Ministero dell'Economia e delle Finanze

DIPARTIMENTO DELLA RAGIONERIA GENERALE DELLO STATO

ISPETTORATO GENERALE DI FINANZA - XVI
ISPETTORATO GENERALE PER LA CONTABILITÀ E LA FINANZA PUBBLICA – UFF. III
ISPETTORATO GENERALE DI BILANCIO – UFF. XVI
SERVIZIO STUDI DIPARTIMENTALE – UFF. I

To The International Public Sector
Accounting Standards Board 529
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OGGETTO: Consultation Paper – Ipsas and Government Finance Statistics Guidelines.

With reference to the Consultation Paper "*Ipsas and Government Finance Statistics Guidelines*" the Italian Department of State General Accounting appreciates the objective to further reduce differences between International Public Sector Accounting Standards (IPSASs) and public sector Government Finance Statistics (GFS) reporting guidelines. However it should be taken into account that concepts in GFS guidelines usually differ in some respects from Government accounting regulations because of relevant reasons (for instance, see, ESA95, par. 1.10) as the inadequacy of the administrative concepts underpinning government accounting systems for economic analysis and evaluation of economic policy (ESA95, par. 1.10, lett. *d*).

Therefore some differences should not be cancelled concerning, among others: a) the definitions of reporting entity; b) measurement criteria.

Statistical guidelines provide authoritative and unambiguous definitions of public sector, while in a domestic jurisdiction an entity may be expected to prepare financial reporting according to public sector accounting standards depending on the provisions of national laws, regulations and other statutes. Because of this reason, public sector as defined according to statistical guidelines may differ from public sector as resulting from national rules and harmonization could be a difficult objective to pursue under this perspective.

As for measurement, while IPSASs allow different criteria to be adopted according to circumstances, Government Financial Statistics guidelines use almost invariably the current market price (ESA95 resorts to this criteria for holding gains and losses, disposals of land, securities other than shares upon certain conditions, *etc.*). In GFS guidelines it would be difficult to shift from current market price to other criteria as items have to be measured in the balance sheets as if they were acquired on the date to which the balance sheets relate.

The CP describes tools for prepares to manage the differences between IPSAS requirements and GFS reporting guidelines. It should be noted however that some public sector reporting entities may be hardly charged with direct preparation of Government Financial Statistics. As a consequence, tools to manage the differences between IPSAS requirements and GFS could be used to limited extent only. Accordingly, management of differences should take into account the organizational framework, distinguishing whether an entity can or cannot manage GFS.

Besides, the CP suggests a *chart of accounts design,* including additional codes to identify items included in GPFRs but not in GFS (or vice versa). In general, the Department believes that such way is definitely viable under a logic point of view, while from a practical perspective addition of new codes would imply the following disadvantages: a) increasing of administrative costs on units competent on financial reporting; b) increasing of administrative costs on units preparing the GFS; c) significant up-dating of informative systems; d) greater difficulties for staff; e) accounting information would turn out to be over-classified at the expense of easy use.

Finally, differences in measurement criteria could be managed, according to the CP, through two different ways, the first being giving adequate valuation options to the reporting entity, the second requiring new set of financial data. The Department is definitely in favor of the first way, as seemingly less costly and more effective.

Il Ragioniere Generale dello Stato
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