

Date	Your date
June 20, 2012	
Reference number	Your reference number
51-733/2012	
Our reference	
Claes-Göran Gustavsson	

Comments on Proposed International Public Sector Accounting Standard: Financial Statement Discussion and Analysis

The Swedish National Financial Management Authority (ESV) appreciates the opportunity to comment on the proposed standard.

ESV is the government agency responsible for financial management and development of GAAP in the Swedish central government. Full accrual accounting was introduced in 1993 and we hope that our experience will be a contribution in your work on various accounting issues.

Overall opinion

In our opinion the scope of the suggested document is too restricted. We agree, as described in the Basis for Conclusions, that it is not possible to build a “management discussion and analysis” in the same way as in the private sector. On the other hand the scope is too when it deals with just the financial statements. These are seldom good enough to measure the real targets of a public entity. However we find parts of such discussion and analyses material in the illustrative example.

For a sovereign government financial targets are often linked to the system of national accounts, which means other measurements as well as other demarcations of the entity as such, for example the whole public sector of the nation or state. The financial statements are therefore just a starting point of an analysis, not in itself the scope of a meaningful analysis. Some targets may of course be possible to discuss and analyze entirely based on the statements, but not all of the most relevant ones. Financial targets may also be of a multi-year type.

On the other hand for a government ministry or agency a meaningful discussion and analysis need to take into account what is achieved. That is seldom evident from the financial statements. For the discussion and analysis to be meaningful you therefore need to include output and outcome data (that might be accounted for in reports that are yet not included in IPSASs, for example service performance reporting).

Our conclusion is that the naming and scope of the Exposure draft must be widened or that it should be more clear from the text and the example that the kind of discussion and analysis that we recommend is to be included when relevant.

Specific Matter for Comment 1

We agree that material should be developed as an IPSAS, but first after completion as stated in our overall opinion.

Specific Matter for Comment 2

We agree with the suggested amendment of IPSAS 1 that the discussion and analysis is not a component of financial statements.

Specific Matter for Comment 3

We agree that the discussion and analysis must be distinguished from other issues addressed by the IPSASB, even if there is an interaction with other documents.

Specific Matter for Comment 4

As indicated in our overall opinion we believe that the scope of the discussion and analysis need to be broadened.

Specific Matter for Comment 5

The transitional provisions might be suitable in many cases.

Specific Matter for Comment 6

With regards to the broader content that we suggest in our overall opinion the Implementation Guidance need to be completed.

Specific Matter for Comment 7

The illustrative example includes some of what we suggest in our overall opinion. We however suggest a clearer inclusion of such material.

Concluding remarks

We hope the comments given will be useful in your continuing work. We would like to take this opportunity to express our support for the development of International Public Sector Accounting Standards and a framework for financial reporting.

Claes-Göran Gustavsson and Curt Johansson have prepared the comments given in this report.

Yours sincerely,

Pia Heyman

Head of Department,
Department of Central Government Accounting and Finance

Pia Heyman
Head of Department
Direct: +46 8 690 45 02
Mobile: +46 708 90 45 02
E-mail: pia.heyman@esv.se
Fax: +46 8 690 43 50

Claes-Göran Gustavsson
Senior Advisor
Direct: +46 8 690 43 26
Mobile: +46 708 90 43 26
E-mail: claes-goran.gustavsson@esv.se
Fax: +46 8 690 43 50

Curt Johansson
Senior Advisor
Direct: +46 8 690 43 74
Mobile: +46 708 90 43 74
E-mail: curt.johansson@esv.se
Fax: +46 8 690 43 50