

## **Agenda Item 6: Government Finance Statistics Update**

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IPSASB Meeting

Santiago, Chile

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# Objective of Session & Material Presented (Covering Memo para 1)

- **Objective**
  - **Consider** the Issues Paper;
  - **Consider** the approach the Task Force has taken to issues management and allocation to the three Government Finance Statistics (GFS) Tracking Tables; and,
  - **Approve** the inclusion of the three tables as *GFS Tracking Tables* as agenda items for future IPSASB meetings

# Objective of Session & Material Presented (Covering Memo para 1)

- **Material Presented**

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|-----------------|---|
| Agenda Item 8   | Covering Memorandum   |
| Agenda Item 8.1 | Issues Paper  |
| Agenda Item 8.2 | IPSASs and GFS Reporting Guidelines –<br>Extracts from 2012 Consultation Paper  |
| Agenda Item 8.3 | IPSASB Policy Paper – Process for Considering<br>GFS Reporting Guidelines during Development<br>of IPSASs                       |
| Agenda Item 8.4 | GFS Tracking Table 1 [Draft] – Potential<br>differences that can be resolved now through<br>adopting a GFS-aligned IPSAS option |

# Background

## (Issues Paper para 1-3)

- **2003** *Task Force on Harmonization of Public Sector Accounting*
- **2005** *IPSASs and Statistical Bases of Financial Reporting: An Analysis of Differences and Recommendations for Convergence – Research Report*
- **2011** *Task Force Alignment of IPSASs and Public Sector Statistical Reporting Guidance*
- **2012** *Consultation Paper, IPSASs and GFS Reporting Guidelines*
- **2014** *IPSASB Policy Paper, Process for Considering GFS Reporting Guidelines During Development of IPSASs*
- **2014** *Further analysis on CP Table 2: Issues from 2005 Report – Resolution and Proposals for Consideration*

# Task Force Meeting in December 2014—Decisions (Issues Paper para 4-7)

- Three New Tables
  - **Table 1** – Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option
  - **Table 2** – Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project
  - **Table 3** – Differences currently needing to be managed that:
    - i. Could potentially be resolved through a future IPSASB project
    - ii. Could potentially be resolved through a future SNA/GFS revision project
    - iii. Do not currently appear capable of resolution.

# Task Force Meeting in December 2014—Decisions (Issues Paper para 4-7)

- Analysis of issues
  - Resource for the Board’s future work; and,
  - Published on the IPSASB website.
- Inclusion of the three tables as an agenda item for future IPSASB meetings in the similar manner as the IFRS tracking table

# Management of Differences (IPSAS and GFS) (Issues Paper para 9)

- Table 1 – Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option
  - The reporting entity (1.A1)
  - Reporting component sectors of the public sector, particularly the general government sector (GGS) (1.A2)
  - Accounting for controlled entities (1.A3)
  - Outside equity interest (1.A4)
  - Borrowing costs (1.B1)
  - Time of recording of tax revenue (1.B2)
  - Investments in associates (Measurement) (1.C1)

# Management of Differences (IPSAS and GFS) (Issues Paper para 9)

- Table 1 – Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option
  - Measurement of investments in unquoted shares (entities that are not controlled or subject to significant influence) (1.C2)
  - Depreciation vs. consumption of fixed capital (1.C3)

# Management of Differences (IPSAS and GFS) (Issues Paper para 10)

- Table 2 – Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project
  - Defence weapons (3.3);
  - Recognition and derecognition of financial instruments: Securitization undertaken by SPEs/SPVs (6.e)
  - Currency on issue/ seigniorage (6.2)
  - “Subscriptions” to international organizations (10.6)
  - IMF Special Drawing Rights (SDRs) (10.13)
  - Measurement of non cash-generating assets (10.7)
  - Transaction costs – Acquisition of Assets (10.9)

# Management of Differences (IPSAS and GFS) (Issues Paper para 11)

- Table 3 – Differences currently needing to be managed that:
  - i. Could potentially be resolved through a future IPSASB project*
    - Determination of:(a) net worth/net assets/ equity (2.2);
    - Contributions from owners for commercial government operations (2.2b));
    - Distributions payable to owners as holders of equity instruments (2.3a));
    - Distributions receivable from controlled entities (2.3b));
    - Transaction costs – Disposing of Assets (5.2);
    - Inventory (Measurement) (5.5);
    - Financial Statements for the Reporting Entity – General (8.1).

# Management of Differences (IPSAS and GFS) (Issues Paper para 11)

- Table 3 – Differences currently needing to be managed that:
  - ii. *Could potentially be resolved through a future SNA/GFS revision project*
    - Costs of intangibles (3.1);
    - Public private partnerships (3.4);
    - Decommissioning/restoration costs (4.2);
    - Low interest and interest free loans (5.4);
    - Biological assets (that is, living animals and plants) (5.8);
    - Extractive Industries (development and production) (5.10);
    - Lease liabilities (10.10)

# Management of Differences (IPSAS and GFS) (Issues Paper para 11)

- Table 3 – Differences currently needing to be managed that:
  - iii.* Do not currently appear capable of resolution
    - Extractive Industries (exploration and evaluation) (3.2);
    - Provisions arising from constructive obligations (4.1);
    - Nonperforming loans (5.3)
    - Extractive industries (exploration and evaluation) (5.9)
    - Prior period adjustments/back casting: voluntary changes in accounting policies (10.14)

# Management of Differences (IPSAS and GFS) (Issues Paper para 12)

- Issues removed from the Comparison Table:
  - Employee stock options (ESOs) (4.4)
  - Recognition and derecognition of financial instruments: Debt assumption (6.1a))
  - Recognition and derecognition of financial instruments: Debt cancellation (6.1b))
  - Recognition and derecognition of financial instruments: Debt defeasance (6.1d))

## Next Steps

### (Issues Paper para 13)

- Table 1 – Update with IPSAS 34-38 and editorials revision
- Table 2 – Update with IPSASB work plan 2015-2016
- Table 3 – Update with decisions from Task Force
- All Tables – Agenda item for all IPSASB meetings from June 2015 onwards under the name *GFS Tracking Tables*

## Action Requested

- (a) **Review** the approach the Task Force has taken to issues management and allocation to the three tables on *IPSASs and GFS Reporting Guidelines: Comparison of Recognition and Measurement Requirements*; and
- (b) **Approve** the inclusion of the three tables as *GFS Tracking Tables* as agenda items for all future IPSASB meetings.



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