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The International Public Sector Accounting Standards Board (IPSASB)
International Federation of Accountants
www.ifac.org

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

I commend IFAC on the Exposure Draft, particularly section 9, Statistical Basis of Accounting.

Aftermath of the financial crisis of 2008 reminds us that the power and continuity of public sector entities and governments cannot be assumed. The historically weak point is public sector debt.

I believe that the nature of public sector debt should be conceptually explored to direct measurement, accounting and statistical reporting that supports timely identification and analysis of critical issues.

For example, does it matter who owns public sector debt? Are the claims against the United States of America by China different in nature than the claims of its own Social Security and Medicare systems?

How can global public sector debt be understood without complete, timely access to comparable data?

Brief review of selected information indicates that data on public sector debt are not consistently defined, measured on the same date, available for all issuers from a single source, and downloadable for analysis. Public sector debt data for an issuer are not readily available by holder such as --

   Foreign government, foreign government agency or department, foreign central bank.
   Domestic central bank; domestic department, agency and other large domestic public entity.
   Domestic state or local government.
   Foreign private owners versus domestic private owners.
   Pension funds for private entity retirees versus public entity retirees.
   Domestic and foreign: mutual funds, insurance companies, depository institutions, oil exporters.

Consider adding a paragraph on public sector debt as a key characteristic including the identification of those categories that should be treated differently and if so how.

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Appendix
Brief review of selected information, prepared by Caroline Walker:


III. Availability of debt data
   A. Joint External Debt Hub
   8. A joint effort of BIS, IMF, the Organization for Economic Cooperation and Development (OECD) and the World Bank, the Joint External Debt Hub4 website was launched in March 2006, to provide a one-stop source for comprehensive external debt statistics. Originally, the hub featured data from creditor and market sources for external debt and selected foreign assets for more than 200 economies, comprehensive national external debt data provided by the 54 subscribers to the IMF Special Data Dissemination Standard (SDDS) and information describing the data (metadata) provided. (Page 4)

B. World Bank debtor data
   13. The national/debtor data available on the hub are sourced from the World Bank’s database launched in November 2004. The database includes a core set of quarterly external debt data initially provided by the IMF Special Data Dissemination Standard subscribing countries, which are based on concepts and presentation tables in the External Debt Guide. Participation in the database is voluntary. (Page 5)

World Bank Quarterly External Debt Statistics

www.fms.treas.gov/bulletin/b2011_2.pdf

   Introduction: Ownership of Federal Securities
   TABLE OFS-1.—Distribution of Federal Securities by Class of Investors and Type of Issues
   TABLE OFS-2.—Estimated Ownership of U.S. Treasury Securities. (Pages 39-41)


Foreign holdings are estimated by the Treasury Department based on the location of the holdings, not the nationality of the holder. For certain countries, such as the Caribbean Banking Centers, many of the holdings are likely owned by third country citizens. (Footnote 5, page 2)


The Treasury Department makes available to the public considerable information about foreign holdings of its securities. Nevertheless, it is not possible to determine from the published data exactly which foreigners own U.S. Treasury debt and how much of this debt is in foreign hands. (Page 1)