

Questions for Respondents

- 1. Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?**

First, IPSASB needs to identify the IPSAS stakeholders in the document PSASB Strategy Consultation. It would help to set the strategy and actions plans.

Second, IPSASB needs to solve the financial issue. In the document IPSASB Strategy Consultation, the word resource constraints appear 3 times (pages. 8, 19, 20), the word limited resources appear 1 time (pages. 2), the word scarce resources appear 1 time (pages. 3), and the word resource limitations appear 1 time (page 14)

Third, IPSASB needs staff and board members resources (page 6). In order to get resources, IPSASB needs external funding and to get a structure which enables to develop IPSAS. We do not find any strategic action related to get the required funds to support the IPSASB's activities or plan.

Fourth, we think that without a proper structure and funding, the strategy's deliverables would be hard to get. The same problem face AISB with greater resources as Hans Hoogervost, president of IASB said:

“However, a single set of standards does not mean a single accounting standard setter.

IFRS has long been a joint effort by the worldwide standard-setting community. There is no way the IASB with around 60 technical staff and 16 board members can adequately engage with stakeholders across more than 100 countries. Without your help, we would struggle to identify the practical, gritty issues companies and investors would face when applying the new standards¹.”

IASB have 60 technical staff versus IPSASB 7.5 people.

Fifth, IPSASB needs to get a quick win. IPSASB need to get IPSAS implementation in one country, hopefully, a third World country and/or a developed Country.

¹ **Strengthening institutional relationships.** Hans Hoogervost. IFRS Foundation World Standard-Setters Conference. September 23, 2013, London. Page 1. www.ifrs.org

Sixth, IPSASB should identify which countries are using IPSAS. It seems to be the same problem it happened to IFRS foundation about the worldwide IFRS implementation.

Hans Hoogervost, president of IASB said:

The SEC Report also touched upon a lack of clarity on the extent to which IFRS jurisdictions had actually adopted the standards. So, during 2013 former IASB Board member Paul Pacter has led a major research programme looking to answer exactly that question².

Strategic Objective

Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSASs by:

- (a) developing high-quality financial reporting standards;
- (b) developing other publications for the public sector; and
- (c) raising awareness of the IPSASs and the benefits of their adoption.

We agree with the strategic objective. However, we think there are issues to be resolved (e.g., structure, financing, etc.) in order to accomplish the strategic objective.

2. Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

We agree with the two outcomes. The outcomes are easy to understand, clear and helpful to set the path.

² **Opening remarks**, Hans Hoogervost. AICPA 2013 Conference on current SEC and PCAOB Developments. Washington, DC. 10 December 2013. Page 3. www.ifrs.org

**3. Do you think that the outputs identified will assist in achieving the outcomes?
If not, what outputs do you think the IPSASB should focus on?**

We agree with the two outcomes. The outcomes are easy to understand, clear and helpful to set the path.

However, we think as native Spanish speakers, the IPSAS presentations and speeches should be translated. We have faced a big issue regarding the translation of International Auditing and Assurance standards.

4. What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

In theory, there should not be any change of your feedback mechanisms. Our concerns are related to the IPSASB's structure and timely answers.

5. Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

According to the IPSASB Strategy Consultation document, there are five actors the IPSASB considers in deciding to initiate a project and assessing its priority:

1. Significance for the public sector
2. Urgency of the issue
3. Gaps in standards
4. IFRS convergence
5. Alignment with GFS (Government Finance Statistics)

We agree with these factors:

1. Significance for the public sector

2. Urgency of the issue
3. Gaps in standards

We do not agree with these factors

4. IFRS convergence
5. Alignment with GFS (Government Finance Statistics)

These are our reasons

- a. IFRS convergence

It is too difficult to get an agreement on accounting standards. Also, IFRS are designed to profit oriented entities and IPSAS are for public sector entities. Besides, there are some IFRS standards which are currently under review.

IPSASB's objective should be to state that IFRS are standards which should be look upon in case there is no specific IPSAS. But IPSAS should prevail in order to have a single set of global accounting standards for public entities.

Even IASB is not longer trying to converge with FASB as Michel Prada, Chairman of the IFRS Foundation Trustees, said:

“.. we have moved from a period of bilateral convergence with the FASB to a more inclusive, multilateral approach to standard-setting. This involves much tighter integration with a range of national and regional standard-setting bodies, including the FASB.”³

- b. **Alignment with GFS (Government Finance Statistics)**

This is a no win solution. Government Finance Statistics will depend on each jurisdiction and sometimes in “silo” management. Our experience in Costa Rica is that Governmental statistics differ in such a material way from IPSASS and public statistics cannot be comparable based on their different measurement, disclosures

³ **The bumpy path towards global accounting standards.** Michel Prada, Chairman of the IFRS Foundation Trustees Frankfurt, 16 October 2013. Page 5. www.ifrs.org

and region (some public Costa Rican entities use different regions for information purposes).

6. Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

Currently there is a problem with IFRS and IFRS for Small and Medium-sized Entities (IFRS for SMEs) for accountants. It sounded great to have two different sets of standards, but it means accountants need to know both. So an economic transaction could be recorded differently if you use the IFRS or IFRS for SMEs. It has brought more confusion to the accountants and most crucial, to the decision makers.

The world's economies are moving to an accrual accounting. The G20 leaders want a single set of global accounting standards and they have requested that to IASB. IPSASB should not act differently.⁴

According to the IPSASB Strategy Consultation document, high-quality, robust and effective accrual-based financial reporting systems, such as those based on International Public Sector Accounting Standards (IPSASs), are integral to enhancing accountability and transparency in government financial reporting.

There is a contradiction with IPSASB's objective (accrual-based financial reporting systems) and Cash Basis IPSAS

7. Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

⁴ **The bumpy path towards global accounting standards.** Michel Prada, Chairman of the IFRS Foundation Trustees Frankfurt, 16 October 2013. Page 5. www.ifrs.org

We chose option number c, Withdraw the Cash Basis IPSAS from the IPSASB Handbook; this could be immediate or at some future date.

First, Cash Basis IPSAS is not based on accrual-based IPSASs.

Second, it not a part of the strategic objective of IPSASB.

Third, it does not belong to G20's mission to have a mission of a single set of global accounting standards.⁵

8. Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

First of all, we think that IPSAS are based on principles, not specific rules. Having said that, we think that some issues should be solved by guides prepared by IPSASB's staff. We think to issue a standard takes too long to be effective.

Also, we would rather have a partial, but quick solution to an issue than wait for a full standard to fulfill our needs.

Second, we do need a stability period. Even if the standards are not perfect and we think they will never be. IASB have developed new standards, but they are XXX

We think IPSASB should emphasize the IFRS as a supporting framework when there is not IPSAS related.

Third, IPSASB should forget the IFRS convergence project, because it is an unattainable goal. We think IPSASB should state that IFRS are suppletory to IPSAS

Fourth, we consider that most of IPSAS implementations issues are related to lack of guides. It would be important for the IPSASB to develop guides and examples of

⁵ **Strengthening institutional relationships.** Hans Hooverst. IFRS Foundation World Standard-Setters Conference. September 23, 2013, London. Page 1. www.ifrs.org

IPSAS implementation. IPSASB should consider the IFRS implementation guides provided without a charge by some big auditing firms.

Our major points of concern are the following.

1. First time adoption

At least in Costa Rica, we need a detailed guide with examples and details. The Study 14 Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities is a great help. However, we need more guidance and specific examples

2. Consolidation

We consider a specific guide for public entities about the consolidation process.

3. Non exchange revenues

There is not detailed action in the standard related to Central Government transfers to public entities. We think this issue should be addressed by the IPSASB:

4. Pensions

Public pensions are a relevant issue in most economies. There should be stronger efforts to develop a more detailed standard related to this urgent matter.

Hans Hoogervost, president of IASB said:

“In most jurisdictions, the public accounting standards are set by public authorities. Whether these standards always lead to a complete picture of a country’s financial position is in doubt.

The most obvious shortcoming in public sector accounting is the treatment of pension liabilities. There are only a few countries—such as Australia and New Zealand—that fully consolidate public sector pension obligations in the public accounts. Tellingly, these countries have made great progress in making their pension systems realistic and sustainable.

Most countries around the world, however, keep their pension liabilities off balance sheet. Several studies have found these liabilities in many countries to be more than

twice as big as the official public debt. Full consolidation of these enormous amounts would make it immediately clear that these pension obligations cannot possibly be met without deep reform. As a former minister of finance I can assure you that the political incentives for keeping an inconvenient truth off the books are very strong indeed!

So, standard-setting in a politicised environment is very likely to lead to suboptimal results. The IPSASB Governance review group, chaired by the IMF and the OECD, recently noted ‘that national standard-setters for the public sector are often inherently conflicted by the fact that they are working under the auspices of ministries of finance that are subject to these standards’.”⁶

Our opinion regarding the potential project is summarized in the next tables:

⁶ **BUILDING TRUST IN FINANCIAL MARKETS.** Hans Hooverst. Ken Spencer Memorial Lecture, Sydney, 10 April 2014. Page 6. www.ifrs.org

Table 1 Potential projects

Projects to Address Public Sector Specific Issues	Summary	Comments	Priority
Biological assets held for the provision or supply of services	IPSAS 27 deals with biological assets and agricultural produce for sale, including exchange and non-exchange transactions.	We think there is no need for a new Standard. We need IPSAS guide about this subject, specially about biological assets held by universities	Low
Heritage assets	IPSAS 17, Property, Plant and Equipment, nor IPSAS 31, Intangible Assets, define heritage assets or require recognition of heritage assets. If heritage assets are recognized by a public sector entity, the IPSASs require until completion of the Public Sector Conceptual Framework Project because of the potential implications the development of a definition of an asset may have on heritage assets. Applying disclosure requirements and allow but do not require applying the measurement requirements. The IPSASB decided to defer this project	We think there is not a need to measure heritage assets.	Low
Infrastructure assets	In the public sector, the infrastructure assets account for a large part of the total assets. Infrastructure assets are included in the scope of	We think a guide would be a great help. However, we do not think a new standard would be	Medium

Projects to Address Public Sector Specific Issues	Summary	Comments	Priority
	IPSAS 17, Property, Plant and Equipment.	needed.	
Intangible assets – public sector specific	Responses to the Consultation Paper, IPSASs and Government Finance Statistics (GFS) Reporting Guidelines, highlighted the view that differences remain between IPSASs and GFS with respect to the treatment of costs related to research and development (R&D). IPSAS 31, Intangible Assets, is based on IAS 38, Intangible Assets.	This is a thorny issue even for IASB. We think we should not address this issue due to its controversial status.	Low
Military assets	IPSAS 17, Property, Plant and Equipment, applies to specialist military equipment. Similar to infrastructure assets, these items or transactions usually involve large amounts for governments. The IPSASs and Government Finance Statistics (GFS) project identified that guidance for defense weapons on requirements with respect to capitalization, classification and measurement (for example, expense versus capitalize) would be helpful.	The military expense is the greatest expense in the world (even than drugs) and we think there should be some IPSAS guide about this issue.	High
Natural resources	In the public sector the point of recognition of natural resources differs between jurisdictions. There is often little idea of their value, despite their prominence. They are frequently granted	There is not IFRS related standard and this issue is controversial.	Low

Projects to Address Public Sector Specific Issues	Summary	Comments	Priority
	<p>for use by third parties (gold and copper mines, sand extraction, oil exploitation, use of rivers and energy resource, use of waters).</p> <p>A project on natural resources would consider whether these are assets of governments and if so how they should be measured.</p>		
Non-exchange expenses	<p>This project would develop guidance and requirements for expenses incurred in non-exchange transactions. It would have a broader scope than the recently reactivated project on social benefits and respond to the characteristic that many public sector entities have a high volume of financially significant non exchange transactions.</p>	<p>We think a guide would be a great help. However, we do not think a new standard would be needed.</p>	Medium
Role of government as owner rather than government	<p>GBEs are currently required to apply IFRSs not IPSASs. IFRSs include IAS 20, Accounting for Government Grants and Disclosure of Government Assistance.</p>	<p>We think a guide would be a great help. However, we do not think a new standard would be needed.</p>	Low
Sovereign powers and their impact on financial reporting	<p>This potential project has been identified as a result of the Public Sector Conceptual Framework project. Governments are unique in that they have a number of sovereign powers, for example,</p>	<p>This is a thorny issue even for IASB. We think we should not address this issue due to its controversial status.</p>	Low

Projects to Address Public Sector Specific Issues	Summary	Comments	Priority
	the power to issue permits, concessions and licenses or to impose taxation.		
Trust funds	Trust funds are frequently used in the public sector to draw funds from the financial administration and manage them more independently, or at least with greater flexibility from the budgetary aspects	This issue should be addressed by IPSAS consolidation standard.	Low

Table 2 Projects to Maintain Existing IPSASs

Projects to Maintain Existing IPSASs	Summary	Comments	Priority
Borrowing Costs IPSAS 5	IPSAS 5 is based on the December 2003 version of IAS 23. The IASB issued a revised version of IAS 23 in March 2007 which is now different from IPSAS 5. The main difference is that IAS 23 does not allow an option to immediately expense borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset.	We think we should adopt the amended IFRS	Medium
Construction Contracts IPSAS 11	Some stakeholders have proposed that this standard be adapted to provide guidance that is more public sector specific.	This current standard is clear. It is based on IFRS and this IFRS standard has not changed in a long time.	Low
Disclosure of Financial Information about the General Government Sector IPSAS 22	IPSAS 22 was issued in December 2006. Since then there have been significant developments, including revisions to the GFS related pronouncements referred to in IPSAS 22.	We think the accounting information should be the same and related Government information issues should not be addressed.	
Employee Benefits IPSAS 25	Pension fund liabilities are prominent in the public sector. IAS 19, Employee Benefits, has been revised, and some stakeholders have proposed that a revision of IPSAS 25 is therefore	We should IPSASB should address the problem with public pensions	High

Projects to Maintain Existing IPSASs	Summary	Comments	Priority
	needed. Any differences between IAS 19 and IPSAS 25 should be a result of public sector specific reasons.		
Improvements to IPSAS 23 Non-Exchange Revenues	The IPSASB considered this project in March 2011 and decided to defer this project until completion of the Public Sector Conceptual Framework project because of the potential implications the development of a definition of revenues may have.	We should IPSASB should give more detail about Central Government transfers	High
Leases IPSAS 13	The objective of the project would be to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying IFRS. The project would result in a new IPSAS that would replace IPSAS 13.	We should wait until the new IFRS is approved.	Low
Presentation of Financial Statements IPSAS 1	IPSAS 1 is based on the December 2003 version of IAS 1. The IASB issued a revised version of IAS 1 in September 2007 which includes the notion of comprehensive income. The IPSASB has not considered this notion.	IASB does not have clear other comprehensive income. We think IPSASB should expect IASB new standard. Hans oogervost, president of IASB said: "The distinction between net income and OCI, however, lacks a well-defined	Low

Projects to Maintain Existing IPSASs	Summary	Comments	Priority
		<p>foundation. While the P&L is the traditional performance indicator on which many remuneration and dividend schemes are based, the meaning of OCI is unclear. It started as a vehicle to keep certain effects of foreign currency translation outside net income and gradually developed into a parking space for ‘unwanted’ fluctuations in the balance sheet. There is a vague notion that OCI serves for recording unrealised gains or losses, but a clear definition of its purpose and meaning is lacking”⁷</p>	

⁷ **The imprecise world of accounting.** Hans Hooverst, International Association for Accounting Education & Research (IAAER) conference, June 20, 2012.
Page 2. www.ifrs.org

Projects to Maintain Existing IPSASs	Summary	Comments	Priority
Related Party Transactions IPSAS 20	In 2009 the IASB issued a revised IAS 24 to simplify the definition of “related party” and to provide a partial exemption from the disclosure requirements for some government related entities. The structure and substance of IPSAS 20 differs significantly from IAS 24.	We think there should be an amendment according to the ISA 550 Related parties. The ISA 550 definitions, paragraph 10, states that "However, entities that are under common control by a state (that is, a national, regional or local government) are not considered related unless they engage in significant transactions or share resources to a significant extent with one another." This is the major IPSAS amendment that we suggest.	Medium
Revenue IPSAS 9	The objective of the project would be to develop revised requirements for revenue from exchange transactions in order to maintain alignment with the underlying IFRS. The project would result in a new IPSAS that would replace IPSAS 9 and IPSAS 11.	This current standard is clear. It is based on IFRS and this IFRS standard has not changed in a long time.	Low
Segment Reporting IPSAS 18	Concerns have been raised about the usefulness of the reporting requirements in IPSAS 18 and	This current standard is clear. It is based on IFRS and this IFRS standard has not changed in a	Low

Projects to Maintain Existing IPSASs	Summary	Comments	Priority
	whether these should be amended.	long time.	

Table 3 Projects to converge

Projects to converge	Summary	Comments	Priority
Extractive Industries (IFRS 6 interim standard but no comparable IPSAS)	The IASB developed IFRS 6 as an interim standard until it develops a comprehensive standard for exploration for and evaluation of mineral resources. Extractive industries are the exploration for and discovery of minerals, oil and natural gas deposits, developing those deposits and extracting the minerals, oil and natural gas	Due to IPSASB limited resources according to the document, these projects should be postponed.	Low
Insurance Contracts (IFRS 4 interim standard but no comparable IPSAS)	The IASB developed IFRS 4 as an interim standard that allows insurers to continue using various existing accounting practices that have developed in a piecemeal fashion over many years.	Due to IPSASB limited resources according to the document, these projects should be postponed.	Low
Non-current Assets Held for Sale and Discontinued Operations (IFRS 5 but no comparable IPSAS)	IFRS 5 was issued in 2004 to replace IAS 35, Discontinuing Operations. IFRS 5 sets out requirements for measurement and presentation on non-current assets held for sale.	Due to IPSASB limited resources according to the document, these projects should be postponed.	Low
Rate Regulated Industries	Rate regulation is the setting of prices that can be charged to customers for services or products through regulations. Generally, it is imposed by regulatory bodies or governments when an entity has a monopoly or dominant market position that gives it significant market power.	Due to IPSASB limited resources according to the document, these projects should be postponed.	Low

Table 4 Other Projects

Other Projects	Summary	Comments	Priority
Differential Reporting	The IASB issued a standard on small and medium enterprises in 2009 with the objective of developing an IFRS to meet the financial reporting needs of entities that (a) do not have public accountability and (b) publish general purpose financial statements for external users.	There are no financial resources to manage this project. We think we should emphasize the most important issues.	Low
Integrated Reporting	<IR> is a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation.	There are no financial resources to manage this project. We think we should emphasize the most important issues.	Low
Interim Financial Reporting	A project on interim financial reporting would provide guidance on what should be included in interim reports.	There are no financial resources to manage this project. We think we should emphasize the most important issues.	Low