

RIKSREVISIONEN

Response to IPSASB Exposure draft 56, The Applicability of IPSASs

The Swedish National Audit Office (Swedish NAO) would like to thank for the opportunity to comment on the ED 56 – the applicability of IPSASs.

The Swedish NAO used the opportunity to respond to IPSASB Consultation Paper *The Applicability of IPSASs to Government Business Enterprises (GBEs) and Other Public Sector Entities*. Our position was to support the IPSASB suggestions (option 1a).

The suggested revisions in the ED are coherent with our position and we do not have any further comments.

Aleksandra Popovic (AUDIT DIRECTOR)

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20 October 2015

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Chairman
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International Federation of Accountants
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Submitted to: www.ifac.org

Dear Andreas

Exposure Draft 56 *The Applicability of IPSASs*

The External Reporting Board (XRB) of New Zealand is pleased to have the opportunity to comment on the International Public Sector Accounting Standards Board's (IPSASB) ED 56 *The Applicability of IPSASs*.

The XRB is an independent Crown Entity responsible for financial reporting strategy and the development and issue of accounting and auditing & assurance standards in New Zealand.

Specific Comment

We note the IPSASB is proposing to amend the *Preface to International Public Sector Accounting Standards* (Preface) as a result of this Exposure Draft.

We agree it is helpful for the Preface to be amended to reflect the characteristics of public sector entities to which International Public Sector Accounting Standards (IPSASs) are intended to apply. We support the principle-based approach and the focus on describing the characteristics of entities for which IPSASs are intended. From New Zealand's perspective, this approach is consistent with the manner in which we have adopted and applied IPSASs for our public benefit entities.

However, we recommend a rewording of the proposed paragraph which states:

"The IPSASs are intended to apply to public sector entities that:

- (a) Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;*
- (b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions or debt or fees and do not have capital providers that are seeking a return on their investment or of their investment; and*

(c) *Do not have a primary objective to make profits."*

We recommend the proposed paragraph be reworded to better align with the wording in *The Preface to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (Conceptual Framework Preface). Paragraph 2 of the Conceptual Framework Preface states that:

"The primary objective of most public sector entities is to deliver services to the public, rather than to make profits and generate a return on equity to investors".

We consider the wording in the Conceptual Framework Preface is a more appropriate description of the characteristics of a public sector entity because:

- proposed sub-paragraph (a) in itself does not necessarily distinguish a public sector entity from a for-profit entity, for example, a private for-profit entity may be set up to deliver services on behalf of a public sector entity; and
- proposed sub-paragraph (c) in itself does not necessarily distinguish a public sector entity from a for-profit entity, for example, a loss-making company (that does not have the primary objective to make profits) may be set up within a for-profit group of companies.

We also consider the term "*capital providers*" in the proposed sub-paragraph (b) could be confusing. We recommend that the term "*equity providers*" be used instead of "*capital providers*". Public sector entities that issue debt in the capital markets may have debt capital providers who would be seeking a return on their investment or of their investment. Using equity providers is also consistent with the terminology used in the Conceptual Framework Preface.

To better align the wording of the proposed paragraph with the wording in the Conceptual Framework Preface, we suggest sub-paragraphs (a) and (c) be combined, such that sub-paragraph (a) is stated as a primary objective (rather than as a responsibility) and the entity not having a primary objective to make profits is stated as a contrast to that primary objective.

We recommend that proposed paragraph be reworded to the following:

"The IPSASs are intended to apply to public sector entities that:

- (a) *Have a primary objective to deliver ~~Are responsible for the delivery of~~ services to benefit the public and/or to redistribute income and wealth, rather than to make profits; and*
- (b) *Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions or debt or fees and do not have ~~capital~~ equity providers that are seeking a return on their investment or of their investment; ~~and~~.*
- (c) *~~Do not have a primary objective to make profits."~~*

If you have any queries or require clarification of any matters in this submission, please contact Lay Wee Ng (laywee.ng@xrb.govt.nz) or me.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'G. Mitchell'.

Graeme R Mitchell
Chairman
External Reporting Board



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October 26, 2015

The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
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Dear Sir

1. The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to IPSAS ED56 on "The Applicability of IPSASs".
2. At the discussion stage we welcomed the move to defining the coverage of IPSASs in positive rather than negative - what is included rather than what is excluded. We continue to support this change and therefore the Exposure draft.
3. We are also supportive of the description used for entities that should follow IPSAS. We consider this description is consistent with the definitions used in statistical systems including the IMF Government Finance Statistics Manual 2014. We also welcome the fact that the term Government Business Enterprises will no longer be used.
4. Our only comments are to further improve the clarity of the changes:
 - a. We would recommend that the coverage of IPSAS is specifically included in IPSAS 1 as well as in the Preface to the standards. This definition of scope should replace the existing scope Para 5 in IPSAS 1.
 - b. For clarity we would suggest that all references to GBEs are removed from IPSAS. If necessary the term GBE could be replaced with the term "Public Corporations" as defined in statistical systems.
5. We appreciate the opportunity to comment on this exposure draft and would be pleased to discuss this letter with you at your convenience. If you have questions concerning this letter, please contact Michael Parry at Michael.parry@michaelparry.com or on +44 7525 763381.

Sincerely,

A handwritten signature in blue ink that reads "Michael Parry".

ICGFM Accounting Standards Committee

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Cc: Jack Maykoski
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Technical Director
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Dear Sir/Madam:

SUBJECT: Exposure Draft 56: The Applicability of IPSASs

Thank you for the opportunity to comment on the Exposure Draft – *The Applicability of IPSASs* issued in July 2015.

The Government of Canada bases its accounting policies on the accounting standards issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Our government is not required to follow the International Public Sector Accounting Standards (IPSAS), however, IPSAS are regarded as an important secondary source of GAAP.

We have the following comments with respect to the proposed amendments to IPSASs that are consequential to the removal of the definition of Government Business Enterprises (GBE) in IPSAS 1:

Commercial public sector entity

In several instances throughout the proposed changes to IPSASs, the term “GBE” has been replaced by “commercial public sector entity”, “commercial entity” or “commercially-oriented public sector entity”. Although we understand that the goal of the change is to remove the definition of a GBE, we believe that an explanation of “commercial public sector entity” is required to ensure the guidance is comprehensive. Consequently, we suggest that clarification is provided, either in the Preface or in IPSAS 1, to state that the term “commercial public sector entity” refers to a public sector entity that does not apply IPSASs. We also recommend that this term (as stated) is used where possible, rather than the other versions noted above, so as to remove any potential for misunderstanding.

Scope and applicability of standards

Preface:

As noted in our comments on the Consultation Paper, not all public sector entities provide services directly to the public; some have a mandate to provide services to other public sector entities. For example, in the Canadian federal government, *Shared Services Canada* and *Public Works and Government Services Canada*, have mandates to provide services such as information technology and building maintenance to other government departments and agencies, and do not provide services directly to the public. Consequently, to make the guidance more inclusive of all relevant public sector entities, we believe that paragraph 10(a) in the Preface should be modified as follows:

“...Are responsible for the delivery of services to the public, or to other public sector entities, with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth.”

Standards:

The scope sections of certain IPSASs make references to the requirement that “public sector entities other than commercial (public sector) entities...” apply the standard. However, we believe there should be a presumption in the guidance that IPSASs are applied only by those entities for which they are intended. Therefore, we suggest removing “...other than commercial (public sector) entities” as applicable, as this scope restriction is not relevant to those entities that are applying the standards. Leaving these references in the scope sections may cause misinterpretation of which policies should be applied when conforming the accounting policies of commercial public sector entities to those of the group reporting entity for the preparation of consolidated financial statements. We have noted these references in the following standards:

- IPSAS 21 *Impairment of Non-Cash Generating Assets*, paragraph .06
- IPSAS 24 *Presentation of Budget Information in Financial Statements*, paragraph .03
- IPSAS 26 *Impairment of Cash Generating Assets*, paragraph .05

Other

The last sentence in IPSAS 16.9 *Investment Property* is a repeat of an earlier sentence in that same paragraph.

- 3 -

We thank you again for providing the opportunity to comment on this Exposure Draft. If you require further information, please do not hesitate to contact either André Charbonneau at andre.charbonneau@tbs-sct.gc.ca (613-853-4672) or myself at diane.peressini@tbs-sct.gc.ca (613-369-3107).

Yours sincerely,



Diane Peressini
Executive Director,
Government Accounting Policy and
Reporting

c.c.: Bill Matthews, Comptroller General of Canada



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Paris, le **17 NOV. 2015**

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Subject : Exposure Draft 56-The applicability of IPSASs™

I am writing on behalf of the French Directorate of Public Finances (hereinafter mentioned as DGFIP) to express our views on the mentioned above exposure draft.

LE CHEF DE SERVICE


François TANGUY

This exposure draft (hereinafter mentioned as ED) is the second step of an in-depth reflection about the IPSAS's scope, after the CP on the "*applicability of IPSASs to Government Business Enterprises (GBEs) and other public sector entities*" issued in august 2014 (hereinafter mentioned as CP).

Currently, IPSAS's scope is not directly discussed: IPSAS 1¹ defines the term GBE but this definition does not enable to address all types of public entities commonly named GBEs across national jurisdictions. At the same time, each IPSAS specifically excludes GBEs of its scope.

This ED, by providing a description of public sector entities for which IPSAS are intended, takes into account the responses to the CP.

As previously stated², the DGFIP welcomes the global analysis emerging from the IPSASB's process on the applicability of IPSAS. Therefore, our comments concern only a few points.

Indeed, describing the public sector entities for which IPSASs are intended, based on their characteristics and specificities of public action, seems to us a pragmatic and functional approach. Furthermore, using the Conceptual Framework in order to define the entities for which IPSAS are intended highlights its meaning. This approach leads to describe the scope of applicability of IPSAS to entities that:

- *"are responsible for the delivery of services³ to benefit the public and/or to redistribute income and wealth;*
- *mainly finance their activities, directly or indirectly, by means or taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment; and*
- *do not have a primary objective to make profits."*

This scope, built on the primary objective of public sector entities, seems relevant. Nevertheless, the DGFIP regrets that, in the ED, this definition does not include the notion of "holding assets, primarily for their service potential" as previously mentioned⁴ in the CP. Indeed, in the public sector, assets are primarily held in order to provide goods and service towards citizens, users and taxpayers, and not to make profit. Thus, assets held by public sector entities are mainly non cash generating assets. Therefore, from our point of view, this critical point should be reintegrated, and mentioned as a characteristic of public entities.

1 IPSAS 1, « *Presentation of Financial Statements* ».

2 DGFIP response on the CP "*applicability of IPSASs to Government Business Enterprises (GBEs) and other public sector entities*" in December 2014.

3 Goods and services.

4 § 6.8 of the CP: IPSAS are designed to apply to entities that :

- are responsible for the delivery of services (goods and services) to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth;
- finance their activities, directly or indirectly, by means or taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of the investment.

In terms of vocabulary replacing the term “government business entities” by “commercial public sector entities” seems to us appropriate. Indeed, those entities are created in order to operate in accordance with the rules of the market. Moreover, this term enables regulators and relevant authorities to decide on borderline cases, so as to offer the flexibility required by the heterogeneity of national situations.

Version française

Cet exposé sondage porte sur le champ d'application des normes IPSAS. Il constitue la deuxième étape d'une réflexion initiée en août 2014 (*Consultation Paper*⁵ relatif à l'applicabilité des normes IPSAS aux entreprises publiques, ainsi qu'aux autres entités du secteur public, ci-après dénommé CP).

Actuellement, le périmètre d'applicabilité du référentiel IPSAS est abordé de manière indirecte. En effet, chacune des normes précise qu'elle s'applique à toutes les entités du secteur public hors « entreprises publiques⁶ ». Ces dernières⁷ sont définies dans la norme IPSAS 1⁸. Toutefois, cette définition ne permet pas de couvrir l'intégralité des entités concernées.

Cet exposé sondage, en délimitant un champ d'application fondé sur la caractérisation des entités du secteur public ayant vocation à appliquer les normes IPSAS, prend en compte les commentaires relatifs au CP d'août 2014 et répond aux interrogations sous-jacentes.

De fait, comme indiqué précédemment⁹, la DGFIP accueille favorablement l'analyse globale relative au périmètre d'application des normes IPSAS. En conséquence, nos commentaires ne portent que sur quelques points.

En effet, l'approche retenue, consistant à décrire les entités appliquant les normes IPSAS à partir des caractéristiques et des spécificités d'action du secteur public nous semble relever d'une démarche pragmatique et fonctionnelle. De plus, la référence au cadre conceptuel nous paraît de nature à renforcer la pertinence de l'argumentaire développé, selon lequel les IPSAS s'appliqueraient aux entités :

- *« responsables de la fourniture de services¹⁰ à destination du public et/ou de la redistribution des richesses,*
- *dont l'activité est principalement financée, directement ou indirectement, par des ressources publiques, essentiellement des prélèvements obligatoires (impôts, cotisations sociales), ou par des transferts d'autres entités publiques, sans recours à des actionnaires attendant un retour sur investissement, ou de leur investissement et*
- *qui n'ont pas vocation à faire du profit ».*

5 Document de consultation.

6 Ces dernières doivent, quant à elles, appliquer les normes IFRS.

7 § 6 IPSAS1 : « Une entreprise publique est une entité présentant simultanément les caractéristiques suivantes :

- *il s'agit d'une entité habilitée à s'engager par contrat en son nom propre ;*
- *elle s'est vu attribuer l'autonomie financière et opérationnelle nécessaire pour exercer une activité ;*
- *dans le cadre normal de son activité, elle vend des biens et des services à d'autres entités moyennant bénéfice ou recouvrement total des coûts ;*
- *elle ne dépend pas d'un financement public permanent pour être en situation de continuité d'activité (à l'exception d'achats de sa production selon des conditions de concurrence normale) ; et*
- *elle est contrôlée par une entité du secteur public ».*

8 IPSAS 1 « Présentation des états financiers ».

9 Réponse de la DGFIP de décembre 2014.

10 Fourniture de biens et prestations de services.

En conséquence, fonder le champ d'application du référentiel IPSAS sur les spécificités de l'action publique nous semble pertinent.

Toutefois, la DGFIP regrette la suppression, dans l'exposé sondage, de la notion de « *détention d'actifs en raison de leur potentiel de service* » initialement mentionnée dans le CP¹¹. En effet, dans le secteur public, la détention d'actifs est essentiellement motivée par la fourniture de biens et de services répondant aux attentes des usagers, citoyens et contribuables, et non par la recherche de profit. De fait, la plupart des biens détenus par ces entités publiques ne constituent pas des actifs générateurs de trésorerie. De notre point de vue, cette notion essentielle mériterait d'être réintégrée, et mentionnée comme une spécificité des entités publiques.

Par ailleurs, au niveau sémantique, la substitution du terme « entreprises publiques » par celui « d'entités marchandes du secteur public » nous semble refléter davantage la réalité puisque ces entités ont vocation à intervenir dans le secteur concurrentiel. De plus, ce vocable offre aux régulateurs nationaux la marge d'appréciation indispensable à l'analyse des cas soumis à interprétation. Il est, en effet, nécessaire de prendre en compte chaque contexte national, au regard de l'hétérogénéité des situations pouvant être rencontrées dans le secteur public au plan international.

¹¹ §6.8 of the CP : IPSAS are designed to apply to entities that :

- are responsible for the delivery of services (goods and services) to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth ;
- finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of the investment.



19 November 2015

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Dear John

Exposure Draft 56: The Applicability of IPSASs

CPA Australia welcomes the opportunity to respond to the above Exposure Draft. CPA Australia represents the diverse interests of more than 150,000 members in 120 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

CPA Australia supports the proposed deletion of the definition and references to Government Business Enterprise (GBE) within the International Public Sector Accounting Standards (IPSAS) and moving to a more principles based approach that requires application of IPSAS by public sector entities that possess characteristics as set out. Accordingly, we support the introduction of the updated paragraph 10 in the Preface, which sets out the characteristics of public sector entities for which IPSASs are intended.

We suggest the following amendments to the proposed paragraph 10(b):

- Two distinct characteristics of public sector entities are included in paragraph 10(b): Firstly, how public sector entities finance their activities, and secondly, that they do not have capital providers. For clarity, we suggest these two characteristics are separated into two sub paragraphs.
- In our view public sector entities may have debt capital providers but not equity capital providers. Therefore, we suggest replacing “capital providers” with “equity capital providers”.

If you require further information on any of our views expressed in this submission, please contact Ram Subramanian, CPA Australia by email at ram.subramanian@cpaaustralia.com.au.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Eva Tsahuridu'.

Dr Eva Tsahuridu
Manager – Accounting Policy

Stephenie Fox
Technical Director
International Public Sector
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Lausanne, November 19, 2015

Swiss Comments to

Exposure Draft 56 The Applicability of IPSASs

Dear Stephenie,

With reference to the request for comments on the proposed Consultation Paper, we are pleased to present the Swiss Comments to Exposure Draft The Applicability of IPSASs. We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments to the Exposure Draft in the attached document.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

SRS-CSPCP



Prof Nils Soguel, President



Evelyn Munier, Secretary

Swiss Comments to Exposure Draft 56 The Applicability of IPSASs

Swiss Comment to

Exposure Draft 56 The Applicability of IPSASs

Table of Content	Page
1. Introduction.....	1
2. General Remarks.....	1
3. Specific Matter of Comment 1	1

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 cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP has discussed the *Exposure Draft The Applicability of IPSASs* and comments as follows.

2. General Remarks

The SRS-CSPCP notes with satisfaction that its comments on the Consultation Paper (CP) have been considered in this ED. As mentioned, it is particularly important that a positive approach is used to identify which entity must apply IPSAS. The SRS-CSPCP also welcomes the fact that the concept of General Business Enterprises (GBE) is no longer defined

3. Specific Matter of Comment 1

The SRS-CSPCP agrees with the changes proposed in this ED. It agrees with the three proposed criteria to identify entities that must apply IPSAS. However, it would welcome that a remark would be added to make clear whether the criteria are to be fulfilled cumulatively or not. Such a remark would be useful for the users of IPSASs.

Already in its comments on the CP the SRS-CSPCP expressed the wish that the expressions "direct" or "indirect financing" be defined. The SRS-CSPCP can somehow understand that the IPSAS Board deliberately does not define these expressions. If defining them could not be an option, the SRS-CSPCP would still suggest that the scope of these expressions could be illustrated using examples.

In the considered standards, the expression "GBE" is substituted by "commercial entity" but sometimes also by "commercial public sector entity". To avoid confusion, the SRS-CSPCP believes that only one of these expressions should be chosen and systematically used.

Lausanne, November 9, 2015



November 24, 2015

John Stanford
Deputy Director, IPSASB
International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

Re: PSAB Staff Comments on Exposure Draft 56 on “The Applicability of IPSASs”

Thank you for the opportunity to provide input on the Exposure Draft, The Applicability of IPSASs. The views provided in this comment letter represent the views of the PSAB staff and not those of the Public Sector Accounting Board (PSAB).

PSAB staff supports the proposal to remove all references to Government Business Enterprises (GBEs) from the IPSASB’s pronouncements so that the *Preface to the international Public Sector Accounting Standards* can provide guidance on the applicability of IPSASs and RPGs. This principles based approach will allow for exercise of professional judgement and addresses the interpretation and lack of flexibility issues that lead to the start of this project.

The CPA Canada Public Sector Accounting (PSA) Handbook defines the term government business enterprises. However, in Canada, a clear definition of GBEs is critical as the consolidation rules applicable to GBEs are different from those applicable to other governmental units. Currently IPSASB does not face this challenge and hence the approach proposed in the Exposure Draft should work well.

Thank you again for the opportunity to provide you with input on this Exposure Draft. We hope that you find our comments helpful.

Sincerely,

Joanna Chrzanowski, CPA, CA
Principal
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CANADA

Dear Mr Stanford

Exposure Draft 56 *The Applicability of IPSASs*

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 *IPSASB Exposure Draft (ED) 56 – The Applicability of IPSASs*.

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

Australia adopts a transaction-neutral approach in developing accounting standards. Australian equivalents to International Financial Reporting Standards (IFRSs) apply across all sectors and IPSASs are not adopted. That said, IPSASs inform future standard and policy setting and are sometimes used as guidance by public sector financial statements preparers in the absence of specific IFRS equivalent requirements. It is increasingly common for the Australian Accounting Standard Board (AASB) to use IPSASs as guidance when developing accounting standards. The recent Australian Exposure Draft 261 *Service Concession Arrangements: Grantor* and Australian Exposure Draft 270 *Reporting Service Performance Information* are based on IPSAS 32 *Service Concession Arrangements: Grantor* and IPSASB Recommended Practice Guideline 3 *Reporting Service Performance Information* respectively.

HoTARAC commends the IPSASB's ongoing efforts in developing specific requirements and guidance for the public sector. The attachment to this letter sets out HoTARAC's comments on the Specific Matter for Comment.

If you have any queries regarding these comments, please contact Kaveh Daemi from New South Wales Treasury on +61 2 9228 3019 or by email to kaveh.daemi@treasury.nsw.gov.au.

Yours sincerely

David Nicol

Chair

Heads of Treasuries Accounting and Reporting Advisory Committee

25 November 2015

Specific Matters for Comment

HoTARAC has commented on the following proposals:

- **Deleting the Government Business Enterprise (GBE) definition in International Public Sector Accounting Standard IPSAS 1 *Presentation of Financial Statements***

HoTARAC supported removal of the GBE definition in our submission on the Consultation Paper, *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*. HoTARAC continues to support this view.

- **Amending the scope section of each IPSAS and Recommended Practice Guideline (RPG) by removing the paragraph that states GBEs do not apply IPSASs**

HoTARAC supports removal of references to GBEs in the scope section of each IPSAS and RPG.

- **Replacing the current paragraph 10 in the *Preface to IPSASs (Preface)* with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended.**

HoTARAC supports replacing paragraph 10 in the *Preface* with a revised paragraph. Please see below for further comments on each specific criterion in the proposed paragraph 10.

Paragraph 10(a)

HoTARAC agrees with IPSASB's view that the description at paragraph 10(a): "*are responsible for the delivery of services to benefit the public*", is intended to capture public sector entities that hold assets for service potential rather than generating cash flows. IPSASB's intention is made clear in IPSAS 1 at the Basis for Conclusions (BC) paragraphs BC24(d) and BC28. However, the BC accompanies, but is not part of the standard. HoTARAC recommends clarifying in the *Preface* that holding assets for service potential will be in the scope of IPSASs or include a reference to BC28 of IPSAS 1.

Paragraph 10(b)

There are two components in the proposed paragraph 10(b): (1) "*mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees*"; and (2) "*do not have capital providers that are seeking a return on their investment or a return of their investment*".

HoTARAC is of the view that the first component (1) of paragraph 10(b) is not a distinctive characteristic of an entity for which IPSASs are intended. It is too broad and captures both commercial and non-commercial public sector entities. For example, commercial entities are likely to finance their activities through fees from rendering services and debt.

HoTARAC agrees with IPSASB that entities that have investors that seek a financial return on equity should not be in scope of IPSASs, as noted in BC27 of IPSAS 1. This latter component (2) of paragraph 10(b) is not dependent on the first component and is a differentiating characteristic that determines whether an entity is in scope. HoTARAC recommends IPSASB separate the two components in paragraph 10(b) and treat them as two separate criteria.

When government provides an equity contribution to a public sector entity, there is usually an expectation that the funding will be used to achieve the government's objectives. That is, there is an expectation of a non-financial return from service delivery. HoTARAC recommends IPSASB clarifies that 'seeking a return' in the proposed paragraph 10(b) refers to 'financial returns' to avoid excluding public sector entities that provide non-financial returns to the government.

HoTARAC also recommends IPSASB clarify that 'capital' mentioned in the proposed paragraph 10(b) refers to equity and not debt to avoid confusion.

Paragraph 10(c)

HoTARAC agrees with IPSASB that not having a primary objective to make profits is a distinctive characteristic that determines whether an entity is in scope of IPSASs.

COMMENTS ON THE IPSASB'S EXPOSURE DRAFT 56: THE APPLICABILITY OF IPSASs

We are pleased to provide you with the following comments with the aim of improving IPSASs application and decision usefulness for Public sector in preparation of financial statements.

NBAA agrees with the IPSASB proposals as follows;

- To delete the GBE definition in IPSAS 1, Presentation of Financial statements.
- To amend the scope section of each IPSAS and RPG by removing the paragraph that states that GBEs do not apply IPSASs
- To replace the current paragraph 10 in the preface to IPSASs with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended.

This is due to some deficiencies we observed in the definition of Government Business Enterprises as per IPSAS 1, presentation of financial statements. They include;

- Sells goods and services in the normal course of its business to other entities at a profit or full cost recovery, hence to many entities it is difficult to determine the full cost since most of fixed costs are difficult to be determined and allocated separately to the service provided. Also to recover cost does not guarantee making profit.
- It not reliant on continuing government fund to be a going concern(other than purchases of outputs at arm's length), also there are some entities which are reliant on government fund to be a going concern but still describe themselves as GBEs. Therefore it was very difficult to determine at what percentage (%) of funding an entity was said to be or not to be reliant to government funding.

Also in our opinion we see that there is a problem of comparability with the current definition of GBE due to the fact that there are some entities in public sector which report using IFRS while they could use IPSAS. Therefore during consolidation process in public sector it becomes difficult to do the process due to application of different standards in reporting.

The definition of GBE was not clear and so contradicted those who interpreted it for decision making, but the current definition of a public sector is clearer and provides more explanations.

However we have highlighted some areas on characteristics of public sector entities which need more clarifications/explanation for easy of understanding them, and application on the following characteristic of Public sector entity;

1. IPSASs are designed to apply to public sector entities that do not have a primary objective to make profits, there are some entities which do not have primary objective to make profits but they have some projects which generates income to them and that income is included in their financial statements. Also there is a case of pension funds which do not aim to make profits but they have invested in investment properties which generates a lot of income to them but on the other hand they are not mainly finance their activities by means of taxes or transfers from government. Therefore we consider this as one of the scenario which can cause confusion on whether such entity to use IPSAS or IFRS.

While NBAA agrees on the IPSASB proposal on the applicability of IPSASs, we also acknowledges that the need for clarifications referred to in our comments might assist the board in making final decision.



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

CASLB/G/10

November 24, 2015

Andreas Bergmann
Chairman,
International Public Sector Accounting Standards Board,
International Federation of Accountants,
277 Wellington Street West,
Toronto, Ontario M5V 3H2 CANADA

Dear Andreas,

Sub: Comment on Exposure Draft 56, 'The Applicability of IPSASs'

We are pleased to provide comments on the Exposure Draft (ED) 56, 'The Applicability of IPSASs' issued by the International Public Sector Accounting Standards Board (IPSASB) of International Federation of Accountants (IFAC). Our comments are enclosed with this letter.

Please feel free to contact us, in case any further clarification in this regard is required.

Thanking you,

Yours sincerely,

(CA. S. Santhanakrishnan)
Central Council Member,
Institute of Chartered Accountants of India
Ph: 011-30110449 (CASLB Secretariat)
E-mail Id: caslb@icai.in; sk@pkfindia.in



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

Annexure

Comments on Exposure Draft 56, 'The Applicability of IPSASs'

Under the earlier approach, the definition of GBEs was provided in the IPSASs and the purpose of providing the above definition was to scope out commercially oriented public sector entities that met the said definition. However, keeping in view the concern such as differing interpretation of GBEs in different countries, the IPSAS Board has proposed a new approach under this ED whereby:

- Definition/characteristics of Public sector entities to which IPSASs are applicable are provided in the '*Preface to the International Public Sector Accounting Standards*'.
- Definition of GBEs and the reference of GBEs given in all IPSASs and RPGs is deleted.

Comments:

- We agree with the view of the IPSAS Board in respect of defining the term '*public sector entities*' in the '*Preface to the International Public Sector Accounting Standards*'. However, it is suggested that the reference of the '*Preface to the International Public Sector Accounting Standards*' in regard to the above definition may be provided in each IPSAS for more clarification.
- Since the purpose of providing definition of the GBEs was to exclude the **Commercial Public sector entities** from the scope of the IPSASs, therefore, now under the new approach the term GBE/ its reference in the IPSASs should be replaced with the '*Commercial public sector entities*'. However, it is observed that at some places such as Para 9 of IPSAS 16, Paras 6, 20 & 21 of IPSAS 21 and Para 3 & BC 10 of IPSAS 24, the terms GBEs have been replaced with the term '*Commercial Entities*'. It is suggested that the term '*Commercial Public Sector Entities*' may be used in all IPSASs in order to maintain consistency.
- In respect of IPSAS 4, '*The Effects of Changes in Foreign Exchange Rates*' the amendments in paragraphs 6 and 7 are provided in the Exposure Draft 56. However, it is mentioned that the term '*GBEs*' has also been used in



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paragraph 13 (a) of IPSAS 4*, *Appendix A* on 'Terms in this RPG defined in IPSASs' of RPG 1 and RPG 2* also include definition of GBEs. Amendments in regard to these are not covered in the Exposure draft 56. It is suggested to modify the same according to the new proposal of deleting the definition/reference of GBEs in the IPSASs and RPGs.

A handwritten signature in black ink, consisting of a stylized 'A' or 'I' shape with a loop at the top.

* Volume I & II of Handbook of IPSASs (Edition 2014)



**The Japanese Institute of
Certified Public Accountants**

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Phone: 81-3-3515-1129 Fax: 81-3-3515-1167

Email: hieirikaiei@sec.jicpa.or.jp

November 30, 2015

Mr. James Gunn

Managing Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street West

Toronto, Ontario, Canada M5V 3H2

Comments on Exposure Draft 56 “The Applicability of IPSASs”

Dear Mr. Gunn,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on Exposure Draft 56 “The Applicability of IPSASs” (the ED) as follows.

I. Comments on the specific matter

Specific Matter for Comment

The IPSASB proposes deleting the defined term “Government Business Enterprise” and removing all references to the term from the IPSASB’s pronouncements, so that the *Preface to International Public Sector Accounting Standards* will provide guidance on the applicability of IPSASs and RPGs.

In order to facilitate comments, a positive description of the characteristics of public sector entities for which IPSASs are intended is included in the *Executive Summary* of the ED. This description will be part of the *Preface to International Public Sector*

Accounting Standards.

Do you agree with the changes to IPSASs and RPGs proposed in this ED? If not, please provide your reasons.

We generally agree with the proposals in the ED. As a standards-setting board, we believe that the IPSASB is responsible for defining certain characteristics of the public sector entities to which the IPSASs will apply.

For the following items pertaining to the proposed changes to paragraph 10 of the “Preface to International Public Sector Accounting Standards” (the Preface), however, we believe that further discussion and clarification would be required with respect to the characteristics of public sector entities.

1. Proposals

- In some cases, a government business enterprise (GBE) that had initially intended to adopt the IFRSs (that is, a GBE whose objective is to obtain profit or recover the total cost) but that suffers a deterioration in its operations may arbitrarily choose to change its objective to that of delivering services to the public and accordingly adopt the IPSASs to avoid any impairment under the IFRS. Such application of the IPSASs will certainly be undesirable. We believe that the IPSASB should require the public sector entities to pay attention to this issue by including in the Preface, for example, the following: “Public sector entities within the scope of the IPSASs should not change their objectives according to any changes in external environments without any justifying rationale.” (We made a similar comment in our comment letter on the Consultation Paper “The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities.”)
- The proposed changes to paragraph 10 of the Preface would result in the determination of public sector entity “characteristics” within the scope of the IPSASs. The IPSASB should consider, however, that the entities which have already adopted the IFRSs, thereby not specifically required to adopt the IPSASs, would not be forced to automatically apply them when they have those characteristics. For example, it would be possible to include in the Preface the

following requirement: “Notwithstanding the requirements of paragraph 10, entities that have already adopted the IFRSs are excluded from the scope of the IPSASs.”

2. Points to confirm

- Regarding the context for the text, “do not have capital providers seeking a return on their investment,” are we to understand that “return on their investment” would have the same meaning as “commercial return” in the definition of cash-generating assets in paragraph 2 of IPSAS 21 “Impairment of Non-Cash Generating Assets”? Since the term “commercial return” is not currently defined in the IPSASs, we request the IPSASB to clarify this.
- A large number of public sector entities have capital providers seeking returns on investments in debt issuers. We believe that the IPSASB should clarify whether they are within the scope of the IPSASs.
- Does the term “a return of their investment” in (b) of the proposed changes to paragraph 10 of the Preface include the gain on sales, in addition to the return of the investment principal (Confirmation for the purpose of translation)?
- The IFRSs do not specifically address entities that aim to recover the total costs. We believe that the IPSASB should clarify whether they are within the scope of the IPSASs.

Yours sincerely,

Naohide Endo
Executive Board Member
Public Sector Accounting and
Audit Practice
JICPA

Azuma Inoue
Executive Board Member
Public Sector Accounting and
Audit Practice
JICPA

30 November 2015

Prof. Dr. Andreas Bergmann
Chair
The International Public Sector
Accounting Standards Board
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Dear Mr. Bergmann,

**Re.: Exposure Draft 56: Proposed International Public Sector
Accounting Standard and Recommended Practice Guideline, “The
Applicability of IPSASs”**

The IDW responded to the IPSASB’s Consultation on this issue in 2014, and appreciates the opportunity to comment on the exposure draft Proposed International Public Sector Accounting Standard and Recommended Practice Guideline, “The Applicability of IPSASs” (hereinafter referred to as “the ED”).

We maintain our support for the approach the IPSASB is proposing to follow (i.e., approach 1a in the aforementioned 2014 Consultation), and thus agree with the proposed deletion in individual IPSASs and Recommended Practice Guidance (RPGs) of text relating to the non-applicability of IPSASs to Government Business Enterprises (GBEs).

However, we have concerns with certain aspects of the proposals, which we discuss below:

Confusion as to Status of Revisions to the Preface

We note from the Executive Summary that “the IPSASB has already approved” revisions to the Preface of the Handbook of International Public Sector Accounting Pronouncements. These revisions are also excluded from ED 56. It thus appears that the IPSASB is not seeking comments on the wording of these

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Dr. Klaus-Peter Feld, WP StB;
Manfred Hamann, RA



page 2/4 to the comment letter to the IPSASB dated 30 November 2015

revisions, despite their impact on this project and the fact that they differ in part from text put forward for constituent's consideration in the 2014 Consultation.

The position for constituents is, however, not entirely clear. The fact that replacing paragraph 10 is the third bullet point of the proposed new approach implies that this is subject to comment. Furthermore, the use of the term "draft description" in the minutes of the IPSASB Meeting held in June 2015 implies that the IPSASB does not consider this text as finalized. On this basis, we comment on paragraph 10 of the Preface below.

We are, however, concerned that this apparent lack of clarity may result in the IPSASB receiving fewer comments in relation to paragraph 10 of the Preface than might otherwise have been the case.

Characteristics of Public Sector Entities for which IPSASs are Intended

The 2014 Consultation included the following description of characteristics of public sector entities:

"IPSASs are designed to apply to entities that:

- a) Are responsible for the delivery of services to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth;
- b) Finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debts or fees and do not have capital providers that are seeking a return on their investment or a return of the investment."

According to the Executive Summary issued in July 2015, the revised paragraph 10 is to read:

"The IPSASs are designed to apply to public sector entities that:

- (a) Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;
- (b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment; and,
- (c) Do not have a primary objective to make profits."



page 3/4 to the comment letter to the IPSASB dated 30 November 2015

We appreciate that paragraph 10 of the Preface will inform decision makers as to the IPSASB's intended application when developing its pronouncements, and not seek to preclude their application. Given this, we wonder whether the references to the non-inclusion of return on capital in the last part of (b) and profit making in (c) (although useful to highlight the key differences from the private sector during the 2014 Consultation) might add unnecessary confusion if retained in the Preface, particularly if qualified with the terms "mainly" and "primary". In our view this text could be deleted so that the Preface would state only the characteristics IPSASB has considered (i.e., subsections (a) and the first part of (b) up to and including "...fees") rather than those not considered. This would be in line with Chapter 4 of the IPSASB Conceptual Framework. Indeed including both the characteristics IPSASB has considered and those it has not considered implies a bright-line interpretation on the part of IPSASB of the terms "mainly" and "primary" that, given the diversity of the public sector entities worldwide, will not exist in practice.

Proposed Replacement of "GBE" with "Commercial Entity"

We note that the IPSASB is not proposing to define the term "commercial entity", and wonder whether it might be helpful to do so, alongside an explanation of the propensity for there to be various different constructs facilitating commercial activities undertaken in the public sector beyond a "pure" commercial public sector entity. Such text might complement paragraph 10 of the Preface, as it could be useful to those responsible for determining which specific public sector entities are to present financial statements in accordance with IPSASs.

There needs to be more consideration of what this term is intended to mean in the various contexts the IPSASB proposes it be used. For example, it is not appropriate to rewrite the past by merely replacing the term "GBE" with "commercial entity" within text explaining the IPSASB's past decisions, e.g. within the BCs accompanying individual pronouncements and specifically IPSAS 24 BC 10; IPSAS 26, BC 10; IPSAS 28, BC 25; IPSAS 35, BC 8; RPG 1, BC 10; and RPG 3, BCs 8 and 9. Instead, the explanation of the original decision which remains a past event should not be changed but instead be supplemented by an explanation of the impact of the IPSASB's subsequent decision reached in 2015.

In some instances the term GBE had been used to convey the fact that IPSASs are not applicable, such that certain text may no longer be needed, whereas in other instances it is used to convey the nature of the entity. We comment as follows:



page 4/4 to the comment letter to the IPSASB dated 30 November 2015

- The text in brackets within the second sentence of paragraph 9 of IPSAS 16 could be deleted. The proposed addition of a new last sentence to this paragraph duplicates the existing fourth sentence.
- The wording of the second sentence of paragraph 24 of IPSAS 18 would be clearer as: “However ... or which distinguishes budget-dependent activities from other activities, as may be the case for commercial public sector entities.”
- As the IPSASB no longer wishes to adhere to its former position that commercial public sector entities do not apply IPSASs, the words “other than commercial entities” could be deleted in the second sentence of paragraph 6 of IPSAS 21.
- Paragraph 3 of IPSAS 24 could be clearer, particularly for translation purposes. It might be more helpful to reword it along the following lines: This Standards applies to those public sector entities that present financial statements in accordance with IPSASs and are required or elect to make their approved budgets publically available. This would obviate the need to mention commercial entities specifically.
- References to GBEs within IPSAS 26 concerning the non-applicability of IPSASs to GBEs are largely redundant. For example, the phrase “other than commercial entities” could be deleted in both sentences of paragraph 5 of IPSAS 26.
- Paragraph 13 of IPSAS 35 appears to need further consideration, given the change in stance as to applicability of IPSASs. There should not be reference to a requirement to comply with IPSAS 35 if IPSASB is not the party determining such requirements.
- Paragraph 6 of RPG 1 and paragraph 3 of RPG 3 could read “Although the IPSASB does not envisage this RPG ~~does not~~ will apply ...”. It is possible that a commercial public sector entity may be required to apply RPGs despite the IPSASB not having intended such use – i.e., the Board no longer precludes application for any public sector entity.

We would be happy to discuss any aspects of this letter.

Yours sincerely,

Klaus-Peter Feld
Executive Director

Gillian Waldbauer
Head of International Affairs



**The Malaysian Institute of
Certified Public Accountants**

(Institut Akauntan Awam Bertauliah Malaysia) (3246-U)

November 30, 2015

The Chairman
International Public Sector Accounting Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York
NY 10017 USA

Via online submission

Dear Mr Andreas Bergmann

**COMMENTS ON IPSASB EXPOSURE DRAFT 56,
THE APPLICABILITY OF IPSASs**

We refer to the IPSASB Exposure Draft 56, *The Applicability of IPSASs*, issued by the International Public Sector Accounting Standards Board ("IPSASB") of the International Federation of Accountants ("IFAC").

In this regard, we are pleased to attach the Institute's comments as set out in **Appendix I** for your consideration.

Please do not hesitate to contact the undersigned or the Institute's Senior Technical Manager, Ms Hoh Kim Hyan at +603-2698 9622 should you require any clarification.

Thank you.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Foo Yoke Pin', written over a horizontal line.

FOO YOKE PIN (Mr)
Executive Director

THE MALAYSIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
(INSTITUT AKAUNTAN AWAM BERTAULIAH MALAYSIA)

International Public Sector Accounting Standards Board

The Applicability of IPSASs

Questionnaire

The IPSASB welcomes comments on all matters discussed in this Consultation Paper. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in this Consultation Paper, it will be helpful for the IPSASB to be made aware of this view.

Specific Matter for Comment

The IPSASB proposes deleting the defined term “Government Business Enterprise” and removing all references to the term from the IPSASB’s pronouncements, so that the Preface to International Public Sector Accounting Standards will provide guidance on the applicability of IPSASs and RPGs.

In order to facilitate comments, a positive description of the characteristics of public sector entities for which IPSASs are intended is included in the Executive Summary of the ED. This description will be part of the Preface to International Public Sector Accounting Standards.

Do you agree with the changes to IPSASs and RPGs proposed in this ED? If not, please provide your reasons.

MICPA’s Comments:

In our earlier response to the 2014 Consultation Paper, *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*, the Institute supported the option of removing the definition of “Government Business Enterprise” and replacing it with a principles-based approach that leaves regulators and other relevant authorities to decide on which organisations to which IPSASs are applicable. This is particularly useful as the application of accounting standards in the public sector varies from country to country.

Hence, the Institute agrees with the proposal to include in the Preface to International Public Sector Accounting Standards a high-level, principle-based description of organisations to which IPSASs are applicable.

Further, the Institute also agrees that the proposed description of the organisations to which IPSASs are applicable, emphasises on the characteristics of public sector entities based on their principal activities, funding structure and profit orientation.

In conclusion, MICPA agrees with the overall proposal as set out in the Exposure Draft.



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30 November 2015

Dear Sir/Madam

COMMENT ON EXPOSURE DRAFT 56: THE APPLICABILITY OF IPSASs

The Technical Director

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

We welcome the opportunity to comment on Exposure Draft 56: *The Applicability of IPSASs*.

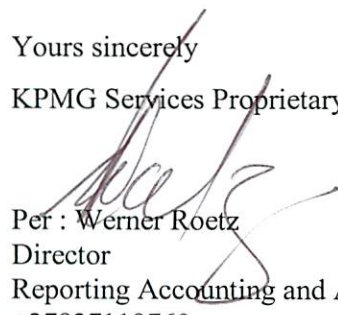
Exposure Draft 56: The Applicability of IPSASs proposes deleting the defined term "Government Business Enterprise" and removing all references to the term from the IPSASB's pronouncements, so that the *Preface to International Public Sector Accounting Standards* will provide guidance on the applicability of IPSASs and RPGs.

Overall, we are supportive of the IPSASB's proposed amendments to IPSASs and RPGs.

Please feel free to contact me should you have any queries relating to this letter.

Yours sincerely

KPMG Services Proprietary Limited


Per : Werner Roetz
Director
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Registration number 1999/012876/07

Policy Board:
Chief Executive: TH Hoole

Executive Directors: N Dlomu, M Letsitsi, SL Louw, NKS Malaba, M Oddy, M Saloojee, CAT Smit

Other Directors: ZH De Beer, LP Fourie, N Fubu, AH Jaffer (Chairman of the Board), FA Karreem, ME Magondo, AMS Mokgabudi, GM Pickering, JN Pierce, T Rossouw, GCC Smith

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.

International Public Sector Accounting Standards Board
COMMENT ON EXPOSURE DRAFT 56: THE
APPLICABILITY OF IPSASs
30 November 2015

SPECIFIC MATTERS FOR COMMENT

Specific Matter for Comment 1:

Deleting the GBE definition in IPSAS 1, Presentation of Financial Statements and amending the scope section of each IPSAS and RPG by removing the paragraph that states that GBEs do not apply IPSASs.

We support the proposal to remove all references to “Government Business Enterprises” from the IPSASB’s pronouncements.

Specific Matter for Comment 2:

Replacing the current paragraph 10 in the Preface with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended as follows:

The IPSASs are designed to apply to public sector entities that:

- a) Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;*
- b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment; and,*
- c) Do not have a primary objective to make profits.*

We support the proposal to replace the current paragraph 10 in the Preface with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended.

During our discussions, there was uncertainty about how the characteristics should be interpreted and the consequences thereof. With regards to characteristic b), we debated whether “Mainly” is intended to mean more than 50 percent or if it could be interpreted in another way. We also noted that an entity might receive most of its funding from other levels of government in one year, and receive very little funding from other levels of government in the year thereafter. Guidance should be provided on how to determine whether such an entity’s activities are financed “mainly” through transfers from other levels of government, taking into account historic and expected future transfers. This assessment should not be based solely on the way the entity’s activities are being financed during the current year.

We also suggest that a paragraph is added to explain that an entity should determine whether IPSASs are applicable to it initially, and thereafter reassess the applicability of IPSASs, only if there is significant change within the entity. Receiving most of its funding from other levels of

International Public Sector Accounting Standards Board
COMMENT ON EXPOSURE DRAFT 56: THE
APPLICABILITY OF IPSASs
30 November 2015

government in one year, and then receiving very little funding from other levels of government in the year thereafter, should not result in another framework being applied every other year.

Specific Matter for Comment 3:

The characteristics identified in the revised paragraph 10 of the Preface to IPSASs along with the entities identified in paragraph 1.8 of the Conceptual Framework provides a comprehensive view of the public sector entities for which IPSASs are designed.

We are concerned that users/readers who are trying to determine whether the IPSASs are applicable to an entity, might consider only one of the above mentioned paragraphs instead of obtaining a comprehensive view by considering both as they are contained in separate documents.

We suggest that the IPSASB considers having one comprehensive paragraph including both the characteristics and the range of public sector entities for which IPSASs are designed, or alternatively, make reference in each of the above mentioned paragraphs, to the other paragraph that needs to be considered in order to have a comprehensive view of the public sector entities for which IPSASs are designed.





The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2 Canada
Per e-mail

30 November 2015

Dear John,

COMMENT ON THE EXPOSURE DRAFT 56 ON *THE APPLICABILITY OF IPSASs*

We welcome the opportunity to comment on the Exposure Draft 56 (ED 56) on *The Applicability of IPSASs*.

Overall, we are supportive of the changes proposed to IPSASs and RPGs in ED 56. A number of general issues were however identified by our stakeholders. These issues, together with our proposals are reflected in the response to the specific matter for comment. These are included as Annexure A to this letter.

The views expressed in this letter are those of the Secretariat and not the Accounting Standards Board (Board). In formulating our comments, the Secretariat consulted with a range of stakeholders including auditors, preparers, consultants, professional bodies and other interested parties.

Please feel free to contact me should you have any queries relating to this letter.

Yours sincerely

A handwritten signature in black ink, which appears to read 'J Poggiolini'.

Jeanine Poggiolini

Technical Director

Board Members: Ms T Coetzer, Mr B Colyvas, Ms I Lubbe, Mr M Kunene, Mr K Makwetu,
Mr V Ndzimande, Ms N Ranchod, Ms R Rasikhinya, Ms C Wurayayi
Alternates: Mr S Badat, Ms L Bodewig
Chief Executive Officer: Ms E Swart Technical Director: Ms J Poggiolini



ANNEXURE A – DETAILED RESPONSES

Specific Matter for Comment:

The IPSASB proposes deleting the defined term “Government Business Enterprise” and removing all references to the term from the IPSASB’s pronouncements, so that the Preface to International Public Sector Accounting Standards will provide guidance on the applicability of IPSASs and RPGs.

In order to facilitate comments, a positive description of the characteristics of public sector entities for which IPSASs are intended is included in the Executive Summary of the ED. This description will be part of the Preface to International Public Sector Accounting Standards.

Do you agree with the changes to IPSASs and RPGs proposed in this ED? If not, please provide your reasons.

We agree with the proposed changes to IPSASs and RPGs to delete the GBE definition in IPSAS 1 and removing all references to the term in the IPSASB’s literature. We also support the replacement of paragraph 10 with the revised paragraph which provides the characteristics of public sector entities for which IPSASs are intended.

Replacement of GBEs with the term “commercial public sector entity”

Some of our stakeholders question the replacement of the previously defined term “GBE” with the undefined term “commercial public sector entity” and/or “commercial entity”. It is not clear what the IPSASB considers to be “commercial public sector entities”. For instance, is a commercial public sector entity an entity that is described in paragraph BC27 of the *Amendments to IPSAS 1* which provides that “*The IPSASB acknowledges that the public sector also includes other entities that seek a return on equity to investors*” or is it an entity that does not have a primary objective to make profits based on the characteristics of a public sector entity.

To address this concern, we believe it would be useful for the IPSASB to provide a *description* of what would be considered a commercial public sector entity. We do however not believe that the IPSASB should define commercial public sector entities, and should rather leave this up to the regulators in the different jurisdictions to decide how they would define entities that operate in the public sector environment but do not meet the characteristics of a public sector entity. In our view, this approach further reinforces the IPSASB’s outlook on the role of the regulators in determining which entities should apply IPSASs. We believe that the regulators would be able to apply better judgement in determining which entities should not be required to prepare general purpose financial statements and the appropriate reporting framework for those entities.

Replacement of paragraph 10 with the characteristics of a public sector entity

We welcome the revised characteristics outlined in the *Amendments to IPSAS 1*. We understand that the IPSASB had intended that these high-level characteristics would broadly outline the features of a public sector entity for which it develops IPSASs and RPGs. Our stakeholders raised the concern that these high-level characteristics will be difficult to interpret and apply in different jurisdictions. They note that the readers of IPSASs who are trying to determine the appropriate reporting framework may require explanatory guidance to aid in the interpretation and application of the characteristics. While the Basis for Conclusions gives the readers some insights into the IPSASB’s thinking and decisions

made when it developed the characteristics, clear guidance would assist in establishing a clear boundary between public sector entities that should apply IPSASs, and those other public sector entities such as GBEs which should apply IFRSs (or a national equivalent). This view is consistent with our feedback in our response to the Consultation Paper issued in August 2014.

The discussion below outlines those areas where we believe additional guidance or commentary would be useful to ensure consistent interpretation and application of the characteristics. This discussion is an extension of our initial feedback which also outlined specific areas that required supporting guidance.

(a) Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth.

Paragraph BC 28 on page 12 explains what is meant by the description “*are responsible for the delivery of services*”. We propose that the text should be elevated and used as supporting guidance in the Preface as it clarifies that a public sector entity is not one that delivers services, in the normal course of its business, with a profit-oriented objective.

Additionally, our stakeholders indicated that there are some private sector entities that could be seen as being responsible for delivering services to benefit the public because of the nature of the services they provide, e.g. healthcare. However, unlike public sector entities, they are not mandated to deliver those services in accordance with legislation or similar means. It was noted that the supporting guidance should make it clear that the responsibility to deliver services that benefit the public is usually linked to a clear government mandate.

(b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment.

When reading the characteristic, the second aspect relating to the absence of capital providers that are seeking a return on their investment or a return of their investment is not prominent enough. Our stakeholders indicated that this aspect is equally important, and proposed that the sentence should be separated into two parts so that both aspects are prominent to the reader.

General and editorial comments:

Reference	Proposal
General	The terms “commercial entity” and “commercial public sector entity” are used interchangeably throughout the Exposure Draft. We note that there areas in the Exposure Draft where the term “commercial entity” is more appropriate, however we suggest that the terms are used consistently.
BC 24(d) – page 12	Amend the paragraph as follows: <i>“(d) Holding assets <u>primarily</u> for service potential instead of assets held to generate cash is a distinctive characteristic of public sector entities for which IPSASs are intended.”</i>
Par 13 – page 35	The paragraph indicates that controlled commercial entities are not required to apply IPSAS 35 in their separate financial statements. However the Standard applies to the controlling entity that controls commercial entities. Our stakeholders questioned who would decide if an entity is a commercial entity, and propose that the IPSASB provides guiding principles for the readers of IPSASs.



EKONOMISTYRNINGSVERKET

Date	Your date
Nov 25, 2015	
Reference number	Your reference number
3.4-13/2014	
Our reference	
Curt Johansson	

Comments on ED 56 The Applicability of IPSASs

The Swedish National Financial Management Authority (ESV) appreciates the opportunity to comment on the ED 56 The Applicability of IPSASs.

The Swedish National Financial Management Authority is the government agency responsible for financial management and development of GAAP in the Swedish central government. Full accrual accounting was introduced in 1993 and we hope that our experience will be a contribution in your work with various accounting issues.

Overall Opinion

We agree to delete the definition of Government Business Enterprises in IPSASs.

We do not agree with amendments to IPSAS 35 that commercial public sector entities should be consolidated line by line. In our opinion it should be sufficient to account some commercial public sector entities using the equity method. In that way the relevant parts of the peripheral entities should be included in the group accounts in a way relevant to the constituents.

In Sweden the recipient of the annual report of central Government is the Parliament, according to the Budget act. The main purpose is to determine the stewardship of assets and resources etc., i.e. if the operations have been accomplished according to legislation. The accounts should also be used to support management and reporting by result. Consolidation of the wealth of the controlling entity or the fair value of specific assets and liabilities are considered to have a subordinate role in Sweden, because assets are normally used in operations to give service potential.

In Sweden the state's owned companies are followed up in a special report each year. We also consider that full consolidations of these entities could obstruct the evaluation of financial management within the government sector and also is of limited use.



EKONOMISTYRNINGSVERKET

Concluding Remarks

We hope the comments given will be useful in your continuing work with accounting standards. We would like to take this opportunity to express our support for the development of International Public Sector Accounting Standards.

Curt Johansson has prepared the comments given in this report.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Pia Heyman', is written over a faint, larger version of the signature.

Pia Heyman

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Department of Central Government Accounting and Finance
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E-mail: pia.heyman@esv.se, Fax +46 8 690 43 50*



International Public Sector Accounting Standards Board
Mr Andreas Bergmann, IPSASB Chair
and Mr John Stanford, IPSASB Deputy Director
277 Wellington Street West
Toronto, Ontario M5V 3H2
Canada

E-mail: bgma@zhaw.ch, JohnStanford@ipsasb.org

30 November 2015

Dear Mr Bergmann, dear Mr Stanford,

Exposure Draft 56 on the Applicability of IPSASs

We are pleased to respond to the invitation from the International Public Sector Accounting Board (IPSASB) to comment on Exposure Draft 56 on the Applicability of IPSASs (the Exposure Draft) on behalf of PricewaterhouseCoopers. Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of those firms that commented on the Exposure Draft. “PricewaterhouseCoopers” or ‘PwC’ refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We support the work the IPSASB undertakes to develop high-quality accounting standards for use by governments and other public sector entities around the world with the aim of enhancing the quality, consistency, and transparency of public sector financial reporting worldwide.

The Exposure Draft on the Applicability of IPSASs is important as it helps identifying the public sector entities to which IPSASs should apply.

We agree with the IPSASB approach to rely on the current IPSASB literature to provide high-level characteristics of public sector entities for which IPSASs are intended. We do however raise some recommendations in order to enhance consistency in application of the proposed changes.

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PricewaterhouseCoopers International Limited is registered in England number 3590073.
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If you would like to discuss any of these points in more detail, please contact Paul Fitzsimon ((+1) 416 869 2322), Jean-Louis Rouvet ((+33) 1 56 57 85 78) or Patrice Schumesch ((+32) 2 710 40 28).

Yours sincerely,

A handwritten signature in blue ink, which appears to read 'Patrice Schumesch'.

PricewaterhouseCoopers

Background and IPSASB proposed changes to IPSASs and RPGs

The IPSASB has proposed the following changes to IPSASs and RPGs regarding the types of entities for which it is developing accounting standards:

1. Delete the Government Business Enterprises (GBE) definition in IPSAS 1 'Presentation of Financial Statements';
2. Amend the scope section of each IPSAS and RPG by removing the paragraph that states that GBEs do not apply IPSASs; and
3. Replace the current paragraph 10 in the Preface to IPSASs with a revised paragraph providing the characteristics of public sector entities for which IPSASs are intended as follows:

The IPSASs are designed to apply to public sector entities¹ that:

- (a) Are responsible for the delivery of services² to benefit the public and/or to redistribute income and wealth;*
- (b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment; and,*
- (c) Do not have a primary objective to make profits.*

¹ Paragraph 1.8 of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* identifies a wide range of public sector entities for which IPSASs are designed.

² Services encompasses goods, services and policy advice.

In the Exposure Draft, the IPSASB has listed the proposed changes to all IPSASs and RPGs, which applies to all extant IPSASs and RPGs as of 31 March 2015.

Do you agree with the changes to IPSASs and RPGs proposed in the Exposure Draft? If not, please provide your reasons.

We agree with the overall proposed changes set out in the Exposure Draft.

We agree with the proposed description of characteristics of public sector entities for which IPSAS are intended, and a deletion of GBE definition and all references to GBE in IPSASs and RPGs.

We acknowledge the role of regulators and other relevant authorities in each jurisdiction in determining which entities should be required to prepare general purpose financial statements and the suite of accounting standards to be applied. Requirements for the application of accounting standards in the public sector vary from country to country. Some regulators and other relevant authorities prefer to specifically define which organisations should prepare general purpose financial statements. Others prefer to leave space for judgement on the classification of entities and the applicability of rules for preparing general purpose financial statements.

We believe that the proposed changes will enable regulators and other relevant authorities to follow a unique framework which clarifies the scope of IPSASs.

We suggest the following amendments, which in our view would enhance consistency in the way the definition of the scope of entities which need to adopt IPSASs would be applied:

- 1) Paragraphs 2.1 and 2.2 of the Consultation Paper and the 'At a glance' document (on page 2) published by the IPSASB with the Exposure Draft refer to a spectrum along which controlled entities in the public sector could be classified. We recommend that the general description of the characteristics of the organisations to which IPSASs should apply still refer to that spectrum and be accompanied by illustrative examples, which would clarify those circumstances in which application of IPSASs would be appropriate along the spectrum. Application of the principles requires judgment but illustrative examples should in our view at least aim at eliminating inconsistencies in application for entities that are far from each other along the spectrum.
- 2) We draw the IPSASB's attention on the fact that reference to '*capital providers that are seeking a return on their investment or a return of their investment*' under new paragraph (b) should not be used as an excuse to put an entity out of the scope of IPSASs when it has a minor portion of its resources coming from such capital providers. Thus we would suggest a slightly amended wording for paragraph (b) as follows:

*'Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees **rather than by means of resources from** capital providers that are seeking a return on their investment or a return of their investment; and,'*



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Registrar/Chief Executive

ROTIMI A. OMOTOSO MBA, FCIB, FCA

November 27, 2015

ICAN/R&T/ED/NOV/2015

The Technical Director
IAASB
529 Fifth Avenue, New York
NY 10017
USA

Dear Sir,

RE: RESPONSE TO EXPOSURE DRAFT 56 - PROPOSED INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS AND RECOMMENDED PRACTICE GUIDELINE (THE APPLICABILITY OF IPSASs)

The Institute of Chartered Accountants of Nigeria has considered the above Exposure Draft and wish to submit our comments as follows:

A. GENERAL

We observed that the expression “commercial public sector entities” was used to replace any reference to “GBEs” or “Government Business Entities”. The expression “commercial entities” was also used to replace references to “GBEs” or “Government Business Entities”. While we agree with the manner in which the expressions “commercial public sector entities” and “commercial entities” were used within the various sections amended, it may be necessary for IPSASB to document its rationale for using both expressions to replace the same expression in different circumstances. The distinction between both expressions should be clearly defined. This will promote better understanding by users, applicability and support any future review of the Standards.

However, we agree with the approach adopted in Exposure Draft 56 with respect to deleting the definition of GBEs and all references thereof in favour of outlining characteristics of public sector entities for which IPSAS is intended.

B. SPECIFICS

1. Basis for Conclusion 17 (Pages 10/11)

The Board has used two options to describe public sector entities. i.e. options 1a and 1b on page 11. However, in our jurisdiction, some establishments meet either of the options and part of the other, and not both at the same time. (Please see Note 1)

Recommendation

In order to address this issue, we recommend that “and” or an “or” be inserted between options 1a and 1b.

2. Amendment to IPSAS 16, Investment Property (Pages 19/20)

Under the amendments to IPSAS 16, paragraph 9. We consider the new text to be a repetition of the same sentence that had been stated within that paragraph. The new text does not convey any further information or idea and does not seem to add value to the intent of that paragraph.

It is our opinion that the new text be deleted.

We thank the Board for giving us the opportunity to comment on Exposure Draft 56.

Yours faithfully,

For: Registrar/Chief Executive



Ben Ukaegbu, Ph.D, ACA
Director, Technical & Education

Note 1

Under the existing IPSAS 1, Nigerian institutions such as Nigeria National Petroleum Corporation (NNPC); Power Holding Company of Nigeria (PHCN) and Federal Mortgage Bank of Nigeria (FCMB) may be considered as GBEs and will be required to use IFRS in their financial reporting. However, these are actually public sector entities for which IPSAS is more suited. Consequently, with the approach proposed under ED56, these entities possess the characteristics of public sector entities and thus fall within the scope of its applicability.

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Our Ref: PSC/TS/ED18/2015

Friday, 27 November 2015

James Gunn
Managing Director, Professional Standards
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2
Canada

Dear Mr. Gunn,

RE: Exposure Draft ED-56 – The Applicability of IPSASs

The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the Exposure Draft (ED) 56 - the Applicability of IPSASs, issued by the International Public Sector Accounting Standards Board (IPSASB) of IFAC.

We welcome the proposals in the ED to eliminate the rigidity established by the current definition of GBEs and commend the IPSASB for issuing this ED following input from the constituents to the Consultation Paper (CP) - the Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities. We take note that the board has considered input from constituents in this ED in line with our comments to the Board in our letter ref PSC/C&S/CP03/2014 dated 30 December 2014. We also appreciate the board's decision to include description of the characteristics of public sector entities for which IPSASs are intended as part of the Preface to International Public Sector Accounting Standards.

If you would like to discuss our views further, please contact the undersigned via mail to icpak@icpak.com or nixon.omindi@icpak.com.

Yours sincerely,

Nixon Omini
For Professional Standards Committee



Australian Government

**Australian Accounting
Standards Board**

Postal Address
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30 November 2015

Mr John Stanford
Deputy Director, IPSASB
International Public Sector Accounting Standards Board
277 Wellington Street
Toronto, Ontario, M5V 3H2
CANADA

Dear John

IPSASB ED 56 The Applicability of IPSASs

The Australian Accounting Standards Board (AASB) is pleased to provide comments on the IPSASBs Exposure Draft ED 56 *The Applicability of IPSASs*.

In response to the Specific Matter for Comment, the AASB agrees with the approach taken to delete the defined term “Government Business Enterprise” and to remove any reference to ‘Government Business Enterprise’ or ‘GBE’ within the suite of International Public Sector Accounting Standards (IPSASs) and Recommended Practice Guidelines (RPGs).

However, we note that as a replacement for the term ‘GBE’ both ‘commercial public sector entity’ and ‘commercial entity’ have been used, however, there does not appear to be any rationale to determine when either term should be used. Regardless, we consider that only the term ‘commercial public sector entity’ should be used as a replacement for ‘GBE’ to avoid any confusion that the entity in question is a public sector entity, rather than a private sector entity.

We also note the following drafting issues:

- IPSAS 4 *The Effects of Changes in Foreign Exchange Rates*, paragraph 13(a) includes a reference to ‘GBEs’ that has not been identified as an amendment;
- RPG 1 *Reporting on the Long-Term Sustainability of an Entity’s Finances*, Appendix A – the defined term of a Government Business Enterprise has not been identified as a deletion; and
- RPG 2 *Financial Statement Discussion and Analysis*, Appendix A - the defined term of a Government Business Enterprise has not been identified as a deletion.

If you have any queries regarding any matters in this submission, please contact Joanna Spencer (jspencer@asb.gov.au).

Yours sincerely,

A handwritten signature in blue ink that reads "K. E. Peach".

Kris Peach
Chair and CEO

Denise Silva Ferreira Juvenal

rio1042370@terra.com.br

Accountant

Commentary individual

Rio de Janeiro / Brazil

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

05 December, 2015

The Applicability of IPSASs

I'm Denise Juvenal this pleasure to have the opportunity to comment on this consultation. This is my individual commentary for IFAC-IPSASB about The Applicability of IPSASs.

Questions for Respondents

The IPSASB welcomes comments on all the changes proposed to IPSASs and RPGs in ED 56. The ED highlights one specific matter for comment, which is provided below to facilitate the comments. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and include reasons for agreeing or disagreeing. If you disagree, please provide alternative proposals.

Specific Matter for Comment The IPSASB proposes deleting the defined term "Government Business Enterprise" and removing all references to the term from the IPSASB's pronouncements, so that the Preface to International Public Sector Accounting Standards will provide guidance on the applicability of IPSASs and RPGs. In order to facilitate comments, a positive description of the characteristics of public sector entities for which IPSASs are intended is included in the Executive Summary of the ED. This description will be part of the Preface to International Public Sector Accounting Standards. Do you agree with the changes to IPSASs and RPGs proposed in this ED? If not, please provide your reasons.

Yes, I agree with the changes to IPSASs and RPGs proposed in this Exposure Draft deleting the defined term "Government Business Enterprise" and removing all references to the term from the IPSASB's pronouncements.

Thank you for opportunity for comments this proposal, if you have questions do not hesitate contact to me, rio1042370@terra.com.br.

Yours,

Denise Silva Ferreira Juvenal

rio1042370@terra.com.br

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9 December 2015

Dear Mr. Stanford

ED 56 The Applicability of IPSASs

Ernst & Young Global Limited, the central coordinating entity of the global EY organization, welcomes the opportunity to offer its views on the above consultation paper. We agree with the IPSASB's decision to delete the definition of a Government Business Enterprise (GBE) from IPSAS 1 and all references to GBEs in IPSASs and RPGs. We also agree with the IPSASB's decisions to provide, in the Preface to International Public Sector Accounting Standards, a description of the characteristics of public sector entities for which IPSASs are intended, and to base the proposed description on the IPSASB's literature. In addition, such an approach acknowledges the role of regulators and other relevant authorities (national and/or regional) in determining which entities should apply IPSASs.

However, we also observe that, by not explicitly discussing the use of IPSASs by non-governmental organisations (NGOs), or universities and other similar organisations that, technically, are not government entities, but are very similar to, or form part of, the broader public sector, the Board might unintentionally create a perceived limitation on the use of IPSASs. Some regulators perceive IPSASs to be a framework suitable for government entities (federal, state and local governments and government agencies) only, and do not perceive IPSASs to be applicable to a broader range of not-for-profit public sector entities. Despite this, the description of entities for which IPSAS is intended fits perfectly for entities such as NGOs, universities, schools and hospitals that rely on significant streams of non-exchange revenue to provide services to the general public, and are non-profit in nature. Therefore, we suggest that the IPSASB discusses further in the preface, or at least in the Basis for Conclusions to IPSAS 1, the rationale for IPSASs to be applied to a wide range of public sector entities, and not only limited to government entities. In addition, we recommend that a description of 'commercial public sector entities' be provided, or the removal of the reference to such entities, if the Board does not want to provide a more comprehensive description of the type of entities that the IPSASB considers to be commercial public sector entities. In that case, we recommend that the IPSASB focuses on defining the types of entities that IPSASs would be suited for.

Should you wish to discuss the contents of this letter with us, please contact Thomas Müller-Marques Berger at (+49) 711 9881 15844 or via email at thomas.mueller-marques.berger@de.ey.com.

Yours sincerely,

Ernst & Young Global Limited



LE PRÉSIDENT

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Paris, December 10, 2015

Mr John Stanford
Technical director
International Public Sector Accounting
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International Federation of Accountants
277 Wellington Street, 4th floor
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Ontario M5V 3H2 CANADA

Re: Response to Exposure Draft ED56 - The Applicability of IPSASsTM

Dear Mr Stanford,

The French Public Sector Accounting Standards Council (CNOCP) welcomes the opportunity to comment on the Exposure Draft *The Applicability of IPSASsTM* published in July 2015.

We agree with the IPSASB's proposal to remove all references to "Government Business Enterprise" from the IPSASB's pronouncements. We believe that the proposal well reflects the comments made to the Consultation Paper **The Applicability of IPSASsTM to Government Business Enterprises and Other Public Sector Entities**.

We support the introduction of the characteristics of a public sector entity for which IPSASs are intended within the *Preface to International Public Sector Accounting Standards*. It clearly sets out the signal that such a characterisation is not a definition and is not part of IPSASs requirements. This is fully consistent with our view that it is up to the regulators and relevant authorities to decide what entities should apply IPSASs. In most instances, standard-setters have no authority over the matter; hence it seems more sensible to describe public sector entities for which IPSASs are intended in a non-authoritative pronouncement.



In addition, we are of the view that the proposed change would strengthen the process of identification of those specificities of the public sector that may entail departures from the private sector accounting standards.

Details of our response to the specific matter for comment are set out in the appendix.

Yours sincerely,

Michel Prada



APPENDIX

Specific matter for comment

The IPSASB proposes deleting the defined term “Government Business Enterprise” and removing all references to the term from the IPSASB’s pronouncements, so that the Preface to International Public Sector Accounting Standards will provide guidance on the applicability of IPSASs and RPGs.

In order to facilitate comments, a positive description of the characteristics of public sector entities for which IPSASs are intended is included in the Executive Summary of the ED. This description will be part of the Preface to International Public Sector Accounting Standards.

Do you agree with the changes to IPSASs and RPGs proposed in this ED? If not, please provide your reasons.

We fully agree with the IPSASB’s proposal to remove all references to “Government Business Enterprise” from the IPSASB’s pronouncements.

We reviewed the various consequential amendments to IPSASs and RPGs.

We note that the term ‘commercial entity/commercial public sector entity’ replaces the term ‘GBE’. However, the change from one term to another does not seem to be clearly stated.

Therefore, for the sake of clarity, we would recommend that the IPSASB should add a paragraph to the Basis for Conclusions in IPSAS 1 *Presentation of Financial Statements* to clarify that the change is from ‘GBE’ to ‘commercial entity/commercial public sector entity’.



Federation of European Accountants

Ian Carruthers
Chairman
IPSASB
IFAC

Submitted via website

Brussels, 21 December 2015

Subject: FEE comments on Exposure Draft 56 *The Applicability of IPSASs*

Dear Chairman,

- (1) The Federation of European Accountants (FEE) is pleased to provide you with its comments on ED 56, *The Applicability of IPSASs*.
- (2) FEE supports the approach taken in this ED of using high-level characteristics to describe the types of entities for which the IPSASB develops IPSASs. We believe that this approach could provide more clarity, and, therefore, consistency than the current approach (defining the entities covered by IPSASs as being all public sector entities other than Government Business Enterprises (GBEs)).
- (3) FEE also welcomes the IPSASB's acknowledgement in the ED of the role of regulators in determining the accounting standards to be applied by different entities in their jurisdictions. In this respect, we believe that it is beneficial that the proposed amendments to paragraph 10 of the IPSAS Handbook will remove the assumption that if public sector bodies have characteristics that make them unsuitable for applying IPSASs they will then automatically apply IFRSs, which is not the case in many countries.

Concerns over whether the description of characteristics is too narrow

- (4) However, some concerns have been expressed that para (b) (particularly "*and do not have capital providers that are seeking a return on their investment or a return of their investment*") of the proposed replacement of Paragraph 10 could provide a means by which organisations or structures are deliberately excluded from being brought under IPSASs. Structures may be created with a small proportion of financing from return-seeking capital in order to keep them outside the scope of IPSASs.
- (5) In light of the concerns expressed above, we suggest that it would be helpful if the Preface provided more indication of what IPSASB sees as an appropriate approach to reporting by entities which are on the borderline between "pure" public sector entities and "pure" profit seeking entities. For example, it might be helpful to suggest that for entities that have more commercial focus than implied by the high level characteristics (but still fall short of what could be construed as a "profit seeking entity") in para 10, regulators might choose to apply IPSAS, IFRS, or locally developed standards for financial reporting by profit seeking entities.
- (6) We acknowledge that the adoption of IPSASs, and the determination of those entities that should apply them within a particular jurisdiction, is a matter for government or other regulators. Nonetheless, FEE

believes that it is vitally important that governments use high quality, accruals-based accounting standards and sees obvious benefits in using internationally recognised standards. Where governments choose not to use international standards we would encourage them to explain their choice of accounting standards and the reasons behind the selection or development of these standards.

Concerns over whether the description is too wide

- (7) Concerns have also been expressed that the characteristics as stated could also apply to bodies that have similar characteristics to public bodies but that are not public bodies. In particular, the described characteristics could encompass many non-profit bodies such as charitable and educational establishments, where much of their funding comes (either directly or indirectly) from public sector sources.
- (8) FEE recognises that the proposed paragraph 10 of the Preface specifies that IPSASs are designed for public sector entities with these characteristics. In our view, however, it would be helpful to explain that while some of the principles in IPSAS may be relevant, particularly those relating to service potential, IPSASs are not specifically designed for use by private sector non-profit entities, even when these are substantially funded by the public sector.

Other Matters

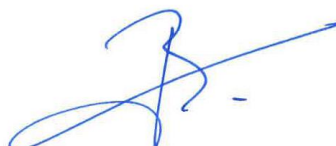
- (9) FEE also considers that, for the sake of clarity, it would be beneficial to explicitly state that all three sub-paragraphs of Paragraph 10 of the Preface need to apply for an entity to be considered part of the core public sector for which IPSASs are primarily designed.
- (10) Subject to our points above, FEE agrees that all relevant IPSASs and RPGs should be changed to include the qualitative characteristics of entities to which IPSASs should apply and remove references to GBEs.

For further information on this letter, please contact Paul Gisby, Manager, from the FEE Team on +32 2 893 33 70 or via e-mail at paul.gisby@fee.be.

Yours sincerely,



Petr Kriz
FEE President



Olivier Boutellis-Taft
FEE Chief Executive

Proposed International Public Sector Accounting Standard and
Recommended Practice Guideline *The Applicability of IPSAS*

response to exposure draft

4 January 2016

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/ 160104 SC0221

International Public Sector Accounting Standards Board
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CANADA
Submitted electronically

January 2016

Dear IPSASB secretariat

Proposed International Public Sector Accounting Standard and Recommended Practice Guideline *The Applicability of IPSAS*

CIPFA is pleased to present its comments on this Exposure Draft, which have been reviewed by CIPFA's Accounting and Auditing Standards Panel.

General comment

In successive responses, CIPFA has strongly supported IPSASB's development of high quality standards for public sector financial reporting, whether through the Board's project to develop and maintain IFRS converged IPSASs or through wholly public sector specific IPSASs.

In December 2014, CIPFA responded to the Consultation Paper *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*. In that response we noted our view that applicability is dealt with adequately in the Conceptual Framework, but agreed that it was handled less well in IPSAS 1 and related IPSAS text on Government Business Entities. We therefore agreed with the approach proposed in that paper, explaining that we were 'more inclined to support a framing in which IPSASB explains the target for its standard setting activity, and leaves detailed questions of which standards to adopt for different entity types to the relevant decision making authorities.'

Specific Matter for Comment

The IPSASB proposes deleting the defined term "Government Business Enterprise" and removing all references to the term from the IPSASB's pronouncements, so that the Preface to International Public Sector Accounting Standards will provide guidance on the applicability of IPSASs and RPGs.

In order to facilitate comments, a positive description of the characteristics of public sector entities for which IPSASs are intended is included in the Executive Summary of the ED. This description will be part of the Preface to International Public Sector Accounting Standards.

Do you agree with the changes to IPSASs and RPGs proposed in this ED? If not, please provide your reasons.

In line with our comments on the 2014 Consultation Paper, we support the revised drafting, which more naturally focusses on those entities for which IPSASB has developed IPSAS and RPG pronouncements. It is also more consistent with the position described in the section of the Preface on the Authority of IPSAS, which clearly states

that neither IPSASB nor the accountancy profession are in a position to mandate the application of particular standards.

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

Yours sincerely

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