

**Private/Confidential**

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Standards Board (IPSASB)  
International Federation of Accountants  
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## **Consultation on IPSASB Work Program 2013-2014**

Dear Ms Fox,

The global organization of Ernst & Young is pleased to comment on the above Consultation Paper (CP).

We concur with the IPSASB's observation that the sovereign debt crisis has uncovered the seriousness of poor financial management and financial reporting in the public sector, and commend the IPSASB's efforts to improve governmental financial reporting through setting high quality public sector focused standards.

Given the IPSASB's resource constraint, and the critical work that needs to be accomplished, we agree that it is vital for the IPSASB to continue converging IPSASs with IFRS, to the extent appropriate for public sector entities, and focus its resource on public sector specific projects. We also suggest that the IPSASB work closer with National Standard Setters (NSS) with which the IPSASB can leverage and coordinate efforts. A potential way of achieving this is to establish cross-jurisdictional project teams on topics in which certain NSS have experience with.

The additional projects that in our view should be given priority and included in the 2013-2014 work program are:

- ▶ Social benefits
- ▶ Improvements to IPSAS 23 *Non-Exchange Revenue* and revenue recognition
- ▶ Leases
- ▶ Emissions trading schemes (ETS)

### Social benefits

We agree that the accounting for social benefits needs to be considered in conjunction with the decisions made on the Elements phase of the Conceptual Framework project. We believe that the Elements phase of the project has reached an advanced stage, and work on social benefits can now be started based on decisions made on the Conceptual Framework thus far.

### Improvements to IPSAS 23 *Non-exchange Revenue* and Revenue recognition

For the reasons cited in the CP, we believe that the review of IPSAS 23 is a high priority. Clarifications are needed in a number of areas; and consistency in principles for non-exchange transactions across the suite of IPSASs is crucial. We propose that the IPSASB consider the review of IPSAS 23 concurrently with the elements phase of the Conceptual Framework, and issue consequential amendments to IPSAS 23 as a result of decisions taken for the definition of revenue in the Conceptual Framework project.

In addition, in order to maintain convergence with IFRSs, the definition of revenue and principles for revenue recognition needs to be considered as the IASB and FASB continue developing new guidance for revenue recognition.

### Leases

As previously mentioned, we believe that it is important for the IPSASs to maintain convergence with IFRS as there's no reason why the same transactions should be treated differently in the public sector from the private sector. Therefore we would place priority on the Leases project.

### Emissions trading schemes

As mentioned in the CP, with the increased use (or planned use) of such schemes by governments to reduce greenhouse gases, this project is likely to have a widespread impact on IPSAS reporters. We believe that this joint project by the IPSASB and IASB, would be beneficial for both IPSAS and IFRS reporters (addressing both grantor and recipient perspectives).

As requested, here is our ranking of all projects provided in Appendix C of the consultation paper:

<b>Potential Projects</b>
<b>High priority</b>
Social Benefits
Improvements to IPSAS 23 <i>Non-Exchange Revenues</i> and Revenue Recognition
Leases
Emissions Trading Schemes

## Other comments on the work program

### Presentation of Financial Statements (Update of IPSAS 1)

Financial statements communicate decision-useful information to users. IFRS considers performance in the Statement of Comprehensive Income (or in two statements - Statement of Profit or Loss and Statement of Other Comprehensive Income). IAS 1 *Presentation of Financial Statements* requires certain items to be disclosed, all of which are used to assess performance of the entity. Although the notion of comprehensive income has been used in the private sector by users in their assessment of entities' performance, there have been criticisms on the lack of a conceptual basis for the different classification of different components of comprehensive income under IFRS. We believe that the IPSASB should consider the relevance and applicability of the notion of comprehensive income for public sector entities in the Conceptual Framework project, and not defer this until the completion of the Conceptual Framework.

### Amendments to IPSASs 28-30

We also want to note our support on this current project as we believe it is important for the IPSASs to maintain convergence with IFRS.

Please contact Mr. Thomas Müller-Marqués Berger, Global Leader for International Public Sector Accounting, at +49 711 9881 15844 or [thomas.mueller-marques.berger@de.ey.com](mailto:thomas.mueller-marques.berger@de.ey.com) should you have any questions on the letter.

Yours sincerely,

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft



Prof. Dr. Peter Oser



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