

**INTERNATIONAL FEDERATION OF ACCOUNTANTS—PUBLIC SECTOR COMMITTEE
MARCH 2004 MEETING (AGENDA ITEM NO. 13)**

13. GFS, ESA 95, IPSAS HARMONIZATION

The Committee received and considered:

- a memo from Paul Sutcliffe;
- a document outlining the mandate of OECD Task Force on Harmonization (TFHPSA) and the Agenda for the February 2004 meetings of the Task Force and Working Groups 1 and 2;
- minutes of the Task Force Meeting on 11 February 2004, including the Report of Working Group 1;
- a paper on the Strategy of the Task Force;
- a matrix identifying differences between IPSASs, GFSM 2001 and ESA 95.

Ian Mackintosh, the Chair of Working Group 1 of the Task Force, provided background to the Task Force and its Working Groups. He noted that:

- Philippe Adhémar, the PSC Chair, was a member of the Task Force and that the Working Groups reported to the Task Force;
- the Task Force had been established as a result of a meeting the PSC had initiated in June 2003 of a IPSAS-GFSM 2001-ESA “convergence group”;
- the purpose of the Taskforce is to promote convergence of the requirements of IPSASs, GFSM 2001 and ESA 95 where appropriate, and make recommendations to the various working groups involved in making proposals for the review of the System of National Accruals 93 SNA in 2008. He also outlined the broad anticipated time frame and activities involved in that review..

Ian then outlined the recommendations of Working Group 1, which included the following:

- the PSC should allow and encourage note disclosure of financial information about the general government sector as defined by the *Government Finance Statistics Manual 2001* (GFSM 2001). The PSC agreed that subject to resource availability, this project should be actioned and members of Working Group 1 may be requested to form the Project Advisory Panel. Staff are to prepare a draft project brief and program for development of this project for consideration by the PSC at its July 2004 meeting. Members noted that issues related to the prominence of such a note and the potential of such additional disclosures to confuse users about the reporting entity and the financial performance and position of that entity needed to be considered as the project progressed;
- the PSC should activate a long term project on developing a comprehensive report of financial performance which distinguishes between transactions and other economic flows as defined in GFSM2001 as far as is possible. The PSC agreed that a performance reporting project was important and should be activated. The PSC noted that issues encompassed by such a project may be broader than those

- reflected in a desire to harmonize with GFSM 2001 as far as possible, and that a project proposal should be developed to draw out the wider issues. In the course of its discussion, the PSC noted that the IASB was re-establishing its project on reporting comprehensive income and the PSC would need to be cognizant of developments in that project and balance its twin objectives of harmonizing with IASs/IFRSs and with statistical financial reporting bases where appropriate;
- the PSC should require or allow the adoption of current values in IPSASs. This would include:
 - adopting IAS 39 *Financial Instruments: Recognition and Measurement* either explicitly or implicitly through the PSC hierarchy of authoritative guidance; and
 - requiring or allowing inventories to be valued at current replacement cost when all other assets are valued at fair value.

The PSC noted that these latter recommendations impacted on their IASB harmonization strategy and to some extent were already in progress as the role of the hierarchy would be considered in the IPSASs – IAS/IFRS improvement project. The PSC agreed to consider these recommendations as they progressed that project and to raise matters with the IASB as appropriate.

Ian and Philippe also noted that it was acknowledged in the Working Group and in the Task Force that some differences between accounting and statistical reporting models were likely to remain because of the different objectives of those models. Accordingly, after harmonization had been progressed, it would be necessary to develop a reconciliation statement for any remaining items.

Members noted that actions on these matters would need to be considered in the context of the PSC's strategy for the next stage of the standards program. Members noted that given current staff resources and PSC meeting time, these would be long term projects. The PSC directed staff to incorporate proposals regarding time and resource requirements for these projects within the broad PSC strategy document.

The PSC also considered whether it should request the primary authors of the matrix to further develop the document with the view of issuing it as a PSC Study or Occasional Paper. Members agreed it was a most useful piece of work and should be issued. Some members suggested that the "comments" column be deleted. However, other members were of the view it should be retained but that:

- it should be re-labeled as Working Group Recommendations; and
- it be neutralized as far as possible by noting that recommendations for change may be made to various groups. However, the recommendations herein were specifically directed to the PSC because it was felt that in some cases the PSC was in a better position to pursue harmonization.

It was agreed that the Comments column be relabeled, neutralized as far as possible and retained.

It was agreed that Ian Mackintosh seek permission from Working Group 1 members to develop the matrix as an Occasional Paper and Betty Gruber, Robert Keyes and Paul Sutcliffe be requested to participate in that development.

Action Required: ***Seek agreement from Working Group I to develop an Occasional Paper. Develop Project Brief on Performance Reporting and outline program for General Government Sector Reporting.***

Person(s) Responsible: ***Working Group1 Chair, Betty Gruber, Robert Keyes, PSC Staff.***