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Preface to International Public Sector Accounting Standards

IPSASB

International Public
Sector Accounting
Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective the IPSASB sets International Public Sector Accounting Standards™ (IPSAS™) and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB® are facilitated by the International Federation of Accountants® (IFAC®).

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PREFACE TO INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

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Introduction

1. This *Preface* to the International Public Sector Accounting Standards (IPSASs) sets out the objectives of the International Public Sector Accounting Standards Board (IPSASB) and explains the scope and authority of the IPSASs. The *Preface* should be used as a reference for interpreting Consultation Papers, other discussion documents, Exposure Drafts, Recommended Practice Guidelines and Standards developed and issued by the IPSASB.
2. The mission of the International Federation of Accountants (IFAC), as set out in its constitution, is “to serve the public interest by contributing to the development, adoption and implementation of high-quality international standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms, and to high quality practices by professional accountants; promoting the value of professional accountants worldwide; and speaking out on public interest issues where the accountancy profession’s expertise is most relevant.” In pursuing this mission, the IFAC Board has established the IPSASB to function as an independent standard-setting body under the auspices of IFAC.
3. The IPSASB serves the public interest by developing and issuing, under its own authority, accounting standards and other publications for use by public sector entities as described in paragraph 10 below.
4. Information on the IPSASB’s membership, terms of office, meeting procedures and due process is set out in the IPSASB’s *Terms of Reference*, which are approved by the IFAC Board.

Objective of the IPSASB

5. The objective of the IPSASB is to serve the public interest by developing high-quality accounting standards and other publications for use by public sector entities around the world in the preparation of general purpose financial reports.
6. This is intended to enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate; and also promotes the acceptance of its standards and other publications.
7. In fulfilling its objective, the IPSASB develops and issues the following publications:
 - IPSASs as the standards to be applied in the preparation of general purpose financial reports of public sector entities.
 - Recommended Practice Guidelines (RPGs) to provide guidance on good practice that public sector entities are encouraged to follow.
 - Studies to provide advice on financial reporting issues in the public sector. They are based on study of the good practices and most effective methods for dealing with the issues being addressed.
 - Other papers and research reports to provide information that contributes to the body of knowledge about public sector financial reporting issues and developments. They are aimed at providing new information or fresh insights and generally result from research activities such as: literature searches, questionnaire surveys, interviews, experiments, case studies and analysis.

Scope and Authority of International Public Sector Accounting Standards

Scope of the Standards

8. The IPSASB develops IPSASs which apply to the accrual basis of accounting and IPSASs which apply to the cash basis of accounting.
9. IPSASs set out requirements dealing with transactions and other events in general purpose financial reports. General purpose financial reports are financial reports intended to meet the information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs.
10. The IPSASs are designed to apply to public sector entities¹ that meet all the following criteria:
 - (a) Are responsible for the delivery of services² to benefit the public and/or to redistribute income and wealth;
 - (b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and
 - (c) Do not have a primary objective to make profits.
11. Any limitation of the applicability of specific IPSASs is made clear in those standards. IPSASs are not meant to apply to immaterial items.
12. The IPSASB has adopted the policy that all paragraphs in IPSASs shall have equal authority, and that the authority of a particular provision shall be determined by the language used. Consequently, IPSASs approved by the IPSASB after January 1, 2006 include paragraphs in bold and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. An individual IPSAS should be read in the context of the objective and Basis for Conclusions (if any) stated in that IPSAS and this *Preface*.

IPSASs for the Accrual and Cash Bases

13. The IPSASB develops accrual IPSASs that:
 - Are converged with International Financial Reporting Standards (IFRSs) issued by the IASB by adapting them to a public sector context where appropriate. In undertaking that process, the IPSASB attempts, wherever possible, to maintain the accounting treatment and original text of the IFRSs unless there is a significant public sector issue which warrants a departure; and
 - Deals with public sector financial reporting issues that are either not addressed by adapting IFRSs or for which IFRSs have not been developed by the IASB.
14. As many accrual based IPSASs are based on IFRSs, the IASB's *Conceptual Framework for Financial Reporting* is a relevant reference for users of IPSASs. The IPSASB is currently

¹ Paragraph 1.8 of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* identifies a wide range of public sector entities for which IPSASs are designed.

² Services encompasses goods, services and policy advice, including to other public sector entities.

undertaking a project to develop a public sector conceptual framework which, when complete, will be the relevant reference for users of IPSASs and other IPSASB publications.³

15. The IPSASB has also issued a comprehensive Cash Basis IPSAS that includes mandatory and encouraged disclosures sections.

Moving from the Cash Basis to the Accrual Basis

16. The Cash Basis IPSAS encourages an entity to voluntarily disclose accrual based information, although its core financial statements will nonetheless be prepared under the cash basis of accounting. An entity in the process of moving from cash accounting to accrual accounting may wish to include particular accrual based disclosures during this process. The status (for example, audited or unaudited) and location of additional information (for example, in the notes to the financial statements or in a separate supplementary section of the financial report) will depend on the characteristics of the information (for example, reliability and completeness) and any legislation or regulations governing financial reporting within a jurisdiction.
17. The IPSASB also attempts to facilitate compliance with accrual based IPSASs through the use of transitional provisions in certain standards. Where transitional provisions exist, they may allow an entity additional time to meet the full requirements of a specific accrual based IPSAS or provide relief from certain requirements when initially applying an IPSAS. An entity may at any time elect to adopt the accrual basis of accounting in accordance with IPSASs. Having decided to adopt accrual accounting in accordance with IPSASs, the transitional provisions would govern the length of time available to make the transition. On the expiry of the transitional provisions, the entity reports in full accordance with all accrual based IPSASs.
18. Paragraph 28 of IPSAS 1, *Presentation of Financial Statements* includes the following requirement:

An entity whose financial statements comply with IPSASs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of IPSASs.
19. IPSAS 1 also requires disclosure of the extent to which the entity has applied any transitional provisions.

Authority of the International Public Sector Accounting Standards

20. Within each jurisdiction, regulations may govern the issue of general purpose financial reports by public sector entities. These regulations may be in the form of statutory reporting requirements, financial reporting directives and instructions, and/or accounting standards promulgated by governments, regulatory bodies and/or professional accounting bodies in the jurisdiction concerned.
21. The IPSASB believes that the adoption of IPSASs, together with disclosure of compliance with them, will lead to a significant improvement in the quality of general purpose financial reporting by public sector entities. This, in turn, is likely to strengthen public finance management leading to

³ Paragraph 14 will be deleted in the 2016 edition of the Handbook of International Public Sector Accounting Pronouncements as an editorial amendment arising as a result of the completion of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*.

better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability.

22. The IPSASB strongly encourages the adoption of IPSASs and the harmonization of national requirements with IPSASs. The IPSASB acknowledges the right of governments and national standard-setters to establish accounting standards and guidelines for financial reporting in their jurisdictions. Some sovereign governments and national standard-setters have already developed accounting standards that apply to governments and public sector entities within their jurisdiction. IPSASs may assist such standard-setters in the development of new standards or in the revision of existing standards in order to contribute to greater comparability. IPSASs are likely to be of considerable use to jurisdictions that have not yet developed accounting standards for governments and public sector entities.
23. Standing alone, neither the IPSASB nor the accounting profession has the power to require compliance with IPSASs. The success of the IPSASB's efforts is dependent upon the recognition and support for its work from many different interested groups acting within the limits of their own jurisdiction.

Language

24. The official text of the IPSASs and other publications is that approved by the IPSASB in the English language. Member bodies of IFAC are authorized to prepare, after obtaining IFAC approval, translations of such pronouncements at their own cost, to be issued in the language of their own jurisdictions as appropriate.

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