

Agenda Item 10
IPSASs and GFS Reporting
Guidelines

IPSASB Meeting
Toronto, Canada
June 2013

Objective of this Session

- To **review** responses to the consultation paper *IPSASs and Government Finance Statistics Reporting Guidelines* (CP); and
- **Provide direction** on the issues identified.

Background

- Consultation Paper (CP) produced by a joint Task Force:
 - Chaired by Ian Carruthers
 - Members from IPSASB and statistical community, including IMF, Eurostat and, country representatives.
- Issued in October 2012, with request for comments by March 31, 2013.
- Included five specific matters for comment (SMCs) and one preliminary view (PV 1)
- 25 responses received.
- Responses summarized in Agenda Item 10.3

Overview of Issues

1. Extent of resolution of specific issues, and the basis for this assessment (SMC 1, Issue 2 in memo);
2. Other areas where the IPSASB could address differences (SMC 4, Issue 4 in memo);
3. Guidance on integrated Chart of Accounts (SMC 2);
4. IPSASB's role with respect to reduction of differences (General Comments and SMC 3, Issue 1 in memo);
5. Options for IPSAS 22, *Disclosure of Financial Information about the General Government Sector* (SMC 5); and
6. Guidance in Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities* (PV 1)

1. [MC 2] Resolution of Issues (SMC 1)

SMC 1(a) asked respondents whether they agreed that the issues categorized as resolved in the CP (Table 2, Category A) are indeed resolved.

- (a) 7 agreed, 5 partially agreed, 10 did not agree, 3 did not comment
- (b) Reasons for disagreement:
 - A GFS-aligned option in an IPSAS is *not* resolution;
 - Alignment exists at the level of IPSASs and Reporting GFS Guidelines, but application of the IPSAS (or GFS Reporting Guideline) allows divergence; and,
 - Measurement differences exist due to different approaches to deriving a current value measure.

1. [MC 2] Resolution of Issues (SMC 1)

SMC 1(b) asked respondents whether there were further differences between IPSASs and GFS reporting guidelines that should be added to the list in the CP.

- 12, yes further differences;
- 8, no further differences;
- 5 no comment.

2. [MC 4] Other Areas Where IPSAS Changes Could Address Differences (SMC 4)

SMC 4 asked whether there are any other areas where IPSAS changes could address GFS differences and, if so, to describe those areas.

- (a) 17 no further areas;
- (b) 5 yes, further areas;
- (c) 3 no comment

Actions Proposed

- 1 The Task Force should undertake an in-depth review of the responses received, in order to develop a more definitive version of Table 2.
- 2 The Task Force consider comments on potential IPSAS changes, in the light of responses received, and then bring revised options to the IPSASB for discussion.

3. [MC3] Guidance on Integrated Charts of Accounts (SMC 2)

SMC 2 asked whether respondents agreed that the IPSASB, with the statistical community, should develop guidance on development of integrated Charts of Accounts, including:(i) an overview of the basic components, and (ii) wider coverage (see para. 4.16 of CP):

(a) 16 agreed, 7 partly agreed, 1 disagreed, 1 no comment

(b) Reasons for partial agreement:

- Guidance conditional on staff resources or other constraints, e.g. work plan priorities;
- Only some of proposed guidance supported; or
- Guidance less beneficial than another solution.

3. [MC3] Guidance on Integrated Charts of Accounts (SMC 2)

Further points raised by respondents:

- Possibility of joint project with the statistical community (related to the EPSAS project);
- Benefits from developing an XBRL taxonomy;
- Important for Chart of Accounts work to remain at high level, not development of a global Chart of Accounts

Action Proposed

- 3 Staff, working with the Task Force, to consider the options for guidance on the development of integrated Charts of Accounts, in light of comments received, for the IPSASB's consideration at a subsequent meeting.

4. [MC1] IPSASB's Role Re. Reduction Of Differences— General Comments and SMC 3

- Respondents' reasons in support of IPSASB role:
 - More useful information;
 - Benefits from integrating systems, particularly timeliness and reliability of reports;
 - Synergies that improve report quality (GPFS and GFS); and
 - Improvements to quality of GFS reports, with reduced costs.
- Reasons against:
 - Undermine development of high quality IPSASs, (impact on GPFR objectives, the Conceptual Framework, and/or IFRS convergence);
 - Result in “a drastic revision of the 32 existing standards”; and,
 - Require a very large resource, without a successful outcome.

4. [MC1] IPSASB's Role Re. Reduction Of Differences— General Comments and SMC 3

SMC 3 asked respondents

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

The five changes, in paragraph 5.4 were:

- Reduction of differences a more important factor in IPSAS development;
- Criteria or policies to guide IPSASB decisions impacting on differences;
- GFS issues (i) considered regularly, and (ii) in Improvements Projects;
- Refer to reduction of differences in the IPSAS Handbook's preface; and
- GFS comparisons in all IPSASs.

4. [MC1] IPSASB's Role, SMC 3(a) Should IPSASB take more systematic approach to reducing differences

- a) 15 agreed, 8 disagreed, 2 no comment (25 responses)
- b) Reasons *for*:
 - Benefits from using IPSAS-based data for GFS reports;
 - Helps reduce unnecessary differences;
 - Supports reconciliations between GFS guidelines and IPSASs;
 - Provides useful information to preparers and users of GPFs and GFS reports; and,
 - Helps stakeholders understand the differences between IPSASs and GFS.

4. [MC1] IPSASB's Role, SMC 3(a) Should IPSASB take more systematic approach to reducing differences

(c) Reasons *against*

- The two types of reporting have different objectives;
- A more systematic approach could undermine IPSASs;
- Existing reference in the IPSASB's terms of reference, is sufficient; and,
- Assets and liabilities have a different measurement basis.

4. [MC1] IPSASB's Role, SMC 3(a) Should IPSASB take more systematic approach to reducing differences

- Of those who agreed with the IPSASB taking a more systematic approach, nine supported this *conditional* on it not impacting on other aims:
 - Consistency with the Conceptual Framework,
 - IFRS convergence, and,
 - Remaining true to financial reporting's objectives.

4. [MC1] IPSASB's Role, SMC 3(b) Other changes (than those in para. 5.4), which IPSASB should consider

(a) 13 no further changes, 5 yes, further changes, 7 no comment

(b) Further changes identified:

- An “integrated” approach similar to that in Australia (see *SMC 5*);
- Policy on role of GFS in the IPSAS framework (in Conceptual Framework);
- Amend IPSASB's Terms of Reference; and
- Each Basis for Conclusions explains any decisions affecting differences.

Action Proposed

4. Members are asked to:

- (a) **Agree** that the Task Force should be asked to refine the options for IPSASB's future approach to GFS issues, for potential inclusion in the 2014 Work Plan consultation; and,
- (b) **Provide direction** on whether any particular approach should be included or excluded, at this stage, from the revised proposals.

5. [MC5] IPSAS 22 Options (SMC 5)

- SMC 5 notes 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.
- It then asks respondents (a) whether further options should be considered and, if so, what those would be; and, (b) which options the IPSASB should consider adopting.
 - a) 13 no further options;
 - b) 4 suggested further options; and,
 - c) 8 did not comment.

5. IPSAS 22 Options (SMC 5)

- IPSAS 22:
 - Option A Revise 3
 - Option B Withdraw 8
 - Option C Replace 6
- Further options:
 - Support IPSAS 22 with guidance (1)
 - Include reconciliations and/or narrative explaining differences (2); or,
 - Make IPSAS 22 mandatory, before deciding its future (1).
- Also, view that IPSASB decision on IPSAS 22 should be conditional on gathering more information (3)

5. IPSAS 22 Options (SMC 5)

- Note a link with Agenda Item 3, *Review of IPSASs 6-8*
- 3.2 Issue Paper proposal for: IPSAS 22 sector reporting mandatory; and, full consolidation optional
- This issue covered in detail under Agenda Item 3.
- The CP did not include making IPSAS 22 mandatory as one of the three options.
- But the CP did raise the question of IPSAS 22's future, and responses did not support making IPSAS 22 mandatory.

Action Proposed

- 5 The Task Force should be asked to give further consideration to the IPSAS 22 options, with a view to potential inclusion in the 2014 work plan consultation.

6. Preliminary View 1, Guidance in Study 14

Respondents were asked for their views on PV 1, which states that:

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

- 10 agreed; 2 partly agreed; 4 *disagreed*, 9 no comment
- 3 of those who disagreed supported provision of guidance, but said that it should not be in Study 14 (it should be in either a separate document, or in an IPSAS replacing IPSAS 22)

6. Preliminary View 1, Guidance in Study 14

- Reason for partial agreement:
 - Support guidance, but oppose guidance that links accounting policy choices to reduction of differences.
- Reason for disagreement:
 - Likelihood of governments preparing SNA reporting requirements should be evaluated, before guidance is developed.

Action Proposed

6. In order to support IPSAS adoption/implementation the Task Force should be asked to:
 - (a) Develop a short document summarizing, on an IPSAS by IPSAS basis, where there are choices in treatment in the existing standard which should be adopted in order to provide GFS compliant information as well; and,
 - (b) Consider further the best method for publication of the guidance for future discussion with the Board.