



October 17, 2012

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

Dear Stephenie Fox:

RE: Consultation Paper on IPSASB Work Program 2013-14

Thank you for the opportunity to comment on the consultation paper (CP) titled "Consultation on IPSASB Work Program 2013-14." The views expressed in this letter reflect the views of the Government of the Province of British Columbia.

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

IPSASB Due Process

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.

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 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.

IPSASs are Reserved for the Preparation of General Purpose Financial Statements

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.

Criteria to Differentiate Between Whether a Project Results in an IPSAS, Recommended Practice Guideline, Study, Paper or Research Paper

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.

Improving the IPSAS Terms of Reference

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.

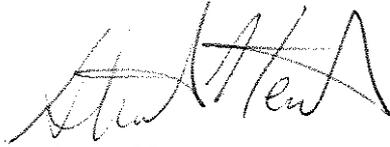
Convergence of Public Sector Accounting and Statistical Bases of Financial Reporting

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.

We look forward to the broader and more fundamental public consultation of IPSASB's broad strategic direction that is planned for 2014. 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.

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

On behalf of the Government of British Columbia,
Sincerely,



Stuart Newton
Comptroller General

Encl.

cc: Peter Milburn, Deputy Minister
Ministry of Finance

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

Jim Hopkins, Assistant Deputy Minister
Ministry of Finance

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

The IPSASB asks that in assessing priorities and providing input you consider the following questions:

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?

We suggest that the following projects should be added to the list of potential projects;

- 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 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.
- 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.

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.

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 discontinued operations		L
Presentation of Financial Statements		L
Related party transactions		L
Revenue recognition	1	H
Segment reporting an update of IPSAS 18		L
Small and medium enterprises		L
Social benefits		L
Sovereign powers and their impact on financial reporting		L

H=high priority; M=medium priority and L=low priority

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

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 incorporate the new IFRS lease guidance into IPSAS accounting standards.