ACCA

Technical Director
International Public Sector Accounting Standards Board (IPSASB)

By email

TECH-CDR-929

29 June 2010

ISASB Exposure Draft 43 Service Concession Arrangements: Grantor

1. ACCA welcomes the opportunity to respond to the above consultation and we are pleased to see the IPSASB developing guidance on service concession arrangements from the grantor's perspective.

2. ACCA is a global body for professional accountants, supporting 140,000 members and 404,000 students throughout their careers, and providing services through a network of 83 offices and centres. A significant number of our members work within government and audit institutions around the world and our response to this consultation is one from an international perspective.

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

General comments on the Exposure Draft

3. Generally we consider the consultation paper provides useful guidance on a complex issue. Service concession arrangements entered into by public bodies are significant around the world. For your information we have recently commissioned research on the implementation of public - private partnerships (PPPs) and private finance initiatives (PFIs). Our research seeks to address five key questions:

   - Under what conditions are PPPs and PFIs the best options for delivering public services and key infrastructure projects?
   - What is the impact of the financial crisis on the take up of PPP/PFI schemes around the globe and what is their potential long-term future?
   - Have some of the earlier PPP/PFI schemes delivered real value for money in terms of performance and costs?
   - What lessons can be learnt from project management and delivery?
   - How should PPP/PFIs be accounted for?

4. Although key findings won't be published until November 2010, we have highlighted the research to make the International Public Sector Accounting Standards Board aware of its development. The Exposure Draft (ED43) is particularly helpful in addressing how PPP/PFIs should be accounted for and it will be interesting to see from the research how these schemes have been accounted for across six countries including: China, France, Japan, Indonesia, Malaysia, New Zealand, Thailand and the UK.

5. Overall, we believe that the ED43 covers the main issues that grantors need to address when accounting for service concession arrangements. We are pleased to see that ED43 mirrors IFRIC12 from the grantors perspective - the latter being already used by the private sector and recently adopted by the European Union.

6. In particular we agree with the scope for service concession arrangements, asset and liability recognition and measurement, recognition and measurement of related expenses and revenues and presentation and disclosure. In terms of practical guidance for

accountants the 'accounting framework for service concession arrangements' set out on page 31 is a useful framework for assessing what is in and outside of the scope of the standard. Also, as set out on page 28 we strongly support the 'controls based approach' opposed to the 'risk and rewards' approach to assessing whether the grantor should recognise the assets. We have found that in the UK the adoption of the latter approach has led to inconsistent reporting in the public sector. However, this is now being rectified.

Specific matter for comments

The Exposure Draft addresses service concession arrangements from the grantor's perspective. It mirrors the principles set out in IFRIC 12 for accounting by the operator. Do you agree with this approach?

7. We agree with this approach. Given the alignment of IPSASs with IFRS and adoption of IFRIC 12 by the EU we believe that this will help to provide a consistent approach to accounting for service concession arrangements.

8. We hope you find our response useful and are more than happy to provide further clarification on any of the points made. Please feel free to contact Gillian Fawcett (Head of Public Sector) on tel. 02072395674 or by e-mail, Gillian.fawcett@accaglobal.com

Yours sincerely

Gillian Fawcett
(Head of Public Sector)

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LONDON WC2A 3EE
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