

# IPSASB Consultation Paper on Work Programme 2013 - 2014

## Comments by Michael Parry

1. I am a member of the ICGFM Ad Hoc Committee that has considered this Consultation Paper. As such I fully support the comments submitted by the ICGFM.
2. These comments are in addition to the ICGFM comments.
3. IPSAS have been developed to provide reporting standards for public sector entities up to and including sovereign governments. Conceptually the standards have been derived from commercial entity reporting standards as embodied in the IFRS. This seems a very appropriate basis for sub-national entities, e.g. local authorities, not-for-profit educational institutions, etc.
4. However, increasingly the focus of IPSAS has become on sovereign government reporting. This is particularly because of the pressure of international agencies to standardise government financial reporting.
5. However, sovereign government financial reporting presents issues and problems that are conceptually very different to those of sub-national entities.
6. One of these issues the definition of the entity itself. The IPSAS definition is based on the concept of "control", but by definition a sovereign government is "sovereign" over its realm (within constitutional limits in, for example, a federal structure). Governments can and on occasions do exercise control over entities completely outside government, e.g. in the UK decisions to take control over private sector banks in the face of a banking crisis. In fact the sovereign entity is a nebulous concept and control seems an inadequate basis for a decision. Given that the IMF GFS uses a completely different approach to defining the entity of government I am of the view that the issue of defining the sovereign entity warrants further study.
7. A second issue I believe should be addressed is the role and purpose of sovereign government financial statements. This is especially important because of the dominance of statistical reporting systems. For example, in Europe discussion of issues around sovereign debt always use information from ESA 95 or other statistical reporting - never from government financial statements. Is the intention that IPSAS compliant financial statements should supersede statistical reports for these purposes, or if not what separate functions do sovereign government financial statements fulfill?

8. The final area that I consider should be addressed is the subject of the recently released Consultation Paper on IPSAS and Finance Statistics Reporting Guidelines. Nevertheless I still include the issue in this response because I consider it a matter of fundamental importance.
9. As indicated above statistical reporting systems are the dominant financial reporting systems for sovereign governments. This is inevitable because they existed first and are supported by the whole panoply of international financial institutions. But statistical reporting systems leave many gaps. Perhaps most importantly they do not generate auditable financial statements. Hence following on from the question posed above on the purpose of financial statements, should not the proper role of such financial statements and IPSAS standards for sovereign governments be to integrate with statistical reporting guidelines so as to address the gaps in such guidelines and to generate auditable financial statements compatible with both statistical and IPSAS standards?

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