

28 March 2013

Ms Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2 CANADA

Dear Ms Fox

**IPSASB Consultation Paper:
IPSASs and Government Finance Statistics Reporting Guidelines**

Please find attached comments from the Australasian Council of Auditors-General (ACAG) on the IPSASB Consultation Paper referred to above.

The views expressed in this submission represent those of all Australian members of ACAG.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Yours sincerely



Simon O'Neill
Chairman
ACAG Financial Reporting and Auditing Committee

Specific Matter for Comment 1 (See Section 3 and Appendix B)

With respect to the summary in Table 2 of progress on reducing differences and the supporting detail in Appendix B:

- (a) Do you agree that the issues categorized as resolved (Category A in Table 2) are indeed resolved?**
- (b) Are there further differences between IPSASs and GFS reporting guidelines that should be added to this list? If so, please describe these.**

(a) ACAG agrees that the issues categorised as resolved in Table 2 are resolved, except for Issue A1. ACAG understands the GFS requires traded shares in public corporations to be measured at their traded value in financial markets, if available, and at the carrying amount of investee net assets in all other circumstances. IPSAS 22 does not provide for such traded investments to be measured at their traded value and, to that extent, appears to be departing from GFS.

(b) ACAG is not aware of further differences between IPSAS and GFS reporting guidelines that should be added.

Specific Matter for Comment 2 (See paragraphs 4.11 to 4.17)

Do you agree that the IPSASB, in conjunction with the statistical community, should develop guidance on the development of integrated Charts of Accounts, which would include (i) an overview of the basic components of an integrated Chart of Accounts, and (ii) wider coverage such as that listed in paragraph 4.16 of this CP?

ACAG agrees that the IPSASB should work with the statistical community to develop guidance on how governments can convert IPSAS-based financial statements to statistical reports on a GFS basis. We suggest the guidance include:

- (i) a full list of the accounting policy choices in IPSASs, identifying the treatment that best aligns with GFS reporting;
- (ii) a full of list of differences between IPSAS and GFS accounting treatments, and for each the additional data that would need to collected to produce GFS reports; and
- (iii) a guide on how to calculate GFS aggregates.

Specific Matter for Comment 3 (See paragraphs 5.2 to 5.4)

- (a) Do you think that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines?**
- (b) If so, are there changes other than those listed in paragraph 5.4, which the IPSASB should consider adopting?**

(a) ACAG believes that the IPSASB should take a more systematic approach to reducing differences between IPSASs and GFS reporting guidelines.

As a start, ACAG suggests that the IPSASB develop a high-level policy statement on the role of GFS in the IPSAS framework. This should explain the ultimate goal of IPSAS/GFS harmonisation, the place of GFS as an input to the development of IPSAS and the criteria that the IPSASB will apply in deciding whether to adopt particular GFS accounting treatments. It would be appropriate to produce that statement in the context of the finalisation of the Conceptual Framework.

ACAG supports the changes (a) to (e) listed in paragraph 5.4.

(b) ACAG suggests that IPSASB conduct a one-off review of all differences in measurement between IPSAS and GFS, with a view to allowing GFS treatments as an acceptable alternative in as many cases as possible. For example, IPSASs could include an option to measure inventories at current replacement cost. This would reduce the costs of GFS harmonisation. However, ACAG would not necessarily support a similar review for recognition differences. For example, it would not support non-recognition of provisions merely because there was no counterparty.

Specific Matter for Comment 4 (See paragraphs 5.5 to 5.19)

Are there other areas where IPSAS changes could address GFS differences? Please describe these.

ACAG is not aware of other areas where IPSAS changes could address GFS differences.

Specific Matter for Comment 5 (See paragraphs 5.20 to 5.28 and page 39)

This CP describes three options concerning IPSAS 22: Option A, revisions to improve IPSAS 22; Option B, withdrawal of IPSAS 22 without replacement; and, Option C, replacement of IPSAS 22 with a new IPSAS.

- (a) Are there any further IPSAS 22 options that should be considered? If so, what are these?**
- (b) Which one of the options do you consider that the IPSASB should consider adopting?**

(a) ACAG is not aware of any other options.

(b) ACAG supports Option C, replacing IPSAS 22 with a new IPSAS. That new IPSAS should set out an “integrated approach” for application when a government prepares financial reports for the General Government Sector and the whole of government under IPSAS/GFS harmonised requirements. It should require compliance with all other IPSASs, except for departures specifically stated in the new IPSAS. It should include guidance on how to prepare such statements including:

- (i) a list of accounting policy choices under IPSASs for which there is a GFS-preferred option;
 - (ii) a list of the key differences between IPSASs and GFS; and
 - (iii) illustrative financial statements under IPSAS/GFS harmonised requirements.
- ACAG supports a choice between quantitative or narrative reconciliations. ACAG believes that solely quantitative reconciliations can be difficult for users to understand.

Preliminary View 1 (See paragraphs 5.29 to 5.34)

The IPSASB should amend Study 14, Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities, to include a chapter on IPSAS options that reduce differences with GFS reporting guidelines.

ACAG supports Preliminary View 1.