

RECONCILIATION OF ACCOUNTING, BUDGET AND STATISTICAL DIFFERENCES: IPSASB

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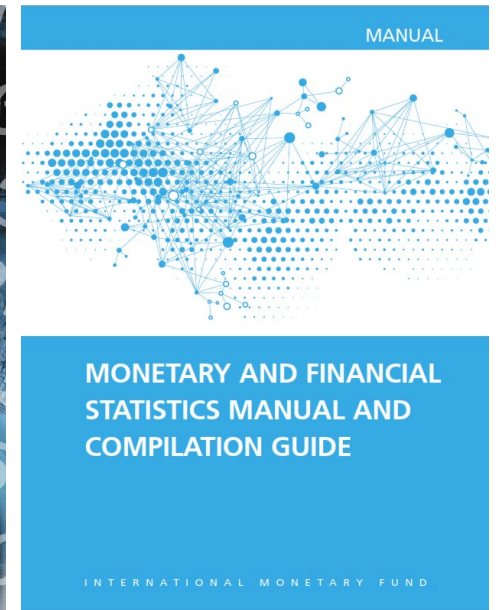
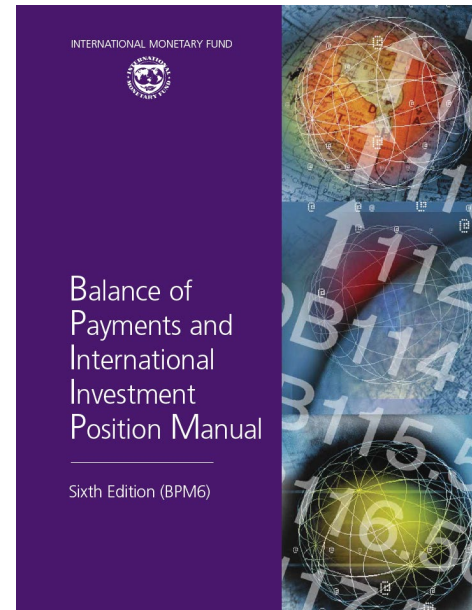
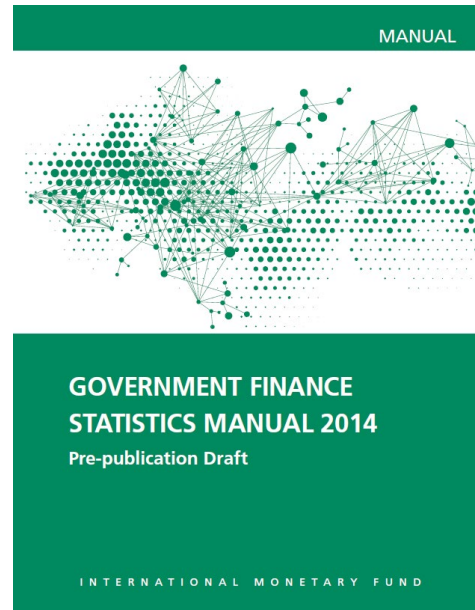
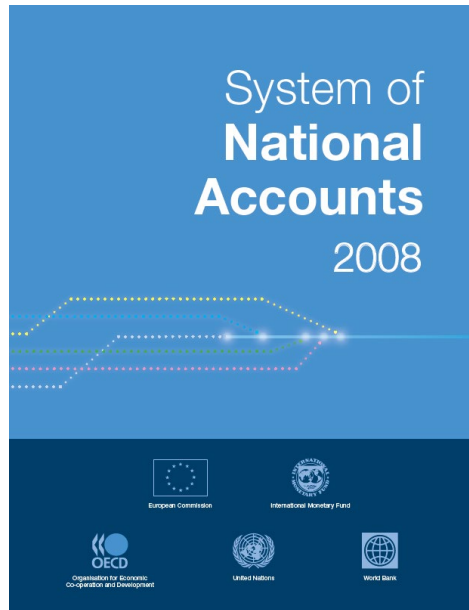
June 6, 2023

IPSAS/IPSASB

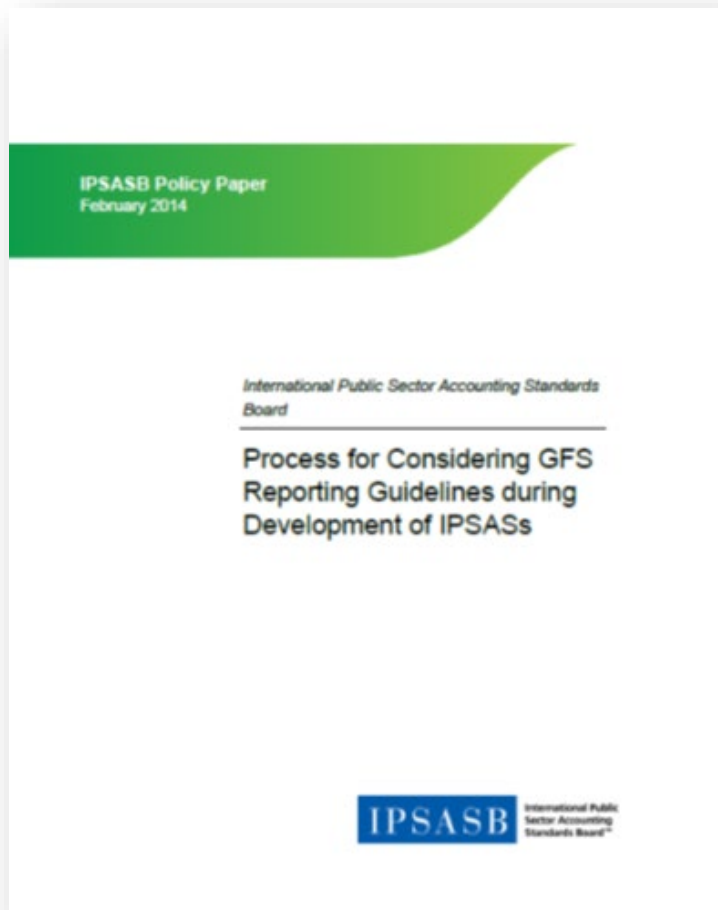
- The global financial reporting standards for the public sector
- Independent international board of 18 public sector finance experts
- Independent governance (PIC) and advisory arrangements (CAG)
- Specifically addressing key public sector issues
- Based on private sector IFRS, where appropriate
- Statistics alignment process
- 38 accrual basis IPSAS (plus the Cash Basis IPSAS)
- 3 Recommended Practice Guidelines
- Conceptual Framework supporting IPSAS development



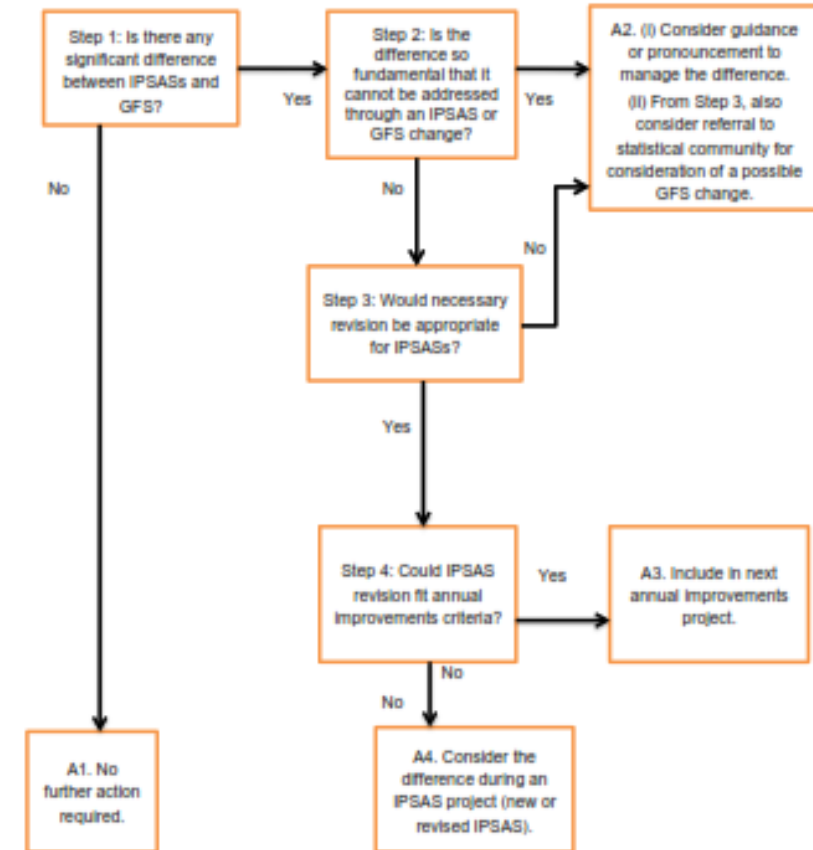
International Statistical Guidelines



IPSASB - GFS Alignment Policy



- Aims to address both existing and possible future differences:
 - SNA revisions
 - IPSAS Improvements
 - IPSAS Projects

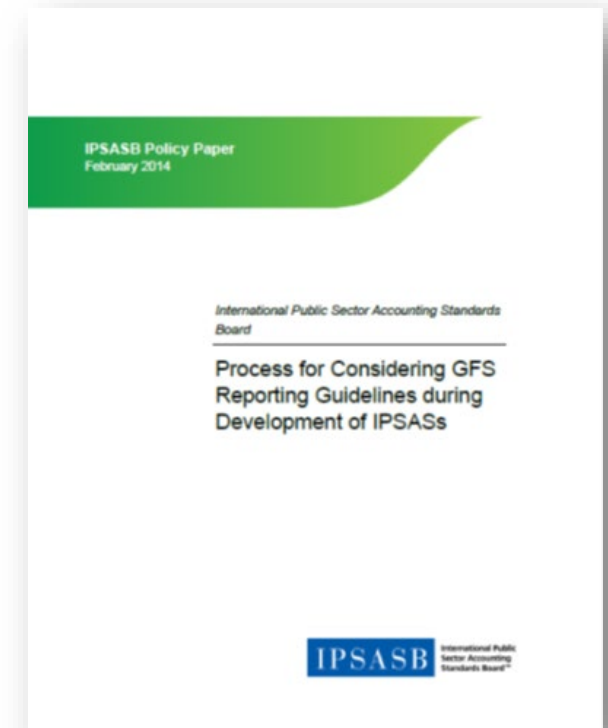


IPSAS and International Statistical Standards: Overlaps and Differences

- Considerable **overlaps**
 - Economic substance based on accrual information
 - Assets, liabilities, revenue and expense
- But some **differences** in focus

IPSAS	2008 SNA	BPM6	GFSM 2014
Accountability	Economic analysis	Economy vis-à-vis the rest of the world	Fiscal analysis
Decision-making	Decision-taking		
	Policy making		

- Audited entity level and consolidated data can be used to support **quality improvements** in ISS data and compliance

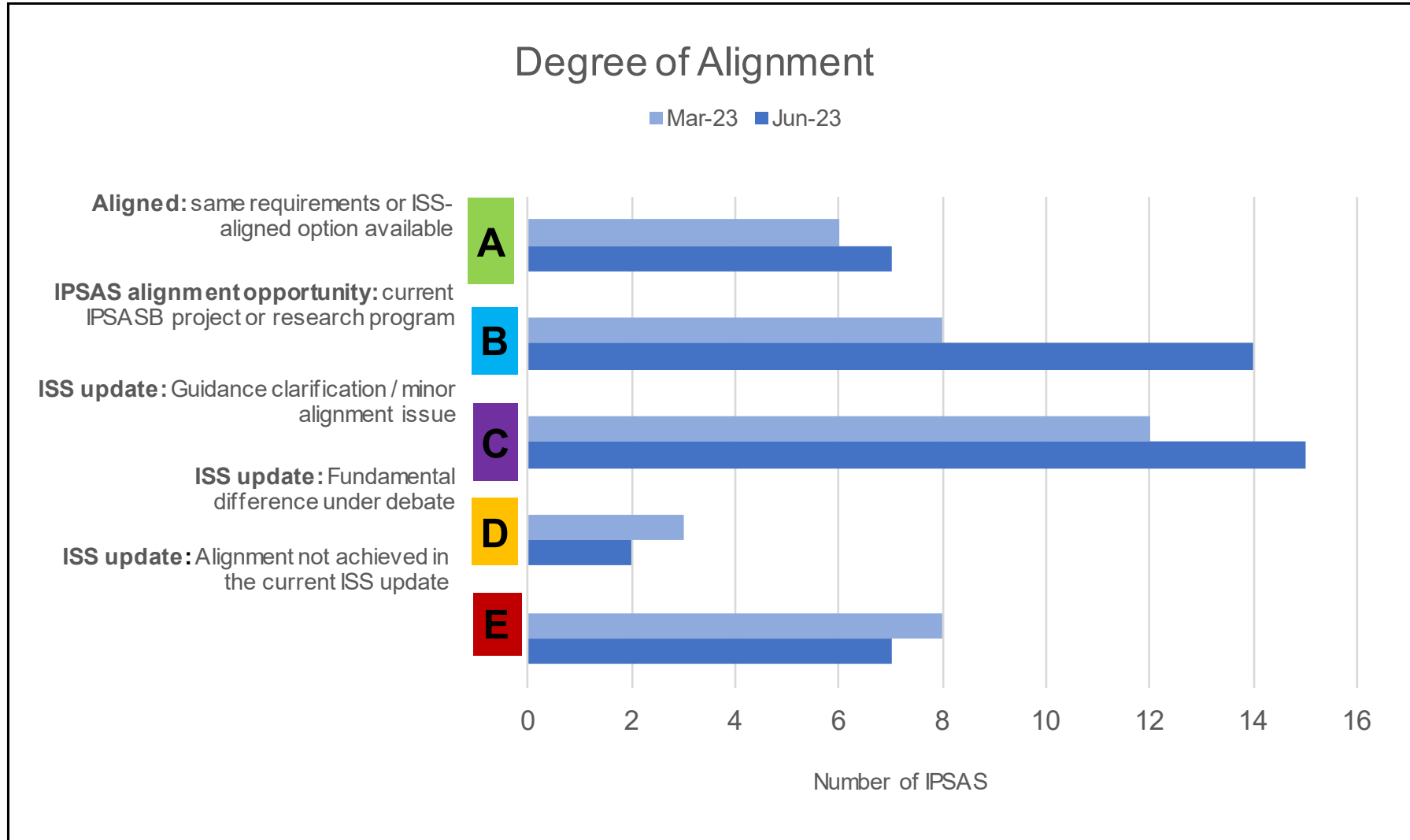


2008 SNA/BPM6 Update Process

- Start date: 2020; End date: 2025
- 10 Task Teams: UN, IMF, OECD, Eurostat, WB, National Statistical Offices, Central Banks
- IPSASB represented in 4 task teams:
 - Wellbeing and Sustainability Task Team
 - Communication Task Team (CMTT)
 - Financial and Payments Systems Task Team (FITT)
 - Current Account Task Team (CATT)
- Published almost 100 guidance notes for public consultation



IPSAS-ISS Alignment Dashboard



IPSAS-ISS Alignment Dashboard

Table 1 – IPSAS/RPG and ISS—Summary

IPSAS/RPG	ISS	Status	IPSAS/RPG	ISS	Status	IPSAS/RPG	ISS	Status
1. Presentation of Financial Statements	4.16-4.50	BC	24. Presentation of Budget Information in Financial Statements	–	n/a	39. Employee Benefits	7.189-7.202; 7.261	C
2. Cash Flow Statements	4.32-4.35	A	26. Impairment of Cash-Generating Assets	10.1-10.69	BC	40. Public Sector Combinations	7.113-7.117	BC
3. Accounting Policies, Changes in Accounting Estimates and Errors	A6.46	B	27. Agriculture	7.20-7.33; 7.59-7.63; 10.70	BC	41. Financial Instruments	7.118-7.124; 7.143-7.177; 7.203-7.226;	E
4. The Effects of Changes in Foreign Exchange Rates	3.31; 10.44	A	28. Financial Instruments: Presentation	7.118-7.124; 7.143-7.177; 7.203-7.226; A3.47-A3.53	A	42. Social Benefits	7.261	E
5. Borrowing Costs	6.62-6.83	A	29. Financial Instruments: Recognition and Measurement	7.118-7.124; 7.143-7.177; 7.203-7.226; 7.246; 7.262	C	43. Leases	7.108; A4.4-A4.17; MGDD V1.2	AE
10. Financial Reporting in Hyperinflationary Economies	–	E	30. Financial Instruments: Disclosures	7.236-7.260; 7.262	n/a	44. Non-Current Assets Held for Sale and Discontinued Operations	–	E
12. Inventories	7.20-7.33; 7.75-7.86; 10.16-10.17	BC	31. Intangible Assets	7.20-7.33; 7.64-7.73; 7.104	BC	45. Property, Plant, and Equipment	6.53-6.61; 7.4-7.12; 7.20-7.57; 7.74; 7.92-7.96	D
14. Events after the Reporting Date	ESA 20.189 MGDD II.7	E	32. Service Concession Arrangements: Grantor	A4.58-A4.65	BC	46. Measurement	3.107-3.129	C
16. Investment Property	7.4-7.12; 7.20-7.33;	ABC	33. First-time Adoption of Accrual Basis IPSASs	–	n/a	47. Revenue	5.1-5.151; A3.1-A3.36	C
18. Segment Reporting	–	B	34. Separate Financial Statements	–	n/a	48. Transfer Expenses	6.1-6.8; 6.84-6.95; 6.122-6.124	E
19. Provisions, Contingent Liabilities and Contingent Assets	7.251-7.260	D	35. Consolidated Financial Statements	3.152-3.166	A	RPG 1. Reporting on the Long-Term Sustainability of an Entity's Finances	–	n/a
20. Related Party Disclosures	–	n/a	36. Investments in Associates and Joint Ventures	2.140-2.143; A4.40	BC	RPG 2. Financial Statement Discussion and Analysis	–	n/a
21. Impairment of Non-Cash-Generating Assets	10.1-10.69	BC	37. Joint Arrangements	2.140-2.143; A4.40	BC	RPG 3. Reporting Service Performance Information	–	n/a
22. Disclosure of Financial Information about the General Government Sector	–	B	38. Disclosure of Interests in Other Entities	–	n/a			

Relevant IPSAS for Reconciliation

- **IPSAS 22, *Disclosure of Financial Information about the General Government Sector***
 - *Optional IPSAS*
 - *Accounting Policies*
 - *Disclosures of the General Government Sector*
 - *Reconciliation to the Consolidated Financial Statements*
 - *Reconciliation to Statistical Bases of Financial Reporting*
- **IPSAS 24, *Presentation of Budget Information in Financial Statements***
 - *Approved, Original and Final Budgets, and Actual Amounts*
 - *Comparable Basis*
 - *Reconciliation of Actual Amounts on a Comparable Basis and Actual Amounts in the Financial Statements*

Illustrative Example: HM Treasury—Whole of Government Accounts—year ended 31 March 2020

Public Sector Net Debt compared to total WGA net liabilities

	2019-20	2018-19	2017-18
	£bn	£bn	£bn
Public Sector Net Debt (National Accounts)	1,806	1,774	1,779
Add liabilities not recognised in National Accounts:			
Net public sector pensions liability	2,190	1,894	1,865
Provisions	375	311	422
PFI contracts	31	32	33
Adjust assets measured differently in national accounts:			
Asset Purchase Facility	(181)	(194)	(200)
Unamortised premia on gilts	62	56	54
UK Asset Resolution (UKAR) net impact on net debt	1	(2)	(10)
Add assets and liabilities excluded from measure of PSND:			
Property, plant and equipment	(1,313)	(1,268)	(1,208)
Investment property	(24)	(23)	(20)
Intangible assets	(40)	(37)	(36)
Trade and other receivables	(45)	(41)	(42)
Prepayments and accrued income	(88)	(108)	(103)
Inventories	(11)	(10)	(10)
Investments	(33)	(53)	(52)
Trade and other payables	56	51	53
Accruals and deferred income	66	61	62
Deduct liabilities not yet recognised in WGA			
Housing associations	0	0	
Other adjustments including eliminations	(18)	12	(22)
Net liabilities (WGA)	2,834	2,456	2,565

Public Sector Current Budget Deficit

	2019-20	2018-19	2017-18
	£bn	£bn	£bn
Public sector current budget deficit (National Accounts)	4	(6)	(1)
Add expenditure on liabilities excluded from National Accounts:			
Increase in provisions	74	21	5
Adjust expenditure calculated differently from National Accounts:			
Public sector pensions	(0)	0	(0)
Depreciation and amortisation	(19)	(15)	(10)
Impairments and revaluations of assets	16	13	25
Net (gains)/Losses on sale of assets	2	4	4
Capital grants	9	10	9
Research and development	2	2	2
Other adjustments	17	27	11
Net expenditure on public services (WGA)	105	56	44
Financing costs of long-term liabilities, including discounting	66	(57)	154
Revaluation of financial assets and liabilities	20	(1)	5
Total net expenditure (WGA)	192	(2)	203

Benefits of Alignment

- Better quality of statistics—source data based on audited financial statements
- Smoother compilation of statistics—Less adjustments needed
- Real-life data—reduced reliance on survey data
- Accounting is the language of managers; statistics is the language of economists—the public sector has both managers and economists using both sets of financial information beneficial
- Common accounting/statistics language for common users—leads to a better understanding of statistics and financial information overall
- Enhanced linkage between micro-economy and macro-economy to better support policy-making and decision-making

Benefits of Reconciliation

- Greater transparency – enhances accountability
- Supports effective management of fiscal risks
- Integrated monitoring of fiscal position
- Strong basis for periodic assessments of financial sustainability analysis

DANKE!
THANK YOU!
MERCI!
GRAZIE!
GRACIAS!
DANK JE WEL!

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