SUBMISSION: Exposure Draft: Key Characteristics of the Public Sector with Potential Implications for Financial Reporting

19 August 2011

Ms Stepheine Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto Ontario Canada M5V 3H2

Dear Stephenie,

1. Thank you for the opportunity to comment on the Exposure Draft, Key Characteristics of the Public Sector with Potential Implications for Financial Reporting, (the Exposure Draft). The Exposure Draft has been developed by the IPSASB as part of its project on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework).

United Nations System Task Force on Accounting Standards

2. The United Nations System Task Force on Accounting Standards (Task Force) appreciates the work that the IPSASB is carrying out in developing accounting standards for public sector entities, including international organizations such as those making up the United Nations system. The Task Force is an inter-agency group consisting of directors of accounting, chief accountants and chief financial officers from United Nations System organizations. The comments below represent the views of Members of the Task Force. The individual organizations that provided comments on this submission and concurred with its submission to the IPSASB are listed in Appendix 1. Where an individual organization disagreed with a particular recommendation but agreed to the recommendation going forward to the IPSASB, this has been noted against the individual recommendation in Appendix 2.

General Comments

3. We support the IPSASB efforts in developing the Conceptual Framework, which establishes parameters for financial reporting under IPSAS and clarifies concepts not previously explicitly covered by the Standards. The Exposure Draft highlights certain
characteristics of the public sector that may have an impact on development of a conceptual framework for the public sector and, therefore, on accounting standard-setting in the public sector. We note that the Conceptual Framework focuses on preparation and presentation of the General Purpose Financial Reports (GPFRs) of public sector entities, whereas the Standards deal with General Purpose Financial Statements (GPFSs).

**Specific Matters for Comments and Comments on Further Issues**

4 Our detailed comments on the specific matters for comment identified in the Exposure Draft and further issues are attached as Appendix 2.

5 Should you have any queries on our comments, please contact Ms. Dinara Alieva, Financial Analyst, System-wide IPSAS Project Team at alievad@un.org.

Cheers,
Yours sincerely

[Signature]

Chandramouli Ramanathan
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& Chair, Task Force on Accounting Standards,
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APPENDIX 1: UNITED NATIONS SYSTEM TASK FORCE ON ACCOUNTING STANDARDS

Task Force Members from the following organizations reviewed this submission and concurred with its contents.

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<thead>
<tr>
<th>Organisation</th>
<th>Agree (Disagree)</th>
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<td>23. UNWomen</td>
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APPENDIX 2: EXPOSURE DRAFT: KEY CHARACTERISTICS OF THE PUBLIC SECTOR WITH POTENTIAL IMPLICATIONS FOR FINANCIAL REPORTING – SPECIFIC MATTERS FOR COMMENT

Specific Matter for Comment 1

Do you agree that this document provides useful background information on the key characteristics of the public sector and identifies some potential implications of those key characteristics for financial reporting? If not, please indicate how you would modify the document.

Response:

1  The document provides useful background information on the key characteristics of the public sector. However, the discussion focuses mainly on specific characteristics of governments and contains limited references to other public sector organizations. The Task Force notes that the Exposure Draft contains a reference to the United Nations system, although the context of the reference needs to be clarified (please see second comment on paragraph 1.3 of the Exposure Draft).

2  The title of the Exposure Draft implies the intention of the IPSAS Board to analyse the potential implications of the key characteristics of the public sector on financial reporting of public sector entities. However the Task Force’s view is that this aspect has not been profoundly addressed in the Exposure Draft. The discussion acknowledges the potential implications of each characteristic on financial reporting at the end of each section. In the Task Force’s opinion further amplification of these implications would enhance value of discussion presented in the Exposure Draft.

Specific Matter for Comment 2

Do you agree that this document should be included as part of the IPSASB’s literature? If you agree, where do you think the material in this document should be located:

(a) As part of the Conceptual Framework;

(b) As a separate section of the Handbook of International Public Sector Accounting Pronouncements; or

(c) Elsewhere with some other status – please specify?

Response:
3 The Task Force agrees that this document can be included as part of the IPSASB’s literature. Some members of the Task Force share the view that the finalized version of the Exposure Draft belongs within the Conceptual Framework due to its overarching nature for financial reporting.

4 It is also important to consider the authority of the finalized document when determining its location in the IPSASB’s literature. If it is expected that the concepts introduced by this document would be applied to GPFR, then it is reasonable to incorporate them in the finalized Conceptual Framework. Alternatively, if the Board is of the view that the concepts of the finalized Exposure Draft would be also used by preparers of GPFS, then it might be more appropriate to include them as a separate section of the Handbook to extend their authority beyond GPFRs.

Other specific comments

Paragraphs 1.2 and 1.3

5 The Task Force suggests that paragraph 1.3 be followed by paragraph 1.2 as paragraph 1.3 establishes the scope of the term “the public sector”. Paragraph 1.2 discusses characteristics of governments, which is one of the groups identified by the term “the public sector” along with other groups. The Task Force believes that the discussion of characteristics of any particular group of entities comprising the public sector should not precede definition of the term and acknowledgement of all groups which it comprises.

Paragraph 1.3

6 The following points were noted:

a. This paragraph seems to imply that the term “the public sector” does not implicitly include public sector organizations which are not governments or local regulatory bodies. The Task Force suggests that the Board re-examines this statement to expand the scope of the term “the public sector” to public sector organizations other than governments.

b. The paragraph also states that “in the context of this paper the term also extends to international organizations, such as the United Nations system”. It is not clear what other contexts exist in the area of financial reporting in which the term “public sector” is not applicable to the United Nations system organizations. The Task Force suggests re-examining this statement and enhancing its clarity by removing a limiting reference to a particular context where United Nations system is considered as “the public sector”.

Paragraphs 2.2, 2.4 and 2.7

7 Paragraphs 2.2 and 2.4 introduce the concept and build the discussion on associating private sector with voluntary revenues and transactions and public sector with
funding received through involuntary transfers. Although the latter is applicable to
governments, this association is not universal for the public sector. Many public sector
organizations are funded by voluntary contributions from donors, including the United
Nations System organizations. Some organizations in the United Nations System are
funded fully by voluntary transfers. The Task Force suggests that corresponding parts of
the Exposure Draft be re-examined regarding the association between involuntary
transfers and public sector. Similarly, paragraph 2.7 acknowledges potential implications
of reliance on taxation and other involuntary transfers but does not recognize implications
of non-exchange voluntary transfers on financial reporting.

**Paragraph 2.3**

8 When defining needs of users of public sector entities, more dimensions might
need to be considered, including, but not limited to evaluating performance towards
achieving objectives set out for the period.