

IFAC – IPSASB

Exposure Draft on “Key characteristics of the Public Sector with Potential implications for Financial Reporting”

Comments by Corte dei conti, Italy

The draft paper makes an important contribution to identifying the key characteristics of the public sector world wide by substantially following a handbook approach. It can be further enriched by also considering common basic principles arising from concepts actually adopted in the different countries which may have a bearing on the assessment and the comparability of results by public entities at all levels of government.

Comments by respondents could contribute to integrate the paper along the lines suggested above. The following comments are accordingly made by drawing from the Italian experience.

Paragraphs from 1.3 to 1.5. It should be made clear that GBEs are not to be included in the public sector when their future existence is dependent - as for private entities – upon generation of profits.

Paragraph 1.5: Based upon our experience as well as on the contents of the ED we do believe that the characteristics of the public sector “do give rise” to conceptual perspective that differ from those in the private sector. Therefore we do not agree with the expression used in the ED, where it is said that the characteristics of the public sector “may give rise” to conceptual perspective that differ from those in the private sector;

Paragraph 2.2. The assessment, made by public entities, of the need to undertake activities to provide goods and services in a non-exchange environment and of its capacity (financial, operational, etc.) to do so should include also consideration of standard costs of inputs to be used.

Paragraph 2.3. The following letter d1) should be added: “Did part of the burden of paying for current services restrict expenditures for other specified uses (especially investment expenditures)?”

Paragraph 2.9. The paper underlines the importance of taxation or contributions to determine the level and the quality of publicly provided goods and services. Reference should be made to the growing relevance of contributions requested to citizens/users (particularly within the public health system) via tickets or other forms of participation to public expenditures, with the effect of making the behaviour of public agent similar to the private one.

Paragraphs 3.2 – 3.3. Although one can agree on the importance of the budget for the assessment of the actual results, attention should be paid both to the progressive loss of planning significance of such document and to the need to consider also budgets and

results of specific private entities set up by public entities to which they partially entrust their functions.

Paragraph 4.2. Is difficult *a priori* draw an exhaustive list of public assets as their extent also depends upon discretionary national political decisions.

Paragraph 5.2. It should be specified that, while responsibility to maintain national and local heritage for future generations is unquestionably a public concern, its management aimed at making a productive/economic use of it can well be private in nature (obviously under pre-set conditions).

Paragraph 6.1. It should be added that also at present – as in the case of Italy’s “fiscal federalism” – there are examples, not only of division or fragmentation, but simply of reorganisation of nation-states into sub-national public entities (regions, provinces, commons), endowed with financial autonomy.

Paragraph 6.3. It should be added: “On the other hand, the issue of whether the future obligations of the social security service are a liability should also be considered”.

Paragraph 7.1. Where the role of public regulation is underlined, also its redistribution function should be specified, as it may affect the assessment of results obtained within single government sectors or levels.

Paragraph 8.1. It may be difficult to practically recognize it in financial statements, but there is no doubt that ownership or control of rights to natural resources and phenomena have actually given rise to assets at least in a number of European countries. As a matter of fact, significant royalties and taxes have been and are still collected by governments and sub-national public entities.