

IPSAS and GFS

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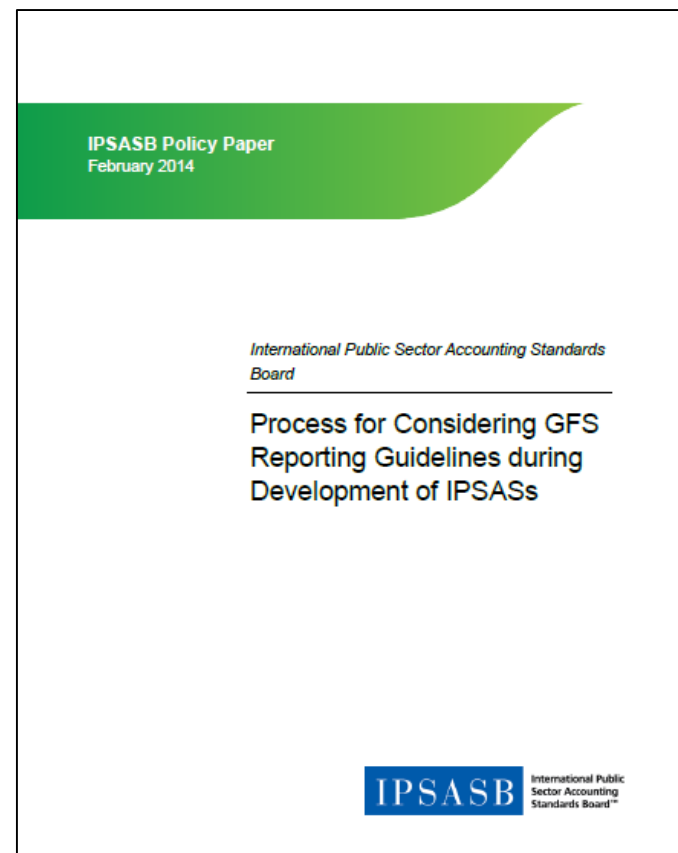
IPSASs and GFS - overview

- Different Objectives

IPSASs	2008 SNA	GFSM 2014
Accountability	Economic analysis	Fiscal Analysis
Decision-making	Decision-taking	
	Peacemaking	

BUT

- Considerable Overlaps
 - Financial, accrual information
 - Assets, liabilities, revenue and expense
 - Cash-flows



Cooperation with statistical community

- **2004:** IPSASs and Statistical Bases of Reporting – Analysis of Differences and Recommendations for Convergence
- **2004 - 2006:** Task Force For Harmonisation of Public Sector Accounting (TFHPSA) – inputs to SNA development
- **2010 - 2012** GFS Advisory Committee membership
- **2012:** IPSAS and GFS Consultation Paper
- **2014 onwards:** GFS Tracking Table published and updated for each IPSASB meeting
- **2014:** Process for considering GFS Reporting Guidelines during Development of IPSASs

Comparison of IPSASs and GFS Reporting Guidelines: Current differences

Objectives	GFS reports evaluate a government's impact on the economy. Financial statements are used for accountability and to support decision making.
Reporting entity	GFS and IPSASs both apply the concept of control to identify subunits. Units engaged in market activities are excluded from GFS's General Government Sector. Financial statements report on all controlled entities.
Recognition criteria	GFS does not recognize some liabilities that IPSASs do recognize.
Valuation (measurement)	IPSASs use current value and historic cost. GFS measurement is restricted to current values.
Revaluations and other value changes	GFS reports distinguish between value and volume changes. Financial statements tend to distinguish between realized and unrealized gains (losses).
Presentation and terminology differences	Differences with respect to: (a) statement names, (b) classification structures, (c) level of detail, (d) disclosure of additional information, and (e) key statement totals.

Management of IPSAS GFS Differences

Type of Difference	Management of Difference
Reporting entity	Chart of Accounts (CoA) design: Include additional codes to identify items included in GPFRs but not in GGS (or vice versa)
Recognition criteria	<ul style="list-style-type: none">• Choice of accounting policy option: Where IPSAS allows a GFS aligned recognition option, choose that policy• CoA design: Include additional codes to identify items included in GGS but not in GPFRs (or vice versa)
Valuation (measurement)	Either choose accounting policy option meeting both needs, or collect additional data if can't take common approach
<ul style="list-style-type: none">• Revaluations & other value changes• Presentation & terminology	CoA design: Include GFS code to identify items required for specific statements, aggregate totals and/or supplementary schedules

IPSASs vs GFS differences (1): UK WGA

Reconciliation of public sector net debt

	2014-15	2015-16
	£bn	£bn
Public sector net debt (National Accounts)	1,554	1,606
Net public service pensions liability	1,493	1,425
Provisions	175	306
PFI contracts	33	33
Unamortised premium or discount on gilts	35	38
Tangible and intangible fixed assets	(1,076)	(1,120)
UK Asset Resolution (UKAR) net impact on net debt	(50)	(30)
Payables and receivables	(128)	(141)
Investments	(73)	(50)
Asset Purchase Facility	(45)	(50)
Other	(39)	(31)
Net liabilities (WGA)	1,875	1,986

IPSASs vs GFS differences (2): UK WGA

Reconciliation of deficits

	2014-15	2015-16
	£bn	£bn
Public sector current budget deficit (National Accounts)	58	40
Increase in provisions	18	-
Depreciation and amortisation	(10)	(8)
Impairments and revaluations	15	9
Net losses on sale of assets	(2)	(6)
Capital grants	8	7
Research and development	3	3
Other adjustments	2	4
Financing of long-term liabilities (inc. discounting)	65	187
Revaluation of financial assets and liabilities	(5)	8
Total net expenditure (WGA)	152	244

IPSASB's work to align with GFS: Recently approved IPSAS

- **IPSAS 35, *Consolidated Financial Statements***
 - Consolidation of all controlled entities versus sectors of government
 - Concept of control
 - Regulatory control versus control for financial reporting purposes
 - Rights associated with golden shares
- **Improvements to IPSAS**
 - Terminology on military assets
 - IPSAS 12, *Inventories*
 - IPSAS 17, *Property, Plant, and Equipment*

IPSASB's work to align with GFS: Active projects

- **Social Benefits (ED 63)**
 - Classification: GFS social risks approach, except for universal services (ex: health care)
 - Recognition and measurement: aligned with GFS
- **Revenue and Non-Exchange Expense**
 - No significant differences between current IPSASs and GFS
 - GFS consideration being given as project progresses

IPSASB's work to align with GFS: Active projects

- **Financial Instruments (Updates to IPSASs 28-30)**
 - Project to maintain convergence with IFRS 9, *Financial Instruments*
 - Scope of recognition of FI's not expected to fully align with GFS
 - Measurement expected to be broadly consistent with GFS
- **Public Sector Specific Financial Instruments**
 - Key principals underlying definitions drawn from GFS literature (SNA and the IMF's Balance of Payments and International Investments Position Manual)
 - Certain measurement proposals in CP consistent with GFS

Active projects:

Leases: ED 64 overview



Accounting for the underlying asset

- **Lessor** recognizes and measures according to applicable IPSAS
- Different to IFRS 16 (which retains old operating and financing lease model)



Separate accounting for the lease (right-of-use)

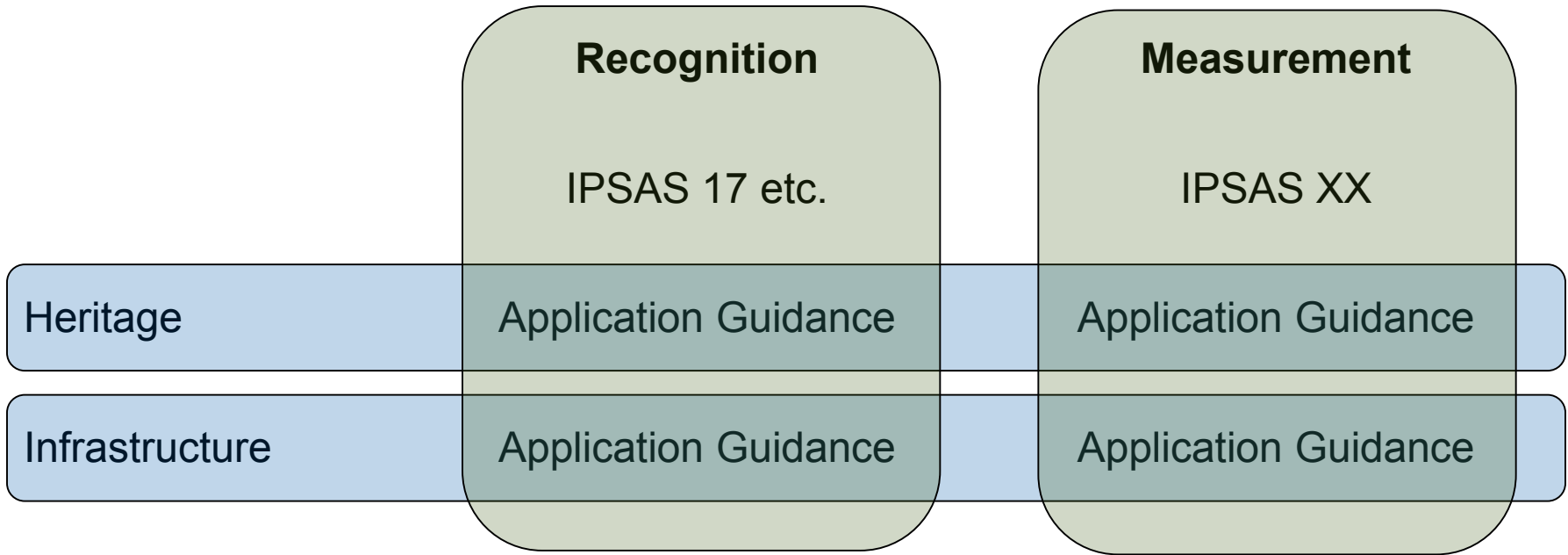
- **Lessee** liability – as per IFRS 16 (which removes old operating and financing lease model)
- **Lessor** receivable – different to IFRS 16
- At market terms – unless a concessionary lease
- At below market terms – concessionary leases

So major differences to GFS treatment if ED proposals included in final IPSAS

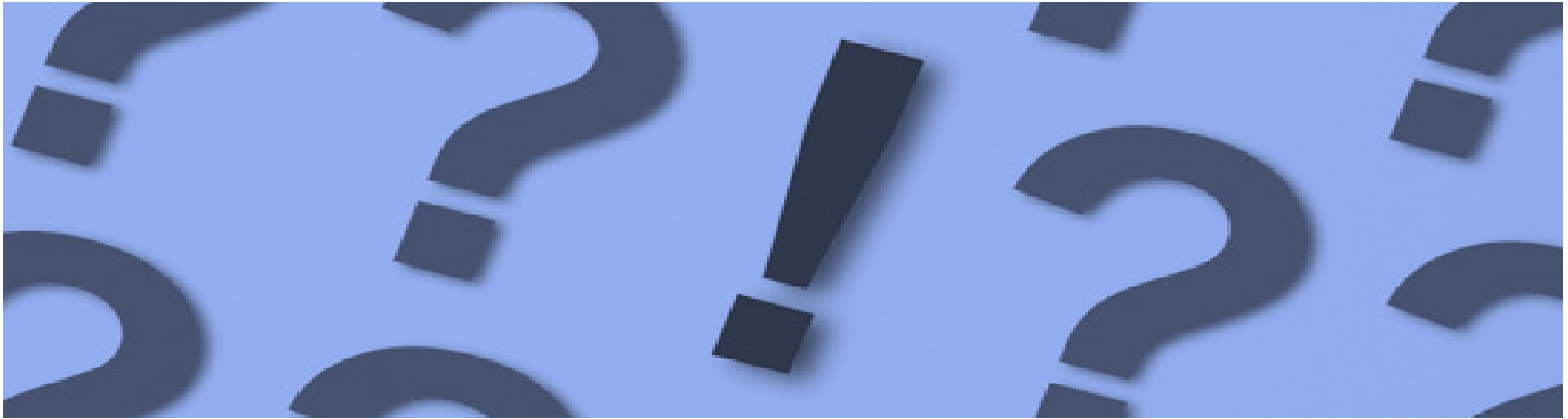
Public Sector Measurement (1): Approach overview

- Measurement CP including a draft ED
 - More detailed and specific measurement proposals than ‘normal’ CP
 - Develop ideas in Conceptual Framework – current vs fair value
 - CP material around ED will discuss impact on other IPSAS – consequential amendments to follow in later ED
 - Borrowing Costs to be discussed in CP rather than proposals in ED
 - Preliminary view supporting expensing in line with GFS
- Heritage and Infrastructure as additional AG material to IPSAS 17 and the new PS Measurement IPSAS
 - Recognition in IPSAS 17
 - Measurement in new PS Measurement IPSAS

Public Sector Measurement (2): Proposed Future Guidance Locations



Questions, discussion & further information



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