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Comments on IPSASB Consultation Paper on 2013-2014 Work Program

The Swedish National Audit Office is Sweden's Supreme Audit Institution (SAI). The office has the full mandate to audit the financial statements of government organizations annually and to carry out performance audits concerning ministries and agencies, state-owned companies and government foundations, government projects and regulatory systems.

Our work is performed in accordance with generally accepted international standards. For financial audits this means that we work in accordance with the International Auditing Standards (ISAs). Within the realm of the International Organization for Supreme Audit Institutions (INTOSAI) the office has also taken on the responsibility to develop international auditing standards for the SAIs. When it comes to financial audits, standard-setting is done in cooperation with the IAASB. The international standards for SAIs consist of the ISAs complemented by Practice Notes developed by INTOSAI to each ISA.

Our office is also on behalf of the Swedish Parliament deeply engaged in international development cooperation aiming at capacity building of SAIs in developing countries. An important point of departure for our activities in this area is international standards for auditing as well as accounting and financial reporting.

With this background we have some comments concerning the IPSAS in general and the Board's Work Plan. Even if the Work Plan has a short-term focus we would like to emphasize some issues that are of a more long-term and strategic relevance:



- We support the further development, adoption and implementation of a globally accepted framework and standards for public sector accounting and financial reporting. We think that IPSAS in the long run may serve very well for such a purpose. However, in our opinion the IPSAS must develop substantially in order to gain acceptance from a broader range of stakeholders.
- Today, questions are raised concerning the general applicability of the IPSAS with respect to different categories of stakeholders. While domestic legislatures and other political assemblies may have expectations to get easily accessible and digested information concerning a single entity, international lenders, international organizations and other countries may have a focus on more complex data on the general status of the public sector's finances and risks. While the IPSAS may serve the needs when it comes to the consolidated financial statement of the government as a whole with respect to international investors, analysts and international organizations, the IPSAS applied on single public sector entities does not always correspond to the need for information for primary users such as members of the legislature, ministries and political constituencies on a regional or local level. It is important that the further development of the IPSAS focus more on how an entity may respond to requests to disclose information on compliance with budget regulations (how and for what purpose the entity may use allocated funds) and on disclosures concerning performance.
- It is important that IPSASB takes action to widen and deepen its consultation and co-operation with public sector stakeholders and users. In this respect we believe it is very important that IPSASB engage actively in seeking consultation with domestic users as well as international organizations that represent public sector users. We think that INTOSAI and its member bodies may be useful as a gateway to public sector users. We suggest that IPSASB develops an ambitious communication policy with this aim.
- We strongly support development of a public sector conceptual framework. This work must be given the highest priority. We see such a framework as a necessary basis for further development of the IPSAS with respect to its authority and scalability. Such a framework could form the basis for developing a General Introduction to the IPSAS, a much needed introduction that clarifies how IPSAS can and should be adopted in different circumstances and on different levels of the public sector. One



important part of the framework should be how additional information, such as information on compliance with budget regulations and performance, may be addressed in or in addition to the financial statement.

- For the coming years we would also like to express support for a project concerning *Presentation of Financial Statements*. Such a project may have a substantial impact on the readability of the financial statements and should in the long run save time and money for users and auditors.
- Many public sector entities are small or medium size. A further focus on *Small and Medium Enterprises* (SMEs) may serve the purpose of clarifying how the IPSAS can be applied proportionally on smaller entities, a matter that we have touched upon above.
- Another important area is the IPSAS and its relation to the National Accounts. The project concerning *IPSASs and Government Finance Statistics Reporting Guidelines* may serve as a basis for clarifying how general accounting standards correlates to the National Accounts. In this respect the mentioned project on framework should preferably also clarify the relationship between public sector accounting and the statistics based National Accounts.
- The Consultation Paper sets out a possible project to develop standards with respect to “Reporting on the Long-Term Sustainability of Public Finances”. Even if this may seem as a bold ambition as it is extremely difficult to accomplish, we support that IPSASB takes steps in that direction.
- The project concerning “Reporting Service Performance” is also crucial and we think that IPSASB should give priority also to this.

Our comments have been prepared within the Swedish NAO by a task force on strategic issues on accounting and financial reporting.

On behalf of the Swedish National Audit Office

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