attention of auditing and assurance standard setters.</p>

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	<p>as material to financial statement users, we believe that this may be an issue which ought to be drawn to the attention of auditing and assurance standard setters.</p> <p>These are, however, both issues that auditing and assurance standard setters would need to consider and possibly address in auditing or other assurance standards.</p> <p>We would be pleased to answer any questions that you may have or discuss any aspect of this letter.</p>	
004	<i>No General Comments.</i>	
005	<i>No General Comments.</i>	
006	<p><u>Paragraph 5.10: Subscriptions</u> - The IPSASB paper misinterprets 2008 SNA. The SNA says that payments could be transfers, payments for service or equity (negative language has been used so this may have caused the confusion). The ESA outlines that the payments should be recorded as grants (transfer) where they are for non-concessional loans, and as equity where they are for concessional loans. The revised GFS Manual further clarifies that payments should be treated as equity where there is a possibility of repayment and as transfers where the payments are unrequited (paragraph 6.40).</p> <ul style="list-style-type: none"> • 22.100 In a few cases, membership dues and subscription fees payable to international organizations may not be treated as transfers but as payments for a service, recorded on an accrual basis. Exceptionally, and when there is a possibility even if unlikely, of repayment of the full amount, the payment may represent the acquisition of a financial asset. (2008 SNA) 	Noted (SMC 1; Table 2 showing specific issues.)
007	<i>No General Comments.</i>	
008	<p>The CP includes a discussion of possible ways that the IPSASB could support the reduction of unnecessary differences between IPSASs and GFS reporting guidelines. We are advocates for a single integrated accounting standard that specifies requirements for both whole of government financial reports and general government sector (GGS) financial reports as we believe it is this approach that best reflects the relationship between the various organizations. Australia's state, territory and national governments are managed using GGS information prepared on a partial consolidation basis (i.e., budget information). We believe it appropriate that AASB 1049 require each of those governments to prepare a whole of government financial report in accordance with consolidation requirements, and thereby separately recognize assets, liabilities, income, expenses and cash flows of all entities under their control on a line-by-line basis. Further, given the importance of the budget information and the fact that AASB 1049 itself prescribes the particular requirements for the scope of the GGS and form and content of the GGS financial report, we are comfortable with the approach taken in Australia whereby:</p> <ul style="list-style-type: none"> • only government controlled entities that fall within the boundary of a GGS are consolidated in a GGS financial report; and • the accounting standard does not specify whether: <ul style="list-style-type: none"> ○ the GGS is a reporting entity; 	Noted: Support for integrated (Australian) approach: a single, integrated accounting standard. <u>Reasons</u> noted.

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	<ul style="list-style-type: none"> ○ a financial report of the GGS that is prepared in accordance with the accounting standard is a general purpose financial report. 	
009	<p>In principle the SRS-CSPCP welcomes the fact that the IPSASB is addressing the differences with the rules of finance statistics. A narrowing of the gap between GFS and IPSAS is useful for the reader of financial statements and finance statistics. As mentioned in the CP, differences exist in various areas. As the objectives of finance statistics and financial statements are not the same, although differences between the two can be narrowed, they cannot be eliminated entirely. Care must be taken that neither the financial statements nor the finance statistics are falsified or misleading, but remain true to their objectives. This is particularly important in respect of valuation principles and the scope of consolidation.</p>	<p>Noted: Support for reducing differences; benefit is useful information. Take care both remain true to their objectives.</p>
010	<p><i>The importance of historical cost basis:</i> We request the IPSASB to ensure that, while proceeding with this project, the revision of the existing IPSASs would reflect the objectives of Conceptual Framework that is currently under consideration. In particular, we emphasize the importance of historical cost for IPSASs, when aligning IPSASs with Government Finance Statistics (GFS), which requires market price basis for the measurement of assets.</p> <p>We understand that the revaluation model (subsequent measurement of fixed assets) is optional for entities under the current IPSASs. However, even when the entities apply the revaluation model, we believe that they still need to retain historical cost data (see paragraphs 54 and 55 of IPSAS 17 <i>Property, Plant, and Equipment</i>), as we will explain below in “Other Comments.”</p> <p><i>Maintaining a close relationship to the IFRSs:</i> We also request the IPSASB to ensure that the IPSASs would not deviate from the IFRSs, when reducing the differences between IPSASs and GFS.</p> <p><i>Information required when entities choose to apply revaluation model:</i> Paragraphs 54 and 55 of IPSAS 17, <i>Property, Plant, and Equipment</i> prescribe the application of the revaluation model as follows:</p> <p>54. If the carrying amount of a class of assets is increased as a result of a revaluation, the increase shall be credited directly to revaluation surplus. However, the increase shall be recognized in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognized in surplus or deficit.</p> <p>55. If the carrying amount of a class of assets is decreased as a result of a revaluation, the decrease shall be recognized in surplus or deficit. However, the decrease shall be debited directly to revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that class of assets.</p> <p>Under the current requirements shown above, if the entity chooses to apply revaluation model, it would still need to retain the information on historical cost, fair value and revaluation process for each class of assets.</p> <p>These IPSASs require an entity to credit directly to revaluation surplus (net assets) when the carrying amount of a class of assets is increased as a result of a revaluation, or to recognize in surplus or deficit when the carrying amount is decreased. If the entity previously recognized revaluation deficit, the increase shall be recognized in surplus or deficit to the extent of the deficit of</p>	<p>Noted: IPSASs should reflect the Conceptual Framework, in particular use of historic cost.</p> <p>Noted: Do not deviate from IFRS</p>

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	the same class of assets. On the other hand, if the entity previously recognized revaluation surplus, the decrease shall be debited to revaluation surplus.	
011	<p>The “Direction générale des finances publiques”, the DGFIP (the French Directorate of the public finance) is not convinced of the usefulness of the CP, and the meaning of the convergence of IPSAS (International Public Sector Accounting Standards) towards Government Finance Statistics (GFS). Indeed, the purposes of GFS and IPSASs differ on their objectives (I) and on their scopes (II). So, the founding principles are not convergent (III). Accordingly, we consider that the convergence approach for accounting rules that apply to both reporting frameworks is not relevant.</p> <p><i>1. Divergent objectives</i></p> <p>National accounting is designed specifically to meet the needs of statistics and macroeconomic analysis of institutional units, while accrual accounting assesses an entity's economic financial performance defined as a "reporting unit".</p> <p>Thus, the System of National Accounts, the SNA, <i>"is designed for economic analysis, decision taking and peacemaking, whatever the industrial structure or stage of economic development reached by a country"</i> (2008 SNA §1.4).</p> <p>The Government Finance Statistic Manual, the GFSM, which is inspired from the SNA (<i>SNA focuses on the production and consumption of goods and services whereas the GFS focuses on net financial purpose of the transaction (taxes, expenditures, debts and loan)</i>), is designed for public sector analysis and aims to evaluate the economic impacts of public policies and to enable comparisons with other countries.</p> <p>IPSASs are widely inspired from the IFRS (International Financial Reporting standards) that apply to private sector. IPSASs aim to <i>"provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources"</i>(IPSAS 1§15.).</p> <p><i>2. Divergent scopes</i></p> <p>The SNA is based on the notion of institutional unit and excludes non resident institutional units. It presents aggregated statistical data broken down into five sectors:</p> <ul style="list-style-type: none"> - The non-financial corporations sector; - The financial corporations sector; - The general government sector, including social security funds; - The non profit institutions serving households sector (NPISHs); - The households sector. <p>Each of the five institutional sectors listed above may be also divided into subsectors. The non-financial and financial corporations sectors are divided to distinguish corporations controlled by government units, the Government Business Enterprises, GBEs, and the others.</p> <p>The General Government Sector (GGS) includes all government units and non profit institutions, NPIs, non-market, controlled</p>	Noted: Convergence approach <u>not relevant</u> , because GFS and IPSASs differ in objectives and scope, with resulting differences in information provided.

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011	<p>and mainly financed by government units (2008 SNA §22.15 and seq.).</p> <p>The SNA provides a composite sector referred to as the “public sector” consisting of the general government units and institutional units subject to their control, GBEs that mainly commit in commercial activities.</p> <p>The GGS and the public sector used by the GFS are identical to those defined in SNA (GFSM §2.5). Measurement principles are also very similar.</p> <p>However, IPSASs are designed to apply to the general purpose financial statements of all public sector entities, except GBEs, which apply IFRS. According to the preface to IPSASs (§12), public sector entities include national governments, regional governments, local governments and their component entities. Nevertheless, GBEs are included in the scope of consolidated financial statements when they are controlled by the reporting entity.</p> <p>Indeed, according to IPSAS 6, the definition of the scope of consolidated financial statements relies on control criterion. IPSAS6 §7 defines control as « <i>the power to govern the financial and operating policies of an entity so as to benefit from its activities</i> ».</p> <p>Thus, according to IPSASs, the scope of consolidated financial statements includes all controlled entities of the reporting entity, regardless of their activity or residence.</p> <p>Therefore, it results from above that the GGS, as well as the composite "public sector", such as defined by the GFS, have no equivalent in the IPSAS because there is no systematic link of control between the entities included in GGS units. The 2008 SNA §4.117 stipulates that « <i>Government units are unique kinds of legal entities established by political processes that have legislative, judicial or executive authority over other institutional units within a given area. Viewed as institutional units, the principal functions of government are to assume responsibility for the provision of goods and services to the community or to individual households and to finance their provision out of taxation or other incomes, to redistribute income and wealth by means of transfers, and to engage in non-market production</i> ».</p> <p>For instance, in France, taking into account the constitutional organisation of the public sector and, in particular, the principle of self-government of local authorities, there is no link of control between the central government and these local authorities.</p> <p><i>3. Due to these fundamental divergences, financial information provided using these standards is therefore necessarily different.</i></p> <p>Because of discrepancies in fundamental objectives, data sources differ in both standards.</p> <p>According to IPSAS, transactions and other events are recognised in financial statements when they occur.</p> <p>Ideally, general financial statistic data lean on identical data sources (accounting documents and detailed financial statements of governments units). However, depending on the circumstances, other data sources, such as budget outturn documents, statistical surveys, as well as local authorities' statistical data might be used.</p> <p>Following the arguments set out above, principles and accounting rules are divergent as pointed out in the CP. The main accounting rules concerned by these discrepancies are as follow:</p> <ul style="list-style-type: none"> - In the GFS, to maintain symmetry for both parties to the transaction, some provisions recognised in IPSAS reporting may not be recognised under GFS reporting (e.g. restructuring provisions), 	

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	<p>- The GFS requires flows and stocks to be measured at the market value prices (with the ability to use alternative values if there is no active market), while IPSASs allow the use of several valuation methods (fair value, historical cost and other alternative valuation methods).</p>	
012	<p>We do not comment on the differences between IPSAS and GFS rules. We however provide our view on the matters that should be considered, and the principles that should be followed when the IPSASB works and decides on the convergence with GFS rules. We believe that harmonizing IPSAS and GFS reporting guidelines has value, but this should not be at the expense of developing and applying the highest quality standards. Development of new standards by the IPSASB and selection of accounting policies by the government entity should always be driven by this primary objective. Revision of GFS should also be explored to achieve greater alignment with IPSAS. Furthermore, convergence with IFRS should be considered.</p>	<p>Noted: Yes, but not at expense of high quality standards. Revisions to GFS important. IFRS convergence important.</p>
013	<p>CIPFA agrees with the descriptive material in the introduction to this paper which sets out the general background to government finance statistics (GFS) and general purpose financial reporting (GFPR) by governments.</p> <p>CIPFA also agrees that there are potential benefits from integrating the systems which governments use to produce GFS and GFPR. While our principal concern is that both sets of reports are produced in a timely way and are reliable, CIPFA support convergence between IPSAS and GFS where this can be achieved without disproportionate effort, and the resulting reporting for both IPSAS and GFS still fulfil its underlying objectives.</p> <p>We would note that most of the development since 2005 seems to have been on the part of IPSASB. While this also reflects some improvement in IPSAS, we would envisage that in future some further harmonization will be occurring as a result of initiatives on the GFS side.</p>	<p>Noted: Support convergence so long as: (a) without disproportionate effort, and (b) they fulfil their objectives.</p> <p>Noted: Benefits to integrating systems to produce the two reports.</p>
014	<p>The Institute believes that quest towards harmonization of IPSASs and GFS portend numerous advantages. We certainly agree that an integrated financial information system, which is able to generate historical financial data for both the preparation of IPSAS financial statements General Purpose Financial Statements (GPFS) as well as the financial information to be reported under Government Finance Statistics (GFS) creates synergies for the reporting entity while also improving the quality of information thus enhancing understandability and credibility of both GPFS and GFS.</p>	<p>Noted: Reasons to support harmonization.</p>
015	<p>A majority of HoTARAC jurisdictions fully supports the project to harmonise International Public Sector Accounting Standards (IPSASs) and Government Finance Statistics (GFS) reporting. HoTARAC commends the Taskforce for the thorough analysis of the differences between IPSASs and GFS in the consultation paper (CP) and the development of strategies on how these can be reduced.</p> <p>In the HoTARAC majority view, this project would be facilitated by including the requirements for harmonization in the IPSAS accounting framework. To this end, it strongly supports the option discussed in paragraphs 5.20 and 5.26 of withdrawing IPSAS 22 <i>Disclosure of Financial Information About the General Government Sector</i> and replacing it with the integrated approach taken</p>	<p>Noted: Support for harmonization.</p> <p>Support for integrated</p>

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	<p>under the Australian accounting standard AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i>.</p> <p>HoTARAC welcomes the approaches considered in paragraph 5.4 to develop a more systematic approach to minimising IPSAS/GFS differences and a majority of HoTARAC jurisdictions believe this structured approach would be supported by a flexible reporting format to assist the production of harmonized GFS/IPSAS financial reports (as per AASB 1049). This type of joint IPSAS/GFS presentation, subject to the outcome of the IPSASB conceptual framework on presentation, would allow flexibility to take account of jurisdictions' circumstances and yet allow comparability. Further, the selection of GFS compliant options where these are available and the disclosure of remaining differences between the two frameworks would provide a useful approach to manage other differences. In addition to providing valuable information to users, the HoTARAC majority believes this will also facilitate the comparison with budget amounts required under IPSAS 24 <i>Presentation of Budget Information in Financial Statements</i> and the strategy considered in the CP of guidance on integrating the IPSAS/GFS chart of accounts through the preparation of an integrated report.</p> <p>A minority of HoTARAC jurisdictions does not support harmonising GFS and IPSAS reporting. The HoTARAC minority believes that the Australian experience in preparing harmonised statements under AASB 1049 have not met the needs of accountants or economists and does not see the value in the IPSASB following this approach as, in their view, it does not provide useful information to users.</p> <p>HoTARAC agrees that SNA 2008 and changes to IPSAS will reduce the differences identified in <i>International Public Sector Accounting Standards (IPSASs) and Statistical Bases of Financial Reporting: An Analysis of Differences and Recommendations for Convergence</i> (the 2005 Research Report). However, consideration should be given to compiling a list of IPSAS/GFS differences that may have emerged since then as result of changes to IPSAS since 2005 to make the table of differences and strategies for their resolution as comprehensive as possible.</p> <p>A HoTARAC majority recommends consideration of a long term objective, that the convergence projects on IPSAS/IFRS and IPSAS/GFS be integrated where possible and that reduction of IPSAS/GFS differences be considered in addition to converging with IFRS. For example, adoption of a comprehensive income approach for IPSAS 1 <i>Presentation of Financial Statements</i>, aligning with IAS 1 <i>Presentation of Financial Statements</i>, could assist in progressing issue B8 (and B9) by enabling the reinstatement of the IPSAS project to split comprehensive income into two components aligned with transactions and other economic flows. HoTARAC would further recommend that the IPSASB consider opportunities to harmonise IPSAS and GFS where a public sector issue that warrants departure from IFRS under the criteria of the document <i>Process for Reviewing and Modifying IASB Documents</i> is identified, and in the development of IPSASs for public sector specific projects.</p> <p>A HoTARAC minority does not fully support this recommendation. The minority is uncertain whether it is practicable for IPSASB to implement this recommendation given that GFS is a tool for macroeconomic assessment of Government performance, rather than the financial performance of individual entities. The HoTARAC minority would prefer the IPSASB to focus more on convergence with International Financial Reporting Standards (IFRS), with GFS harmonisation secondary to this goal. The majority of HoTARAC jurisdictions is of the view that the IPSASB should pursue GFS convergence to the extent this is based on</p>	<p>(Australian) approach.</p> <p>Support for more systematic approach, but also link to an AASB 1049 type Standard.</p> <p>Reasons to support a particular approach to presentation.</p> <p>Note: Suggestion that IFRS convergence will support GFS harmonization.</p> <p>Note: A HoTARAC minority does not agree.</p>

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	sound conceptual principles for general purpose financial reports and does not see this as impacting on IFRS convergence. At least one jurisdiction consider the convergence of the IPSAS and GFS frameworks complementary.	
015	<i>Other Comments:</i> Paragraph 6.11 states in respect of item C3: decommissioning/restoration costs, that revisions in the 2008 SNA that include decommissioning/restoration cost as costs incurred on acquisition and disposal removes a difference with IPSAS. HoTARAC agrees that the 2008 SNA revisions bring GFS closer to IPSAS 17 <i>Property, plant and equipment</i> , but notes that the asset and liability are offset under GFS, so the change will not fully resolve the difference. HoTARAC also understands the SNA 2008 does not extend the recognition of decommissioning/make good cost treatment to other constructive liabilities that may be recognised under IPSAS.	Noted: Table 2 showing specific issues, disagreement with description of C3.
016	<i>Other matters</i> <ul style="list-style-type: none"> In paragraph 1.6, the IPSASs are described as if they are developed to address the financial reporting needs of the public sector. IPSASs are developed to address the needs of the users of those accounts rather than the needs of the preparers. We suggest the wording be amended as follows: “.....the financial reporting <u>requirements for</u> needs of public sector entities....” Both paragraph 1.2 and 1.7 refer to the importance of financial information systems in deriving IPSAS and GFS information. We suggest this concept be brought into paragraph 2.1 as well – “....IPSAS-based financial reporting information <u>and systems</u> can be used as a” Table 1 – Realised and unrealised gains and losses: we suggest that the acronym “PP&E” be explained as some readers may not be familiar with the term. The last part of this section mentions that the market value changes for PP&E are not reported at all. However under the heading “Fair value, historic cost and other bases” it states that entities are encouraged to disclose fair values. We suggest the following amendment be made to the last sentence under the heading “Realised and unrealised gains and losses” – “....are not reported at all <u>unless the reporting entity elects to do so.</u>” It is unclear why segment reporting is discussed in paragraph 2.15 as this section deals with the “reporting entity” and differences between the control approach and that applied in the GGS. In addition, we question the accuracy of the reference to IPSAS 22 in paragraph 2.48, should it not refer to IPSAS 18? The last sentence in paragraph 2.42 states that IPSAS does not specify the number of years involved in adjustments to prior period figures for policy changes and errors. This is incorrect. IPSAS 3 provides specific guidance on the adjustments required to the prior period and or opening balance of the prior period. 	<p>Noted: Wording changes for Section 1 of the CP.</p> <p>Noted: Wording changes for Section 2 of the CP.</p>
017	<i>No General Comments.</i>	
018	We support the IPSASB’s efforts to harmonize International Public Sector Accounting Standards (IPSASs) for accrual-based financial statements and Government Finance Statistics (GFS) reporting guidelines. As mentioned in the Introduction of the CP, we believe that significant benefits, as listed in paragraph 1.2 of the CP, can be gained from generating IPSAS financial	Noted: Support for

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018	<p>statements and GFS reports using a single integrated financial information system.</p> <p>However, we do have concerns regarding how issues are categorized as resolved as a result of differences in the two frameworks and the development of the basic components of an integrated Chart of Accounts. Further, we believe that in order to facilitate the systematic approach to address GFS differences, a 'Rules of the Road' process guideline would be needed to guide the IPSASB's decision process when developing IPSASs and considering GFS differences.</p> <p><i>Resolution of differences between IPSASs and GFS reporting guidelines</i></p> <p>We are concerned that it is not clear to what extent that the issues identified as resolved in Table 2 (pg 22) are indeed resolved. For example issue A8, even though it is noted that 2008 SNA revisions are aligned with IAS 38 <i>Intangible Assets</i>, C6 indicates that there are some possible differences in practice, also, D 12 notes that there are differences in terms of the definition of 'research', which would indicate that research costs that are required to be expensed under IPSAS 31 may not always be expensed under GFS reporting guidelines. Further, paragraph 6.20 identifies a further difference in 2008 SNA as a result of the lack of guidance in 2008 SNA on internally generated intangible assets, which in practice would allow capitalization of internally generated intangible assets that IPSAS 31 does not allow for capitalization.</p> <p>In addition, it will be helpful for users to fully understand the extent of the resolution of issues, and for the IPSASB to continue resolving the issues, if the issues are categorised into '<u>Differences arising from conceptual differences</u>' versus '<u>Differences not arising from conceptual differences</u>'. Using this categorization as a starting point, the IPSASB can then consider the different methods and levels (e.g. conceptual vs. standard level; recognition, measurement options or presentation/disclosure options) at which to resolve remaining differences.</p> <p><i>Development of integrated Chart of Accounts</i></p> <p>We support the development of an overview of the basic components of integrated charts of accounts (CoA) in conjunction with the statistical community. We are also of the view that a single, standard CoA with a "one size fits all" approach would not be feasible for all jurisdictions with the differences as discussed in paragraph 4.12. Therefore we do not support the IPSASB developing guidance on the wider set of issues related to development of an integrated CoA as outlined in paragraph 4.16. These issues (e.g. paragraph 4.16(b)) are often jurisdictional and entity-specific, and there needs to be adequate room for jurisdictional and entity specific circumstances to be dealt with.</p> <p>Paragraph 4.13 notes briefly the development of an IPSAS Taxonomy for XBRL, i.e. an XBRL representation of IPSASs, which we would strongly encourage the IPSASB to develop or work in conjunction with others to develop. In our view, an IPSAS taxonomy would support developing an integrated Chart of Accounts, and could be realized by building an extension on the IFRS taxonomy.</p>	<p>harmonization (benefits as stated in the CP), but Rules of Road needed</p> <p>Concern: (a) classification of issues, (b) development of Chart of Accounts.</p> <p>Noted: SMC 1; Table 2: disagreement with A8 given scope for differences in practice, as stated under C6.</p> <p>Note distinction used with respect to classification of issues.</p> <p>CoA comments.</p> <p>Note: IPSAS taxonomy for XBRL needed</p>
019	<p>With respect to the identification of differences between IPSASs and GFS reporting guidelines and their resolution, the AASB agrees with the way many of the issues are categorised as resolved in Table 2 of the CP. However, the AASB would prefer that assessments of resolution are based on the alignment of principles, rather than practical application alone.</p>	<p>Conceptual Framework and IFRS Convergence</p>

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	<p>In regard to reducing differences between IPSASs and GFS reporting guidelines, the AASB suggests the IPSASB consider taking a more systematic approach within the broad Conceptual Framework context of ensuring general purpose financial statements provide useful information to users. Consistent with this view and the IPSASB's approach to updating its Standards (see, for example, the IPSASB document <i>Process for Reviewing and Modifying IASB Documents</i>), the AASB suggests that undue emphasis is not placed on GFS convergence at the expense of IFRS convergence.</p> <p>In regard to potentially using fair value disclosures in the financial statements as a way of addressing certain IPSAS/GFS measurement basis differences, the AASB is concerned that such an approach would not be appropriate, since financial statement disclosures may require more costly measurements to meet qualitative characteristics than estimates incorporated into GFS measures.</p> <p>In addressing the future of IPSAS 22 <i>Disclosure of Financial Information about the General Government Sector</i>, before contemplating making improvements to that Standard, the AASB suggests the IPSASB should first obtain evidence of the effectiveness of its principles. Given the low uptake of IPSAS 22, this evidence could be collected only after making IPSAS 22 mandatory. Accordingly, the AASB suggests the IPSASB considers making IPSAS 22 a mandatory Standard, rather than an effectively optional one. The IPSASB could establish a project to consider amendments to IPSAS 22 that could be made in due course, such as requiring governments to adopt accounting policy options in IPSASs that are more closely aligned with GFS requirements.</p>	<p>should apply first, then GFS harmonization within that context.</p> <p>Disagrees with additional disclosures (fair value)</p> <p>IPSAS 22: Gain evidence on its usage, after making it mandatory.</p>
020	<p>At first sight, one can hardly challenge the idea of limiting useless gaps between two set of standards for the public sector. But accounting standards are dedicated to accountancy of single or consolidated entities, of various sizes, and are oriented towards microeconomics, while the public sector government finance statistics and reporting guidelines are mainly oriented towards macroeconomics. It then appears that the project under discussion may not pledge for positive effects for various reasons.</p> <p>The Cour des Comptes notes that the question refers to matters relevant of the current discussions on the IPSAS conceptual framework. If the IPSAS Board was to decide for an increased convergence between IPSAS and GPS, this would have at first to result from conceptual proximity on the objectives of the two sets of standards, on their respective perimeters, on the definitions of entities, assets and liabilities to recognize, etc.</p> <p>Although it is generally acknowledged that IPSAS and GPS both rely on the basis of accrual accounting, the CP states that many gaps exists between them, resulting from different conceptual approaches.</p> <p>Fundamental differences appear first on the perimeter. GPS deal with "sectors", or collection of similar types of economic actors that do not necessarily maintain legal, control or financial links between them. Accounting standards consider collections of entities under the scope of consolidation or combination, which implies at least financial links, control or mutual transactions among them.</p> <p>IPSAS being de facto mostly based on IFRS, any hypothetic convergence between them and GPS should imply more or less to emancipate IPSAS from IFRS, considering the fact that GPS international frameworks had been settled many years before and have proven their robustness, especially in EU since the ESA 1995.</p>	<p>Noted: Reasons against reduction of differences between IPSASs and GFS</p>

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	<p>IFRS are, in fact, not adapted to the production of statistics, due to their explicit priority towards the needs of a specific category of users of the Financial Statements (investors and creditors), when GPS point to more global economic concepts, such as the measurement of the impact of fiscal or economic policies on supply, demand, investment and savings.</p> <p>Moreover, any convergence of IPSAS with GPS appears not compatible with the current instability of IPSAS, and the choice made of a constant rewriting of IPSAS in order to update them after every evolution of IFRS. Statisticians obviously need homogeneous historical series of data, which explains that revisions are scarce in GPS Frameworks, and that their consequences are heavy, not only in changes of the requirements of the standards, but also through retrospective retreatments of the government statistics statements themselves on long periods.</p> <p>These difficulties have also been mentioned by the French national standard setter for the public sector (CNOCP) in his response of the IPSAS Board on this CP.</p> <p>According to these elements, a significant convergence between IPSAS and GPS would have the probable consequence of a drastic revision of the 32 existing standards, based today on IFRS. It seems then difficult to accommodate, unless than on the fringes, the fundamental gaps between IPSAS and GPS.</p> <p>As a matter of fact, in spite of some shared common terms and concepts, approaches of GPS and Financial Statements of public entities have major differences, which appear legitimate and even required, since their purposes are different.</p> <p>The Cour des comptes is although not hostile to some convergence between the two systems, if this convergence remains fully compatible with the main orientations defined in the two conceptual frameworks behind them. In that view, a reference could be added, in the IPSAS Conceptual Framework under construction, on the use of general accounting of public entities as a source for GPS, and even on the concern of avoiding useless retreatments.</p> <p>The Cour des comptes observes anyway today fundamental differences between IPSAS and GPS, and draws the conclusion that areas of convergence, if any, are likely to be limited in number and impact.</p> <p>It notes, furthermore, as emphasized by the recent consultation implemented by EUROSTAT for the EU Commission, that EU member states have built, on the basis of the ESA 1995 rule, a common set of standards for GPS, now become mandatory, and this asset has to be protected from any risk of weakness brought through efforts of convergence with IPSAS principles, as long as the adoption of IPSAS does not make a consensus among member states.</p>	
021	<p>With reference to the Consultation Paper "<i>Ipsas and Government Finance Statistics Guidelines</i>" the Italian Department of State General Accounting appreciates the objective to further reduce differences between International Public Sector Accounting Standards (IPSASs) and public sector Government Finance Statistics (GFS) reporting guidelines. However it should be taken into account that concepts in GFS guidelines usually differ in some respects from Government accounting regulations because of relevant reasons (for instance, see, ESA95, par. 1.10) as the inadequacy of the administrative concepts underpinning government accounting systems for economic analysis and evaluation of economic policy (ESA95, par. 1.10, lett. d).</p> <p>Therefore some differences should not be cancelled concerning, among others: a) the definitions of reporting entity; b)</p>	<p>Noted: Support for the objective of reducing differences, but differences will remain.</p>

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	<p>measurement criteria. Statistical guidelines provide authoritative and unambiguous definitions of public sector, while in a domestic jurisdiction an entity may be expected to prepare financial reporting according to public sector accounting standards depending on the provisions of national laws, regulations and other statutes. Because of this reason, public sector as defined according to statistical guidelines may differ from public sector as resulting from national rules and harmonization could be a difficult objective to pursue under this perspective.</p> <p>As for measurement, while IPSASs allow different criteria to be adopted according to circumstances, Government Financial Statistics guidelines use almost invariably the current market price (ESA95 resorts to this criteria for holding gains and losses, disposals of land, securities other than shares upon certain conditions, <i>etc.</i>). In GFS guidelines it would be difficult to shift from current market price to other criteria as items have to be measured in the balance sheets as if they were acquired on the date to which the balance sheets relate.</p> <p>The CP describes tools for prepares to manage the differences between IPSAS requirements and GFS reporting guidelines. It should be noted however that some public sector reporting entities may be hardly charged with direct preparation of Government Financial Statistics. As a consequence, tools to manage the differences between IPSAS requirements and GFS could be used to limited extent only. Accordingly, management of differences should take into account the organizational framework, distinguishing whether an entity can or cannot manage GFS.</p> <p>Finally, differences in measurement criteria could be managed, according to the CP, through two different ways, the first being giving adequate valuation options to the reporting entity, the second requiring new set of financial data. The Department is definitely in favor of the first way, as seemingly less costly and more effective.</p>	
022	<p>The CNOCP has questioned the utility and the scope of an attempted reconciliation between IPSAS and the Government Finance Statistics (GFS) modelled on the International Monetary Fund (IMF) Manual. It also notes substantial differences between general purpose and national accounting, e.g. in terms of objectives and scope. The CNOCP observes that the two accounting systems coexist and do not need to be combined. Because of the differences, the alignment process requires vigilance. Moreover, although national accounting uses, <i>inter alia</i>, data from general purpose accounting (possibly restated), the CNOCP does believe that improving the quality of standards applied to source data is not enough to ensure reliable national accounting data. Other factors come into play upstream, including the quality of the accounting organisation and the performance of information and internal control systems. Thus, it is important not to overestimate the potential benefits of aligning standards.</p> <p>Lastly, the CNOCP believes that bringing the two systems together should not lead to, for example, systematic introduction of market value into general purpose accounting, where a cost and impairment approach is preferred. Alignment between general purpose and national accounting is only feasible if care is taken in the process to preserve the intrinsic integrity and conceptual consistency of both systems. Nevertheless, this alignment is not a priority for the standard setter's work plan.</p> <p><i>Further comment:</i> To introduce the matter, the Council wishes to state the question of the precise justification for comparison of the IPSASs and GFS, and for the attempt to align them.</p> <p>The Council notes that the existing IPSASs consist essentially of an adaptation of IFRS (which the Council has always</p>	Noted: Reasons against reduction of differences between IPSASs and GFS

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022	<p>considered overly restrictive), whilst the GFS has adapted the United Nations' System of National Accounts (SNA). These systems are limited in scope and are derived from more comprehensive corpora with their own restrictive rules; this may limit their potential for mutual adaptation.</p> <p>Although the need for comparability between the IPSAS and GFS systems comes from the apparent closeness of their respective scopes ("general government" or "the public sector") or purposes (accrual accounting), the Council believes that the justification for both analysing their differences and seeking alignment is worthy of exploration. It finds that several points highlight the need for vigilance on the search for alignment, especially if it is to be systematised.</p> <ul style="list-style-type: none"> • As the Consultation Paper clearly states, the two systems have very different objectives: general purpose accounting is based on general principles and standards and aims to render a true account of the financial position of a particular independently functioning entity, whilst national accounting (such as the GFS which derived from national accounting) is an accounting framework for presenting results of economic sectors and their interactions. • The two systems' scope is not identical. Although both systems speak of the "public sector", the content of this public sector cannot be superimposed between the IPSASs and the GFS. Indeed, the preface to the IPSASs states that they concern "public sector entities" without defining these. It also says that they do not apply to public enterprises that carry out commercial activities, whereas the GFS describe on the one hand the results of "general government" and on the other hand those of the "public sector". • The IPSASs employ the concept of "control" to define consolidation scopes and not to identify the entities that must apply these standards. In national accounting and the GFS, the concept of control is used to include in the "general government" sector entities controlled by public authorities and their executive bodies. • The two systems are designed for different purposes: the IPSASs concern autonomous entities that issue financial statements whereas the GFS describe an institutional sector. A sector in the national accounting sense is not an entity. The institutional sector is the sum of institutional units. It does not belong to an autonomous entity with its own economic logic and strategy. The reporting entity principle does not apply to national accounting. National accounting does not issue financial statements, but chiefly provides economic data in an accounting framework that is used to describe interactions among sectors or sub-sectors. • It is important (and the Consultation Paper clearly states this) to emphasize that the same terms may describe different realities; thus vigilance is warranted in analysing similarities and differences. As noted above, applying the concept of control can lead to different areas of application. Moreover, the concept of control in the GFS refers only to control of entities, whilst the IPSASs are concerned with control of assets as a rule for recognition. This latter concept is absent from national accounting guidelines, which favour a risk-benefit approach. • The lack of a conceptual framework for the IPSASs makes it impossible to identify the origin of differences with precision, or to measure their implications and consequences. • There is no individual treatment in national accounting: a single transaction is handled in the same way regardless of the unit 	

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022	<p>that carries it out, whereas in general purpose accounting, the reporting entity must choose the accounting methods (authorised by the accounting guidelines that it must apply) that will enable it to present the truest and fairest view of its financial position.</p> <ul style="list-style-type: none"> • National accounting requires long, homogeneous historical data series, whilst general purpose accounting can quickly adapt its methods whenever new choices are justified. • Distinctions are drawn differently in national accounting than in general purpose accounting. For example, national accounting is concerned with whether actors are “residents” or “non-residents” and with the difference between “transactions” and “other flows”. <p>Concerning the justification for seeking to align the IPSASs and the GFS, the Consultation Paper notes that because national accounting data result from the use of, among other things, general purpose accounting data from the “base” entities (and these data may be restated), improving the quality of general purpose accounting data would produce more reliable national accounting data, especially in the area of government finance statistics.</p> <p>Given that national accounting data are based on data produced for other purposes (including, but not limited to, those produced by the general purpose accounting), it is useful to strive to improve the source data. However, does making upstream data more reliable guarantee a similar improvement in downstream data?</p> <p>In this regard, although implementation of a complete set of guidelines adapted to the specific requirements of the public sector public may indeed improve the quality of source data, it is not a sufficient condition for improving national accounting data. Consideration of the quality of inputs to national accounting cannot be restricted to the question of the accounting standards applied to the underlying transactions. The government concerned must also have an organised system of accounts, information systems and appropriate internal control and audit procedures. Moreover, improved source data will not enable automated production of national accounting documents. Finally, national accounting does not necessarily require input data to be consistent with its own standards; the data need only be sufficiently standardised and documented to allow appropriate processing, to the extent required by the national accounting guidelines.</p> <p>The Council thus considers it legitimate to raise the question of cross-checks between the IPSASs and the GFS and believes that it may be relevant to employ consistent definitions and options between the two systems, especially if it is found that this project will help to reduce costs of producing financial data. This is an important consideration in controlling public finance, especially as the project promotes making various financial documents more understandable to their target audience. However, the Council believes that such an alignment approach should only be taken under the express condition that it does not threaten the intrinsic consistency of either of the two essentially different systems, whose coexistence is not challenged. For this reason, the Council suggests a detailed examination of the consequences of choices made in the name of convergence, especially to verify that they would not harm the consistency of the general purpose accounting guidelines.</p>	
023	<p><i>IPSASB’s Resources Should Be Expended on Projects with Greater Likelihood of Being Used</i></p> <p>The resources at IPSASB’s disposal to develop IPSASs are limited. The use of these resources should be limited to projects</p>	Noted: Reasons against project related to IPSAS

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	<p>that have a high likelihood of being incorporated into the preparation of financial statements by those entities that have adopted IPSASs. Paragraph 5.25 of the consultation paper states: "Of those governments that issue accrual consolidated government financial statements, none have chosen to provide those disclosures as part of their GPFRs that no IPSAS prepared financial statements include disclosure prepared according to IPSAS 22." IPSASB should curtail further development on this project until such time that it has ascertained that government users of IPSASs are highly likely to incorporate the output of this project into the preparation of their general purpose financial statements.</p> <p><i>Significant Differences between IPSAS and SNA Make Success Appear Unlikely</i></p> <p>There are many differences between IPSASs and government finance statistics reporting that make a successful implementation of the convergence between the two reporting systems appear to be unlikely. The key differences are described in table 1 of the consultation paper. It is unlikely that the differences described in table 1 will be resolved either to the satisfaction of government finance statistic reporting or IPSAS general financial statement reporting. This project provides the opportunity for a large amount of resources being expended without achieving a successful outcome.</p>	<p>22.</p> <p>Noted: Reasons against project to reduce differences between IPSASs and GFS reporting guidelines.</p>
024	<p>First of all, we would like to congratulate you for the excellent work the IPSASB has done in analysing and comparing the two sets of reporting frameworks. The result of this work, the consultation paper, is extremely comprehensive and gives both the "accounting community" and the "statistical community" a solid basis to better understand each other's reporting frameworks.</p> <p>Secondly, as a general comment we would like to underline that we fully support the efforts to reduce unnecessary differences between GPFRs and GFS. Indeed, the use of IPSAS or accrual financial accounting as a basis for the compilation of GFS reports for fiscal surveillance purposes would be a milestone in public sector management and reporting, and could significantly increase the quality of GFS reports while reducing costs and improving timeliness.</p> <p>We note that the standard setting of IPSASB is anchored on the objective of financial reporting which is, according to the Final Pronouncement on Phase 1, to provide information about the entity that is useful to users of GPFRs for accountability purposes and for decision-making purposes. The IPSASB standard setting is primarily focused on the two main users groups of financial reporting, service recipients and resource providers that do not possess the authority to require disclosure of information. The use of data for compiling government finance statistics is acknowledged as an additional factor. It is therefore recognised – as in the consultation paper - that the qualitative characteristics for GPFRs will differ from the ones for GFS (that is, the data needed and used for macro-economic purposes), and this may lead to continuing differences in recognition and measurement which we should seek to manage in the most effective way possible.</p> <p>Consequently, we concur that a standard setting approach with the objective to align IPSASs fully with statistical reporting rules cannot be deduced from the reference framework for IPSASB's standard setting process. This does not prevent the IPSASB continuing its close relations with the statistical community, including outside the formal Board structure, to close unnecessary gaps and to learn from each other with regard to the recording of complex and new phenomena. The "EPSAS" initiative within the EU might give a further opportunity to take this dialogue forward, perhaps within an integrated reporting framework approach.</p>	<p>Noted: Support for (a) reduction of unnecessary differences, and (b) use of IPSAS/accruals information as basis for GFS reports.</p> <p>Noted: Reasons for continuing differences.</p> <p>EPSAS initiative may provide opportunities going forward.</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
025	<p>GFS AND IPSAS – DIFFERENCES IN CASH-BASED FINANCIAL STATEMENTS</p> <p>1. Both IPSAS and GFS suggest formats for the presentation of cash-based results:</p> <ul style="list-style-type: none"> For GFS, a statement of sources and uses of cash (SSUC) For IPSAS, a statement of cash receipts and payments (SCRIP). <p>2. In both cases these statements are based on cash-based accounting and reporting. But in both GFS and IPSAS, these cash-based statements have a place in the transition from cash to accrual-based accounting – providing a foundation for accruals-based statements of financial performance (IPSAS) or government operations (GFS), and accompanying statements of cash flow, as part of similar sets of integrated financial statements (which also include a balance sheet, a statement of other changes in equity or other economic flows, and under IPSAS a statement of performance against budget). So there are considerable similarities between the two reporting frameworks, although it must be remembered that GFS is for <u>statistical</u> reporting whereas IPSAS is for <u>financial</u> reporting.</p> <p>3. The GFS reporting system is supported by a full coding system, and defines precisely how transactions should be coded and presented. In contrast, IPSAS does not have a “standard” chart of accounts, and provides options for detailed classification and presentation within broad reporting guidelines.</p> <p>4. For countries developing their financial systems and procedures, their accounting systems should ideally support IPSAS and GFS reporting. But the two reporting standards must not be confused, or considered identical, because they are different in important respects. This note does not deal with all these differences, but draws attention to important differences in the format and classification within the two statements mentioned in paragraph 1. The differences are demonstrated in some specimen statements included at Appendix 1 to this note.</p> <p>Overall format</p> <p>5. Whilst the format of the SSUC is well defined, the cash-based IPSAS does not specify a single format that must be followed. The cash-based IPSAS provides illustrative examples, brigading all receipts together and all payments together; receipts classified by economic type (taxes etc), with payments classified by economic type (personnel, transfers etc) or by function (health, defence etc). But in section 2 of the cash-based IPSAS, the standard recommends that “an entity which intends to migrate to the accrual basis of accounting is encouraged to present a statement of cash receipts and payments in the same format as that required by IPSAS 2 “Cash Flow Statements.” So for many countries the IPSAS 2 format provides the most suitable basis for the SCRIP.</p> <p>6. At first glance the SSUC and the SCRIP following the IPSAS 2 format look very similar, broadly categorising receipts and payments into operating, investing and financing classifications. But there is an important difference.</p> <ul style="list-style-type: none"> The SSUC includes a section devoted to “cash flows from investments in nonfinancial assets” – ie physical 	<p>Note: Review for specific issues and future guidance.</p> <p>Note: Identifies differences between IPSAS and GFS Reporting Guidelines, linking them to the different purposes of the two systems.</p> <p>Note: Differences related to the cash-based IPSAS and GFS cash classifications</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS												
025	<p>investments</p> <ul style="list-style-type: none">The “equivalent” section in the SCRП captures “cash flows from investing activities” <p>This difference is not just one of wording - the SCRП does not restrict investment to physical or non-financial assets, whereas the SSUC does.</p> <p>7. The SSUC and SCRП also differ in the internal organisation of the section relating to financing activities. They also differ in the wording used to describe results. The following table shows the terminology suggested in each standard; and third terminology which reflects a suggested hybrid, and which anticipates the eventual switch to accruals-based statements and which gives a more “common sense” interpretation for the users of the accounts:</p> <table><tr><th></th><th>SSUC</th><th>SCRП (IPSAS 2)</th><th>Hybrid/suggested</th></tr><tr><td>Balance after operating and investing activities</td><td>Cash surplus/deficit</td><td>(none suggested)</td><td>(Cash) surplus or deficit before financing</td></tr><tr><td>Balance from all 3 types of activity</td><td>Net change in the stock of cash</td><td>net increase (or decrease) in cash and cash equivalents</td><td>(Cash) surplus or deficit after financing</td></tr></table> <p>Acquisition and sale of financial assets</p> <p>8. The different treatment of the “investing” section of the two statements has a direct consequence.</p> <ul style="list-style-type: none">GFS treats the acquisition and sale of financial assets (loans and equity investments in state enterprises, for example) as financing rather than investing activity. That’s because GFS is interested in mapping the flows between the different sectors of the economy and with the outside world. So from this perspective, such flows are financing flows between different sectors.From the financial reporting and IPSAS perspective, interested in reporting the financial results of an entity (in this case, the government or government body), these flows are very definitely investments – ie the discretionary use of resources in the hope or expectation of long-term return (“ the acquisition and disposal of long-term assets and other investments not included in cash equivalents”, as per IPSAS2). Likewise, it is easy to see that such flows do not belong to financing as defined by IPSAS 2 (“activities that result in changes in the size and composition of the contributed capital and borrowings of the entity”). Under IPSAS they would be “financing” as reported in the accounts of the state enterprise, but remain “investing” in the government’s accounts. <p>Treatment of grants (external assistance) received</p> <p>9. A second major area of difference between GFS and IPSAS 2 is in the treatment of grants received by the government.</p>		SSUC	SCRП (IPSAS 2)	Hybrid/suggested	Balance after operating and investing activities	Cash surplus/deficit	(none suggested)	(Cash) surplus or deficit before financing	Balance from all 3 types of activity	Net change in the stock of cash	net increase (or decrease) in cash and cash equivalents	(Cash) surplus or deficit after financing	
	SSUC	SCRП (IPSAS 2)	Hybrid/suggested											
Balance after operating and investing activities	Cash surplus/deficit	(none suggested)	(Cash) surplus or deficit before financing											
Balance from all 3 types of activity	Net change in the stock of cash	net increase (or decrease) in cash and cash equivalents	(Cash) surplus or deficit after financing											

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R#	<p style="text-align: center;">RESPONDENT COMMENTS GENERAL COMMENTS</p>	STAFF COMMENTS
025	<p>In developing countries such external assistance is often an important element of their financial performance. Differences in treatment can make a significant impact on reported results.</p> <p>10. GFS treats grants received as operating revenue, because they are a direct receipt (increase in cash or equity) without the creation of a financial liability. This distinguishes them from loans, which create a financial liability and therefore (unlike a grant) have a place in the “financing” section of the SSUC.</p> <p>11. Under IPSAS, in contrast, the classification of grants received (as operating, investing, or financing) is not clearly specified – neither IPSAS 2 nor the cash-based IPSAS provide direct guidance on this question. External grants could be divided into current and capital, and brought to account in the respective operating and investing segments of the SCRP. One argument for this treatment is that the related expenditures would not have occurred, except in the expectation of receiving the grant. But the counter-argument is that treating grants received as operating and investing revenues provides a false impression that these are somehow automatic or earned entitlements resulting from the government's own operations. In addition, for developing countries there is often a direct and understandable interest in the total amount and types of external assistance. Indeed the cash-based IPSAS (para 1.3.18) requires that “The entity should disclose separately on the face of the Statement of Cash Receipts and Payments, total external assistance received in cash during the period”. This is best done by bringing together such flows in the financing section of the SCRP – and this treatment probably accords with most users’ understanding of “financing” (or “external financing”) even if no liability has been incurred.</p> <p>In conclusion</p> <p>12. Whilst there is an understandable desire to integrate and align GFS and IPSAS reporting standards, the above differences in treatment and presentation may be unavoidable. It would be useful if the eventual IPSASB report highlighted these differences so that governments do not mistakenly or unknowingly seek to apply GFS treatments in their cash-based statements or en route to accruals. In addition, IPSASB could usefully provide a definitive view on how best to treat external assistance received as grants.</p> <p>Appendix 1: Options for the statement of cash receipts and payments</p>	<p>Note: Issue for <i>cash reporting</i> on grants</p> <p>Noted: View that these differences should be highlighted in any final report.</p> <p>Specific issue: Treatment of external assistance received as grants (<i>cash reporting</i>).</p>

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R#

RESPONDENT COMMENTS
GENERAL COMMENTS

STAFF COMMENTS

Option 1: IPSAS simple

RECEIPTS
Taxes
Fines and penalties
Sales of goods and service
Grants
Net internal borrowings
Net external borrowings
Sale of fixed assets
Sale of financial instruments and equity
TOTAL RECEIPTS
PAYMENTS
Compensation of employees
Purchases of goods and services
Interest
Subsidies
Grants
Social benefits
Other payments
Purchase of fixed assets
Purchase of equity and other financial instruments
Loans to third parties
TOTAL PAYMENTS
NET CHANGE IN THE STOCK OF CASH
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD
CASH AND CASH EQUIVALENTS AT END OF PERIOD

Option 2: GFS (= GFS Statement of Sources and Uses of Cash)

CASH FLOWS FROM OPERATING ACTIVITIES:
A. CASH RECEIPTS FROM OPERATING ACTIVITIES
Taxes
Social contributions
External assistance - grants
Other receipts
B. CASH PAYMENTS FOR OPERATING ACTIVITIES
Compensation of employees
Purchases of goods and services
Interest
Subsidies
Grants
Social benefits
Other payments
NET CASH INFLOW FROM OPERATING ACTIVITIES (A-B)
CASH FLOWS FROM INVESTMENTS IN NONFINANCIAL ASSETS:
C. PURCHASES OF NONFINANCIAL ASSETS
Fixed assets
Inventories
Valuables
Non-produced assets
D. SALES OF NONFINANCIAL ASSETS
Fixed assets
Inventories
Valuables
Non-produced assets
NET CASH OUTFLOW FROM INVESTMENTS IN NONFINANCIAL ASSETS (C-D)
CASH SURPLUS/DEFICIT (A-B) - (C-D)
CASH FLOWS FROM FINANCING ACTIVITIES:
E. NET ACQUISITION OF FINANCIAL ASSETS OTHER THAN CASH
Domestic
External
F. NET INCURRENCE OF LIABILITIES
Domestic
External
NET CASH INFLOW FROM FINANCING ACTIVITIES (F-E)
NET CHANGE IN THE STOCK OF CASH (A-B) - (C-D) + (F-E)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD
CASH AND CASH EQUIVALENTS AT END OF PERIOD

Option 3: IPSAS (based on IPSAS 2)

CASH FLOWS FROM OPERATING ACTIVITIES:
A. CASH RECEIPTS FROM OPERATING ACTIVITIES
Taxes
Sales of goods and service
Grants
Other receipts
B. CASH PAYMENTS FOR OPERATING ACTIVITIES
Compensation of employees
Purchases of goods and services
Interest
Subsidies
Grants
Social benefits
Other payments
SURPLUS/DEFICIT FROM OPERATING ACTIVITIES (A-B)
CASH FLOWS FROM INVESTING ACTIVITIES:
C. PURCHASES OF ASSETS
Fixed assets
Inventories
Valuables
Investments and loans to 3rd parties
D. SALES OF ASSETS
Fixed assets
Inventories
Valuables
Sales of equity, loan repayment
NET CASH OUTFLOW FROM INVESTING ACTIVITIES (C-D)
CASH SURPLUS/DEFICIT BEFORE FINANCING (A-B) - (C-D)
CASH FLOWS FROM FINANCING ACTIVITIES:
E. EXTERNAL ASSISTANCE - GRANTS
F. NET INTERNAL BORROWING
Drawdown
less repayments
G. NET EXTERNAL BORROWING
Drawdown
less repayments
NET CASH INFLOW FROM FINANCING ACTIVITIES (E+F+G)
CASH SURPLUS/DEFICIT AFTER FINANCING (A-B) - (C-D) + (E+F+G)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD
CASH AND CASH EQUIVALENTS AT END OF PERIOD

Notes

1) sub-classifications in IPSAS are not prescribed - whilst there are some fairly standard items, others can be included if they give a better picture of the entity's finances

2) items that differ between the GFS and IPSAS 2 formats are highlighted in red

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Specific Matter for Comment (SMC) 1 (a):

With respect to the summary in Table 2 of progress on reducing differences and the supporting detail in Appendix B:

(a) Do you agree that the issues categorized as resolved (Category A in Table 2) are indeed resolved?

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	002, 004, 006, 007, 010, 014, 024	7
B – PARTIALLY AGREE	001, 005, 013, 015, 017	5
C – DISAGREE	008, 009, 011, 012, 016, 018, 019, 020, 022, 023	10
SUB-TOTAL OF THOSE PROVIDING COMMENTS		22
D – DID NOT COMMENT	003, 021, 025	3
TOTAL RESPONDENTS		25

R#	C#	RESPONDENT COMMENTS SMC 1 (a)	STAFF COMMENTS
001	B	<p>For the most part, I agree that the issues found in Table 2, Category A, are indeed resolved. However, there are a few issues in this category that do not seem to be ‘completely’ resolved as indicated by the description and analysis found in Appendix B: Differences between IPSASs and GFS Reporting Guidelines - Progress and Current Status. The items that appear to require further resolve include:</p> <ul style="list-style-type: none"> A4 – measurement and recognition of non-cash-generating assets, including heritage assets – based on the analysis provided in the CP, measurement differences may still arise where there is not an active market. As a result, further guidance needs to be provided in this area. A6 – capitalization and classification of defense weapons – based on the analysis provided in the CP, more clarification is required with respect to when defense weapons should be classified as inventory versus property, plant and equipment and when defense weapons should be expensed. A8 – costs associated with R&D and other intangible assets – based on the analysis provided in the CP, further guidance needs to be provided in the GFSM to address the possibility of differences in practice in recognizing versus capitalizing R&D costs. <p>I am also having a difficult time understanding how issue A7, recognition and de-recognition of financial</p>	<p>Disagreement with issues: A4, A6, A7 and A8.</p> <p>Bases for disagreement: (a) heritage assets-measurement differences, (b) military, decisions on inventory, and, (c) R&D (further guidance needed).</p>

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R#	C#	RESPONDENT COMMENTS SMC 1 (a)	STAFF COMMENTS
		<p>instruments, has been resolved. Consequently, for this issue, I am unable to answer the question posed.</p> <p>I would like to this opportunity to make a few comments on Table 2, Category D. The introduction of the CP states that the CP also considers ways to support the management of the remaining differences. Table 2, Category D, lists the differences that will need to be managed. For some issues, how the difference can be managed is indicated, either through systems design, data collection and/or Chart of Accounts mapping. However, for the following issues, there is no proposal on how to manage the difference:</p> <ul style="list-style-type: none"> • D6 – correction of errors through prior period adjustments/back casting; • D7 – nonperforming loans; • D9 – equity as liability; • D10 – contributions from owners for commercial government operations; • D11 – transactions between the central bank and government entities; and • D12 – costs associated with R&D and other intangible assets. <p>As a result, there does not seem to be the same support for the management of differences for all the issues identified in this section.</p>	Note issue re. gaps in the coverage of the management of issues, Category D.
002	A	Agree.	
003	D	<i>No comment.</i>	
004	A	We agree that the issues categorized as resolved have been properly classified in that category.	
005	B	ACAG agrees that the issues categorized as resolved in Table 2 are resolved, except for Issue A1. ACAG understands the GFS requires traded shares in public corporations to be measured at their traded value in financial markets, if available, and at the carrying amount of investee net assets in all other circumstances. IPSAS 22 does not provide for such traded investments to be measured at their traded value and, to that extent, appears to be departing from GFS.	A1: IPSAS 22
006	A	Yes.	
007	A	Yes.	
008	C	We note the CP's summary in Table 2 Issues from 2005 Report – Resolution and Proposals for Consideration has been prepared at a 'point in time'. We note the IPSASB has no control over any ongoing changes to the GFS reporting guidelines (be that the System of National Accounts, the European System of Accounts, the IMF's Government Finance Statistics Manual or any non-EU government finance statistics, for example, the finance statistics manual published by the Australian	Note: GFS may change, so resolution may not remain constant.

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R#	C#	RESPONDENT COMMENTS SMC 1 (a)	STAFF COMMENTS
		<p>Bureau of Statistics). Therefore, the status of an item currently categorised as resolved may change as a consequence of the future work of any of the organisations responsible for the GFS reporting guidelines.</p> <p>It is not clear to us what type of GFS reporting the IPSAS were compared to; is it whole of government, general government sector or some other entity? Further, we understand that GFS reporting requirements published by the different responsible organisations are not identical, which in turn has consequences for the robustness of the comparison presented in Table 2.</p> <p>We note that some of the words used in the resolution column of the Table 2 issues categorised as resolved suggest the opposite. There is also a lack of consistency in some of the statements made in Table 2 and the information in Appendix 2. For example, Issue A8 Costs associated with R&D and other intangible assets states the 2008 SNA revisions are aligned with IAS 38 <i>Intangible Assets</i>, with which IPSAS 31 is converged, but issue C6 states that there could be differences in practice under GFS. The details for issue A8 in Appendix B indicate that SNA treats research and development as a single category, so that research potentially might be capitalised, whereas under IPSAS 31 research is always expensed. The issue, therefore, does not appear to have been resolved. We suggest the table and the appendix be reviewed to ensure consistency.</p>	A8 R&D—difference in practice.
009	C	<p>If the questions in Category A are resolved, only because IPSAS provides an option as a solution, which is GFS conform, it is a token solution. Some IPSASs actually give a choice between various possibilities, not in order to chime with finance statistics, but in order that the financial statements present the economic fact in line with reality from the management's viewpoint. In this sense the questions in Category A are not resolved. It should not be the case that a public entity, possibly to the detriment of a "true and fair view", decides for an IPSAS possibility under the pretext that it most closely complies with GFS. At the same time the SRS-CSPCP recognizes the necessity of a pragmatic narrowing of the gap, which permits simplification of the complexity of the material.</p>	<p>Note:</p> <p>Options: Disagree with availability of options in IPSAS as indicative of resolution.</p>
010	A	<p>We agree that the issues in Category A in Table 2 are resolved. However, if the IPSASB decides to withdraw IPSAS 22, <i>Disclosure of Financial Information about the General Government Sector</i>, A1. GGS reporting in Table 2, now classified as the "Issue resolved" would need to be reconsidered.</p>	A1 will no longer be resolved if IPSAS 22 is withdrawn.
011	C	<p>The DGFIP disagrees: we consider that the issues categorised as resolved by IPSAS are not resolved in fact.</p> <p>Indeed, in most cases, when a discrepancy arises between the IPSAS and the GFS, the ED proposes to add options or refers to one of the options in the IPSAS that are GFS compatible. The DGFIP considers this orientation as questionable, even more when it leads to favour systematically the fair value method, which is insufficiently adapted to the public sector. Thus, as indicated in our comments on « Conceptual Framework Exposure Draft 3 », we favour the cost method for measurement of assets</p>	<p>Note:</p> <p>Options: Disagree with availability of options in IPSAS as indicative of resolution.</p>

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R#	C#	RESPONDENT COMMENTS SMC 1 (a)	STAFF COMMENTS																		
		<p>and liabilities. Indeed, the assets of public sector are, by nature, not intended to be sold on market but to be used in the achievement of public policies. Besides, the existence of options does not enhance comparability.</p> <table><tr><td></td><td>Issue</td><td>DGFIP's comments</td></tr><tr><td>A1</td><td>GGS Reporting</td><td>Not relevant. As mentioned above, the scopes of IPSAS and SNA differ (one is based on control criterion and the other on institutional units). That is why we wonder about the usefulness of IPSAS 22. Besides, IPSAS 22 does not resolve scope discrepancies related to the exclusion of non-resident institutional units from the GFS.</td></tr><tr><td>A2</td><td>Investment in unquoted shares - measurement</td><td>Unresolved difference. IPSAS 29 enables the use of cost method when fair value cannot be reliably measured, whereas the GFS requires using the equity method (GFSM §7.119).</td></tr><tr><td>A3</td><td>Employee stock options</td><td>Not relevant. Stock options policy is particular to GBEs, which apply IFRS, according to IPSAS 6. Consequently, this difference is not a factual reality.</td></tr><tr><td>A4</td><td>Non cash-generating assets, including heritage assets – measurement and recognition</td><td>Unresolved difference. As mentioned above, the proposition to introduce compatible options with GFS in IPSASs appears to be a questionable approach. Besides, we wonder about the relevance to use the market value for measurement of public sector specialised assets and of heritage assets for which there is no active market in most cases.</td></tr><tr><td>A5</td><td>Borrowing costs</td><td>Unresolved difference. According to IPSAS 5, borrowing costs can be considered as expenses. Nevertheless, the will of convergence between the IPSAS and the IFRS (IAS 23 requires mandatory activation) will create a difference with GFS.</td></tr></table>		Issue	DGFIP's comments	A1	GGS Reporting	Not relevant. As mentioned above, the scopes of IPSAS and SNA differ (one is based on control criterion and the other on institutional units). That is why we wonder about the usefulness of IPSAS 22. Besides, IPSAS 22 does not resolve scope discrepancies related to the exclusion of non-resident institutional units from the GFS.	A2	Investment in unquoted shares - measurement	Unresolved difference. IPSAS 29 enables the use of cost method when fair value cannot be reliably measured, whereas the GFS requires using the equity method (GFSM §7.119).	A3	Employee stock options	Not relevant. Stock options policy is particular to GBEs, which apply IFRS, according to IPSAS 6. Consequently, this difference is not a factual reality.	A4	Non cash-generating assets, including heritage assets – measurement and recognition	Unresolved difference. As mentioned above, the proposition to introduce compatible options with GFS in IPSASs appears to be a questionable approach. Besides, we wonder about the relevance to use the market value for measurement of public sector specialised assets and of heritage assets for which there is no active market in most cases.	A5	Borrowing costs	Unresolved difference. According to IPSAS 5, borrowing costs can be considered as expenses. Nevertheless, the will of convergence between the IPSAS and the IFRS (IAS 23 requires mandatory activation) will create a difference with GFS.	<p>Specific issues viewed as not resolved, and reasons given:</p> <p>A1, because scope difference remains</p> <p>A2, difference on facts of the case</p> <p>A3 not relevant to public sector</p> <p>A4, disagrees with treatment of options</p> <p>A5, disagrees with use of options and note IFRS divergence issue</p>
	Issue	DGFIP's comments																			
A1	GGS Reporting	Not relevant. As mentioned above, the scopes of IPSAS and SNA differ (one is based on control criterion and the other on institutional units). That is why we wonder about the usefulness of IPSAS 22. Besides, IPSAS 22 does not resolve scope discrepancies related to the exclusion of non-resident institutional units from the GFS.																			
A2	Investment in unquoted shares - measurement	Unresolved difference. IPSAS 29 enables the use of cost method when fair value cannot be reliably measured, whereas the GFS requires using the equity method (GFSM §7.119).																			
A3	Employee stock options	Not relevant. Stock options policy is particular to GBEs, which apply IFRS, according to IPSAS 6. Consequently, this difference is not a factual reality.																			
A4	Non cash-generating assets, including heritage assets – measurement and recognition	Unresolved difference. As mentioned above, the proposition to introduce compatible options with GFS in IPSASs appears to be a questionable approach. Besides, we wonder about the relevance to use the market value for measurement of public sector specialised assets and of heritage assets for which there is no active market in most cases.																			
A5	Borrowing costs	Unresolved difference. According to IPSAS 5, borrowing costs can be considered as expenses. Nevertheless, the will of convergence between the IPSAS and the IFRS (IAS 23 requires mandatory activation) will create a difference with GFS.																			

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R#	C#	RESPONDENT COMMENTS SMC 1 (a)			STAFF COMMENTS
		A6	Defense weapons – capitalization and classification	Unresolved difference. As mentioned in the CP.	A6, difference remains as CP notes
		A7	Recognition and derecognition of financial instruments	Not conclusive. Further analysis must be done in order to identify divergences.	A7, inconclusive
		A8	Costs associated with R&D and other intangible assets	Unresolved difference. All costs associated with R&D are recognised as assets in national accounts. According to IPSAS 31, only costs related to projects complying with specific criteria are accounted for.	A8, difference remains
012	C	<p>The issues listed in table 2 as resolved should be presented as areas where options are available for IPSAS reporting to be more aligned with GFS guidelines, rather than issues that are resolved and closed.</p> <p>Alignment is indeed possible if the entity chooses the options within IPSAS that make that alignment possible, but in doing so the public sector entity would need to consider the requirements included in IPSAS 3 'Accounting policies, changes in accounting estimates and errors' and other strategic considerations such as its potential desire to align with IFRS.</p> <p>IPSAS 3 requires that the public sector entity use its judgment in developing and applying an accounting policy that results in relevant and reliable information. Selecting (or not) those options included in the IPSAS standards that align with GFS reporting rules requires the entity to go through this assessment process. For example, the entity would need to determine whether applying the revaluation model of IPSAS 17 'Property, plant and equipment' provides (or does not provide) information that is more relevant and reliable than applying the cost model.</p>			<p>Note:</p> <p>Options: Disagree with availability of options in IPSAS as indicative of resolution.</p>
013	B	The issues categorized in Table 2 Category as resolved appear to be resolved, except inasmuch as, for example, unresolved issues in respect of A6 are taken forward to Category B and Category C headings.			A6—disagree based on aspects of issue remaining under Categories B and C

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R#	C#	RESPONDENT COMMENTS SMC 1 (a)	STAFF COMMENTS
014	A	We are in agreement that the issues identified in category A have been addressed.	
015	B	<p>Subject to below, HoTARAC agrees that the issues are resolved.</p> <p>In respect of item A8: costs associated with R&D and other intangible assets, HoTARAC does not consider that this issue is resolved. While 2008 SNA reduces the nature of the differences between Accounting Standards and GFS, the treatment is not necessarily aligned. This is because IPSAS 31 <i>Intangible assets</i> expenses all research costs, but GFS capitalises strategic basic research. Also, the development costs capitalised under IPSAS 31 will not necessarily align with the 2008 SNA treatment, given that capitalisation under the Accounting Standards is subject to certain conditions, which are not contemplated in the SNA. In practice there may be no material difference if the 2008 SNA definition of an economic asset from which economic benefits are derived are applied as this is similar to the IPSAS asset recognition criteria; however, HoTARAC considers it premature to consider the issue resolved.</p>	A8 unresolved.
016	C	<p>We do not agree that all the issues listed in Category A as “resolved” are in fact resolved. Some of the items listed as resolved can in fact only be resolved by specific accounting policy choices. In particular, the recognition and measurement of non-financial assets (including heritage assets) and the treatment of borrowing costs (items A4 and A5) are only consistent with the statistical basis of accounting if certain accounting policies are selected by an entity. Similarly IPSAS 22 is not mandatory but merely encourages governments to ‘elect’ to reflect the additional information. Consequently, it could be argued that these items should be listed under the “manage differences” category (Part D of the Table).</p> <p>We are also of the view that item A8 “Costs associated with R&D and other intangible assets” is not resolved in its entirety. As noted in subsequent sections of the paper, the treatment of research costs has not been resolved. We would therefore re-name this item so that it excludes research costs.</p> <p>Based on the fact that the recognition point for liabilities under statistical and accounting bases is different, we question whether item C3 on “Decommissioning/restoration costs” can be resolved. As statistical reporting aims to record transactions between parties within an economy, it is unclear how decommissioning and restoration provisions could be recognised at a point earlier than when the activities associated with the liabilities are being undertaken (e.g. when a service provider is appointed to rehabilitate a particular site).</p>	<p>Note: Options: Disagree with availability of options in IPSAS as indicative of resolution: A4 and A5.</p> <p>Note issues: A1, IPSAS 22 is not mandatory.</p> <p>A8 (R&D), not entirely resolved (facts of the case)</p> <p>Note view that C3 cannot be resolved.</p>
017	B	I agree that the issues Category A in Table 2, but I have doubt in relation point A2 Investments in unquoted shares— measurement and A7 Recognition and derecognition of financial instruments for IPSAS 29 that are very complex and consider very important to be clear in this proposal principally with the aspects for elaborate valuation effects. I suggest if the board agree, contact local regulators for observed this impact for this proposal for financial instruments or valuation effects.	Note: not sure with respect to A2 and A7, where actual (regulated) practice may be different

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018	C	As mentioned in the cover letter, we believe that it is not clear to what extent that the issues identified as resolved in Table 2 (pg 22) are indeed resolved and categorizing the differences between those arising from conceptual differences and those that are not would be helpful in resolving these differences.	Note: A8 R&D noted in General Comments. Distinguish between conceptual versus other differences
019	C	<p><i>Issues Categorised as Resolved</i></p> <p>The AASB does not agree that all of the issues categorised as resolved in the CP are indeed resolved, as explained below.</p> <p>The AASB observes that the issues categorised as resolved (in terms of no significant differences between IPSASs and GFS requirements) in fact appear to reflect varying degrees of resolution. However, the AASB would prefer that assessments of resolution are based on the alignment of principles, rather than practical application alone. The importance of this distinction between principle and practical application is evident by comparing the CP's assessments of issues A6 and A2, while alignment of both principle and practical application appear to be absent from the commentary on issue A8.</p> <p>Issue A6 (defense weapons – capitalization and classification) states that SNA changes have satisfied recommendations on capitalization and classification but notes that more guidance is needed to remove differences that arise through different interpretations of IPSASs. Therefore, the issue seems to have been resolved in principle. However, in regard to the practical application of the principles, the AASB thinks that the rules being applied, in IPSASs as well as in GFS reporting guidelines, need to be addressed by both the IMF and the IPSASB. Consistent with this, the AASB acknowledges the issue of more guidance on defence weapons is included in Table 2 as issue B5.</p> <p>In comparison with issue A6, issue A2 (investments in unquoted shares – measurement) notes that IPSAS 29 <i>Financial Instruments: Recognition and Measurement</i> requires fair value where it can be determined reliably, but cost otherwise. Appendix B (page 52 of the CP) states that fair value is used in the majority of cases, but when cost is used, that measurement basis is not consistent with the current market price basis in 2008 SNA. Therefore, although the practical application of the rules generally results in no difference between IPSASs and GFS reporting, there is still a misalignment of the principles mandated by the IMF and the IPSASB, thereby increasing the risk that significant differences could arise in practice in the future.</p> <p>Furthermore, also in regard to issue A2, this inconsistency in measurement basis is not identified for further consideration in other parts of Table 2 and so is hidden from view. In addition, it is not clear on what basis the CP concludes that fair value is used in the majority of cases, which may understate the significance of the continuing difference.</p>	<p>Note:</p> <p>Important to clearly distinguish when alignment occurs at level of principle versus level of practice. Distinguish between the following issues applying this distinction: A2, A6 and A8.</p> <p>Differences in practice, for which principle is the same, should not be treated as resolved. A6</p> <p>Differences in principle, for which practice is the same should not be treated as resolved. A2</p> <p>Note:</p>

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		<p>Issue A8 (costs associated with R&D and other intangible assets) states that IPSAS 31 <i>Intangible Assets</i> and 2008 SNA are aligned, but issue C6 states that there could be differences in practice under GFS. The details for issue A8 in Appendix B of the CP indicate that SNA treats research and development as a single category, so that research potentially might be capitalised, whereas under IPSAS 31 research is always expensed. The issue, therefore, does not appear to have been resolved either at a principles level or in practice. This is separate from the issue of the definition of “research”, which is identified as a continuing difference under issue D12.</p> <p>On a further note, the basis on which issues have been listed in Table 2 as resolved appears to vary, with commentary on some of the issues indicating that further work is either desired or possible. If further work is desired, then the issue does not appear to have been resolved satisfactorily. For some issues, this is a question of the appropriate extent of guidance.</p> <p>Based on the points made above, the AASB considers that the IPSASB could usefully clarify what it means by ‘resolved’. In addition, the IPSASB could more clearly indicate the types of GFS financial reports that the differences relate to, such as whole of government, general government sector, and/or other sector financial reports.</p>	<p>A8 Difference remains for principle and practice.</p> <p>Note: The IPSASB should clarify what it means by “resolved”.</p>
020	C	<p>Divergence points existing today between IPSAS and GPS do not seem to be actually resolved in the CP for two reasons:</p> <ul style="list-style-type: none"> Some IPSAS pronounce, on major issues, such as measurement methods of assets, financial information, non- exchange transactions, etc., options or imprecise requirements; then, gaps between IPSAS and GPS will not be expected to be eradicated since required accounting treatments are left to options or vague orientations; Some IPSAS are not applicable, or only applicable for a small part, to public entities, due to their insufficient attention to specificities of the public sector (IPSAS 28 to 30 on financial instruments); the convergence that seems to go along with them is then only virtual. 	<p>Note: Options: Disagrees with availability of options in IPSAS as indicative of resolution: A4 and A5.</p> <p>Note: View that IPSASs 28 to 30 do not apply.</p>
021	D	<i>No comment.</i>	
022	C	<p>The Council believes that not all the differences considered to be resolved have actually been resolved, mainly because the solutions proposed are still too vague or too open-ended to amount to a genuine reduction in the differences between the IPSASs and the GFS. It appears that when the IPSASs present options that are compatible with the choices included in the GFS reporting guidelines, the Consultation Paper considers the alignment problem resolved, because a producer of IPSAS financial statements may choose the acceptable option according to the GFS manual. In fact, systematically adopting this course is problematic. In this regard, the Council notes that general purpose accounting uses concepts of cost, amortization and depreciation, while national accounting, which seeks to</p>	<p>Note: Options: Disagrees with availability of options in IPSAS as indicative of resolution: A4 and A5.</p> <p>See further specific reasons for</p>

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R#	C#	<p style="text-align: center;">RESPONDENT COMMENTS SMC 1 (a)</p>	<p style="text-align: center;">STAFF COMMENTS</p>
		<p>describe the wealth of an economy or its sectors, relies on current market value. Systematic adoption into general purpose accounting of options that are compatible with the GFS guidelines would lead to modifying the rules for preparing financial statements without preserving their own internal logic. The adoption would be problematic if the method used were not IPSAS' preferred option, or if an option were implemented under doubtful conditions.</p> <p>As a result, some points about alignment presented in the Consultation Paper are in the realm of illusory solutions. It is probable that genuine alignment of the two systems, should the need arise, would require substantial modifications to one system or the other.</p> <p>Specifically, the following comments apply to points A1 through A8 of Table 2.</p> <p>A1 ("GGS reporting"). This question refers to the difference in scope mentioned in the introduction and does not seem to have a solution due to IPSAS 22. Moreover, the future of IPSAS 22 is discussed by this Consultation Paper (see specific comment No. 5 below).</p> <p>A2 ("Investments in unquoted shares – measurement"). This point prompts two observations: on the one hand, IPSAS 29 is not relevant, and on the other hand, although the terms "fair value" and "market price" are close when a significant market for the asset exists, using fair value in general purpose accounting does not have the same impact as using market price in national accounting to record transactions.</p> <p>A3 ("Stock options"). There are very few stock options in the public sector. This subject has been resolved and appears fairly marginal.</p> <p>A4 ("Non cash-generating assets"). This imprecise proposal indicates that it is "appropriate" to opt for the remeasurement options available in IPSAS 17 to resolve the problem of divergence between the IPSASs and the GFS reporting guidelines. However, fair value is not the recommended measure in general purpose accounting guidelines. Thus, it is not possible to argue for permanent remeasurement of assets for the sole purpose of achieving alignment with national accounting. This is all the more true given that, as the Consultation Paper points out, applying fair value does not lead to the same results in practice.</p> <p>A5 ("Borrowing costs"). IPSAS 5 offers the option of expensing borrowing costs, but IAS 23 does not. Therefore, there is a conflict between the desire to conform to IAS/IFRS and the aim of alignment with the GFS, which does not capitalise borrowing costs. In fact, alignment is only possible if the producers of financial statements opt for the method offered by the IPSASs that is compatible with the choices made in the GFS. This is only possible if by adopting this method they can improve the true and fair view of their financial statements.</p> <p>A6 ("Defence weapons"). National accounting is aligned with general purpose accounting in providing, in SNA 2008, for capitalisation of defence weapons. However, implementation difficulties remain, as</p>	<p>disagreeing with resolution of A1, A2, A3, A6, A7 and A8.</p> <p>Reasons include (a) differences in practice (A8), and (b) measurement issues noted in the CP (A6).</p> <p>Note view that IPSAS 29 cannot be applied (A7).</p>

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		<p>noted in the Consultation Paper, especially in the allocation of defence weapons between assets and stocks.</p> <p>A7 ("Financial instruments"). The point cannot be considered resolved by the existence of IPSAS 29, as this standard is not realistically applicable.</p> <p>A8 ("Costs associated with research and development and other intangible assets"). A difference remains because national accounting systematically capitalises R&D and other intangible asset costs whilst general purpose accounting distinguishes between costs that may be capitalised and others which are expensed.</p>	
023	C	<p>We do not agree that the issues categorized as resolved are indeed resolved. Financial statements prepared under the system of national accounts (SNA) are always prepared using current values as the basis of measurement, whereas IPSASs have multiple bases of measurement.</p> <p>It is unlikely that the issues categorized as resolved will ever, in fact, be resolved because the "Measurement of Assets and Liabilities in Financial Statements" exposure draft, recently issued by IPSASB, is proposing to retain the mixed bases measurement model.</p> <p>Several of the IPSASs are included in the table because the IPSAS contains an option to measure assets or liabilities according to their current or fair value; however, having the option means that the issue is not resolved because the IPSAS allows a measurement basis other than current value.</p> <p>The use of a current or fair value option should not be seen as a means supporting conformity with SNA. The option has been provided so that the financial statements of an entity faithfully represent the assets, liabilities and financial performance of the entity. The faithful representation of assets and liabilities results in an entity selecting the most appropriate measurement method whether or not it is consistent with SNA reporting requirements.</p>	<p>Note view that differences will remain due to measurement differences.</p> <p>Note: Options: Disagrees with availability of options in IPSAS as indicative of resolution.</p>
024	A	<p>Given the involvement of Eurostat in the relevant Task Force, we believe that the list captures the conceptual convergence of the two systems. One may however usefully note that the practical implementation of the concepts is also important. For example, the use of the terms "current value" or "fair value" respectively (issue A4) does not necessarily mean that in practice the same value and measurement technique can be used, and there would need to be prudence in the recording of transaction costs. Whilst the GFS system within the EU has progressively moved beyond waiting for calls to record deficit impacts of guarantees, and SNA 2008/ESA 2010 introduce provisioning for standardised guarantees, there will still likely be cases where provisions may be found under IPSASs for one-off guarantees which are not recorded in GFS. Also, in the area of financial instruments the issue of transaction costs can be a material issue. Under issue A2 it is mentioned that fair value can only be used when reliably measurable, otherwise they need to be measured at cost. In the experience of DG Budget as a preparer, for example, it is indeed more often the case that cost needs to be used as</p>	<p>Noted: Specific issues raised:</p> <ul style="list-style-type: none"> • A4 of Table 2 in the CP, despite similar descriptions of measurement basis, the actual practice may differ; • Treatment of one-off guarantees; • Financial instruments, treatment of transaction costs; and, • A2, use of cost where fair value cannot be reliably measurable.

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		the Commission's investments are unique or in very specific areas where no reliable fair value can be found.	
025	D	<i>No comment.</i>	See general comments for issues related to cash reporting, including treatment of cash grants (external assistance).

Specific Matter for Comment (SMC) 1 (b):

With respect to the summary in Table 2 of progress on reducing differences and the supporting detail in Appendix B:

(b) Are there further differences between IPSASs and GFS reporting guidelines that should be added to this list? If so, please describe these.

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – YES	001, 003, 006, 008, 009, 011, 012, 014, 015, 016, 019, 023	12
B – NO CLEAR VIEW EXPRESSED ON THE SMC		0
C – NO	002, 004, 005, 007, 010, 013, 017, 024	8
SUB-TOTAL OF THOSE PROVIDING COMMENTS		20
D – DID NOT COMMENT	018, 020, 021, 022, 025	5
TOTAL RESPONDENTS		25

R#	C #	RESPONDENT COMMENTS SMC 1 (b)	STAFF COMMENTS
001	A	<p>First, it is important to acknowledge that great work was done in summarizing the multiple pages of issues identified in the 2005 Research Report in the consultation paper.</p> <p>In order to answer this question, a review of the Matrix in the 2005 Research Report which identifies, and groups for analytical purposes, key differences between accounting and statistical bases of financial reporting as at June 30, 2004, was conducted. Based on this review, it was identified that for the most part the differences between IPSASs and GFS reporting guidelines have been identified in the consultation paper. However, there are a few items, which are identified in the matrix, that have not been identified in the consultation paper. These include:</p> <ul style="list-style-type: none"> • Distributions to owners as holders of equity instruments and distributions from controlled entities (issue 2.3 in the matrix); • Costs of issuing equity instruments (issue 5.2(a) in the matrix); • Investments in associates (issue 5.6 in the matrix); • Debt cancellation (issue 6.1(b) in the matrix); • Debt rescheduling (issue 6.1(c) in the matrix); • Recording of leases in relation to cash flows (issue 8.2 (a) in the matrix); 	Issues noted for further review and discussion with Task Force.

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		<ul style="list-style-type: none"> • Repurchase premiums and discounts on debt securities (issue 8.4(a) in the matrix); • Defined benefit pension schemes – actuarial adjustments, interest costs and return on plan assets (issues 8.4(b) and (n) in the matrix); • Initial recognition of naturally occurring assets not acquired or donated that previously were not known to exist and can now be meaningfully measured, such as water resources and the electromagnetic spectrum (issue 8.4(g) in the matrix); • Swap interest (issue 8.4(o) in the matrix); and • Recording of tax credits (issue 8.4(p) in the matrix). <p>It is possible that these items have been resolved. In the spirit of completeness of the consultation paper, it may be worthwhile to indicate the progress and/or resolution of these items.</p>	
002	C	No further differences are noted.	
003	A	<p>As noted in the accompanying letter, the IDW's members are generally not directly concerned with Government Finance Statistics. For this reason, we have not analyzed the differences in detail. We would, however, like to make the following comments in this context:</p> <ul style="list-style-type: none"> • As noted in our accompanying letter, emissions' trading is an area of difference between IPSASs and GFS that we suggest could be itemized in the list. • We note that terminology differences were considered in the work IPSASB undertook in 2005, but none are included in Table 2. We suggest that where remaining terminology differences merit further consideration in potential changes to IPSASs or to GFS Reporting Guidelines they also be included in the list. • To our understanding, the issue of tax payable by public sector entities was identified as a difference in 2005 and has not been fully resolved. Whilst we recognize that this issue may be of relatively little significance in some jurisdictions, we suggest it be included in the list. • The specific point in time at which tax due shall be recognized is one further issue where we believe differences between IPSAS s and GFS remain (IPSAS 23 does not require the existence of a tax demand or tax file, rather that the taxable event has occurred). There are also differences in requirement regarding the use of statistical models in the measurement of tax collectable. • Including one particular item in more than one category without clearly specifying the difference between the respective issues is confusing (e.g., Defense weapons: It is unclear how the issue can be stated to be resolved in A5 when the issue of capitalization vs. expense of an item is also noted as in B5. A similar issue applies to R&D described in A8 and C6). • In our view, some areas in section B should be revisited. For example, in respect of B1 the IPSASB's discussions regarding control should not be overly influenced or driven by a desire to 	Issues noted for further review and discussion with Task Force.

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		<p>“harmonize” IPSASs and GFS.</p> <ul style="list-style-type: none"> In addition, we would caution the propensity for IPSASB to give the impression that the changes to IPSASs that would be needed will (likely) be deliverable. In this context, we are not convinced that categorizing inventory measurement under “opportunities to reduce differences: IPSASs” in B4 is entirely appropriate because this might give the impression that the IPSASB is suggesting GFS has “got it right” and only IPSASB needs to re-deliberate this issue. The same applies to B7 “transaction costs”. 	
004	C	We could not add any further differences to this list.	
005	C	ACAG is not aware of further differences between IPSAS and GFS reporting guidelines that should be added.	
006	A	<p>Yes, please see below.</p> <p><u>Dividends</u> - In the IPSAS dividends are treated as equity, where as in the GFS they are treated as expenses for PNFCs and PFCs and revenue for GG - see IPSAS 9.</p> <p><u>Unpaid taxes</u> - In the IPSAS these are recorded as a deferred tax liability, where as in the GFS they are not recognised. Taxes and other compulsory transfers are only recognised when the events occur that create claims to taxes or other payments - see IPSAS 25 and 31 and IAS 12.</p> <p><u>Coins issued by government</u> - The IPSAS does not recognise these, whereas in the GFS they are treated as a liability of the central government.</p> <p><u>Purchased goodwill</u> - Purchased goodwill is not amortised in IPSAS. Instead the goodwill is tested for impairment annually or more frequently. In GFS, purchased goodwill is valued at its acquisition cost less accumulated amortisation. See IPSAS 18 and IAS 36.</p> <p><u>Non-resident entities</u> - In the IPSAS, the consolidated financial statements include all of the subsidiaries of the parent entity. In GFS, only the resident entities are included. See IPSAS 20.</p> <p><u>Provision for bad or doubtful debts</u> - In the GFS, debts that are written off by mutual agreement between creditor and debtor are treated as the creditor providing a capital transfer to the debtor resulting in an decrease in financial assets and net worth. Bad debts written off unilaterally are removed from the balance sheet through another changes in the volume of assets transaction. Due to the integration of flows and stocks in the GFS framework, provisions for bad or doubtful debts are not recognised in GFS as there is no economic event yet that can be recorded.</p>	Issues noted for further review and discussion with Task Force.
007	C	No, the list set out in category B appears comprehensive.	
008	A	The Australian Accounting Standard AASB 1049 identifies a range of differences between Australian GAAP and GFS requirements that do not affect measurement of key fiscal aggregates. Such differences should also be addressed in Table 2 where they arise under IPSASs. AASB 1049 also	Issues noted for further review and discussion with Task Force.

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		identifies differences between GAAP and GFS requirements in the recognition of deferred tax assets and liabilities by government controlled entities that are outside the GGS. We believe Table 2 should address this issue.	
009	A	This question is unanswerable, because it is too time consuming to draw up a list of differences between IPSASs and GFS. Such a task demands detailed knowledge and requires specialists. We have no indications that this work was not carefully carried out in developing this CP.	
010	C	We do not find any further differences that should be added to the list.	
011	A	<p>Further differences that should be added to the list are:</p> <ul style="list-style-type: none"> • The non-recognition of provisions if the counterparty can't be identified applying the symmetry principle of GFS as explained in our general comments, • The lack of IPSAS related to social benefits whereas this subject is addressed in the GFS (in France, social benefits represent more than half public expenditures), • The recognition criteria for taxes: according to the SNA (2008 SNA §8.58), in accordance with the accrual principles, the taxes should be recognised in the year in which the taxable activity takes place. However, in the case of income taxes, the SNA enables flexibility taking into account the difficulty to measure them reliably at the reporting date (2008 SNA §8.61). IPSAS 23, <i>Revenue from Non-Exchange Transactions</i>, does not specify clearly the recognition criteria for tax revenues. IPSAS 23 only addresses the recognition criteria for assets related to taxes. • The recognition criteria for assets under concession arrangements are based on benefit-risk criteria according to 2008 SNA (§22.158). By contrast, recognition criteria for assets under concession arrangements are based on control criterion according to IPSAS §32.9. 	Issues noted for further review and discussion with Task Force.
012	A	<p>Without negating the need to develop standards that are sufficiently tailored to address the specific characteristics of the public sector, it is also important to look at the possible convergence with IFRS. As governments prepare IPSAS consolidated accounts that include both public sector entities reporting under IPSAS and GBEs reporting under IFRS, aligning the two sets of principles where appropriate brings more consistency in the consolidation process. Where facts and circumstances are the same, we do not see any basis for having a different accounting treatment. Selecting the option under IPSAS which aligns the accounting treatment to GFS rules may create a difference with the mandatory IFRS treatment. For issue A5 for example, IPSAS 5 'Borrowing costs' allows either to expense these costs or to capitalise them as part of the acquisition cost of the qualifying asset. Under IFRS, capitalisation is mandatory, and under GFS rules borrowing costs should be expensed.</p> <p>We encourage the IPSASB to pursue its efforts with the parties involved to achieve harmonisation of</p>	Comments on issues discussed under SMC 1(b) with respect to the meaning of "resolution".

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R#	C #	RESPONDENT COMMENTS SMC 1 (b)	STAFF COMMENTS
		<p>IPSAS, GFS rules and IFRS to the greatest possible extent.</p> <p>Finally, there might be instances where issues listed in table 2 may be resolved in practice/in application, but the requirements are not aligned. For investments in unquoted shares for example, IPSAS 29 'Financial instruments: recognition and measurement' requires fair value where there is a reliable measure and cost otherwise, and GFS rules adopt a 'current market price' basis across all assets.</p>	
013	C	We have no proposals for consideration.	
014	A	<p>Other differences not identified in the consultation paper in our view include: -</p> <ul style="list-style-type: none"> i. IPSASB identified the issue of tax payable by public sector entities was identified as a difference in 2005, however this has not been included in the table provided. We opine that this be included as tax is a significant component in government statistics and public sector entities. i. The point in time at which tax due shall be recognised is also an issue we believe portend some differences between IPSAS s and GFS (IPSAS 23 does not require the existence of a tax demand or tax file, rather that the taxable event has occurred). i. Carbon trading has become an important revenue stream for a number of government entities in this day of green energy and difference exist between IPSASs and GFS hence IPSASB ought to include this component. 	Issues noted for further review and discussion with Task Force.
015	A	Contractual guarantees and other derivatives financial instruments are recognised on the balance sheet under IPSAS 29: <i>Financial Instruments: Recognition and Measurement</i> , but are only recognised in limited circumstances under GFS. SNA 2008 proposes disclosure as a memorandum item, but reconciling differences remain.	Issue noted for further review and discussion with Task Force.
016	A	<p>We have noted two additional issues that could be considered:</p> <ul style="list-style-type: none"> • Statisticians often rely on consolidated information to prepare their statistics. It may happen that a group comprises subsidiaries that undertake different activities. In order to report statistical information based on these activities, reliance often needs to be placed on the individual subsidiaries' separate financial statements as segment information at a group level may not provide adequate detail. Statisticians are however unable to eliminate inter-entity transactions from these separate financial statements because details of these transactions are not provided in the financial statements. Although IPSAS 20 on <i>Related Party Disclosures</i> requires disclosures of such transactions, transactions that are undertaken on normal terms in a regular customer-supplier arrangement between entities in a group, are exempt from disclosure. It might be appropriate to consider disclosing all inter-entity transactions in the notes to the financial statements but clearly indicate the terms on which those transactions are undertaken. 	Issues noted for further review and discussion with Task Force.

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R#	C #	RESPONDENT COMMENTS SMC 1 (b)	STAFF COMMENTS
		<ul style="list-style-type: none"> Although the IPSASB has not completed its project on public sector combinations, we have noted that there may be a potential difference between statistical and accounting bases regarding the treatment of comparative information when functions or operations are transferred between entities. From a statistical perspective, the comparative information would be adjusted between the entities to reflect the transfer. For accounting purposes, the comparative information will not be amended if acquisition accounting or the modified pooling of interests is applied. 	
017	C	I think that for this moment don't need added more information in this list. I think that if the board agrees, observed this discussion about these papers EMIR: A Fair Price for Safety and Transparency and Valuation, these are great projects with high complex and quality.	
018	D	<i>No comment noted.</i>	
019	A	<p><i>Further Differences</i></p> <p>To some extent, the AASB's response in (a) above provides a partial response to this question. Further differences that should be addressed in Table 2 where they arise under IPSASs are set out in the following paragraphs.</p> <p>Although issues B6 and C1 address differences in measurement bases for assets, liabilities and net assets/equity, and the discussion in Sections 5 and 6 and Appendix B of the CP also refers to improving the consistency of valuation guidance, the CP does not refer to the equity method of accounting. This is a special measurement basis applied to investments in associates and interests in jointly controlled entities under IPSAS 7 <i>Investments in Associates</i> and IPSAS 8 <i>Interests in Joint Ventures</i>. With its long history in accounting standards, the equity method deserves particular reference as a difference between IPSASs and GFS as it would need to be addressed separately from other measurement issues.</p> <p>The CP does not refer to a range of other differences between IPSASs and GFS requirements, in particular those that do not affect the measurement of key fiscal aggregates such as net operating balance, net lending/(borrowing) and net worth. For example, there are differences in consolidation eliminations for the whole of government financial statements. In particular, under GFS, certain transactions between the GGS and entities within the Public Non-Financial Corporations (PNFC) sector and Public Financial Corporations (PFC) sector are not eliminated on whole of government consolidation, whereas under IPSAS 6 <i>Consolidated and Separate Financial Statements</i> intragroup transactions that are not transactions with external parties are eliminated in full. The GFS treatment has the effect of 'grossing up' both GFS revenue and GFS expenses by equal amounts. For example, a GGS may compensate a PNFC sector entity for a community service obligation, imposed by the GGS, that requires the PNFC sector entity to provide free services to a cohort of private individuals.</p>	Issues noted for further review and discussion with Task Force.

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		<p>The compensation provided by the GGS to the PNFC sector entity is not eliminated for whole of government reporting under the GFS Manual (instead it is 'rerouted' through the household sector of the economy and therefore treated as an expense of the GGS to the household sector, and an expense of the household sector to the PNFC sector entity, and therefore revenue of the PNFC sector entity).</p> <p>There are further differences between IPSAS and GFS for both the whole of government and the GGS. IPSAS 28 <i>Financial Instruments: Presentation</i> classifies prepaid expenses as non-financial assets, whereas GFS classifies them as financial assets. In addition, IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i> may classify an amount within provisions, whereas GFS would classify the amount as accounts payable.</p> <p>There are also differences between IPSAS and GFS requirements for the PNFC and PFC sectors that are not identified in the CP. For example, deferred tax assets and liabilities that might be recognised by entities in the PNFC or PFC sectors are not recognised under GFS. The AASB thinks that Table 2 should also address deferred tax requirements even though they arise in a for-profit context under IAS 12 <i>Income Taxes</i> or other national standards.</p>	
020	D	<i>No comment.</i>	
021	D	<i>No comment.</i>	
022	D	<i>No comment.</i>	
023	A	We believe that given the different asset and liability measurement methods between SNA compared to IPSAS, it is not practicable to align the two methods of preparing financial statement information.	Noted: Measurement differences mean alignment is not practicable.
024	C	Currently, we are not aware of other major conceptual differences between IPSASs and GFS. There may be more minor issues, or differences in practical interpretation, which could be found (see comment above).	
025	D	<i>No comment</i>	

Specific Matter for Comment (SMC) 2:

Do you agree that the IPSASB, in conjunction with the statistical community, should develop guidance on the development of integrated Charts of Accounts, which would include (i) an overview of the basic components of an integrated Chart of Accounts, and (ii) wider coverage such as that listed in paragraph 4.16 of this CP?

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	001, 002, 004, 005, 006, 007, 010, 011, 012, 013, 015, 016, 018, 019, 022, 024	16
B – PARTIALLY AGREE	003, 008, 009, 014, 017, 020, 021	7
C – DISAGREE	023	1
SUB-TOTAL OF THOSE PROVIDING COMMENTS		24
D – DID NOT COMMENT	025	1
TOTAL RESPONDENTS		25

R#	C #	RESPONDENT COMMENTS SMC 2	STAFF COMMENTS
001	A	Creating guidance on the development of an integrated Chart of Accounts which would include the items listed from paragraphs 4.14 to 4.16, is a good initiative to undertake in conjunction with the statistical community.	
002	A	Agree but would like the following to be addressed: 1. Specific inclusion/exclusion of central banks, 2. Specific reference as to the way to handle differences between those that implement the Cash Basis IPSAS and the Guidelines for Implementing the GFSM, 3. Liability recognition of purchase orders outstanding at the end of the FY if they do not lapse, and 4. Split GGS between budgetary entities and all other controlled entities except GBEs since some of these other controlled entities are required to prepare separate financial statements and are heavily subsidized (e.g. universities), and 5. Codes for changes in assets and liabilities (Codes 3 and 4) in the GFSM are not needed in the CoA since these can be computer generated.	
003	B	We appreciate that an integrated Chart of Accounts could be beneficial in assisting public sector entities to comply with both IPSASs and GFS reporting guidelines. Provided there is sufficient take-up by public sector entities, including governments, this is an area in which synergies could likely be achievable at an international level. However, given the resources that would be required to successfully complete such an initiative, we believe potential demand for such	Note: Work on this should be conditional on resource availability. A necessary prior step is to assess

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		<p>a “product” needs to be carefully assessed as a first step. For example, it would be useful to establish the extent to which those governments already using IPSASs or a substantially similar framework and also governments committed or considering moving to IPSASs would be likely to draw upon such an initiative.</p> <p>We also note that a common taxonomy such as the XBRL taxonomy already available for IFRS is also mentioned in the paper. Given the present level of similarity between IFRS and IPSAS further consideration may be appropriate.</p> <p>Which organizations or bodies might be involved in such a development will depend on a variety of factors, not least concerning potential resource capacity and funding. This will likely necessitate substantial discussion. We therefore do not express any firm view at this point in time.</p>	potential demand for such a product.
004	A	The IPSAS Steering Committee strongly supports the idea of developing guidance on the integrated Charts of Accounts. However, the Steering Committee cautioned that an integrated Chart of Accounts needs to be able to be fully implemented among various IT systems.	
005	A	<p>ACAG agrees that the IPSASB should work with the statistical community to develop guidance on how governments can convert IPSAS-based financial statements to statistical reports on a GFS basis. We suggest the guidance include:</p> <ul style="list-style-type: none"> (i) a full list of the accounting policy choices in IPSASs, identifying the treatment that best aligns with GFS reporting; (ii) a full of list of differences between IPSAS and GFS accounting treatments, and for each the additional data that would need to collected to produce GFS reports; and (iii) a guide on how to calculate GFS aggregates. 	
006	A	Yes, the ABS agrees that a basic minimum would be helpful. However, each country will need to tailor this to meet specific circumstances.	
007	A	Yes, we agree that the development of Chart of Accounts would be useful. We also agree that guidance should incorporate a wider set of issues relating to the development of expertise and training, as well as providing a clear description of the benefits of Chart of Accounts.	
008	B	<p>The CP notes the design of the Chart of Accounts is one of the approaches available to the preparer to manage differences between IPSASs and GFS. While we consider that guidance would be useful, we do not believe it should be given priority over the IPSASB’s existing projects. For example, we have previously highlighted to you in our submission of the IPSASB future agenda, the importance of the International Financial Reporting Standards (IFRS) convergence project. We would not want to see any further delays in this project, as a result of any optional type project work that may be undertaken in other projects.</p> <p>We believe that extensible Business Reporting Language (XBRL) reporting may have an important role to play in future developments. We encourage the IPSASB to consider the development of a XBRL taxonomy in conjunction</p>	<p>Note: Conditional on other priorities.</p> <p>Note: Develop an XBRL taxonomy.</p>

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		with any work it undertakes on a chart of accounts project.	
009	B	The SRS-CSPCP believes that a certain standardisation of the accounting framework is desirable. For this an integrated Chart of Accounts is not necessary, but rather explanations of how one moves from one set of rules to the other to contribute to convergence. For example, it would be necessary in the 4th part of the Framework to mention what are the guidelines to be followed when designing a Chart of Accounts. It is not the task of the standard setter to issue these explanations.	Note: Clarify type of guidance. Don't focus on the Chart of Accounts.
010	A	We agree with the view to develop the guidance on the development of integrated Charts of Accounts. However, we are concerned that the project to develop guidance would require considerable amount of staff resources. As we can see from the responses on the IPSASB's Work Program, the IPSASB has many standard-setting projects that need to be prioritized. Therefore, we recommend for the IPSASB to consider securing for additional resources to develop the Charts of Accounts.	Note: Support, conditional on additional resources so that does not impact on existing priorities.
011	A	<p>Standards aim to describe principles and accounting methods that allow to recognise the financial effects of transactions and other events on the period when they occur. Financial statements' elements are classified in four great categories: assets, liabilities, revenues and expenses.</p> <p>So as to provide the most useful information to the users of the financial statements for the purpose of economic decision-making, standards address the disclosure of these elements in balance sheet or profit-and-loss statement. So, these elements are disclosed in subdivisions according to their nature. For that purpose, standards specify the minimum accounting headings disclosed in the balance sheet and profit-and-loss statement.</p> <p>Chart of accounts (CoA) is designed by entities in order to record events and transactions in the accounts according to their nature to comply with the principles and current accounting rules.</p> <p>So, we consider that a unique CoA cannot be required because its design depends on the organisation and specific accounting process of each country. Besides, we do not consider that the design of a CoA can facilitate the gap analysis between the IPSAS and the GFS considering what we have indicated in the general comments.</p> <p>Accordingly, we do not wish that the IPSASB proposed a CoA. By contrast, IPSASB can propose a guidance on integrated CoA.</p>	<p>See below for the last comment, which supports guidance.</p> <p>Disagrees with a unique CoA.</p> <p>Note: Supports development of guidance.</p>
012	A	<p>Guidance on the development of an integrated chart of accounts could be useful for public entities that apply both IPSAS and GFS requirements. This could facilitate the preparation of the two sets of accounts.</p> <p>We however believe that such guidance should be presented as useful information that public sector entities might wish to consider when they apply the two sets of rules, rather than issued under the form of mandatory IPSAS rules. We believe this would better fit within a principles-based accounting framework.</p> <p>In developing its guidance on an integrated chart of accounts, the IPSASB could consider contributing to the development of an XBRL taxonomy in relation to IPSAS. It would also need to consider the impacts of such initiative</p>	<p>Note: Not mandatory</p> <p>Note: Develop an XBRL taxonomy.</p>

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		in terms of the future maintenance of the integrated chart of accounts.	
013	A	<p>CIPFA agrees that using an integrated COA to manage differences between long-term or permanent differences between IPSAS and GFS will normally be a sensible and pragmatic approach, which may improve the efficiency of the overall process. However, jurisdictions will need to take care to avoid the risk of developing systems around the COA which are insufficiently flexible to cope with changes to IPSAS or to GFS reporting guidelines.</p> <p>Given this, we can see that it would be beneficial for the IPSASB, in conjunction with the statistical community to develop guidance on this topic, having regard both to pronouncements which are currently in issue, and future developments which might arise, for example, following IPSASB development of its conceptual framework.</p>	
014	B	We appreciate that an integrated Chart of Accounts could be beneficial in assisting public sector entities to comply with both IPSASs and GFS reporting guidelines. We also note that a common taxonomy such as the XBRL taxonomy already available for IFRS is referred to in the consultation paper and we suggest that IPASAB take this approach to ride on the similarities between IPSAS and IFRS as it will be more effective and efficient.	Note: Develop an XBRL taxonomy; a more effective and efficient approach.
015	A	<p>HoTARAC agrees that guidance on integrated Charts of Accounts be developed but only at a high level. HoTARAC notes that the requirement of SNA 2008 may be modified by national and regional statistical standard setters and guidance should be flexible enough to incorporate these regional variations. HoTARAC does not support the development of an integrated chart of accounts by IPSASB as it considers this outside the purview of a standard setter. Further it agrees with the disadvantages listed in 4.12 for developing a comprehensive Chart of Accounts for all countries. However, HoTARAC recommends a high level list of GFS/IPSAS divergences be maintained to assist chart of account mapping by governments. This would ensure that a common list is used by governments, hence enhancing report comparability.</p> <p>Further, HoTARAC does not agree with paragraph 4.16 that the guidance should cover wider issues.</p>	Note: Keep the guidance at a high level.
016	A	We support the development of guidance on how to develop a chart of accounts (as noted in paragraphs 4.15 and 4.16). This may however be too theoretical to be of practical use. While we acknowledge that it is inappropriate to develop a detailed chart of accounts given the variety of practices that may exist within jurisdictions, it would be useful if an illustrative chart of accounts could be developed to deal with those areas where the statistical and accounting bases differ.	Note: Concern that this may be too theoretical and not useful in practice.
017	B	I think that is important the development of this project, but I don't know if is responsibility of IFAC-IPSASB. The aspects listed in point 4.16 are very complex and could be integrated with other local regulators for development and used of this system, I don't know, but I understand that this conjunction is very important in relation the observations and impacts statistical in this process.	Note: Concern that this is not necessarily IPSASB responsibility.
018	A	As mentioned in the cover letter, we support the IPSASB's development of an overview of the basic components of an integrated CoA, but not the wider coverage such as those listed in paragraph 4.16 for the reasons covered above.	Note: Do not support the wider coverage in 4.16.

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R#	C #	RESPONDENT COMMENTS SMC 2	STAFF COMMENTS
019	A	<p>The AASB thinks that general guidance on integrated Charts of Accounts would be useful by broadly identifying the benefits of integration (paragraph 4.16(a)), but any detail on this should be left to business case considerations. The AASB is concerned that examples of integrated Charts of Accounts (paragraph 4.16(c)) are likely to be voluminous and jurisdiction-specific, and require updating whenever significant changes occur to IPSASs or to GFS reporting guidelines, which would not be an efficient use of the IPSASB's resources.</p> <p>The AASB suggests the IPSASB consider the development of an XBRL taxonomy in relation to IPSASs in conjunction with general guidance on the development of integrated Charts of Accounts, but should leave the "wider coverage" matters identified in the CP to jurisdictions and their advisers.</p>	<p>Note: Avoid getting into detailed specifications for CoA.</p> <p>Note: Develop an XBRL taxonomy.</p>
020	B	<p>Joint development of nomenclatures by the IPSAS Board and the statistic community could have a structuring effect and would increase the ability to use and practice the accounting requirements. But, on the opposite, a direct transposition of GPS nomenclatures to IPSAS accounting should be avoided. In some jurisdictions, like France, accounting nomenclatures are already standardized.</p>	
021	B	<p>Besides, the CP suggests a <i>chart of accounts design</i>, including additional codes to identify items included in GPFRs but not in GFS (or vice versa). In general, the Department believes that such way is definitely viable under a logic point of view, while from a practical perspective addition of new codes would imply the following disadvantages: a) increasing of administrative costs on units competent on financial reporting; b) increasing of administrative costs on units preparing the GFS; c) significant up-dating of informative systems; d) greater difficulties for staff; e) accounting information would turn out to be over-classified at the expense of easy use.</p>	
022	A	<p>A complete Chart of Accounts not only includes standards but also must define the accounting rules and the terminology of accounts. Currently, international projects are focusing on standards. The Council also believes that proposals to harmonise terminology would promote comparability.</p> <p>However, as the Consultation Paper notes, such a tool would have to take local requirements into account.</p> <p>Accordingly, the Council believes that the proposal to develop a guide to the creation of accounting terminology, with each government or group of governments responsible for delineating principles, is appropriate. This guide should make use of national accounting terminology as well as the experience of governments that have already developed general purpose accounting terminology. This question should also receive attention in the current discussion of accounting harmonisation at European level.</p> <p>Moreover, the Council wishes to comment on the other proposals for managing the inescapable differences that remain between the IPSASs and the GFS noted in paragraphs 4.3 through 4.10.</p> <ul style="list-style-type: none"> • Production of additional data (paragraph 4.9) appears to be an appropriate solution, with the additional data not necessarily needed in the notes to the financial statements. • On the other hand, the Council finds that choosing an accounting method that may correspond to the GFS' choice when it is proposed – among other places – via the IPSASs is not appropriate. In particular, it would not 	<p>Note: Also develop common terminology.</p> <p>Supports guidance.</p>

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R#	C #	RESPONDENT COMMENTS SMC 2	STAFF COMMENTS
		be feasible to opt systematically, as proposed in paragraph 4.4, for the remeasurement option under IPSAS 17, especially as the concepts of fair value do not necessarily have the same meaning in both systems.	
023	C	Before expending any funding on the development of an integrated chart of accounts, both the statistical community and the IPSAS community should be asked whether such an integrated chart of accounts would be implemented in both the statistical and IPSAS communities. Funds should only be spent if and when there is strong support and acknowledgement that an integrated chart of accounts would actually be implemented in the statistical and IPSAS communities.	Note: Disagrees unless prior survey to determine whether CoA would be used.
024	A	<p>We do not believe that it should be the direct task of the IPSASB to develop a detailed chart of accounts. From a preparer's perspective, the output of the board should be principle based standards, whereas a chart of accounts, as indicated in the consultation paper, cannot be considered as principle based. The second reason would be the danger that a detailed chart of accounts developed by IPSASB could be considered as an interpretation by the board on how to apply IPSASs. Experience shows that when a standard setter gives the slightest indication on accounting options auditors tend to interpret this as the "preferred" or "correct" option to be used. This must be avoided so as to enable preparers to select an accounting treatment that best reflects fair presentation.</p> <p>Nevertheless there is a clear need from the statistical community for the development of integrated charts of accounts which already include information needed for GFS compilation. Such a development would increase timeliness, efficiency and consistency of GFS data, reducing the necessity for a preparer to devote resources to compile separate statistical reporting.</p> <p>It might also be mentioned that those jurisdictions which are looking to adopt accruals-based IPSASs would benefit from taking this into account when developing new charts of accounts.</p> <p>We would therefore ask the IPSASB to consider the promotion of general guidance on integrated charts of accounts, which would assist preparers which need to develop their charts of accounts. We agree that a joint activity with the statistical community would be best, but underline that this should not be seen as working towards an IPSAS or Recommended Practice Guideline. Within Europe, the on-going "European Public Sector Accounting Standards" (EPSAS) project led by Eurostat will look at the feasibility of developing an EU-wide chart of accounts.</p>	<p>Note: Do <u>not</u> develop a detailed chart of accounts.</p> <p>Benefits of use of integrated charts of accounts.</p> <p>Note: Support for general guidance on integrated charts of accounts. Joint activity with statistical community recommended.</p> <p>Note: EPSAS project initiative.</p>
025	D	<i>No comment.</i>	

Specific Matter for Comment (SMC) 3 (a):

- (a) Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines?

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – YES	001, 002, 004, 005, 006, 007, 008, 009, 010, 012, 013, 015, 016, 018, 019	15
B – PARTIAL AGREEMENT		0
C – NO	003, 011, 014, 017, 020, 022, 023, 024	8
SUB-TOTAL OF THOSE PROVIDING COMMENTS		23
D – DID NOT COMMENT	021, 025	2
TOTAL RESPONDENTS		25

R#	C #	RESPONDENT COMMENTS SMC 3 (a)	STAFF COMMENTS
001	A	Given the benefits arising from using IPSAS-based data for GFS reports, a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines makes sense. However, caution should be exercised in developing the systematic approach. Due to the different objectives between the two reporting frameworks, GFS guidelines should not be the sole driver of changes to the IPSASs. Changes to IPSAS must be driven by a financial reporting issue that has arisen. Any changes to IPSAS must be consistent with the Conceptual Framework, with the underlying IFRS and must yield intended results.	Benefits for GFS reports Support conditional on IPSAS changes being (a) driven by financial reporting issue, (b) consistent with Conceptual Framework and IFRS.
002	A	Agree as long as the financial elements are verifiable in order for the SAI to express an audit opinion on the fair presentation of the financial statements.	Support conditional on audit.
003	C	As a general purpose financial reporting framework, the suite of IPSASs should continue to be directed toward financial reporting that can meet the needs of those users who are unable to request financial information on their own accord. To this end, it is the IPSASB's Conceptual Framework – and not a desire to reduce differences with GFS – that should primarily guide the IPSASB in its future standard setting. In addition, the IPSASB is committed to adhering to a strict due process in standard setting. Formally strengthening the approach including changing the IPSASB's terms of reference along the lines put	Generally negative, but supports two changes to the IPSASB's approach: 5.4(c) consider GFS changes as part of improvements, and 5.4(e) include comparisons with GFS

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R#	C #	RESPONDENT COMMENTS SMC 3 (a)	STAFF COMMENTS
003		<p>forward in paragraph 5.4 carries a danger that the IPSASB might be perceived as seeking to deviate from its aim to serve general users, as its decision making would be biased towards the needs of a specific user group (GFS statisticians), i.e., it would introduce unnecessary tension between general purpose users' needs and the specific needs of statisticians.</p> <p>We do not believe it would be appropriate for the IPSASB to specify the formal changes to its current approach to standard setting proposed in paragraph 5.4 (a)-(b) and (d) so as to adopt a more systematic approach to minimizing or eliminating what the paper terms "unnecessary differences". In our opinion, the current mention in the IPSASB's terms of reference "...the IPSASB supports convergence of accounting and statistical bases of financial reporting where appropriate..." remains adequate.</p> <p>Having said this, and in recognition of the fact that both frameworks have evolved to a large degree independently from one another over time, we are not suggesting that the IPSASB should not now consider fully during its deliberations of individual IPSASs the extent to which general purpose users and statisticians may share common information needs, and therefore support the proposal in paragraph 5.4 (c). The IPSASB annual improvements project currently concentrates on recent developments in IFRS, but – in line with the IPSASB's terms of reference – ought certainly take due account of relevant GFS considerations, too. However, we do not agree that significant differences, such as the measurement methods to be applied to inventory (see paragraph 5.12), should be subsumed as a part of the IPSASB's annual improvement project. Changes to such matters deserve wider consideration and need to be in line with the Conceptual Framework.</p> <p>We also agree, for example, that inclusion of GFS comparisons in all IPSASs as proposed in paragraph 5.4 (e) would be useful to inform preparers and other interested stakeholders as to the differences between the two frameworks.</p>	in the IPSASs.
004	A	There was approval for the systematic approach listed in the consultation paper.	
005	A	ACAG believes that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines. <i>(Further comment on specific change suggested included under 3(b).)</i>	
006	A	The GFS is a more static framework than the IPSAS. Changes for GFS purposes only come about through a review of the international standards which happens every ten years or so, however, there are benefits to applying a systematic approach to reducing IPSAS and GFS differences.	Note comment that GFS is more static.
007	A	We believe that the proposals set out in the consultation paper provide a sensible approach to ensuring GFS considerations are built into the standard setting process.	
008	A	We encourage the IPSASB to take a more systematic approach so as to achieve a reduction of unnecessary differences between IPSASs and GFS reporting guidelines.	Benefit: Will reduce unnecessary differences.

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R#	C #	RESPONDENT COMMENTS SMC 3 (a)	STAFF COMMENTS
009	A	This question is to be answered in the affirmative, provided the objectives of the IPSASs are not impaired.	Support conditional on IPSAS objectives being unimpaired.
010	A	<p>We agree with the view that the IPSASB should take a more systematic approach. We believe that, by referring to GFS reporting guidelines and clarifying the differences between GFS reporting guidelines and IPSASs, while developing and revising IPSASs, the IPSASB can demonstrate the need for the reconciliation of the two and, at the same time, provide useful information to both the preparers and users of financial statements and GFS reporting. In addition, we believe that it could also help relevant stakeholders in various jurisdictions understand the conceptual differences between IPSASs and GFS in their standard setting processes.</p> <p>As we stated in our general comments, in the process of reducing the differences between GFS reporting guidelines and IPSASs, the IPSASs should clearly state in its publications, such as in the preface to IPSAS Handbook, its position as to give priority to IFRSs than GFS when reviewing the articles of IPSASs that have been converged to IFRSs. We also suggest that IPSASB decides on the procedure of aligning IPSASs with GFS, in reference to “<i>Process for Reviewing and Modifying IASB Documents</i> (“Rules of the Road”).”</p>	<p>Support conditional on IFRS convergence as higher priority.</p> <p>Benefits: (a) Supports reconciliations, (b) provides useful information to preparers and users both report types, and (c) helps stakeholders understand the conceptual differences between IPSASs and GFS</p>
011	C	As mentioned in the general comments, objectives of the IPSAS and the GFS differ. So, the DGFIP considers that the standards convergence, even if it could appear theoretically relevant, is not relevant in practice, following the discrepancies. The cost-effectiveness would be unfavourable.	
012	A	<p>Yes. Reducing differences between IPSAS and GFS principles is an objective that should be pursued, and the IPSASB should consider the opportunity for alignment with GFS in each and every project it carries out.</p> <p>As mentioned under question 1, this should not be at the expense of developing the highest quality standards. The standards-setting process should primarily be concerned with developing standards in accordance with the principles laid down in the conceptual framework (now under development), and that provide information that is relevant, useful and reliable. IPSAS 3 should also be complied with when selecting accounting policies under the IPSAS framework. In addition, convergence to IFRS should be considered as explained under question 1.</p> <p>Finally convergence with GFS should also involve exploring whether GFS requirements could be amended or enhanced to reflect developments in accounting standards. Where appropriate, consideration should be given to whether GFS requirements should be amended to converge with IPSAS. For example, aligning GFS requirements on IPSAS 32 ‘Service concession arrangements: grantor’ for public-private partnerships (issue C4 in table 2) would provide a more comprehensive view of a government’s assets and liabilities in GFS reporting.</p>	<p>Support conditional on IPSAS (a) being highest quality; (b) consistency with Conceptual Framework; (c) application of IPSAS 3 for policy choices, (d) consideration of IFRS convergence.</p> <p>Noted: GFS guidelines should also change, where appropriate.</p>
013	A	<p>Generally speaking a systematic approach to reducing unnecessary differences would be beneficial. A key element of this would be to avoid sacrificing important principles relevant to public sector GPFs, and the development of criteria per 5.4(b) might be particularly important.</p> <p>We would also envisage some further harmonisation occurring as a result of initiatives on the GFS side.</p>	Important to avoid sacrificing important principles relevant to public sector GPFs.

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R#	C #	RESPONDENT COMMENTS SMC 3 (a)	STAFF COMMENTS
014	C	<p>We do not deem it fitting for the IPSASB to specify the formal changes to its existing approach to standard setting as proposed in paragraph 5.4 (a)-(b) and (d) so as to adopt a more systematic approach to minimizing or eliminating “unnecessary differences”. According to us, the existing statement in the IPSASB’s terms of reference “...the IPSASB supports convergence of accounting and statistical bases of financial reporting where appropriate...” remains sufficient.</p> <p>General purpose financial reporting framework is normally geared toward financial reporting that meets the needs of the general users and amendments to such matters deserve wider consideration aligned to the Conceptual Framework. We do agree that inclusion of GFS comparisons in all IPSASs as proposed in paragraph 5.4 (e) would be useful to inform preparers and other users on the differences between the two frameworks.</p>	Agrees with 5.4(e)
015	A	HoTARAC agrees and supports the overall approach of paragraph 5.4.	
016	A	<p>We support, in broad terms, the IPSASB’s proposal to consider statistical accounting and reporting in developing its Standards. We are however mindful of the fact that the objectives of financial and statistical reporting are different, as well as the users’ of such information and their information needs, and are concerned about how these objectives and needs will be assessed and considered by the Board for alignment. As a result, we would only be in a better position to comment on this proposal once the “criteria or broad principles that could guide the decision process that the IPSASB followed when considering issues that impact on GFS differences” (as noted in paragraph 5.4(b)) have been developed by the IPSASB.</p> <p>As this is a significant issue, we propose that the IPSASB issues these proposed criteria and the process that the Board intends following in considering alignment issues for comment.</p>	<p>Note: Support conditional on the specifics of what is proposed.</p> <p>Recommends that IPSASB put any GFS related process, policy changes out for consultation.</p>
017	C	I think that for this moment shouldn’t take a more systematic approach to reducing differences between IPSAS and GFS, after results of this discussion with others considerations of the board in the future I think that can be modified.	
018	A	We support the IPSASB taking a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines, furthermore, a “Rules of the Road” for this process should be developed, which is in line with the idea expressed in paragraph 5.4(b). In line with the development of “GFS Rules of the Road” we are of the view that the IPSASB’s Terms of Reference need to be adapted accordingly (see para. 8.0 Due Process of IPSASB’s Terms of Reference) and that the IPSASB’s bi-annual Improvement project also needs to consider GFS alignment issues. Furthermore, we believe the criteria and policies need to consider circumstances where changes are made to IPSAS standards as a result of IFRS changes, which may contradict GFS guidelines in certain circumstances. In addition, we would like to continue to stress the importance of public consultation when implementing changes to IPSAS standards to address GFS differences.	Comment re. change to the IPSASB’s terms of references is noted below under 3(b)
019	A	The AASB suggests the IPSASB consider taking a more systematic and, consistent with paragraph 5.3 of the CP, conceptual approach to reducing differences between IPSASs and GFS. The AASB considers the IPSASB should	Support is conditional on (a) not at expense of IFRS

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R#	C #	RESPONDENT COMMENTS SMC 3 (a)	STAFF COMMENTS
		<p>adopt the changes proposed in paragraphs 5.4(a) to (d) of the CP, within the broad Conceptual Framework context of ensuring that general purpose financial statements provide useful information to users. As an alternative to including GFS comparisons in all IPSASs (paragraph 5.4(e)), it would be more efficient to include GFS comparisons or differences in one Standard, such as IPSAS 22 or a replacement IPSAS.</p> <p>Furthermore, the AASB suggests the IPSASB does not place undue emphasis on GFS convergence at the expense of IFRS convergence. Transaction neutrality remains an important consideration given the existence of both for-profit and not-for-profit entities within the public sector (and within GFS reports).</p>	<p>convergence; and (b) maintain transaction neutrality</p> <p>Recommends: Comparisons with GFS guidelines be put in one document, not spread out over many IPSASs.</p>
020	C	The systematic merging of IPSAS and GPS cannot be a top priority, unless it is settled that the two systems are dedicated to the same purposes, to the satisfaction of the same needs, and have the same approach of economics, which is not the case. Thus, the convergence may only focus on some limited part of each set of standards and framework. A larger ambition of convergence could lead to a risk of denaturation of accountancy, which would afterwards appear dedicated to satisfy the needs of a new and virtual user: "the macroeconomic agency in charge of centralization of accounts", that doesn't exist.	
021	D	<i>No comment.</i>	
022	C	To the question of how to reduce the unwanted differences between the IPSASs and the GFS reporting guidelines, the IPSAS Board plans to include this concern systematically in its process of developing standards. Following up on its introductory comments, the Council believes that, while it is appropriate to investigate the possibility of finding a satisfactory alignment solution for the two systems, the search for alignment must not become the first and systematic objective, trumping all others. Although it is certainly relevant to propose reducing differences if it can be done with sensitivity to the objectives and constraints of each system, this approach cannot become an additional constraint in developing a consistent corpus of standards. The idea is not to integrate the two systems. General purpose accounting can provide rules for national accounting (for instance, concerning measurement of specific assets or the definition of specific liabilities), but it cannot provide systematic responses unless it were to become an "auxiliary" of national accounting.	Opposes a systematic approach, which makes this a constraint. (But also supports reducing differences.)
023	C	As long as the IPSAS and GFS are prepared with differing asset and liability measurement bases, no funding should be spent on a more systematic approach to reduce differences between IPSASs and GFS reporting guidelines.	
024	C	<p>We agree that the IPSASB should and, in our opinion as it does already now, positively commit to avoiding unnecessary differences between GFS and IPSAS.</p> <p>From a preparer's perspective, we do not, however, think that there is a reason to believe that it should be made more systematic. The IPSASB standard setting process should follow the objectives of financial reporting as described in the Conceptual Framework. As the alignment of GFS and IPSAS is not an objective of financial reporting and not of use for service recipients and resource providers that do not possess the authority to require</p>	Disagrees with more systematic approach but also agrees (see 3(b)) with specific suggestions on systematizing the approach.

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R#	C #	RESPONDENT COMMENTS SMC 3 (a)	STAFF COMMENTS
		<p>disclosure of information, a change to the formal IPSASB standard setting process is not justifiable. There will continue to be certain fundamental conceptual differences between GFS and IPSAS for the foreseeable future, as set out in the consultation paper, and these will need to be managed.</p> <p>Nevertheless, to avoid any unnecessary differences and benefit from each others' experience, it is important to maintain the dialogue between statisticians and the IPSASB. At present we welcome that the "statistical community" is well represented as observers in IPSASB meetings and can explain its point of view. Additionally, representatives have been invited to task based groups so that the board could profit from their knowledge and experience, and have the opportunity to comment on consultation papers. All of this is welcome.</p>	
025	D	<i>No comment.</i>	

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Specific Matter for Comment (SMC) 3 (b):

(b) If so, are there changes other than those listed in paragraph 5.4, which the IPSASB should consider adopting?

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – YES, OTHER CHANGES	005, 007, 008, 015, 018	5
B – NO CLEAR VIEW EXPRESSED ON THE SMC		0
C – NO, NO OTHER CHANGES	001, 002, 003, 004, 006, 009, 010, 012, 013, 016, 017, 019, 024	13
SUB-TOTAL OF THOSE PROVIDING COMMENTS		18
D – DID NOT COMMENT	011, 014, 020, 021, 022, 023, 025	7
TOTAL RESPONDENTS		25

R#	C #	RESPONDENT COMMENTS SMC 3 (b)	STAFF COMMENTS
001	C	No other changes have been identified at this point in time.	
002	C	No other changes considered necessary.	
003	C		
004	C		
005	A	<p>ACAG supports the changes (a) to (e) listed in paragraph 5.4.</p> <p><i>(Comment under 3(a))</i> As a start, ACAG suggests that the IPSASB develop a high-level policy statement on the role of GFS in the IPSAS framework. This should explain the ultimate goal of IPSAS/GFS harmonization, the place of GFS as a input to the development of IPSAS and the criteria that the IPSASB will apply in deciding whether to adopt particular GFS accounting treatments. It would be appropriate to produce that statement in the context of the finalization of the Conceptual Framework.</p> <p><i>(Comment under 3(b))</i> ACAG suggests that IPSASB conduct a one-off review of all differences in measurement between IPSAS and GFS, with a view to allowing GFS treatments as an acceptable alternative in as many cases as possible. For example, IPSASs could include an option to measure inventories at current replacement cost. This would reduce the costs of GFS harmonization. However, ACAG would not necessarily support a similar</p>	<p>Change noted (systematic).</p> <p>Change noted (not systematic). This suggestion fits with the CP's proposal for work to reduce measurement differences.</p>

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R#	C #	RESPONDENT COMMENTS SMC 3 (b)	STAFF COMMENTS
005		review for recognition differences. For example, it would not support non-recognition of provisions merely because there was no counterparty.	
006	C	<i>(The respondent left a gap beside “3(b)”, which has been interpreted as meaning “no other changes”.)</i>	
007	A	We very much like the approach the UK government has taken in respect of its whole of government accounts (2009-10 and 2010 -11) where it has set out in plain English the differences between the financial statements and government finance statistics reports. Countries which publish consolidated accounts should be encouraged to include similar explanations which will help to ensure that the users of accounts better understand the differences and similarities between the two sets of financial statements and have a complete picture of a government's finances. Also, we believe that there are lessons to be learnt from countries such as Australia where the standard setter has attempted to reduce the differences between government's consolidated accounts and GFS.	Suggestion 1 impacts on the IPSASs (e.g. IPSAS 1), not overall approach. Suggestion 2 (support for the Australian approach), could also be noted in the context of SMC 5, on IPSAS 22 options.
008	A	However, while the changes to the IPSASB's standard-setting approach outlined in paragraph 5.4 may help in the achievement of this outcome we believe a greater benefit would be had from a decision by the IPSASB to adopt an “integrated approach” to financial statements and GFS Reports. The CP describes the Australian approach as integrated. We are advocates for a single integrated accounting standard that specifies requirements for both whole of government financial reports and GFS financial reports. This approach means that GFS information could be updated by the amendment of one standard rather than by an amendment to the particular IPSAS affected.	Support for the Australian approach. (See SMC 5, on IPSAS 22 options, including the Australian approach).
009	C	The changes listed in Paragraph 5.4. appear sensible. The <i>inclusion of GFS comparisons in all IPSASs already included</i> (Item e) is considered to be important.	
010	C	<i>Comments relate to conditions on systematic approach—included under 3(a).</i>	
011	D	<i>No comment.</i>	Opposed changes generally.
012	C	<i>Interpreted as “no further changes”. (Respondent answer for a and b together, and mentioned no further changes.)</i>	
013	C	<i>Interpreted as “no further changes”. (Respondent answer for a and b together, and mentioned no further changes.)</i>	
014	D	<i>No comment noted.</i>	Opposed changes generally.
015	A	The majority of HoTARAC reiterates its general comments that the strategies listed in paragraph 5.4 would be enhanced by developing an integrated model along the lines of the Australian accounting standard AASB 1049. Aside from this, HoTARAC consider the list complete.	Support for Australian approach. (See SMC 5, on IPSAS 22 options.)
016	C	We agree in principle with the changes outlined in paragraph 5.4. We do however have a few suggestions in relation to these proposals:	Note the suggested revisions to the proposed changes,

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R#	C #	RESPONDENT COMMENTS SMC 3 (b)	STAFF COMMENTS
		<ul style="list-style-type: none"> We question whether the improvements project is the most appropriate way of dealing with alignment issues. The scope of the improvements project has generally not resulted in significant changes to the principles in the IPSASs. We would suggest that a separate project be undertaken to deal with these issues. We are also concerned that such amendments could be “lost” amongst other accounting related issues and might make commenting on these proposals difficult for non-accountants. It was not clear from the proposal in (d) whether the term “convergence” in the handbook would be replaced with “alignment”. If this is the proposed change, then we support this amendment. We do not support use of the term “convergence” as this implies a greater degree of similarity between accounting and statistics than is feasible. While we support publishing comparisons between IPSASs and statistical bases of accounting, it might be more useful to publish such comparisons as part of a single pronouncement (as noted in our response to Preliminary View 1). 	<p>affecting:</p> <ul style="list-style-type: none"> - Use of a separate project, instead of the improvements project; - Term “convergence” or “alignment”? - Publish comparisons in a single pronouncement
017	C	None.	Opposed changes generally.
018	A	In line with the development of “GFS Rules of the Road” we are of the view that the IPSASB’s Terms of Reference need to be adapted accordingly (see para. 8.0 Due Process of IPSASB’s Terms of Reference)....Besides including GFS comparisons in all IPSASs as proposed in paragraph 5.4(e), it would be useful to include in the Basis for Conclusions the details of the decisions taken by the IPSASB to arrive at a decision for convergence or a difference to exist. For example, the IPSASB may decide not to change an IPSAS and to allow a difference to continue as a result of irreconcilable conceptual differences, and therefore require disclosure of GFS information in the notes as a result of the continuing difference.	Two further changes: (a) change to the IPSASB’s terms of reference; and, (b) explanation for GFS related decisions in the Basis for Conclusions of each affected IPSAS.
019	C	The policy approaches identified in paragraphs 5.4 (a), (b) and (d) should be developed in conjunction with reconsideration of the IPSASB’s current document <i>Process for Reviewing and Modifying IASB Documents (Staff: Rules of the Road)</i> (described in paragraph A20 of the CP).	Revise “Rules of the Road”.
020	D	<i>No comment.</i>	Opposed changes generally.
021	D	<i>No comment.</i>	
022	D	<i>No comment.</i>	Opposed changes generally.
023	D	<i>No comment.</i>	Opposed changes generally.
024	C	<p>We welcome the suggestions made in paragraphs 5.4 (a) to (d).</p> <p>On paragraph 5.4 (e) from a preparer’s perspective the inclusion of comparisons with GFS in final standards could potentially be confusing and misleading as the objectives of financial reporting in IFRS and IPSAS are similar and</p>	<p>Note: Support for 5.4 (a) to (d)</p> <p>Note: Comments on 5.4(e). Disagreement on inclusion of</p>

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R#	C #	RESPONDENT COMMENTS SMC 3 (b)	STAFF COMMENTS
		a number of IPSASs are based on IFRS. From a statistical perspective, a possible compromise could be that a comparison with GFS is systematically included in exposure drafts, so that respondents can see a fuller picture, however such a comparison would not enter the final IPSASs.	comparisons. Suggestion that comparisons be included in EDs.
025	D	<i>No comment.</i>	

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Specific Matter for Comment (SMC) 4:

Are there other areas where IPSAS changes could address GFS differences? Please describe these.

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – YES	006, 008, 016, 019, 020	5
B – NO CLEAR VIEW EXPRESSED ON THE SMC		0
C – NO	001, 002, 003, 005, 007, 009, 010, 011, 012, 013, 014, 015, 017, 018, 022, 023, 024	17
SUB-TOTAL OF THOSE PROVIDING COMMENTS		22
D – DID NOT COMMENT	004, 021, 025	3
TOTAL RESPONDENTS		25

R#	C #	RESPONDENT COMMENTS SMC 4	STAFF COMMENTS
001	C	<p>No other areas have been identified at the moment.</p> <p>I would like to take this opportunity to make a few comments related to the paragraphs noted in the Specific Matter for Comment 4. These include:</p> <ul style="list-style-type: none"> The first bullet point in paragraph 5.5 states that IPSASB could “change the requirements in existing IPSASs to further align them with GFS reporting guidelines”. As indicated throughout this response document, due to the different objectives between the reporting frameworks, GFS guidelines should not be the sole driver of changes to the IPSAS. Although the reduction of differences between the two reporting frameworks is accepted, changes to IPSAS must be driven by a financial reporting issue that has arisen. Any changes to IPSAS must be consistent with the Conceptual Framework, with the underlying IFRS and must yield intended results. Paragraphs 5.15 to 5.17 are intended to address differences in measurement (issue B6) and differences in accounting for transaction costs (issue B7). The paragraphs explain how the measurement issue can be addressed; however, the issue of accounting for transaction costs appears to be overlooked. 	<p>This concern noted previously.</p> <p>Note: Ensure that transaction costs, already noted in CP, are addressed.</p>
002	C	None other than those presented in Comments 2 and 3 above.	Issues covered under SMC 2 and SMC 3.

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R#	C #	RESPONDENT COMMENTS SMC 4	STAFF COMMENTS
003	C	<p>As noted above, we believe general purpose users' needs, and not the needs of the statistical community must provide the basis for the IPSASB's standard setting work.</p> <p>We therefore have significant concerns at the action proposed in the second bullet point in paragraph 5.5 of the paper, which suggests adding optional additional disclosures to IPSASs where the fundamental requirements remain unaligned. Unless the IPSASB believes there is a true user need to be served proposing that these changes to IPSAS be part of the IPSASBs work program may be inappropriate, in that it would force a bias towards the needs of one specific user group. This does not mean that preparers should not be aware of the need to capture additional information over and above that required for IPSASs compliance in order to be able to submit the required GFS information. In our view, the guidance proposed in the third bullet of paragraph 5.5 of the paper may be more appropriate to deal with such circumstances.</p> <p>We support the idea that IPSASB will also involve other parties in discussing current value measurement bases. However, as the suitability of various different measurement bases is not generally a purely public sector issue, the proposed discussions outlined in paragraph 5.17 of the paper ought also to involve others such as the IASB and, potentially in future, for example, the IIRC.</p> <p>We are not convinced that resolution of purely presentation issues (see paragraph 2.42 as well as paragraphs 5.18-19 and issue B8 in Appendix B of the paper) is relevant to this project at this point in time. If the desire is to have a single integrated financial information system capable of generating historical financial data for both the preparation of IPSAS financial statements as well as the financial information to be reported under GFS and to revisit differences in the two frameworks as an essentially learning process, then presentation matters such as aggregation or timing, which the Conceptual Framework Phase IV is currently deliberating as issues in their own right are not relevant at this stage.</p> <p>We otherwise support consideration of the matters listed in this section in the manners proposed, since these specific matters will require further clarification or guidance from the IPSASB.</p>	<p>Noted, following comments related to existing set of options:</p> <p>Disagrees with additional disclosures, which are better addressed through guidance.</p> <p>Involve IASB and IIRC in measurement discussions.</p> <p>Disagrees with considering presentation changes at this point in time.</p> <p>Otherwise supportive.</p>
004	D	The IPSAS Steering Committee elected not to make any comments on this topic.	
005	C	ACAG is not aware of other areas where IPSAS changes could address GFS differences.	
006	A	Please see the issues listed in the answer for Specific Matter for Comment 1 (b).	Table 2 issues; already noted under SMC 1.
007	C	In our view the areas identified are comprehensive.	
008	A	In our response to Specific Matter for Comment 2 above we noted the importance we place on the IPSASB project on convergence with IFRS. The IPSASB Tracking Table document of substantial convergence with IFRS includes a list	Note: Make IPSAS more convergent with IFRS,

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R#	C #	RESPONDENT COMMENTS SMC 4	STAFF COMMENTS
		of IFRSs with no comparable IPSASs. We believe that some existing IPSAS and GFS differences would be reduced if IPSASs were made more comparable with IFRSs as part of the IPSASB project on convergence with IFRS. One example is that the adoption of IFRS 9 Financial Instruments which requires investments in unquoted shares to be measured at fair value would address an existing IPSAS and GFS difference.	specifically address IFRS 9.
009	C	The SRS-CSPCP thinks it is wrong to adapt the IPSASs to the need of finance statistics. The IPSASs should not lose their characteristics, only to serve finance statistics.	
010	C	No, we do not find any other areas.	
011	C	As mentioned above, the DGFIP considers that the convergence between the IPSAS and the GFS is not relevant.	
012	C	IPSAS changes that would be made to address GFS differences would need to be made after having considered the matters referred to under question 3.	Question 3 comments noted; higher priorities.
013	C	We have no additional matters to propose.	
014	C	As highlighted above, we believe general purpose users' needs must provide the basis for the IPSASB's standard setting work and not those of the statistical community. The proposal in paragraph 5.5, which suggests optional additional disclosures to IPSASs where the fundamental requirements remain unaligned, has the risk of disclosure overload which remains a subject of discussion in financial reporting. We portend that the guidance proposed in the third bullet of paragraph 5.5 may be more appropriate to deal with such instances.	Note: Disagrees with additional disclosures, which are better addressed through guidance.
015	C	HoTARAC encourages the IPSASB to consider whether Items B2 Currency on Issue/seigniorage and B3 Subscriptions to international organisations from Table 2, which provide opportunities to reduce differences through public sector specific changes, can be fast tracked to provide some 'fast wins' on the project.	Note: Of those listed, suggests fast-track B2 and B3.
016	A	<p>We have noted two additional areas in Specific Matter for Comment 1 where possible changes to existing IPSASs or, consideration of particular issues in developing new IPSASs, could alleviate differences between accounting and statistical bases of accounting.</p> <p>It is currently unclear to what extent the measurement approaches followed in IPSASs are consistent with those envisaged in the GFS. As an example, "current market value" in GFS may not be calculated in the same way as "fair value" in the IPSASs. Consequently, we strongly support the proposal in paragraph 5.17 to investigate and improve the consistency in the measurement approaches applied in the accounting and statistical bases of accounting. We also support liaison with the IVSC in this regard.</p> <p>Paragraphs 5.11 to 5.13 list two potential areas where amendments could be considered to IPSASs as part of the Board's biennial improvements project, i.e. inventory measurement and the guidance on the capitalisation and classification of defense weapons. We have two reservations about these proposals:</p>	<p>Note: Specific issues relevant to Table 2, and already noted under SMC 1.</p> <p>Note: Strong support for the measurement proposal (5.17).</p> <p>Note: Two areas where we</p>

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R#	C #	RESPONDENT COMMENTS SMC 4		STAFF COMMENTS								
016		<ul style="list-style-type: none">We are of the view that the potential changes are significant and not consistent with the nature and spirit of the changes considered as part of the improvements project. We are of the view that inventory measurement should be considered as part of the Board's review of the IPSASs based on the outcome of its Conceptual Framework project, while guidance on defense weapons should be considered as part of a separate project.While accounting for military assets is a significant issue both from an accounting and a statistical perspective, we caution developing accounting guidance for specific assets. Accounting for other assets, such as infrastructure assets, is also a significant issue for many jurisdictions. If guidance is developed on military assets, this might result in constituents requesting more explicit guidance on other types of assets.		have reservations; inventory measurement and treatment of defence weapons.								
017	C	There aren't other areas where IPSAS changes could address GFS differences in this moment.										
018	C	<table><tr><th>Reference in CP</th><th>EY Comments</th></tr><tr><td>Paragraphs 5.5, 5.15</td><td>We question the extent the IPSASB would go to change current requirements, in order to be further aligned with GFS reporting guidelines. We think that the IPSASB needs to consider the current accounting and financial reporting options that are available under IPSAS (e.g. measurement option of cost for investments in unquoted shares under IPSAS 29 is allowed if no reliable measurement under fair value is available, whereas 2008 SNA adopts a current market price across all assets), and consider whether such options should continue to be available, whilst still maintaining convergence with IFRS as far as possible (as discussed in Appendix A Background on IPSASs and Public Sector GFS Reporting Guidelines paragraphs A 19 & A20), and cohesiveness with the Conceptual Framework once its complete.</td></tr><tr><td>Paragraph 5.12</td><td>We are not sure what the IPSASB meant by 'there may be scope to address this difference'. For an asset class like inventory, which a public-sector entity may hold, with no intention of selling in a market, or there may not be a market value in some instances, we don't believe requiring a market value measurement base would be appropriate in such circumstances. Perhaps a way to manage this type of difference could be through disclosure requirements in IPSASs.</td></tr><tr><td>Paragraph 5.13</td><td>We agree with the way described to tackle the lack of guidance in IPSAS 17 regarding defense weapons. We do note that the guidance should be principles-based, and if recognition and measurement exceptions are</td></tr></table>	Reference in CP	EY Comments	Paragraphs 5.5, 5.15	We question the extent the IPSASB would go to change current requirements, in order to be further aligned with GFS reporting guidelines. We think that the IPSASB needs to consider the current accounting and financial reporting options that are available under IPSAS (e.g. measurement option of cost for investments in unquoted shares under IPSAS 29 is allowed if no reliable measurement under fair value is available, whereas 2008 SNA adopts a current market price across all assets), and consider whether such options should continue to be available, whilst still maintaining convergence with IFRS as far as possible (as discussed in Appendix A Background on IPSASs and Public Sector GFS Reporting Guidelines paragraphs A 19 & A20), and cohesiveness with the Conceptual Framework once its complete.	Paragraph 5.12	We are not sure what the IPSASB meant by 'there may be scope to address this difference'. For an asset class like inventory, which a public-sector entity may hold, with no intention of selling in a market, or there may not be a market value in some instances, we don't believe requiring a market value measurement base would be appropriate in such circumstances. Perhaps a way to manage this type of difference could be through disclosure requirements in IPSASs.	Paragraph 5.13	We agree with the way described to tackle the lack of guidance in IPSAS 17 regarding defense weapons. We do note that the guidance should be principles-based, and if recognition and measurement exceptions are		Note: Concerns about options in IPSASs, and other specific concerns about existing list of options.
Reference in CP	EY Comments											
Paragraphs 5.5, 5.15	We question the extent the IPSASB would go to change current requirements, in order to be further aligned with GFS reporting guidelines. We think that the IPSASB needs to consider the current accounting and financial reporting options that are available under IPSAS (e.g. measurement option of cost for investments in unquoted shares under IPSAS 29 is allowed if no reliable measurement under fair value is available, whereas 2008 SNA adopts a current market price across all assets), and consider whether such options should continue to be available, whilst still maintaining convergence with IFRS as far as possible (as discussed in Appendix A Background on IPSASs and Public Sector GFS Reporting Guidelines paragraphs A 19 & A20), and cohesiveness with the Conceptual Framework once its complete.											
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R#	C #	RESPONDENT COMMENTS SMC 4		STAFF COMMENTS
			necessary for such assets, clear reasons and principles be provided.	
019	A	<p>Other areas where the AASB thinks IPSAS changes could address GFS differences in respect of the issues classified under part C (opportunities to reduce differences: GFS reporting guidelines), part D (differences that will need to be managed) or even part A (resolved issues) are as follows:</p> <p>(a) As noted under Specific Matter for Comment 1, issue A2 (investments in unquoted shares – measurement) inadequately addresses the use of cost measurement as an alternative to fair value, which represents a difference with GFS. To reduce this difference, the AASB suggests the IPSASB considers updating IPSAS 29 for the change in IFRS 9 <i>Financial Instruments</i> that requires such investments to be measured at fair value, with cost possibly adopted as a reasonable measure of fair value in some circumstances.</p> <p>(b) The AASB notes that some of the GFS differences in Table 2 are determined by reference to IASB Standards under the hierarchy in IPSAS 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> for determining accounting policies, since there is no corresponding IPSAS. Issue A3 (employee stock options) is described as resolved by reference to IFRS 2 <i>Share-based Payment</i>, and issue C2 (extractive industries) refers to IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>. However, the AASB is concerned that, in jurisdictions where national Standards on these topics are in place, the comparison with GFS might not be the same. The IPSASB could address this concern by issuing IPSASs corresponding to these IFRSs so that the GFS comparison on these topics would be the same for all entities reporting under IPSASs, which would improve the comparability of financial reports.</p> <p>(c) Issues D2 (recognition criteria) and D3 (measurement) both refer to the possibility of the IPSASB requiring additional disclosures, such as disclosure of valuations relevant to statistical reporting. The AASB is concerned that specifying additional fair value disclosures in financial statements for the purpose of addressing a difference in measurement bases might not be an appropriate approach since financial statement disclosures may require more costly measurements to meet qualitative characteristics than estimates incorporated into GFS measures. The AASB notes the IPSASB may have addressed this concern by stating in paragraph 4.6 of the CP that current value estimates may be good enough for GFS reports without requiring potentially more costly fair value measurement in financial statements. The IPSASB's statement suggests that, in some cases, reconciling IPSAS and GFS information in IPSAS-compliant financial statements might be more appropriate than extending fair value requirements under IPSASs. Furthermore, issue D4 (financial statement presentation) refers to reconciling IPSAS and SNA amounts, and the AASB suggests this could be considered in conjunction with proposals for additional or changed measurement requirements.</p> <p>(d) Issue D8 (biological assets) refers to a difference in the timing of consumable biological assets being classified as inventory under IPSAS 27 <i>Agriculture</i> and GFS. The AASB noted there may be scope for the IPSASB to reconsider that classification in conjunction with the IASB, since the IASB is currently progressing</p>		<p>A2 issue captured under SMC 1.</p> <p>Note: Make IPSAS more convergent with IFRS, specifically address IFRS 9.</p> <p>Disagrees with additional disclosures, which are better addressed through guidance.</p> <p>Reconciling might be more appropriate than extending fair value requirements under IPSASs.</p>

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R#	C #	RESPONDENT COMMENTS SMC 4	STAFF COMMENTS
		<p>a limited project in relation to bearer biological assets.</p> <p>(e) The AASB notes that issue D11 (transactions between the central bank and government entities) could be considered by the IPSASB in conjunction with issue B2 (currency on issue/seigniorage).</p> <p>In respect of defence weapons (paragraph 5.13 of the CP), the AASB suggests the IPSASB considers the level of detail that should be specified in IPSASs in terms of principles versus rules in responding to requests for more guidance on classification of defence weapons as property, plant and equipment, inventory, or expenses. Some of the issues would be affected by the comments in (c) above concerning reconciliation of amounts rather than remeasurement using fair values under IPSASs, for example in respect of inventory measurement (paragraph 5.12) and measurement generally (paragraph 5.15).</p>	<p>Note: Address D8 in conjunction with IASB.</p> <p>Note: Link B2 and D11</p> <p>Note: Consider appropriate level of detail before providing more guidance.</p>
020	A	IPSAS 22 requires the disclosure, in GPFS of public entities, of information on the public sector. The operational validity of IPSAS 22 is not settled, because that standard does not provide a path, precise enough to reach the projected goal. Whatever were the issues decided by the IPSAS Board on IPSAS 22, the priority should be to explain the bridges between one system (IPSAS) and the other (GPS), through an adequate analysis of gaps between the perimeters of both of them (especially on entities under review in the financial statements and their inclusion into the public sector statistical categories as defined by GPS).	Note: Ensure that IPSAS 22 adequately addresses scope issues. Vital to provide a bridge between the two systems.
021	D	<i>No comment.</i>	
022	C	The Council has not identified other points on which the IPSASs would be able to resolve differences with the GFS. It finds that the presentation set forth in the Consultation Paper clarifies the link between certain themes and projects under way, such as the conceptual framework.	
023	C	As long as the IPSAS and GFS are prepared with differing asset and liability measurement bases, no funding should be spent on a more systematic approach to reduce differences between IPSASs and GFS reporting guidelines.	
024	C	<p>From a preparer's perspective, additional (even optional) disclosures for statistical purposes may entail additional burdens on limited resources and can threaten tight deadlines.</p> <p>From a statisticians' perspective, the compilation of GFS can only reliably take place when source data are available. In some cases these data can be obtained directly from accounting systems (where there is an integrated chart of accounts), but in many cases – notably for bodies outside the core Central Government – statisticians must rely either on published accounts or require bodies to complete statistical questionnaires. It is important to bear this in mind when analysing the cost/benefit of additional disclosures for statistical purposes.</p> <p>We agree that, in a number of areas mentioned in paragraphs 5.8-5.13, adjustments to IPSASs could potentially be made without contradicting the objectives of financial reporting. However, from a preparer's perspective, it should be noted that this cannot mean removing all options where two measurement bases are offered for the two objectives</p>	No further changes indicated.

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R#	C #	RESPONDENT COMMENTS SMC 4	STAFF COMMENTS
		(accountability and decision-making). Where historical cost meets accountability, and this is the main interest for users of financial reports, this measurement base should be used.	
025	D	<i>No comment.</i>	

Specific Matter for Comment (SMC) 5 (a):

This CP describes three options concerning IPSAS 22: Option A, revisions to improve IPSAS 22; Option B, withdrawal of IPSAS 22 without replacement; and, Option C, replacement of IPSAS 22 with a new IPSAS.

(a) Are there any further IPSAS 22 options that should be considered? If so, what are these?

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – YES	002, 011, 019, 022	4
B – NO CLEAR VIEW EXPRESSED ON THE SMC		0
C – NO	001, 003, 004, 005, 007, 008, 009, 014, 015, 016, 017, 023, 024	13
SUB-TOTAL OF THOSE PROVIDING COMMENTS		17
D – DID NOT COMMENT	006, 010, 012, 013, 018, 020, 021, 025	8
TOTAL RESPONDENTS		25

R#	C #	RESPONDENT COMMENTS SMC 5 (a)	STAFF COMMENTS
001	C	No other IPSAS 22 options have been identified at this point in time.	
002	A	A further option would be to include the general requirements in IPSAS 22 with a separate document (similar to Study 14) to include detailed illustrations (i.e. CoA as well as reconciliation between IPSAS financial statements and GFS financial statements). In addition, we believe that the Whole-of-Government column in the illustrations should be optional.	Option: Support IPSAS 22 with a guidance document.
003	C	IPSAS 22 applies only to those governments that elect to present information about the general government sector, and is not thus compulsory as is the case for other IPSASs. Before reaching a final decision on its actions in relation to IPSAS 22 we would encourage the IPSASB to assess international demand by evaluating whether this standard has been applied widely in practice. Also as BC 4 of IPSAS 22 points out, this standard was originally viewed as a means of facilitating convergence. The IPSASB itself was not convinced (BC 5) and thus IPSAS 22 disclosures are not mandatory. Unless there is a compelling case, we doubt there is a strong argument to support the allocation of IPSASB's resources to the revision or replacement of this standard.	No new option, but assess demand for IPSAS 22 before deciding. Supports option B, based on present evidence.

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R#	C #	RESPONDENT COMMENTS SMC 5 (a)	STAFF COMMENTS
004	C	The committee recommends that Option B be selected since if the other standards will be amended to reflect the necessary changes, there does not need to be a separate standard addressing the differences between IPSAS and GFS.	
005	C	ACAG is not aware of any other options.	
006	D	<i>No comment.</i>	
007	C	No.	
008	C	We have not identified any further IPSAS 22 options that are feasible.	
009	C	No.	
010	D	<i>No comment.</i>	
011	A	<p>As mentioned above, as the scopes of the IPSAS and the GFS differ (one is based on the control whereas the other leans on the institutional units), we wonder about the usefulness of IPSAS 22.</p> <p>Furthermore, the scope discrepancy related to the exclusion of non-resident institutional units is not addressed by IPSAS 22. So, information provided by IPSAS 22 is not useful for the users of financial statements, as they require restatement for their disclosure to match with national accounts' information. That is why the cost-effectiveness of this disclosure appears unfavourable.</p> <p>By contrast, we do not neglect the interest, for the financial statements users, to disclose the information which allows bridging the key aggregates of national accounting with financial statements under IPSAS. So, in France, the general purpose financial report, which is not an accounting document, provides comments to the accounts. It includes a reconciliation table for the debt to bridge amount disclosed in the central government financial statements and the amount disclosed in national accounting.</p> <p>We consider that this selected information is more reliable than the one required by IPSAS 22.</p>	Option: Include a reconciliation between financial statements and national accounting.
012	D	<i>No comment.</i>	
013	D	<i>No comment.</i>	
014	C	IPSAS 22, <i>Disclosure of Financial Information about the General Government Sector</i> , applies only to those governments that elect to present information about the general government sector. BC 4 of IPSAS 22, <i>"The IPSASB supports the convergence of IPSASs with statistical bases of reporting where appropriate. The statistical community encouraged the IPSASB to develop an IPSAS addressing the presentation of GGS information as part of a government's consolidated financial statements as a means of facilitating convergence."</i> This implies that it is not mandatory unlike other IPSASs. We would urge IPSASB to assess global uptake of this standard before making a decision on the next course of action.	No new option, but assess global uptake of IPSAS 22 before deciding.

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R#	C #	RESPONDENT COMMENTS SMC 5 (a)	STAFF COMMENTS
015	C	The majority of HoTARAC is of the view that the optimum option is C.	
016	C	We did not identify any other feasible alternatives.	
017	C	I think that in this moment don't have further IPSAS 22, could be in future after discussions that need to include more informations about this proposal.	
018	D	<i>No comment.</i>	
019	A	<i>Further IPSAS 22 Options</i> Before contemplating making improvements to IPSAS 22 <i>Disclosure of Financial Information about the General Government Sector</i> , the AASB suggests the IPSASB should first obtain evidence of the effectiveness of the principles in IPSAS 22. Given the low uptake of IPSAS 22, this evidence could be collected only after making IPSAS 22 mandatory. Accordingly, the AASB suggests the IPSASB considers making IPSAS 22 a mandatory Standard, rather than an effectively optional one. The IPSASB could establish a project to consider amendments to IPSAS 22 that could be made in due course, such as requiring governments to adopt accounting policy options in IPSASs that are more closely aligned with GFS requirements.	Make IPSAS 22 mandatory before deciding on its future.
020	D	<i>No comment.</i>	
021	D	<i>No comment.</i>	
022	A	IPSAS 22 was intended to respond to the question of difference in scope. It seems preferable to explain the differences between the two systems by using reconciliations of clearly identified differences or written comments.	Provide reconciliations or narrative to explain the differences.
023	C	Paragraph 5.25 of the consultation paper states: "Of those governments that issue accrual consolidated government financial statements, none have chosen to provide those disclosures as part of their GPFRs that no IPSAS prepared financial statements include disclosure prepared according to IPSAS 22." IPSASB should consult with the governments that have issued IPSAS based financial statements and determine why they have not adopted IPSAS 22 before expending IPSASB resources on changes to IPSAS 22.	No new option, but consult before deciding.
024	C	However, if the IPSASB were to decide to pursue this topic, a non-mandatory pronouncement outside GPFRs would be the preferred option.	Noted: Type of pronouncement at issue.
025	D	<i>No comment.</i>	

Specific Matter for Comment (SMC) 5 (b):

This CP describes three options concerning IPSAS 22: Option A, revisions to improve IPSAS 22; Option B, withdrawal of IPSAS 22 without replacement; and, Option C, replacement of IPSAS 22 with a new IPSAS.

(b) Which one of the options do you consider that the IPSASB should consider adopting?

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – OPTION A	002, 007, 017	3
B – OPTION B	001, 003, 004, 009, 010, 011, 022, 023	8
C – OPTION C	005, 006, 008, 013, 015, 016	6
MIX – MIXED VIEW EXPRESSED ON THE SMC	012, 018, 019, 024	4
SUB-TOTAL OF THOSE PROVIDING COMMENTS		21
D – DID NOT COMMENT	014, 020, 021, 025	4
TOTAL RESPONDENTS		25

R#	C #	RESPONDENT COMMENTS SMC 5 (b)	STAFF COMMENTS
001	B	IPSASB should consider adopting Option B, the withdrawal of IPSAS 22. IPSAS 22 was created to encourage the disclosure of the GGS information, particularly in those jurisdictions in which national or other governments, publish both financial statements in accordance with IPSASs and financial information in accordance with statistical bases of financial reporting. Unfortunately, based on the analysis conducted by IPSASB it appears that the IPSAS is not producing its intended result. Consequently, the IPSAS should be withdrawn. Some of the revisions listed in Option A require further work on the part of the preparer and as a result, may not encourage the voluntary compliance with IPSAS 22. The integrated approach offered in option C appears to be very similar to IPSAS 22. Replacing IPSAS 22 with a new IPSAS similar to AASB 1049 which is comparable to IPSAS 22 may end up with the same result as the current IPSAS. It is for these reasons, that the withdrawal of IPSAS 22 is preferred.	
002	A	Our preferences (in order) are as follows: 1. Option A, 2. Option C, and 3. Option B.	

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R#	C #	RESPONDENT COMMENTS SMC 5 (b)	STAFF COMMENTS
003	B	In addition to our comments in the preceding paragraphs, given this current initiative as well as the recent on-going developments in GFS we tend to support option B.	
004	B	The committee recommends that Option B be selected since if the other standards will be amended to reflect the necessary changes, there does not need to be a separate standard addressing the differences between IPSAS and GFS.	
005	C	<p>ACAG supports Option C, replacing IPSAS 22 with a new IPSAS. That new IPSAS should set out an “integrated approach” for application when a government prepares financial reports for the General Government Sector and the whole of government under IPSAS/GFS harmonised requirements. It should require compliance with all other IPSASs, except for departures specifically stated in the new IPSAS. It should include guidance on how to prepare such statements including:</p> <ul style="list-style-type: none"> (i) a list of accounting policy choices under IPSASs for which there is a GFS-preferred option; (ii) a list of the key differences between IPSASs and GFS; and (iii) illustrative financial statements under IPSAS/GFS harmonised requirements. <p>ACAG supports a choice between quantitative or narrative reconciliations. ACAG believes that solely quantitative reconciliations can be difficult for users to understand.</p>	
006	C	<u>Option C</u> : Replacement of IPSAS 22 with integrated approach to Financial Statements and GFS reports. Australia has adopted an integrated approach with a single standard for both the GAAP and the GFS called AASB 1049 Whole of Government and General Government Sector Financial Reporting as noted on page 39 of the IPSASs and Government Finance Statistics Reporting Guidelines Consultation Paper. ABS consider that it would be a backward step to withdraw IPSAS 22 without replacement (Option B).	
007	A	We consider option one (<i>assumed to be option A by the IPSASB staff</i>) to be the most practicable approach.	
008	C	We support Option C replacement of IPSAS 22 with a new IPSAS. As advocates for a single integrated accounting standard, we encourage the IPSASB to develop a new IPSAS that specifies requirements for both whole of government financial reports and general government sector (GGS) financial reports as we believe it is this approach that best reflects the relationship between the macro-economic focused GGS of a government, the other sectors of the government and the whole of government. It is our experience that governments are managed using GGS information prepared on a partial consolidation basis (i.e., budget information). We envisage a new IPSAS that would prescribe the particular requirements for the scope of the GGS and form and content of the GGS financial report (i.e., a partial consolidation basis whereby only government controlled entities that fall within the boundary of a GGS are consolidated). The whole of government financial report would be prepared in accordance with the IPSAS 6 Consolidated and Separate Financial Statements, and thereby separately recognise assets, liabilities, income, expenses and cash flows of all entities under the control of the government on a line-by-line basis.	
009	B	The SRS-CSPCP is of the opinion that IPSAS 22 can be withdrawn without replacement. However, in the individual	

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R#	C #	RESPONDENT COMMENTS SMC 5 (b)	STAFF COMMENTS
		standards the differences to GFS should be mentioned and discussed, as is already the case in the IFRS (see Paragraph 5.4.). In the 4th part of the General Framework (Presentation of financial information and non-financial information in GPFRs) the framework for a narrowing of the practices in financial statements and GFS can be laid, to the extent that from the aspect of IPSAS this is possible without impairing their own objectives.	
010	B	<p>We support Option B.</p> <p>Amongst governments that issue accrual-based consolidated financial statements, none of them have chosen to provide disclosures required by IPSAS 22, as part of their general purpose financial reports (GPFRs) (paragraph 5.25 of CP). Therefore, we suggest that IPSASB should withdraw IPSAS 22, in order to save its resources for other standard setting activities.</p> <p>When we compare financial information and statistical information, we note that their objectives, concepts and preparation methods are very different. Therefore, we believe that it is sufficient to describe the relations between the two standards in the relevant IPSAS Appendices, for example, of IPSAS 1, 2, 6 to 8, or 18, rather than requiring to be consistent with GFS applicable to general government sector (GGS) financial reporting and the consolidated government financial statements, as proposed in Option C, of paragraph 5.26 (a) of the CP.</p> <p>If the IPSASB chooses to include it in the body of IPSASs, we suggest that this disclosure requirement be voluntary.</p>	
011	B	For us, IPSAS 22 must be removed.	
012	MIX	<p>Having two different sources of financial reporting requirements for the government may be confusing to both users and stakeholders and reduces international comparability. Therefore more clarity should be given to the users of financial statements. We believe that either option A (revision of IPSAS 22 to provide a better bridge between IPSAS and GFS reporting) or option C (integrated approach to financial statements and GFS) could help achieve this objective, and comment below on the circumstances that the IPSASB should in our view consider in selecting one or other option.</p> <p>If option A is chosen, IPSAS 22 '<i>Disclosure of financial information about the general government sector</i>' should become a mandatory standard for those governments that make GFS reporting publicly available, rather than an optional one. In doing so, the IPSASB could consider minimum disclosure requirements to address in a clear and understandable way the most important reconciliation areas, and additional optional disclosures whose relevance would need to be assessed by the government.</p> <p>If option C is chosen, we would not force mandatory alignment with GFS measurement guidelines at all cost. As mentioned under questions 1 and 3, the development of new standards and the selection of accounting policies should be guided by the principles included in the IPSAS conceptual framework (under development) and the principles included in IPSAS 3. Furthermore, convergence with IFRS should also be considered to the greatest possible extent.</p>	Note: Either A or C
013	C	On balance we support Option C, although we would not attach any additional priority to this work, which we would expect to be progressed after other more urgent items.	

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R#	C #	RESPONDENT COMMENTS SMC 5 (b)	STAFF COMMENTS
		IPSAS 22 may provide useful information, but it is written with a focus on Government Financial Statistics rather than as an enhancement to financial statements prepared under IPSAS. It does not read-across or cross-reference to other IPSAS standards on related topics. Rather than piecemeal revision we suggest that it would be better to develop a replacement standard, even though this might include some similar content.	
014	D	<i>No comment.</i>	
015	C	As mentioned above, the majority of HoTARAC supports Option C: adopting an integrated approach along the lines of the Australian accounting standard AASB 1049.	
016	C	<p>We are of the view that option C should be pursued given that IPSAS 22 has had limited uptake around the world. Instead of attempting to “fix” IPSAS 22, it may be more appropriate to start with the development of a new IPSAS, which is based on the identification of users’ information needs. While we have not fully investigated the Australian model outlined in the paper, we support the idea of following an integrated approach to reporting GGS and consolidated information.</p> <p>Based on our discussions with the National Treasury, it was indicated that preparing GGS information could be seen as a relevant intermediate step to the preparation of a complete consolidation based on control (as required by IPSAS 6). We do however acknowledge that this might be more relevant for some jurisdictions than others, depending on the structure of government and what is seen to be “whole-of-government”.</p>	
017	A	I suggest more important Option A, revisions to improve IPSAS 22.	
018	MIX	<p>We note that IPSAS 22 is not a mandatory standard at the moment, and we question whether there has been adequate time allowed for IPSAS 22 to be used in practice, and to collect feedback on the usefulness and other implementation issues (similar to a post-implementation review) of IPSAS 22 in practice. Following the post-implementation review, then the IPSASB could make an informed decision on IPSAS 22. We think that as a medium term solution, option A would seem to be the suitable next step.</p> <p>However, as noted previously in our cover letter, we think that ultimately, IPSAS 22 should be replaced with a new IPSAS (ie option C be adopted).</p>	Note: Option A followed by Option C
019	MIX	<p><i>Which Option Should the IPSASB Consider Adopting?</i></p> <p>As noted in response to (a), the AASB suggests the IPSASB considers making IPSAS 22 a mandatory Standard and in due course amending it based on evidence derived from its adoption. Depending on the evidence, this could lead to Option C – replacing IPSAS 22 with a new IPSAS that adopts an integrated approach. This would allow the GFS-related requirements to be collected in one IPSAS rather than scattered through the many IPSASs. Other IPSASs, such as IPSAS 1 Presentation of Financial Statements, would not be complicated by the need to specify GFS-related reporting requirements. Under this approach, just one IPSAS would need to be updated for GFS developments, instead of potentially having to update a number of IPSASs. That would be required even if other IPSASs merely included GFS comparisons as a matter</p>	Note: Make IPSAS 22 mandatory then possibly Option C.

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R#	C #	RESPONDENT COMMENTS SMC 5 (b)	STAFF COMMENTS
		of note. Whereas paragraph 5.26 of the CP refers to the identification of IPSAS options that are aligned with GFS, greater benefits would ensue from the replacement IPSAS if it were to require governments to adopt GFS-aligned options that are consistent with IPSASs. This could significantly reduce differences between IPSASs and GFS requirements.	
020	D	<i>No comment.</i>	
021	D	<i>No comment.</i>	
022	B	The Council suggests adopting Option B, withdrawal of IPSAS 22. It finds that this standard requires a government presenting its consolidated financial statements to make significant restatements in order to present data for the “public sector” in the national accounting sense. Once the results have been obtained, at no small production cost, they risk duplicating the data available under the GFS reporting guidelines, even if they are not identical. In this case, the reader of the financial statements will not be fully informed.	
023	B	IPSASB should consider adopting option 2 (assumed to be option B by the IPSASB staff).	
024	MIX	From a preparer’s perspective, IPSAS 22 should be withdrawn and no new IPSAS should be issued. The arguments in paragraph 5.25 are convincing as regards the non-issuance of a new pronouncement on this, and it would be in line with comments elsewhere in this response. However, if the IPSASB were to decide to pursue this topic, a non-mandatory pronouncement outside GPFRs would be the preferred option. From a statistical perspective, it is appreciated that IPSAS 22 has had limited success and should not continue as it is. Nevertheless there is a strong and growing demand for aggregated public accounting data, including on a “Whole of Government Accounts” (WGA) basis, for which there is no existing standard (yet it is considered as a reporting entity). Within the European Union, fiscal policy is conducted on the basis of the general government boundary, and this has been progressively reinforced in recent economic governance changes. Therefore it would be opportune to follow “Option C”, both to provide a firm IPSAS basis for those jurisdictions preparing WGA, and at the same time ensuring that such WGA can be fully reconciled to a general government boundary.	Option B (preparer perspective) Option C (statistical agency perspective)
025	D	<i>No comment.</i>	

Preliminary View (PV) 1:

The IPSASB should amend Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*, to include a chapter on IPSAS options that reduce differences with GFS reporting guidelines.

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	004, 005, 006, 008, 009, 010, 013, 017, 019, 022	10
B – PARTIALLY AGREE	003, 014	2
C – DISAGREE	002, 015, 016, 023	4
SUB-TOTAL OF THOSE PROVIDING COMMENTS		16
D – DID NOT COMMENT	001, 007, 011, 012, 018, 020, 021, 024, 025	9
TOTAL RESPONDENTS		25

R#	C #	RESPONDENT COMMENTS PV 1	STAFF COMMENTS
001	D	<i>No comment.</i>	
002	C	We would prefer a separate document with a compilation guide for developing countries similar to that published by the IMF for transition to the GFS as noted in Comment 5 above.	Supports guidance, in separate document, not Study 14.
003	B	<p>If changing an accounting policy in order to reduce differences with GFS were, in the particular circumstances for some reason, to be counter to the aim of achieving faithful representation of the reporting entity's finances, such change would clearly not be appropriate (see IPSAS 1.28(a) and IPSAS 3.17(b)). Whilst the paper recognises this, the second sentence of paragraph 5.30 states: <i>"Within these constraints, preparers can improve the support that financial statement data provides for statistical reporting (and reduce the need to collect extra data), by adopting accounting policies for their financial statements that meet both IPSAS and GFS reporting requirements. Guidance that highlights the accounting policy choices that would support...could be provided in the IPSASB's Study 14".</i></p> <p>In our view, it is essential that the overriding aim of achieving faithful representation for the financial statement users be made clear in any guidance given, and we therefore agree with the last two sentences of paragraph 5.34 and the Board's preference for the provision of guidance, rather than any additional requirement(s). As noted above, IPSAS 1 and IPSAS 3 already contain overriding requirements concerning the selection of and changes to</p>	<p>Opposes any guidance that would link GFS needs to choice of accounting policies.</p> <p>But otherwise supports provision of guidance.</p>

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R#	C #	RESPONDENT COMMENTS PV 1	STAFF COMMENTS
		accounting policies.	
004	A	The committee supports the amendment of Study 14.	
005	A	ACAG supports Preliminary View 1.	
006	A	The ABS agrees and considers it appropriate to include a chapter on IPSAS options that reduce differences with GFS.	
007	D	<i>No comment.</i>	
008	A	In our response to Specific Matter for Comment 5 above we stated our support for Option C. However, we see no reason why Study 14 should not be amended to include a chapter on IPSAS options that reduce differences with GFS reporting guidelines.	
009	A	Yes.	
010	A	We agree to amend Study 14.	
011	D	It is useful for the users to understand the nature of the differences between both standards. Thus, it would be advisable to complete the CP in order to clarify the causes and the nature of the differences between both standards.	
012	D	<i>No comment.</i>	
013	A	For the reasons set out in the Consultation Paper, we agree that synergy with the national system which produces GFS is an important additional argument for the adoption of IPSAS. Given this, we agree that it would be sensible to include text within Study 14 which indicates how IPSAS development and GFS development can be progressed effectively. A key aspect of this would be to provide guidance on choice of accounting policies within IPSAS which might ease this process.	Supports guidance, noting explicitly that supports guidance on choice of accounting policies that support reduction of differences.
014	B	In our opinion, the fundamental aim of achieving faithful representation for the financial statement users must be made clear in any guidance issued, and we therefore agree with the last two sentences proposed in paragraph 5.34 and the Board's preference for the provision of guidance, rather than any additional requirement(s).	Opposes guidance that links GFS needs to choice of accounting policies. Otherwise supports provision of guidance.
015	C	HoTARAC agrees with the principle of developing guidance on reducing differences with GFS, but recommends this guidance not be located in the transition document. The guidance is a useful tool for the ongoing process of governments reducing differences with GFS and will evolve as the strategies outlined in this CP are developed by the IPSASB.	Supports guidance, in separate document from Study 14.

Staff Summary and Collation of Responses Received
IPSASB Meeting (June 2013)

R#	C #	RESPONDENT COMMENTS PV 1	STAFF COMMENTS
016	C	Based on recommendations under Specific Matter for Comment 5, we are of the view that the guidance should be located in the new IPSAS that will be developed to replace IPSAS 22 (possibly as application or implementation guidance). While it would be useful to draw first time adopters' attention to statistical reporting, we do not believe that statistical accounting should only be considered when initially adopting IPSASs. If the guidance is only included in Study 14, much of the usefulness may be lost on entities that already apply accrual based IPSASs. We are also of the view that whatever the format of the document, it should be revised on a regular basis for it to remain relevant.	Supports guidance, in an IPSAS replacing IPSAS 22.
017	A	I think that this Study 14 is important to include a chapter on IPSAS options that reduce differences with GFS reporting guidelines.	Support includes explicit support for guidance on accounting policy options.
018	D	<i>No comment.</i>	
019	A	Given the time it might take for a standard-based solution to IPSAS/GFS harmonisation matters, the AASB thinks that a useful interim measure would be to include in Study 14 a discussion on the selection of options in IPSASs. It would be helpful to include such discussion to assist governments in considering the adoption of the accrual-based IPSASs.	Support includes explicit support for guidance on accounting policy options.
020	D	<i>No comment.</i>	
021	D	<i>No comment.</i>	
022	A	The Council believes that Study 14 should be expanded to include a chapter on the differences between the two systems and ways in which they may complement each other. However, it must be firmly stated that the search for possible synergies cannot alone justify a changeover of the accounting method to general purpose accounting.	
023	C	The likelihood of governments preparing disclosure that is consistent with SNA reporting requirements should be evaluated before Study 14 is changed. Only if there is a high likely of governments actually preparing disclosure that is consistent with SNA reporting should any amendments to Study 14 be made.	Guidance is conditional on prior work.
024	D	<i>No comment.</i>	
025	D	<i>No comment.</i>	