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Dear Stephenie

### **IPSASB Exposure Draft 41: Entity Combinations from Exchange Transactions**

The Audit Commission welcomes the opportunity to comment on the exposure draft on entity combinations.

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services in England to deliver better outcomes for everyone. We appoint auditors to over 700 major public bodies that are moving to prepare accounts under IFRS. Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies. As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

### **The Commission's Response**

The Commission welcomes the approach taken by the Board that, in the absence of any specific public sector reasons for departure, ED 41 should be converged with the requirements, structure and text of IFRS 3 '*Business Combinations*'.

We note that the scope of the ED includes only entity combinations arising from exchange transactions and where the entities are not under common control and that other types of public sector entity combinations, including those under non exchange transactions will be covered in future IPSASs. We would encourage the development of such standards in the near future as we believe the excluded circumstances are more common than those under exchange transactions. For example, in the UK, there are numerous examples of acquisitions and mergers of organisations within the National Health Service.

It is noted that the new standard will have significant impact on existing IPSASs, particularly IPSAS 26 '*Impairment of Cash Generating Assets*' and we welcome the approach of the Board in utilising the text of, and implementation guidance of, the corresponding International Accounting Standard 36 "Impairment of Assets" wherever possible.

Should you have any queries on this response please do not hesitate to contact me.

Yours sincerely

Mike Langley

Senior Technical Manager- Financial Reporting