



IPSAS: A GENERAL PRESENTATION

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INTRODUCTION

- 1) Accrual accounting – a technique progressively adopted by many public sector entities, since 2000-2005, often through national or local rule-based approaches

- 1) International Public Sector Accounting Standards (IPSAS) offer a principle-based approach, commonly adopted or adapted by these entities

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1) WHO APPLIES IPSAS TODAY?

IPSAS ARE DESIGNED FOR “PUBLIC SECTOR ENTITIES” – THE NEW PREFACE TO IPSAS EXCLUDES PUBLIC CORPORATIONS (previously known as “GBEs” - Government Sector Enterprises). THIS GIVES PLACE TO 4 SITUATIONS:

-ENTITIES APPLYING DIRECTLY FULL IPSAS

-ENTITIES REFERING TO IPSAS WITH EXCEPTIONS

-ENTITIES INDIRECTLY APPLYING IPSAS

-ENTITIES SEEKING CONVERGENCE WITH IPSAS

1) WHO APPLIES IPSAS TODAY?

A- ENTITIES APPLYING DIRECTLY FULL IPSAS

**ONLY INTERNATIONAL ORGANIZATIONS,
WITH 2 CATEGORIES:**

- ORGANIZATIONS BELONGING TO U.N. SYSTEM, PREVIOUSLY APPLYING CASH BASED UNITED NATIONS SYSTEM ACCOUNTING STANDARDS (UNSAS) – switch to IPSAS based on a general recommendation issued by UN SecGen in 2007
- OTHER INTERNATIONAL ORGANIZATIONS, on a voluntary basis (OECD, ESA, etc. but not EPO, Eurocontrol, etc. who chose IFRS)



1) WHO APPLIES IPSAS TODAY?

B- ENTITIES REFERING TO IPSAS WITH EXCEPTIONS

SEVERAL SOVEREIGN STATES AND LOCAL PUBLIC ENTITIES, WHOSE INTERNAL REGULATIONS EXPLICITELY REFER TO IPSAS, BUT PROVIDE EXCEPTIONS – THEY ARE NOT CONSIDERED AS “IPSAS COMPLIANT”

ONLY 2 CASES PRESENTLY (to our knowledge):

- NEW ZEALAND (4 “TIERS” – ONLY THE 2 HIGHER TIERS REFER EXPLICITELY TO IPSAS SINCE 2014)
- SWITZERLAND (AT THE CONFEDERAL LEVEL – AT CANTONS LEVEL, SITUATIONS MAY VARY)

1) WHO APPLIES IPSAS TODAY?

C) ENTITIES INDIRECTLY APPLYING IPSAS

SEVERAL SOVEREIGN STATES AND LOCAL PUBLIC ENTITIES, WHOSE INTERNAL REGULATIONS DO NOT REFER TO IPSAS, BUT AIM TO TRANSPOSE IPSAS – THEY ARE ALSO NOT CONSIDERED AS PRESENTLY “IPSAS COMPLIANT”:

-SOUTH AFRICA CONSIDERS ITSELF AS ALREADY 95% IPSAS COMPLIANT

-SOUTH AMERICAN STATES: BRAZIL, ARGENTINA, CHILE, COLOMBIA, HONDURAS, MEXICO, PANAMA SEEK COMPLETE COMPLIANCE TOWARDS 2020

1) WHO APPLIES IPSAS TODAY?

D) ENTITIES SEEKING CONVERGENCE WITH IPSAS

SEVERAL SOVEREIGN STATES AND LOCAL PUBLIC ENTITIES, WHOSE INTERNAL REGULATIONS DO NOT REFER TO IPSAS, BUT AIM TO CONVERGE WITH IPSAS – THEIR FINANCIAL STATEMENTS ARE OF COURSE NOT CONSIDERED AS FULLY “IPSAS COMPLIANT”

-CANADA is in a specific situation: CPA (“Canadian Public Accountants”) hosts the IPSASB in Toronto – national and international standards setter staff are closely related

-AUSTRIA (considering itself already 45-50% IPSAS compliant), LUXEMBURG, etc., tend to transpose IPSAS in their own rule-based accounting standards

-EUROPEAN UNION is also in a special situation, trying to develop a European principle-based standard (EPSAS) under the auspices of EUROSTAT, with a strong influence of Government Financial Statistics (“GFS”) principles

2) WHAT ARE IPSAS MAIN SOURCES?

THERE ARE 4 MAIN SOURCES FOR IPSAS:

- 1) **IFRS**
- 2) **GFS (Gouvernement Financial Statistics)**
- 3) **IPSAS CONCEPTUAL FRAMEWORK**
- 4) **NATIONAL ACCOUNTING STANDARDS developed by IPSASB members' governments**

2) WHAT ARE IPSAS MAIN SOURCES?

A- IFRS

IFRS are undoubtedly the main source for IPSAS: the principle is to adopt an IFRS (or IAS) standard whenever there is no obstacle to applying it to public sector entities.

A major reason for this approach is to facilitate consolidation of financial statements between public sector entities applying IPSAS and public commercial entities (ex-GBEs), more and more widely applying IFRS.

2) WHAT ARE IPSAS MAIN SOURCES?

B - GFS

- 1) GFS are theoretically the second source for IPSAS
- 2) The reason for this approach is to offer to Government Financial Statisticians certified public financial statements relying on concepts similar to those used by GFS
- 3) Although it seems to be a major concern for EUROSTAT and EPSAS, GFS notions are often not in line with IFRS (for example: present IAS 17 - and IPSAS 13 - distinguish 2 types of leases, whereas GFS have 3)

2) WHAT ARE IPSAS MAIN SOURCES?

C – Conceptual framework

A conceptual framework has recently been adopted by IPSASB. It's role is:

- 1) To be a general reference to which should, in principle, comply all IPSAS standards, so that the various standards remain altogether consistent, in particular regarding recognition criteria and measurement methods
- 2) To help preparers and external auditors to solve accounting questions not clearly covered by an existing standard.

2) WHAT ARE IPSAS MAIN SOURCES?

C – National references of IPSASB members

- i IPSASB members are, in principle, independent from any national influence
- i Nevertheless, they are well aware of the limits of « acceptability » of new IPSAS standards by their own national standard setters
- i By taking into account, during the standard setting process, the level of acceptability of new standards, they contribute indirectly to the convergence between national and international public sector accounting standards

2) WHAT ARE IPSAS MAIN SOURCES?

C – Altogether, IFRS are the driving force

- i In most cases, IPSAS are similar to IAS/IFRS : at each meeting, « improvements » or « updates » are discussed by the IPSASB, taking into account new IFRS developments
- i Recent examples: IPSAS 25 has recently been realigned on IFRS 19 for employees benefits (removal of the « corridor » approach); IPSAS 28 to 30 (similar to IAS 39) are in the process of realignment with new IFRS 9 on financial instruments
- i Discussions have recently started for realignment of IPSAS 13 with new IFRS 16 on leases, of negative reevaluation and impairment (IPSAS 17 and 31) with IAS 36, etc.

3) WHICH STANDARDS ARE SPECIFIC TO IPSAS? SOME EXAMPLES

The « purely IPSAS » standards are those which are supposed to respond to specific public sector situations. The following list is not comprehensive:

- Statutory payables/receivables (and non exchange transactions)
- Emissions Trading Schemes (ETS)
- Social benefits
- Heritage assets
- Public sector combinations
- Public sector measurement
- Infrastructure assets
- Public financial instruments
- + « cash basis IPSAS »



Thank you