



Exposure Draft 58 – Improvements to IPSASs 2015

ICAEW welcomes the opportunity to comment on the *Improvements to IPSASs 2015* exposure draft published by the International Public Sector Accounting Standards Board (IPSASB) in October 2015, a copy of which is available from this [link](#).

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MAJOR POINTS

Summary of our views

1. We have reviewed the proposed amendments to the IPSASs in part I, II, III and IV of the exposure draft (ED). While we agree with the draft amendments in part II-2, III and IV, we have some reservations about parts I and II-1. Our detailed comments are set out below.

COMMENTS ON PROPOSED AMENDMENTS

Part I – Conceptual Framework Improvements to IPSASs

2. We agree in principle with the need to update the standards to reflect the provisions of the Conceptual Framework (CF) and to align the terminology of the standards with the framework.
3. The CF issued by IPSASB in October 2014 has replaced *reliability* with *faithful representation* as one of the qualitative characteristics. Previously, reliability included prudence as a sub-category. Faithful representation in the current CF is defined as being attained when the depiction of the phenomenon is complete, neutral and free from material error. The ED states (p15, BC12) that prudence is reflected in the explanation of neutrality as a component of faithful representation, and in the acknowledgement of the need to exercise caution in dealing with uncertainty. In finalising IASB's update to their CF (for ICAEW's response to IASB's exposure draft on 'Conceptual Framework for Financial Reporting' follow this [link](#)), there is a strong possibility that the concept of prudence will be re-inserted alongside neutrality. We assume that IPSASB will take these developments into consideration when updating the standards.

Part II-1 – General Improvements to IPSASs, Non-Current Assets Held for Sale and Discontinued Operations

4. The ED proposes to remove references to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations* since IPSASB took the view that this standard was not appropriate for the public sector, for various reasons. We are not convinced by the arguments put forward in support of this in the ED, as there are numerous examples of public sector entities having non-current assets held for sale and indeed major disposal programmes are often carried out. Examples in the UK include the Ministry of Defence and Department of Health, which have assets held for sale in their 2014-15 accounts amounting to £180m and £267m respectively. Australia and New Zealand whole of government accounts make reference to assets held for sale too, albeit without providing a specific disclosure note.
5. We therefore believe it entirely feasible that many governments have both non-current assets held for sale and discontinued operations. We appreciate that in many cases, operations move from one government body to another without ever being properly discontinued. But there will be cases where there is a genuine discontinuation of a service.
6. Given that disposals and discontinuances of services do occur in practice, there is a risk of removing references to IFRS 5 in that preparers will be able to choose to follow other standards (as per IPSAS 3, paragraph 15), resulting in a non-uniform accounting treatment of non-current assets held for sale and discontinued operations, which in turn will reduce comparability. Therefore, rather than removing all references to IFRS 5, we believe that preparers of financial statements using IPSASs would be better served by IPSASB tailoring IFRS 5 for the public sector.

Part II-2 – General Improvements to IPSASs, Service Concession Arrangements

7. We agree with the proposed amendments to IPSAS 32.

Part III – Government Finance Statistics Improvements to IPSASs

8. We agree with the proposed amendments to IPSAS 12 and 17.

Part IV – IPSAS updates due to IFRS amendments

9. We agree with the proposed amendments to IPSAS 17, 27, 13, 16 and 26, but have some minor drafting recommendations, set out below.
10. IPSAS 13, paragraphs 2 (c) and (d) are no longer in the same style as paragraphs (a) and (b). We recommend IPSASB rewords 2 (c) and (d) as follows:

2 (c): Biological assets, except bearer plants, held by lessees under finance leases (see IPSAS 27, *Agriculture*)

2 (d): Biological assets, except bearer plants, provided by lessors under operating leases (see IPSAS 27, *Agriculture*)
11. IPSAS 26, paragraph 2 (j) is no longer in the same style as the rest of that paragraph. We recommend IPSASB rewords 2 (j) as follows:

2 (j): Biological assets, except bearer plants, related to agricultural activity that are measured at fair value less costs to sell (see IPSAS 27, *Agriculture*)