Mr John Stanford  
Deputy Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street  
Toronto, Ontario, M5V 3H2  
CANADA  

Dear Mr Stanford  

Exposure Draft 58 Improvements to IPSASs 2015  

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 IPSASB Exposure Draft (ED) 58 – Improvements to IPSASs 2015.  

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

HoTARAC commends the IPSASB’s efforts in reviewing and updating IPSASs to improve the broad application of IPSASs, and is generally supportive of the proposed changes in Parts I to IV of ED 58. However, HoTARAC believes certain of the proposed amendments are more significant than what would usually be effected through an annual improvement process.  

The attachment to this letter sets out specific issues/concerns that HoTARAC has regarding proposals in the ED. If you have any queries regarding our comments, please contact Alison Cuthbert from Queensland Treasury on +61 7 3035 1431 or by email to alison.cuthbert@treasury.qld.gov.au.  

Yours sincerely  

David Nicol  
Chair  
Heads of Treasuries Accounting and Reporting Advisory Committee  

\[ January 2016 \]
Attachment - HoTARAC comments re IPSASB Exposure Draft 58 Improvements to IPSASs 2015

HoTARAC’s comments on particular proposals in the ED are set out below.

Part I: Conceptual Framework Improvements to IPSASs

HoTARAC is generally supportive of the various proposed amendments to Chapters 1-4 of the Conceptual Framework. HoTARAC supports the use of “faithful representation” as a qualitative characteristic, rather than “reliability”, in individual IPSASs. HoTARAC notes this is consistent with the qualitative characteristics adopted in the draft IASB Conceptual Framework.

Regarding other references to “reliability” in individual IPSASs, HoTARAC questions the appropriateness of including a footnote explaining the meaning of “reliability” in each affected IPSAS. Instead, HoTARAC prefers the explanation of “reliability” be in a central location (i.e. in the Conceptual Framework or a Glossary of Defined Terms), subject to a broader review of the concept of “reliability” and implications for other chapters of the Conceptual Framework (e.g. recognition and/or measurement).

As the IASB is in the process of revising its Conceptual Framework, the IPSASB will need to review the implications for its own Conceptual Framework (in line with the IPSASB’s policy). Any further implications for individual IPSAS (arising from further revisions of the IPSASB’s Conceptual Framework) will then also need to be progressed for constituent feedback. Having said that, HoTARAC notes that under the IPSASB’s policy document “Process for Reviewing and Modifying IASB Documents”, the IPSASB adopts IFRS without modification where this is possible.

Part II: General Improvements to IPSASs

Amendment: Part II-1 Amendments to remove references to the relevant international or national accounting standard dealing with non-current assets held for sale and discontinued operations

The proposed Basis for Conclusions (refer to paragraph BC8) asserts that IFRS 5 Non-current Assets Held for Sale and Discontinued Operations may not be appropriate for the public sector in all circumstances. HoTARAC considers that insufficient conceptual justification is provided for that view. Based on Australia’s experience (where public sector entities are effectively required to comply with IFRS 5), the scope and criteria in IFRS 5 can be applied by public sector entities. Therefore, HoTARAC strongly recommends that the IPSASB retain the cross-reference to IFRS 5 (or equivalent national accounting standard). HoTARAC also urges the IPSASB to undertake an assessment of broader consequences of its proposal.

For those reasons, HoTARAC considers these particular proposals to have potentially greater consequences than would usually be expected in an annual improvement process. HoTARAC understands the annual improvement process is intended to be restricted to clarifications and minor amendments. More significant proposals should be subject to a separate consultation process that allows more time for stakeholders to identify and assess the accounting/reporting consequences.

Amendment: Part II-2 Amendments to IPSAS 32, Service Concession Arrangements

HoTARAC considers paragraph 33 is confusing to follow in explaining the distinction between “arrangements”, “groups” and “classes”, so revision of the terminology in that paragraph is recommended.
Part III: Government Finance Statistics Improvements to IPSASs

 Amendement: Part III-1. Amendments to IPSAS 12, Inventories
 Amendement: Part III-2. Amendments to IPSAS 17, Property, Plant and Equipment

In principle, HoTARAC supports the proposed amendments to IPSAS 12 and IPSAS 17 to facilitate a closer alignment with the Government Finance Statistics (GFS) reporting guidelines. However, HoTARAC recommends the IPSASB instead use cross references, rather than paraphrasing the GFS definition (particularly to reduce maintenance effort in the future if/when GFS changes).

The IPSASB’s consultation paper in October 2012 tabulated the existing differences between IPSASs and GFS reporting guidelines and solicited comments to identify further differences. This was followed-up with a policy paper in February 2014 that set out a process for considering such differences. It proposed a ‘Table of Differences’ be maintained along with the resolution mechanism. HoTARAC believes that “Table of Differences’ should be updated (to reflect the progress made) and then published.

Part IV: IASB Improvements to IPSASs

 Amendement: Part IV-1a. Amendments to IPSAS 17, Property, Plant and Equipment
 Amendement: Part IV-1b. Amendments to IPSAS 27, Agriculture

HoTARAC concurs with the IPSASB’s view in the Basis for Conclusions paragraphs that there is no public sector specific reason for not adopting the proposed narrow scope amendments to IPSAS 17 and IPSAS 27.

Given the IASB also issues other amending standards on various subjects, many of which may also be relevant to IPSASs, HoTARAC recommends the IPSASB develop a robust and more efficient process for priority changes to IFRSSs that need to be incorporated into IPSASs.