

IPSASB

International Public
Sector Accounting
Standards Board®

CONSOLIDATION CONCEPTUAL AND MACRO-FISCAL PERSPECTIVES

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- 1. IPSAS requirements**
- 2. GFS comparison**
- 3. Using IPSAS data for GFS**

Interests in Other Entities – IPSAS Guidance

- IPSAS 34, *Separate Financial Statements*
- IPSAS 35, *Consolidated Financial Statements*
- IPSAS 36, *Investments in Associates and Joint Ventures*
- IPSAS 37, *Joint Arrangements*
- IPSAS 38, *Disclosure of Interests in Other Entities*

- IPSAS 22, *Disclosure of Information about the General Government Sector*

- IPSAS 40, *Public Sector Combinations*

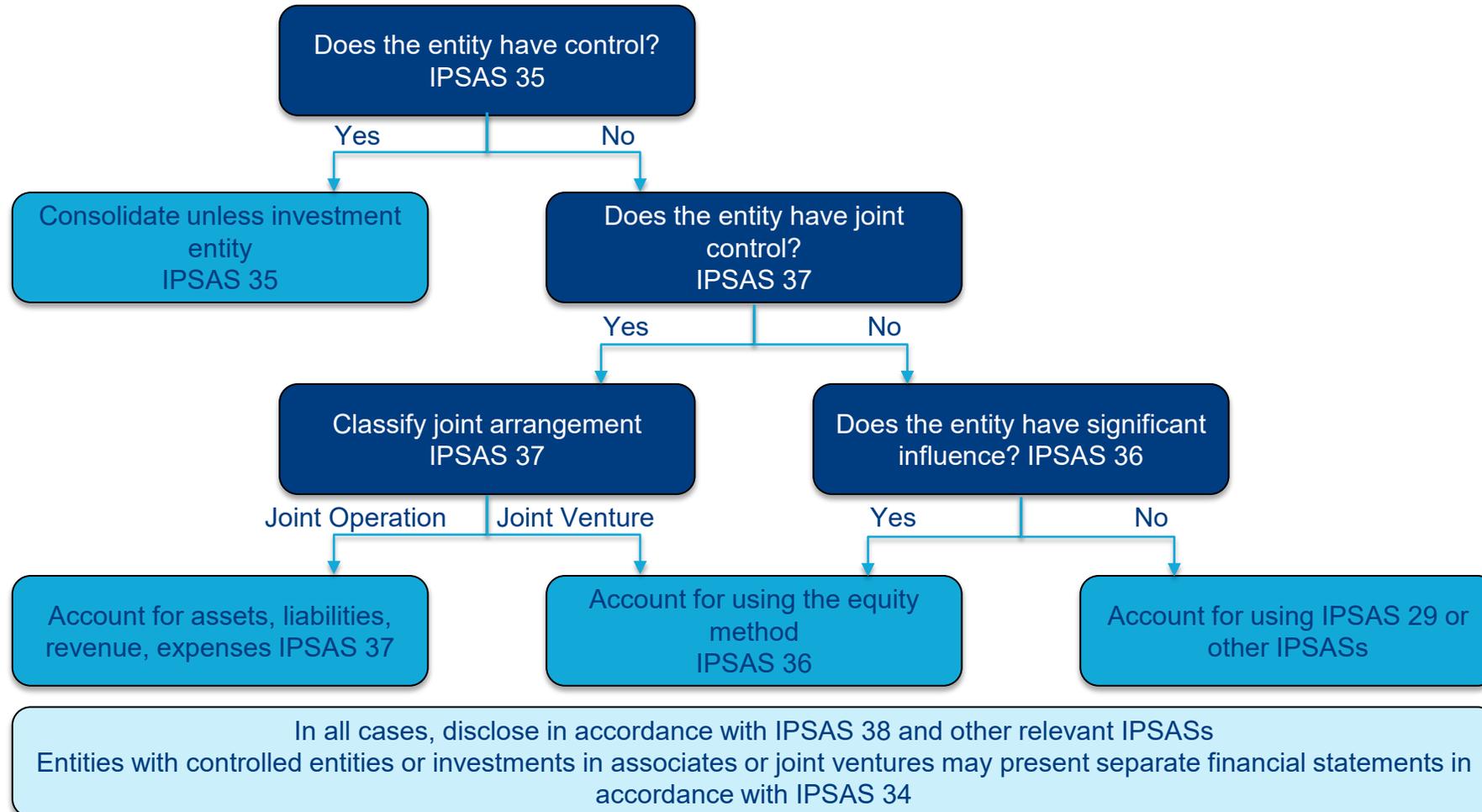
IPSAS: Analyzing Control and Influence

- **Control** – An entity controls another entity when the entity is exposed, or has rights, to **variable benefits** from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its **power** over the other entity
- **Joint Control** – Agreed **sharing of control** of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control
- **Significant Influence** – **Power to participate** in the financial and operating policy decisions of another entity but is not control or joint control of those policies

Accounting for Control, Joint Control and Significant Influence

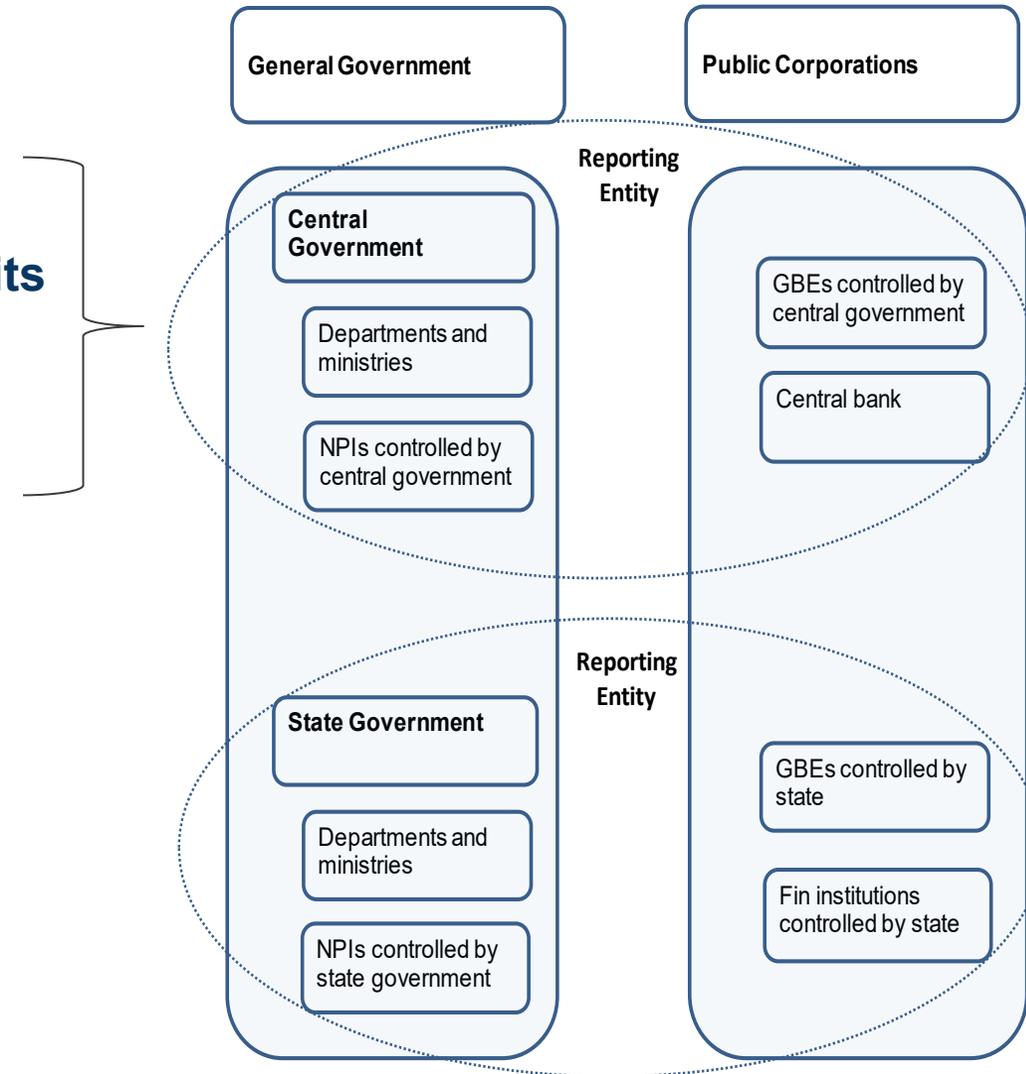
Influence	Accounting
Control	Consolidation
Joint Control	Joint venture – equity method Joint operation – share of assets, liabilities, revenue, expenses
Significant influence	Equity method
Lack of influence	Financial Instrument – IPSAS 41 or other IPSAS as appropriate

Involvement with Other Parties



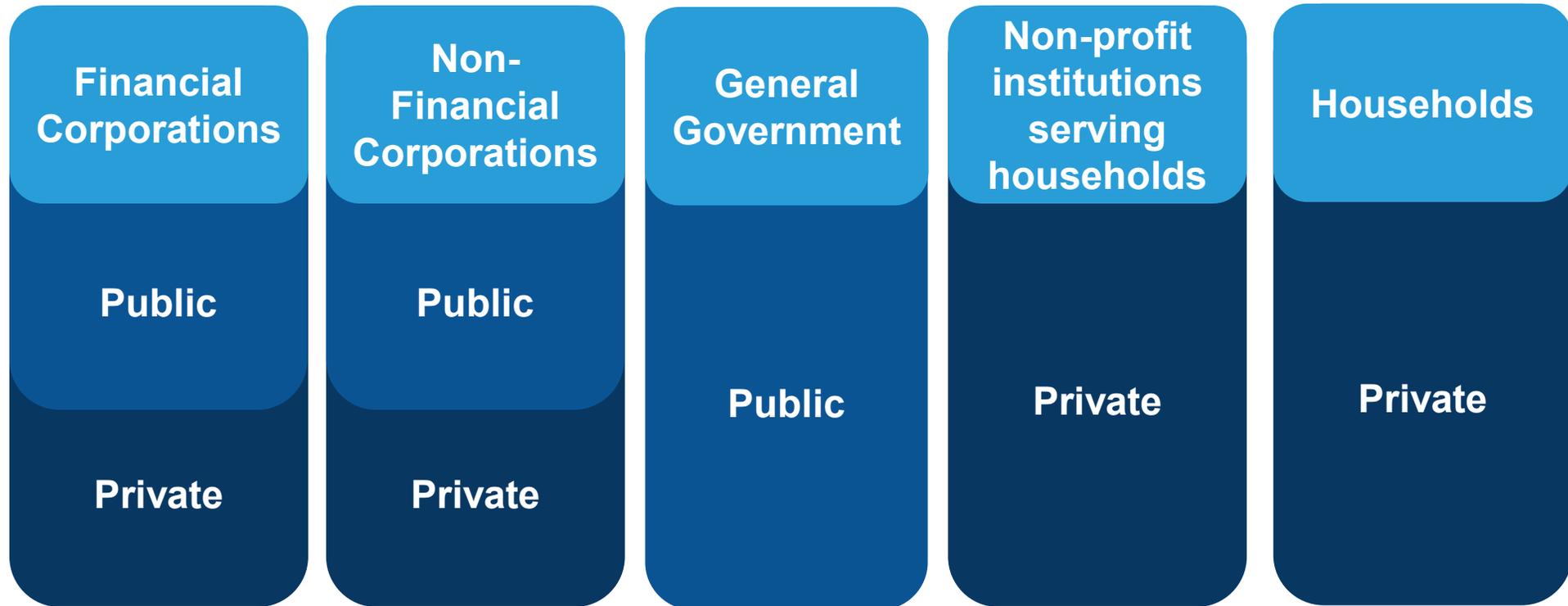
Sector Classification and IPSAS 35

- GFS defines **control** as “the **ability to determine** general corporate policy”
- IPSAS 35 defines **control** in terms of “when the entity is exposed, or has rights, to **variable benefits** from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its **power** over the other entity”
- IPSAS 35 requires consolidation of all controlled entities:
 - IPSAS 35 does not classify institutional units into sectors, based on their economic nature
 - IPSAS 35 does not distinguish between market and non-market producers
 - IPSAS 35 does not distinguish resident and non-resident



IPSAS 22, *Disclosure of Information about the General Government Sector*

The public sector and its relation to institutional sectors



Source: 2008 System of National Accounts

IPSAS 22, *Disclosure of Information about the General Government Sector*

- **Apply** to GGS the Accounting Policies adopted for Consolidated Financial Statements, except:
 - No elimination of balances and transactions between GGS with interests in PFC/PNFC sectors
 - Investment by GGS in PFC/PNFC sectors are Assets measured at the Carrying Amount of Net Assets of investee

Does not replace requirements in IPSAS 18, *Segment Reporting*

- **Disclosures**

- Minimum information per §35 (incl.: Assets by major class; Revenue by major class), presented as:
 - Note disclosure
 - Separate column in financial statements; or
 - Other appropriate presentation
- Significant controlled entities that are included in GGS (including changes and explanation)

Disaggregation of GGS information allowed

Reconciliation to Consolidated FS required

Reconciliation to info on Statistical Basis allowed

Illustrative Example: HM Treasury—Whole of Government Accounts—year ended 31 March 2021

Public Sector Net Debt compared to total WGA net liabilities

	2020-21	2019-20	2018-19
	£bn	£bn	£bn
Public Sector Net Debt (National Accounts)	1,835	1,806	1,774
Add liabilities not recognised in National Accounts:			
Net public sector pensions liability	2,306	2,190	1,894
Provisions	366	375	311
PFI contracts	27	31	32
Adjust assets measured differently in national accounts:			
Asset Purchase Facility	(1,557)	(181)	(194)
Unamortised premia on gilts	62	62	56
UK Asset Resolution (UKAR) net impact on net debt	5	(1)	(2)
Add assets and liabilities excluded from measure of PSND:			
Property, plant and equipment	(1,270)	(1,313)	(1,268)
Investment property	(17)	(24)	(23)
Intangible assets	(41)	(40)	(37)
Trade and other receivables	(43)	(45)	(41)
Prepayments and accrued income	(79)	(88)	(108)
Inventories	(15)	(11)	(10)
Investments	(41)	(33)	(53)
Trade and other payables	44	56	51
Accruals and deferred income	81	66	61
Deduct liabilities not yet recognised in WGA			
Housing associations	-	-	-
Other adjustments including eliminations	1,663	(16)	13
Net liabilities (WGA)	3,326	2,834	2,456

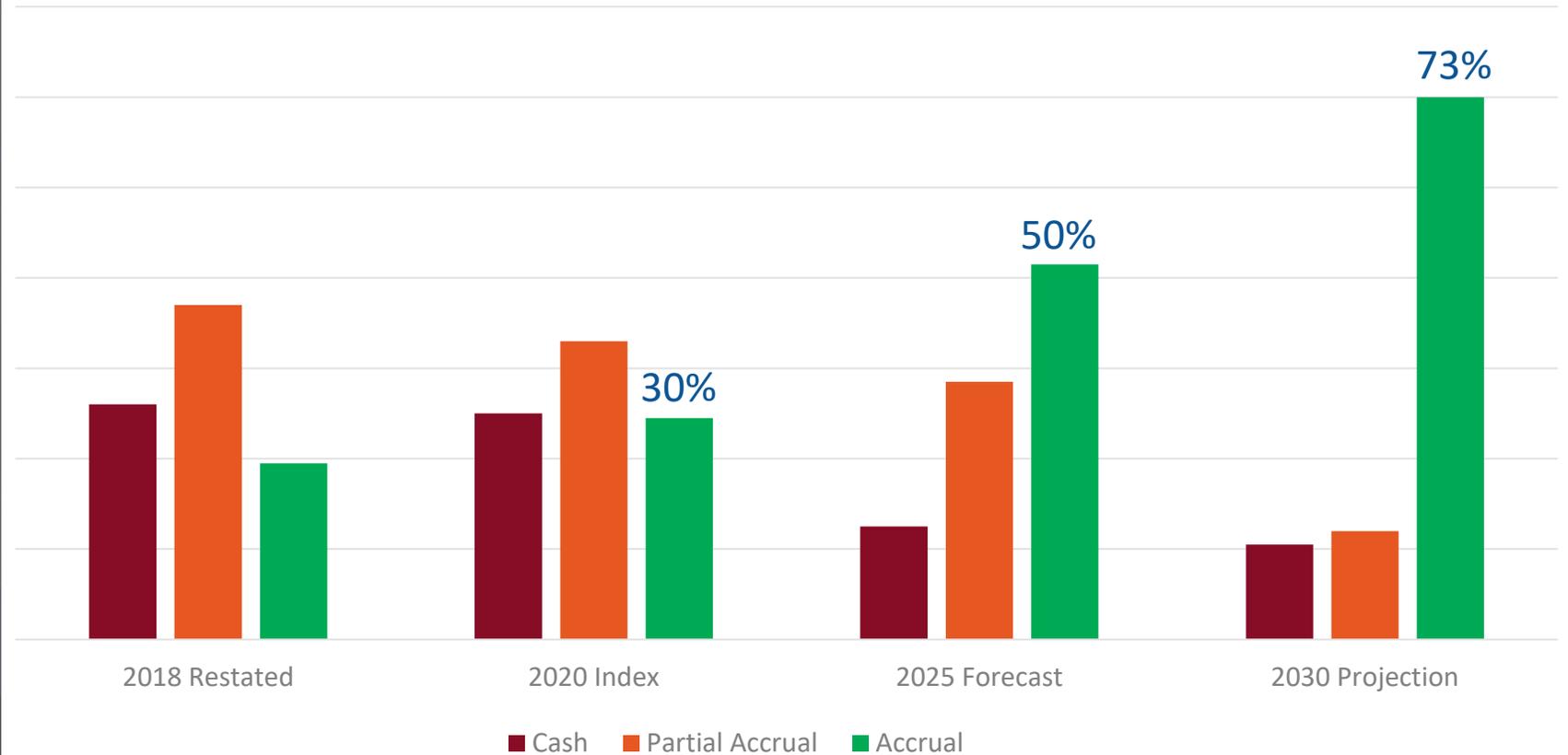
Public sector current budget deficit

	2020-21	2019-20	2018-19
	£bn	£bn	£bn
Public sector current budget deficit/(surplus) (National Accounts)	204	4	(6)
Add expenditure on liabilities excluded from National Accounts:			
Increase in provisions	32	74	21
Adjust expenditure calculated differently from National Accounts:			
Public sector pensions	-	-	-
Depreciation and amortisation	(16)	(19)	(15)
Impairments and revaluations of assets	27	16	13
Net (gains)/Losses on sale of assets	1	2	4
Capital grants	42	9	10
Research and development	2	2	2
Other adjustments including eliminations	39	17	27
Net expenditure on public services (WGA)	331	105	56
Financing costs of long-term liabilities, including discounting	56	67	(57)
Revaluation of financial assets and liabilities	17	20	(1)
Total net expenditure / (income) (WGA)	404	192	(2)

Practical Challenges in Implementing IPSAS 22

- **Existence of technical expertise** in both Financial Reporting and GFS
- Implementation of a well-designed **multidimensional chart of accounts** is crucial
- **Tracking** of differences between Financial Reporting and GFS (identification and monitoring)
- Revisions to data of previous years:
 - Changes in accounting policies in both financial reporting and GFS
 - Update of statistical data as it becomes available
 - Update of System of National Accounts in 2025

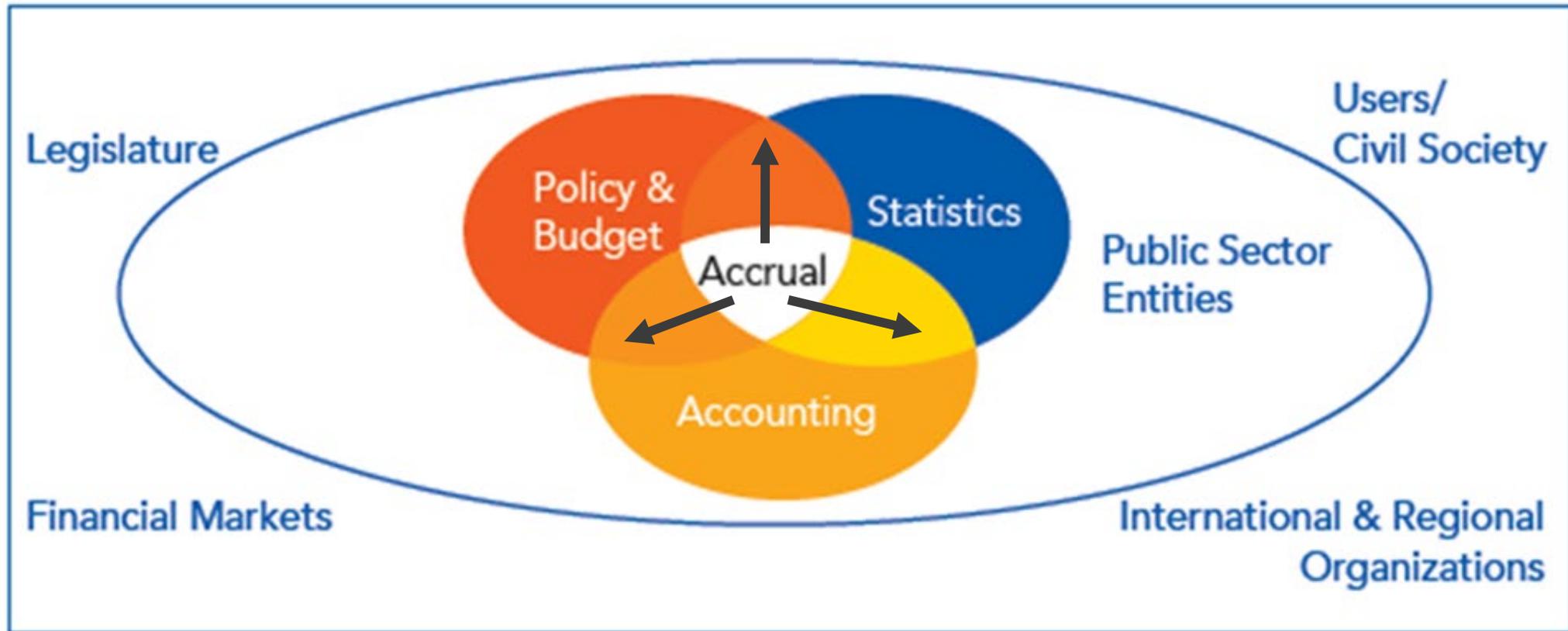
Global Trends: Continuing Shift from Cash to Accrual



IPSAS usage and influence increasing in parallel

Strengthening PFM: Integration of Accrual-based Data Sources

Uses/Users of accrual in PFM



Potential for data quality reduction wherever there is difference between data sources

