

July 20, 2009

Technical Director,
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 4th floor
Toronto, ON, M5V 3H2

Re: Comments on Exposure Draft 42, Annual Improvements

Thank you for providing us with the opportunity to comment on these proposals. In general, staff of the Public Sector Accounting Board (PSAB or Board) staff is supportive of the IPSASB's issuing a standard on Annual Improvements.

We have three issues with the proposed standard in ED 42 regarding process and documentation that are presented for consideration by the IPSASB in Appendix 1.

Please note that these comments are the views of PSAB staff and not of the Board.

We appreciate the opportunity to comment on this Exposure Draft.

Yours truly,



Tim Beauchamp
Director
Public Sector Accounting

Issues with ED 42

Process and Documentation

1. The objective of the project, as stated by IPSASB, is “to update IPSASs affected by the IASB improvements published in May 2008 ... [specifically] 19 IFRSs.”¹ A clear link between the source 19 IFRSs and the IPSASs impacted is not provided in ED 42. IPSASB’s document “Further Explanatory Material on Exposure Draft 42: Improvements to IPSASs” (EM) sources 20 IASs/IFRSs that were changed by the IASB’s annual improvements project adopted in May 2008. However, a clear reference between the EM and ED 42 is absent in ED 42.

The nature of the annual improvements project is technical and spread over a number of unrelated subject matters. Accordingly, a lock-step approach serves both the IPSASB and users well in terms of identifying the source information, following the changes through, and agreeing with the conclusions regarding impacts of the changes. Together, ED 42 and EM take a lock-step approach, but their piecemeal issuance detracts from a user’s confidence that all of the changes to IASB pronouncements have been fully and completely dealt with.

PSAB staff suggests that future years’ exposure drafts on improvements include EM-like material, as part of the “Introduction”, rather than under separate cover.

In the event that separate documents are issued, PSAB staff suggests that any explanatory material issued includes notation that it forms an integral part of the specific exposure draft, and, if possible, that the on-line file of the exposure draft is revised to note the existence of explanatory material and its integral relationship to the exposure draft.

2. Ten of the improvements by the IASB are reported to be reflected in recent exposure drafts issued by the IPSASB. However, the individual exposure drafts do not include specific references to the effective date of the IASs from which they are drafted. For example, ED 42 on Intangible Assets references the source as IAS 38, but does provide an issued or amended date for the IAS. As a consequence, a reader of ED 42 would not be able to quickly discern the reflection of the IAS improvement in the IPSASB converged standard. This is especially critical over the next few years, during which time the IPSASB plans to undertake regular annual improvement projects, continue to converge with IASB standards, and complete its conceptual framework.

¹ Project page, updated at March 11, 2009,
www.ifac.org/PublicSector/ProjectHistory.php?ProjID=0087

PSAB staff suggests that future convergence project documents reference the issued or amended dates of the IAS from which the new IPSAS is sourced, in the “Acknowledgement” section of the document.

3. Four of the improvements to IASs are noted as having “no equivalent IPSAS” in the EM. One of these, related to “earnings per share”, has no basis in public sector accounting, while the other three may apply to the public sector (i.e. interim reporting, accounting for government grants, and non-current assets held for sale and discontinued operations). Respecting these three, a reader has no idea whether IPSAS plans to deal with the IASs as part of its convergence strategy, or IPSAS has considered the application of the IAS to the public sector and has determined it does not.

PSAB staff suggests that future exposure drafts on annual improvements based on IASB approved improvements note the IPSASB’s intention regarding dealing with the subject matter, to facilitate a reader’s understanding of IPSASB’s next steps, if any.