



PO Box 1077  
St Michaels, MD 21663  
T. 410-745-8570  
F. 410-745-8569

October 15, 2014

Ms. Stephenie Fox  
The Technical Director  
International Public Sector Accounting Standards Board (IPSASB)  
International Federation of Accountants  
277 Wellington Street West, 6th Floor  
Toronto, Ontario M5V 3H2 CANADA

Dear Ms. Fox:

1. The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to the Consultative Paper (CP) on the *Applicability of IPSASs to Government Business Enterprises (GBEs) and Other Public Sector Entities*. We are pleased that the IPSASB is reconsidering the applicability of its standards in this area.
2. Working globally with governments, organizations, and individuals, ICGFM is dedicated to improving financial management by providing opportunities for professional development and information exchange. ICGFM conducts two major international conferences each year and publishes an international journal twice each year. Services are provided to its membership through an international network. ICGFM represents a broad array of financial management practitioners (accountants, auditors, comptrollers, information technology specialists, treasurers, and others) working in all levels of government (local/municipal, state/provincial, and national). Since a significant number of our members work within government and audit institutions around the world, our response to this consultative paper is one from an international perspective.
3. Our responses to the comments on the specific matters are as follows:
  - a. **Comment 1.** Do you agree with the IPSASB's PV? If so, do you prefer Option 1a or Option 1b? Please give reasons for your view. **Response.** We agree that the IPSASB should limit its review to describing the characteristics of public sector entities for which the IPSAS are intended (Approach 1). In general, we would favor a principles-

based approach (1a), BUT we are very supportive of the idea of harmonizing IPSAS with GFS as in Option 1b. As a practical matter, we would prefer Option 1b since it could provide (optionally) a classification scheme (budgetary entities, extra-budgetary entities, and public corporations) that would meet the segment requirements in the IPSAS as explained in paragraph 4 below. The IMF classifications are well laid out in their publications and do not need further clarification. They are consistent with the United Nation's System of National Accounts and its sectoral classification. In addition, they are being applied by countries throughout the world. If clarification is needed, IMF advisers are readily available in most countries to explain the classification. Acceptance of these guidelines would be another step forward in our efforts to harmonize the IPSAS with those used by the IMF statistical reporting system.

- b. **Comment 2.** If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give reasons for your view. **Response.** We support the IPSASB's PV.

4. Other observations are as follows:

- a. To assist in making fiscal policy decisions, we prefer to use the following IMF breakout: budgetary entities, extra-budgetary entities, and public corporations. As a good intermediate step, we would prefer the following presentation since it would eliminate the current difficulties in trying to prepare a whole-of-government statement from those prepared on a cash or accrual IPSAS basis with those from IFRS:

	Budgetary Entities*	Extra- Budgetary*	Public Corporation**
Income	1000	100	1000
Expenses	<u>950</u>	<u>150</u>	<u>750</u>
Subtotal	50	(50)	250
Transfers to/(from)	(100)	100	
Transfers to/(from)	<u>200</u>	<u>      </u>	<u>(200)</u>
Surplus/(Deficit)	<u>150</u>	<u>50</u>	<u>50</u>

\*follows cash or accrual IPSAS

\*\*follows IFRS

- b. To assist in making monetary policy decisions, we prefer that the Central Bank be shown as a separate stand-alone financial statement in line with the IFRS.

5. We appreciate the opportunity to comment on this CP and would be pleased to discuss this letter with you at your convenience. If you have questions concerning this letter, please contact Dr. Jesse Hughes, CPA, CIA, CGFM at [jhughes@odu.edu](mailto:jhughes@odu.edu) or 757.223.1805.

Sincerely,

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ICGFM Accounting Standards Committee

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Anthony Bennett

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