



Mr Andreas Bergmann
Chairman
International Public Sector Accounting
Standards Board

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Dear Chairman,

Re: FEE Comments on the Consultation on IPSASB Work Program 2013-2014

FEE (the Federation of European Accountants) is pleased to provide you with its comments on the Consultation on IPSASB Work Program 2013-2014 (the "Consultation").

We welcome the IPSASB ("Board") consultation on its short term work program. The consultation will certainly help the Board to better understand the needs of the growing IPSASs community and to efficiently allocate its limited time and resources over the next two years.

We are also looking forward to a broader public consultation in the future seeking inputs on the strategic direction of Board's standard setting activity. This would be particularly important given the current deliberation by the European Commission on the suitability of IPSASs for implementation across Europe.

We strongly support IPSASB's development of high quality standards for public sector financial reporting, whether through the Board's project to develop and maintain IFRS converged IPSASs or through wholly public sector specific standards.

In particular, we commend the IPSASB for what it has achieved to date in addressing some important public sector specific issues such as non-exchange transactions, non-cash generating assets and other conceptual issues (e.g. objective of the financial statements, the users and their information need) that are different and therefore not covered in other, more commercially focussed accounting frameworks.

However, we think that the Board should continue with its effort and address other public sector specific issues in order for IPSASs to become fully applicable for public sector accounting. We also consider that the Board should manage its standard development process in a way which meets the needs of current and short to medium term adopters of IPSASs.

We would also encourage the Board to take a strategic view of relationships with other institutions like Eurostat, and consider how to provide further support to organisations that may wish to implement IPSASs.

Conceptual Framework

We strongly support the Board's intention to finalise the Conceptual Framework with a high priority, as the development of the existing standards and many proposals put forward in the Consultation depend on its finalisation. Completing the Conceptual Framework would also help the Board to streamline its standard setting activity in the future, whether setting new standards on public sector specific issues or updating IFRS converged standards. At the same time, we believe it would be also important for the Board to liaise with the IASB to ensure that differences that are not introduced as a result of public sector specific matters are minimized.

Public Sector specific projects

In addition to the Conceptual Framework, the Board should also concentrate on finalising standards and guidelines on public sector specific issues that are considered critical to fill the current gaps in IPSASs. Therefore, we recommend focusing on the following projects with high priority:

- (a) Social Benefits
- (b) Reporting on the Long-Term Sustainability of Public Finances
- (c) Reporting Service Performance
- (d) Public Sector Combinations
- (e) Presentation of Financial Statements

Simplification of the standards

It would also be worthwhile to dedicating sufficient time on reducing complexity in the standards, for example in case of financial instruments. However, it should be done in a way that would help avoid overloading its agenda but rather through a limited number of projects.

Our detailed responses to the questions in Consultation are included as an Appendix to this letter.

For further information on this letter, please contact Tibor Siska, project manager, at the FEE Secretariat on +32 2 285 40 74 or via e-mail at tibor.siska@fee.be.

Yours sincerely,



Philip Johnson
President

Question 1: Considering the additional potential projects identified in the consultation and described in Appendix C, are there any other projects that you think need to be added to the list of potential projects?

In our view, there is no need to add to the list of potential projects mentioned in the Consultation.

After a very busy period of standard setting activity over the last few years, including the finalisation of the core set of IPSAS and the convergence programme with IFRS, we believe that the Board should focus on the needs of current and short to medium term adopters of IPSAS. An appropriate balance would need to be drawn between a continuous update of the standards and having a stable platform of standards to implement.

Therefore, we would recommend further prioritization of the projects. This should be based on the projects' importance in responding to the needs for strengthening IPSASs to become a stabilized referential point for public sector accounting.

This is also to say for practical reasons. We are conscious that the Board must work within the constraints of available resources and Board time limiting its capacity for dealing with multiple developments simultaneously.

Convergence with IFRSs

The financial reporting standards in both public and private sectors have been under very active development in recent years. The IASB is in the process of completing a number of major projects, many of which have some links to IPSAS, and would therefore fall to be considered for consequential update to IPSAS through the Rules of the Road process. In some other cases, where there is no IPSAS developed, it may also be worth considering whether it would be helpful to develop new IFRS based standard.

Given this, in our view it is important for the Board to finalise the conceptual framework in a timely manner. This would provide a basis for streamlined and effective standard setting in the future, whether setting new standards on public sector specific issues, or maintaining IFRS converged standards. While considering changes to the standards from public sector perspectives, it would be also worthwhile to ensure convergence with IFRS as much as possible, rather than divergence.

Question 2: Which projects do you think the IPSASB should prioritize for 2013-2014? In your response you could consider providing your assessment of the 3 most important projects or a ranking of all projects on the list. Please explain the reasons for your answers.

The three strategic themes

We are generally supportive of the three outlined strategic themes as guiding principles for the activities of the IPSASB over the next two years. These notably include the following themes:

- (a) developing public sector conceptual framework,
- (b) focusing on public sector critical projects, and
- (c) enhancing communications and promoting adoption and implementation of IPSASs.

Conceptual framework

As outlined above, we support the Board's approach to finalise the conceptual framework with the highest priority. This would provide a sound basis for the development of new standards and guidance on public sector specific issues, and for the maintenance of current IPSAS that are based on IFRS. To this end, we believe it would be important for the Board to confer with the IASB to ensure that differences that are not introduced as a result of public sector specific matters are minimized.

The body of the standards taken as a whole should be based on a sound Conceptual Framework to achieve the main objectives of financial reporting in the public sector. It should be flexible enough to meet the developments of different accounting scenarios and equally allows for a consistent approach to address major conceptual issues in individual standards.

The Conceptual Framework also helps to resolve cross-cutting issues of a conceptual nature and to reduce the number of inconsistencies in the standards which can lead to diversity in practice.

Public sector specific standards

In addition to the Conceptual Framework, the Board should concentrate on developing standards and guidelines on public sector specific issues to fill the current gaps in IPSASs and make the standards more adoptable by governments and other public sector related organisations.

To this end, in our view, it would be beneficial if the Board would focus on the following public sector specific projects over the next two years:

- (a) Social Benefits
- (b) Reporting on the Long-Term Sustainability of Public Finances
- (c) Reporting Service Performance
- (d) Public Sector Combinations
- (e) Presentation of Financial Statements

These projects, we believe, would help address some of the major concerns that some constituents have expressed regarding the incompleteness of the IPSASs on public sector specific issues.

Regarding Social Benefits we are well aware that the Board has been considering this issue but the concrete work on this highly relevant issue was postponed until the Conceptual Framework discussion on the liability in the public sector context has been finished. However we believe that the Board has achieved enough clarity on these basic definitions to start the work on this predominant issue of accounting for Social Benefits in the Public Sector.

In relation to the other projects mentioned above, we also recommend the Board to finalise the project on *Financial Statement Discussion and Analysis* as originally planned due to its well advanced status.

Projects related to simplification

It would also be worthwhile to dedicating sufficient time on reducing complexity in the standards. It would be particularly relevant to financial instruments related projects, namely including the projects on Public Sector Financial Instruments and Amendments to IPSASs 28-30. These two projects can be potentially combined with the aim to addressing public sector specific aspect of financial instruments as well as simplifying accounting for financial instruments. These projects however should be commenced after the IASB has completed its work on IFRS 9.

We also note that the Board has already set up a task base group for a new financial instrument project, which will likely be a substitute for IPSAS 15 and IPSAS 28-30. We support the establishment and the objective of such a group.

The projects on Heritage Assets, Non-Exchange Revenues, and Sovereign Powers and their Impact on Financial Reporting could be conceptually addressed as part of work related to the Conceptual Framework. Upon the completion of Conceptual Framework, the status and urgency of these projects can be reassessed.

Question 3: Please provide any further comments you have on the IPSASB's Work Program for 2013-2014.

Research activities and trends in the market

In a longer term, we also believe that the Board could well use some of its resources to have a regular dialogue with academics carrying out relevant empirical studies to anticipate future standard setting needs and how to shape future reporting in many years ahead. Dedicating some time to making contact with other institutions for example Eurostat, has also been considered worthwhile in order to monitor the development of the standards and other relevant trends in the market.

Integrated reporting

Among some of these long-range strategic directions, we recommend that the IPSASB continue to engage with the International Integrated Reporting Council (IIRC) with respect to integrated reporting and closely monitor and influence the development of this new concept. However, at present, these developments are still in an early stage, but given their potential scope they may have an important impact on financial reporting in the public sector in the future.

Governance of the IPSASB

The governance structure is also critical to the credibility and the wide acceptance of the IPSASB's standards. It should provide for a standard setting environment which is independent of vested interest, but in the same time, it remains accountable to those adopting IPSASs. We fully recognise the hard work that the IPSASB and IFAC have done to date on these matters and recommend that the Board continue to engage with all stakeholders.