

Comments on IFAC Exposure Draft on Key Characteristics of the Public Sector with Potential Implications for Financial Reporting.

Specific Matter for Comment 1

I **agree** the 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.

Specific Matter for Comment 2

I **agree** the document should be included as part of IPSASB literature.

I think it should be included as an **Appendix to the Conceptual Framework**, and a more detailed guidance where these issues are discussed in more detail issued as a **Supplement to the IPSAS Handbook**. The Supplement guidance could also have best practices and lessons learnt from the countries where IPSAS have been successfully implemented. This way this guide serves as a tool for finance people (accountant general, auditor general etc) in the public sector to use as they convince the policy makers to enforce IPSAs implementation possibly through some enacted law(s). While IFAC and the Member Bodies may push for IPSAS implementation those who influence law making and enforcement are those with political power, hence the need for a tool to facilitate the discussion with the law enforcement group in the various countries.

Comments on the specific matters discussed:

1. Introduction: paras 1.1 and 1.5 Information needs for public sector may be much more than for private sector, given the various stakeholders hence the level of disclosures will be different from those of private sector. The supplement guidance would thus be helpful in this.
2. Budget – the budget is widely recognized as a useful tool for planning and expenditure control in the public sector. Preparation of the budget on the accrual basis could be a good starting point towards IPSAs adoption and examples can be discussed in the supplement guidance.
3. PPE para 4: Challenges of measurement and the determination of the useful lives of the assets and capitalization policy could also be discussed in the supplement and examples given.
4. Longevity of the Public Sector: Sustainability of government projects and public participation may also need to be discussed in the supplement guide and examples given.

5. Regulatory role of the government: the need for proper and full accounting for the public sector is seen especially with the recent global credit crisis which is still biting many economies to date. The government had to step in and bail out financial institutions and possibly other private sector entities. Hence sustainability of public finances and the govt ability to meet its obligations and cater for emergencies like the crisis, recent earthquake in Japan and other natural disasters and eventualities which may not be foreseen and where the govt intervention is required puts more pressure on the sources (mainly the taxes) and the greater need for more efficient use of the scarce resources and more transparency and accountability.
6. Statistical basis of accounting: this information is crucial for decision making and macro economic analysis and guidance may be required in the supplement like has been done for the European Union.
7. Provision of goods and services in a non-market or limited market environment, para 2.8. The indivisible nature of public services and goods poses challenges in financial accounting and guidance could be given in the supplement while adopting full accounting on the accrual basis.
8. Govt Accounting Reforms and the Millenium Development Goals (MDGs) could also be discussed in the supplement guide
9. Social Value of Gove accounting: This could also be discussed in the supplement guide –
 - Accurate record keeping
 - Directing policy makers and managers to problem areas
 - Providing information for decision making
 - Fighting against corruption etc

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N.B

These are personal views and not the views of Ernst & Young or ICPAK