

March 1, 2013

Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
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**Re: PSAB Staff Comments on Consultation Paper “IPSASs and Government Finance Statistics Reporting Guidelines”**

Thank you for the opportunity to comment on the IPSASs and Government Finance Statistics Reporting Guidelines Consultation Paper (CP or consultation paper).

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.

Please note that the views expressed in this letter and the specific comments in the attached Appendix are those of PSAB staff and have not been considered by the Public Sector Accounting Board.

Lastly, we would like to congratulate IPSASB on achieving the first milestone of this important undertaking.

Sincerely,



Antonella Risi, CA  
Principal  
Public Sector Accounting

## **APPENDIX: RESPONSES TO IPSASB SPECIFIC MATTERS FOR COMMENT CONSULTATION PAPER: IPSASs AND GOVERNMENT FINANCE STATISTICS REPORTING GUIDELINES**

### **Specific Matter for Comment 1 (See Section 3 and Appendix B)**

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?

*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:*

- *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.*

*I am also having a difficult time understanding how issue A7, recognition and de-recognition of financial instruments, has been resolved. Consequently, for this issue, I am unable to answer the question posed.*

*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:*

- *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.*

*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.*

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

*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.*

*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:*

- *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);*
- *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).*

*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.*

**Specific Matter for Comment 2** (See paragraphs 4.11 to 4.17)

Do you agree that the IPSASB, in conjunction with the statistical community, should develop guidance on the development of an 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?

*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.*

**Specific Matter for Comment 3** (See paragraphs 5.2 to 5.4)

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

*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.*

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

*No other changes have been identified at this point in time.*

**Specific Matter for Comment 4** (See paragraphs 5.5 to 5.19)

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

*No other areas have been identified at the moment.*

*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:*

- 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.*



**Specific Matter for Comment 5** (See paragraphs 5.20 to 5.28 and page 39)

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?

*No other IPSAS 22 options have been identified at this point in time.*

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

*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.*



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March 9, 2013

Ms. Stephenie Fox  
The Technical Director  
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Dear Ms. Fox:

1. The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to the Consultative Paper (CP) distributed by the IPSASB on IPSAS and GFS Reporting Guidelines. We are extremely pleased that the IPSASB is working with the IMF to harmonize the standards in both reporting systems to the maximum extent possible.
2. Working globally with governments, organizations, and individuals, ICGFM is dedicated to improving financial management by providing opportunities for professional development and information exchange. ICGFM conducts two major international conferences each year and publishes an international journal twice each year. Services are provided to its membership through an international network. ICGFM represents a broad array of financial management practitioners (accountants, auditors, comptrollers, information technology specialists, treasurers, and others) working in all levels of government (local/municipal, state/provincial, and national). Since a significant number of our members work within government and audit institutions around the world, our response to this exposure draft is one from an international perspective.
3. 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:

### **Developing the Accounting System**

“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".<sup>1</sup>

## Government Finance Statistics

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."<sup>2</sup> The GFSM requires the data to be collected on the accrual basis of accounting and to be reported in the following financial statements:

- Balance Sheet
- Statement of Government Operations
- Statement of Sources and Uses of Cash
- Statement of Other Economic Flows

Since many countries were not on the accrual basis of accounting, IMF issued a compilation guide<sup>3</sup> 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):

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).

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:

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<sup>1</sup>Jack Diamond, *Good Practice Note on Sequencing PFM Reforms*, page 20 (January 2013).

<sup>2</sup>Footnote 5, *Government Finance Statistics Manual 2001* (p. 5). This GFSM is being updated and is due to be released in 2013.

<sup>3</sup>*Government Finance Statistics Manual: Compilation Guide for Developing Countries*, September 2011.

1. 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:
  - 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:
  - 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 services.

## The Accounting System

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.<sup>4</sup> The financial statements required to be prepared from the accounting system are as follows:

### Cash IPSAS

Statement of Cash Receipts and Payments (with a separate column for budgetary comparisons or a separate Comparative Statement of Budget and Actual Amounts)

### Accrual IPSASs

Comparative Statement of Budget and Actual Amounts

Statement of Cash Flows

Statement of Financial Position

Statement of Financial Performance

Statement of Changes in Equity/Net Assets

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.

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<sup>4</sup> For a matrix identifying the differences, see research report *IPSASs and Statistical Basis of Financial Reporting: An Analysis of Differences and Recommendations for Convergence* (January 2005).

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):

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 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;
  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).
4. In addition to including the above in the Executive Summary, we would like the following additional points considered:
- 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 GFSs 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.
  - e. (pg. 47, Box 1) The Cash Basis IPSAS is not mentioned.
5. Relative to our thoughts above, our responses to the comments on the specific matters are as follows:

- a. **Comment 1.** [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?] **Response.** Agree.  
[(b) Are there further differences between IPSASs and GFS reporting guidelines that should be added to this list? If so, please describe these.] **Response.** No further differences are noted.
- b. **Comment 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?] **Response.** 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.
- c. **Comment 3.**  
[(a) Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines?] **Response.** 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.  
[(b) If so, are there changes other than those listed in paragraph 5.4, which the IPSASB should consider adopting?] **Response.** No other changes considered necessary.
- d. **Comment 4.** [Are there other areas where IPSAS changes could address GFS differences? Please describe these.] **Response.** None other than those presented in Comments 2 and 3 above.
- e. **Comment 5.** [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?] **Response.** 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.  
[(b) Which one of the options do you consider that the IPSASB should consider adopting?] **Response.** Our preferences (in order) are as follows: 1. Option A, 2. Option C, and 3. Option B.
- f. **Preliminary View 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.]

**Response.** 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.

6. We appreciate the opportunity to comment on this CP and would be pleased to discuss this letter with you at your convenience. If you have questions concerning this letter, please contact Dr. Jesse Hughes, CPA, CIA, CGFM at [jhughes@odu.edu](mailto:jhughes@odu.edu) or 757.223.1805.

Sincerely,



ICGFM Accounting Standards Committee

Jesse W. Hughes, Chair

Anthony Bennett

Michael Parry

Maru Tjihumino

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Cc: Manuel Pietra  
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March 22, 2013

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Dear Mr. Bergmann,

**Re.: Consultation Paper: IPSASs and Government Finance Statistics  
Reporting Guidelines**

The IDW would like to thank you for the opportunity to provide the International Public Sector Accounting Standards Board (IPSASB) with our comments on the Consultation Paper: IPSASs and Government Finance Statistics Reporting Guidelines (hereinafter referred to as "the paper"). We have included our responses to each of the Specific Matters for Comment (SMCs) as well as our comments on the IPSASB's Preliminary View (PV) in an appendix to this letter. We would also like to submit the following general comments:

**General Support for the Initiative**

We agree that there are merits to minimizing, to the extent both appropriate and practicable, the differences between IPSASs' and GFS' respective financial information "frameworks". 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 as well as the financial information to be reported under GFS has a number of benefits both in terms of synergies for the reporting entity but also in terms of quality of information

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provided to the recipients of the general purpose financial statements (GPFSS) and GFS information, as outlined in the CP.

We appreciate the support for this project shown by the statistical community, and agree that both the statistical community and IPSASB may be able to benefit from a thorough comparison of the respective frameworks, which may foster an exchange of ideas on particular issues. For example, taking due account of its Conceptual Framework, the IPSASB could consider whether users of GPFSS or general purpose financial reports (GPFRs) would benefit from information on emissions trading, which is currently dealt with in GFS reporting but not in IPSASs. Similarly the differences in reporting of certain liabilities may give rise to calls for additional information in GFS reporting than is currently the case (see paragraph 2.16 of the paper).

### **Differences between financial reports under IPSASs and GFS**

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<sup>1</sup> (i.e., general purpose financial statements (GPFS) and general purpose financial reports (GPFR)). In contrast, 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.

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<sup>2</sup>, we believe that clarification about the compatibility of these two different objectives is needed. Unless there is sufficient clarity on this important

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<sup>1</sup> IPSASB "The Conceptual Framework for Financial Reporting by Public Sector Entities", January 2013 Paragraph 1.4, second sentence

<sup>2</sup> IPSASB Meeting (March 2013) Agenda Item 10.1 Paragraph 76, second sentence.



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issue, the paper may give rise to certain – likely diverging – expectations that may not, or cannot be met.

### **Assurance Aspects and Confidence in Reported Financial Information**

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.

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 GPFs/GFS reports; i.e., three distinct audits. According to the International Standards on Auditing (ISAs), an audit of GPFs 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.

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 GPFs are subject to independent audit, a degree



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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.

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 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.

These are, however, both issues that auditing and assurance standard setters would need to consider and possibly address in auditing or other assurance standards.

We would be pleased to answer any questions that you may have or discuss any aspect of this letter.

Yours truly,

Klaus-Peter Naumann  
Chief Executive Director

Gillian Waldbauer  
Technical Manager





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## **APPENDIX**

### **Responses to SMCs**

#### **Specific Matter for Comment 1 (See Section 3 and Appendix B)**

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

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:

- 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 IPSASs 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.



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- 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 "harmonize" IPSASs and GFS.
- 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".

**Specific Matter for Comment 2 (See paragraphs 4.11 to 4.17)**

*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?*

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 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.





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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.

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.

**Specific Matter for Comment 3 (See paragraphs 5.2 to 5.4)**

- a. *Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines?*
- b. *If so, are there changes other than those listed in paragraph 5.4, which the IPSASB should consider adopting?*

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 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.

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.

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



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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.

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.

#### **Specific Matter for Comment 4 (See paragraphs 5.5 to 5.19)**

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

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.

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.

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.





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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.

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.

**Specific Matter for Comment 5 (See paragraphs 5.20 to 5.28 and page 39)**

*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?*
- b. *Which one of the options do you consider that the IPSASB should consider adopting?*

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.

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.





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**Preliminary View 1 (See paragraphs 5.29 to 5.34)**

*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.*

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: *"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".*

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 accounting policies.



Guatemala, March 15, 2013

Task Force on Alignment of IPSASs and Public Sector Statistical Reporting Guidance  
International Public Sector Accounting Standards (New York, NY, U.S.A.)

Dear Task Force Members,

The country of Guatemala is in the process of implementing IPSAS and has formed a Steering Committee to serve as its main policy-making body to implement IPSAS within the central government. The IPSAS Steering Committee appreciates the opportunity to provide comments on the consultation paper regarding the "Alignment of IPSASs and Public Sector Statistical Reporting Guidance" and would like to submit the following information.

**Specific Matter for Comment 1**

We agree that the issues categorized as resolved have been properly classified in that category. We could not add any further differences to this list.

**Specific Matter for Comment 2**

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.

**Specific Matter for Comment 3**

There was approval for the systematic approach listed in the consultation paper.

**Specific Matter for Comment 4**

The IPSAS Steering Committee elected not to make any comments on this topic.

**Specific Matter for Comment 5**

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.





### **Preliminary View 1**

The committee supports the amendment of Study 14.

We look forward to seeing the completed results on this important topic.

Ovidio Lopez

Executive Secretary  
IPSAS Steering Committee





Guatemala, 15 de Marzo de 2013

Grupo de Tarea para la Alineación de las NICSP y las Directrices de Presentación de Estadísticas de Finanzas del Sector Público

Normas Internacionales de Contabilidad del Sector Público (NICSP)  
(Nueva York, NY, EE.UU.)

Estimados miembros del Grupo de Tarea,

La República de Guatemala está en el proceso de implementar las NICSP y es por ello que se ha conformado un Comité Directivo para servir como órgano de deliberación y formulación de políticas para la implementación de las NICSP en el gobierno central. El Comité Directivo de IPSAS (NICSP, por sus siglas en español) aprecia esta oportunidad para proporcionar comentarios al documento de consulta titulado "Las NICSP y las Directrices de Presentación de Estadísticas de Finanzas Públicas".

**Materia Específica para el comentario 1** (Ver Sección 3, Apéndice B)

Estamos de acuerdo en que los temas clasificados como resueltos (categoría A del Cuadro 2) están verdaderamente resueltos. Tampoco existen otras diferencias entre las NICSP y las directrices de presentación de EFP que deberían añadirse a esta lista.

**Materia Específica para el comentario 2** (Ver párrafos 4.11 a la 4.17)

El Comité Directivo de IPSAS apoya la idea de formular recomendaciones sobre el desarrollo del Plan Integrado de Cuentas, que incluyen: (i) una descripción general de los componentes básicos de un Plan Integrado de Cuentas, y (ii) una cobertura más amplia, como la que figura en el párrafo 4.16 del Documento de Consulta. Sin embargo, El Comité advierte que un Plan Integrado de Cuentas debe implementarse adecuadamente a través de los distintos sistemas de Tecnologías de la Información.

**Materia Específica para el comentario 3** (Ver párrafos 5.2 a 5.4)

Hubo consenso en el Comité Directivo sobre la adopción de un enfoque más sistemático para reducir las diferencias entre las NICSP y las directrices de presentación de informes EFP en el IPSASB.

**Materia Específica para el comentario 4** (Ver párrafos 5.5 a 5.19)

El Comité Directivo de IPSAS eligió no hacer comentarios sobre este punto.





**Materia Específica para el comentario 5** (Ver párrafos 5.29 a 5.28 y la página 39)

El Comité Directivo de IPSAS recomienda la opción B, Derogación de las NICSP 22 sin reemplazo.

**Vista Preliminar 1** (Ver párrafos 5.29 a la 5.34)

El Comité Directivo apoya las enmiendas por parte de IPSASB (Junta de las Normas Internacionales de Contabilidad del Sector Público) para modificar el Estudio 14, Transición a la base de lo devengado: Guía para Gobiernos y Entidades Gubernamentales, e incluir un capítulo sobre las opciones de las NICSP que reduzcan las diferencias con las Directrices de Presentación de Estadísticas de Finanzas Públicas.

Esperamos con anticipación los resultados completos sobre este importante tema.

Lic. Ovidio López

Director Ejecutivo  
Comité Directivo IPSAS



28 March 2013

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

Dear Ms Fox

**IPSASB Consultation Paper:  
IPSASs and Government Finance Statistics Reporting Guidelines**

Please find attached comments from the Australasian Council of Auditors-General (ACAG) on the IPSASB Consultation Paper referred to above.

The views expressed in this submission represent those of all Australian members of ACAG.

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

Yours sincerely

Simon O'Neill  
**Chairman**  
**ACAG Financial Reporting and Auditing Committee**

**Attachment**

**Specific Matter for Comment 1 (See Section 3 and Appendix B)**

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

(a) ACAG agrees that the issues categorised 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.

(b) ACAG is not aware of further differences between IPSAS and GFS reporting guidelines that should be added.

**Specific Matter for Comment 2 (See paragraphs 4.11 to 4.17)**

**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?**

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:

- (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.



**Specific Matter for Comment 3 (See paragraphs 5.2 to 5.4)**

- (a) Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines?**
- (b) If so, are there changes other than those listed in paragraph 5.4, which the IPSASB should consider adopting?**

(a) ACAG believes that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines.

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 harmonisation, 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 finalisation of the Conceptual Framework.

ACAG supports the changes (a) to (e) listed in paragraph 5.4.

(b) 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 harmonisation. However, ACAG would not necessarily support a similar review for recognition differences. For example, it would not support non-recognition of provisions merely because there was no counterparty.

**Specific Matter for Comment 4 (See paragraphs 5.5 to 5.19)**

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

ACAG is not aware of other areas where IPSAS changes could address GFS differences.



**Specific Matter for Comment 5 (See paragraphs 5.20 to 5.28 and page 39)**

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

(a) ACAG is not aware of any other options.

(b) 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:

- (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.
- ACAG supports a choice between quantitative or narrative reconciliations. ACAG believes that solely quantitative reconciliations can be difficult for users to understand.

**Preliminary View 1 (See paragraphs 5.29 to 5.34)**

**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.**

ACAG supports Preliminary View 1.



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Stephenie Fox  
Technical Director  
International Public Sector Accounting Standards Board  
[stepheniefox@ipsasb.org](mailto:stepheniefox@ipsasb.org)

Dear Ms Fox,

The Australian Bureau of Statistics would like to thank the IPSASB for the opportunity to comment on the IPSASs and Government Finance Statistics Reporting Guidelines Consultation Paper. Please find the following comments to this Consultation Paper below.

Regards

**Brigitte Batschi**  
*Assistant Director*

Public Finance Section | Economic and Environment Statistics Group | **Australian Bureau of Statistics**

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27 March 2013

Australian Bureau of Statistics (ABS) Comments on the IPSASs and Government Finance Statistics Reporting Guidelines Consultation Paper

Specific Matter for Comment 1 (Section 3 and Appendix B)

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 categorised as resolved (Category A in Table 2) are indeed resolved?  
*Yes.*

b) Are there further differences between IPSASs and GFS reporting guidelines that should be added to this list? *Yes, please see below.*

Dividends - *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.*

Unpaid taxes - *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.*

Coins issued by government - *The IPSAS does not recognise these, whereas in the GFS they are treated as a liability of the central government.*

Purchased goodwill - *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.*

Non-resident entities - *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.*

Provision for bad or doubtful debts - *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 an other 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.*

Specific Matter for Comment 2 (Paragraphs 4.11 to 4.17)

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 the consultation paper? *Yes, the ABS agrees that a basic minimum would be helpful. However, each country will need to tailor this to meet specific circumstances.*

Specific Matter for Comment 3 (Paragraphs 5.2 to 5.4)

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

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

Specific Matter for Comment 4 (Paragraphs 5.5 to 5.19)

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

*Please see the issues listed in the answer for Specific Matter for Comment 1 (b).*

Specific Matter for Comment 5 (Paragraphs 5.20 to 5.28 and page 39)

This consultation paper 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 they?

(b) Which one of these options do you consider that the IPSASB should consider adopting? Option C: 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).*

Preliminary View 1 (Paragraphs 5.29 to 5.34)

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

Other Comments

- Paragraph 5.10: Subscriptions - 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).

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)

# IPSASs and Government Finance Statistics Reporting Guidelines

Comments from ACCA  
28 March 2013

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 154,000 members and 432,000 students throughout their careers, providing services through a network of 83 offices and centres. Our global infrastructure means that exams and support are delivered – and reputation and influence developed – at a local level, directly benefiting stakeholders wherever they are based, or plan to move to, in pursuit of new career opportunities.

[www.accaglobal.com](http://www.accaglobal.com)

Further information about ACCA's comments on this matter can be obtained from:

**Gillian Fawcett**  
**Head of Public Sector**  
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ACCA welcomes the opportunity to comment on this Exposure Draft 'IPSASs and Government Finance Statistics reporting Guidelines'. The ACCA Global Forum for the Public Sector has considered the matters raised and their views are represented below.

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## SUMMARY

ACCA is supportive of the proposals set out in the consultation paper on IPSASs and Statistics Reporting Guidelines. It is a challenge for a range of users of financial statements to understand the unique differences between government finance statistics reporting and government financial accounts prepared using IPSAS standards. This consultation paper is a welcome development.

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## SPECIFIC COMMENTS

### Specific matter 1

**Do you agree that the issues categorized as resolved (category a) are indeed resolved?**

Yes

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

No, the list set out in category B appears comprehensive.

### Specific Matter 2

**Do you agree that the IPSASB, in conjunction with the statistical community, should develop guidance on the development of integrated Chart 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?**

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.



### **Specific Matter for Comment 3**

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

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.

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.

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

As above.

### **Specific matter for comment 4**

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

In our view the areas identified are comprehensive.

### **Specific matter for comment 5**

This CP describe 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.

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

No.

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

We consider option one to be the most practicable approach.



28 March 2013

Ms Stephenie Fox  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
TORONTO ONTARIO CANADA M5V 3H2

Email: [stepheniefox@ifac.org](mailto:stepheniefox@ifac.org)

Dear Stephenie

### **Consultation Paper – IPSASs and Government Finance Statistics Reporting Guidelines**

Thank you for the opportunity to comment on the above. CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) have considered the proposals and our comments follow. CPA Australia and the Institute represent over 200,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

The International Public Sector Accounting Standards Board (IPSASB) Consultation Paper includes a description of the “integrated approach” to financial statements and Government Finance Statistics (GFS) Reports as used in Australia. Throughout the last decade, CPA Australia and the Institute have been active participants in the development of the current Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and its preceding versions. The approach taken in AASB 1049 is to require compliance with all other Australian Accounting Standards except as specified in AASB 1049. It is with this experience that we provide our comments to your Consultation Paper (CP).

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 organisations. 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 recognise 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:

Representatives of the Australian Accounting Profession



[cpaaustralia.com.au](http://cpaaustralia.com.au)



Institute of  
Chartered Accountants  
Australia

[charteredaccountants.com.au](http://charteredaccountants.com.au)

- 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:
  - the GGS is a reporting entity;
  - a financial report of the GGS that is prepared in accordance with the accounting standard is a general purpose financial report.

The Appendix to this letter contains our response to the questions for comment. If you require further information on any of our views, please contact Mark Shying, CPA Australia by email [mark.shying@cpaaustralia.com](mailto:mark.shying@cpaaustralia.com) or Kerry Hicks, the Institute by email [kerry.hicks@charteredaccountants.com.au](mailto:kerry.hicks@charteredaccountants.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alex Malley', with a large loop at the top and a horizontal line at the bottom.

**Alex Malley**  
Chief Executive Officer  
CPA Australia Ltd

A handwritten signature in black ink, appearing to read 'Lee White', with a large loop at the top and a horizontal line at the bottom.

**Lee White**  
Chief Executive Officer  
Institute of Chartered Accountants  
Australia

## Appendix

### **Specific Matter for Comment 1** (See Section 3 and Appendix B)

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

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 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.

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.

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 *Intangible Assets*, 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.

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 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.

### **Specific Matter for Comment 2** (See paragraphs 4.11 to 4.17)

**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 Charts of Accounts, and (ii) wider coverage such as that listed in paragraph 4.16 of this CP?**

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.

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.

### **Specific Matter for Comment 3** (See paragraphs 5.2 to 5.4)

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

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

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. 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 GGS 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.

**Specific Matter for Comment 4 (Paragraphs 5.5 to 5.19)**

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

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 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.

**Specific Matter for Comment 5 (See paragraphs 5.20 to 5.28 and page 39)**

**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?**
- b. Which one of the options do you consider that the IPSASB should consider adopting?**

We have not identified any further IPSAS 22 options that are feasible.

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.

**Preliminary View 1 (See paragraphs 5.29 to 5.34)**

**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.**

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.

Schweizerisches Rechnungslegungsgremium für den öffentlichen Sektor (SRS)  
Conseil suisse de présentation des comptes publics (CSPCP)  
Commissione svizzera per la presentazione della contabilità pubblica (CSPCP)  
Swiss Public Sector Financial Reporting Advisory Committee

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## Swiss Comments to

## Consultation Paper IPSASs and Government Finance Statistics Reporting Guidelines

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## 1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the intercantonal Conference of Cantonal Finance Directors (Finance Ministers at the States level). One of its aims is to provide the IPSAS Board with a consolidated statement for all the three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP has discussed *Consultation Paper IPSASs and Government Finance Statistics Reporting Guidelines* and comments as follows.

## 2. General Remarks

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.

### 2.1 Specific Matter of Comment 1

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

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.

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

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.

### 2.2 Specific Matter of Comment 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?***

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 4<sup>th</sup> 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.

## 2.3 Specific Matter of Comment 3

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

This question is to be answered in the affirmative, provided the objectives of the IPSASs are not impaired.

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

The changes listed in Paragraph 5.4. appear sensible. The *inclusion of GFS comparisons in all IPSASs already included* (Item e) is considered to be important.

## 2.4 Specific Matter of Comment 4

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

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.

## 2.5 Specific Matter of Comment 5

***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 further IPSAS 22 options that should be considered ? If so, what are these?***

No.

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

The SRS-CSPCP is of the opinion that IPSAS 22 can be withdrawn without replacement. However, in the individual standards the differences to GFS should be mentioned and discussed, as is already the case in the IFRS (see Paragraph 5.4.). In the 4<sup>th</sup> part of the General Framework (Presentation of financial information and non-financial information in GFRs) 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.

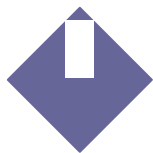
## 2.6 Preliminary View 1

***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 reporting guidelines***

Yes.

Lausanne, March 7, 2013





**The Japanese Institute of  
Certified Public Accountants**

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March 28, 2013

Ms. Stephenie Fox

Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street West

Toronto, Ontario, Canada M5V 3H2

***Comments on the Consultation Paper “IPSASs and  
Government Finance Statistics Reporting Guidelines”***

Dear Ms. Fox,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on the Consultation Paper (CP) “IPSASs and Government Finance Statistics Reporting Guidelines,” as follows.

**General Comments**

**1. The importance of historical cost basis**

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.

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 *Property, Plant, and Equipment*), as we will explain below in “Other Comments.”

## 2. Maintaining a close relationship to the IFRSs

We also request the IPSASB to ensure that the IPSASs would not deviate from the IFRSs, when reducing the differences between IPSASs and GFS.

### Comments on Specific Matters

#### Specific Matter for Comment 1:

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

- (a) We agree that the issues in Category A in Table 2 are resolved. However, if the IPSASB decides to withdraw IPSAS 22, *Disclosure of Financial Information about the General Government Sector*, A1. GGS reporting in Table 2, now classified as the “Issue resolved” would need to be reconsidered.
- (b) We do not find any further differences that should be added to the list.

#### Specific Matter for Comment 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?

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.

**Specific Matter for Comment 3:**

- (a) Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines?
- (b) If so, are there changes other than those listed in paragraph 5.4, which the IPSASB should consider adopting?

- (a) 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.

- (b) 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 "Process for Reviewing and Modifying IASB Documents ("Rules of the Road")."

**Specific Matter for Comment 4:**

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

No, we do not find any other areas.

**Specific Matter for Comment 5:**

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

We support Option B.

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 (GPFs) (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.

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.

If the IPSASB chooses to include it in the body of IPSASs, we suggest that this disclosure requirement be voluntary.

**Preliminary View 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.

We agree to amend Study 14.

## Other Comments

### Information required when entities choose to apply revaluation model

Paragraphs 54 and 55 of IPSAS 17, *Property, Plant, and Equipment* prescribe the application of the revaluation model as follows:

#### IPSAS 17

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.

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.

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.

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 the same class of assets. On the other hand, if the entity previously recognized revaluation surplus, the decrease shall be debited to revaluation surplus.



Yours sincerely,

Naohide Endo

Executive Board Member

Public Sector Accounting and

Audit Practice

JICPA

Tadashi Sekikawa

Executive Board Member

Public Sector Accounting and

Audit Practice

JICPA



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RÉPUBLIQUE FRANÇAISE

Paris, le 28 MARS 2013

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Ms Stephenie FOX

Technical director

International Public Sector Accounting Standards  
Board

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277 Wellington Street, 4th Floor

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**Object:** Response to the Consultation Paper: IPSASs and Government Finance Statistics Reporting Guidelines.

I am writing on behalf of "Direction Générale des Finances Publiques" (DGFIP) to express our views on the mentioned above public consultation, hereinafter called the CP, on IPSASs and Government Finance Statistics Reporting Guidelines.

LE CHEF DE SERVICE

David LITVAN

## 1. GENERAL COMMENTS

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.

### 1. Divergent objectives

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”.

Thus, the System of National Accounts, the SNA, *“is designed for economic analysis, decision taking and peacemaking, whatever the industrial structure or stage of economic development reached by a country”* (2008 SNA §1.4).

The Government Finance Statistic Manual, the GFSM, which is inspired from the SNA<sup>1</sup>, is designed for public sector analysis and aims to evaluate the economic impacts of public policies and to enable comparisons with other countries.

IPSASs are widely inspired from the IFRS (International Financial Reporting standards) that apply to private sector. IPSASs aim to *“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”*<sup>2</sup>.

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<sup>1</sup> 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 loans).

<sup>2</sup> IPSAS 1§15.

## 2. Divergent scopes

The SNA is based on the notion of institutional unit and **excludes non resident institutional units**<sup>3</sup>. It presents aggregated statistical data broken down into five sectors:

- 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.

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<sup>4</sup>, and the others.

The General Government Sector (GGS) includes all government units and non profit institutions, NPIs, **non-market, controlled and mainly financed by government units** (2008 SNA §22.15 and seq.).

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<sup>5</sup>.

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.

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<sup>3</sup> « An institutional unit is resident in a country if it has a center of economic interest in the economic territory of that country. Residency in the GFS system is not based on nationality or legal criteria, although it may be similar to the concepts of residency used for exchange control, taxes, or other purposes in many countries. » (2001 GFS § 2.71).

<sup>4</sup> « A public-sector firm is an enterprise over which the State can directly or indirectly exert a dominant influence related to ownership or shareholding, either because it holds a majority of the firm capital or the majority of the votes that go with its shares. » (INSEE website).

<sup>5</sup> That is to say the public financial corporations sub-sector and the public non-financial corporations sub-sector, which are respective subdivisions of financial corporations sector and non-financial corporations sector stated herein.



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.

Indeed, according to IPSAS 6, the definition of the scope of consolidated financial statements relies on control criterion. IPSAS6 §7 defines control as « *the power to govern the financial and operating policies of an entity so as to benefit from its activities* ».

Thus, according to IPSASs, the scope of consolidated financial statements includes all controlled entities of the reporting entity, regardless of their activity or residence.

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 « *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* ».

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.

**3. Due to these fundamental divergences, financial information provided using these standards is therefore necessarily different.**

Because of discrepancies in fundamental objectives, data sources differ in both standards.

According to IPSAS<sup>6</sup>, transactions and other events are recognised in financial statements when they occur.

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.

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:

- 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),
- 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).

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<sup>6</sup> IPSAS 1.7: « Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue, and expenses».

## 2. RESPONSES TO THE QUESTIONS

**Specific Matter for Comment 1** / 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?

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

(a) The DGFIP disagrees: we consider that the issues categorised as resolved by IPSAS are not resolved in fact.

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 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.

	Issue	DGFIP's comments
<b>A1</b>	GGs Reporting	<p><b>Not relevant.</b></p> <p>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.</p>
<b>A2</b>	Investment in unquoted shares - measurement	<p><b>Unresolved difference.</b></p> <p>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).</p>

<b>A3</b>	Employee stock options	<p><b>Not relevant.</b></p> <p>Stock options policy is particular to GBEs, which apply IFRS, according to IPSAS 6. Consequently, this difference is not a factual reality.</p>
<b>A4</b>	Non cash-generating assets, including heritage assets – measurement and recognition	<p><b>Unresolved difference.</b></p> <p>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.</p>
<b>A5</b>	Borrowing costs	<p><b>Unresolved difference.</b></p> <p>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>
<b>A6</b>	Defense weapons – capitalization and classification	<p><b>Unresolved difference.</b></p> <p>As mentioned in the CP.</p>
<b>A7</b>	Recognition and derecognition of financial instruments	<p><b>Not conclusive.</b></p> <p>Further analysis must be done in order to identify divergences.</p>
<b>A8</b>	Costs associated with R&D and other intangible assets	<p><b>Unresolved difference.</b></p> <p>All costs associated with R&amp;D are recognised as assets in national accounts. According to IPSAS 31, only costs related to projects complying with specific criteria are accounted for.</p>



(b) Further differences that should be added to the list are:

- 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, *Revenue from Non-Exchange Transactions*, 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.

***Specific Matter for Comment 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?***

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.

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.

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.

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.

Accordingly, we do not wish that the IPSASB proposed a CoA. By contrast, IPSASB can propose a guidance on integrated CoA.

***Specific Matter for Comment 3 / (a) Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines?***

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

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.

***Specific Matter for Comment 4 / Are there other areas where IPSAS changes could address GFS differences? Please describe these.***

As mentioned above, the DGFIP considers that the convergence between the IPSAS and the GFS is not relevant.

***Specific Matter for Comment 5 / This CP describe 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?*  
(b) *Which one of the options do you consider that the IPSASB should consider adopting?*

a) 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.

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.

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.

We consider that this selected information is more reliable than the one required by IPSAS 22.

b) For us, IPSAS 22 must be removed.

***Preliminary View 1*** (See paragraphs 5.29 to 5.34) / *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.*

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.

## FRENCH VERSION

La DGFIP s'interroge sur l'utilité de ce document de consultation, ci-après « DC », et le sens d'une convergence du référentiel IPSAS (International Public Accounting Standards) et du référentiel de statistiques de finances publiques, SFP. En effet, les finalités des finances statistiques et des IPSAS diffèrent dans leurs objectifs (I) et dans leurs périmètres (II). De fait, les principes fondateurs ne peuvent être convergents (III). En conséquence, nous considérons que la démarche d'harmonisation des méthodes comptables applicables aux deux référentiels ne nous semble pas pertinente.

### 1. Des objectifs divergents

Si la comptabilité nationale sert le besoin de la statistique et de l'analyse macro-économique des secteurs d'activité de l'économie, la comptabilité patrimoniale a plutôt pour objet l'analyse de la performance économique d'une entité, au sens d'une « reporting unit ».

Ainsi, le système de comptabilité nationale, SCN, « *est conçu pour l'analyse économique, la prise de décision et la définition des politiques, quelle que soit la structure industrielle ou le degré de développement économique d'un pays* » (SCN 2008 §1.4).

Le SFP, qui s'inspire fortement des règles applicables au SCN<sup>7</sup>, est conçu exclusivement pour l'analyse du secteur public et a pour objet d'évaluer les impacts économiques des politiques publiques et de permettre leur comparaison avec les autres pays.

Les IPSAS sont largement inspirées des IFRS (International Financial Reporting standards) applicables aux entreprises du secteur privé. Les IPSAS ont pour objectif de « *fournir des informations sur la situation financière, la performance financière et les flux de trésorerie de l'entité qui soient utiles à un large éventail d'utilisateurs pour la prise et l'évaluation des décisions en matière d'affectation de ressources* »<sup>8</sup>.

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<sup>7</sup> Si le SNA met l'accent sur la production et la consommation de biens et services, le GFS porte une attention particulière sur la finalité financière nette des transactions (impôts, dépenses, emprunts et prêts).

<sup>8</sup> IPSAS 1§15

## 2. Des périmètres différents

Le SCN, qui repose sur la notion d'unités institutionnelles, et qui **exclut les unités non-résidentes**<sup>9</sup>, présente les données statistiques agrégées de cinq secteurs :

- le secteur des sociétés non financières,
- le secteur des sociétés financières,
- le secteur des administrations publiques (ou General Government Sector), y compris les organismes de sécurité sociale,
- le secteur des institutions sans but lucratif au service des ménages, et
- le secteur des ménages.

Chaque secteur est subdivisé en sous-secteurs. Les secteurs des sociétés non financières et financières sont ventilés de façon à distinguer les sociétés soumises à un contrôle public, dénommées entreprises publiques<sup>10</sup>, de celles qui ne le sont pas.

Le secteur des administrations publiques ("General Government Sector" - GGS) est constitué de toutes les unités d'administration publique et de toutes les institutions sans but lucratif (ISBL) **non marchandes, contrôlées et principalement financées** par des unités d'administration publique (SCN 2008 §22.15 et suivants).

Le SCN prévoit la création d'un secteur composite intitulé « Secteur public », qui est constitué du secteur des administrations publiques, augmenté des unités institutionnelles sous leur contrôle, à savoir les entreprises publiques, principalement engagées dans des activités à caractère commercial<sup>11</sup>.

Ces notions (§ 2.5 du Manuel de statistiques des finances publiques) sont identiques à celles utilisées par le SFP. Les principes de comptabilisation sont également très proches.

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<sup>9</sup> « Une entité institutionnelle est résidente d'un pays, lorsqu'elle a, sur le territoire économique de ce pays un centre d'intérêt économique. La détermination de la résidence dans le système SFP, ne repose pas sur la nationalité ou des critères juridiques » (§ 2.71 du manuel de statistiques de finances publiques 2001).

<sup>10</sup> « Il s'agit d'une entreprise sur laquelle l'État peut exercer directement ou indirectement une influence dominante du fait de la propriété ou de la participation financière, en disposant soit de la majorité du capital, soit de la majorité des voix attachées aux parts émises » (source : site Internet INSEE).

<sup>11</sup> C'est-à-dire le sous-secteur des sociétés publiques financières et le sous-secteur des sociétés publiques non financières qui sont des sub-divisions respectives du secteur des sociétés financières et du secteur des sociétés publiques énoncés supra.



Or, les IPSAS sont destinées à s'appliquer aux états financiers à usage général de toutes les entités du secteur public à l'exception des entreprises publiques qui appliquent les IFRS. Selon la préface aux IPSAS (§12), les entités du secteur public comprennent des gouvernements nationaux, des gouvernements régionaux, les collectivités locales et leurs composantes. Cependant, les entreprises publiques sont comprises dans le périmètre des comptes consolidés dès lors qu'elles sont contrôlées par l'entité qui établit des comptes consolidés, appelée « reporting entity ».

En effet, selon IPSAS 6, la définition du périmètre des comptes consolidés repose sur **le contrôle**. Le contrôle est défini comme « *le pouvoir de diriger les politiques financières et opérationnelles d'une autre entité afin d'obtenir des avantages de ses activités* » (IPSAS 6, §7).

Ainsi, le périmètre des comptes consolidés définis selon les IPSAS, comprend l'ensemble des entités sous le contrôle de l'entité consolidante, indépendamment de leur activité ou de leur lieu de résidence.

En conséquence, il résulte de ce qui précède que le secteur des administrations publiques (APU), à l'instar du secteur composite « secteur public », tels que définis par le SFP, n'ont pas leur équivalent en IPSAS puisqu'il n'y a pas systématiquement de lien de contrôle entre les entités du secteur APU. En effet, le SCN 2008 (§ 4.117) dispose que « *les administrations publiques sont des types particuliers d'entités juridiques, instituées par décision politique, qui exercent un pouvoir législatif, judiciaire ou exécutif sur d'autres unités institutionnelles dans un espace donné. En tant qu'unités institutionnelles, leurs principales fonctions consistent à assumer la responsabilité de fournir des biens et des services à la collectivité ou aux ménages individuels, en les finançant par l'impôt ou d'autres recettes, à redistribuer le revenu et la richesse au moyen de transferts et à s'engager dans une production non marchande* ».

A titre illustratif, en France, compte tenu de l'organisation constitutionnelle du secteur public et notamment de la libre administration des collectivités territoriales, il n'existe pas de lien de contrôle entre l'Etat et ces dernières.

**3. Compte tenu de ces divergences fondamentales, les informations établies à partir de ces référentiels sont nécessairement différentes.**

Du fait des divergences d'objectifs évoquées supra, les sources d'informations diffèrent selon les deux référentiels.

Ainsi, selon les IPSAS<sup>12</sup>, les états financiers sont élaborés à partir des opérations et événements au moment où ils se produisent.

Idéalement, les statistiques de finances publiques sont élaborées à partir de ces même sources (pièces comptables et états financiers détaillés des administrations publiques). Cependant, selon les circonstances, d'autres sources d'information peuvent être utilisées, comme les documents relatifs à l'exécution budgétaire, des sondages ou même des données statistiques relatives aux administrations publiques locales.

Il ressort de l'ensemble des éléments développés supra que les principes et règles comptables ne peuvent être que divergents, ce que rappelle d'ailleurs le DC. Il s'agit notamment des principes et règles suivants :

- l'application du principe de symétrie en SFP impose de ne comptabiliser que les transactions qui ont une contrepartie chez un tiers. En conséquence, certaines provisions constatées en IPSAS ne seront pas reconnues en SFP (par exemple, les provisions pour restructurations),
- l'évaluation au prix de marché courant des flux et des stocks est la règle qui prévaut en SFP (avec possibilité d'utiliser des règles alternatives s'il n'y a pas de marché actif), alors que les IPSAS rendent possible l'utilisation de plusieurs méthodes d'évaluation (juste valeur, coût historique et autres méthodes d'évaluation alternatives).

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<sup>12</sup> IPSAS1§7 dispose en effet « la comptabilité d'exercice est la convention comptable qui prévoit la comptabilisation d'opérations et d'autres événements au moment où ils se produisent (et non pas lors de l'entrée ou de la sortie de trésorerie ou d'équivalents de trésorerie). En conséquence, les opérations et les événements sont enregistrés dans les livres comptables et comptabilisés dans les états financiers des exercices auxquels ils se rapportent. Les éléments comptabilisés selon la comptabilité d'exercice sont les actifs, les passifs, l'actif net/situation nette, les produits et les charges ».

**Specific Matter for Comment 1 /**

(a) Nous ne sommes pas d'accord : nous considérons que les éléments qualifiés de résolus ne le sont pas.

En effet, la plupart du temps, en cas de divergence entre les référentiels IPSAS et SFP, il est proposé de prévoir des options en IPSAS compatibles avec les règles SFP. Nous considérons que cette orientation est contestable, d'autant plus qu'elle conduit à privilégier systématiquement une évaluation en juste valeur, insuffisamment adaptée au secteur public. En conséquence, comme indiqué dans nos commentaires à l'exposé sondage phase 3 du cadre conceptuel, nous privilégions l'évaluation des actifs et passifs au coût. En effet, les actifs du secteur public ne sont, par nature, pas destinés à être vendus sur le marché mais à être utilisés dans le cadre de l'exécution des politiques publiques. Par ailleurs, l'existence d'options ne nous semble pas de nature à faciliter les comparaisons.

	Thèmes	Commentaires de la DGFIP
<b>A1</b>	GGs Reporting	<p><b>Non pertinent.</b></p> <p>Comme évoqué supra, les périmètres des référentiels IPSAS et SCN étant divergents (l'un reposant sur le contrôle et l'autre sur les unités institutionnelles), nous nous interrogeons sur l'utilité de la norme IPSAS 22. Par ailleurs, la norme IPSAS 22 ne traite pas des écarts de périmètre liés aux unités institutionnelles non-résidentes.</p>
<b>A2</b>	Investment in unquoted shares - measurement	<p><b>Divergence non résolue.</b></p> <p>La norme IPSAS 29 prévoit la comptabilisation au coût lorsque la juste valeur n'est pas mesurable de façon fiable alors que le SFP prévoit une évaluation à la quote-part de situation nette (§ 7.119 du manuel de statistiques de finances publiques SFP).</p>
<b>A3</b>	Employee stock options	<p><b>Non pertinent.</b></p>

		La distribution de stock options est une pratique propre aux entreprises publiques qui, selon IPSAS 6, appliquent les IFRS. En conséquence, cette divergence n'en est pas une en réalité.
<b>A4</b>	Non cash-generating assets, including heritage assets – measurement and recognition	<p><b>Divergence non résolue.</b></p> <p>Comme évoqué supra, l'existence en IPSAS d'options compatibles avec les dispositions du SFP nous semble une orientation contestable. Par ailleurs, nous nous interrogeons sur la pertinence d'utiliser la valeur de marché pour évaluer les biens spécialisés du secteur public ou pour l'évaluation du patrimoine historique et culturel, biens pour lesquels il n'existe pas de marché actif dans la plupart des cas.</p>
<b>A5</b>	Borrowing costs	<p><b>Divergence non résolue.</b></p> <p>Selon IPSAS 5, ces coûts peuvent être comptabilisés en charge mais la volonté de convergence des IPSAS avec les IFRS (IAS 23 rend obligatoire leur activation) va créer de fait une divergence avec le référentiel SFP.</p>
<b>A6</b>	Defense weapons – capitalization and classification	<p><b>Divergence non résolue.</b></p> <p>Comme indiqué dans le document de consultation.</p>
<b>A7</b>	Recognition and derecognition of financial instruments	<p><b>Non conclusif.</b></p> <p>L'analyse doit être approfondie afin d'identifier les divergences.</p>
<b>A8</b>	Costs associated with R&D and other intangible assets	<p><b>Divergence non résolue.</b></p> <p>En comptabilité nationale, tous les coûts de recherche et développement sont comptabilisés. Selon IPSAS 31, seuls les coûts relatifs à des projets répondant à certains critères sont comptabilisés.</p>

**(b) Autres divergences :**

Les autres divergences non listées dans le document concernent notamment :

- la non constatation de provisions lorsque la contrepartie n'est pas identifiée dans le référentiel SFP en vertu du principe de symétrie comme indiqué dans notre commentaire général,
- l'absence de norme IPSAS relative au traitement des prestations sociales alors que ce sujet est traité dans le référentiel GFS (en France, les prestations sociales représentent plus de la moitié des dépenses publique),
- les critères de reconnaissances des impôts et taxes : selon le SCN (§ 8.58 du SCN 2008), les impôts et taxes sont comptabilisés, sur la base des droits constatés, au moment de la naissance des créances fiscales. Cependant, le SCN laisse une certaine souplesse quant au moment de l'enregistrement de l'impôt sur le revenu lorsque le montant ne peut être déterminé que dans une période postérieure à celle à laquelle les revenus ont été perçus (§8.61 SCN 2008). La norme IPSAS 23, relative aux transactions sans contrepartie directe, ne précise pas clairement le critère de reconnaissance des revenus liés aux impôts. Seule la reconnaissance des actifs liés aux impôts et taxes est traitée par la norme IPSAS 23.
- Le critère de comptabilisation des actifs sous-jacents aux contrats de partenariats publics-privés (PPP) repose sur le critère des risques et avantages selon le SCN 2005 (§ 22.158). A contrario, le critère de reconnaissance des actifs sous-jacents aux contrats de PPP repose sur le critère de contrôle selon la norme IPSAS 32 (§9).

***Specific Matter for Comment 2***

Les normes ont pour objet de décrire les principes et méthodes comptables permettant de retracer les effets financiers des transactions et autres événements dans les états financiers dans les périodes au cours desquelles ces effets se produisent. Les éléments des états financiers sont classés en 4 grandes catégories : les actifs, les passifs, les produits et les charges.



Afin de fournir l'information la plus utile possible aux utilisateurs aux fins de la prise de décisions, elles prescrivent les modalités de présentation de ces éléments au bilan et au compte de résultat. Ces éléments sont ainsi présentés au bilan et au compte de résultat dans des subdivisions en fonction de leur nature. A cet effet, les normes précisent les postes à présenter a minima au bilan et au compte de résultat.

Il relève ensuite des entités d'élaborer un plan comptable qui permette d'enregistrer les événements et transactions dans les comptes selon leur nature, conformément aux principes et règles comptables en vigueur.

Ainsi, nous considérons que l'on ne peut imposer un plan de comptes unique car sa capacité d'élaboration dépend de l'organisation et des procédures comptables propres à chaque pays. De plus, nous ne considérons pas que l'élaboration d'un plan de comptes soit de nature à faciliter l'analyse des écarts entre les référentiels IPSAS et GFS compte tenu de ce que nous avons indiqué dans notre commentaire général.

En conséquence, nous ne souhaitons pas que l'IPSASB propose un plan de comptes mais, en revanche, nous ne sommes pas défavorables à ce que l'IPSASB élabore un guide pour élaborer ce plan de comptes.

***Specific Matter for Comment 3 /***

Comme évoqué en introduction, les objectifs des référentiels SCN et IPSAS diffèrent. Aussi, nous considérons que l'objectif de convergence des principes et règles des deux référentiels, s'il peut être pertinent dans son principe, n'est pas faisable en pratique, en raison de la trop grande disparité d'objectifs. Le rapport coût / efficacité serait défavorable

***Specific Matter for Comment 4 /***

Comme évoqué dans notre commentaire précédent, nous considérons que la convergence des deux référentiels n'est pas pertinente en pratique.

***Specific Matter for Comment 5 /***

a) Comme évoqué supra, les périmètres des référentiels IPSAS et SCN étant divergents (l'un reposant sur le contrôle et l'autre sur les unités institutionnelles), nous nous interrogeons sur l'utilité de la norme IPSAS 22. Par ailleurs, la norme IPSAS 22 ne traite pas des écarts de périmètre liés aux unités institutionnelles non-résidentes. En conséquence, les informations fournies par IPSAS 22 ne sont pas utiles aux utilisateurs des états financiers, parce qu'elles nécessitent des retraitements spécifiques afin de les rapprocher de l'information fournie par la comptabilité nationale. Le rapport coût / efficacité de cette information apparaît donc défavorable.

En revanche, nous considérons qu'il y a un intérêt à fournir aux lecteurs des états financiers des informations qui permettent de relier les agrégats clés de la comptabilité nationale aux états financiers en normes IPSAS. Ainsi, en France, le rapport de présentation, qui est un document non comptable de commentaires des comptes, comprend un tableau de rapprochement entre la dette financière présentée dans les comptes de l'Etat et la dette publiée à partir des données de comptabilité nationale.

Nous estimons que cette information sélectionnée est plus utile que celle préconisée par IPSAS 22.

b) Nous considérons qu'IPSAS 22 doit être supprimée.

**Preliminary View 1** (See paragraphs 5.29 to 5.34) / *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.*

Il nous semble utile pour les utilisateurs de comprendre la nature des divergences entre les deux référentiels. Il serait donc souhaitable de compléter l'étude afin d'explicitier les causes et la nature des divergences entre les deux référentiels.



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

29 March 2013

Dear Ms Fox,

### **Consultation on IPSASs and Government Finance Statistics Reporting Guidelines**

PwC welcomes the opportunity to respond to the consultation paper on IPSASs and Government Finance Statistics Reporting Guidelines, which addresses fundamental questions of government accounting and financial reporting.

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

Working on a further alignment of the two sets of rules will facilitate understanding of IPSAS by a wider range of potential users and hence its adoption by governments around the world. The present consultation is therefore particularly timely and welcome.

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

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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 harmonising 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.

Our responses to the specific questions in the consultation paper can be found in the Appendix to this letter.

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

Yours sincerely,

PricewaterhouseCoopers IL

A handwritten signature in black ink, which appears to read "John Hitchins". The signature is written in a cursive, flowing style.

John Hitchins,  
PwC Global Chief Accountant

<b>Appendix: Response to the questions in the IPSASB consultation paper on IPSASs and Government Finance Statistics Reporting Guidelines</b>
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**1. 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?**
- (b) Are there further differences between IPSASs and GFS reporting guidelines that should be added to this list? If so, please describe these.**

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.

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.

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.

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.

We encourage the IPSASB to pursue its efforts with the parties involved to achieve harmonisation of IPSAS, GFS rules and IFRS to the greatest possible extent.

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.



**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?**

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.

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.

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 in terms of the future maintenance of the integrated chart of accounts.

**3. (a) Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines? (b) If so, are there changes other than those listed in paragraph 5.4, which the IPSASB should consider adopting?**

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.

As however 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.

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.

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

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.

**5. 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. Are there any further IPSAS 22 options that should be considered? If so, what are these? Which one of the options do you consider that the IPSASB should consider adopting?**

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.

If option A is chosen, IPSAS 22 'Disclosure of financial information about the general government sector' 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.

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.

Consultation Paper  
*IPSASs and Government Finance Statistics Reporting Guidelines*  
**response to consultation**

31 March 2013

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/ 130331 SC0192

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

March 2013

Dear Stephenie Fox

**Consultation Paper**  
***IPSASs and Government Finance Statistics Reporting Guidelines***

CIPFA is pleased to present its response to this consultation paper, which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.

**General comment**

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.

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 fulfils its underlying objectives.

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 harmonisation will be occurring as a result of initiatives on the GFS side.

**Response to specific questions**

Comments on the specific matters for comment are provided in the attached Annex.

I hope this is a helpful contribution to the development of the Board's guidance in this area. If you have any questions about this response, please contact Steven Cain (e:steven.cain@cipfa.org, t:+44(0)20 7543 5794).

Yours faithfully

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## **ANNEX A**

### **Specific Matters for Comment**

#### **Specific Matter for Comment 1 (See Section 3 and Appendix B)**

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?

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

(a) 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.

(b) We have no proposals for consideration.

#### **Specific Matter for Comment 2 (See paragraphs 4.11 to 4.17)**

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?

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.

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.



**Specific Matter for Comment 3 (See paragraphs 5.2 to 5.4)**

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

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

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 GFSRs, and the development of criteria per 5.4(b) might be particularly important.

We would also envisage some further harmonisation occurring as a result of initiatives on the GFS side.

**Specific Matter for Comment 4 (See paragraphs 5.5 to 5.19)**

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

We have no additional matters to propose.

**Specific Matter for Comment 5 (See paragraphs 5.20 to 5.28 and page 39)**

This CP describe 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?

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

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.

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.

**Preliminary View 1 (See paragraphs 5.29 to 5.34)**

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.

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.

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**Our Ref: PSD/ED05/2013**

28 March 2013

Stephanie Fox,  
IPSASB Technical Director,  
International Public Sector Accounting Standards Board,  
International Federation of Accountants,  
277 Wellington Street West,  
Toronto, Ontario M5V 3H2,  
Canada.

Dear Madam:

**RE: CONSULTATION PAPER - IPSASs AND GOVERNMENT FINANCE STATISTICS REPORTING GUIDELINES**

The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the Consultation Paper – IPSASs and Government Finance Statistics issued by the International Public Sector Standards Board (IPSASB) of the International Federation of Accountants.

The Institute believes that quest towards harmonisation 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.

We have included our responses to each of the Specific Matters for Comment and IPSASB's Preliminary View in an appendix to this letter.

If you would like to discuss these comments further, please contact the undersigned on [icpak@icpak.com](mailto:icpak@icpak.com) or the undersigned at [nixon.omindi@icpak.com](mailto:nixon.omindi@icpak.com).

Yours Faithfully,

Nixon Omindi

**Manager, Professional Standard**

**Appendix – ICPAK's Submission on the Consultation Paper - IPSASs And Government Finance Statistics Reporting Guidelines**

**Specific Matter for Comment 1**

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

We are in agreement that the issues identified in category A have been addressed.

Other differences not identified in the consultation paper in our view include: -

- 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.
- ii. The point in time at which tax due shall be recognised is also an issue we believe portend some differences between IPSASs and GFS (IPSAS 23 does not require the existence of a tax demand or tax file, rather that the taxable event has occurred).
- iii. 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.

**Specific Matter for Comment 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?***

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.

**Specific Matter for Comment 3**

- a. Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines?***
- b. If so, are there changes other than those listed in paragraph 5.4, which the IPSASB should consider adopting?***

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.

**Appendix – ICPAK's Submission on the Consultation Paper - IPSASs And Government Finance Statistics Reporting Guidelines**

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.

**Specific Matter for Comment 4**

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

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.

**Specific Matter for Comment 5**

***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?***
- b. Which one of the options do you consider that the IPSASB should consider adopting?***

IPSAS 22, Disclosure of Financial Information about the General Government Sector; applies only to those governments that elect to present information about the general government sector. BC 4 of IPSAS 22, *"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."* 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.

**Preliminary View 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.***

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).



## Department of Treasury and Finance

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

Dear Ms Fox

### ***IPSASs and Government Finance Statistics Reporting Guidelines***

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on *IPSASs and Government Finance Statistics Reporting Guidelines - Consultation Paper* (CP).

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

HoTARAC welcomes the opportunity to provide input into IPSASB's project concerning IPSAS and Government Finance Statistics (GFS) and commends the IPSASB on its efforts to align International Public Sector Accounting Standards with Government Finance Statistics.

The majority of HoTARAC is supportive of IPSASB's approach and strongly endorses the option canvassed in the CP of withdrawing IPSAS 22 *Disclosure of Financial Information About the General Government Sector* and replacing it with the a standard adopting an integrated approach similar to Australian accounting standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

HoTARAC also recommends considering changes to IPSASs and GFS since the 2005 research report that may have engendered further differences between the two frameworks.

The majority favours integrating the IPSAS/GFS and IPSAS/International Financial Reporting Standard (IFRS) convergence projects and considering GFS harmonisation in developing IPSAS for public sector specific issues.





Elaboration of these recommendations and responses by HoTARAC on the Specific Matters for Comment in the Consultation Paper is outlined in the attachment to this letter.

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

Yours sincerely



Grant Hehir

**CHAIR**

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

31 March 2013



## **Submission to IPSASB on IPSASs and Government Finance Statistics Reporting Guidelines Consultation Paper.**

### **General Comments**

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.

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 *Disclosure of Financial Information About the General Government Sector* and replacing it with the integrated approach taken under the Australian accounting standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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 *Presentation of Budget Information in Financial Statements* and the strategy considered in the CP of guidance on integrating the IPSAS/GFS chart of accounts through the preparation of an integrated report.

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.

HoTARAC agrees that SNA 2008 and changes to IPSAS will reduce the differences identified in *International Public Sector Accounting Standards (IPSASs) and Statistical Bases of Financial Reporting: An Analysis of Differences and Recommendations for Convergence* (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.

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 *Presentation of Financial Statements*, aligning with IAS 1 *Presentation of Financial Statements*, 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 *Process for Reviewing and Modifying IASB Documents* is identified, and in the development of IPSASs for public sector specific projects.

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 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.

**Specific Matter for Comment 1** (See Section 3 and Appendix B)

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?

Subject to below, HoTARAC agrees that the issues are resolved.

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 *Intangible assets* 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.

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

Contractual guarantees and other derivatives financial instruments are recognised on the balance sheet under IPSAS 29: *Financial Instruments: Recognition and Measurement*, but are only recognised in limited circumstances under GFS. SNA 2008 proposes disclosure as a memorandum item, but reconciling differences remain.

**Specific Matter for Comment 2** (See paragraphs 4.11 to 4.17)

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?

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.

Further, HoTARAC does not agree with paragraph 4.16 that the guidance should cover wider issues.

**Specific Matter for Comment 3** (See paragraphs 5.2 to 5.4)

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

HoTARAC agrees and supports the overall approach of paragraph 5.4.

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

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.

**Specific Matter for Comment 4** (See paragraphs 5.5 to 5.19)

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

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.

**Specific Matter for Comment 5** (See paragraphs 5.20 to 5.28 and page 39)

This CP describe 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?

The majority of HoTARAC is of the view that the optimum option is C.



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

As mentioned above, the majority of HoTARAC supports Option C: adopting an integrated approach along the lines of the Australian accounting standard AASB 1049.

**Preliminary View 1** (See paragraphs 5.29 to 5.34)

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.

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.

**Other Comments**

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 *Property, plant and equipment*, 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.



The Technical Director  
International Public Sector Accounting Standards Board  
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Toronto, Ontario M5V 3H2 Canada  
Per e-mail [stepheniefox@ifac.org](mailto:stepheniefox@ifac.org)

5 April 2013

Dear Stephenie,

**COMMENTS ON IPSASs AND GOVERNMENT FINANCE STATISTICS REPORTING GUIDELINES**

We welcome the opportunity to provide comments on the Consultation Paper on IPSASs and Government Finance Statistics Reporting Guidelines.

This comment letter has been prepared by the Secretariat of the ASB and does not necessarily reflect the views of the ASB Board. In formulating the comments outlined in this letter, the Secretariat has undertaken a limited consultation with its constituents in the South African public sector.

Overall, there was support amongst our constituents for the project. A number of issues were however identified and have been included in the responses to the specific matters for comment and the preliminary view.

Board Members: Mr V Jack (Chairperson), Ms CJ Kujenga, Mr K Kumar, Mr K Makwetu, Mr F Nomvalo,  
Mr G Paul, Ms N Ranchod, Mr B Colyvas, Ms R Rasikhinya, Ms T Coetzer  
Alternates: Ms L Bodewig, Mr J Van Schalkwyk  
Chief Executive Officer: Ms E Swart



Please feel free to contact me should you require clarification on any of our comments.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'Erna Swart'.

Erna Swart

Chief Executive Officer

## Specific matter for comment 1 (See Section 3 and Appendix B)

*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?*

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).

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.

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).

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

We have noted two additional issues that could be considered:

- 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 *Related Party Disclosures* 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.
- 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.

**Specific matter for comment 2 (See paragraphs 4.11 to 4.17)**

*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?*

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.

**Specific matter for comment 3 (See paragraphs 5.2 to 5.4)**

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

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.

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.

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

We agree in principle with the changes outlined in paragraph 5.4. We do however have a few suggestions in relation to these proposals:

- 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).

**Specific matter for comment 4 (See paragraphs 5.5 to 5.19)**

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

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.

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.

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:

- 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.

**Specific matter for comment 5 (See paragraphs 5.20 to 5.28 and page 39)**

*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?*

We did not identify any other feasible alternatives.

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

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.

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”.

## **Preliminary view**

### **Preliminary view 1 (See paragraphs 5.29 to 5.34)**

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.

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.

## **Other matters**

- 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 requirements for ~~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 and systems 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 unless the reporting entity elects to do so.”



- 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.

**Denise Silva Ferreira Juvenal**

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**Accountant**

**Commentary individual**

**Rio de Janeiro / Brazil**

**Chair and Steering Committee**

**and**

**The Technical Director**

**International Public Sector Accounting Standards Board**

**International Federation of Accountants**

**277 Wellington Street West**

**Toronto, Ontario M5V 3H2 CANADA**

**[stepheniefox@ifac.org](mailto:stepheniefox@ifac.org)**

**March 31, 2013**

## **IPSASs and Government Finance Statistics Reporting Guidelines**

I'm Denise Juvenal this pleasure to have the opportunity to comment on this consultation. This is my individual commentary for IFAC-IPSAS about IPSASs and Government Finance Statistics Reporting Guidelines.

### **Guide for Respondents**

The IPSASB welcomes comments on all of the matters discussed in this CP. The CP highlights five specific matters for comment, and one preliminary view reached by the IPSASB. These are provided below to facilitate your comments. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, and contain a clear rationale, including reasons for agreeing or disagreeing. If you disagree, please provide alternative proposals.

#### **Specific Matter for Comment 1 (See Section 3 and Appendix B)**

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?**

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.

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

I think that for this moment don't need added more informations in this list. I think that the board if agree, observed this discussion about these papers EMIR: A Fair Price for Safety and Transparency<sup>1</sup> and Valuation<sup>2</sup>, these are great projects with high complex and quality.

**Specific Matter for Comment 2 (See paragraphs 4.11 to 4.17)**

**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?**

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.

**Specific Matter for Comment 3 (See paragraphs 5.2 to 5.4)**

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

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.

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

None.

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<sup>1</sup> <http://www.esma.europa.eu/system/files/2013-428.pdf>

<sup>2</sup> [http://www.ivsc.org/sites/default/files/FSFocus\\_Feb%20article.pdf](http://www.ivsc.org/sites/default/files/FSFocus_Feb%20article.pdf)

**Specific Matter for Comment 4 (See paragraphs 5.5 to 5.19)**

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

There aren't other areas where IPSAS changes could address GFS differences in this moment.

**Specific Matter for Comment 5 (See paragraphs 5.20 to 5.28 and page 39)**

**This CP describe 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?**

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.

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

I suggest more important Option A, revisions to improve IPSAS 22.

**Preliminary View 1 (See paragraphs 5.29 to 5.34)**

**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.**

I think that this Study 14 is important to include a chapter on IPSAS options that reduce differences with GFS reporting guidelines.

Thank you for opportunity for comments this proposal, if you have questions don't hesitate contact to me, [rio1042370@terra.com.br](mailto:rio1042370@terra.com.br).

Yours,

Denise Silva Ferreira Juvenal

[rio1042370@terra.com.br](mailto:rio1042370@terra.com.br)

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31 March 2013

Dear Ms. Fox

### **Consultation paper: IPSASs and Government Finance Statistics Reporting Guidelines**

The global organization of Ernst & Young is pleased to submit its comments on the above Consultation Paper (CP). We have consulted within EY's International Public Sector Accounting network in respect of this letter.

#### **General comments**

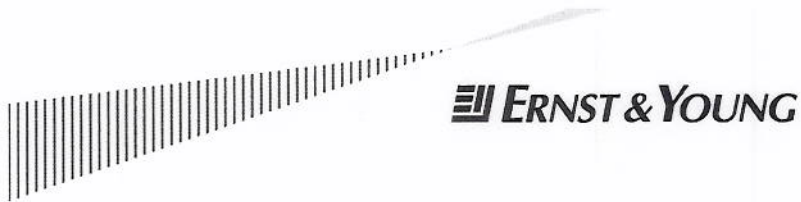
We support the IPSASB's efforts to harmonize International Public Sector Accounting Standards (IPSASs) for accrual-based financial statements and Government Finance Statistics (GFS) reporting guidelines. As mentioned in the Introduction of the CP, we believe that significant benefits, as listed in paragraph 1.2 of the CP, can be gained from generating IPSAS financial statements and GFS reports using a single integrated financial information system.

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.

#### **Resolution of differences between IPSASs and GFS reporting guidelines**

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 *Intangible Assets*, 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.

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 'Differences arising from conceptual differences' versus 'Differences not arising from



conceptual differences'. 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.

#### **Development of integrated Chart of Accounts**

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.

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.

Please find our responses to the specific matters for comments set out in the appendix to this cover letter. Should you wish to discuss the contents of this letter with us, please contact Thomas Müller Marqueś-Berger at (+49) 711 9881 15844 or Serene Seah-Tan at (+44) 20 7980 0625.

Yours faithfully

A handwritten signature in cursive script that reads "Ernst &amp; Young".



## Appendix - Responses to the specific matters for comments

### Specific Matter for Comment 1 (See Section 3 and Appendix B)

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

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.

### Specific Matter for Comment 2 (See paragraphs 4.11 to 4.17)

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 Charts of Accounts, and (ii) wider coverage such as that listed in paragraph 4.16 of this CP?

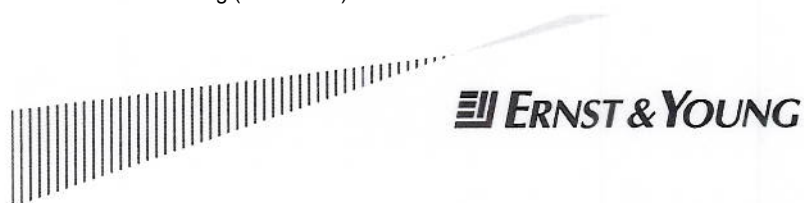
As mentioned in the cover letter, we support the IPSASB's development of an overview of the basic components of an integrated CoA, but not the wider coverage such as those listed in paragraph 4.16 for the reasons covered above.

### Specific Matter for Comment 3 (See paragraphs 5.2 to 5.4)

- (a) Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines?
- (b) If so, are there changes other than those listed in paragraph 5.4, which the IPSASB should consider adopting?

As mentioned in the cover letter, 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



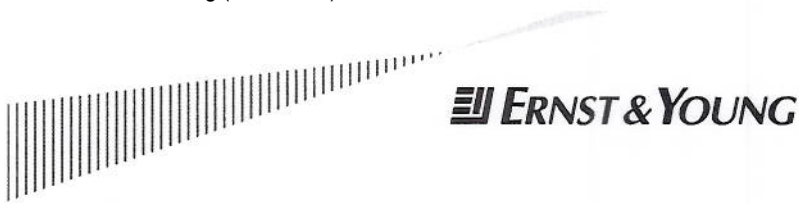


addition, we would like to continue to stress the importance of public consultation when implementing changes to IPSAS standards to address GFS differences. Besides including GFS comparisons in all IPSASs as proposed in paragraph 5.4(e), it would be useful to include in the Basis for Conclusions the 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.

**Specific Matter for Comment 4 (Paragraphs 5.5 to 5.19)**

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

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 <i>Background on IPSASs and Public Sector GFS Reporting Guidelines</i> 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 necessary for such assets, clear reasons and principles be provided.



**Specific Matter for Comment 5 (See paragraphs 5.20 to 5.28 and page 39)**

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?

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

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.

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).



**Australian Government**  
**Australian Accounting**  
**Standards Board**

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11 April 2013

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

Dear Stephenie,

**IPSASB Consultation Paper**  
***IPSASs and Government Finance Statistics Reporting Guidelines***

The Australian Accounting Standards Board is pleased to submit its comments on the Consultation Paper (CP) *IPSASs and Government Finance Statistics Reporting Guidelines* to the International Public Sector Accounting Standards Board.

The AASB supports the work of the IPSASB in addressing the current state of differences between IPSASs and GFS reporting guidelines. The AASB's most significant comments on the more substantive specific matters for comment raised in the CP are noted in this letter for your consideration, and expanded on further in the attached, together with responses to the other Specific Matters for Comment and the Preliminary View.

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.

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 *Process for Reviewing and Modifying IASB Documents*), the AASB suggests that undue emphasis is not placed on GFS convergence at the expense of IFRS convergence.

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.

In addressing the future of IPSAS 22 *Disclosure of Financial Information about the General Government Sector*, 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.

If you have queries regarding any matters in this submission, please contact me or Lisa Panetta ([lpанetta@aab.gov.au](mailto:lpанetta@aab.gov.au)).

Yours sincerely,

A handwritten signature in black ink, reading "K.M. Stevenson". The signature is written in a cursive, flowing style.

Kevin M. Stevenson  
*Chairman and CEO*

## **Specific AASB comments on IPSASB Consultation Paper *IPSASs and Government Finance Statistics Reporting Guidelines***

### **Specific Matters for Comment**

The AASB provides the following comments on the IPSASB's Specific Matters for Comment set out in the CP.

#### Specific Matter for Comment 1 (See Section 3 and Appendix B)

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

#### *(a) Issues Categorised as Resolved*

The AASB does not agree that all of the issues categorised as resolved in the CP are indeed resolved, as explained below.

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.

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.

In comparison with issue A6, issue A2 (investments in unquoted shares – measurement) notes that IPSAS 29 *Financial Instruments: Recognition and Measurement* 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.

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.

Issue A8 (costs associated with R&D and other intangible assets) states that IPSAS 31 *Intangible Assets* 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.

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.

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.

*(b) Further Differences*

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.

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 *Investments in Associates* and IPSAS 8 *Interests in Joint Ventures*. 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.

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 *Consolidated and Separate Financial Statements* 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. 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).

There are further differences between IPSAS and GFS for both the whole of government and the GGS. IPSAS 28 *Financial Instruments: Presentation* classifies prepaid expenses as non-financial assets, whereas GFS classifies them as financial assets. In addition, IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* may classify an amount within provisions, whereas GFS would classify the amount as accounts payable.

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 *Income Taxes* or other national standards.

Specific Matter for Comment 2 (See paragraphs 4.11 to 4.17)

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?

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.

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.



Specific Matter for Comment 3 (See paragraphs 5.2 to 5.4)

- (a) Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines?
- (b) If so, are there changes other than those listed in paragraph 5.4 which the IPSASB should consider adopting?

(a) *Approach to Reducing Differences*

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 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.

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).

(b) *Other Changes the IPSASB Should Adopt*

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 *Process for Reviewing and Modifying IASB Documents* (described in paragraph A20 of the CP).

Specific Matter for Comment 4 (See paragraphs 5.5 to 5.19)

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

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:

- (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 *Financial Instruments* that requires such investments to be measured at fair value, with cost possibly adopted as a reasonable measure of fair value in some circumstances.

- (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 *Accounting Policies, Changes in Accounting Estimates and Errors* for determining accounting policies, since there is no corresponding IPSAS. Issue A3 (employee stock options) is described as resolved by reference to IFRS 2 *Share-based Payment*, and issue C2 (extractive industries) refers to IFRS 6 *Exploration for and Evaluation of Mineral Resources*. 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.
- (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.
- (d) Issue D8 (biological assets) refers to a difference in the timing of consumable biological assets being classified as inventory under IPSAS 27 *Agriculture* 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 a limited project in relation to bearer biological assets.
- (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).

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).

Specific Matter for Comment 5 (See paragraphs 5.20 to 5.28 and page 39)

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

(a) *Further IPSAS 22 Options*

Before contemplating making improvements to IPSAS 22 *Disclosure of Financial Information about the General Government Sector*, 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.

(b) *Which Option Should the IPSASB Consider Adopting?*

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 of note.

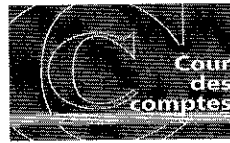
Whereas paragraph 5.26 of the CP refers to the identification of IPSAS options that are aligned with GFS, greater benefits would ensue from the replacement IPSAS if it were to require governments to adopt GFS-aligned options that are consistent with IPSASs. This could significantly reduce differences between IPSASs and GFS requirements.

Preliminary View 1 (See paragraphs 5.29 to 5.34)

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.

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.

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Paris, 30 April 2013

**Comité consultatif sur la normalisation des comptes publics**

**Advisory committee on public sector accounts standards**

*The Chairman*

**Response to the Consultation Paper : IPSAS and Government Finance Statistics Reporting Guidelines”.**

Dear Ms. Fox,

Please find enclosed the response of the Cour des comptes, French Supreme Court of public external auditors, to the above mentioned Consultation Paper on “IPSAS and GFS Reporting Guidelines”.

This response was prepared by the Internal Advisory Committee of the French supreme and local courts of public auditors, which is in charge of finalization of their positions and advices on every subject related to public accounting standards.

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.

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.

Although it is generally acknowledged that IPSAS and GPS both rely on the basis of accrual accounting, the CP states that many gaps exist between them, resulting from different conceptual approaches.

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.

IPSAS being de facto mostly based on IFRS, any hypothetical 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.

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.

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.

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.

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.

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.

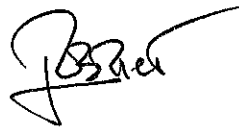
The Cour des comptes is although not hostile to some convergence between the two systems, if this convergence remains fully compatible with the main orientations defined in the two conceptual frameworks behind them. In that view, a reference could be added, in the IPSAS Conceptual Framework under construction, on the use of general accounting of public entities as a source for GPS, and even on the concern of avoiding useless retreatments.

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.

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.

Our specific comments are disclosed below.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Raoul Briet', with a stylized flourish extending from the end.

Raoul BRIET



## **Annex: specific matters for comments**

### **Specific Matter for Comment 1**

Divergence points existing today between IPSAS and GPS do not seem to be actually resolved in the CP for two reasons:

- 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.

### **Specific Matter for Comment 2**

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.

### **Specific Matter for Comment 3**

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.

### **Specific Matter for Comment 4**

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 ).

MEF - RGS - II Dipartimento Ragioneria Generale dello Stato - 31628 del 10/04/2013 - U



*Ministero  
dell'Economia e delle Finanze*  
DIPARTIMENTO DELLA RAGIONERIA GENERALE DELLO STATO  
ISPETTORATO GENERALE DI FINANZA - XVI  
ISPETTORATO GENERALE PER LA CONTABILITÀ E LA FINANZA PUBBLICA – UFF. III  
ISPETTORATO GENERALE DI BILANCIO – UFF. XVI  
SERVIZIO STUDI DIPARTIMENTALE – UFF. I

To The International Public Sector  
Accounting Standards Board 529  
Fifth Avenue 6th Floor –  
New York, NY 10017  
USA

OGGETTO: Consultation Paper – Ipsas and Government Finance Statistics Guidelines.

With reference to the Consultation Paper “*Ipsas and Government Finance Statistics Guidelines*” 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*).

Therefore some differences should not be cancelled concerning, among others: a) the definitions of reporting entity; b) 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.

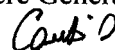
As for measurement, while IPSASs allow different criteria to be adopted according to circumstances, Government Financial Statistics guidelines use almost invariably the current market price (ESA95 resorts to this criteria for holding gains and losses, disposals of land, securities other than shares upon certain conditions, *etc.*). 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.

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.

Besides, the CP suggests a *chart of accounts design*, including additional codes to identify items included in GPFs 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.

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.

Il Ragioniere Generale dello Stato





Paris, 15<sup>th</sup> April 2013

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**Re: Consultation Paper**

**IPSASs and Government Finance Statistics Reporting Guidelines**

Dear Ms Fox,

Please find enclosed the response of the Public Sector Accounting Standards Council (CNOCP) to the above-mentioned Consultation Paper.

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, *inter alia*, 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.

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.

Yours sincerely

Michel Prada



## ANNEX

### RESPONSES TO THE QUESTIONS IN THE CONSULTATION PAPER

The Council notes the quality of the document drafted by the IPSAS Board on alignment between IPSASs and the Government Finance Statistics reporting guidelines (hereafter GFS). The GFS is chiefly a tool for reporting to the International Monetary Fund, but many countries also use it to present and analyse their government finances. In 2003, the IPSAS Board initiated discussion of aligning its own standards with the IMF's recommendations. Based on this discussion, after publishing an initial report in 2005, it prepared this consultation.

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.

The Council notes that the existing IPSASs consist essentially of an adaptation of IFRS<sup>1</sup> (which the Council has always 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<sup>2</sup>; this may limit their potential for mutual adaptation.

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.

- 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

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<sup>1</sup> International Financial Reporting Standards.

<sup>2</sup> In particular since the adoption of the 2008 System of National Accounts (SNA) and the 2010 European System of Accounts (ESA).





an accounting framework<sup>3</sup> 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<sup>4</sup>, 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<sup>5</sup>.
- The two systems are designed for different purposes: the IPSASs concern autonomous entities that issue financial statements<sup>6</sup> 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

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<sup>3</sup> Although it is not an accounting system, the national accounting framework requires a classification of operations carried out by the "basic" entities.

<sup>4</sup> i.e. Government Business Enterprises.

<sup>5</sup> The European System of Accounts (ESA) 1995 defines the general government sector as follows: "The sector general government (S.13) includes all institutional units which are other non-market producers (see paragraph 3.26.) whose output is intended for individual and collective consumption, and mainly financed by compulsory payments made by units belonging to other sectors, and/or all institutional units principally engaged in the redistribution of national income and wealth."

<sup>6</sup> These may be consolidated financial statements, but they are necessarily the financial statements of a single, clearly defined, autonomous entity.



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 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.
- 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”.

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<sup>7</sup>, general purpose accounting data from the “base” entities (and these data may be restated<sup>8</sup>), improving the quality of general purpose accounting data would produce more reliable national accounting data, especially in the area of government finance statistics.

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),

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<sup>7</sup> National accounting also makes use of *ad hoc* surveys of basic entities and budget accounting data.

<sup>8</sup> Restatements are issued according to the national accounting guidelines.



it is useful to strive to improve the source data. However, does making upstream data more reliable guarantee a similar improvement in downstream data?

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.

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.

### **Specific Matter for Comment 1 (See Section 3 and Appendix B)**

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

- (a) Do you agree that the issues categorized as resolved (Category A in Table 2) are indeed resolved?*
- (b) Are there further differences between IPSASs and GFS reporting guidelines that should be added to the list? If so, please describe these.*



The Council believes that not all the differences considered to be resolved<sup>9</sup> 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 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.

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.

Specifically, the following comments apply to points A1 through A8 of Table 2.

*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).

*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.

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<sup>9</sup> Mentioned in Category A of Table 2.



A3 (*“Stock options”*). There are very few stock options in the public sector<sup>10</sup>. This subject has been resolved and appears fairly marginal.

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.

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.

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 noted in the Consultation Paper, especially in the allocation of defence weapons between assets and stocks.

A7 (*“Financial instruments”*). The point cannot be considered resolved by the existence of IPSAS 29, as this standard is not realistically applicable.

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.

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<sup>10</sup> Stock options exist in public companies that use IFRS.



### **Specific Matter for Comment 2 (See paragraphs 4.11 to 4.17)**

*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 listed in paragraph 4.16 of this CP?*

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.

However, as the Consultation Paper notes, such a tool would have to take local requirements into account.

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.

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.

- 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 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.



### **Specific Matter for Comment 3 (See paragraphs 5.2 to 5.4)**

- (a) Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines?*
- (b) If so, are there changes other than those listed in paragraph 5.4 which the IPSASB should consider adopting?*

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.

### **Specific Matter for Comment 4 (See paragraphs 5.5 to 5.19)**

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

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.





### **Specific Matter for Comment 5 (See paragraphs 5.20 to 5.28 and page 39)**

*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 could be considered? If so, what are these?*
- (b) Which one of the options do you consider that the IPSASB should consider adopting?*

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.

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.

### **Preliminary View 1 (See paragraphs 5.29 to 5.34)**

*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.*

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.



## **FRENCH VERSION**

Nous vous prions de bien vouloir trouver ci-joint la réponse du Conseil de normalisation des comptes publics (CNOCP) sur le document de consultation « IPSASs and Government Finance Statistics Reporting Guidelines ».

Le Conseil s'est interrogé sur l'utilité et la portée d'une tentative de rapprochement entre les IPSAS et les statistiques des finances publiques (SFP) élaborées selon le manuel du Fonds monétaire international (FMI). Il rappelle l'existence de différences substantielles entre la comptabilité générale et la comptabilité nationale, par exemple leurs objectifs et leurs périmètres d'application distincts. Le Conseil relève que ces deux systèmes comptables coexistent et n'ont pas vocation à se regrouper. De telles différences doivent donc inviter à la vigilance dans le processus de recherche de convergence.

Par ailleurs, si la comptabilité nationale utilise entre autres des données issues de la comptabilité générale (éventuellement retraitées), le Conseil pense que l'amélioration de la qualité des normes applicables aux données source ne suffit pas à garantir la fiabilisation des données de la comptabilité nationale, d'autres facteurs intervenant en amont comme la qualité de l'organisation comptable et la performance des systèmes d'information et de contrôle interne par exemple. Il convient donc de ne pas surestimer les bénéfices attendus de la convergence normative.

Le Conseil considère enfin que le rapprochement des deux systèmes ne doit pas conduire, par exemple, à l'introduction systématique de la valeur de marché dans la comptabilité générale, cette dernière privilégiant l'approche par le coût et la dépréciation. C'est pourquoi la recherche de la convergence entre la comptabilité générale et la comptabilité nationale ne peut être menée que sous la réserve expresse qu'elle préserve l'intégrité et la cohérence conceptuelle intrinsèque de chacun des deux systèmes. Néanmoins, cette recherche de convergence ne constitue pas une priorité pour les travaux du normalisateur comptable.



## ANNEXE

### REPONSES AUX QUESTIONS POSEES DANS LE DOCUMENT DE CONSULTATION

Le Conseil note la qualité du document proposé par l'IPSAS Board relatif à la convergence entre les normes IPSAS et les statistiques de finances publiques (ci-après SFP). Outil de reporting destiné principalement au Fonds monétaire international, le SFP est, pour beaucoup de pays, le cadre de présentation et d'analyse de leurs finances publiques. L'IPSAS Board a initié depuis 2003 des réflexions sur la convergence des normes qu'il édicte avec les prescriptions du FMI, ce qui lui a permis, après la publication d'un premier rapport en 2005, de préparer la présente consultation.

A titre liminaire, le Conseil souhaite préciser la question de la justification même de la comparaison entre les normes IPSAS et les statistiques de finances publiques et de la recherche de leur convergence.

Le Conseil relève en effet que les normes IPSAS existantes consistent essentiellement en une adaptation des normes « IFRS »<sup>11</sup> (ce que le Conseil a toujours considéré comme trop restrictif) tandis que le SFP adapte le système de comptabilité nationale (SCN) des Nations-Unies. L'un et l'autre sont donc, pour des périmètres limités, des systèmes dérivés de corpus plus globaux dont les règles les contraignent<sup>12</sup>, ce qui peut limiter leur capacité d'adaptation mutuelle.

Si la nécessité d'une comparaison des systèmes IPSAS et SFP trouve son origine dans la proximité – apparente – de leurs périmètres d'application respectifs (les « administrations publiques » ou « le secteur public ») ou de leur objet (des comptes en droits constatés), le Conseil considère que la justification, tant de l'analyse des écarts entre les IPSAS et le SFP que du souhait de leur convergence, mériterait d'être approfondie. Selon lui, plusieurs éléments invitent à la vigilance sur la recherche de convergence, surtout si celle-ci devait être systématisée.

- Comme le document de consultation le rappelle clairement, les objectifs des deux systèmes diffèrent largement : la comptabilité générale, fondée

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<sup>11</sup> International Financial Reporting Standard.

<sup>12</sup> En particulier depuis l'adoption du système de comptabilité nationale (SCN) 2008 et du système européen des comptes (SEC) 2010.



sur des principes généraux et des normes, a pour ambition de rendre compte de la situation financière d'une entité particulière, ayant sa propre autonomie, tandis que la comptabilité nationale (comme les SFP, ses dérivés), est un cadre comptable<sup>13</sup> de présentation des résultats de secteurs et de leurs interactions.

- Le périmètre d'application des deux systèmes n'est pas identique. Si les deux systèmes évoquent le « secteur public », le contenu de ce dernier n'est pas superposable entre les IPSAS et les SFP. En effet, selon la préface des normes, les IPSAS concernent « les entités du secteur public » sans les définir et ne s'appliquent pas aux entreprises publiques ayant une activité marchande<sup>14</sup>, tandis que les SFP décrivent d'une part les résultats des « administrations publiques » et d'autre part ceux du « secteur public ».
- Les IPSAS utilisent la notion de « contrôle » pour définir des périmètres de consolidation et non pour identifier les entités qui doivent appliquer ces normes. Dans la comptabilité nationale et les SFP, la notion de contrôle est utilisée pour inclure dans le secteur des administrations publiques des entités contrôlées par les pouvoirs publics et leurs organes d'exécution<sup>15</sup>.
- L'objet auquel s'appliquent les deux systèmes diffère : les IPSAS concernent une entité autonome, qui rend des comptes<sup>16</sup> tandis que les SFP décrivent un secteur institutionnel. Or un secteur au sens de la comptabilité nationale n'est pas une entité. Somme d'unités institutionnelles, le secteur institutionnel ne s'apparente pas à une entité autonome ayant ses propres logique économique et stratégie. Le principe de l'entité qui « rend compte » (« reporting entity principle ») n'est pas applicable en comptabilité nationale. La comptabilité nationale ne tient pas de comptes,

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<sup>13</sup> S'il n'est pas un système de comptabilité, le cadre de la comptabilité nationale exige un classement des opérations effectuées par les entités « de base ».

<sup>14</sup> i.e. « Government Business Enterprises ».

<sup>15</sup> Le système européen des comptes (SEC) 1995 définit le secteur des administrations publiques comme suit : « Le secteur des administrations publiques (S.13) comprend toutes les unités institutionnelles qui sont des autres producteurs non marchands (point 3.26) dont la production est destinée à la consommation individuelle et collective et dont la majeure partie des ressources provient de contributions obligatoires versées par des unités appartenant aux autres secteurs et/ou toutes les unités institutionnelles dont l'activité principale consiste à effectuer des opérations de redistribution du revenu et de la richesse nationale. »

<sup>16</sup> Il peut s'agir de comptes consolidés, mais ce sont toujours les comptes d'une seule entité autonome bien définie.



elle fournit principalement des informations économiques dans un cadre comptable qui permet de décrire des interactions entre secteurs ou sous secteurs.

- Il importe (et le document de consultation l'explicite clairement) de souligner que les mêmes termes peuvent recouvrir une réalité distincte ; il convient donc d'être vigilant dans l'analyse des rapprochements et des écarts. Comme indiqué *supra*, l'application de la notion de contrôle peut conduire à des champs d'application différents. De plus, la notion de contrôle dans les SFP ne recouvre que le contrôle sur les entités tandis que les IPSAS adoptent le contrôle sur les actifs comme règle de comptabilisation. Cette dernière notion est absente des référentiels de la comptabilité nationale, qui privilégie une approche par les risques et les avantages.
- L'absence de cadre conceptuel des IPSAS ne permet pas de cerner précisément l'origine des écarts, ni d'en mesurer la portée et les conséquences.
- Il n'y a pas de traitement individuel dans la comptabilité nationale : une même opération est traitée de la même manière quelle que soit l'unité qui l'effectue, tandis qu'en comptabilité générale, le producteur des comptes doit choisir les méthodes comptables (autorisées par le référentiel comptable qu'il doit appliquer) lui permettant de donner la meilleure image fidèle de sa situation financière.
- La comptabilité nationale a besoin de séries historiques et homogènes longues tandis que la comptabilité générale peut adapter rapidement ses méthodes dès lors que ces choix nouveaux sont justifiés.
- Des lignes de partage de la comptabilité nationale diffèrent de celles de la comptabilité générale : ainsi la première va par exemple s'intéresser au fait que les acteurs sont « résidents » ou « non résidents » et distinguer entre les « opérations » et les « autres flux ».

S'agissant de la justification de la recherche de convergence entre les IPSAS et les SFP, le document de consultation considère que, puisque les données de la comptabilité nationale résultent de l'utilisation, entre autres<sup>17</sup>, des données de

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<sup>17</sup> La comptabilité nationale utilise également des enquêtes ad hoc conduites auprès des entités de base et des données de comptabilité budgétaire.



comptabilité générale des entités « de base » (données éventuellement retraitées<sup>18</sup>), une amélioration de la qualité de ces dernières favorisera la fiabilisation des données de comptabilité nationale, et en particulier des statistiques des finances publiques.

Etant donné que les données de comptabilité nationale se fondent effectivement sur des données produites à d'autres desseins (dont celles de la comptabilité générale, mais pas uniquement), il est effectivement utile de chercher à améliorer les données sources. Cependant, la fiabilisation de données amont garantit-elle celle des données aval ?

A cet égard, si la mise en œuvre d'un référentiel complet et adapté aux spécificités du secteur public est susceptible de faire progresser la qualité des données sources, celle-ci n'est pas pour autant une condition suffisante à l'amélioration de données de la comptabilité nationale. La qualité des intrants de la comptabilité nationale ne peut en effet se restreindre à la question des normes comptables appliquées aux opérations sous-jacentes. L'Etat concerné doit également disposer d'un système d'organisation comptable, de systèmes d'information et de procédures de contrôle interne et d'audit appropriés. De plus, l'amélioration des données source ne permettra pas une production automatisée de la comptabilité nationale. Enfin, la comptabilité nationale n'a pas nécessairement besoin que les données entrantes soient conformes à ses propres normes ; il faut qu'elles soient normées et documentées de sorte que des traitements adaptés puissent leur être appliqués autant que le référentiel de comptabilité nationale l'exige.

En conséquence, le Conseil considère qu'il est légitime de se poser la question des recoupements entre les IPSAS et les SFP. Il peut s'avérer pertinent de retenir des définitions et des options cohérentes entre les deux systèmes, en particulier si ces travaux permettent de réduire les coûts de production des données financières, ce qui est important dans un contexte de maîtrise des finances publiques, et pour autant que ces travaux favorisent la compréhension des différents documents de nature financière présentés aux publics cibles. Cependant, le Conseil pense qu'une telle démarche de convergence ne doit être menée que sous la réserve expresse qu'elle ne nuise pas à la cohérence intrinsèque de l'un ou l'autre des deux systèmes qui sont, par essence, différents et dont la coexistence n'est pas remise en cause. C'est pourquoi le Conseil suggère que les conséquences des choix faits

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<sup>18</sup> Retraitements effectués selon le référentiel de la comptabilité nationale.



au nom de la convergence soient précisément examinées, notamment pour vérifier qu'ils ne portent pas atteinte *in fine* à la cohérence du référentiel de comptabilité générale.

**Question n° 1 (cf. « Section 3 » et annexe B)**

*S'agissant du tableau de synthèse 2 et des informations détaillées figurant dans l'annexe B, relatifs aux progrès effectués dans le but de réduire les différences :*

- a) Pensez-vous que les problématiques présentées comme résolues (la catégorie A du tableau 2) le sont effectivement ?*
- b) Pensez-vous que des différences supplémentaires entre les IPSAS et les SFP doivent être ajoutées ? Dans l'affirmative, merci de les décrire.*

Le Conseil considère que l'ensemble des différences considérées comme résolues<sup>19</sup> ne le sont pas vraiment, principalement car les solutions proposées restent trop floues ou trop ouvertes pour réellement permettre de réduire les écarts entre les IPSAS et les SFP. Il semble que, dès lors que les IPSAS proposent des options compatibles avec les choix inclus dans le référentiel des SFP, le document de consultation considère que le problème de convergence est résolu, puisqu'un producteur de comptes en IPSAS pourrait choisir l'option acceptable au regard du manuel des SFP. Or il est contestable de s'engager dans cette voie de manière systématique. A cet égard, le Conseil souligne que la comptabilité générale privilégie le coût, l'amortissement, la dépréciation alors que la comptabilité nationale, qui vise à décrire la richesse d'une économie ou de ses secteurs, recourt au prix courant de marché. L'adoption systématique en comptabilité générale des options compatibles avec les SFP pourrait conduire à modifier les règles d'élaboration des états financiers sans logique interne propre à ces derniers. Une telle adoption poserait notamment question si la méthode retenue n'est pas une option préférentielle des IPSAS ou s'il s'agit d'une option mise en œuvre de façon marginale.

En conséquence, certains des éléments de convergence présentés dans le document s'apparentent plutôt à des solutions optiques ; il est probable qu'une réelle convergence des deux systèmes, si le besoin s'avérait, supposerait des modifications substantielles de l'un ou l'autre des systèmes.

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<sup>19</sup> Mentionnées dans la « catégorie A » du tableau n°2.





Plus précisément, les commentaires suivants peuvent être formulés sur chacun des points A1 à A8 du tableau 2.

*A1 (Reporting du secteur des administrations publiques).* Cette question renvoie à la différence de périmètre mentionnée en introduction et ne semble pas pouvoir être résolue grâce à IPSAS 22, norme sur l'avenir de laquelle le document de consultation s'interroge (cf. commentaire spécifique n° 5 infra).

*A2 (Evaluation des investissements en actions non cotées).* Ce point appelle deux observations : d'une part, IPSAS 29 n'est pas pertinente et d'autre part, si les termes de juste valeur et de prix courant de marché sont proches sous réserve qu'il existe un marché significatif, les enjeux de l'utilisation de la juste valeur en comptabilité générale n'ont pas la même portée que ceux relatifs aux prix courants de marché en comptabilité nationale utilisés pour enregistrer les opérations.

*A3 (Stock options).* Il y a peu de « stock options » dans le secteur public<sup>20</sup>. Ce sujet, résolu, paraît plutôt marginal.

*A4 (Actifs non générateurs de trésorerie).* La proposition, peu précise, indique qu'il « suffit » d'opter pour les options de réévaluation prévues notamment dans IPSAS 17 pour résoudre le problème de divergence entre les IPSAS et les SFP. Cependant, la juste valeur n'est pas la mesure privilégiée dans le référentiel de comptabilité générale. Il n'est donc pas possible de soutenir une réévaluation permanente des actifs au seul motif d'une convergence avec la comptabilité nationale, d'autant moins que, comme le souligne le document de consultation, l'application de la juste valeur ne conduit pas, en pratique, aux mêmes résultats.

*A5 (Coûts d'emprunt).* IPSAS 5 offre la possibilité de comptabiliser ces coûts en charges, mais pas IAS 23. Il y a donc un conflit entre la volonté de reprendre les IAS/IFRS et la recherche de convergence avec les SFP qui ne capitalisent pas les frais d'emprunt. En fait, la convergence n'est possible que si les producteurs de comptes optent pour la méthode offerte par les IPSAS compatible avec les choix faits dans le SFP. Cela n'est possible que si l'adoption de cette méthode leur permet d'améliorer l'image fidèle de leurs états financiers.

*A6 (Armements).* S'il s'avère que la comptabilité nationale s'est alignée sur la comptabilité générale en prévoyant, dans le SNA 2008, la capitalisation des armements, il reste, comme le souligne d'ailleurs le document de consultation, des

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<sup>20</sup> Des stocks options existent dans des entreprises publiques qui appliquent les IFRS.



difficultés de mise en œuvre notamment dans la répartition entre les actifs et les stocks en matière de défense.

*A7 (Instruments financiers).* Le point ne peut être considéré comme résolu par l'existence d'IPSAS 29, cette norme n'étant pas en réalité applicable.

*A8 (Coûts de recherche et développement et autres actifs incorporels).* Un écart subsiste puisque la comptabilité nationale active systématiquement ces coûts tandis que la comptabilité générale distingue les coûts à caractère immobilisable des autres coûts considérés comme des charges.

### **Question n° 2 (cf. paragraphes 4.11 à 4.17)**

*Pensez-vous que l'IPSAS Board devrait, de manière conjointe avec les statisticiens, développer un guide relatif à une nomenclature comptable intégrée, qui inclurait (i) une présentation d'ensemble des principes de base d'une nomenclature comptable intégrée, et (ii) une couverture la plus large possible, comme celle qui est listée dans le paragraphe 4.16 de ce document de consultation ?*

Un référentiel comptable complet ne comprend pas seulement des normes, mais doit préciser les règles de comptabilisation et la nomenclature des comptes. Aujourd'hui, les travaux internationaux portent sur des normes. Aussi le Conseil pense-t-il que des propositions de nomenclatures harmonisées favoriseraient la comparabilité.

Cependant, comme le souligne le document de consultation, un tel outil doit prendre en compte des spécificités locales.

C'est pourquoi le Conseil considère que la proposition consistant à développer un guide relatif à l'élaboration d'une nomenclature des comptes, à charge pour chaque Etat ou groupe d'Etats d'en décliner les principes, est adaptée. Ce guide devrait s'appuyer sur la nomenclature de la comptabilité nationale ainsi que sur l'expérience des Etats qui ont déjà développé des nomenclatures de comptabilité générale. Cette question doit également prendre place dans les réflexions actuelles sur une harmonisation comptable au niveau européen.

Par ailleurs, le Conseil souhaite commenter les autres propositions de démarches de gestion des écarts incontournables restants entre les IPSAS et les SFP mentionnées aux paragraphes 4.3 à 4.10.



- La production d'informations complémentaires (paragraphe 4.9) lui semble une solution pertinente, ces autres informations n'étant pas appelées à figurer nécessairement dans les notes annexes.
- En revanche, selon le Conseil, choisir, *a priori*, la méthode comptable susceptible de correspondre au choix du SFP dès lors qu'elle est proposée - parmi d'autres - dans les IPSAS, n'est pas pertinent. En particulier, il ne saurait être envisagé, comme proposé au paragraphe 4.4, d'opter systématiquement pour l'option de réévaluation prévue par IPSAS 17, d'autant moins que les notions de juste valeur n'ont pas nécessairement le même sens dans les deux systèmes.

### **Question n° 3 (cf. paragraphes 5.2 à 5.4)**

*(a) Pensez-vous que l'IPSAS Board devrait avoir une approche plus systématique de réduction des différences entre les IPSAS et les principes du reporting du SFP ?*

*(b) Si tel est le cas, existe-t-il des modifications autres que celles listées dans le paragraphe 5.4 que l'IPSAS Board devrait éventuellement adopter ?*

A la question de savoir comment réduire les écarts inutiles entre les IPSAS et le SFP, l'IPSAS Board envisage d'inclure systématiquement cette préoccupation dans son processus d'élaboration de normes.

Comme suite à ce qu'il a indiqué en préambule, le Conseil considère que, s'il convient de s'interroger sur la possibilité de trouver une solution convergente satisfaisante pour les deux systèmes, il ne faut pas faire de la recherche de la convergence un objectif premier et systématique, prenant place avant les autres. S'il est certes pertinent de proposer la réduction d'écarts si elle respecte les objectifs et contraintes propres à chaque système, cette démarche ne peut constituer une contrainte supplémentaire à l'élaboration d'un corpus de normes cohérent. En effet, il ne s'agit pas d'une démarche d'intégration de deux systèmes.

La comptabilité générale peut permettre de préciser des règles de la comptabilité nationale (sur l'évaluation de certains actifs ou la définition de certains passifs par exemple), mais elle ne peut apporter des réponses systématiques sauf à devenir un « auxiliaire » de la comptabilité nationale.



**Question n° 4 (cf. paragraphes 5.5 à 5.19)**

*Existe-t-il d'autres points sur lesquels les IPSAS pourraient traiter des différences avec les SFP ? Dans l'affirmative, merci de les décrire.*

Le Conseil n'a pas identifié d'autres points sur lesquels les IPSAS seraient susceptibles de traiter les différences avec les SFP. Il considère que la présentation faite par le document de consultation clarifie le lien entre certains thèmes et les projets en cours, comme celui du cadre conceptuel.

**Question n° 5 (cf. paragraphes 5.20 à 5.28 et page 39)**

*Ce document de consultation décrit trois options concernant IPSAS 22 : Option A, une révision dans le but d'améliorer IPSAS 22 ; Option B, le retrait pur et simple de IPSAS 22 ; Option C, le remplacement de IPSAS 22 par une nouvelle norme.*

*(a) Y a-t-il d'autres options à envisager s'agissant de la norme IPSAS 22 ? Dans l'affirmative, quelles sont-elles ?*

*(b) Selon vous, quelle option l'IPSAS Board devrait-il retenir ?*

Le Conseil propose d'adopter l'option B, c'est-à-dire la suppression de la norme IPSAS 22. Celle-ci lui semble en effet requérir d'un Etat présentant des comptes consolidés des retraitements importants pour parvenir à présenter des informations sur le « secteur public » au sens de la comptabilité nationale. Les résultats ainsi obtenus, dont le coût de production n'est sans doute pas négligeable, risquent de doubler l'information disponible dans les SFP sans être nécessairement identiques. Auquel cas le lecteur des comptes ne serait pas pleinement éclairé.

IPSAS 22 devrait répondre à la question de la différence de périmètres. Il semble préférable d'expliquer par des tableaux de passage sur des écarts bien identifiés ou des commentaires littéraires, les écarts entre les deux systèmes.



### **Vue préliminaire n° 1 (cf. paragraphes 5.29 à 5.34)**

*L'IPSAS Board devrait corriger « l'étude 14 - Transition vers une comptabilité d'engagement : Guide pour les gouvernements et entités publiques », afin d'inclure un chapitre sur les options offertes par les IPSAS permettant de réduire les différences avec les principes des SFP.*

Le Conseil est d'avis que « l'étude 14 » peut être complétée d'un chapitre présentant les différences entre les deux systèmes et leurs éventuelles complémentarités. Il est cependant nécessaire de bien indiquer que la recherche d'éventuelles synergies ne peut justifier à elle seule un changement de méthode comptable en comptabilité générale.



April 16, 2013

268523

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

Dear Stephenie Fox:

**RE: Consultation Paper: IPSASs and Government Finance Statistics Reporting Guidelines**

Thank you for the opportunity to comment on the consultation paper (CP) titled "Consultation Paper: IPSASs and Government Finance Statistics Reporting Guidelines." The views expressed in this letter reflect the views of the Government of the Province of British Columbia.

The Summary Financial Statements of the Province are prepared in accordance with Canadian Public Sector Accounting Board (PSAB) standards. We have a particular interest in the development of IPSASB's guidance as it may influence future PSAB standards.

**IPSASB's Resources Should Be Expended on Projects with Greater Likelihood of Being Used**

The resources at IPSASB's disposal to develop IPSASs are limited. The use of these resources should be limited to projects 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 GPFs 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.

**Significant Differences between IPSAS and SNA Make Success Appear Unlikely**

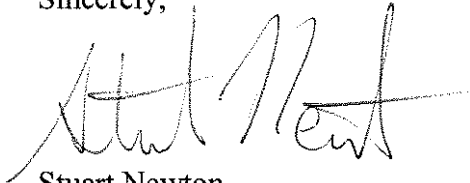
There are many differences between IPSASs and government finance statistics reporting that make a successful implementation of the convergence between the two reporting systems appear to be unlikely. The key differences are described in table 1 of the consultation paper. It is unlikely that the differences described in table 1 will be resolved either to the satisfaction

- 2 -

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.

Responses to specific questions posed in the consultation paper are attached. Should IPSASB have any comments or questions, please contact me at 250-387-6692 or by e-mail: [Stuart.Newton@gov.bc.ca](mailto:Stuart.Newton@gov.bc.ca), or Carl Fischer, Executive Director, Financial Reporting and Advisory Services Branch, at 250-356-9272 or by e-mail: [Carl.Fischer@gov.bc.ca](mailto:Carl.Fischer@gov.bc.ca).

On behalf of the Government of British Columbia,  
Sincerely,

A handwritten signature in black ink, appearing to read 'Stuart Newton', is written over a light blue horizontal line.

Stuart Newton  
Comptroller General

Encl.

cc: Peter Milburn, Deputy Minister  
Ministry of Finance

Sabine Feulgen, Deputy Secretary to the Treasury Board  
Ministry of Finance

Jim Hopkins, Assistant Deputy Minister  
Ministry of Finance

Carl Fischer, Executive Director  
Financial Reporting and Advisory Services  
Office of the Comptroller General



**Specific Matter for Comment 1 (See Section 3 and Appendix B)**

**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?**

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.

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.

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.

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.

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

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.

**Specific Matter for Comment 2 (See paragraphs 4.11 to 4.17)**

**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?**

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.

**Specific Matter for Comment 3 (See paragraphs 5.2 to 5.4)**

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

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.

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

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.

**Specific Matter for Comment 4 (See paragraphs 5.5 to 5.19)**

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

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.

**Specific Matter for Comment 5 (See paragraphs 5.20 to 5.28 and page 39)**

**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?**

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.

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

IPSASB should consider adopting option 2.

**Preliminary View 1 (See paragraphs 5.29 to 5.34)**

**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.**

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.



**EUROPEAN COMMISSION**  
DIRECTORATE-GENERAL  
BUDGET  
The Accounting Officer of the Commission

DIRECTORATE-GENERAL  
EUROSTAT  
Directorate D: Government Finance Statistics (GFS)  
The Director

**07-05-2013**

Luxembourg  
ESTAT/D-3/FL/JV/eb D (2013) 896453

**NOTE FOR THE ATTENTION OF PROF DR ANDREAS BERGMANN,  
CHAIRMAN OF THE IPSAS BOARD**

**Subject: Comments on the Consultation Paper: IPSASs and Government  
Finance Statistics Reporting Guidelines**

Thank you for the opportunity to comment on the above mentioned consultation paper.

We are making a joint response from DG Budget and DG Eurostat. Whilst we share many common views, in some areas the responses reflect the different perspectives of the two departments, and this is clearly indicated. This difference in perspectives is natural, as DG Budget is responsible for the preparation of the IPSAS based annual consolidated accounts of the European Union (comprising more than 50 European Agencies, Institutions and other European Bodies with an annual budget of more than EUR 140 billion), whereas Eurostat is responsible for quality of government finance statistics which are used in the EU, and elsewhere in the world, for fiscal monitoring, surveillance and policy.

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.

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.

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.

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.

Please find in the Annex our comments on the specific matters raised in the consultation paper.

We look forward to our continued co-operation in the area of public sector accounting and remain at your disposal for any questions that you may have on the enclosed comments.



Mr Manfred Kraff  
Accounting Officer of the Commission



Mr Francois Lequiller  
Director of Eurostat Directorate C

Annex: Comments on specific matters

Copy: S. Fox, G. Jensen, IFAC  
A. Makaronidis, J. Verrinder, K. Hayes ESTAT D  
R. Aldea Busquets, BUDG C; M. Koehler, BUDG C.2

## **Annex: Comments on specific matters**

### **Specific Matter for Comment 1:**

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

### **Comment:**

a) 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 the Commission's investments are unique or in very specific areas where no reliable fair value can be found.

b) 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).

### **Specific Matter for Comment 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?

### **Comment:**

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.

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.

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.

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.

**Specific Matter for Comment 3:**

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

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

**Comment:**

a) 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.

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 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.

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.

b) We welcome the suggestions made in paragraphs 5.4 (a) to (d).

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 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.

**Specific Matter for Comment 4:**

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

**Comment:**

From a preparer's perspective, additional (even optional) disclosures for statistical purposes may entail additional burdens on limited resources and can threaten tight deadlines.

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.

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 (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.

**Specific Matter for Comment 5:**

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

**Comment:**

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 GFRs 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.**

## **GFS AND IPSAS – DIFFERENCES IN CASH-BASED FINANCIAL STATEMENTS**

1. Both IPSAS and GFS suggest formats for the presentation of cash-based results:
  - For GFS, a statement of sources and uses of cash (SSUC)
  - For IPSAS, a statement of cash receipts and payments (SCRIP).
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 statistical reporting whereas IPSAS is for financial reporting.
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.
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.

### **Overall format**

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.

6. At first glance the SSUC and the SCRP 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.

- The SSUC includes a section devoted to “cash flows from investments in nonfinancial assets” – ie physical investments
- The “equivalent” section in the SCRP captures “cash flows from investing activities”

This difference is not just one of wording - the SCRP does not restrict investment to physical or non-financial assets, whereas the SSUC does.

7. The SSUC and SCRP 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:

	<b>SSUC</b>	<b>SCRP (IPSAS 2)</b>	<b>Hybrid/suggested</b>
<b>Balance after operating and investing activities</b>	Cash surplus/deficit	(none suggested)	(Cash) surplus or deficit before financing
<b>Balance from all 3 types of activity</b>	Net change in the stock of cash	net increase (or decrease) in cash and cash equivalents	(Cash) surplus or deficit after financing

### Acquisition and sale of financial assets

8. The different treatment of the “investing” section of the two statements has a direct consequence.

- 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.

### **Treatment of grants (external assistance) received**

9. A second major area of difference between GFS and IPSAS 2 is in the treatment of grants received by the government. 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.

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.

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.

### **In conclusion**

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.

**Appendix 1: Options for the statement of cash receipts and payments****Option 1: IPSAS simple**

<b>RECEIPTS</b>
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
<b>TOTAL RECEIPTS</b>
<b>PAYMENTS</b>
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
<b>TOTAL PAYMENTS</b>
<b>NET CHANGE IN THE STOCK OF CASH</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>

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

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>
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
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES (A-B)</b>
<b>CASH FLOWS FROM INVESTMENTS IN NONFINANCIAL ASSETS:</b>
C. PURCHASES OF NONFINANCIAL ASSETS
Fixed assets
Inventories
Valuables
Non-produced assets
D. SALES OF NONFINANCIAL ASSETS
Fixed assets
Inventories
Valuables
Non-produced assets
<b>NET CASH OUTFLOW FROM INVESTMENTS IN NONFINANCIAL ASSETS (C-D)</b>
<b>CASH SURPLUS/DEFICIT (A-B) - (C-D)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>
E. NET ACQUISITION OF FINANCIAL ASSETS OTHER THAN CASH
Domestic
External
F. NET INCURRENCE OF LIABILITIES
Domestic
External
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES (F-E)</b>
<b>NET CHANGE IN THE STOCK OF CASH (A-B) - (C-D) + (F-E)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>

**Option 3: IPSAS (based on IPSAS 2)**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>
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
<b>SURPLUS/DEFICIT FROM OPERATING ACTIVITIES (A-B)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>
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
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES (C-D)</b>
<b>CASH SURPLUS/DEFICIT BEFORE FINANCING (A-B) - (C-D)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>
E. EXTERNAL ASSISTANCE - GRANTS
F. NET INTERNAL BORROWING
Drawdown
less repayments
G. NET EXTERNAL BORROWING
Drawdown
less repayments
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES (E+F+G)</b>
<b>CASH SURPLUS/DEFICIT AFTER FINANCING (A-B) - (C-D) + (E+F+G)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>

**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