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

Dear Ms Fox

### **Consultation Paper: *Consultation on IPSASB Work Program 2013-2014***

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on the Consultation Paper *Consultation on IPSASB Work Program 2013-2014* and commends the IPSASB for providing the opportunity for stakeholder input.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee is comprised of the senior accounting policy representatives from all Australian States, Territories and the Australian Government.

HoTARAC recommends the work plan should not be considered exclusive of the IPSASB's long-term strategic direction and objectives. To this end, HoTARAC further recommends key components of the long term strategy and hence drivers of the work plan be:

- finalising IPSASB's Conceptual Framework;
- ongoing convergence with International Financial Reporting Standards, as appropriate; and
- continuing to pursue the *IPSASs and Government Finance Statistics Reporting Guidelines* project.

HoTARAC's detailed comments and responses to the Specific Questions to consider in the Consultation Paper are outlined in the attachment to this letter.

If you have any queries regarding HoTARAC's comments, please contact Veronique Row from the Australian Department of Finance and Deregulation on +612 6215 2104.

Yours sincerely

For Grant Hehir

**CHAIR**

**HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY  
COMMITTEE**

30<sup>th</sup> October 2012

## ***International Public Sector Accounting Standards Board (IPSASB)***

### **Consultation on IPSASB Work Program 2013-2014 – Consultation Paper (the CP)**

#### **General Comments**

HoTARAC welcomes the International Public Sector Accounting Standards Board (IPSASB) providing the opportunity for stakeholders to comment on its work program.

HoTARAC recommends the following priorities for IPSASB:

- To consider their strategic direction in developing the work plan.
- Finalising IPSASB's Conceptual Framework.
- Ongoing convergence with International Financial Reporting Standards (IFRS) to remain a key strategic priority of IPSASB.
- Continue to pursue the *IPSASs and Government Finance Statistics Reporting Guidelines* project.

HoTARAC has the following recommendations:

#### Alignment with strategic long term direction – Developing a conceptual framework and maintaining convergence with international accounting standards

Whilst the consultation paper articulates IPSASB's strategic priorities, it also proposes this be the subject of future consultation. HoTARAC believes a strategic direction is integral to the development of a work plan and should not be considered separately.

In turn, in determining its strategic direction IPSASB should clearly outline its goals. HoTARAC's preference is for IPSASB to focus on two main goals: finalising its Conceptual Framework and maintaining convergence with IFRSs, modified as required.

- A well designed conceptual framework assists preparers to identify the appropriate accounting treatment when no specific standards exist (e.g. accounting for emissions trading schemes). In addition, such a framework provides a foundation on which the Board is able to rely to develop standards based on consistent and sound accounting concepts. For example, in HoTARAC's view, the International Accounting Standards Board (IASB) is currently experiencing difficulties in developing consistent standards post GFC given the lack of an overarching conceptual framework. HoTARAC considers this evident in the development of the IASB's standard on leasing. Leases would fall within the definitions of financial instruments, however the decisions reached to date do not require measurement at fair value and a tentative decision has been reached to prohibit fair value measurement of the right to use asset<sup>1</sup>. A decision has also been reached to exclude variable lease payments from the lessor's receivable, again inconsistent with the fair value measurement principles. The IFRIS interpretations committee considered the implications of this latter

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<sup>1</sup>[http://www.fasb.org/cs/ContentServer?c=FASBContent\\_C&pagename=FASB/FASBContent\\_C/ProjectUpdatePage&cid=900000011123#summary](http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB/FASBContent_C/ProjectUpdatePage&cid=900000011123#summary)

inconsistency for variable payments in the purchase of intangibles and property plant and equipment at their September 2012 meeting<sup>2</sup>.

HoTARAC considers continuing converging with IFRSs and providing interpretations or amendments in the public sector context is critical to better meet users' needs and the IPSASB's mission of developing a full suite of high-quality standards for use by public sector entities. As noted in previous responses to the IPSASB's Conceptual Framework project, HoTARAC strongly recommends the IPSASB and the IASB work more closely to achieve alignment of their Conceptual Frameworks. Divergence between the frameworks will result in difficulties in consolidating GBE's at whole of government level and would compromise the desirable goal of accounting standards for the private and public sectors achieving consistency, comparability and understandability of financial information. HoTARAC acknowledges there may be public sector specific issues that drive divergence, but, as is the case for the development of International Public Sector Accounting Standards (IPSASs), recommend these be justified in terms of the IPSASB's Process for Reviewing and Modifying IASB documents.

HoTARAC further believes convergence would be the best use of the IPSASB's limited resources as it is easier and simpler to modify existing standards for public sector use than to develop a separate, stand-alone suite of standards. For example, HoTARAC considers convergence with IFRS to be a preferable approach for the following current/potential projects –

- Financial Statement Discussion and Analysis;
- Revision of IPSASs 6 – 8;
- First Time Adoption of Accrual IPSAS;
- Public Sector Financial Instruments (HoTARAC also considers any specific public sector issues should be dealt with in conjunction with the project “Amendments to IPSASs 28 – 30”);
- Amendments to IPSASs 28 – 30;
- Extractive Industries;
- Segment Reporting; and
- Small and Medium Enterprises.

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<sup>2</sup> <http://www.ifrs.org/Current-Projects/IFRIC-Projects/Pages/Current-Projects.aspx>

### Additional suggestions:

HoTARAC believes the stage of completion of projects may also be relevant in assessing priorities. Where a project has been exposed for comment, HoTARAC views this as close to completion and would recommend finalisation of the project be included in the IPSASB's short term work program. HoTARAC would further recommend, as part of the *Updating IPSASs* project, the IASB's timetable for projects also be considered in developing the timelines for convergence projects.

HoTARAC suggests the IPSASB periodically updates its work plan and make it easily accessible through its website in a clear and comprehensive format (e.g. tables with timeline for anticipated release of standards or exposure drafts) for stakeholders. IASB and AASB are providing this and HoTARAC finds it very useful in terms of identifying the current projects, assessing whether there is a need for a HoTARAC response and planning the time and resources to be allocated to responses.

### **Specific Questions to consider:**

1. **Considering the additional potential projects identified above and described in Appendix C, are there any other projects that you think need to be added to the list of potential projects?**

As part of maintaining convergence with IFRSs, HoTARAC recommends the IPSASB consider the current IFRSs on control, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* and IFRS 13 *Fair Value Measurement*, to determine if this should be a convergence project under the *Process for Reviewing and Modifying IASB Documents*. The issue of fair value measurement and the control concept outlined in these standards are likely to cause challenges in their applicability to the public sector. HoTARAC notes that Appendix C of the Consultation Paper lists Fair Value Measurement as an additional potential project, but this is not reflected in section 4 of the Consultation Paper.

2. **Which projects do you think the IPSASB could prioritize for 2013-2014? In your response you could consider providing your assessment of the 3 most important projects or a ranking of all projects on the list. Please explain the reasons for your answers.**

As noted in the general comments, HoTARAC believes the prioritisation of projects should be dictated by the IPSASB's strategic priorities. However, based on HoTARAC's recommended strategic approach for the IPSASB, HoTARAC is of the view that the following projects are most important and should take priority:

- a. *Public Sector Conceptual Framework*. As noted above, HoTARAC considers the finalisation of the IPSASB's conceptual framework a key strategic priority for the IPSASB.
- b. Ongoing convergence with IFRS to remain a key strategic priority of IPSASB. For example, IFRS's control and fair value concepts are likely to create issues for the public sector. The recently issued IPSASB CP *Public Sector Combinations* touched on both of these concepts.
- c. A majority of HoTARAC would also recommend the *IPSASs and Government Finance Statistics Reporting Guidelines* project be a priority. The majority believes that continuing work toward the alignment of statistical and financial reporting

frameworks will assist promoting IPSASs as an appropriate public sector framework. A minority of HoTARAC does not support convergence of IPSASs between Government Finance Statistics being prioritised and consider this inconsistent with the goal of converging with IFRS

In the instance that additional capacity is available, HoTARAC recommends the *Emissions Trading Schemes* project be given priority. Governments are developing and implementing schemes to price carbon. There is an urgent requirement to develop guidance in this area to prevent divergent accounting practices emerging.

**3. Please provide any further comments you have on the IPSASB's Work Program for 2013-2014.**

HoTARAC suggests that the IPSASB specifies the start and end of its work program years. Does the work plan run parallel to the July to June financial year? HoTARAC notes that the IPSASB is a global standard setter and different countries have different start and end dates for their financial years.