



Ian Carruthers
Chairman
IPSASB
IFAC

Submitted via website

Brussels, 21 December 2015

Subject: FEE comments on Exposure Draft 56 *The Applicability of IPSASs*

Dear Chairman,

- (1) The Federation of European Accountants (FEE) is pleased to provide you with its comments on ED 56, *The Applicability of IPSASs*.
- (2) FEE supports the approach taken in this ED of using high-level characteristics to describe the types of entities for which the IPSASB develops IPSASs. We believe that this approach could provide more clarity, and, therefore, consistency than the current approach (defining the entities covered by IPSASs as being all public sector entities other than Government Business Enterprises (GBEs)).
- (3) FEE also welcomes the IPSASB's acknowledgement in the ED of the role of regulators in determining the accounting standards to be applied by different entities in their jurisdictions. In this respect, we believe that it is beneficial that the proposed amendments to paragraph 10 of the IPSAS Handbook will remove the assumption that if public sector bodies have characteristics that make them unsuitable for applying IPSASs they will then automatically apply IFRSs, which is not the case in many countries.

Concerns over whether the description of characteristics is too narrow

- (4) However, some concerns have been expressed that para (b) (particularly "*and do not have capital providers that are seeking a return on their investment or a return of their investment*") of the proposed replacement of Paragraph 10 could provide a means by which organisations or structures are deliberately excluded from being brought under IPSASs. Structures may be created with a small proportion of financing from return-seeking capital in order to keep them outside the scope of IPSASs.
- (5) In light of the concerns expressed above, we suggest that it would be helpful if the Preface provided more indication of what IPSASB sees as an appropriate approach to reporting by entities which are on the borderline between "pure" public sector entities and "pure" profit seeking entities. For example, it might be helpful to suggest that for entities that have more commercial focus than implied by the high level characteristics (but still fall short of what could be construed as a "profit seeking entity") in para 10, regulators might choose to apply IPSAS, IFRS, or locally developed standards for financial reporting by profit seeking entities.
- (6) We acknowledge that the adoption of IPSASs, and the determination of those entities that should apply them within a particular jurisdiction, is a matter for government or other regulators. Nonetheless, FEE

believes that it is vitally important that governments use high quality, accruals-based accounting standards and sees obvious benefits in using internationally recognised standards. Where governments choose not to use international standards we would encourage them to explain their choice of accounting standards and the reasons behind the selection or development of these standards.

Concerns over whether the description is too wide

- (7) Concerns have also been expressed that the characteristics as stated could also apply to bodies that have similar characteristics to public bodies but that are not public bodies. In particular, the described characteristics could encompass many non-profit bodies such as charitable and educational establishments, where much of their funding comes (either directly or indirectly) from public sector sources.
- (8) FEE recognises that the proposed paragraph 10 of the Preface specifies that IPSASs are designed for public sector entities with these characteristics. In our view, however, it would be helpful to explain that while some of the principles in IPSAS may be relevant, particularly those relating to service potential, IPSASs are not specifically designed for use by private sector non-profit entities, even when these are substantially funded by the public sector.

Other Matters

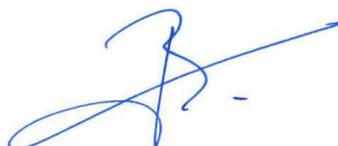
- (9) FEE also considers that, for the sake of clarity, it would be beneficial to explicitly state that all three sub-paragraphs of Paragraph 10 of the Preface need to apply for an entity to be considered part of the core public sector for which IPSASs are primarily designed.
- (10) Subject to our points above, FEE agrees that all relevant IPSASs and RPGs should be changed to include the qualitative characteristics of entities to which IPSASs should apply and remove references to GBEs.

For further information on this letter, please contact Paul Gisby, Manager, from the FEE Team on +32 2 893 33 70 or via e-mail at paul.gisby@fee.be.

Yours sincerely,



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FEE President



Olivier Boutellis-Taft
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