

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: New York, USA

Meeting Date: December 3–6, 2012

Agenda Item 9

For:

Approval

Discussion

Information

Consultation on Work Program 2013-2014

Objective(s) of Agenda Item

1. To have an initial discussion of the responses received to the Consultation on the Work Program 2013-2014 and provide directions with a view to finalizing decisions in March 2013.

Material(s) Presented

Agenda Item 9.1 Analysis of Issues from Comments

Agenda Item 9.2 Detailed Analysis of Respondents' Comments

Agenda Item 9.3 Responses by Jurisdiction, Function, and Language

Action(s) Requested

The IPSASB is asked to consider the significant issues presented in Agenda Item 9, and to provide input and direction on the way forward.

Consultation on Work Program 2013-2014**Background**

1. The IPSASB issued the *Consultation on IPSASB Work Program 2013-2014* in July 2012 with responses due October 31, 2012. Thirty-eight responses were received. Agenda Item 9.3 provides an analysis of the composition of responses by jurisdiction, function and language. The detailed list of respondents is included at the beginning of Agenda Paper 9.2, which also provides the full collation of responses.
2. The responses to the work program consultation will be considered by the IPSASB for the first time at this meeting, with a further review of issues to take place in March 2013. It is anticipated that in March 2013 the IPSASB will make final decisions on the work program for 2013-2014.
3. Given the short period of time between the response date and this meeting it is proposed to limit discussions to a few key issues. At this meeting the main focus will be on the responses to question 2 of the Consultation Paper (CP) related to which additional projects the IPSASB should prioritize for 2013-2014. If time permits discussion of other issues as laid out in these agenda papers can be conducted. It is proposed that discussion of other issues raised in the responses be considered in March, at which time it is anticipated that the work program would be approved.

Significant Issues**Number of additional projects**

4. The CP identified a number of potential projects for respondents to consider and prioritize for the 2013-2014 period. It was noted that, depending on the projects selected and, considering progress on the current projects already committed in the work program, two to four additional projects could be initiated in 2013-2014. Since issuing the CP IPSASB staff resources have decreased due to the resignation of a Senior Technical Manager. While recruiting for a new staff member is underway, the project responsibilities of the departed staff member have been reallocated to existing staff in order to ensure their completion. This has necessarily resulted in some delays in the current work program until staffing is at full complement once again.
5. In addition, current secondments from the GASB and E&Y Germany are close to completion (December 2012 and January 31, 2013 respectively). While these have been planned for, it is fair to say that progress on the individual projects has been behind original plans due to the complexity of issues to be addressed. Therefore there will need to be some reallocations of existing staff resources to ensure that the current work program is accomplished.
6. Based on this, initiating four new projects over the period is considered ambitious. Staff is of the view that based on the current staff resources and the committed work program no more than two additional projects could be initiated. Consideration of this would depend on the specific projects selected and could change if additional secondments are forthcoming. However, at this stage no additional secondments are known. If additional staff resources become available the work program would be revisited.

Matter(s) for Consideration

1. The IPSASB is asked to confirm that no more than two projects should be added to the work program for 2013-2014.

Additional Projects to Prioritize for 2013-2104

What did respondents say?

7. The CP asked respondents the following question (page 10, question 2) with respect to projects to be prioritized over the period:

“Which projects do you think the IPSASB should prioritize for 2014-2014? In your response you could consider providing your assessment of the 3 most important projects or a ranking of all projects on the list. Please explain the reasons for your answers.”
8. Of the 38 respondents, 34 provided feedback on this question. Six respondents (003, 007, 008, 026, 028, 031) did not think that the IPSASB should undertake any further projects over the period. These respondents generally agreed with the IPSASB’s current work program, particularly the priority given to the conceptual framework project. Respondents highlighted the importance of completing the conceptual framework project in a timely fashion and noted that its current completion date of 2014 already reflects some delays from original plans. The respondents preferred that any spare resources be dedicated to the conceptual framework project to ensure its timely completion in 2014. On that basis these six respondents did not support adding any projects to the IPSASB’s work program for 2013-2014.
9. Thirty-four respondents provided feedback on the priority of projects in the list provided. Respondents prioritized different numbers of projects. Some respondents provided their ranking of the top three or four projects while others ranked only their most urgent priority. Agenda item 9.2 provides a detailed analysis of the comments by respondent. Staff have analyzed these responses and included in this assessment all projects that were ranked as a high priority by respondents. The table set out below (in alphabetical order) provides a summary of the potential projects as prioritized highly by respondents. It is noted that one respondent (002) prioritized a project not on the list provided in the CP and this has been included at the end of the table below.

Additional Potential Projects (from Appendix C of CP)	Respondents who rated high priority	Total
Borrowing Costs (Update of IPSAS 5 - underlying standard IAS 23)	016, 035	2
Emissions Trading Schemes	005, 014, 015, 017, 029, 030, 033, 035	8
Extractive Industries (IFRS 6 interim standard but no comparable IPSAS)	011	1
Fair Value Measurement (IFRS 13 but no comparable IPSAS)	none	0
Heritage Assets (Public sector specific)	004, 011, 013, 019, 020, 023	6
Improvements to IPSAS 23 – Non-Exchange Revenues	002, 004, 010, 029, 030, 034, 036	7
Insurance Contracts (IFRS 4 interim standard but no comparable IPSAS)	006	1
Leases	005, 012, 015, 016, 029, 035, 036	7
Non-current Assets Held for Sale and Discontinued Operations (IFRS 5 but no comparable IPSAS)	none	0
Presentation of Financial Statements (Update of IPSAS 1 - underlying standard IAS 1)	002, 006, 009, 024, 038	5
Related Party Transactions (Update of IPSAS 20, underlying standard IAS 24)	016	1
Revenue Recognition	005, 012, 015, 025, 036	5
Segment Reporting (Update of IPSAS 18, underlying standard IAS 14, superseded by IFRS 8)	none	0
Small and Medium Enterprises (SMEs)	009, 019	2
Social Benefits	001, 004, 010, 011, 013, 014, 019, 020, 022, 023, 029, 032, 034, 038	14
Sovereign Powers and their Impact on Financial Reporting	004, 010, 013, 014, 020, 023, 034	7
Additional Potential Projects (not on Appendix C)		
IPSAS 25	002	1

10. In order to assess the projects as prioritized, staff has selected all projects that were ranked as high priority by more than 5 respondents and summarized the rationale of respondents below. All

projects with 5 or fewer respondents will be kept on the list of potential projects to be further consulted on in the broader review to be conducted for the period post 2014. Given the limited scope for additional projects in 2013-2014 staff determined that the analysis of potential projects could be limited to those projects supported by more than 5 respondents.

Matter(s) for Consideration

2. The IPSASB is asked confirm the staff approach of further analyzing only those projects ranked as high priority by more than 5 respondents.

Which projects were prioritized by respondents and why?

11. As noted staff has reduced the list of prioritized projects to all of those which had a high ranking by more than five respondents. These are:
 - (a) Social benefits (14)
 - (b) Emissions trading schemes (8)
 - (c) Improvements to IPSAS 23 (7)
 - (d) Leases (7)
 - (e) Sovereign powers and their impact on financial reporting (7)
 - (f) Heritage assets (6)

Social benefits

12. Social benefits was by far the project mostly highly ranked in priority by respondents. Views expressed were that it is a unique public sector issue and that its sheer significance to governments means it must be addressed. Respondents noted that with the ED on elements now issued, adequate clarity has been achieved towards a liability definition and that a project on social benefits could be commenced. Respondents also noted that although it is complex, given the critical nature of such a project to the public sector the IPSASB's credibility will be enhanced by addressing such a fundamental issue. The respondents who supported this project considered it the most critical project the IPSASB could undertake.

Emissions trading schemes (ETS)

13. A project on ETS was identified by eight respondents as high priority. ETS are a prominent public sector issue and becoming increasingly important globally. In addition, since such schemes exist and there are no related accounting standards, governments are already developing their own practices for ETS. Respondents cited concerns about divergent accounting practices and the need to develop consensus. The lack of consensus is bound to become problematic in the fairly short-term especially in areas like Europe.
14. Respondents also highlighted the opportunity to work with the IASB on this project as contemplated under the IASB MOU. The IASB has reactivated its project and respondents noted that this would be an ideal time to work together.

Improvements to IPSAS 23, Leases and Sovereign powers

15. These three projects were each ranked high by seven respondents. Respondents provided the following views on each.

Improvements to IPSAS 23

16. Respondents who favoured this project focused on the experiences of those already adopting IPSAS 23 and some of the practical challenges being encountered. The responses highlighted the need for clarifications noting that in some cases there are wide interpretations of the standard. The respondents noted that this is a critical area for the public sector and its significance in that context supports it being addressed. They also pointed out the need for consistency between IPSAS 23 and other IPSASs and noted that link with the elements phase of the conceptual framework. As work there has progressed it could be an opportune time to address the problems being faced with applying IPSAS 23.

Leases

17. Respondents who supported a project on leases being added to the work program noted their significance in the public sector but also that they are sector neutral transactions that should be accounted for similarly to the private sector. They thought that alignment with the underlying IFRS was important. Respondents noted the completion of the IASB's new standard on leases and thought that this would be an ideal time to update the related IPSAS 13.

Sovereign powers

18. This project was identified as a result of the conceptual framework project and is intended to consider the question of whether a government's sovereign powers are assets that should be measured and reported. Respondents who ranked this project highly noted the potential significance of the issue in the public sector. They also highlighted growing complexities in the area and the fact that the elements phase of the framework is adequately advanced to consider these in the context of the definition of an asset.

Heritage assets

19. This public sector specific project would develop accounting and disclosure requirements for heritage assets. Six respondents cited this as a high priority. Respondents noted that this is often raised by stakeholders adopting the IPSASs as an area for further guidance. Its significance to the public sector makes it highly relevant. While it has been challenging and controversial in the past the advancement of the elements phase of the conceptual framework may be helpful. Respondents said that as a public sector standard setter it is an area the IPSASB needs to address.

Analysis of responses

20. The six respondents who favoured no new projects being initiated were concerned primarily about potential delays in the conceptual framework project and thought that resources allocated to additional projects could be allocated instead to the conceptual framework project. Concerns about delays to the conceptual framework project are valid. However, staff notes that simply allocating more staff to the project will not result in it being accelerated. In addition to staff resources it is necessary to consider board meeting time as well as time for constituents to respond to materials

issued. At this advanced stage of the conceptual framework project this is of far bigger importance than the staff resources allocated to the project and in fact it is unlikely at this point that adding staff resources to the project would result in any change in the timing of outcomes. In terms of other projects on the current work program staff has assessed the project allocations, the timing of proposed completion of various milestones and other commitments of existing staff, assuming that full complement will be restored within a reasonable time. It is the view of staff that over the period 2013-2014 there will be availability to initiate up to two additional projects.

21. Given the volume of responses that supported the social benefits project, in staff's view it is obvious that this project should be added to the IPSASB's work program. It has high relevance to the public sector and other work currently being undertaken in the area of fiscal sustainability arguably supports further work. Now that the ED has been issued on the elements, including a definition of liabilities, it is critical for the IPSASB to address this project. Staff notes that this is likely to be a highly resource intensive project and it will likely be controversial. However given the strength of responses and the progress of the conceptual framework staff sees little reason to defer this project any longer.
22. In assessing the other projects reviewed above, there is more discretion in terms of the responses. Given the ability to undertake at most two additional projects over the period staff have focused on the need to balance the work program. A project on social benefits is likely to be resource intensive and consideration then needs to be made of selecting a second project that would balance this in terms of resources – both staff and board time. Projects on heritage assets and sovereign powers are likely to be highly resource intensive also and for this reason staff recommends that these projects not be initiated at this time if a project on social benefits is added to the work program. Likewise staff believes that a project on improvements to IPSAS 23 will be fairly comprehensive. Staff would classify such a project as a high priority once the conceptual framework is complete for the period post 2014. At this time staff proposes that all three of these projects be added to the list of projects to be included in the broader consultation for the period post 2014.
23. This leaves a choice among projects on ETS or leases. A project on ETS is highly relevant for the public sector and would be very timely in the context of existing practices and the need to reign in divergent approaches. The project could also allow the IPSASB to work closely with the IASB under the MOU and this could allow some leveraging of resources. On the other hand, a project to update IPSAS 13 on leases would be timely given the IASB's work in this area. This would likely be an IFRS convergence project that could be less resource intensive than ETS. Leases are a prominent issue in the public sector and aligning practices would be important.
24. On balance staff's preliminary recommendation is that a project on ETS should be initiated given its relevance and the opportunity to stem divergent practices. This is an increasingly important issue globally and so has a wide ranging impact. Lastly the potential opportunity to leverage work with the IASB would be beneficial under the MOU.

Matter(s) for Consideration

3. The IPSASB is asked to confirm the staff recommendations to initiate projects on social benefits and emissions trading schemes.

Additional Potential Projects and Staff Proposal

- 25. The CP asked respondents to identify any projects that should be added to the list of potential projects. The reasons for this were to provide assurance that all major projects had been identified but also to receive input for additional projects to be further considered when the IPSASB conducts its broader review for the period post 2014.
- 26. Agenda Paper 9.2 provides the full analysis of responses on this question and notes those that staff propose flagging for further follow up. Overall there were a few projects that respondents identified that will need to be further reviewed and considered to be added to the “laundry list” of potential projects. Staff intends that once the IPSASB has confirmed the additional projects it wants to add to the work program for 2013-2014 and approved the related work program (planned for March 2013) the work for the more fundamental strategic review will commence. Part of that work will include consideration of a number of potential projects for full consultation including the ones respondents raised.
- 27. One of the responses to the CP raised an issue of process that staff would like to flag for the IPSASB at this time. One respondent (015) proposed a project to develop criteria to differentiate between whether a project results in an IPSAS, RPG, Study, Paper or Research paper. This proposal is timely since the IPSASB is currently in the midst of discussions on a number of projects that raise this issue, notably long-term sustainability (RPG), Financial Statement Discussion and Analysis (proposed IPSAS) and Service Performance Reporting (to be determined - RPG or “voluntary” IPSAS). All three of these projects are in the area of GPFRs and all are being considered at this meeting. At this stage the type of guidance being proposed for each project varies.
- 28. Responses on FSD&A as well as on Service Performance Reporting have highlighted this issue and suggested that criteria would be welcome. Each of these projects will be discussed at this meeting prior to the discussions on the work program but staff believes it could be important to regroup after these discussions and further consider this issue during the work program session.
- 29. A project that would develop such criteria might not be a full due process project. Rather it could be developed similarly to the project that developed guidelines on modifying IASB documents – otherwise known as “Rules of the Road”. Alternatively the IPSASB could decide to expose this to solicit feedback.
- 30. Staff thinks that there would be some merit for the IPSASB to consider such a project at this time as the board’s agenda includes more and more projects in the realm of GPFRs. Staff also believes that such a project could be undertaken in addition to the two recommended standards project noted above.

Matter(s) for Consideration

- 4. The IPSASB is asked consider whether a staff project should be initiated on developing criteria to determine what type of guidance should be issued for a particular reporting area.

Mixed Groups

- 31. One respondent, the NZXRB (005), raised an issue related to the application of IPSAS 6 when the entity preparing the consolidated financial statements is a public benefit entity that controls entities

- under a different suite of accounting standards such as IFRSs. The respondent refers to this as the mixed group issue.
32. This respondent had also written to the Chair of the IPSASB previously on this issue. As this had not yet been resolved it may be the appropriate time for the IPSASB to address this issue. To this end the letter to the Chair from the NZXRB on this issue has been included as Agenda Item 9.4.
33. The respondent highlighted that if IPSASs and IFRSs are substantially converged except for public sector specific items the consequences for mixed groups is less problematic, However it is noted that there is a risk to the adoption of IPSASs and the integrity of reporting by entities if IPSASs and IFRSs diverge unnecessarily and create significant compliance costs. Differences may arise because of the timing of the Boards' agendas, differences in the conceptual frameworks or differences in accounting recognition and measurement approaches being developed. As more jurisdictions adopt IPSASs and IFRSs it is likely that the prominence of the mixed group issue will increase. For this reason the respondent proposed that the IPSASB address this issue more urgently to prevent unnecessary differences from arising, particularly on "neutral" accounting transactions. This will ultimately facilitate the adoption of IPSASs.
34. In the letter to the Chair set out in Agenda Item 9.4 the NZXRB made a number of proposals for the IPSASB, notably:
- (a) note that the IPSASB explicitly acknowledges in IPSASs that it is appropriate for for-profit entities such as GBEs to apply different accounting standards;
 - (b) note that application of the Rules of the Road is a necessary step in ensuring that differences between IFRSs and IPSASs reflect differences in the public sector environment;
 - (c) consider as a standing item at each IPSASB meeting, an analysis as to whether forthcoming pronouncements from either the IASB or the IPSASB Board have an impact on mixed group reporting, with implications for the regular improvements standards, project planning, or additional guidance in IPSAS 6;
 - (d) make this a standing item on its liaison meetings with the IASB; and
 - (e) provide directions to staff as to how to respond to this issue in the context of the project to revise IPSASs 6-8.
35. In considering these proposals staff notes that items a and b are already part of the IPSASB's process and can be reiterated or further emphasized. Item c could be undertaken as part of the tracking of the IASB work plan and the IPSASB's standard work planning. This would require some additional work but given the potential breadth of the issue in the context of IPSAS adoption staff recommend that this be undertaken. Raising the issue with the IASB in the context of the liaison group is also feasible and would put further emphasis on the need for the boards to work more closely as envisioned by the MOU. The last item on this list is more practical in terms of the specific project to update IPSASs 6-8 and will need to be addressed as that project proceeds.
36. Staff also notes that the IPSASB has approved a project on GBEs and that any impacts from the mixed group issue will need to be further considered. That project is at the initial stages and the issue has not been further developed with respect to GBEs at this time.
37. Staff agrees that as the adoption of IPSASs increases and jurisdictions gain more experience in the actual implementation of the standards the mixed groups is likely to become increasingly

significant. The IPSASB would be well served to address the issue to ensure it does not become a detriment or obstacle to adoption. Staff therefore recommends that the NZXRB's proposals be considered and implemented. With respect to specific projects, the issue needs to be considered urgently in the update of IPSASs 6-8 and as well as potentially in the GBE project.

Matter(s) for Consideration

5. The IPSASB is asked to consider the mixed groups issue and the proposals of the NZXRB and provide directions to staff on the appropriate way to proceed.

STAFF SUMMARY OF RESPONSES TO CONSULTATION PAPER IPSASB WORK PROGRAM 2013-2014

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

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List of Respondents:

Response #	Respondent Name	Country	Function
001	The International on Governmental Financial Management (ICGFM)	International	Other
002	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Switzerland	Standard Setter/Standards Advisory Body
003	Instituut van de Bedrijsrevisoren Institut des Reviseurs d'Entreprises (IBR-IRE)	Belgium	Member or Regional Body
004	Cour des Comptes	France	Audit Office
005	New Zealand Accounting Standards Board (XRB)	New Zealand	Standard Setter/Standards Advisory Body
006	Financial Management Standards Board (FMSB) of the Association of Government Accountants (AGA)	USA	Other
007	Australasian Council of Auditors-General (ACAG)	Australia	Audit Office
008	European Commission	International	Preparer
009	Swedish National Audit Office	Sweden	Audit Office
010	Accounting Standards Board	South Africa	Standard Setter/Standards Advisory Body
011	Association of Chartered Certified Accountants (ACCA)	International	Member or Regional Body
012	New Zealand Treasury	New Zealand	Preparer
013	Conseil de normalisation des comptes publics (CNOCP)	France	Standard Setter/Standards Advisory Body
014	Eurostat	International	Other
015	Office of the Comptroller General British Columbia	Canada	Preparer
016	Abu Dhabi Accountability Authority (ADAA)	United Arab Emirates	International
017	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)	Australia	Preparer
018	Michael Parry	USA	Other
019	Carmen Palladino/Pablo Maroni	Argentina	Other

Agenda Item 9.2

Response #	Respondent Name	Country	Function
020	PwC	International	Accountancy Firm
021	Swedish National Financial Management Authority (ESV)	Sweden	Preparer
022	Japanese Institute of Certified Public Accountants	Japan	Member or Regional Body
023	Direction générale des finances publiques (DGFIP)	France	Preparer
024	Institute of Chartered Accountants of England and Wales (ICAEW)	UK	Member or Regional Body
025	Institute of Certified Public Accountants of Kenya (ICPAK)	Kenya	Member or Regional Body
026	Joint Accounting Bodies	Australia	Member or Regional Body
027	Patrick Maranya	Africa	Other
028	Zambia Institute of Chartered Accountants	Zambia	Member or Regional Body
029	Ernst & Young	International	Accountancy Firm
030	Australian Accounting Standards Board (AASB)	Australia	Standard Setter/Standards Advisory Body
031	Ministry of Finance of Ontario	Canada	Preparer
032	Chartered Institute of Public Finance and Accountancy (CIPFA)	UK	Member or Regional Body
033	Financial Reporting Council	UK	Standard Setter/Standards Advisory Body
034	International Monetary Fund (IMF)	International	Other
035	Denise Silva Ferreira Juvenal	Brazil	Other
036	Task Force on Accounting Standards, United Nations System	International	Preparer
037	Indonesian Governmental Accounting Standards Committee	Indonesia	Standard Setter/Standards Advisory Body
038	FEE	Europe	Standard Setter/Standards Advisory Body

General Comments on the ED

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

R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
001	The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to the IPSAS Board Work Plan. We are pleased that the IPSASB is willing to consider our priorities as they plan for the use of their limited resources for future projects.	No further action required.
002	The SRS-CSPCP is of the opinion that it is basically positive that a Consultation Paper on the Work Programm2013-2014 is being circulated for comment.	No further action required.
004	<p>We take note of the gap between, on one hand, the content of the consultation paper itself dedicating pages to issues of the utmost importance such as the planned changes in the IPSASB governance, and making statements on the sovereign debt crisis and, on the other hand, the three questions limited to prioritize 2 or 3 “additional potential projects” in a list of 16 projects.</p> <p>As regards the priority to be given to projects, we stress that the list in Appendix C “Additional Potential Projects” seems to be a “shopping list” and it is difficult to determine the underlying IPSASB strategy –. This is for us a matter of concern since we do not have the complete picture; in this context, the present consultation appears to be quite limited and is de facto restricted to ranking “additional potential projects”.</p> <p>It results from the above two remarks that the title of the consultation (“Consultation on IPSASB Work Programme 2013-2014”) could be misleading as it does not reflect the content of the consultation paper.</p>	<p>Consultation was purposely limited in scope given resource constraints and existing committed projects for the period under consideration.</p> <p>Short term strategy highlighted on pages 7-8 of consultation paper and letter from Chair highlights limited scope of review but signals a broader review to be conducted in 2014.</p> <p>Consultation is limited to the additional work that has not yet been committed but that the IPSASB considers could be undertaken with current resources.</p>

R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
005	<p>We strongly support the International Public Sector Accounting Standards Board's (IPSASB) objective of setting high quality principle-based standards. We have a particular interest in the widespread adoption of high quality International Public Sector Accounting Standards (IPSASs). Our recent decision to adopt a multi-standards approach means that the PBE Standards applied by public benefit entities¹ (PBEs) in New Zealand are based substantially on IPSASs. For-profit entities will continue to apply New Zealand Equivalents to International Financial Reporting Standards² (NZ IFRSs).</p>	No further action required.
006	<p>The FMSB has reviewed the listing of Current Projects and the listing of Additional Potential Projects in the Consultation Paper and we have some general comments. Overall, the FMSB believes that the listing of Current Projects represents sound projects, the completion of which will help the IPSASB fulfill its mission to develop high-quality accounting standards for use in the public sector around the world. The past efforts of the IPSASB have served to enhance the quality of public sector financial reporting by providing better information to decision makers. We support your efforts as you work to improve transparency in government finances.</p> <p>In reviewing the list of Current Projects, we concur with the IPSASB's assessment that the most important item on the list is the completion of the public sector Conceptual Framework project. The completion of this project will influence the standard setting for new issues as well as reviews of standards that have already been adopted. The experience of other standard setting bodies such as GASB and FASAB has found that the establishment of a Conceptual Framework is an essential ingredient for long term success and that such work is foundational in nature. As the work plan is implemented, we recommend that the IPSASB expend its utmost efforts to keep this project on</p>	No further action required.

¹ PBEs are not-for-profit public and private sector entities.

² NZ IFRSs are word-for-word the same as IFRSs.

R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
	<p>track for completion by March, 2014.</p> <p>Regarding the other projects on the IPSASB’s agenda, we believe that projects that have already advanced to a comment stage be finalized within the timeframes outlined in the IPSASB Agenda Schedule on page 12 of the Consultation Paper. Timeliness is imperative for maximum impact. For the remaining projects on the 2013-2014 agenda, we believe that they all have merit and should advance. Recognizing that resources are limited, we recommend that current projects be completed as far as practicable before adding new projects to the agenda.</p>	
007	<p>ACAG is pleased to provide comment on the Consultation Paper and congratulates the IPSASB on its steps to seek for the first time input into its work program through the issuance of this Consultation Paper.</p>	<p>No further action required.</p>
008	<p>As one of the biggest international and supranational organisations with more than 7 years of experience in implementing accrual accounting based on IPSAS, we welcome your first public consultation on the IPSAS Board's work program. We share your opinion that in the current times of sovereign debt crisis it is of utmost importance to issue high-quality financial reporting standards so as to provide the addressees of financial reporting with the necessary information as a basis for their decisions. This public consultation can be seen as a starting point to address the information needs of addressees of financial reporting and certainly increases acceptance of IPSAS as well as their implementation by governments and governmental organisations.</p>	<p>No further action required.</p>
009	<p>We support the further development, adoption and implementation of a globally accepted framework and standards for public sector accounting and financial reporting. We think that IPSAS in the long run may serve very well for such a purpose. However, in our opinion the IPSAS must develop substantially in order to gain acceptance from a broader range of stakeholders.</p> <p>Today, questions are raised concerning the general applicability of the IPSAS with respect to different categories of stakeholders. While domestic legislatures and other political assemblies may</p>	<p>IPSASs apply across levels of governments and to international organizations.</p>

R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
	<p>have expectations to get easily accessible and digested information concerning a single entity, international lenders, international organizations and other countries may have a focus on more complex data on the general status of the public sector’s finances and risks. While the IPSAS may serve the needs when it comes to the consolidated financial statement of the government as a whole with respect to international investors, analysts and international organizations, the IPSAS applied on single public sector entities does not always correspond to the need for information for primary users such as members of the legislature, ministries and political constituencies on a regional or local level. It is important that the further development of the IPSAS focus more on how an entity may respond to requests to disclose information on compliance with budget regulations (how and for what purpose the entity may use allocated funds) and on disclosures concerning performance.</p> <p>It is important that IPSASB takes action to widen and deepen its consultation and co-operation with public sector stakeholders and users. In this respect we believe it is very important that IPSASB engage actively in seeking consultation with domestic users as well as international organizations that represent public sector users. We think that INTOSAI and its member bodies may be useful as a gateway to public sector users. We suggest that IPSASB develops an ambitious communication policy with this aim.</p>	<p>Noted; changes to terms of reference (see agenda item 4) may allow broader involvement in the IPSASB’s membership. INTOSAI is an observer to the IPSASB but need for enhanced engagement noted. To further discuss with INTOSAI appointee and observer.</p>
011	<p>We very much value IPSASB’s continuing work on improving financial reporting standards for the public sector, particularly given the current financial climate and the need for governments to improve both accountability and transparency. We believe IPSASB has set out an ambitious work programme for 2013-14, and the challenge now will be to deliver the plan with limited resources and without being potentially side tracked by the oversight and related governance changes.</p>	<p>No further action required.</p>

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R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
012	<p>The New Zealand Treasury welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on the Consultation Paper <i>Consultation on IPSASB Work Program 2013-2014</i>. We commend the IPSASB for providing the opportunity for stakeholder input.</p>	<p>No further action required.</p>
013	<p>To begin with, the CNOCP wishes to stress the relevance of the process initiated by the IPSAS Board. Indeed it is important to consult stakeholders on its work program for the coming years, both as regards the topics on the agenda and the scheduled timetable.</p> <p>The CNOCP notes that this Consultation Paper is not on the current work program but on the additional potential projects the IPSAS Board should prioritize for 2013-2014, which limits however the relevance of the question.</p>	<p>Scope purposely limited given scarce resources. Committed projects were affirmed by the IPSASB with a commitment that future projects will be determined through consultation.</p>
014	<p>Thank you for the opportunity to comment on the IPSAS Board's work program for 2013-2014. As an observer to the IPSAS Board, Eurostat appreciates the broad range of work undertaken by the Board and the resource constraints it faces.</p> <p>As a general comment, Eurostat believes that the IPSAS Board adds greatest value for preparers and users when it works on public sector specific projects, addressing gaps which these groups have identified.</p>	<p>No further action required.</p>
016	<p>The IPSASB has a significant number of current projects ongoing and we are highly supportive in seeing the IPSASB bring those projects to a swift conclusion so that the new accounting standards may be implemented by Public Sector Entities (PSEs) quickly, thus enhancing PSE and whole of government financial statement reporting.</p>	<p>No further action required.</p>
017	<p>HoTARAC welcomes the International Public Sector Accounting Standards Board (IPSASB) providing the opportunity for stakeholders to comment on its work program.</p>	

R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
	<p>HoTARAC recommends the following priorities for IPSASB:</p> <ul style="list-style-type: none"> • To consider their strategic direction in developing the work plan. • Finalising IPSASB’s Conceptual Framework. • Ongoing convergence with International Financial Reporting Standards (IFRS) to remain a key strategic priority of IPSASB. • Continue to pursue the <i>IPSASs and Government Finance Statistics Reporting Guidelines</i> project. <p>HoTARAC has the following recommendations:</p> <p><u>Alignment with strategic long term direction – Developing a conceptual framework and maintaining convergence with international accounting standards</u></p> <p>Whilst the consultation paper articulates IPSASB’s strategic priorities, it also proposes this be the subject of future consultation. HoTARAC believes a strategic direction is integral to the development of a work plan and should not be considered separately.</p> <p>In turn, in determining its strategic direction IPSASB should clearly outline its goals. HoTARAC’s preference is for IPSASB to focus on two main goals: finalising its Conceptual Framework and maintaining convergence with IFRSs, modified as required.</p>	<p>Strategic priorities for the period to end of 2014 set out on pages 7-8 of the consultation paper. The broader review in 2014 will be a more fulsome consideration of strategy. Scope of this consultation purposely limited.</p> <p>IPSASB agrees with finalizing conceptual framework project. Maintaining convergence with IFRSs seen as part of public sector critical strategic priority.</p>
020	PwC welcomes the opportunity to respond to the consultation paper on IPSASB work program for 2013-2014, which addresses fundamental questions for the development of public sector	No further action required.

R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
	<p>accounting.</p> <p>This response summarises the views of firms in the PricewaterhouseCoopers ('PwC') network that commented on the consultation paper. 'PwC' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.</p> <p>PwC is one of the world's largest accounting firm and services organisation. Since the first IPSAS adoption by the OECD (Organisation for Economic Co-operation and Development), we have been involved in large accounting reforms in international organisations and governments. We have developed a network of IPSAS specialists who have experience in implementing IPSAS. In this capacity, we are very committed to promoting good and transparent accounting as well as sound public finance management.</p> <p>Moreover, the sovereign debt crisis is more than ever reinforcing the need for robust and transparent public accounting and financial reporting. In this context, this IPSASB consultation paper provides a unique opportunity to actively participate in the public debate and impact on the development of public accounting and financial reporting in the world.</p> <p>Our responses do not comment on the technical content of the various accounting topics which are included as current projects in the IPSASB work program or identified as additional potential projects. We only provide our views on the areas in which the IPSASB should place its focus when developing the IPSAS framework in order to meet the needs of its stakeholders.</p> <p>We fully support the IPSASB's strategy in developing its work program for 2013-2014. Our responses to the specific questions in the consultation paper can be found in the Appendix to this letter.</p>	
021	The Swedish National Financial Management Authority (ESV) appreciates the opportunity to	See response 009 for related comments.

R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
	<p>comment on the work program.</p> <p>ESV 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.</p> <p>Comments on the work program are given by The Swedish National Audit Office (NAO). In our opinion NAO has discussed the most crucial issues. We support that discussion and refer to the NAO comments.</p>	
023	<p>1. GENERAL COMMENTS</p> <p>As a usual stakeholder of the consultation papers of the IPSAS Board, the “Direction générale des finances publiques” greatly welcomes the first publication of a consultation paper dedicated to the IPSAS Board work program.</p> <p>This request for comments provides an opportunity to reaffirm the priority for the IPSAS Board to deal with specific public sector accounting issues with potential significant impact.</p> <p>Though, it is important to recall that IPSAS Board’s must concentrate on accounting standards setting, that falls under its jurisdiction. This consultation paper underlines the huge scope of accounting subjects that need to be dealt with. That is why, it is inappropriate to request for comments subjects that are more related to financial analysis. Whereas these non-accounting issues still state in the former work program³, the “Direction générale des finances publiques” notes that the 2013-2014 work program only deals with accounting issues.</p>	<p>Current work program includes a number of public sector specific projects. Conceptual framework phase 1 (scope) confirmed that GPFRs should be the focus. Work program is balanced between projects that focus on GPFS and those related to GPFRs. Many stakeholders have confirmed that GPFRs are even more important for the public sector.</p>

³ The exposure-draft submitted on 2011 and 2012 and related to « Reporting on long term sustainability of public finances » and « Financial statement discussion and analysis » were, as developed in our comments, outside IPSAS Board competence.

R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
	<p>As pointed out in our replies, the main priority issues are those related to the conceptual framework, Social benefits, sovereign powers and their impact on financial reporting, and heritage assets.</p> <p>Given its serious implication on the definition of the consolidation boundary, the update of IPSAS 6 "Consolidated and separate financial statements" and its adaptation to public sector specificity appear to be one of the top priority topics.</p>	<p>These projects considered in analysis in 9.1.</p> <p>Already on current work program and being progressed.</p>
024	<p>ICAEW makes the following high-level comments:</p> <p>Currently, the consultation is aimed predominantly at accountancy bodies. However, these are not the organisations that need to implement IPSASs. There is a need to consult more widely with the stakeholders that the IPSASs are aimed at.</p>	<p>CP was not strictly speaking aimed solely at member bodies. Need to engage stakeholders more broadly is accepted however.</p>
025	<p>The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the Consultation Paper Consultation on IPSASB Work Program 2013 – 2014 issued by the International Public Sector Standards Board (IPSASB) of the International Federation of Accountants.</p> <p>We are pleased to have participated earlier in the IPSASB strategy consultation process and welcome this Consultation Paper which we feel represents a balanced response to a wide range of inputs.</p> <p>The Institute is generally in agreement with the proposed projects for the period 2013 – 2014. We however make some suggestions, that we hope will further assist the IPSASB prioritise the projects identified.</p> <p>In conclusion, we welcome the idea of all jurisdictions to prioritize their key projects. We deem that this is the way it should be done in arriving at a consensus; since this reliably touch on overall National governance issues in all the public sector entities.</p>	<p>No further action required.</p>

R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
	We finally believe that the document highlight the foremost items that are essential to our jurisdiction.	
026	<p>We welcome the IPSASB's request to help shape its work program for 2013-2014. We make our general comments below with more specific detailed comments addressing the questions posed in Consultation Paper being set out in the Appendix.</p> <p>We note the Consultation Paper does not address the strategic direction of the IPSASB and that the work program should be developed in conjunction with and to support the strategic direction. In addition:</p> <ul style="list-style-type: none"> ➤ we would encourage the IPSASB to consider the implications of the memorandum of understanding with the International Accounting Standards Board (IASB) and how that relationship might be demonstrated in the future work program; ➤ we concur that the IPSASB policy position should only depart from the equivalent International Financial Reporting Standard (IFRS) when there is a specific public sector specific reason for doing so; ➤ we suggest the IPSASB adopt a policy of ongoing convergence with IFRS, in place of the current approach of convergence with IFRS at a particular point in time; <p>We regard the completion of the conceptual framework as crucial to the future agenda of the IPSASB and we would like to see that work completed in conjunction with the IASB.</p>	<p>Strategic priorities for the period to end of 2014 set out on pages 7-8 of the consultation paper. The broader review in 2014 will be a more fulsome consideration of strategy. Scope of this consultation purposely limited.</p> <p>IPSASB agrees with finalizing conceptual framework project. Maintaining convergence with IFRSs seen as part of public sector critical strategic priority.</p>
027	Thanks for the opportunity to review and comment on the " <i>consultation on the IPSASB work program 2013 - 2014</i> ". I consider the program reasonable and I have no comments.	No further action required.
028	We strongly commend IPSASB for taking the first step towards public consultation on its work program. The approach taken would meet the stakeholders' needs and participation by various	No further action required.

R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
	stakeholders would be enhanced as the work program would be stakeholder's driven.	
029	<p>We concur with the IPSASB's observation that the sovereign debt crisis has uncovered the seriousness of poor financial management and financial reporting in the public sector, and commend the IPSASB's efforts to improve governmental financial reporting through setting high quality public sector focused standards.</p> <p>Given the IPSASB's resource constraint, and the critical work that needs to be accomplished, we agree that it is vital for the IPSASB to continue converging IPSASs with IFRS, to the extent appropriate for public sector entities, and focus its resource on public sector specific projects. We also suggest that the IPSASB work closer with National Standard Setters (NSS) with which the IPSASB can leverage and coordinate efforts. A potential way of achieving this is to establish cross-jurisdictional project teams on topics in which certain NSS have experience with.</p>	Relationship with NSS is strong with staff contributions being provided. However the suggestion of cross-jurisdictional project teams would be worth exploring.
030	The AASB supports the IPSASB consulting on its work program at this time and in the future when oversight and related governance changes have been put in place.	No further action required.
032	<p>CIPFA is pleased to present its comments on this consultation paper, which have been reviewed by CIPFA's Accounting and Auditing Standards Panel. We are also looking forward to the broader public consultation in future, seeking inputs on the strategic direction of Board's standard setting activity.</p> <p>As noted in successive responses, CIPFA strongly supports 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. Furthermore, CIPFA agrees that it is important to cover matters which go beyond a focus on financial statements.</p>	No further action required.

R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
033	<p>The Committee on Accounting for Public Benefit Entities (CAPE) welcomes the opportunity to comment on the above consultation paper.</p> <p>We consider that it is vitally important that the IPSASB continue with its work on the Conceptual Framework (in conjunction with the IASB as appropriate) especially on the modules not yet tackled by the IASB such as measurement and presentation.</p> <p>We also consider that a project on Emissions Trading, particularly from the grantor perspective, should be given priority as this is a topical issue and it is not likely that the IASB will address grantor accounting.</p> <p>We agree with continuing the projects already in progress until their completion.</p> <p>Regarding future projects we suggest that the IPSASB should develop a set of criteria for setting its agenda and consult on specific proposals explaining how they relate to those criteria.</p> <p>For example consideration could be given to:</p> <ul style="list-style-type: none"> • Is the issue already addressed either by an IPSAS or any other literature? <ul style="list-style-type: none"> i. If not, is there evidence that the lack of an IPSAS or other literature is resulting in diversity in practice or less than satisfactory financial reporting. ii. If so, is the application of either the IPSAS or other literature resulting in less than satisfactory financial reporting. 	<p>Feedback re future consultation noted for broader review in 2014.</p>
034	<p>We welcome the publication of this consultation paper (CP) to help promote discussion on issues that should be given priority in IPSASB's work program, a topic that is receiving increasing attention. We note that the consultation is focused on the IPSASB's work program for 2013–14. However, the CP also discusses certain other issues and this letter includes comments on both the</p>	<p>No further action required.</p>

R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
	<p>work program and these issues. We also note that the work program for 2013–14 will be followed by a more fundamental public consultation in 2014 about the IPSASB's broad strategic direction. We welcome this approach and look forward to participating in this consultative process.</p>	
036	<p>The Task Force welcomes the IPSASB's initiative to seek input on its work plan and hopes that this first public consultation will lead to an ongoing active dialogue on the strategic direction of the IPSASB in the future.</p> <p>3 The Task Force has the following general comments on the Consultation Paper:</p> <p>(a) It is noted that the IPSASB generally considers alignment of IPSAS standards with IFRS as one of its strategic priorities. The completion of the IFRS convergence project in late 2009 was a major milestone on the way to creating an initial comprehensive platform of IPSAS standards. IPSAS is becoming a more mature set of standards with many governments and international organizations applying the standards to produce IPSAS-compliant financial statements. As implementers face challenges in application of standards, it becomes evident that there is an increasing need to focus on public sector specific issues while developing new and/or improving existing standards. In addition, as more entities develop "first hand" experience with implementing the standards, they can better assist the Board in identifying areas not adequately covered by the standards. The Task Force is of the view that these areas should become strategic priorities for the IPSASB's work program. Although convergence with IFRS remains an important element of maintaining quality of existing standards, its strategic role might need to be reconsidered in future, as improving quality of standards can only be achieved through prioritizing public sector specific projects.</p> <p>(b) The Consultation Paper recognizes that the work program should "balance the needs of stakeholders" while assessing priorities for 2013-2014 (para. 5, page 9 of the CP). The Task Force notes that the focus of additional potential projects, especially 'new' projects as opposed to 'maintenance' projects, appears to lean heavily towards needs and interests of large governments and hence may not take into consideration specific challenges of other public sector entities. The</p>	<p>Noted and consistent with IPSASB's objectives.</p> <p>Noted; all projects intended to apply across all levels of government and to international organizations. Noted; changes to terms of reference (see agenda item 4) may allow broader involvement in the</p>

R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
	<p>Task Force requests the IPSASB to take this issue into consideration when approving its work program for 2013-2014.</p>	<p>IPSASB's membership.</p>
038	<p>We welcome the IPSASB ("Board") consultation on its short term work program. The consultation will certainly help the Board to better understand the needs of the growing IPSASs community and to efficiently allocate its limited time and resources over the next two years.</p> <p>We are also looking forward to a broader public consultation in the future seeking inputs on the strategic direction of Board's standard setting activity. This would be particularly important given the current deliberation by the European Commission on the suitability of IPSASs for implementation across Europe.</p> <p>We strongly support 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 standards.</p> <p>In particular, we commend the IPSASB for what it has achieved to date in addressing some important public sector specific issues such as non-exchange transactions, non-cash generating assets and other conceptual issues (e.g. objective of the financial statements, the users and their information need) that are different and therefore not covered in other, more commercially focussed accounting frameworks.</p> <p>However, we think that the Board should continue with its effort and address other public sector specific issues in order for IPSASs to become fully applicable for public sector accounting. We also consider that the Board should manage its standard development process in a way which meets the needs of current and short to medium term adopters of IPSASs.</p> <p>We would also encourage the Board to take a strategic view of relationships with other institutions like Eurostat, and consider how to provide further support to organisations that may wish to</p>	<p>Current work program and strategies focused on public sector critical projects.</p> <p>Noted and similar to comments in 036 above. changes to terms of reference (see agenda item 4) may allow broader involvement in the IPSASB's</p>

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R #	RESPONDENT COMMENTS	STAFF COMMENTS
GENERAL COMMENTS		
	implement IPSASs.	membership. Working at a strategic level also acknowledged as important as adoption progresses.

Question 1:

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

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

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
002	<p>The SRS-CSPCP is of the opinion that the following problem areas are interesting and important enough for the IPSAS Board to deal with them.</p> <p>1. <u>IPSAS 25</u></p> <p>As IAS 19 (Employee Benefits) has been revised and becomes effective from 1.1.2013, the IPSAS Board should consider a revision of the corresponding IPSAS. Pension fund liabilities also play a growing role in the public sector. It is therefore important that the differences between IFRS and IPSAS are not of a methodological nature. There should only be differences, if the peculiarities of the public sector demand them (e.g. because of the financing model “differential funding” with the system of partial capitalisation under Art. 72a BVG in Switzerland). The SRS-CSPCP believes that it is important to emphasise that the revised standard IAS 19 is not taken over 1:1 in IPSAS 25.</p> <p>In calculating the liability both IPSAS 25 and IAS 19 use a standardised method (“Projected Unit Credit Method”). This provides a result that systematically varies from the legal liability according to the revised Federal Law on Occupational Welfare (BVG). The legal liability is often significantly less than the liability calculated under IPSAS/IAS. There is no practice of meeting claims that exceed the legal liability. Therefore disclosing the liability according to</p>	<p>IPSAS 25 update to be added to list of potential projects for consultation post 2014.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<p>IPSAS/IAS results in a systematic overstatement of the liabilities. A revision of IPSAS 25 should therefore govern how to deal with variant legal liabilities.</p> <p>2. <u>Leasehold rights</u></p> <p>Leasehold rights are similar to leases, but are not explicitly mentioned in the relevant IPSAS standard. As Leases is included in the list of Additional Potential Projects, it would make sense and be desirable, if leasehold rights were added to the list.</p> <p>3. <u>Investment grants</u></p> <p>While investment grants are dealt with in IPSAS 23, this is confined to the recipient. The paying side is not considered. It is desirable, above all for statistical purposes, that investment grants are recorded symmetrically by donor and recipient and depreciated using the same method.</p>	<p>To be considered for addition to list of potential projects for consultation post 2014 or to expand scope of leases project.</p> <p>To be considered in the context of the GFS alignment project.</p>
003	<p>a) Regarding the relationship and link with the traditional budgetary accounting systems (often cameralistic accounting) governments are familiar with, IBR-IRE encourages the IPSASB to examine more thoroughly the possible issues encountered by the first-time adoption of accrual accounting IPSAS standards.</p> <p>b) IBR-IRE believes that there is a lack of accounting standards for not-for-profit organizations and that the IPSASB would benefit from enlarging its scope to include more often privately organized not-for-profit organizations rather than merely publicly organized entities.</p>	<p>Feedback to be considered in First Time Adoption project.</p> <p>At this point inadequate resources; to be considered as part of broader strategic review post 2014.</p>
004	<p>Rather than proposing an additional project aiming at issuing a new standard or revising an existing one, we would favour an umbrella planning project titled "<i>drawing the consequences, for</i></p>	<p>Responses discussed at the March 2012 IPSASB meeting and agreed to be further considered in terms</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<i>the IPSASB work program, of the replies to the ED on “key characteristics of the public sector with potential implications for financial reporting”</i> (to this respect we note that more than one year after the 31 August 2011 deadline for submitting responses to this ED, the responses have not yet been discussed, as far as we know). This would allow for identifying projects addressing constituents needs (the long introduction of the present consultation refers many times to constituents needs without specifying what are these needs and by which process they were identified by the IPSASB).	of linkages with phase 1. Proposed to be finalized December 2012 in conjunction with phase 1 to be a preface or introduction to the framework. User needs addressed in phase 1 of framework – to be finalized December 2012.
006	The FMSB has reviewed the listing of potential projects identified by the IPSASB and we have no additional projects to suggest. We believe that IPSASB's current list of potential projects, in light of the current environment, limitations on resources and the need to proceed in a logical manner through the standard setting process, are sound.	No action required.
010	While we would not support adding any additional projects to the work programme for the 2013-14 reporting period, we would urge the IPSASB to consider dealing with the Interpretations issued by the IASB in a more comprehensive and consistent manner, possibly as a separate project.	To be added to list of potential projects to be considered for consultation post 2014. See additional comments in analysis (page xx).
011	In our view the list of potential projects is relatively comprehensive and addresses a number of topical and/or thorny issues in relation to financial reporting. We do not envisage adding more projects to the list.	No action required.
012	Treasury does not think there are any other projects that need to be added to the list of potential projects.	No action required.

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
015	<p><u>IPSASs are Reserved for the Preparation of General Purpose Financial Statements</u></p> <p>The CP requests suggestions for projects that could be added to the board's work programs. A project is suggested that evaluates the TOR of IPSAS with the objective of changing the IPSAS TOR so that IPSASs are issued solely to provide accounting principles that support the preparation of general purpose financial statements. The project should result in recommended practice guidelines being issued to support general purpose financial reports that are not general purpose financial statements. Such a project would ensure that IPSASs result in general purpose financial statements in accordance with the guidance found in IPSAS 1.28, which states, "An entity whose financial statements comply with IPSASs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of IPSASs (the IPSAS 1.28 requirement)." Without having the terms of reference state that IPSASs are standards for the preparation of general purpose financial statements, there is a risk that the board could issue an IPSAS for a general purpose financial report, which would result in entities being required to prepare that report as part of their general purpose financial statements in order to meet the IPSAS 1.28 requirement.</p> <p><u>Criteria to Differentiate Between Whether a Project Results in an IPSAS, Recommended Practice Guideline, Study, Paper or Research Paper</u></p> <p>Another project to consider is one that establishes criteria to determine whether the output of a project should result in an IPSAS, a recommended practice guideline, a study, a paper or a research paper. The financial statement discussion and analysis exposure draft comments and staff analysis of those comments indicate that such criteria are required. The exposure draft indicated an IPSAS should be the output of the project, whereas the staff analysis of the exposure draft comments indicates that the output of the project should be a recommended</p>	<p>Phase 1 of the framework addressed scope of IPSASB's work and decision was made to accept expansion to general purpose financial reports. Subsequent changes to IPSASs may be needed once framework is complete.</p> <p>The Terms of Reference were amended late 2011 by the IFAC Board to address GPFR. The IPSASB considers the type of due process document to be issued with each project and has not yet issued an IPSAS for GPFRs. The IPSASB is considering the issue currently in the context of FSD&A as well as Service Performance Reporting. For Fiscal Sustainability decision has already been made to issue an RPG. Consideration of the type of guidance to be issued will be undertaken at this meeting and again in March 2013 with respect to these specific projects. The outcome of these decisions may influence the desire to initiate a project that outlines the criteria to determine the type of guidance.</p> <p>To be considered for addition to list of potential projects for consultation post 2014.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<p>practice guideline and not an IPSAS.</p> <p><u>Improving the IPSAS Terms of Reference</u></p> <p>IPSAS should consider a project to evaluate its mission in the context of the recent change to the terms of reference that changed the focus of IPSASs from supporting the preparation of general purpose financial statements to IPSASs supporting the preparation of general purpose financial reports. The IPSASB's mission is "To serve the public interest by developing high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial reports." This use of the phrase "accounting standards" in the mission statement is inconsistent with the preparation of general purpose financial reports because accounting standards are used in the preparation of general purpose financial statements rather than the preparation of general purpose financial reports. The mission statement should be changed to reflect that IPSASB's mission is to develop high-quality accounting standards for use by public sector entities in the preparation of general purpose financial statements and recommended practice guidelines that are used in the preparation of other general purpose financial reports.</p> <p>We suggest that the following projects should be added to the list of potential projects;</p> <ul style="list-style-type: none"> • A project that evaluates the terms of reference of IPSAS with the objective of changing the IPSAS terms of reference so that IPSASs are issued solely to provide accounting principles that support the preparation of general purpose financial statements. The project should result in recommended practice guidelines being issued to support general purpose financial reports that are not general purpose financial statements. Such a project would ensure that IPSASs result in general purpose financial statements in accordance with the guidance found in IPSAS 1.28, which states, "An entity whose financial statements comply with IPSASs shall make an explicit and unreserved statement of such compliance in the 	<p>The change in mission proposed by the respondent has not been discussed by the IPSASB and in fact contradicts the IPSASB's current thinking. Currently the IPSASB would not necessarily limit IPSASs to GPFS though in practice no IPSASs have been approved for GPFRs</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<p>notes. Financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of IPSASs (the IPSAS 1.28 requirement).” Without having the terms of reference state that IPSASs are standards for the preparation of general purpose financial statements, there is a risk that the board could issue an IPSAS for a general purpose financial report, which would result in entities being required to prepare that report as part of their general purpose financial statements in order to meet the IPSAS 1.28 requirement.</p> <ul style="list-style-type: none"> • Another project to consider is one that establishes criteria to determine whether the output of a project should result in an IPSAS, a recommended practice guideline, a study, a paper or a research paper. The financial statement discussion and analysis exposure draft comments and staff analysis of those comments indicate that such criteria are required. The exposure draft indicated an IPSAS should be the output of the project, whereas the staff analysis of the exposure draft comments indicates that the output of the project should be a recommended practice guideline and not an IPSAS. • A project on disclosure in public sector financial statements should be added to the projects list. This project should be part of the conceptual framework project and the purpose of the project should be to ensure that unnecessary disclosures are not included in financial statements. 	
016	<p>a) Sovereign wealth funds and other entities held for investment purposes</p> <p>One of the IASB's current projects concerns the accounting by investment funds which proposes fair value or equity accounting rather than the full consolidation of entities that are controlled by the investment fund. The rationale being that the investments are held for their dividends and capital growth. There are considerable parallels in this thinking with sovereign wealth funds and</p>	<p>All projects to be added to list of potential projects for consultation post 2014.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<p>other entities held for investment purposes. We acknowledge that IPSAS 22 'Disclosure of financial information about the General Government Sector' adopts this form of accounting. We suggest consideration is given to whether it should also be applied in the whole of government consolidated financial statements. We note the divisions in the responses to the IASB's project concerning grandfathering of the investment fund accounting in the consolidated accounts of the parent of an investment fund and we observe the view of respondents who consider there is little point in having such a standard if the accounting is not grandfathered. Government spends to provide social services and invests to provide future resources for the country, this is the information that users of Government financial statements want to understand. Consolidating entities that are controlled by government that are held for investment purposes potentially distorts the financial statements and makes them less transparent, rather than more.</p> <p>b) Determining when a government is acting in its capacity as government from when a government is acting in its capacity as owner.</p> <p>GBEs are required to apply IFRSs not IPSASs. IFRSs include IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance." IAS 20 has not been updated for some time and is not likely to be in the near future. However, IAS 20 provides not only contradictory accounting treatments within itself, it is also contradictory of other IFRSs notably IAS 1. In particular, the accounting treatment of funds and resources provided by governments in their capacity as government rather than in their capacity as shareholder is not well defined. Whilst rewriting IAS 20 is not within the remit of the IPSASB, determining when the government is acting as government rather than acting as the shareholder of a GBE, or as the shareholder of a PSE that is not a GBE but does provide below market price goods and/or services to the public, does seem to fall within the IPSASBs remit.</p> <p>c) Accounting for subsidized Rate Regulated Activities.</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<p>We note that the IASB has returned its Rate Regulated Activities project to its agenda, perhaps at the behest of its American and North American participants. However given that the European rate regulated entities have been applying IFRS for some time without the need for such a standard it seems likely that the IASB's project is going to take some time to conclude. The IASB has previously stated that it does not wish to develop industry based standards however IAS 26, 39, IFRS 4 and 6 arguably contradict this view. Subsidized rate regulated activities are however different from subsidized market based activities and subsidized social service based activities. Generally they are monopolies, hence the need for a regulator to assess their performance and the prices they charge for their goods and services. Those good and services are subsidized by government because there is an element of social provision in making those goods and services available to all the public. Guidance from the IPSASB in this area would be useful.</p>	
017	<p>As part of maintaining convergence with IFRSs, HoTARAC recommends the IPSASB consider the current IFRSs on control, IFRS 10 <i>Consolidated Financial Statements</i>, IFRS 11 <i>Joint Arrangements</i> and IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IFRS 13 <i>Fair Value Measurement</i>, to determine if this should be a convergence project under the <i>Process for Reviewing and Modifying IASB Documents</i>. The issue of fair value measurement and the control concept outlined in these standards are likely to cause challenges in their applicability to the public sector. HoTARAC notes that Appendix C of the Consultation Paper lists Fair Value Measurement as an additional potential project, but this is not reflected in section 4 of the Consultation Paper.</p>	<p>All of these IFRSs other than IFRS 13 are being considered in the project to update IPSASs 6-8.</p> <p>Fair value project to be added to list of potential projects for consultation post 2014.</p>
019	<p>Revision of IPSAS 11 Construction Contract - This standard should be adapted to real situations of the Public Sector, such as:</p>	<p>All projects to be added to list of potential projects for consultation post 2014.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<ul style="list-style-type: none"> • Construction of Works by administration (that is, undertaken by the PS entity) has materially decreased. • On the other side, contracts by the government of private entities for the performance of said works has increased, mainly through concessions. • Operations within the Public Sector in which a governmental entity (Ministry of Public Works) constructs or hires a private to construct, with its own Budget a school for the Ministry of Education and transfers it when it is finished. This origins a series of accounting movements which should be included in the standards • It is highly probable that if an entity performs works, either constructs or hires, the disposition of the asset in favor of a third party will be a non exchange transaction. <p>Basically the standard needs to be adjusted to these new situations and mostly to the fact that for PS entities the revenue could be null or insignificant in relation to the product delivered.</p> <p>To relate it to Works hired under concessions Systems.</p> <p>Enhance the concepts when the government hires the work from a third party under different characteristics to be considered, such as:</p> <ul style="list-style-type: none"> • Contract key in hand, where the third party (private) constructs and delivers the work finished, and at that moment the government implements its payment method X. • Contracts key in hand, but with regular payments by the government. • Contracts for work progress. 	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<ul style="list-style-type: none"> • Treatment of financial advance payments. <p>Trust Funds (TF)- TF are frequently used in the Public Sector as they are used to draw funds from the financial administrative circuit and manage them more independently, or at least with greater flexibility from the budgetary aspects.</p> <p>Said TF are constituted for different activities such as the construction of houses, schools and hospitals, projects defined by the government, and other objectives.</p> <p>TF have the characteristic of being considered by most of the national laws, as TF with own patrimony, as thus separated from the patrimony of the government by dependant from the contributions of the same.</p> <p>Their accounting treatment is not clear; some countries consider it as another accounting entity of the Government, taking it as a capital share, and others as a credit or account collectible due to the assets transferred to the TF, and its variations according to its participation in the net assets of said TF.</p> <p>It is noted that some do not register them, and only when transferring funds destined to a TF register directly an expense. We consider this a mistake.</p> <p>Most of the Latin American countries request treatment of this issue.</p> <p>Natural Resources (exploitable and under conservation) - One of the main problems of the PS is Natural Resources. The same are not inventoried, there is no idea of which they are, and let alone of their value, but they are frequently granted for exploitation by third parties (gold and copper mines, sand extraction, oil exploitation, use of rivers and energy resource, use of waters).</p> <p>We consider that an organization such as the IPSASB should include in its agenda this issue for</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<p>its accounting treatment, as they are probably the main assets of governments.</p> <p>Examples:</p> <ul style="list-style-type: none"> • The exploitation of open air gold mines in Argentina has led to a request from the justice to the Central Government of an inventory of the Glaciers (fresh Waters reservoirs) due to the exploitation of the same for the extraction of gold from said mines. • The exploitation of Paraguay River by the Government of Paraguay. • The contribution of Natural Resources (Paraná River) to the Joint Business “Ente Binacional Yacyreta” (Paraguay / Argentina). • The treatment of Waters reservoirs (Guarany aquifers) • The exploitation of forests. <p>Basically, a guideline should be provided in order to measure said assets when the same are exploited by third parties, because when the same are granted to be exploited the government ignores what to give and at what value, and thus if what it receives for the exploitation is at a reasonable value or it is granting the exploitation of the natural resources at a loss of value.</p> <p>To this respect, at least the guidelines should be defined to register said resources when the same are exploited, and then deal with said natural resources when at a conservation status. However, an integral treatment is recommended (resources exploited and under conservation).</p> <p>Infrastructure assets - We consider pertinent, due to its specificity, to develop a specific standard to deal with the registration, measurement and disclosure of infrastructure assets. Usually, this type of assets has not been registered in the accounts of any country, which</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<p>requires not only larger implementation periods than those set for Property, Plant and Equipment, but also higher detail for depreciation, tear and wear, revaluations and, especially, to set precise limits for the treatment of improvements, which in most cases result in mere maintenance expenses of services potential (sometimes of generation of future economic benefits) of said assets.</p>	
020	<p>We believe that the projects which are either part of the IPSASB's current work program, or which are identified as potential projects in Appendix C of the consultation paper, cover most of the important topics to be considered by the IPSASB in its work program.</p> <p>For 2013-2014, the full focus should be on finalising the projects which are most critical to develop a high-quality framework which is comprehensive in the sense that it addresses the major accounting and financial reporting principles and topics that are relevant for public sector entities, and which is sufficiently tailored to address the specific characteristics of the public sector.</p> <p>This will provide an adequate response to those who criticise the alignment of IPSASs to IFRSs on the grounds that certain accounting rules applicable to private sector companies are not suitable for governments and other public sector entities, and will greatly contribute to the credibility of the IPSAS framework and hence to its recognition as a global and widely accepted framework.</p> <p>Keeping this objective in mind, we recommend putting additional projects on the agenda to deal with topics which are currently not specifically covered by a standard or for which divergent application by governments is noted in practice. We are in particular thinking of the following two topics:</p> <ul style="list-style-type: none"> • accounting for military weapons and equipment: whether and when should they be 	<p>Two projects to be considered for addition to list of potential projects for consultation post 2014.</p> <p>Military assets would likely currently be considered to be covered under property plant and equipment.</p> <p>Accounting for contributions by the transferor addressed in IPSAS 23.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<p>recognised as assets? how should they be classified and measured? and</p> <ul style="list-style-type: none"> • treatment of grants or other financial contribution/aid/funding from the perspective of the donor/contributor/lender: this project would address the accounting of non-exchange transactions by the transferor and might in certain circumstances involve the standards on financial instruments. <p>Because these items or transactions usually involve large amounts for governments, we believe that specific accounting guidance should be developed for them. This will enhance consistency of IPSAS application by governments and other public sector entities.</p> <p>In order to be credible, the standards issued must not only be of a high quality, they must also follow an independent standard-setting process and gain the widest consensus. Oversight of the IPSASB is thus a key area of focus in the IPSAS rule-making process.</p> <p>We believe the IPSASB should be careful not to take too much on its agenda to be able to finalise in the shortest possible time those projects that will be identified as the main priorities.</p>	<p>Oversight being addressed, possibly as soon as 2014.</p>
022	<p>We suggest that IPSASB should add the following projects:</p> <ol style="list-style-type: none"> 1. Infrastructure assets <p>In the public sector, the infrastructure assets account for a large part of the total assets. Also, impaired infrastructure assets are becoming a problem in developed countries. We believe that it is important to manage and renew those assets.</p> <p>Although infrastructure assets are within the scope of IPSAS 17, paragraph 21 of IPSAS 17 only describes their characteristics, and it does not prescribe any specific treatments for the infrastructure assets. However, many countries adopt various accounting treatments for the</p>	<p>All projects to be added to list of potential projects for consultation post 2014.</p> <p>See comments above re military assets but may need reconsideration.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<p>infrastructure assets. For example, some countries depreciate these assets in the same manner as other fixed assets; others recognize expense when the cash expenditure occurs, instead of depreciation. Also, some jurisdictions require revaluation at the replacement cost; others do not require such revaluation (or allow entities to measure assets at historical cost basis). We suggest that IPSASB should investigate the current accounting treatments of the infrastructure assets in these countries, and the needs of financial information users, and consider whether different approach for these assets is needed or not.</p> <p>2. Defense assets</p> <p>There are mixed accounting practices for the defense assets in each country, whether they should be recognized as an expense or capitalized (as infrastructure assets). Since defense assets can be important for some countries, we suggest that IPSASB should present guidance for defense assets.</p> <p>3. Biological assets held for the provision or supply of services</p> <p>IPSAS 27 deals with biological assets and agricultural produce for sale, including exchange and non-exchange transactions, as a part of the IFRSs convergence program.</p> <p>In the public sector, there are important biological assets which are used in the supply of services, including plants and trees used for environmental protection purposes. However, such biological assets are not dealt in IPSAS 27. We hope that the IPSASB will develop standards for such biological assets in the near future (please also see our comments on the ED of IPSAS 36, dated June 30, 2009).</p> <p>4. Cost accounting standards</p> <p>We believe that external reporting and (internal) management accounting are more closely</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<p>connected in the public sector than in the private sector. We suggest that IPSASB should explore management accounting standards (mainly cost accounting), since it will help entities enhance their accountability.</p> <p>We believe that cost is important because it consists of the components of "input" described in the IPSASB Consultation Paper, "Reporting on Service Performance Information."</p>	
023	<p>As a preliminary comment, we would like to underline that the consultation paper does not consult on the current work program. The "Direction générale des finances publiques" would like to point out the huge need to update IPSAS 6 "Consolidated and separate financial statements", that is listed in the current work program. Indeed, the concept of control was redrawn in the new IFRS 10, that leads to a review of the IPSAS 6 and would be the opportunity to adapt its criteria of control to the characteristics of public sector. In this way, the "Direction générale des finances publiques" considers that the definition of the consolidation scope should be based on the criteria of control, but also supplemented by those of management or implementation of a public policy, on a non-market activity financed by public resources.</p>	IPSAS 6 being addressed in current project. Exposure draft expected June 2013.
025	<p>We propose an inclusion of Interim Financial Reporting guideline to the list of potential projects, although it should not be prioritized. We believe that entities in our jurisdiction which have already adopted the Accrual basis of accounting in accordance with IPSAS, will soon wish or may be required to publish interim reports as the case may be occasioned by changes in the legislation in the Country.</p> <p>We believe most of the critical items have been captured under the potential projects and also in the Appendix C essential overview of every potential project identified has been provided. We however wish that First time adoption of accrual IPSASs and public sector combination which are listed as current projects; be prioritized and probably have the final standards issued earlier</p>	<p>To be added to list of potential projects for consultation post 2013.</p> <p>First time adoption and public sector combinations on the current work program. Unlikely to be able to accelerate.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	than their indicated period; by December 2013 and March 2014 respectively.	
026	We would recommend the IPSASB work at ongoing convergence with IFRS as opposed to the current approach of convergence with IFRS at a particular point in time. Therefore, we encourage the IPSASB to examine the concepts of control and fair value measurement as articulated in IFRSs 10, 11, 12 and 13 in order to determine their suitability to the IPSAS.	Control being addressed in update of IPSAS 6. Fair value to be added to list of potential projects for consultation post 2014.
028	We feel the already identified potential projects are adequate for now. We do recommend that for the next five years, IPSASB should only be conducting annual improvements to existing IPSASs where necessary.	No action required.
030	The AASB notes that Appendix C of the CP includes Fair Value Measurement in the list of additional potential projects, but that it is excluded from the list of additional potential projects in section 4 of the CP. An IFRS convergence project in respect of IFRS 13 <i>Fair Value Measurement</i> is a potential project of relevance to the public sector and thus should be included in the list of potential projects for consideration by the IPSASB.	Agreed - To be added to potential project for consultation post 2014.
032	<p>In CIPFA's view, in the 2013-14 timeframe there is no need to add to the list of potential projects.</p> <p>We say this partly for practical reasons - we are conscious that the Board must work within the constraints of available Board and Staff time.</p> <p>We also consider that IPSASB should manage the standards development process in a way which is sympathetic to the needs of current and short to medium term adopters of IPSASs. An appropriate balance needs to be drawn between having standards which are as good as</p>	No action required.

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<p>possible, and having a stable platform of standards to implement.</p> <p>The financial reporting standards field in both public and private sectors has been under very active development in recent years. This may be a particularly important factor for jurisdictions moving to IPSAS adoption from a regime based on IFRS. The IASB is in the process of completing a number of standard setting projects, many of which have some read across against IPSAS, and will therefore fall to be considered for consequential update to IPSAS in line with IPSASB's <i>Process for Reviewing and Modifying IASB Documents</i> (the 'Rules of the Road').</p> <p>Given this, in our view it is important for the Board to finalise the conceptual framework in a timely manner, to provide a principled basis for streamlined and effective standard setting in future, whether setting new standards on public sector specific topics, or maintaining IFRS converged standards.</p>	
035	<p>No, I think that for this moment I agree with the list of potential projects elaborated for IPSASB. I understand that this agenda need to be similar agenda of discussion that will be elaborated for IASB in specific subject.</p> <p>I suggest that for the same projects as for example: Emissions Trading Schemes and Leases, the discussions need to be integrated with International Accountants Standards Board – IASB⁴ and EUROSTAT – European Commission⁵, because the process of review will be occur in time with specific considerations for Public Sector, because this subject is very complex.</p>	No action required.

⁴ <http://www.ifrs.org/Current-Projects/IASB-Projects/IASB-agenda-consultation/Pages/IASB-agenda-consultation.aspx>

⁵ http://epp.eurostat.ec.europa.eu/portal/page/portal/public_consultations/consultations

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
038	<p>In our view, there is no need to add to the list of potential projects mentioned in the Consultation.</p> <p>After a very busy period of standard setting activity over the last few years, including the finalisation of the core set of IPSAS and the convergence programme with IFRS, we believe that the Board should focus on the needs of current and short to medium term adopters of IPSAS. An appropriate balance would need to be drawn between a continuous update of the standards and having a stable platform of standards to implement.</p> <p>Therefore, we would recommend further prioritization of the projects. This should be based on the projects' importance in responding to the needs for strengthening IPSASs to become a stabilized referential point for public sector accounting.</p> <p>This is also to say for practical reasons. We are conscious that the Board must work within the constraints of available resources and Board time limiting its capacity for dealing with multiple developments simultaneously.</p> <p>Convergence with IFRSs</p> <p>The financial reporting standards in both public and private sectors have been under very active development in recent years. The IASB is in the process of completing a number of major projects, many of which have some links to IPSAS, and would therefore fall to be considered for consequential update to IPSAS through the Rules of the Road process. In some other cases, where there is no IPSAS developed, it may also be worth considering whether it would be helpful to develop new IFRS based standard.</p> <p>Given this, in our view it is important for the Board to finalise the conceptual framework in a timely manner. This would provide a basis for streamlined and effective standard setting in the future, whether setting new standards on public sector specific issues, or maintaining IFRS</p>	No action required.

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q1: Additional potential projects		
	<p>converged standards. While considering changes to the standards from public sector perspectives, it would be also worthwhile to ensure convergence with IFRS as much as possible, rather than divergence.</p>	

Question 2:

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

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

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
001	<p>We would like to see the Social Benefits project added to the 2013-14 work program. We think the various social security schemes should be recognized as a liability especially as it impacts the long-term sustainability of any country.</p> <p>Review of Cash Basis IPSAS—To the best of our knowledge, all of the developing countries and some countries in transition (as well as some of the more industrialized countries) follow cash reporting practices. This is primarily due to the cash budgeting systems in place. Many are trying to implement Part 1 (required) of the Cash Basis IPSAS but have difficulty with the consolidation provision. It is our belief that this IPSAS should include a section to require the controlling entity to break their controlled entities into the following categories: budgetary entities, GBEs, and all other entities. The preparation of a consolidated whole of government report should be included in Part 2 (optional). This change would simplify the process and help many countries move toward compliance of the Cash Basis IPSAS for cash reporting (especially if this change was undertaken with others to simplify the mandatory requirements of this standard and ensure that it better reflects existing good practice). Once they are in compliance with this revised Part 1, they can then work on the optional provisions in Part 2. After they have implemented these optional provisions, they are then in a position to implement the accrual IPSASs. It is our belief that this review should be of the highest priority for the future work program to first ensure that cash is properly reported before the IPSASB exerts much more effort</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>Note Agenda Item 6 for this meeting which will consider the Cash Basis Review.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>on improving the accrual IPSAS for the relative few countries that are in a position to implement the accrual IPSAS.</p> <p>Revision of IPSASs 6-8—As we mentioned earlier, we think there should be a section in Part 1 of the Cash Basis IPSAS to require categorization of public sector entities and the present requirement for a consolidated whole of government report should be moved to Part 2 and made optional. In addition, IPSAS 6 should clarify the classification of quasi-government entities (i.e. central banks, etc.) to ensure that these are handled consistently throughout the world.</p> <p>Reporting on the Long-Term Sustainability of Public Finances—We agree that this area should be of high priority for the IPSASB. However, it should be expanded to include some provisions in the Cash Basis IPSAS on how to achieve long-term sustainability for those countries that are not in a position to implement the accrual IPSAS. This could be achieved by reflecting the debt to GDP ratio as a footnote in the Statement of Cash Receipts and Cash Payments. In addition, each public sector entity should be encouraged to include a Medium Term Fiscal Framework (3-5 years).</p> <p>Social Benefits—We know this is a controversial area but we think it is an important issue that the IPSASB should address as soon as they can get it back on their work program. The issue applies to both the Cash Basis IPSAS (optional) and the accrual IPSASs (required). As a minimum, financial reporting of social security schemes in the financial statements is extremely important since many countries provide benefits whenever their constituents reach retirement age (or otherwise qualify to draw government benefits). When we reach age 65, many of us become eligible for social security and will draw on those benefits until we die. We believe that sounds like a liability (just like any other pension plan) and should be reflected in the financial statements. Even though it is controversial, we believe the IPSASB should include it in their work program during the next two years. Again, we do not think that we can keep kicking this can down the road and hope that our children/grandchildren will be able to pay for our wellbeing</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>during our retirement years.</p> <p>Public Sector Conceptual Framework—We also agree that this should be a high priority. Care must be taken to ensure that the conceptual framework is broad enough to provide an interim framework for those countries that are only able to implement cash reporting under the Cash Basis IPSAS.</p> <p>Financial Statement Discussion and Analysis—This also should be a high priority since many decision-makers in the public sector do not have the financial background to fully utilize the information contained in required financial statements. Thus, a plain language narrative (with charts) is necessary to assist them in this regard.</p> <p>IPSASs and Government Finance Statistics Reporting Guidelines—It is our understanding that a future GFSM will include a suggested Chart of Accounts. If so, it needs to be closely coordinated with the IPSASB to ensure that the Chart of Accounts is sufficient to meet the needs of an accrual accounting system. The present GFSM does not do this since it was only anticipated that the GFSM be a statistical reporting system that extracts the necessary data from the accounting system and is then reported to the IMF for their analytical purposes.</p> <p>Report Service Performance—Service performance data is most beneficial in an accrual system since full costs are necessary for comparability purposes. But we need to get cash reporting fully implemented throughout the world (to the maximum extent possible) before we worry about service performance.</p> <p>First Time Adoption of Accrual IPSASs—This is not a high priority since IFRS 1 addresses this adequately at the present time. It can be more fully addressed at a later date.</p> <p>Government Business Enterprises—We also do not consider this a high priority since the</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>existing IAS/IFRS adequately address these issues at the present time. It can be more fully addressed at a later date.</p> <p>Improvements (biennial)—Agree with this biennial review but would not divert resources away from the first seven priorities identified above.</p> <p>Public Sector Financial Instruments—Not a high priority for most countries around the world since they do not have sophisticated financial instruments.</p> <p>Public Sector Combinations—Not a high priority from our perspective.</p> <p>Amendments to IPSASs 28-30—Not a high priority from our perspective.</p>	
002	<p>The SRS-CSPCP prioritized 5 projects, but then agreed on a list of 3. The reasons are in part already included in the responses to Question 1.</p> <p>Presentation of Financial Statements (Update of IPSAS 1 – underlying standards IAS 1)</p> <p>The presentation of financial statements is very important and has the highest priority for understanding and interpreting the financial position of a public authority. A uniform and consistent presentation of the financial statements and also of the national debt is of fundamental importance for all involved (stakeholders).</p> <p>Improvements to IPSAS 23 – Non-Exchange Revenues</p> <p>As already mentioned in response to Question 1, investment grants should be considered not only from the recipient, but also from the paying side. A symmetric recording method for donor</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	"Harmonised Accounting Model for the cantons and municipalities".	
003	The IPSASB is using its best endeavours in supporting and promoting the IPSAS standards. However, taking into account the limited (financial) resources of the IPSASB, IBR-IRE advises the IPSASB not to overload the planning for 2013-2014.	See Agenda Paper 9.1 for analysis of projects to be prioritized.
004	We strongly favour the prioritization of the four public sector specific projects "(social benefits", "improvements to IPSAS 23", "heritage assets" and "sovereign powers and their impact on financial reporting").	See Agenda Paper 9.1 for analysis of projects to be prioritized.
005	<p>In relation to the items on the additional potential projects list, we consider that IPSASB should accord a high priority to considering the appropriateness for the public sector of the current projects on leases and revenue recognition that are being undertaken by the IASB. Both of these projects address transactions that are commonly found in the public sector and, in our view, should, in general, be sector-neutral.</p> <p>Given that there are a limited number of projects that could be added to the IPSASB work program for 2013-2014, we recommend that in addition to leases and revenue recognition, the IPSASB should pursue a project addressing emissions trading schemes. Their use is increasing globally, and appropriate accounting by both operators of these schemes and emitters subject to the schemes is becoming increasingly urgent. We understand that there is diversity in practice with divergent treatments by entities of seemingly similar schemes. Additionally, accounting for emissions trading schemes will become increasingly important for</p>	See Agenda Paper 9.1 for analysis of projects to be prioritized.

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	many governments.	
006	<p>We believe that the list of additional potential projects is sound. Should the IPSASB wish to add additional projects to its agenda, priority should be given to the projects on Social Benefits, Presentation of Financial Statements and Insurance Contracts, in this order.</p> <p>Social Benefits - The future costs of the promises made by a government to its citizens is often the single largest obligation facing a sovereign entity. It is often the potential for changes to these social benefits which cause the largest concerns among citizens and stress on a country's finances. In order for citizens and government decision makers to deal with these issues, clear and objective financial information is needed. Nations need to understand the obligations it has incurred and the costs associated with these future obligations. Therefore we believe that this project should be added to the IPSASB's agenda.</p> <p>Presentation of Financial Statements – As stated in our general comments, we concur with the IPSASB's assessment that the Conceptual Framework project is the highest priority project on the 2013-2014 agenda. The completion of this project will impact the standard setting process in many areas. Likewise, we believe that improving guidance on the organization and presentation of information in financial statements has a far reaching impact. The value of information can be diminished if it is not conveyed in the most effective manner.</p> <p>Insurance Contracts – Governments often write substantial amounts of insurance and even more financial guarantees. The current IPSASB insurance standard is IFRS 4, which IPSASB notes was a temporary standard allowing preparers to use their existing, piecemeal practices until the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) finish their own comprehensive insurance projects. As the FASB and the IASB are nearing completion, it is logical that the IPSASB address this issue and provide clarity. Insurance accounting is in a state of flux and needs to be standardized, considering latest</p>	See Agenda Paper 9.1 for analysis of projects to be prioritized.

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	recognition and measurement approaches for liabilities.	
007	To this end, we consider that additional projects should be undertaken during the next two years if they do not impede the progress of the Public sector Conceptual Framework project.	See Agenda Paper 9.1 for analysis of projects to be prioritized.
008	<p>There is a likelihood that the work to complete the Conceptual Framework in 2013 and early 2014 may be more onerous than expected, which could lead to a delayed finalisation of the Conceptual Framework, currently foreseen for March 2014. We therefore think that it might be advisable to not start any new projects in 2013 and rather use resources from other completed projects⁶ to support the Conceptual Framework project.</p> <p>As already stated above, the Conceptual Framework should serve as a basis for the development of future IPSASs. We therefore believe that no new project, except small less resource intensive projects that are based on existing IFRS, should be started before the Conceptual Framework project is finished. Given the relatively long list of current projects, we believe that there are enough projects in the work program until mid-2014 to work on.</p>	See Agenda Paper 9.1 for analysis of projects to be prioritized.
009	<p>For the coming years we would also like to express support for a project concerning <i>Presentation of Financial Statements</i>. Such a project may have a substantial impact on the readability of the financial statements and should in the long run save time and money for users and auditors.</p> <p>Many public sector entities are small or medium size. A further focus on <i>Small and Medium</i></p>	See Agenda Paper 9.1 for analysis of projects to be prioritized.

⁶ I.e. Financial Statement Discussion and Analysis, Reporting on the Long-term Sustainability of Public Finances, Improvements.

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	<p><i>Enterprises</i> (SMEs) may serve the purpose of clarifying how the IPSAS can be applied proportionally on smaller entities, a matter that we have touched upon above.</p>	
010	<p>(a) <i>Borrowing Costs</i> (Update of IPSAS 5 - underlying standard IAS 23) –</p> <p>When we initially issued our equivalent Standard locally, we followed the revised IAS 23 on <i>Borrowing Costs</i> which requires the capitalisation of borrowing costs. We followed IAS 23 rather than IPSAS 5 as the IAS established “newer” thinking on the topic. Following the adoption and application of our equivalent Standard, a number of our constituents indicated that they do not support the capitalisation of borrowing costs both for conceptual and practical reasons. Conceptually, some were of the view that the cost of assets is skewed depending on how they were acquired. Practically, many constituents indicated that it is often difficult to attribute borrowings to specific assets as the entity may borrow centrally to fund an overall shortfall rather than to fund specific assets. The attribution of borrowing costs in these instances is often theoretical and subjective.</p> <p>These comments have led the Board to reconsider its approach to borrowing costs. At present, an exposure draft of proposed changes to the local equivalent has been issued. These proposed changes essentially require the expensing of borrowing costs, which would bring the local equivalent in closer alignment to the requirements of IPSAS 5. The ASB Board is of the view that while capitalisation may be feasible in certain instances, it wanted to limited the accounting policy choices available to entities in order to achieve comparability.</p> <p>While we are of the view that this project is important, from our experience, the current guidance is appropriate and we would therefore not give this project a high priority as there are other, more urgent issues to address. This project is also likely to have linkages with</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p>

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	<p>Phase 3 of the Conceptual Framework.</p> <p>(b) <i>Emissions Trading Scheme</i></p> <p>There are no, or a very limited occurrence, of emissions trading schemes in South Africa. Consequently, this is not a high priority from a jurisdictional perspective. We are however aware of the significance of these schemes in other jurisdictions. If the IPSASB chooses to pursue this project, we would strongly encourage the Board to work with the IASB in developing guidance on this issue. This would not only maximise the amount of resources used to develop the guidance, but would also ensure that symmetry is achieved between the accounting requirements of the issuer and the holder of these instruments.</p> <p>(c) <i>Extractive Industries</i> (IFRS 6 interim standard but no comparable IPSAS)</p> <p>Similar to emissions trading schemes, the South African public sector undertakes a limited amount of mining or extractive activities. As a result, this project is not seen as a priority. Through consultation with AFROSAI-E (African Organisation of English speaking Supreme Audit Institutions), it was noted that the revenue arising from mining and extractive industries is an area of concern in a number of African countries. This may be an area in which further work could be undertaken by the IPSASB in future.</p> <p>(d) <i>Heritage Assets</i> (Public sector specific)</p> <p>The ASB has issued a local Standard on <i>Heritage Assets</i> which requires the recognition of heritage assets where they can be measured reliably. As heritage assets could be significant in a number of jurisdictions (including other African countries), we support adding this project to the IPSASB's work programme. It is possible that the information needs of users are currently being met through other reports (such as stewardship reports).</p>	

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	<p>As a result, we are of the view that other projects should take priority.</p> <p>(e) <i>Improvements to IPSAS 23 – Revenue From Non-exchange Transactions (Taxes and Transfers)</i></p> <p>Our constituents have recently adopted the local equivalent of IPSAS 23. In applying this Standard, a number of issues have been identified:</p> <ul style="list-style-type: none"> • We have a number of arrangements in place where entities provide services to other entities which currently do not meet the strict description of “services in-kind” in IPSAS 23. IPSAS 23 describes services in-kind as those services provided by an individual. In many instances, entities make assets available to other entities to use in their operations, most often, land and buildings. In these instances, because the entity only has a right to use an asset and not the underlying asset, these transactions do not qualify as “goods in-kind”, but, the transaction is also not consistent with the description of “services in-kind”. The use of other entities’ assets at no charge is an area that we believe should be considered in the revision to IPSAS 23. • In addition to these arrangements, entities may also agree to pay or share the salary costs of employees and other operational costs. For individual entities, this could represent a significant amount of their expenditure. As IPSAS 23 currently does not require the recognition of elements related to the receipt of services in-kind, fair presentation may not be achieved in many instances. Although IPSAS 23 does indicate that if these services critical to an entity’s operation then recognition should be considered, this is not considered strong enough. As a result, we would also urge the IPSASB to reconsider the current requirements of IPSAS 23 in this regard. • As transfers which are not subject to conditions are recognised as revenue in the year that they accrue, it is possible that an entity may have a large surplus in a year, and a 	

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	<p>large deficit in another when the related expenditure is incurred. While we agree that this reflects the events that occurred in the relevant periods, entities have indicated to us that users misinterpret or do not fully understand what this surplus or deficit means and why it could vary from one year to the next. We are of the view that the disclosure requirements, both in IPSAS 23 and IPSAS 1, could be enhanced to make this clearer to users.</p> <p>Apart from these issues, there is a potential opportunity to align the accounting principles for exchange and non-exchange revenue, depending on the direction taken by the IASB on its revenue project. Any revisions to IPSAS 23 may also be dependent on the outcome of Phase 2 of the Conceptual Framework project, particularly in relation to deferred inflows and outflows.</p> <p>It is clear that there are probably two aspects of this project: (i) address more immediate application issues, and (ii) address longer term conceptual issues. It is possible that these two phases could be undertaken independently.</p> <p>Given the significance of non-exchange revenue transactions, we would see this as a priority project.</p> <p>(f) <i>Insurance Contracts</i> (IFRS 4 interim standard but no comparable IPSAS)</p> <p>There are a number of schemes in the South African public sector which are similar to insurance schemes operated in the private sector. One of the key differences between the public and private sector schemes is the absence of a contractual arrangement between the parties, as well as the fact that some participants in these schemes do not pay any contributions. These peculiarities have made accounting for these schemes challenging.</p> <p>While this project is important from a South African perspective, we are of the view that this</p>	

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	<p>project should only be progressed by the IPSASB once the IASB has finalised its insurance project. As a result, we would urge the IPSASB to retain this project on its future agenda, but to postpone any work until the IASB has completed its project.</p> <p>(g) <i>Leases</i></p> <p>The application of lease accounting in the public sector is always contentious and subject to a high degree of judgement, particularly the assessment of whether an arrangement is a finance or an operating lease. It is therefore important that a less subjective method of accounting be identified. We are however of the view that leases are “sector neutral” and as a result, the accounting requirements applied in the public and private sectors should be the same. As a result, we would not undertake any work on this project until the IASB has completed its project on leases and the accounting requirements stabilised. It has taken a significant amount of time for the IASB to develop this Standard with a number of delays experienced during its development. For this reason, it may be more appropriate to identify other projects that can be progressed that are not dependent on the actions of external parties.</p> <p>(h) <i>Non-current Assets Held for Sale and Discontinued Operations</i> (IFRS 5 but no comparable IPSAS)</p> <p>The ASB issued a local equivalent of IFRS 5 in 2005. Recent feedback from our constituents has indicated a number of issues with the requirements of this Standard, in particular that:</p> <ul style="list-style-type: none"> • The requirements to complete the sale of the asset in one year are not feasible in the public sector because of the regulatory environment. Evidence locally suggested, in some instances, completion of the sale in 3-5 years (especially for significant assets such as property). The time taken to complete the sale means that separate classification and presentation on the statement of financial position as “held for sale” 	

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	<p>can be misleading.</p> <ul style="list-style-type: none"> • The requirements of IFRS 5 only apply to sales “at fair value”. The occurrence of these transactions in the public sector is often limited. Transfers of assets or disposal groups in non-exchange transactions are more likely. • The requirements of IFRS 5 are only applied once an entity has a highly committed plan to sell an asset. This provides limited information to users of the financial statements for accountability and decision-making purposes. To be of value for accountability and decision-making, users of the financial statements should be aware of any intention of management to dispose of certain assets (for example, these assets may be of importance to a community and may provoke reaction from the affected community about the intended disposal). Information should therefore be provided much earlier than what is currently required by IFRS 5. • The requirements to disclose discontinued operations are often ignored if the “held for sale” requirements are not met. <p>Based on the feedback received, the ASB Board is revisiting the requirements of the local equivalent of IFRS 5 and has proposed to withdraw the “held for sale” requirements and replace these with disclosure requirements about the intention to dispose of any assets, as well as the timing and circumstances thereof. The requirements of IFRS 5 regarding the disclosure of discontinued operations will however be retained.</p> <p>Based on our local experience, we would therefore not support the development of an equivalent of IFRS 5, particularly in relation to the measurement and presentation requirements for non-current assets held for sale. We would however strongly urge the IPSASB to consider whether the disclosures in the existing IPSASs provide sufficient, relevant information to users about the intended disposal of assets. We would also urge the</p>	

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	<p>IPSASB to consider developing presentation and disclosure requirements for discontinued operations, particularly in the light of the project on public sector combinations.</p> <p>(i) <i>Presentation of Financial Statements</i> (Update of IPSAS 1 - underlying standard IAS 1)</p> <p>Many of the amendments that will be required to IPSAS 1 to align it with IAS 1 relate to the notion of comprehensive income and other issues which have limited relevance to the public sector. It would be more useful and resource efficient to wait until the Conceptual Framework project has been completed so that IPSAS 1 can be revised to reflect public sector specific issues related to the presentation of financial statements.</p> <p>(j) <i>Related Party Transactions</i> (Update of IPSAS 20, underlying standard IAS 24)</p> <p>Our equivalent Standard on related party transaction and disclosures has been updated to reflect recent amendments to IAS 24 to the extent that they are public sector specific. While it is important to consider these amendments and the impact on IPSAS 20, we would not place a high priority on this project.</p> <p>(k) <i>Revenue Recognition</i></p> <p>Similar to the lease project, we are of the view that exchange revenue transactions are “sector neutral” and as a result, the accounting requirements applied in the public and private sectors should be the same. As a result, we would not undertake any work on this project until the IASB has completed its project on revenue and the accounting requirements stabilised. It has taken a significant amount of time for the IASB to develop this Standard with a number of delays experienced during its development. For this reason, it may be more appropriate to identify other projects that can be progressed that are not dependent on the actions of external parties.</p>	

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	<p>Based on our responses above, we are of the view that the IPSASB should prioritise the following projects:</p> <p>(a) Amendments to IPSAS 23 <i>Revenue from Non-exchange Transactions (Taxes and Transfers)</i>.</p> <p>(b) Social Benefits.</p> <p>(c) Sovereign Powers and their Impact on Financial Reporting.</p>	
011	<p>In considering what we believe are the three most important projects from those outlined in Appendix C, we have selected:</p> <p>Social benefits</p> <p>As this consultation paper rightly sets out, accounting for social benefits has been a thorny issue for at least a decade and there have been many failed attempts to arrive at a consensus on the accounting treatment. Given accounting for social benefits remains topical and inextricably linked to the long – term sustainability of public finances, we believe that it should be prioritised in the 2013-14 work programme. We recognise the complexities involved, but believe that further delay in addressing the issue will reflect on the credibility of IPSASB and its standards setting ability.</p> <p>Extractive Industries</p> <p>Earlier this year, members of ACCA's Public Sector Global Forum http://www.accaglobal.com/en/research-insights/global-forums/public-sector/members.html identified accounting for natural resources (oil, gas, mining and agriculture) as a significant issue in countries such as Africa, particularly, sub Saharan Africa. Countries which have extractive</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p>

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	<p>industries such as oil, forestry, mining account for a significant share of exports and rising commodity prices have boosted economic growth and exports in these countries. They generally feel the strain because of their vulnerability to volatile commodity markets and exchange rates, as well as problems in tax and regulatory frameworks. They are also industries which generally make a small contribution to budget revenue despite significant outflows. We recognise that this is an area that will require substantial research, but believe that the development of a comprehensive accounting standard should be prioritised.</p> <p>Heritage Assets</p> <p>No matter whether it is a developed or developing country questions always arise about the accounting treatment and disclosure of heritage assets. Whilst we agreed with IPSASB's logic of deferring the project until the completion of the public sector project, we now are of the view that the conceptual framework is sufficiently advanced to allow consideration of issues, such as heritage assets.</p>	
012	<p>Under this strategy the following projects should get high priority in 2013/14:</p> <ul style="list-style-type: none"> • Financial Instruments (IPSAS 28-30 updated from IFRS 9) – we note this is already a committed project, • Leases (IPSAS 13 Update from IFRS expected Q1 2013), and • Revenue (IPSAS 9 update from IFRS expected Q2 2013) 	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>FI is already a committed project. Leases and revenues considered in analysis.</p>
013	<p>To answer more specifically to the questions that are to identify the subjects the IPSAS Board should prioritize for 2013-2014, the CNOCP considers the following two topics as a priority</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p>

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	<p>because they are conceptual framework themes:</p> <ul style="list-style-type: none"> • Social Benefits ; • Sovereign Powers and their Impact on Financial reporting. <p>The third project may be Heritage Assets, this public sector feature finding no appropriate response from existing standards.</p>	
014	<p>From the list of potential projects identified, Eurostat would identify the following as being of significant interest:</p> <ul style="list-style-type: none"> • <u>Social Benefits</u> – this issue has been on the agenda for some time, and it is important – given the size of social benefit programmes in Europe - that the IPSAS Board brings it to a close, one way or another, notably with respect to the central question of what liabilities (if any) should be recorded for future social benefit payments. • <u>Emissions Trading Permits</u> – given that the European Union has the largest emission trading system in the world, the amounts potentially at stake are very large and clear harmonised standards are needed. It may be noted that the statistical community has just completed its conceptual work on this issue, and the EU is now implementing this approach in its government finance statistics. • <u>Sovereign powers and their impact on financial reporting</u> – even if the central question of tax-raising powers has been discussed several times, the experience of statisticians is that the recording of government licences and concessions is rather complex, and that there is a growing use of these types of instruments as revenue sources by EU governments. 	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>First three projects included in analysis. The remaining two have not been included in the total numbers since they were not ranked as high priority.</p>

R#	RESPONDENT COMMENTS			STAFF COMMENTS																														
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	<p>We would make comments on two other potential projects:</p> <ul style="list-style-type: none"> • <u>Small and Medium sized enterprises</u> – adoption of accrual-based accounting is particularly challenging for small government bodies and, even with the concept of materiality, there are strong cost/benefit considerations to take into account. We wonder if there is a way of sharing practical experience from jurisdictions adopting IPSASs at this stage (perhaps in "Study 14" or elsewhere), in advance of a possible project leading to an IPSAS later? • <u>Heritage assets</u> – we are aware that this is a very challenging subject, especially for first time adopters, and that the IPSAS Board has faced difficulties to progress this in the past. We have doubts that taking forward the project to find a potentially complex (and controversial) solution would represent a good use of the IPSAS Board's limited resources at this stage. 																																	
015		<table border="1"> <thead> <tr> <th>Project Description</th> <th>Rank</th> <th>Priority</th> </tr> </thead> <tbody> <tr> <td>Borrowing costs</td> <td></td> <td>L</td> </tr> <tr> <td>Emissions trading schemes</td> <td>3</td> <td>H</td> </tr> <tr> <td>Extractive Industries</td> <td></td> <td>L</td> </tr> <tr> <td>Fair value measurement</td> <td></td> <td>M</td> </tr> <tr> <td>Heritage assets</td> <td></td> <td>L</td> </tr> <tr> <td>Improvements to IPSAS 23 – non-exchange revenues</td> <td></td> <td>M</td> </tr> <tr> <td>Insurance contracts</td> <td></td> <td>L</td> </tr> <tr> <td>Leases</td> <td>2</td> <td>H</td> </tr> <tr> <td>Non-current assets held for sale and</td> <td></td> <td>L</td> </tr> </tbody> </table>	Project Description	Rank	Priority	Borrowing costs		L	Emissions trading schemes	3	H	Extractive Industries		L	Fair value measurement		M	Heritage assets		L	Improvements to IPSAS 23 – non-exchange revenues		M	Insurance contracts		L	Leases	2	H	Non-current assets held for sale and		L		See Agenda Paper 9.1 for analysis of projects to be prioritized.
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H=high priority; M=medium priority and L=low priority																												
016	<p>a) Related party transactions (Update of IPSAS 20, underlying standard IAS 24). In countries where government individuals are involved in the governance of entities and government interaction with government and non-government entities is pervasive the identification and reporting of government related party transactions are matters of continuous discussion amongst the accounting profession. IPSAS 20 currently contains some useful exemptions for government related entities however we think that the exemptions could be broader and wider. When pervasive interaction with government is well known we consider that disclosure of government related party transactions should be limited only to those that are of such significance that non-disclosure of the transactions distorts the ‘true and fair view’ of the financial statements.</p> <p>b) Borrowing Costs (Update of IPSAS 5 - underlying standard IAS 23). All governments borrow to finance investment in assets and some governments also borrow to cover</p>			See Agenda Paper 9.1 for analysis of projects to be prioritized.																								

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	<p>operating expenditure deficits. Clearly borrowing to finance operating expenditure deficits should be expensed, however borrowing costs incurred in financing investment in assets is simply another cost of that asset. The current accounting standard and the treatment proposed in the exposure draft can potentially be circumvented by arranging contracts such that the finance cost is not deemed to fall on the government. In principle we see no reason for a distinction between cash generating and non cash generating assets for capitalizing or not capitalizing interest costs. Whether an asset is used for producing economic returns, or for social provision we do not consider a reason for capitalizing different amounts of cost.</p> <p>c) Leases. In our experience government entities have capital budgets and operating budgets. Funding for financed leased assets is from capital budgets and funding for operating leased assets is from operating leased budgets. The IASB's current leasing standard is widely acknowledged to be open to interpretation. The Chair of the IASB's quote that one day he would like to fly in an airplane that is actually on an airplane company's balance sheet is well known. GBEs use IFRSs and therefore will apply the new leasing standard (when it appears) therefore we agree that the IPSAS should keep pace with the introduction of a replacement for the current leasing standard.</p>	
017	<p>As noted in the general comments, HoTARAC believes the prioritisation of projects should be dictated by the IPSASB's strategic priorities. However, based on HoTARAC's recommended strategic approach for the IPSASB, HoTARAC is of the view that the following projects are most important and should take priority:</p> <p>a) <i>Public Sector Conceptual Framework.</i> As noted above, HoTARAC considers the finalisation of the IPSASB's conceptual framework a key strategic priority for the IPSASB.</p> <p>b) Ongoing convergence with IFRS to remain a key strategic priority of IPSASB. For example,</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>Items a through c already committed on the current work program. Only Emissions Trading Schemes included in total numbers of analysis on 9.1.</p>

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	<p>IFRS's control and fair value concepts are likely to create issues for the public sector. The recently issued IPSASB CP <i>Public Sector Combinations</i> touched on both of these concepts.</p> <p>c) A majority of HoTARAC would also recommend the <i>IPSASs and Government Finance Statistics Reporting Guidelines</i> project be a priority. The majority believes that continuing work toward the alignment of statistical and financial reporting frameworks will assist promoting IPSASs as an appropriate public sector framework. A minority of HoTARAC does not support convergence of IPSASs between Government Finance Statistics being prioritised and consider this inconsistent with the goal of converging with IFRS</p> <p>In the instance that additional capacity is available, HoTARAC recommends the <i>Emissions Trading Schemes</i> project be given priority. Governments are developing and implementing schemes to price carbon. There is an urgent requirement to develop guidance in this area to prevent divergent accounting practices emerging.</p>	
019	<p>Heritage Assets (public sector specific) - This has been an issue under study by the IPSASB for several years. We consider the same should be changed to <u>priority</u>.</p> <p>This is one of the most requested issues by the Public Sector authorities. We think there has been great progress with the regulations of IPSAS 31 "Intangible Assets", being it mandatory to disclose them in the Notes, if they cannot be reliably measured.</p> <p>This should be the concept applied to the standard on Heritage Assets, but we insist on the fact that its treatment should be priority, as it is of material importance for the Public Sector.</p> <p>Small and Medium Enterprises (SMEs) - Within IPSASs, IPSAS 22 clearly defines Sectors. Even if said standard is optional, it groups the information according to GGS, and clearly defines the</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>First three projects (heritage assets, SMEs and social benefits) included in total numbers on analysis in 9.1.</p>

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	<p>“governmental entities” within the GGS.</p> <p>Under said concept, it can be given <u>priority</u> and not be delayed until the Conceptual Framework for the Public Sector has been completed.</p> <p>For the countries implementing IPSASs, it is a problem to implement IPSASs for “small and medium governmental entities” (it is suggested to replace the word Enterprises). Especially, small and medium municipalities (local governments), which have very limited accounting movements (small revenue, transfers received from central government and minimum municipal expenses) and not very complex transactions. They also have little technical background and equipment, which limit the integral application of IPSAS in very little municipalities.</p> <p>Thus, small and medium municipalities need a simplified framework adapted to the simplicity of their transactions as well as said limitations and weaknesses.</p> <p>Social Benefits - This has been an issue under study by the IPSASB for several years. We consider the same should be changed to <u>priority</u>.</p> <p>This is one of the mostly needed standards of the Public Sector, not only due to its specificity but also for its high incidence on the total budget of the Government.</p> <p>Sovereign Powers and their impact on Financial Reporting - <u>Eliminate</u> the issue from potential projects</p> <p>Taken as an isolated accounting concept from the reality where it is to be applied, it could be considered an intangible asset. But the real thing is this asset is peculiar for its measurement in the Public Sector, as it:</p> <ul style="list-style-type: none"> • Is not very reliable and 	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<ul style="list-style-type: none"> • Can be used politically. <p>If to be considered in a future IPSAS, this will imply to give governments a tool to be used politically to adjust results to unrealistic positions.</p> <p>Prudence is suggested in said application as the future standard can become a boomerang against accountability and we would be dealing with a political aspect which we are not concerned with.</p> <p>Revenue recognition - Exchange revenue with tax nominations</p> <p>The Public Sector has a lot of Special Fees and Contributions which in most cases can be treated as non Exchange revenue (assimilated to Taxes), but in other cases represent sale of services (and sometimes goods).</p> <p>We think it is necessary to enlarge IPSAS 9 to explicitly include these cases which are material for the Public Sector (and are not dealt with in IFRS/IAS. For example, fees for the issuance of driving permits, lighting contributions, fees for vaccination, among others.</p>	
020	<p>We provide below our comments on the projects that should, in our view, be finalised in priority as part of the IPSASB 2013-2014 work program.</p> <p><i>Priority n° 1</i></p> <p>We agree with the IPSASB that developing a conceptual framework that addresses the unique characteristics of public sector entities should be priority number one on the IPSASB's agenda. A sound and robust conceptual framework that clarifies the concepts, definitions and principles that form the basis for the development of the accounting standards is the foundation of any</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>Some of priorities noted are already committed projects.</p> <p>Based on review of comments three projects included in analysis in 9.1. these are heritage assets, sovereign powers and social benefits.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>accounting framework.</p> <p>Primary users of IPSAS financial statements are the citizens and their representatives as well as funding providers. The information needs of these users and hence the objective of the IPSAS financial statements is therefore specific and this specificity should be adequately addressed in the standards. In this regard, we welcome the development of a conceptual framework which will help further achieve this objective. Completing this conceptual framework project will greatly add to the quality of the IPSAS framework and to its recognition by stakeholders around the world.</p> <p><i>Priority n° 2</i></p> <p>Completion of the conceptual framework should be accompanied by a review of existing standards to identify those that conflict with the framework and need to be amended, and prioritising the amendments to be made.</p> <p>It should also be accompanied by an increased focus on some of the projects which are directly impacted by the principles defined in the framework and that have a potential significant impact on the IPSAS financial statements.</p> <p>The first area of focus is consolidation. Clear rules and principles regarding the boundaries of the consolidation scope are important to produce financial statements that can serve the accountability and decision-making objectives of financial statements. The concept of control should be clearly defined taking into account the specific facts and circumstances of the public sector and a link should be made with the definition of a reporting entity addressed in the conceptual framework. From this perspective, revisions to IPSAS 6 'Consolidated and separate financial statements', IPSAS 7 Investments in associates' and IPSAS 8 'Interests in joint ventures' should be finalised according to the initially defined timeline. The development of a standard addressing the issues specific to public sector combinations is also important to provide</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>comprehensive rules and principles on consolidation matters.</p> <p>The second area of focus relates to those other topics that may potentially significantly impact the financial statements of public sector entities reporting under IPSAS. In our view, the most important topics which may concern very large amounts, especially for governments, and are directly impacted by the definitions of assets and liabilities in the conceptual framework, are the following: 'Heritage assets', 'Sovereign powers and their impact on financial reporting' and 'Social benefits'. These topics are identified as additional potential projects in the consultation paper. Because of their potential significance, we believe that these projects should be added to the IPSASB 2013-2014 work program. This is in line with the estimated number of new projects for 2013-2014 mentioned in the consultation paper.</p> <p><i>Priority n° 3</i></p> <p>The IPSASB 2013-2014 work program includes a project on public sector financial instruments. The recent financial crisis has led many governments to intervene in various ways, including by investing in financial institutions that needed capital injection or by purchasing so-called "toxic" financial assets. Governments at all levels often incur large amounts of borrowings to fund their activities, including their social programs or the construction of infrastructure assets. Public sector entities can also provide financial guarantees to banks and other fund providers, putting them at risk if the debtor defaults. With the recent financial crisis, financial guarantees have been provided by governments in many countries. This context increases the relevance of the IPSASB project. We recommend that this be conducted in coordination with the projects amending IPSAS 28 'Financial instruments: presentation', IPSAS 29 'Financial instruments: recognition and measurement' and IPSAS 30 'Financial instruments: disclosures', as well as with the project on 'Fair value measurement', the latter not being part of the IPSAS current work program for 2013-2014.</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p><i>Priority n°4</i></p> <p>Another high priority project is the project on ‘IPSASs and government finance statistics reporting guidelines’. Many governments use the statistical basis of reporting to provide information which is suitable for analyzing and evaluating fiscal policy options and outcomes and to make national and international comparisons. Accounting and statistical reports provide complementary financial information that enables users to evaluate the performance of government and the economy as a whole. Accounting and statistical standards are both primarily accrual-based and are used to record the same transactions and events, although important differences arise due to differences in their underlying reporting objectives.</p> <p>Highlighting the similarities and differences between IPSASs and the rules included in the government finance statistics manual 2008 (GFSM 2008), and working on a further alignment of the two sets of rules will facilitate understanding of IPSAS by a wider range of potential users and hence its adoption by governments around the world.</p> <p>In this respect, we welcome the issuance by the IPSASB of its consultation paper on IPSASs and government finance statistics reporting guidelines.</p> <p><i>Priority n° 5</i></p> <p>Other projects that we consider critical are those projects that address issues specific to the public sector. These include projects that provide information that is complementary to the information included in the IPSAS financial statements and related notes. These are the projects on:</p> <p>‘Reporting service performance’ which will provide financial and non-financial information about the achievement of the entity’s service delivery objectives during the reporting period;</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>'Reporting on the long-term sustainability of public finances' which will give prospective financial and non-financial information about its future service delivery activities, objectives and resource needs;</p> <p>'Financial statement discussion and analysis', which will develop mandatory guidance on narrative information that accompanies financial statements.</p> <p><i>Priority n° 6</i></p> <p>As suggested under question 1, we would add the following two topics to the list of projects: accounting for military weapons and equipment, and treatment of grants or other financial contribution/aid/funding from the perspective of the donor/contributor/lender.</p> <p>Next in terms of priority we would put the other public sector critical projects included by the IPSASB on its current work program, including the projects on 'First-time adoption of accrual IPSASs' and 'Government business enterprises'.</p>	
022	<p>We believe that social benefits project should be the most important for IPSASB. Although social benefits are typical obligations in the public sector and of critical importance, IPSASB has not established any relevant standards. We hope that IPSASB immediately establish those standards.</p> <p>We recognize that IPSASB tried, but could not reach conclusion on this challenging issue. However, we suggest that IPSASB should restart this project, as soon as the conceptual framework clarifies the definitions of the liability in the public sector.</p>	See Agenda Paper 9.1 for analysis of projects to be prioritized.
023	As explained in our general comments, the "Direction générale des finances publiques" considers issues related to public sector characteristics as a priority, mainly when they do not	See Agenda Paper 9.1 for analysis of projects to be

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>have any equivalent in the private sector. That is why the conceptual framework and the update of IPSAS 6 appear to be a priority due to their pivotal role in the setting of new standards.</p> <p>On the 2013-2014 work program, we consider the following subject as priority, with no equivalent in private sector:</p> <ul style="list-style-type: none"> • Social Benefits, • Sovereign powers and their impact on financial reporting, and • Heritage assets. 	<p>prioritized.</p>
024	<p>Of the options that have been put forward, a large number of them appear to be dependent upon the finalisation of the conceptual framework, so unless IPSASB has firmed up agreement on some of the ideas (definitions of assets and liabilities, revenue, etc.) any work on standards ahead of that time risks being nugatory. One option might be to start some preparatory work/data gathering so that the next stage is speeded up.</p> <p>The next logical step would be to work on the Presentation of Financial Statements, because if the objective is to be more transparent and provide comparable and comprehensive information, then our view is that this would be through the Statements. After this, the next obvious stage would be Segmental Reporting.</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>Presentation of Financial Statements included in analysis.</p>
025	<p>The order of priority suggested should be hinged on urgency to address existing and emerging financial reporting issues. We propose that the following projects should be prioritized in the order indicated:</p> <ol style="list-style-type: none"> 1. Public Sector Conceptual Framework. 	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>All projects noted are already committed projects in the work program.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>2. First time Adoption of Accrual IPSASs.</p> <p>3. Public Sector Combinations.</p> <p>4. IPSASs Government Finance Statistics Reporting Guidelines.</p> <p>We are in agreement with priority that the Board has given this project. The conceptual Framework will explore possible course of action and thereby lay basis upon which other standards and guidelines will be issued.</p> <p>First time Adoption of Accrual IPSASs will usher in the entities adopting IPSAS for the first time; it will guide on transition process by prescribing the treatment of opening balances and comparative information.</p> <p>Governments have numerous entities which operate independently: ministries, parastatals and other institutions. Due to the nature of complexities involved would be in preparing consolidated financial statement, there is an urgent need to address the area.</p> <p>IPSASs Government Finance Statistics Reporting Guidelines cuts across the general preparation and presentation of financial statement as opposed to treatment of a specific item in the financial reporting, as such should be prioritised as they provide the basis of reporting in Public sector in broader perspective. It will also enhance understandability and comparability of public sector financial statements, and improvements incorporated in annual improvement projects.</p> <p>We suppose that GBE standard will be out by September 2014 as indicated in the program, in this case, the next guideline that govern the operations of the public sector in our jurisdiction; will be how to account for their revenue, regardless of their objectives. In this case consequently; it will be paramount to have the Revenue recognition standard in the pipeline to provide the guide</p>	<p>Revenue recognition included in analysis in 9.1.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	in good time.	
026	<p>We regard the completion of the conceptual framework as crucial to the future agenda of the IPSASB and we would like to see that work completed in conjunction with the IASB. Once complete, the IPSASB will be better placed to evaluate the need to progress stand-alone projects. Nevertheless, we would like for the IPSASB to work on the alignment of IPSAS with IFRS and Government Finance Statistics (GFS). We consider the requirement for some public sector entities to prepare multiple reports under two different frameworks - the GFS framework and an accrual based financial statement reporting framework not consistent with enhancing the transparency and accountability of those entities. Alignment with the GFS for the purpose of disclosure would be a valuable first step to addressing this problem.</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p>
028	<p>We recommend that the IPSASB should prioritize the following three (3) projects for 2013-2014;</p> <p>1) The completion of Public Sector Conceptual Framework Project.</p> <p>We strongly recommend that completion of the development of the public sector conceptual framework should be the first priority and more resource should be devoted to it. Coming up with the conceptual framework will help the IPSASB in revising and developing IPSASs that are principle-based, internally consistent and internationally accepted. Piecemeal development of the Conceptual Framework would likely to lead to internal inconsistency.</p> <p>Therefore we propose that Conceptual Framework is completed first, because it will have an influence on all other projects.</p> <p>2) Revision of Current IPSASs</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>Priorities 1 and 3 already committed in current work program. Priority 2 is an outcome of the Conceptual Framework project and is necessarily deferred until its completion.</p> <p>No projects included in analysis in 9.1.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>After completion the project on Public Sector Conceptual Framework, we suggest that the IPSASB should revise all existing IPSASs to ensure that they will be in line with the conceptual framework. Revising IPSASs and coming up with high quality standards, would enhance financial reporting in the public sector.</p> <hr/> <p>3) First Time Adoption of Accrual IPSASs</p> <p>We propose that after revising the current IPSASs, the next step should be to develop a standard which would provide guidance for the first-time adoption of accrual IPSASs</p>	
029	<p>The additional projects that in our view should be given priority and included in the 2013-2014 work program are:</p> <ul style="list-style-type: none"> • Social benefits • Improvements to IPSAS 23 <i>Non-Exchange Revenue</i> and revenue recognition • Leases • Emissions trading schemes (ETS) <p>Social benefits</p> <p>We agree that the accounting for social benefits needs to be considered in conjunction with the decisions made on the Elements phase of the Conceptual Framework project. We believe that the Elements phase of the project has reached an advanced stage, and work on social benefits can now be started based on decisions made on the Conceptual Framework thus far.</p> <p>Improvements to IPSAS 23 <i>Non-exchange Revenue</i> and Revenue recognition</p> <p>For the reasons cited in the CP, we believe that the review of IPSAS 23 is a high priority.</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>Clarifications are needed in a number of areas; and consistency in principles for non-exchange transactions across the suite of IPSASs is crucial. We propose that the IPSASB consider the review of IPSAS 23 concurrently with the elements phase of the Conceptual Framework, and issue consequential amendments to IPSAS 23 as a result of decisions taken for the definition of revenue in the Conceptual Framework project.</p> <p>In addition, in order to maintain convergence with IFRSs, the definition of revenue and principles for revenue recognition needs to be considered as the IASB and FASB continue developing new guidance for revenue recognition.</p> <p>Leases</p> <p>As previously mentioned, we believe that it is important for the IPSASs to maintain convergence with IFRS as there's no reason why the same transactions should be treated differently in the public sector from the private sector. Therefore we would place priority on the Leases project.</p> <p>Emissions trading schemes</p> <p>As mentioned in the CP, with the increased use (or planned use) of such schemes by governments to reduce greenhouse gases, this project is likely to have a widespread impact on IPSAS reporters. We believe that this joint project by the IPSASB and IASB, would be beneficial for both IPSAS and IFRS reporters (addressing both grantor and recipient perspectives).</p> <p>As requested, here is our ranking of all projects provided in Appendix C of the consultation paper:</p> <p>Potential Projects High Priority</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<ol style="list-style-type: none"> 1. Social Benefits 2. Improvements to IPSAS 23 <i>Non-Exchange Revenues</i> and Revenue Recognition 3. Leases 4. Emissions Trading Schemes 	
030	<p>The AASB considers that the IPSASB should add the following two new projects to its work program for 2013-2014: Improvements to IPSAS 23 re non-exchange revenues, and Emissions Trading Schemes. These two projects are in urgent need of attention and significant progress could be made in the two-year period. The AASB has not sought to prioritise all of the potential projects, and assumes that all of the projects on the current work program of the IPSASB will be progressed according to the agenda schedule in Appendix B to the CP.</p> <p>The AASB has carried out considerable work this year on developing guidance for not-for-profit entities in relation to the proposals of the International Accounting Standards Board (IASB) concerning revenue recognition generally. That work may assist the IPSASB in developing proposals to update the requirements in IPSAS 23 <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i>.</p> <p>Emissions trading schemes are becoming more prominent around the world, with little consensus on the appropriate accounting. The Emissions Trading Schemes project offers the IPSASB a concrete opportunity to work with the IASB as contemplated in the 2011 Memorandum of Understanding between the International Federation of Accountants (IFAC) and the IASB. It is timely for the IPSASB and the IASB to go beyond liaison and to better integrate their efforts, to avoid building convergence problems for governments that control for-profit activities as well as the fragmentation of the accounting profession across sectoral lines.</p> <p>With the IASB having reactivated its project on the topic, it is important that the IPSASB and the</p>	See Agenda Paper 9.1 for analysis of projects to be prioritized.

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>IASB develop consistent requirements for both grantors and recipients of tradeable emission permits, especially since the IPSASB project description in the CP refers to both grantor and recipient accounting for emission trading schemes.</p>	
031	<p>The conceptual framework is the underpinning of robust accounting standards, and it is logical that work on sound accounting standards begins with such a foundation already in place. A conceptual framework fosters the consistency of design, interpretation and application of accounting standards. In the absence of a conceptual framework, completion of the framework should be the IPSASB's primary focus.</p> <p>Appendix B presented in the consultation paper shows the completion of the conceptual framework project delayed to March 2014, almost a full year longer than IPSASB presented in early 2010. Given the significant influence of the conceptual framework on the improvement and development of robust accounting standards for the public sector, IPSASB should uphold its earlier decision to defer the projects listed in Appendix C and put the full weight of its resources behind completing the conceptual framework. We believe that the deferral of the projects proposed in your consultation paper will improve the likelihood of completing the project by March 2014.</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>No projects included in analysis in 9.1.</p>
032	<p>As outlined above, we consider that the Conceptual Framework is of the highest priority. This will provide a sound basis for the development of new standards and guidance on public sector specific issues, and on the adaptation or co-ordinated development of standards on topics which are relevant to both public sector and for-profit companies.</p> <p>We also consider that would be beneficial to further explore</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>Two projects highlighted were not on the list of potential projects provided in the CP.</p> <p>Both could be considered in the context of the conceptual framework and therefore will be provided</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<ul style="list-style-type: none"> - the role of service potential; and - the concept of public sector liability where this goes beyond for-profit concepts of liability grounded in contractual and legal liability. <p>We appreciate that these matters are included in the discussion of the Conceptual Framework which has already been carried out in various consultation papers and exposure drafts. Nevertheless, we considered that further exploration would be helpful, whether as part of the Conceptual Framework, or in the context of other standards development. We note that there is a Social Benefits project on the list, which will need to be grounded in consideration of the potentially wider compass of liability for non-exchange expenditure.</p>	<p>to staff on that project for consideration.</p> <p>Social benefits included in analysis in 9.1 since it would need to be addressed in broader context.</p>
033	<p>We also consider that a project on Emissions Trading, particularly from the grantor perspective, should be given priority as this is a topical issue and it is not likely that the IASB will address grantor accounting.</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p>
034	<p>We note that work on Social Benefits, Sovereign Powers and their Impact on Financial Reporting, and Improvements to IPSAS 23 related to Non-exchange Revenues has been deferred until the completion of the conceptual framework project in March 2014. While we understand this approach, these projects are particularly important for the public sector, and we suggest that they be given priority immediately after the completion of the conceptual framework project. We would also suggest that the scope of the project on Social Benefits be broadened to include all non-exchange expenses, including grants, subsidies, and other transfers.</p> <p>In addition to the above, we suggest that the IPSASB give consideration to initiating the following projects in 2013:</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>Three projects noted have not been deferred until completion of the conceptual framework in 2014 and therefore are included in analysis in 9.1.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS						
Q 2: 2013-2014 project priorities								
	<ul style="list-style-type: none"> A standard on accounting for mineral resources would facilitate better fiscal reporting by governments that have such resources and enhance the relevance of IPSAS for resource-rich developing countries. As a recent IMF Board paper on Fiscal Transparency, Accountability, and Risk⁷ notes, one of the most valuable assets of many countries is a subsoil mineral resource. Yet very few of these countries report the stock of such assets or their depletion. A set of simplified requirements could be developed by the IPSASB to be applied by smaller governments or other public sector entities. 							
035	<p>I think that the IPSASB should prioritize for 2013-2014 these projects with 3 most important: Leases, Borrowing Costs (Update of IPSAS 5 - underlying standard IAS 23) and Emissions Trading Schemes. These projects are priority of G20⁸ and are very complex, for this I understand that these points are most important projects and attend the considerations of United Nations⁹ about sustainability.</p>	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p>						
036	<table border="1"> <thead> <tr> <th data-bbox="275 943 623 976">Potential Project</th> <th data-bbox="623 943 961 976">Relevance</th> <th data-bbox="961 943 1306 976">Comments</th> </tr> </thead> <tbody> <tr> <td data-bbox="275 976 623 1159">Improvements to IPSAS 23 – Non-Exchange Revenues¹⁰</td> <td data-bbox="623 976 961 1159">High</td> <td data-bbox="961 976 1306 1159">There is clearly a need for greater precision in this standard. The existing standard supports a wide range of interpretations and results in multiple revenue</td> </tr> </tbody> </table>	Potential Project	Relevance	Comments	Improvements to IPSAS 23 – Non-Exchange Revenues ¹⁰	High	There is clearly a need for greater precision in this standard. The existing standard supports a wide range of interpretations and results in multiple revenue	<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>Only those ranked high included in analysis in 9.1.</p>
Potential Project	Relevance	Comments						
Improvements to IPSAS 23 – Non-Exchange Revenues ¹⁰	High	There is clearly a need for greater precision in this standard. The existing standard supports a wide range of interpretations and results in multiple revenue						

⁷ <http://www.imf.org/external/pubs/ft/survey/so/2012/POL110112A.htm>

⁸ <http://www.g20.org/>

⁹ <http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=48>

¹⁰ Please refer to 'Other Suggestions' below for more comments on Improvements to IPSAS 23.

R#	RESPONDENT COMMENTS			STAFF COMMENTS
Q 2: 2013-2014 project priorities				
			recognition approaches used by IPSAS implementers. In addition, further guidance on recognition of multi-year contributions would be most useful.	
	Revenue Recognition (Exchange Transactions)	High	Principal vs. Agent treatment has not been covered completely by the standards to date.	
	Leases	High	It is important to maintain existing classification between financial and operating leases for their recognition, measurement and presentation in the financial statements.	
	Related Party Transactions	Moderate	Full convergence with IFRS would not be appropriate. This standard should maintain and reinforce its focus on specifics of relationships between public sector entities in determining related parties.	
	Segment Reporting	Moderate	Convergence with IFRS would not be appropriate. This standard should address the fundamental differences between private and public sector entities.	
	Presentation of Financial	Low	No comment.	

R#	RESPONDENT COMMENTS			STAFF COMMENTS
Q 2: 2013-2014 project priorities				
	Statements			
	Non-current Assets Held for Sale and Discontinued Operations	Low	No comment.	
	Borrowing Costs	Low	No comment.	
	Heritage Assets	Low	No comment.	
	Insurance Contracts	Not relevant	No comment.	
	Small and Medium Enterprises (SMEs)	Not Relevant	No comment.	
	Social Benefits	Not Relevant	No comment.	
	Sovereign Powers and their Impact on Financial Reporting	Not Relevant	No comment.	
	Emissions Trading Schemes	Not Relevant	No comment.	
	Extractive Industries	Not Relevant	No comment.	
038	<p>Public Sector specific projects</p> <p>In addition to the Conceptual Framework, the Board should also concentrate on finalising standards and guidelines on public sector specific issues that are considered critical to fill the current gaps in IPSASs. Therefore, we recommend focusing on the following projects with high priority:</p> <ul style="list-style-type: none"> (a) Social Benefits (b) Reporting on the Long-Term Sustainability of Public Finances (c) Reporting Service Performance (d) Public Sector Combinations 			<p>See Agenda Paper 9.1 for analysis of projects to be prioritized.</p> <p>Projects b through d are already committed on the current work program. Therefore social benefits and presentation of financial statements included in analysis in 9.1.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>(e) Presentation of Financial Statements</p> <p>Simplification of the standards</p> <p>It would also be worthwhile to dedicating sufficient time on reducing complexity in the standards, for example in case of financial instruments. However, it should be done in a way that would help avoid overloading its agenda but rather through a limited number of projects.</p> <p>The three strategic themes</p> <p>We are generally supportive of the three outlined strategic themes as guiding principles for the activities of the IPSASB over the next two years. These notably include the following themes:</p> <ul style="list-style-type: none"> (a) developing public sector conceptual framework, (b) focusing on public sector critical projects, and (c) enhancing communications and promoting adoption and implementation of IPSASs. <p>Conceptual framework</p> <p>As outlined above, we support the Board's approach to finalise the conceptual framework with the highest priority. This would provide a sound basis for the development of new standards and guidance on public sector specific issues, and for the maintenance of current IPSAS that are based on IFRS. To this end, we believe it would be important for the Board to confer with the IASB to ensure that differences that are not introduced as a result of public sector specific matters are minimized.</p> <p>The body of the standards taken as a whole should be based on a sound Conceptual Framework</p>	<p>To be added to list of potential projects for consultation post 2014 and/or to be considered in the context of any process reviews undertaken.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>to achieve the main objectives of financial reporting in the public sector. It should be flexible enough to meet the developments of different accounting scenarios and equally allows for a consistent approach to address major conceptual issues in individual standards.</p> <p>The Conceptual Framework also helps to resolve cross-cutting issues of a conceptual nature and to reduce the number of inconsistencies in the standards which can lead to diversity in practice.</p> <p>Public sector specific standards</p> <p>In addition to the Conceptual Framework, the Board should concentrate on developing standards and guidelines on public sector specific issues to fill the current gaps in IPSASs and make the standards more adoptable by governments and other public sector related organisations.</p> <p>To this end, in our view, it would be beneficial if the Board would focus on the following public sector specific projects over the next two years:</p> <ul style="list-style-type: none"> (a) Social Benefits (b) Reporting on the Long-Term Sustainability of Public Finances (c) Reporting Service Performance (d) Public Sector Combinations (e) Presentation of Financial Statements <p>These projects, we believe, would help address some of the major concerns that some constituents have expressed regarding the incompleteness of the IPSASs on public sector specific</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	<p>issues.</p> <p>Regarding Social Benefits we are well aware that the Board has been considering this issue but the concrete work on this highly relevant issue was postponed until the Conceptual Framework discussion on the liability in the public sector context has been finished. However we believe that the Board has achieved enough clarity on these basic definitions to start the work on this predominant issue of accounting for Social Benefits in the Public Sector.</p> <p>In relation to the other projects mentioned above, we also recommend the Board to finalise the project on <i>Financial Statement Discussion and Analysis</i> as originally planned due to its well advanced status.</p> <p>Projects related to simplification</p> <p>It would also be worthwhile to dedicating sufficient time on reducing complexity in the standards. It would be particularly relevant to financial instruments related projects, namely including the projects on Public Sector Financial Instruments and Amendments to IPSASs 28-30. These two projects can be potentially combined with the aim to addressing public sector specific aspect of financial instruments as well as simplifying accounting for financial instruments. These projects however should be commenced after the IASB has completed its work on IFRS 9.</p> <p>We also note that the Board has already set up a task base group for a new financial instrument project, which will likely be a substitute for IPSAS 15 and IPSAS 28-30. We support the establishment and the objective of such a group.</p> <p>The projects on Heritage Assets, Non-Exchange Revenues, and Sovereign Powers and their Impact on Financial Reporting could be conceptually addressed as part of work related to the Conceptual Framework. Upon the completion of Conceptual Framework, the status and urgency</p>	

Agenda Item 9.2

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 2: 2013-2014 project priorities		
	of these projects can be reassessed.	

Question 3:

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

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

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 3: Additional comments		
003	IBR-IRE strongly encourages a faster and more widely spread mandatory conversion to IPSAS which is only achievable with enhanced resources for IPSASB.	Enhanced resources to be sought in conjunction with oversight and governance changes.
004	<p>We note that out of 16 projects listed in Appendix C, 12 are linked with the IASB work programme and many of them are justified by the IPSASB strategy to align IPSASs with IFRS. The predominance of “IFRS/IPSAS projects” in the IPSASB work plan is still higher if we consider the current or committed IPSASB projects for which no consultation was issued by the IPSASB.</p> <p>This clearly demonstrates that maintaining the IFRS alignment strategy leads to a growing instability of IPSASs. In our response to Eurostat consultation on the suitability of IPSASs to the EU Member States, we emphasized that the IPSASs were not finalised and could not be finalised in the near future, due to the IFRS convergence policy, which obliges the IPSASB to frequently update and revise IPSAS, in a perpetual motion. For instance, as stated in the present consultation paper, the IPSASB adopted the IPSAS on financial instruments in December 2009 (IPSAS 28-30) and is already planning to revisit them further to changes in the IAS/IFRS on which the IPSASs are based. Similarly, it adopted IPSAS 25 in November 2007 and plans to revisit it as a result of changes to IASB. This seems to mean that IPSASB 1st priority is more to adjust IPSAS to IFRS than to build a corpus of IPSAS Standards mainly devoted to public sector</p>	<p>Current work program is committed and further consultation on this is not anticipated. On a go forward all work program decisions will be subject to consultation.</p> <p>Alignment with IFRss and maintenance of existing IPSASs continues to be part of the IPSASB’s approach to standard setting though alignment with GFS has also been prioritized recently. Public sector specific projects represent a higher percentage of projects on the work plan than in previous periods.</p> <p>Once the conceptual framework is complete the IPSASs will need to be evaluated for consistency and this may result in changes to existing IPSASs.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 3: Additional comments		
	<p>specificities.</p> <p>In addition, having 12 projects of 16 relating to IFRS alignment or linked to IAS work plan does not seem consistent with the IPSASB current commitment to issue a conceptual framework not convergent with the IASB conceptual framework. This inconsistency is likely to increase the above mentioned instability of IPSASs.</p> <p>In conclusion, we consider that the work programme should give priority to fill the gap open to criticism as regards standards dealing with public sector specificities and put in second rank the revising work of existing standards.</p>	<p>Consideration of that will be undertaken at that time.</p>
011	<p>We have no other comments to make other than to express that we are delighted to see that an ED on the adoption of accruals IPSASs is planned for December 2012. In our view this development is much needed by countries struggling with the challenge of migrating to accruals based accounting.</p>	<p>FTA ED delayed and now likely to be approved March or June 2013. Importance of project acknowledged.</p>
015	<p>The consultation paper states on page 7 that the International Financial Reporting Standards (IFRS) convergence project was completed in late 2009. We suggest the IPSASB include an ongoing project that keeps track of changes and updates to IFRSs, as well as new IFRSs. The purpose of the project would be to determine whether the change, update or new IFRS are consistent with the IPSAS conceptual framework and whether the change, update or new IFRS should be incorporated into IPSASs. Such a project would be included in the IPSAS meeting materials and reported in the IPSAS meeting summaries, and would provide IPSAS users with information about the future direction of IPSASs in regard to changes that have been made IFRSs. For example, the IASB will soon issue a new IFRS on leases. The purpose of the suggested project would be to evaluate the IFRS lease guidance in the context of the IPSAS conceptual framework and recommend whether an IPSAS project should be initiated to</p>	<p>IASB tracking table prepared by staff and provided as part of agenda item 1 for each meeting provides detailed summary of all changes to IFRSs. Outcomes of that analysis are considered in each work planning exercise.</p> <p>Once the conceptual framework is completed work on this tracking table could be further analyzed in the context of the framework as proposed.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 3: Additional comments		
	incorporate the new IFRS lease guidance into IPSAS accounting standards.	
017	HoTARAC suggests that the IPSASB specifies the start and end of its work program years. Does the work plan run parallel to the July to June financial year? HoTARAC notes that the IPSASB is a global standard setter and different countries have different start and end dates for their financial years.	IPSASB planning is on a calendar basis though planning is rolled forward as each meeting is completed. This planning cycle is January 2013 to December 2014. Propose we clarify timing when work plan posted on website.
020	<p>We encourage the IPSASB to continue working cooperatively with the IASB to have alignment of IPSAS and IFRS for transactions and events that are not specific to the public sector. Where facts and circumstances are the same, we do not see any basis for having a different accounting treatment. In addition, more and more governments prepare consolidated accrual based accounts that include all their controlled entities, both entities reporting under IPSAS and GBEs reporting under IFRS; aligning the two sets of rules where appropriate should reduce the number of restatements on consolidation and hence facilitate the consolidation process.</p> <p>Looking at the IFRS developments proactively is also important to ensure timely alignment of the two sets of rules where needed.</p> <p>This recommendation does not negate the need to focus first on those accounting topics that are specific to public sector entities, and to develop standards that are sufficiently tailored to address the specific characteristics of the public sector.</p>	IFRS convergence continues to be monitored through tracking table as noted above.
022	<p>Revision of IPSAS 23 Revenue from Non-exchange Transactions</p> <p>The Work Program states that IPSASB will focus only on (a) the interaction between IPSAS 23 and other IPSASs, and (b) the conceptual framework project (a definition of revenues) in this</p>	Consider scope of the project to revise IPSAS 23 once project is approved either in this planning cycle or in future period.

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 3: Additional comments		
	<p>potential project. However, we suggest that IPSASB should broaden the scope of the revision to IPSAS 23.</p> <p>There are complaints that IPSAS 23 is complicated and difficult to understand. In our view, one of the reasons is that IPSAS 23 deals with tax revenue and transfer in one standard. Because tax and transfer are different in nature, we suggest that IPSASB should reconsider its description on the basis of the difference in nature, or deal with these issues in a separate standard.</p> <p>In addition, when the IASB finalizes its exposure draft, "Revenue from Contracts with Customers," IPSASB has to revise the IPSAS 9 and 11, to converge with the new IFRS.</p> <p>We believe that IPSASB should revise both of the standards at the same time, in order to keep consistency of technical terms and concepts between "Revenue from Exchange Transactions" and "Revenue from Non-Exchange Transactions."</p>	
023	<p>Once again, as the consultation does not request on current work program, the "Direction générale des finances publiques" should like to focus attention on the need to publish a consolidated conceptual framework, which is a precondition to the setting of new standards, dedicated to public sector.</p>	<p>Conceptual framework project prioritized for completion.</p>
025	<p>We believe that the program is detailed enough and properly structured; we however wish to suggest the following:</p> <ol style="list-style-type: none"> 1. The program should be bridged in such a way that it should indicate major projects that have been completed as per the previous Work Program priorities. In this case; projects already done with should be listed and the time frame they took indicated. 2. We propose that the sections indicating the potential projects should further provide 	<p>Completed projects are outlined in project pages on website. Will consider reporting on past projects as they are completed as proposed.</p> <p>Would be part of planning process in future when</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 3: Additional comments		
	details on why they were proposed as such and the time frame expected to be completed as done for current projects in Appendix B in the document.	broader review is undertaken.
028	<p>The IPSASB should aim at completing the Conceptual Framework project. The completion of this project, will promote the principle based approach in developing and revising IPSASs.</p> <p>Having a lot of projects would simply divide the attention of the Board and at the end fail to come up with high quality IPSASs which would stand the test of time</p>	Conceptual framework project prioritized for completion.
029	<p>Presentation of Financial Statements (Update of IPSAS 1)</p> <p>Financial statements communicate decision-useful information to users. IFRS considers performance in the Statement of Comprehensive Income (or in two statements – Statement of Profit or Loss and Statement of Other Comprehensive Income). IAS 1 <i>Presentation of Financial Statements</i> requires certain items to be disclosed, all of which are used to assess performance of the entity. Although the notion of comprehensive income has been used in the private sector by users in their assessment of entities' performance, there have been criticisms on the lack of a conceptual basis for the different classification of different components of comprehensive income under IFRS. We believe that the IPSASB should consider the relevance and applicability of the notion of comprehensive income for public sector entities in the Conceptual Framework project, and not defer this until the completion of the Conceptual Framework.</p>	Not currently in the scope of the conceptual framework project. Feedback to be provided to staff for consideration. Broader scope project is in list of additional on which feedback was requested. See analysis in 9.1.
030	The IPSASB agenda schedule in Appendix B of the CP shows that the work to finalise the Conceptual Framework project is anticipated to occur during the second half of 2013 and the first quarter of 2014. The AASB considers that finalising such central components of the Conceptual Framework as the elements, measurement and presentation phases will be a major task for both	Conceptual framework project prioritized for completion.

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 3: Additional comments		
	<p>the staff and the IPSASB members. In combination with the already committed projects on the IPSASB’s work program, the AASB considers that this will mean that the IPSASB would be likely to have only a limited capacity to undertake major new projects during the two-year window being considered. Therefore, the AASB has identified only two projects above for addition to the work program in 2013.</p> <p>In the AASB’s view, the IPSASB should develop strategies to keep up with IFRS developments, particularly fundamental or significant changes, since many governments undertake both not-for-profit and for-profit activities. Inconsistent requirements make the preparation of consolidated financial statements more difficult, as well as limiting comparability across entities in different sectors.</p> <p>The best time for public sector input on major IASB projects is as those projects are being carried out – and preferably through working together as far as possible under the IFAC/IASB Memorandum of Understanding. The IPSASB could consider simplifying its processes for reviewing its Standards in response to amendments to IFRSs to highlight areas where guidance would be most useful for public sector entities. This could entail reviewing IFRS developments at a higher level and exposing proposed guidance rather than complete draft revised Standards. This process might be assisted if the IPSASB were to encourage the IASB to use more sector-neutral wording in its pronouncements.</p>	<p>IASB tracking table prepared as noted above.</p> <p>Simplifying process for reviewing IFRSs or revising IPSASs based on IFRSs could be considered. Liaison with the IASB might assist in encouraging more sector-neutral wording.</p>
032	<p>The consultation paper notes that certain subjects are on the list of projects because the IASB is carrying out development work on the related IFRS.</p> <p>The completion of development of a new IFRS standard is a natural trigger to prompt consideration of whether IPSAS maintenance work should be carried out on related IFRS based IPSASs. In some cases where there is no IPSAS it may also be worth considering whether it would be helpful to develop a new IFRS based standard, while acknowledging that in some</p>	<p>Noted. Consistent generally with current approach.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 3: Additional comments		
	<p>cases the public sector modification process using the 'Rules Of The Road' may result in a standard that is quite different to the 'base' IFRS.</p> <p>However, we suggest that in general the IPSASB should not 'anticipate' the work of the IASB by carrying out substantial pro-active development of public sector standards in advance of the IASB completing their work. We can see that the IPSASB will want to keep in touch with developments. We also understand that if IASB development fitted very poorly with the public sector context then the IPSASB might wish to develop public sector specific solutions, or to provide input to the IASB consultation process. However, more generally we would expect the correct timing of IPSASB's detailed consideration of matters under consideration by IASB is when the latter have been made into concrete proposals.</p>	
035	<p>I think for the period 2013-2014 need to be observed the results of Agenda Consultation of IASB and Discussion in EUROSTAT of European Commission, can be that need to be integrated more information or details in relation these projects. I understand that the IPSASB don't make modifications in your Agenda 2013-2014.</p>	Consistent with current approach.
036	<p><u>Other suggestions:</u> The issue of accounting and reporting of donated rights to use assets where nominal or no rent is paid, including cases where the asset is shared by multiple entities, is a common occurrence in the public sector which should not be overlooked. The Task Force encourages the IPSASB to consider this issue either as a potential new project or to add it to the scope of existing potential project (for example, within the 'Improvements to IPSAS 23 – Non-Exchange Revenues').</p>	To be considered for adding to potential project for consultation post 2014 or for addition to scope of revisions to IPSAS 23.
038	<i>Research activities and trends in the market</i>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Q 3: Additional comments		
	<p>In a longer term, we also believe that the Board could well use some of its resources to have a regular dialogue with academics carrying out relevant empirical studies to anticipate future standard setting needs and how to shape future reporting in many years ahead. Dedicating some time to making contact with other institutions for example Eurostat, has also been considered worthwhile in order to monitor the development of the standards and other relevant trends in the market.</p> <p><i>Integrated reporting</i></p> <p>Among some of these long-range strategic directions, we recommend that the IPSASB continue to engage with the International Integrated Reporting Council (IIRC) with respect to integrated reporting and closely monitor and influence the development of this new concept. However, at present, these developments are still in an early stage, but given their potential scope they may have an important impact on financial reporting in the public sector in the future.</p> <p><i>Governance of the IPSASB</i></p> <p>The governance structure is also critical to the credibility and the wide acceptance of the IPSASB's standards. It should provide for a standard setting environment which is independent of vested interest, but in the same time, it remains accountable to those adopting IPSASs. We fully recognise the hard work that the IPSASB and IFAC have done to date on these matters and recommend that the Board continue to engage with all stakeholders.</p>	<p>To be considered in the context of potential future projects.</p> <p>Being monitored. IPSASB will have a presentation on the topic at this meeting.</p> <p>Oversight being developed possibly as soon as 2014.</p>

COMMENTS ON OTHER KEY ISSUES – COMMENTS ON CONCEPTUAL FRAMEWORK PROJECT

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

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Conceptual Framework		
002	Indeed, it is important that the Conceptual Framework is completed first, because it will have an influence on all other projects. The work capacity that it frees up should be employed as efficiently as possible for projects that enjoy wide support	Conceptual framework project prioritized for completion. No further action required.
005	In terms of the projects on the IPSASB's current work program, we strongly support the IPSASB continuing to make the development of the public sector conceptual framework its highest priority. The completion of the conceptual framework is critical as it will provide a conceptually sound basis for all IPSASs.	Conceptual framework project prioritized for completion. No further action required.
007	ACAG is of the view that the completion of the Public Sector Conceptual Framework project is of critical importance given the concepts, definitions, and principles will underpin the development of future International Public Sector Accounting Standards (IPSASs).	Conceptual framework project prioritized for completion. No further action required.
008	As you also mention in your consultation paper the project on the Conceptual Framework is and should remain the most important project of the IPSASB. This project is already on-going for some time and explicitly takes into account public sector specificities. As the Conceptual Framework not only serves as a basis for the development of future IPSAS and other pronouncements, but can also be used as a reference point for the interpretation and implementation of IPSASs by preparers, it can be considered as the project that could pave the	Conceptual framework project prioritized for completion. No further action required.

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Conceptual Framework		
	<p>way for a broader IPSAS adoption and implementation worldwide. We are therefore of the opinion that IPSASB resources should be clearly focused on this project with the objective of completing it before the end of 2014.</p>	
009	<p>We strongly support development of a public sector conceptual framework. This work must be given the highest priority. We see such a framework as a necessary basis for further development of the IPSAS with respect to its authority and scalability. Such a framework could form the basis for developing <u>a General Introduction to the IPSAS</u>, a much needed introduction that clarifies how IPSAS can and should be adopted in different circumstances and on different levels of the public sector. One important part of the framework should be how additional information, such as information on compliance with budget regulations and performance, may be addressed in or in addition to the financial statement.</p>	<p>Conceptual framework project prioritized for completion.</p> <p>No further action required.</p>
013	<p>The priority is to devote all efforts to finalize the public sector Conceptual Framework, before beginning new projects.</p>	<p>Conceptual framework project prioritized for completion.</p> <p>No further action required.</p>
014	<p>The on-going work on the Conceptual Framework is clearly a high priority, given the significance of this issue in responding to an acknowledged need to underpin the standards with principles based on public sector specific characteristics. We strongly encourage the IPSAS Board to complete the project in good time, thereby providing a sound conceptual basis and freeing resources for other projects.</p>	<p>Conceptual framework project prioritized for completion.</p> <p>No further action required.</p>
017	<p>A well designed conceptual framework assists preparers to identify the appropriate accounting treatment when no specific standards exist (e.g. accounting for emissions trading schemes). In addition, such a framework provides a foundation on which the Board is able to rely to develop</p>	<p>Conceptual framework project prioritized for completion.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Conceptual Framework		
	standards based on consistent and sound accounting concepts. For example, in HoTARAC's view, the International Accounting Standards Board (IASB) is currently experiencing difficulties in developing consistent standards post GFC given the lack of an overarching conceptual framework. HoTARAC considers this evident in the development of the IASB's standard on leasing. Leases would fall within the definitions of financial instruments, however the decisions reached to date do not require measurement at fair value and a tentative decision has been reached to prohibit fair value measurement of the right to use asset ¹¹ . A decision has also been reached to exclude variable lease payments from the lessor's receivable, again inconsistent with the fair value measurement principles. The IFRIS interpretations committee considered the implications of this latter inconsistency for variable payments in the purchase of intangibles and property plant and equipment at their September 2012 meeting ¹² .	No further action required.
023	Once again, as the consultation does not request on current work program, the "Direction générale des finances publiques" should like to focus attention on the need to publish a consolidated conceptual framework, which is a precondition to the setting of new standards, dedicated to public sector.	Conceptual framework project prioritized for completion. No further action required.
025	We are in agreement with priority that the Board has given this project. The conceptual Framework will explore possible course of action and thereby lay basis upon which other standards and guidelines will be issued.	Conceptual framework project prioritized for completion. No further action required.

¹¹http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB/FASBContent_C/ProjectUpdatePage&cid=900000011123#summary

¹² <http://www.ifrs.org/Current-Projects/IFRIC-Projects/Pages/Current-Projects.aspx>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Conceptual Framework		
026	<p>We regard the completion of the conceptual framework as crucial to the future agenda of the IPSASB and we would like to see that work completed in conjunction with the IASB. Once complete, the IPSASB will be better placed to evaluate the need to progress stand-alone projects.</p>	<p>Conceptual framework project prioritized for completion.</p> <p>No further action required.</p>
031	<p>The conceptual framework is the underpinning of robust accounting standards, and it is logical that work on sound accounting standards begins with such a foundation already in place. A conceptual framework fosters the consistency of design, interpretation and application of accounting standards. In the absence of a conceptual framework, completion of the framework should be the IPSASB's primary focus.</p> <p>Appendix B presented in the consultation paper shows the completion of the conceptual framework project delayed to March 2014, almost a full year longer than IPSASB presented in early 2010. Given the significant influence of the conceptual framework on the improvement and development of robust accounting standards for the public sector, IPSASB should uphold its earlier decision to defer the projects listed in Appendix C and put the full weight of its resources behind completing the conceptual framework. We believe that the deferral of the projects proposed in your consultation paper will improve the likelihood of completing the project by March 2014.</p>	<p>Conceptual framework project prioritized for completion.</p> <p>No further action required.</p>
032	<p>Given this, in our view it is important for the Board to finalise the conceptual framework in a timely manner, to provide a principled basis for streamlined and effective standard setting in future, whether setting new standards on public sector specific topics, or maintaining IFRS converged standards.</p>	<p>Conceptual framework project prioritized for completion.</p> <p>No further action required.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Conceptual Framework		
033	<p>We consider that it is vitally important that the IPSASB continue with its work on the Conceptual Framework (in conjunction with the IASB as appropriate) especially on the modules not yet tackled by the IASB such as measurement and presentation.</p>	<p>Conceptual framework project prioritized for completion.</p> <p>No further action required.</p>
038	<p>Conceptual Framework</p> <p>We strongly support the Board's intention to finalise the Conceptual Framework with a high priority, as the development of the existing standards and many proposals put forward in the Consultation depend on its finalisation. Completing the Conceptual Framework would also help the Board to streamline its standard setting activity in the future, whether setting new standards on public sector specific issues or updating IFRS converged standards. At the same time, we believe it would be also important for the Board to liaise with the IASB to ensure that differences that are not introduced as a result of public sector specific matters are minimized.</p>	<p>Conceptual framework project prioritized for completion.</p> <p>No further action required.</p>

COMMENTS ON OTHER KEY ISSUES : COMMENTS ON OTHER CURRENT PROJECTS

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

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Other current projects		
001	<p>We support the emphasis on the sovereign debt crisis but it needs to be balanced against the need for good cash reporting in order to maintain fiscal discipline.</p> <p>We acknowledge the increase in adoption of the accrual IPSAS but we must not lose focus on the Cash IPSAS since most countries around the world are not yet ready to adopt the accrual IPSAS.</p> <p>The adoption of the Cash IPSAS is the first step that many developing countries and countries in transition must take in order to be in a position to adopt the accrual IPSAS. Yet there is no mention of the Cash IPSAS in this section of this CP. We feel that the Cash IPSAS must be addressed in this section as a critical project. Otherwise, many of us will keep spinning our wheels as we try to help countries implement better accounting reporting systems. We support the development of a conceptual framework as a backdrop to the standards. However, work must continue on the critical projects (especially the Cash IPSAS)!</p>	<p>The IPSASB will have a presentation from ICGFM at this meeting. Resources for Cash Basis Review project continue to be sought.</p>
005	<p>In terms of the other projects on the current work program, we recommend that the IPSASB gives the next highest priority to the financial instruments projects: Public Sector Financial Instruments and Amendments to IPSASs 28-30. Aspects of financial instruments are found in all financial statements and the sovereign debt crisis highlights the importance of accounting appropriately for financial instruments.</p> <p>In our view, accounting for the majority of financial instruments should be sector-neutral. The</p>	<p>Public sector financial instruments delayed due to staffing shortages. To be initiated once staffing complement at 100%.</p> <p>Update of IPSASs 28-30 deferred until further completion of IASB amendments and resources</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Other current projects		
	<p>IASB appears to be in an advanced stage in its development of IFRS 9 <i>Financial Instruments</i>, and we anticipate that public sector entities will be interested in the IPSASB's view of the suitability of these developments for the public sector. We recommend that the IPSASB commences a project on updating IPSASs 28-30 as soon as the IASB's decisions are clear rather than awaiting the issuance of the final version of IFRS 9. In our view, waiting for the completion of IFRS 9 before the IPSASB undertakes any work will add an unnecessary delay to the issue of revised IPSASs 28-30.</p> <p>We also support the IPSASB's biennial improvements project which should include updating the various standards set out in the additional potential projects list (for example, borrowing costs, presentation of financial statements and related party transactions). We consider it important that IPSASs are kept up to date and improved, as necessary. We consider a biennial approach to be appropriate in terms of timing.</p>	<p>available.</p> <p>No further action required.</p>
009	<ul style="list-style-type: none"> • Another important area is the IPSAS and its relation to the National Accounts. The project concerning <i>IPSASs and Government Finance Statistics Reporting Guidelines</i> may serve as a basis for clarifying how general accounting standards correlates to the National Accounts. In this respect the mentioned project on framework should preferably also clarify the relationship between public sector accounting and the statistics based National Accounts. • The Consultation Paper sets out a possible project to develop standards with respect to "Reporting on the Long-Term Sustainability of Public Finances". Even if this may seem as a bold ambition as it is extremely difficult to accomplish, we support that IPSASB takes steps in that direction. • The project concerning "Reporting Service Performance" is also crucial and we think that IPSASB should give priority also to this. 	<p>No further action required.</p> <p>RPG to be finalized in 2013.</p> <p>To be considered at this meeting. ED to be finalized in 2013.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Other current projects		
013	<p>The highest priority should be given to general accounting topics dealing with public sector specificities. The CNOCP regrets that IPSAS Board does not focus primarily on specific public sector topics that can not find today answer in existing private accounting standards.</p> <ul style="list-style-type: none"> - As mentioned in the CNOCP's previous replies, the ongoing consultations on Reporting on the Long-term Sustainability of Public Finances, Financial Statement Discussion and Analysis and Reporting Service Performance are not directly within the accounting standard-setting scope of the IPSAS Board and the resources allocated to these projects could be transferred to other subjects. - Topics relating to the Public Sector Conceptual Framework should be dealt as a priority. Thus the theme of Social Benefits should be examined as soon as possible and topics dealing with First Time Adoption of Accrual IPSASs and Government Business Enterprises, not considered urgent, need to be postponed to free up resources. 	<p>Public sector critical projects continue to be addressed.</p> <p>IPSASB has previously decided to proceed with these projects.</p> <p>Conceptual framework prioritized. As part of consultation the IPSASB agreed that current projects already approved would be continued.</p>
014	<p>In the framework of its study on the suitability of IPSAS for EU Member States, Eurostat supports the continuation, completion and implementation of the on-going projects on <u>IPSASs and Government Finance Statistics Reporting Guidelines</u> and on <u>First Adoption of Accrual IPSASs</u>. From a statistical perspective, Eurostat also sees the current projects on <u>Government Business Enterprises</u> and <u>IPSAS 6-8</u> (notably control aspects) as good opportunities to clarify these important definitions in relation to statistical rules, reducing differences where appropriate.</p>	<p>All projects on current work program and being progressed.</p>
019	<p>IPSAS and Government Finance Statistics Reporting Guidelines - We highly appreciate the treatment of this issue</p> <p>Revision of IPSASs 6-8 - We expect this is not only the convergence of the amendments of the</p>	<p>Project on current work program and being progressed.</p> <p>Project on current work program and being</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Other current projects		
	<p>as Governments do purchase shares.</p> <p>The Public Sector has a set of Debt Instruments which is material for every country: the sovereign debt collocation, either internal or external, through Bills and Bonds, of any type (in foreign currency, variable interest rate, by inflation ratio, etc.). In some cases, guarantees for the issuance of said bonds are future tax collection or strategic reserve funds.</p> <p>Also, the “renegotiation of sovereign debt” should be highlighted (capitalization, refinancing, reduction, etc.).</p> <p>Coverage Accounting - In Latin American countries we are in the struggle of changing to governmental accounting, which is not easy at all. Thus, thinking of dealing with a coverage accounting when many countries are not yet thinking about governmental accounting would be impracticable, at least at medium term.</p> <p>For this reason, we understand this issue should be taken as “non compulsory” (may be within a term of five to ten years after adoption), but of course recommended in order to increase accountability.</p> <p>Patrimony Instrument - There should be analysis of “capital transfers” granted by the Central Government to governmental entities, when said transfers can be capitalized, as they are made to finance works, purchase of property, plant and equipment and other similar purposes.</p> <p>Also, it is necessary to be more specific about the moment when debt contracted or cancelled by controlled entities is considered capitalized, as IPSAS 23 only indicates they could be contributions from shareholders.</p> <p>About this, we mention again the large development of patrimony instruments (when this is not applicable to non business public entities) and the lack of treatment of the concept of capital in</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Other current projects		
	<p>said entities.</p> <p>Amendments to IPSASs 28-30 - We are concerned about the fact that convergence of IPSASs 28-30 with new IFRS is included in this Group of current projects. Changes in the IFRS are relevant and especially about the new potential classification (from four categories to two). We should mention that the IPSAS on Financial Instruments are complex for the Public Sector and specifically for accounting areas; and less for the areas of Treasury and Public Credit issuance; but accounting areas in general are not prepared to deal with these issues yet.</p> <p>For this reason, we consider that firstly the current IPSASs on Financial Instruments should be adjusted to the Public Sector, and then see if they adjust to the new IFRSs, and we ask for prudence in this convergence.</p> <p>To try convergence without considering the real situation of the public sector will be a double effort as they will have to be adapted to the characteristics of said sector.</p>	<p>Update of IPSASs 28-30 deferred until further completion of IASB amendments and resources available. Issues to be considered at that time.</p>
025	<p>First time Adoption of Accrual IPSASs will usher in the entities adopting IPSAS for the first time; it will guide on transition process by prescribing the treatment of opening balances and comparative information.</p> <p>Governments have numerous entities which operate independently: ministries, parastatals and other institutions. Due to the nature of complexities involved would be in preparing consolidated financial statement, there is an urgent need to address the area.</p>	<p>ED to be finalized in 2013. No further action required.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Other current projects		
	<p>IPSASs Government Finance Statistics Reporting Guidelines cuts across the general preparation and presentation of financial statement as opposed to treatment of a specific item in the financial reporting, as such should be prioritised as they provide the basis of reporting in Public sector in broader perspective. It will also enhance understandability and comparability of public sector financial statements, and improvements incorporated in annual improvement projects.</p>	<p>On current work program. NO further action required.</p>
029	<p>Amendments to IPSASs 28-30</p> <p>We also want to note our support on this current project as we believe it is important for the IPSASs to maintain convergence with IFRS.</p>	<p>No further action required.</p>
034	<p>We note that the project to review the Cash Basis IPSAS has been deferred due to resource constraints and that efforts are underway to obtain additional funding. Improving the Cash Basis IPSAS would help governments improve transparency within a cash accounting framework and also facilitate a progressive move toward accrual accounting. We therefore encourage the IPSASB to review the decision to defer this project and hope that it will be successful in securing the necessary resources.</p> <p>We would also like to take this opportunity to indicate our support for the continued efforts to harmonize statistical and accounting standards, which was also an important theme of the recent IMF Board paper.</p>	<p>Resources for Cash Basis Review project continue to be sought.</p> <p>No further action required.</p>

COMMENTS ON OTHER KEY ISSUES: COMMENTS ON IASB/IFRS

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

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Comments related to IASB/IFRS		
007	<p>ACAG notes that the IPSASB’s strategy includes maintaining the alignment of IPSASs with International Financial Reporting Standards (IFRSs) where appropriate for the public sector. In the Consultation Paper, the IPSASB refers to decisions to defer work on projects where the International Accounting Standards Board (IASB) is developing standards on the same topics. ACAG considers it is important that the IPSASB undertakes timely research on topics to allow it to influence the development of IFRSs. In this sense we encourage the IPSASB to re-assess its previous decisions to consider issues in depth post-development of associated IFRSs.</p>	<p>MOU with IASB anticipates that it may be possible to work more closely on certain projects directly with the IASB eg ETS. The ability to influence the IASB in this regard is noted albeit considered ambitious given the disparity of staff resources. However the IPSASB is committed to working more closely where projects allow.</p>
012	<p>As the IPSASB will be aware, the New Zealand standard setter is in the process of implementing IPSAS based standards for the New Zealand public sector, replacing the IFRS based standards that are currently in use.</p> <p>In accordance with international best practice, and as noted in the IPSASB preface, New Zealand public sector profit-oriented entities (termed GBEs in the IPSAS literature) will continue to prepare IFRS based financial statements.</p> <p>The Treasury urges the IPSASB to pay strong regard to the implications of this recommended best practice for whole-of-government reporting where the consolidation of profit-oriented and public-benefit-oriented entities is required. In particular I believe that the IPSASB should, as part of its strategy, seek to ensure that</p>	<p>Noted; need to address mixed group issue. Review of IPSASs 6-8 underway and will consider these issues.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Comments related to IASB/IFRS		
	<ul style="list-style-type: none"> • no unnecessary or unjustified accounting differences arise between IFRS and IPSAS that will make consolidated financial statements of governments harder for users to understand, and preparers to prepare, and • preparers of public sector financial statements, and the users of those financial statements are not denied the opportunity arising from improvements to financial statements from early adoption of recently released IFRS standards, where there are no special public sector characteristics. 	
017	<p>HoTARAC considers continuing converging with IFRSs and providing interpretations or amendments in the public sector context is critical to better meet users' needs and the IPSASB's mission of developing a full suite of high-quality standards for use by public sector entities. As noted in previous responses to the IPSASB's Conceptual Framework project, HoTARAC strongly recommends the IPSASB and the IASB work more closely to achieve alignment of their Conceptual Frameworks. Divergence between the frameworks will result in difficulties in consolidating GBE's at whole of government level and would compromise the desirable goal of accounting standards for the private and public sectors achieving consistency, comparability and understandability of financial information. HoTARAC acknowledges there may be public sector specific issues that drive divergence, but, as is the case for the development of International Public Sector Accounting Standards (IPSASs), recommend these be justified in terms of the IPSASB's Process for Reviewing and Modifying IASB documents.</p> <p>HoTARAC further believes convergence would be the best use of the IPSASB's limited resources as it is easier and simpler to modify existing standards for public sector use than to develop a separate, stand-alone suite of standards. For example, HoTARAC considers</p>	<p>The challenge of the conceptual framework project and divergence from the IASB is noted. The public sector conceptual framework project has never been a convergence project though the IPSASB monitors very closely the IASB's work. For example the QCs are virtually identical.</p> <p>The IPSASB is developing a public sector conceptual framework; differences are likely to arise due to the differing characteristics of the public sector and objectives and users. The need to justify differences and document these is noted.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Comments related to IASB/IFRS		
	<p>convergence with IFRS to be a preferable approach for the following current/potential projects –</p> <ul style="list-style-type: none"> • Financial Statement Discussion and Analysis; • Revision of IPSASs 6 – 8; • First Time Adoption of Accrual IPSAS; • Public Sector Financial Instruments (HoTARAC also considers any specific public sector issues should be dealt with in conjunction with the project “Amendments to IPSASs 28 – 30”); • Amendments to IPSASs 28 – 30; • Extractive Industries; • Segment Reporting; and • Small and Medium Enterprises. 	<p>IPSASB has agreed on a differing approach for FSD&A that reflects public sector circumstances in their views.</p> <p>Revisions of IPSASs 6-8 being considered closely in the context of convergence.</p> <p>Public sector FI will be only those items unique to public sector. IPSASs 28-30 continue to be convergence standards and are scheduled for amendment once the IASB further progresses these.</p> <p>Extractive industries is not on the current work program at this time nor is SMEs.</p> <p>Segment reporting to be considered if IPSASs is reviewed in the future.</p>
024	<p>IPSASB needs to ensure that there is as much convergence as possible with IFRS (rather than divergence), with tweaking for public sector perspectives.</p>	<p>No further action required.</p>

COMMENTS ON OTHER KEY ISSUES: COMMENTS ON STATISTICAL ACCOUNTING/GFS

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

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Statistical accounting/GFS		
001	<p>In our view there needs to be a clear objective for the future role of IPSAS compliant general purpose financial statements in relationship to statistical reports on sovereign governments. At present reliance is placed on statistical reporting for assessing sovereign risk. Is this to be changed, or are the GPFS to supplement statistical reporting? If the latter what are the respective roles of the two reporting systems?</p>	<p>IPSASB is working to align statistical reports and accrual based financial statements as much as possible within the differing objectives. Project on alignment is considering many of these issues.</p> <p>Feedback to be provided to staff on alignment project for consideration.</p>
015	<p><u>Convergence of Public Sector Accounting and Statistical Bases of Financial Reporting</u></p> <p>The CP states that IPSASB supports convergence of public sector accounting and statistical bases of financial reporting where appropriate. When a convergence project is established, IPSASB's should assess this proposed convergence of public sector accounting with statistical bases of financial reporting, and limit any convergence to financial statement terms and definitions that are included in the IPSAS conceptual framework. Common understanding and definitions of financial statement terms used in both general purpose financial statements and other publications, such as annual reports or other statistical performance reports, will enhance the quality and value of information for stakeholders.</p>	<p>IPSASB is working to align statistical reports and accrual based financial statements as much as possible within the differing objectives. Project on alignment is considering many of these issues.</p> <p>Feedback to be provided to staff on alignment project for consideration.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Statistical accounting/GFS		
018	<p>The final area that I consider should be addressed is the subject of the recently released Consultation Paper on IPSAS and Finance Statistics Reporting Guidelines. Nevertheless I still include the issue in this response because I consider it a matter of fundamental importance.</p> <p>As indicated above statistical reporting systems are the dominant financial reporting systems for sovereign governments. This is inevitable because they existed first and are supported by the whole panoply of international financial institutions. But statistical reporting systems leave many gaps. Perhaps most importantly they do not generate auditable financial statements. Hence following on from the question posed above on the purpose of financial statements, should not the proper role of such financial statements and IPSAS standards for sovereign governments be to integrate with statistical reporting guidelines so as to address the gaps in such guidelines and to generate auditable financial statements compatible with both statistical and IPSAS standards?</p>	<p>IPSASB is working to align statistical reports and accrual based financial statements as much as possible within the differing objectives. Project on alignment is considering many of these issues.</p> <p>Feedback to be provided to staff on alignment project for consideration.</p>
026	<p>Nevertheless, we would like for the IPSASB to work on the alignment of IPSAS with IFRS and Government Finance Statistics (GFS). We consider the requirement for some public sector entities to prepare multiple reports under two different frameworks - the GFS framework and an accrual based financial statement reporting framework not consistent with enhancing the transparency and accountability of those entities. Alignment with the GFS for the purpose of disclosure would be a valuable first step to addressing this problem.</p>	<p>IPSASB is working to align statistical reports and accrual based financial statements as much as possible within the differing objectives. Project on alignment is considering many of these issues.</p> <p>Feedback to be provided to staff on alignment project for consideration.</p>

COMMENTS ON OTHER KEY ISSUES: GOVERNANCE AND OVERSIGHT

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

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Governance and Oversight		
013	<p>Finally, the Consultation Paper addresses also the governance of the IPSAS Board and reference is made to the recent consultation of the Monitoring Group and PIOB. Once again, the CNOCP wishes to remind that the public sector matters require a suitable mode of governance, closely involving governments and international bodies. The solution of supervision by the PIOB will not apprehend in its entire dimension the complex issues that public sector accounting should reflect.</p>	<p>Update to be provided at meeting on recent activities related to oversight.</p> <p>Oversight being actively pursued.</p>
014	<p>Finally, Eurostat takes note of the on-going work of the IPSAS Board in relation to governance issues. Eurostat agrees that this is an important area, to ensure that the governance and public oversight arrangements in place provide the greatest possibly legitimacy to the Board's standard-setting, notably for preparers. During the preparation of Eurostat's assessment on the suitability of IPSAS for the EU Member States, many European public accounts experts have commented that preparers should have a greater role in the establishment of standards applicable in the EU.</p>	<p>Update to be provided at meeting on recent activities related to oversight.</p> <p>Oversight being actively pursued.</p>
015	<p>In addition, we support the proposed oversight of IPSASB by the Public Interest Oversight Board. Such oversight will lead to improved due process with a consequent improvement in the quality of standards issued by IPSASB.</p>	<p>Update to be provided at meeting on recent activities related to oversight.</p> <p>Oversight being actively pursued.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Governance and Oversight		
020	<p>In order to be credible, the standards issued must not only be of a high quality, they must also follow an independent standard-setting process and gain the widest consensus. Oversight of the IPSASB is thus a key area of focus in the IPSAS rule-making process.</p>	<p>Update to be provided at meeting on recent activities related to oversight.</p> <p>Oversight being actively pursued.</p>
031	<p>Regarding the identification for an appropriate public interest oversight regime, we support the IPSASB and IFAC's commitment to instituting an appropriate regime as soon as possible. Creation of an oversight regime will help provide some assurance to the public sector that the IPSASB can independently and rigorously address public sector financial reporting issues, and add credibility to the IPSASB's processes. Ontario favours the establishment of an IPSAS Consultative Advisory Group (CAG), and we look forward to commenting on future IPSASB due process documents for the CAG's Terms of Reference and composition.</p>	<p>Update to be provided at meeting on recent activities related to oversight.</p> <p>Oversight being actively pursued.</p> <p>Set up of CAG will be part of the process.</p>
034	<p>Public interest oversight and governance arrangements</p> <p>We welcome the commitment of the IFAC and the IPSASB to institute an appropriate public oversight regime for the IPSASB with a view to providing assurance that the IPSASB is acting independently and in the public interest and is protected from any undue influence. We note that the Monitoring Group has been holding public consultations on a range of issues including the possible oversight arrangements for the IPSASB. In this context, we believe that options for greater participation of international financial institutions and national authorities including finance ministries in IPSASB should be explored and that further discussions and public consultations may be necessary. The Monitoring Group has not yet held consultations with the Fiscal Affairs Department or Statistics Department—the two departments of the IMF that attend IPSASB meetings. However, we understand that discussions are currently underway to arrange such consultations, and we look forward to them taking place as soon as practicable. Finally, it</p>	<p>Update to be provided at meeting on recent activities related to oversight.</p> <p>Oversight being actively pursued.</p> <p>Meetings with IMF late January related to this.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Governance and Oversight		
	would be useful if the IPSASB could prepare a background note for this discussion setting out the main issues and options in this important area.	
038	<p><i>Governance of the IPSASB</i></p> <p>The governance structure is also critical to the credibility and the wide acceptance of the IPSASB's standards. It should provide for a standard setting environment which is independent of vested interest, but in the same time, it remains accountable to those adopting IPSASs. We fully recognise the hard work that the IPSASB and IFAC have done to date on these matters and recommend that the Board continue to engage with all stakeholders.</p>	<p>Update to be provided at meeting on recent activities related to oversight.</p> <p>Oversight being actively pursued.</p>

COMMENTS ON OTHER KEY ISSUES: ADOPTION OF IPSASs

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

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Adoption of IPSASs		
024	<p>In the medium to long-term, IPSASB needs to consider how it is going to provide support to organisations that may wish to implement IPSAS. Moving from cash to accruals accounting is a daunting task for many government departments. If the implementation of IPSASs globally is to succeed, then IPSASB needs to consider the help and support that it can provide to governments (in the same way that the International Accounting Standards Board provides help and support to its stakeholders).</p>	<p>Resource constraints have prevented this to date. Train the trainers course being developed through IFAC’s Adoption and Implementation initiative will provide some assistance.</p>
027	<p>However, I request the Board to consider how to assist many countries who are attempting to implement IPSAS standards; especially to respond to the question - <i>if we are preparing financial statements using modified accrual basis, which standards/ framework should we state that we have complied with (in the financial statements)? Would the standard/framework be acceptable to the Auditor General?</i></p> <p>I think there is an opportunity to further revise study 14 to provide guidance on this question to these countries.</p> <p>Scenario- that I face in a number of African countries</p> <p>1. Patrick, we prepare our financial statements on modified accrual basis - cash information with recognition of some accrual based information. After every two or three years, we include more accrual information.</p>	<p>Update of Study 14 may be possible in the future but currently resource constraints prevent this.</p> <p>The particular issue of “reverting” to cash basis IPSASs as a step towards adoption of accrual IPSASs has been addressed in practice by some governments. Study 14 does not advocate this and in practice many governments simply progress from modified cash or modified accrual to full accrual.</p> <p>The project on First Time Adoption may be helpful in solving some of these concerns.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Adoption of IPSASs		
	<p>2. We would like to adopt IPSAS standards. Do we first go back to cash based standards - and state compliance with cash based standards in our AFS? or Should we start transitioning to accrual based IPSAS which will take us a long period of time? If to transition, what will we state in our financial statements as the standards/framework that we have complied with - considering that we shall not be fully compliant with accrual based IPSAS for a number of years? Is there a standard for modified accrual - that we can use during the transition period and hence refer to it in the AFS?</p> <p>Our response.....</p> <p>1. You (the government) should continue to make progress in incorporation accrual information in AFS - by making reference to accrual based IPSAS on transactions that you are recognising - in order to improve on the comprehensiveness and completeness of financial information. Therefore, there is no need to first go back and apply cash based IPSAS standard.</p> <p>2. The incorporation of accrual information should be based on a comprehensive road map that the country should develop to guide adoption of accrual based standards. To develop the road map, reference should be made to the guidance in study 14, other country experiences and country specific circumstances.</p> <p>3. In addition, in designing the road map, the country should consider developing a "reporting framework (in the form of a template)" which should be revised/updated on say 2/3/4 years intervals to incorporate more accrual based information - dependent on the steps in the road map. The reporting framework should be agreed upon by the Auditor General. The financial statement should state that the AFS have been prepared using the framework - as it is inappropriate to refer to the IPSAS accrual based standards. The road map should also specify the reforms that the country should undertake during the implementation period to generate</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Adoption of IPSASs		
	<p>necessary accrual information say on assets, liabilities.</p> <p>4. Once the road map is fully implemented, the country should fully apply the standards (and refer to them in the AFS).</p> <p>So, how should IPSASB assist countries facing this scenario: I think the Study 14 should be further revised to provide more guidance on how to develop the reporting framework: revise it on regular intervals...and who to involve in preparing the framework. Guide the countries on what they should state as the reporting framework during the transition period.</p> <p>I think it is wrong to request countries who are preparing financial statements on modified basis of accounting to first revert to cash based IPSAS Standards: it is like requesting them to move a step backward. Unfortunately, this is the advise that a number of consultants are offering to countries in Africa - I think it is wrong and costly to countries who have limited resources in the first place..... any wording/direction from the Board on this matter would go a long way.</p>	
034	<p>Finally, the CP mentions that 80 countries have either adopted or are in the process of adopting IPSASs. It would be helpful to provide a more disaggregated picture which identifies (i) how many countries have implemented IPSAS without modifications, (ii) how many have implemented IPSAS with some modifications, (iii) how many are in the process of implementation (i.e. implemented some IPSASs but not others), and (iv) finally how many have only announced their intention to adopt IPSASs, but have not yet proceeded to the implementation stage.</p>	<p>A challenging and resource intensive exercise. Information is known on an “ad hoc” basis as reported to IPSASB staff. Difficulties persist in verifying information.</p>

COMMENTS ON OTHER KEY ISSUES: COMMENTS ON INTERPRETATIONS

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

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Interpretations		
010	While we would not support adding any additional projects to the work programme for the 2013-14 reporting period, we would urge the IPSASB to consider dealing with the Interpretations issued by the IASB in a more comprehensive and consistent manner, possibly as a separate project.	<p>IASB Interpretations are considered as part of the IASB tracking table exercise.</p> <p>Currently when IFRS projects are put onto the agenda or existing IPSASs developed from IFRSs are modified the related interpretations are considered.</p> <p>Addressing these as a separate project would require resource allocation – project to be added to list of potential projects for consultation post 2013.</p>
014	In addition, Eurostat would like to encourage the IPSAS Board to consider – within the limits of resources, and perhaps in place of one or two projects – the provision of an <u>interpretations function</u> to preparers, which could help to ensure a greater uniformity of implementation of IPSASs across governments when such interpretations are published. This function could also usefully feed into standards development over time, through testing the standards against practical cases.	Due to resource constraints this would be challenge at this stage. However to be further considered as part of broader strategic review for period post 2014.
034	At a more general level, it would be helpful if the IPSASB were to provide interpretations of complex technical issues. However, we recognize that the IPSASB is resource constrained, and	Due to resource constraints this would be challenge at this stage. However to be further considered as part of

Agenda Item 9.2

R#	RESPONDENT COMMENTS	STAFF COMMENTS
Interpretations		
	might want to consider how such an initiative could be introduced in a cost-efficient way.	broader strategic review for period post 2014.

COMMENTS ON OTHER KEY ISSUES

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

R#	RESPONDENT COMMENTS	STAFF COMMENTS
OTHER ISSUES		
a) Definition of the entity		
001	<p>We do not consider the issue of the entity concept at the level of sovereign governments has been adequately addressed. This is included in our comments below on the Cash Basis IPSAS, but also applies to accrual IPSAS. The sovereign entity as a reporting entity is a unique concept and is different to all other reporting entities in law and in substance. By definition the sovereign entity is “sovereign” and controls everything within its sovereignty. This control is exercised by government subject to the constitution of a particular entity. Hence the concept of control as a basis for entity definition of sovereign governments is not appropriate. The analogy of a multi layered onion may be more appropriate, with different layers appropriate for different reporting purposes.</p>	<p>Reporting entity addressed in phase 1 of conceptual framework and use of control avoided. Control being addressed as part of update of IPSAS 6-8.</p> <p>Feedback to be provided to staff for further consideration.</p>
018	<p>One of these issues the definition of the entity itself. The IPSAS definition is based on the concept of “control”, but by definition a sovereign government is “sovereign” over its realm (within constitutional limits in, for example, a federal structure). Governments can and on occasions do exercise control over entities completely outside government, e.g. in the UK decisions to take control over private sector banks in the face of a banking crisis. In fact the sovereign entity is a nebulous concept and control seems an inadequate basis for a decision. Given that the IMF GFS uses a completely different approach to defining the entity of government I am of the view</p>	<p>Reporting entity addressed in phase 1 of conceptual framework and use of control avoided. Control being addressed as part of update of IPSAS 6-8.</p> <p>Feedback to be provided to staff for further consideration.</p> <p>Issues from GFA alignment project also being</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
OTHER ISSUES		
	that the issue of defining the sovereign entity warrants further study.	considered in project to update IPSASs 6-8 as well as in further work of alignment project.
	b) Sub-national governments	
001	Related to the above, there is at present no guidance on the definition of sub-national entities that should publish GPFS. Should these be legal entities, public interest entities, or some other definition. Some guidance would be helpful for many countries embarking for the first time on publishing financial statements for their public sector entities.	As per above reporting entity addressed in phase 1 of conceptual framework.
018	A second issue I believe should be addressed is the role and purpose of sovereign government financial statements. This is especially important because of the dominance of statistical reporting systems. For example, in Europe discussion of issues around sovereign debt always use information from ESA 95 or other statistical reporting - never from government financial statements. Is the intention that IPSAS compliant financial statements should supersede statistical reports for these purposes, or if not what separate functions do sovereign government financial statements fulfill?	Alignment issues with statistical reporting and IPSASs being considered in that project. Phase 1 of framework addresses objectives and users if GPFs.
	c) Mixed group	
005	As we have previously alerted you in our letter dated 6 June 2012, one of the issues that has arisen as a result of our multi-standards approach relates to the application of IPSAS 6 <i>Consolidated and Separate Financial Statements</i> when the entity preparing the consolidated financial statements is a PBE that controls entities reporting under a different suite of accounting standards, for example, International Financial Reporting Standards (IFRSs) (the	Noted and acknowledge letter received; see Agenda Paper 9.1 for further discussion of issue.

R#	RESPONDENT COMMENTS	STAFF COMMENTS
OTHER ISSUES		
	<p>mixed group issue).</p> <p>We consider that there is a risk to the adoption of IPSASs and the integrity of reporting by entities if IPSASs and IFRSs diverge unnecessarily and create significant compliance costs. That is, if divergence arises for reasons other than differences between the constituencies serviced by the IPSASB and the International Accounting Standards Board (IASB). These differences may arise in standards addressing transactions that many would regard as sector neutral because of the different timing of the two Boards' agendas, differences in the respective developing conceptual frameworks and/or different accounting recognition and measurement approaches being developed. We urge the IPSASB and the IASB to work together to minimise differences between the two suites of standards that are not due to sectoral differences. The mixed group issue will assume greater significance as more jurisdictions adopt both IPSASs and IFRSs and, particularly, as requirements in these sets of standards diverge in their treatment of transactions where there are no apparent sector-specific differences.</p> <p>The NZASB recently issued a consultation paper¹³ for a proposed Explanatory Guide explaining its policy on how it will consider the implication for PBEs of new or amended standards issued by the IASB. However, we urge the IPSASB to consider, with urgency, what it can do to prevent unnecessary differences arising between the two suites of standards. If the IPSASB does not address the issue then there is a risk to the integrity and adoption of IPSAS as, in order to ease the compliance burden, individual jurisdictions may:</p> <ul style="list-style-type: none"> a. create "IPSAS-like" versions of any new or amended IFRSs; or 	

¹³ http://xrb.govt.nz/Site/Accounting_Standards/Exposure_Drafts/Current_Exposure_Drafts.aspx

R#	RESPONDENT COMMENTS	STAFF COMMENTS
OTHER ISSUES		
	<p>b. provide exemptions from uniform accounting policies in specific standards; or</p> <p>c. permit the separate presentation of information on certain elements.</p> <p>We consider that guidance from the IPSASB on the mixed group issue will go a long way to facilitate the adoption of IPSASs.</p>	
	<p>d) Central banks</p>	
037	<p>This time I write an e-mail to IPSASB to seek some clarification on public sector standards relating to the central bank accounting, the issue of which I encounter as follows:</p> <p>On October 18, 2012 I represented KSAP (Indonesian Governmental Accounting Standards Committee) in the discussion held by the Indonesian Central Bank (BI) commenting her exposure draft (EP) on Indonesian central bank accounting "standards" or she called it the basic principles. The EP was prepared by a team of central bank staff and other noted experts mostly from the Indonesian accountants association. The speaker of the team explained that the content of the EP is referred to the IFRS standards and amended or suited to the BI need. The speaker also explained that every country has his own peculiarity in the central bank structure, and there are no international accounting standards for central bank. Consequently, the EP team has to find or create the standards from various sources, mostly from commercial sector/IFRS, to suit best the financial instruments peculiarity as needed by the central bank.</p> <p>During the discussion I commented that the standards reference to IFRS would divert the central bank accounting from public entity as stated in the GFSM, that in my opinion the bank accounting standards should seek reference to IPSAS. The adoption of IFRS, though with some substantial amendments, will complicate the interrelation of the central bank with the the</p>	<p>To be considered in project on public sector financial instruments. Project currently delayed due to staffing constraints but will be initiated when staff complement at 100%.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
OTHER ISSUES		
	<p>government and the integration of GFS report with that of the government.</p> <p>After the meeting I try to search the IPSAS publication and or standards to find if there are already standards on financial instruments as needed by central banks, but so far I find none.</p> <p>Hereby I would ask whether there is some plan in IPSASB agenda to discuss or create the financial instruments accounting standard as needed by public sector entity which is functionally entrusted to manage this central banking matters.</p>	
	e) Due Process	
015	<p><u>IPSASB Due Process</u></p> <p>In our response to the exposure draft 47 Financial Statement Discussion and Analysis, we raised a concern about the recent change to the IPSASB Terms of Reference (TOR). Our comment was not presented by IPSAS staff to the IPSASB at the September 2012 meeting. The comment was about transparency and due process, which are critical to the successful adoption of IPSASs. We have therefore repeated these comments in this letter with the hope that they will be presented to the IPSASB at its next meeting.</p> <p>In previous exposure document responses to the IPSASB, we have expressed a concern about the change from International Public Sector Accounting Standards (IPSASs) being the guidance for the preparation of general purpose financial statements to IPSASs becoming the guidance for the preparation of general purpose financial reports. Recently, the IPSASB initiated a change to the IPSASs TOR to support this change in direction. TORs are included in the Handbook of International Public Sector Accounting Pronouncements and therefore, are part of IPSASs. The TOR, both the former and the updated, include a description of the due process that the IPSASB</p>	<p>All responses received to ED 47, were provided by staff in their entirety in addition to being publicly posted on the website. See response 037 of September agenda papers.</p> <p>The issue was noted in September for consideration in the broader context of this work program review.</p> <p>The change in the Terms of Reference was a consequential outcome of the phase 1 portion of the conceptual framework project which considered the expansion of the IPSASB's scope from GPFS to GPFRs. This was decided by the IPSASB after full exposure in accordance with the IPSASB's due process. Phase 1 was preliminarily approved by the IPSASB in March 2012 and is scheduled for final</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
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	<p>must follow when an IPSAS is changed or introduced. The TOR includes the statement that the IPSASB is required to be transparent in its activities and in developing IPSASs to adhere to due process. IPSASB was not transparent in its update to the IPSAS TOR, nor did the IPSASB follow the due process described in the former or updated TOR. The change to the TOR was approved by the International Federation of Accountants Board of directors. Requests were made to the IPSASB staff asking for copies of the materials that were provided to the IFAC board in support of the TOR change and the minutes of the IFAC board meeting that approved the change. We were informed that these documents are not publicly available. We regret that the IPSASB has not met its transparency or due process requirements with respect to its activities or the change to the IPSASs TOR that was effective on January 1, 2012.</p>	<p>approval at this meeting. Approval of projects over the past 2-3 years reflected the IPSASB's agreement that work in the area of GPFRs was appropriate (eg LTFS, Service Performance and FSD&A). Stakeholders have generally agreed with this though it is acknowledged this is not unanimous.</p> <p>The change in the IPSASB Terms of Reference to include GPFRs was approved by the IFAC Board in November 2011 and highlighted to the IPSASB in December 2011 and new terms of reference were included in 2012 IPSASB handbook. All practices followed were consistent with those required by IFAC and consistent with the PIACs. While the development of IPSASs and other pronouncements is subject to the due process changes to the terms of references are made by IFAC and are not required to be exposed.</p> <p>It is noted that IFAC Board papers are not publicly available and therefore requests for the documents were denied. Staff did suggest to those who requested the materials that a review of the IPSASB's board papers related to phase 1 of the conceptual framework would assist in tracking the development of this point of view.</p> <p>The respondent has proposed a project be added to the list of potential projects for consultation for the period post 20014 and staff has done this.</p>

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	f) Stable platform	
008	<p>Since the project to converge IPSASs with IFRSs has been finished at the end of 2009, we as a financial statement preparer would welcome a stable platform as regards those IPSASs. One argument for this would be that there are on the one hand enough public sector specific issues to be addressed by IPSASB, and on the other hand, preparers need some time to implement new IPSASs and to reach stable processes in certain areas before the standards are re-written. We believe that the way that the IASB introduced such a stable period in the past is a good example in this area. With that in mind we do not see the need to work for the next 3 years on IPSAS 5, 18 and 20. The same applies in principle to a potential small and medium-size entity standard. Our experience with small EU agencies shows that their business operations are rather limited and a number of IPSASs do either not apply at all to them, or, when they apply, then only the very basics of the IPSASs and not the more complex parts are applicable. This essentially means that our smaller EU agencies can live very easily with the existing set of standards once a careful analysis of the relevance of certain standards or parts of standards has been performed. We thus believe that the IPSAS Board should in the near future not designate resources to this potential project.</p> <p>After the finalisation of the Conceptual Framework (mid-2014 and later) we would encourage the IPSAS Board to focus on those public sector specific issues where either no standard exists elsewhere (i.e. no IFRS) or where inconsistencies in exiting public sector specific standards exist.</p> <p>The project on social benefits has been started more than 10 years ago and in the meantime steps in the direction of re-initiating the project were taken. Although we acknowledge that it might be difficult to reach consensus in that area of accounting we think this really important public sector specific issue needs to be either definitively addressed by the IPSASB, as it is</p>	<p>Current projects for revising existing IPSASs include IPSASs 6-8 and 28-30 (FI). Once the conceptual framework is complete and existing projects in work program have progressed significantly the IPSASB may want to consider a stable platform as part of its broader strategic review for the period post 2014.</p>

R#	RESPONDENT COMMENTS	STAFF COMMENTS
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	<p>crucial for reporting on obligations of governments, or dropped – we favour the former. The complexity and difficultness of a project should not per se be a criterion for the in- or exclusion in the work program. From a preparers point of view it is in any case more urgent to receive guidance on issues where no standard is available elsewhere. The Conceptual Framework once finalised will enable the Board to concentrate on this kind of public sector specific projects.</p> <p>Non-exchange transactions represent in most public sector entities the majority of business transaction. This is also the case in the European Union institutions where more than 95% of the transactions recorded in the financial statements are of a non-exchange nature. The issuance of IPSAS 23 was a milestone in reporting on non-exchange transactions but indeed practise might show that the compatibility with other IPSASs needs to be addressed. Therefore, although we recognise that it would mean work on already existing IPSASs, we strongly encourage the Board to look at this as it is an essential standard for many public sector entities.</p> <p>The accounting for Emission Trading Schemes (ETS) from a grantor perspective would be another example for a public sector specific project that could be addressed by the IPSAS Board. The European Union's ETS works on the "cap and trade" principle and has as its objective that in 2020 emissions will be 21% lower than in 2005. The EU's Emission Trading Scheme launched in 2005 now operates in 30 European countries and covers CO2 emissions from installations such as power stations, oil refineries and iron and steel works. This demonstrates that this project is of relevance in the European context.</p> <p>If the IPSAS Board would prefer to work on less resource intensive projects we would encourage the work on Leases because of the relevance to public sector entities. As outlined in the consultation paper, the IASB is changing its approach to lease accounting so that all assets and liabilities arising under a lease contract are recognised in the financial statements. As most of the buildings of the EU institutions and agencies are under lease contracts this project is of relevance to us and most likely to many other public sector entities. As there is in principle no</p>	

R#	RESPONDENT COMMENTS	STAFF COMMENTS
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	<p>public sector specific reason to depart significantly from the private sector standard this project could be managed with fewer resources than others and be started in parallel with more resource intensive public sector specific projects.</p>	
032	<p>We also consider that IPSASB should manage the standards development process in a way which is sympathetic to the needs of current and short to medium term adopters of IPSASs. An appropriate balance needs to be drawn between having standards which are as good as possible, and having a stable platform of standards to implement.</p> <p>The financial reporting standards field in both public and private sectors has been under very active development in recent years. This may be a particularly important factor for jurisdictions moving to IPSAS adoption from a regime based on IFRS. The IASB is in the process of completing a number of standard setting projects, many of which have some read across against IPSAS, and will therefore fall to be considered for consequential update to IPSAS in line with IPSASB's <i>Process for Reviewing and Modifying IASB Documents</i> (the 'Rules of the Road').</p>	<p>Current projects for revising existing IPSASs include IPSASs 6-8 and 28-30 (FI). Once the conceptual framework is complete and existing projects in work program have progressed significantly the IPSASB may want to consider a stable platform as part of its broader strategic review for the period post 2014.</p>
038	<p>After a very busy period of standard setting activity over the last few years, including the finalisation of the core set of IPSAS and the convergence programme with IFRS, we believe that the Board should focus on the needs of current and short to medium term adopters of IPSAS. An appropriate balance would need to be drawn between a continuous update of the standards and having a stable platform of standards to implement.</p>	<p>Current projects for revising existing IPSASs include IPSASs 6-8 and 28-30 (FI). Once the conceptual framework is complete and existing projects in work program have progressed significantly the IPSASB may want to consider a stable platform as part of its broader strategic review for the period post 2014.</p>
	<p>g) Suggestions for improving work program</p>	

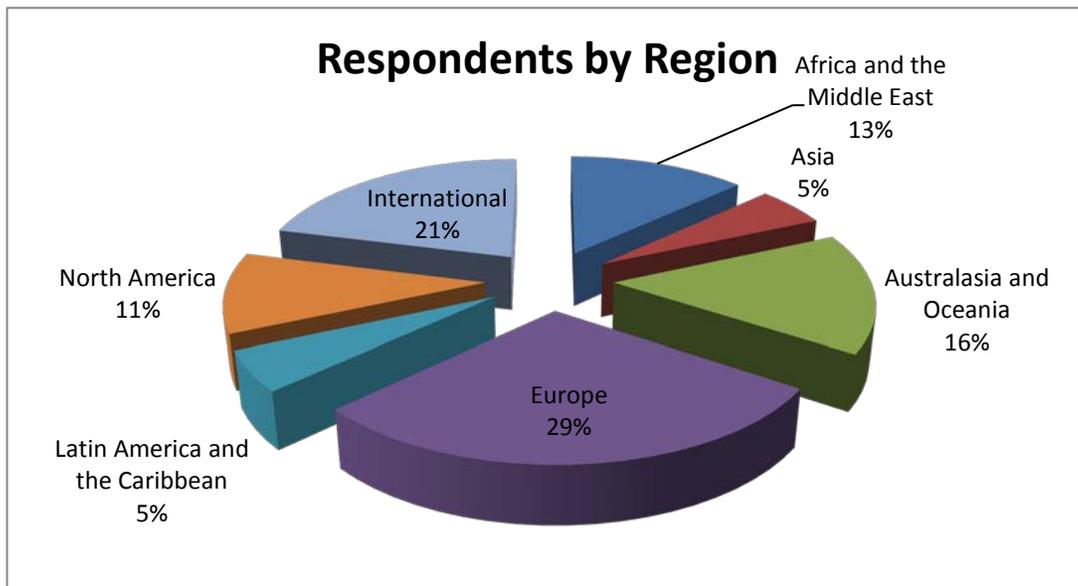
R#	RESPONDENT COMMENTS	STAFF COMMENTS
OTHER ISSUES		
017	<p><u>Additional suggestions:</u></p> <p>HoTARAC believes the stage of completion of projects may also be relevant in assessing priorities. Where a project has been exposed for comment, HoTARAC views this as close to completion and would recommend finalisation of the project be included in the IPSASB's short term work program. HoTARAC would further recommend, as part of the <i>Updating IPSASs</i> project, the IASB's timetable for projects also be considered in developing the timelines for convergence projects.</p> <p>HoTARAC suggests the IPSASB periodically updates its work plan and make it easily accessible through its website in a clear and comprehensive format (e.g. tables with timeline for anticipated release of standards or exposure drafts) for stakeholders. IASB and AASB are providing this and HoTARAC finds it very useful in terms of identifying the current projects, assessing whether there is a need for a HOTALARAC response and planning the time and resources to be allocated to responses.</p>	<p>Work plan is updated subsequent to each meeting. Working with communications to develop a format for the website that would achieve goals of the respondent.</p>
h) CAG		
001	<p>Some of our members have been appointed to the existing CAG but (to the best of our knowledge) have never been called upon to address any issues. Hopefully, this can be corrected in the future.</p>	<p>Current Consultative Group has been inactive for some time pending transition to new Consultative Advisory Group (CAG) to be implemented as part of oversight changes.</p>

Financial Statement Discussion and Analysis

Analysis of Respondents by Region, Function, and Language

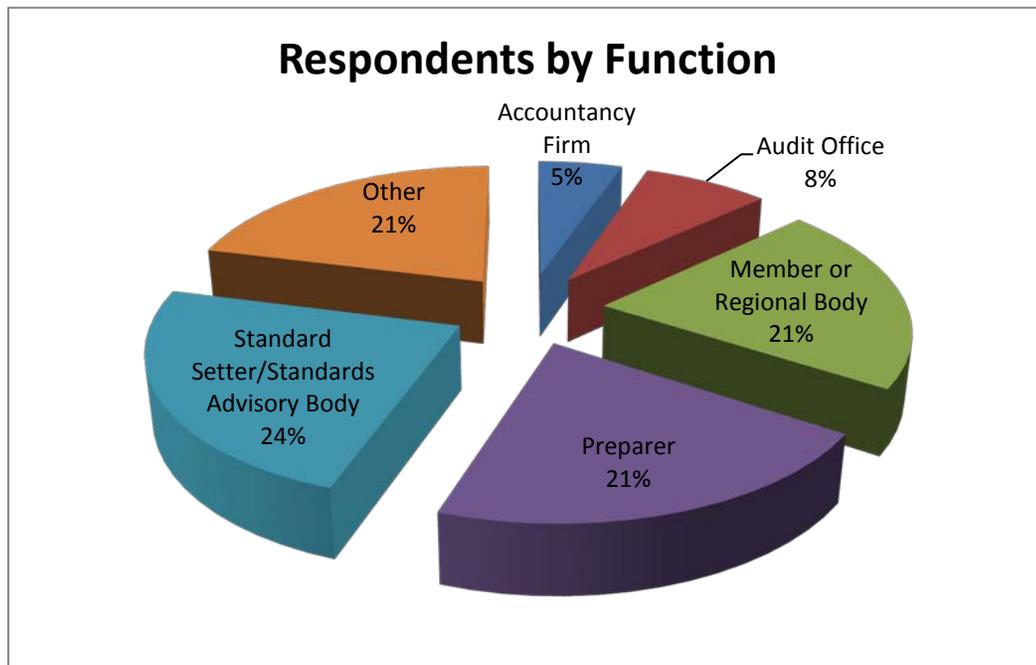
Geographic Breakdown

Region	Respondents	Total
Africa and the Middle East	10, 16, 25, 27, 28	5
Asia	22, 37	2
Australasia and Oceania	5, 7, 12, 17, 26, 30	6
Europe	2, 3, 4, 9, 13, 21, 23, 24, 32, 33, 38	11
Latin America and the Caribbean	19, 35	2
North America	6, 15, 18, 31	4
International	1, 8, 11, 14, 20, 29, 34, 36	8
Total		38



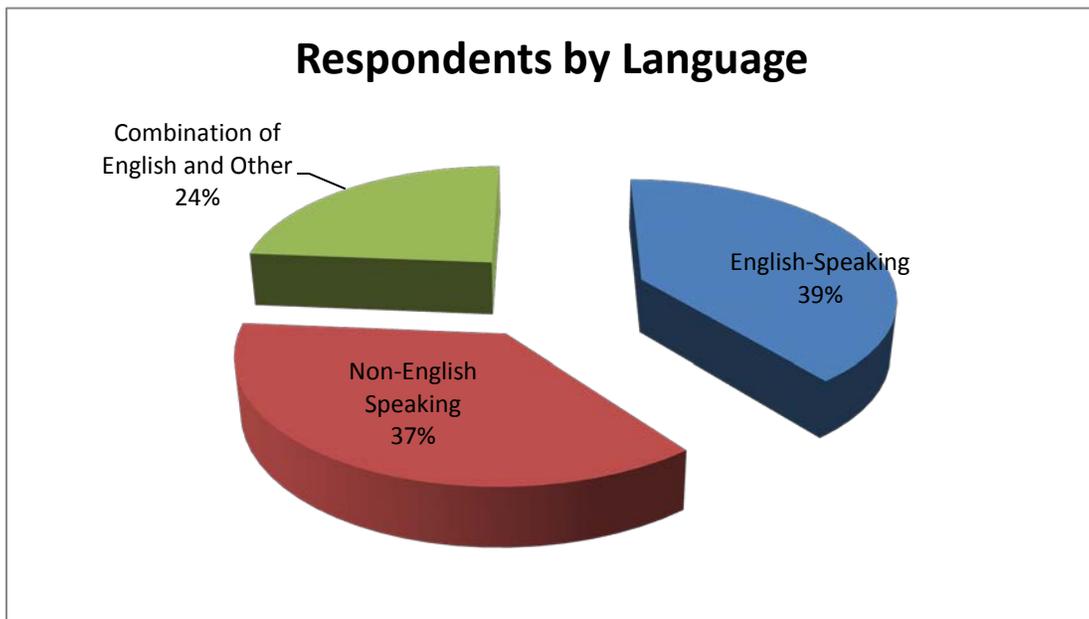
Functional Breakdown

Function	Respondents	Total
Accountancy Firm	20, 29	2
Audit Office	4, 7, 9	3
Member or Regional Body	3, 11, 22, 24, 25, 26, 28, 32,	8
Preparer	8, 12, 15, 17, 21, 23, 31, 36	8
Standard Setter/Standards Advisory Body	2, 5, 10, 13, 16, 30, 33, 37, 38	9
Other	1, 6, 14, 18, 19, 27, 34, 35	8
Total		38



Linguistic Breakdown:

Language	Respondents	Total
English-Speaking	1, 5, 6, 7, 11, 12, 15, 17, 18, 24, 26, 30, 31, 32, 33	15
Non-English Speaking	2, 3, 4, 8, 9, 13, 14, 16, 19, 21, 22, 23, 35, 38	14
Combination of English and Other	10, 20, 25, 27, 28, 29, 34, 36, 37	9
Total		38





NZ ACCOUNTING
STANDARDS
BOARD

6 June 2012

Dr. Andreas Bergmann
Zurich University of Applied Sciences
Institute of Public Management
St. Georgenstrasse 70
P.O. Box 958
CH-8401 Winterthur
SWITZERLAND

Dear Andreas

Uniform Accounting Policies

Thank you for meeting with members of the New Zealand Accounting Standards Board (NZASB) and staff earlier this year. We appreciated being able to discuss a number of issues relating to the current development of Public Benefit Entity (PBE) Standards based on IPSASs.

One of the issues that has arisen relates to the application of IPSAS 6 *Consolidated and Separate Financial Statements* when the entity preparing the consolidated financial statements is a public benefit entity (PBE)¹ which controls entities reporting under a different suite of accounting standards. Many PBEs in New Zealand will be required to consolidate for-profit entities that have prepared their financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) (for example, the central government owns a number of companies and many local authorities have trading activities such as port companies).

There has been some discussion in New Zealand as to the application of the requirements regarding uniform accounting policies in IPSAS 6 in such situations. We note that there is no guidance on this issue in IPSAS 6. IPSAS 6 explains that it does not apply to Government Business Enterprises (GBEs) because GBEs apply IFRSs issued by the IASB (IPSAS 6, paragraph 5). It then goes on to establish requirements for consolidating GBEs into the consolidated financial statements of the economic entity (IPSAS 6, paragraph 6).

It appears to us that the approach in IPSAS 6 will work if IPSASs and IFRSs are substantially converged except for public sector specific items. However, there will be a danger to the integrity of the reporting and significant compliance costs if IFRSs and IPSASs diverge, which is likely both because of the different timing of the two Boards' agendas and their developing

¹ Public benefit entities are defined as reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

conceptual frameworks, and because the Boards may pursue different accounting recognition and measurement approaches without expressly considering the consequences for mixed groups.

Given that other jurisdictions applying IPSASs are also likely to encounter this issue we would welcome IPSASB's thoughts on this matter, including the approach taken by other jurisdictions applying IPSAS 6, and IPSASB's views on providing guidance on this matter.

IPSAS 6 Uniform accounting policies

IPSAS 6 requires that consolidated financial statements be prepared using uniform accounting policies for like transactions and other events in similar circumstances (refer IPSAS 6 paragraphs 49 and 50, as set out below).

49. **Consolidated financial statements shall be prepared using uniform accounting policies for like transactions and other events in similar circumstances.**
50. If a member of the economic entity uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

The issues that we have been grappling with relate to the phrases "like transactions and events" and "similar circumstances". There is no guidance on this issue in IPSAS 6. Nor is there any guidance in IAS 27 *Consolidated and Separate Financial Statements*, the standard on which IPSAS 6 is based. In addition, the requirements regarding uniform accounting policies in IFRS 10 *Consolidated Financial Statements* are almost identical to those in IAS 27.

Current financial reporting requirements in New Zealand

The requirements of IPSAS 6 are identical to the requirements in NZ IAS 27 *Consolidated and Separate Financial Statements* which is currently applied by both for-profit entities and PBEs in New Zealand. So, to some extent this is not a new issue. There are currently a limited number of PBE specific requirements that differ from the requirements for for-profit entities (for example, impairment, inventory measurement, asset revaluations).

The adoption of PBE Standards will have a significant impact. There will be more instances where the recognition and measurement requirements in NZ IFRSs differ from the requirements in IPSASs. The number of such differences may increase over time, particularly as the IASB concludes its work on major topics such as leases and revenue.

Like transactions and events and similar circumstances

We note that where entities within a group have different types of assets and liabilities, different accounting policies may be used for those classes of assets and liabilities. We consider that there will be instances where mixed groups decide that no adjustments are required because the assets and liabilities are in fact different. This issue may lead to some reconsideration of the specification of classes of assets and liabilities.

Where entities within a group have similar assets but those assets are used for differing purposes it is also possible to argue that no adjustment is required. However, the question is what indicators should be present in order to demonstrate that the assets are used for different purposes. One distinction that we have considered is that between cash-generating and non-cash-generating assets. However we would be cautious as to whether this would be a valid argument for assets such as office equipment.

We are not concerned about the case where there are accounting policy choices within a standard because the controlling entity can usually specify the policies that must be applied in any information incorporated in the consolidated financial statements.

Lower prevalence of this issue in the private sector

We acknowledge that this issue can also arise in the private sector. For example, large companies are likely to have subsidiaries that report in accordance with different accounting standards and that have different accounting policies as a result.

However, in such cases the impact of these different policies is often immaterial to the consolidated financial statements. In the public sector the reverse can be true. Government-owned companies can have a significant impact on the consolidated financial statements and there are likely to be more instances where adjustments are required to align the accounting policies of the group.

Moving forward

This issue is likely to be significant not only for New Zealand, but also for any government applying IPSASs as most governments will have for-profit entities that they must consolidate. These for-profit entities are likely to be applying accounting standards that differ in some material respects from IFRSs. Recent changes in the world economy have also led to governments owning more, rather than fewer, for-profit entities. The impact of the requirements in IPSASs will become more apparent as more governments move to full compliance with IPSASs. Clear guidance on this issue might facilitate the adoption of IPSASs internationally.

We would appreciate the IPSASB taking some time to consider this issue and what it can do to facilitate the adoption of IPSASs. In particular, we propose that the IPSASB:

- (a) note that the IPSASB explicitly acknowledges in IPSASs that it is appropriate for for-profit entities such as GBEs to apply different accounting standards;
- (b) note that application of the Rules of the Road is a necessary step in ensuring that differences between IFRSs and IPSASs reflect differences in the public sector environment;
- (c) consider as a standing item at each IPSASB meeting, an analysis as to whether forthcoming pronouncements from either the IASB or the IPSASB Board have an impact on mixed group reporting, with implications for the regular improvements standards, project planning, or additional guidance in IPSAS 6;
- (d) make this a standing item on its liaison meetings with the IASB; and
- (e) provide directions to staff as to how to respond to this issue in the context of the project to revise IPSASs 6-8.

From our perspective we are under considerable pressure to think carefully about this issue and ensure that compliance costs do not outweigh the benefits of requiring uniform accounting policies. Options that we have been asked to consider include exemptions from uniform accounting policies in relation to specific standards or to permit separate presentation of information on certain elements. Some constituents are even proposing that we should create "IPSAS-like" versions of any new or amended IFRS. Further, this issue may also cause some entities to inappropriately rethink the classification of controlled entities (ie to try and align the accounting standards applied by the group).

We will keep you informed of any decisions we make and would appreciate any assistance you can give regarding this matter.

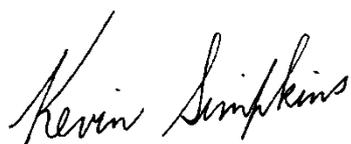
Yours sincerely

A handwritten signature in black ink, appearing to read 'Michele Embling', enclosed within a circular scribble.

Michele Embling

Chair – New Zealand Accounting Standards Board

Email: michele.embling@xrb.govt.nz

A handwritten signature in black ink, appearing to read 'Kevin Simpkins'.

Kevin Simpkins

Chair – New Zealand External Reporting Board

Email: kevin.simpkins@xrb.govt.nz

cc: Stephenie Fox, Technical Director, IPSASB
John Stanford, Deputy Director, IPSASB