

## Latest developments in IPSASs and GFS harmonisation

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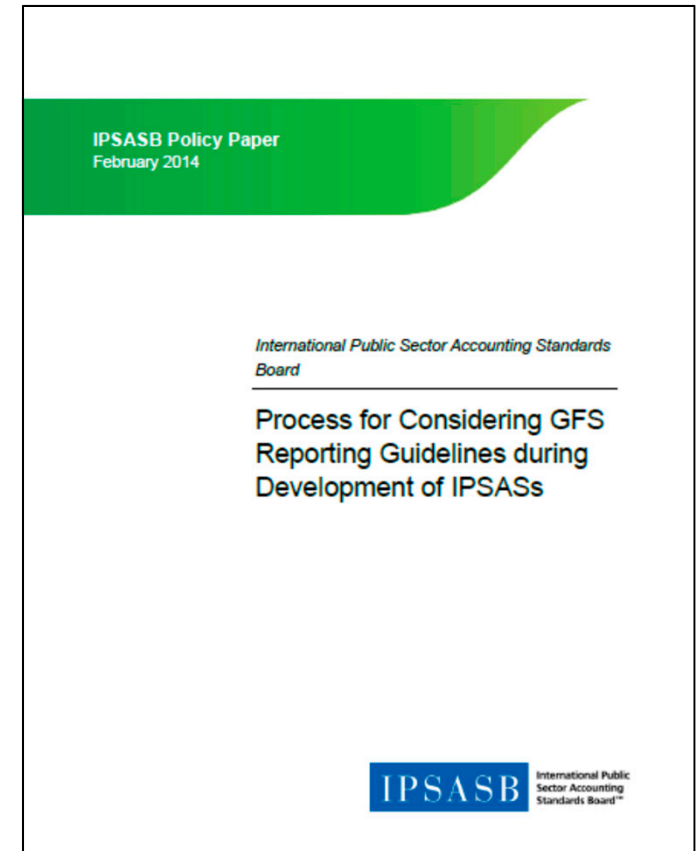
# IPSASs and GFS

- 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 fair value, historic cost and other bases. 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 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	CoA design: Include additional codes that identify items that are not recognized in GFS statements Choice of accounting policy option Where IPSAS allows a GFS aligned recognition option, choose that policy Produce additional data: Generate the necessary data for GFS report needs
Valuation (measurement)	To address valuation differences, either use choice of accounting policy option, or produce additional data
Revaluations and other value changes & presentation and terminology differences	To address (a) revaluation and other value changes, and (b) presentation and terminology differences, use CoA design to include GFS code to identify items that belong in specific statements, aggregate totals and/or supplementary schedules

# IPSASs vs GFS differences (1): UK WGA

## Reconciliation of public sector net debt

	2014-15	2013-14
	£bn	£bn
<b>Net liabilities</b>	<b>2,103</b>	<b>1,840</b>
Net public service pensions liability	(1,493)	(1,303)
Provisions	(175)	(155)
PFI contracts	(33)	(33)
Unamortised premium or discount on gilts	(35)	(29)
Tangible and intangible fixed assets	848	812
UK Asset Resolution (UKAR) net impact on net debt	74	74
Payables and receivables	74	91
Investments	28	23
Housing Associations	60	56
Asset Purchase Facility	45	46
Other	51	36
<b>Public sector net debt (National Accounts)</b>	<b>1,547</b>	<b>1,458</b>

# IPSASs vs GFS differences (2): UK WGA

## Reconciliation of deficits

	2014-15	2013-14
	£bn	£bn
<b>Net deficit for year (WGA)</b>	<b>152</b>	<b>145</b>
Public sector pensions	(56)	(49)
Depreciation and Impairment of assets	(2)	(16)
Capital grants	(8)	(11)
Provisions	(20)	(10)
Net gains/losses on sale of assets	2	4
Other	(11)	8
<b>Current deficit (National Accounts)</b>	<b>57</b>	<b>71</b>

# IPSASB's efforts to align with GFS: Recently approved IPSASs

- **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 IPSASs 2015**
  - Terminology on military assets
    - IPSAS 12, *Inventories*
    - IPSAS 17, *Property, Plant, and Equipment*



# IPSASB's efforts to align with GFS: Active projects

- **Social Benefits**

- Classification: GFS social risks approach, except for universal services (ex: health care)
- Recognition and measurement: may not be aligned with GFS

- **Heritage**

- Proposals in the draft CP are likely to be aligned with GFS on asset recognition and measurement

- **Revenue and Non-Exchange Expense**

- No significant differences between current IPSASs and GFS
- GFS consideration will be given as project progresses

# IPSASB's efforts to align with GFS: Active projects

- **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 the CP consistent with GFS
- **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 be fully aligned with GFS
  - Measurement expected to be broadly consistent with GFS

## Questions, discussion & further information



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