



International Public Sector Accounting Standards Board
Ms Stephenie Fox
IPSASB Technical Director
529 Fifth Avenue 6th Floor
New York, NY 10017
United States of America

29 March 2013

Dear Ms Fox,

Consultation on IPSASs and Government Finance Statistics Reporting Guidelines

PwC welcomes the opportunity to respond to the consultation paper on IPSASs and Government Finance Statistics Reporting Guidelines, which addresses fundamental questions of government accounting and financial reporting.

Many governments use the statistical basis of reporting to provide information which is suitable for analyzing and evaluating fiscal policy options and outcomes and to make national and international comparisons. Accounting and statistical reports provide complementary financial information that enables users to evaluate the performance of government and the economy as a whole. Accounting and statistical standards are both primarily accrual-based and are used to record the same transactions and events, although differences arise due to differences in their underlying reporting objectives.

Working on a further alignment of the two sets of rules will facilitate understanding of IPSAS by a wider range of potential users and hence its adoption by governments around the world. The present consultation is therefore particularly timely and welcome.

Our response summarises the views of firms in the PricewaterhouseCoopers ('PwC') network that commented on the consultation paper. 'PwC' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

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We do not comment on the differences between IPSAS and GFS rules. We however provide our view on the matters that should be considered, and the principles that should be followed when the IPSASB works and decides on the convergence with GFS rules.

We believe that harmonising IPSAS and GFS reporting guidelines has value, but this should not be at the expense of developing and applying the highest quality standards. Development of new standards by the IPSASB and selection of accounting policies by the government entity should always be driven by this primary objective. Revision of GFS should also be explored to achieve greater alignment with IPSAS. Furthermore, convergence with IFRS should be considered.

Our responses to the specific questions in the consultation paper can be found in the Appendix to this letter.

If you would like to discuss any of these points in more detail, please contact Jan Sturesson ((+46) 10 212 99 39), Jean-Louis Rouvet ((+33) 1 56 57 85 78), Patrice Schumesch ((+32) 2 710 40 28), or myself ((+44) 207 804 2497).

Yours sincerely,

PricewaterhouseCoopers IL

A handwritten signature in black ink, appearing to read 'John Hitchins', written in a cursive style.

John Hitchins,
PwC Global Chief Accountant

Appendix: Response to the questions in the IPSASB consultation paper on IPSASs and Government Finance Statistics Reporting Guidelines
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1. With respect to the summary in Table 2 of progress on reducing differences and the supporting detail in Appendix B:

- (a) Do you agree that the issues categorized as resolved (Category A in Table 2) are indeed resolved?**
- (b) Are there further differences between IPSASs and GFS reporting guidelines that should be added to this list? If so, please describe these.**

The issues listed in table 2 as resolved should be presented as areas where options are available for IPSAS reporting to be more aligned with GFS guidelines, rather than issues that are resolved and closed.

Alignment is indeed possible if the entity chooses the options within IPSAS that make that alignment possible, but in doing so the public sector entity would need to consider the requirements included in IPSAS 3 'Accounting policies, changes in accounting estimates and errors' and other strategic considerations such as its potential desire to align with IFRS.

IPSAS 3 requires that the public sector entity use its judgment in developing and applying an accounting policy that results in relevant and reliable information. Selecting (or not) those options included in the IPSAS standards that align with GFS reporting rules requires the entity to go through this assessment process. For example, the entity would need to determine whether applying the revaluation model of IPSAS 17 'Property, plant and equipment' provides (or does not provide) information that is more relevant and reliable than applying the cost model.

Without negating the need to develop standards that are sufficiently tailored to address the specific characteristics of the public sector, it is also important to look at the possible convergence with IFRS. As governments prepare IPSAS consolidated accounts that include both public sector entities reporting under IPSAS and GBEs reporting under IFRS, aligning the two sets of principles where appropriate brings more consistency in the consolidation process. Where facts and circumstances are the same, we do not see any basis for having a different accounting treatment. Selecting the option under IPSAS which aligns the accounting treatment to GFS rules may create a difference with the mandatory IFRS treatment. For issue A5 for example, IPSAS 5 'Borrowing costs' allows either to expense these costs or to capitalise them as part of the acquisition cost of the qualifying asset. Under IFRS, capitalisation is mandatory, and under GFS rules borrowing costs should be expensed.

We encourage the IPSASB to pursue its efforts with the parties involved to achieve harmonisation of IPSAS, GFS rules and IFRS to the greatest possible extent.

Finally, there might be instances where issues listed in table 2 may be resolved in practice/in application, but the requirements are not aligned. For investments in unquoted shares for example, IPSAS 29 'Financial instruments: recognition and measurement' requires fair value where there is a reliable measure and cost otherwise, and GFS rules adopt a 'current market price' basis across all assets.

2. Do you agree that the IPSASB, in conjunction with the statistical community, should develop guidance on the development of integrated Charts of Accounts, which would include (i) an overview of the basic components of an integrated Chart of Accounts, and (ii) wider coverage such as that listed in paragraph 4.16 of this CP?

Guidance on the development of an integrated chart of accounts could be useful for public entities that apply both IPSAS and GFS requirements. This could facilitate the preparation of the two sets of accounts.

We however believe that such guidance should be presented as useful information that public sector entities might wish to consider when they apply the two sets of rules, rather than issued under the form of mandatory IPSAS rules. We believe this would better fit within a principles-based accounting framework.

In developing its guidance on an integrated chart of accounts, the IPSASB could consider contributing to the development of an XBRL taxonomy in relation to IPSAS. It would also need to consider the impacts of such initiative in terms of the future maintenance of the integrated chart of accounts.

3. (a) Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines? (b) If so, are there changes other than those listed in paragraph 5.4, which the IPSASB should consider adopting?

Yes. Reducing differences between IPSAS and GFS principles is an objective that should be pursued, and the IPSASB should consider the opportunity for alignment with GFS in each and every project it carries out.

As however mentioned under question 1, this should not be at the expense of developing the highest quality standards. The standards-setting process should primarily be concerned with developing standards in accordance with the principles laid down in the conceptual framework (now under development), and that provide information that is relevant, useful and reliable. IPSAS 3 should also be complied with when selecting accounting policies under the IPSAS framework.

In addition, convergence to IFRS should be considered as explained under question 1.

Finally convergence with GFS should also involve exploring whether GFS requirements could be amended or enhanced to reflect developments in accounting standards. Where appropriate, consideration should be given to whether GFS requirements should be amended to converge with IPSAS. For example, aligning GFS requirements on IPSAS 32 'Service concession arrangements: grantor' for public-private partnerships (issue C4 in table 2) would provide a more comprehensive view of a government's assets and liabilities in GFS reporting.

4. Are there other areas where IPSAS changes could address GFS differences? Please describe these.

IPSAS changes that would be made to address GFS differences would need to be made after having considered the matters referred to under question 3.

- 5. This CP describes three options concerning IPSAS 22: Option A, revisions to improve IPSAS 22; Option B, withdrawal of IPSAS 22 without replacement; and, Option C, replacement of IPSAS 22 with a new IPSAS. Are there any further IPSAS 22 options that should be considered? If so, what are these? Which one of the options do you consider that the IPSASB should consider adopting?**

Having two different sources of financial reporting requirements for the government may be confusing to both users and stakeholders and reduces international comparability. Therefore more clarity should be given to the users of financial statements. We believe that either option A (revision of IPSAS 22 to provide a better bridge between IPSAS and GFS reporting) or option C (integrated approach to financial statements and GFS) could help achieve this objective, and comment below on the circumstances that the IPSASB should in our view consider in selecting one or other option.

If option A is chosen, IPSAS 22 'Disclosure of financial information about the general government sector' should become a mandatory standard for those governments that make GFS reporting publicly available, rather than an optional one. In doing so, the IPSASB could consider minimum disclosure requirements to address in a clear and understandable way the most important reconciliation areas, and additional optional disclosures whose relevance would need to be assessed by the government.

If option C is chosen, we would not force mandatory alignment with GFS measurement guidelines at all cost. As mentioned under questions 1 and 3, the development of new standards and the selection of accounting policies should be guided by the principles included in the IPSAS conceptual framework (under development) and the principles included in IPSAS 3. Furthermore, convergence with IFRS should also be considered to the greatest possible extent.