

Ian Carruthers
Chairman
International Public Sector Accounting Standards
Board
International Federation of Accountants

Submitted via website

12 April 2018

Comments to IPSASB's Exposure Draft 63, Social Benefits

Dear Mr. Carruthers,

We are pleased to respond to the IPSASB's Exposure Draft 63, *Social Benefits*.

We have supported the development of accounting guidance for social benefits for many years. Against this background, we are pleased to note that with this ED the IPSASB intends to close the gap on accounting for social benefits within its suite of standards.

The main issue of our comment letter relates to the proposed recognition point under the obligating event approach. In our view, this recognition point does not seem to be appropriate for all social benefit schemes. As brought forward in the Alternative View, we support the view that the proposed recognition model does not reflect the economic substance of certain social benefits.

In our view, 'being alive' at the point at which the eligibility criteria are satisfied ahead of each payment cycle is an implicit eligibility criterion impacting the liability recognition. Within EY, we still have difficulties understanding the reasons to treat 'being alive' differently to other transactions (e.g. post-employment benefits plans in the scope of IPSAS 39, *Employment Benefits*). In our view, and in line with other standards, 'being alive' should rather impact the measurement of the benefit through the actuarial calculation.

In EY's view, some consideration should be given to historical experience providing evidence of likelihood of future payment of obligations relating to existing claims to estimate the total obligation that arises.

In case that the IPSASB continues to favor that the eligibility criteria "staying alive" should be a recognition rather than a measurement criteria we would strongly be in favor of having a standard on reporting of the long-term sustainability of an entity's finance.



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For our detailed responses, please see the Annex.

Please do not hesitate to contact Thomas Müller-Marqués Berger or Dr. Jens Heiling in case of any additional questions or remarks.

Sincerely,

A handwritten signature in black ink that reads "Thomas Müller-Marqués Berger".

Thomas Müller-Marqués Berger
Partner

A handwritten signature in black ink that reads "Jens Heiling".

ppa. Dr. Jens Heiling
Senior Manager

Annex - detailed responses

SMC 1:

*Do you agree with the scope of this Exposure Draft, and specifically the exclusion of universally accessible services for the reasons given in paragraph BC21(c)?
If not, what changes to the scope would you make?*

In our view, the Application Guidance on the scope of ED 63 could be extended. We see for example some practical issues in applying the proposed scope of the standard. We found that the exclusion of universally accessible services from the scope of the proposed Standard could be difficult to apply. For example, the question could be asked why a vaccine provided to children under 6 years should be included but a vaccine available for all should be out of the scope of ED 63. A further question in this context is whether the vaccine being available to all children under 6 makes it universally accessible or if age could be considered an eligibility criterion. We also would like to encourage the IPSASB to ensure that the respective scope sections of IPSAS 19, a future standard on social benefits and a future standard on non-exchange expenses are all consistent and preparers find sufficient guidance in the standards to apply the requirements.

SMC 2:

*Do you agree with the definitions of social benefits, social risks and universally accessible services that are included in this Exposure Draft?
If not, what changes to the definitions would you make?*

We generally agree with the definitions of social benefits, social risks and universally accessible services. In our view, it could be questionable why a future standard should only cover social risks and not other risks such as risks from disasters, such as earthquakes or fire (not solely related to an individual). In our view, such risks could also be considered as a social risk affecting the welfare of citizens. As a consequence of the proposed requirements someone who requires a housing benefit due to poverty would be treated differently to someone who needs a house due to an earthquake. As it might not be the intention of the IPSASB to treat these two scenarios differently, we suggest to add Application Guidance to the Standard that explains the concept of universally accessible services and the definition of social risks in more detail. In our view, social risks can differ between different jurisdictions. Therefore, social risks would need to be considered in light of the general norms and living standards of the respective jurisdiction. In our view, such clarification is important if the standard should be applicable in more impoverished countries, for example, where the majority of citizens live in circumstances that might be considered abnormal social risks in other parts of the world.