

Swiss Comment to Work Program Consultation

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1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP would like to comment on Work Program Consultation as follows.

2. Context

The IPSASB is consulting stakeholders on its future work program within the framework of its 2024–2028 Strategy, with the objective of identifying priority areas for financial reporting, post-implementation reviews and sustainability reporting.

The consultation reflects significant developments in the public sector reporting landscape, including the maturity of accrual-based IPSAS, increasing emphasis on post-implementation reviews, and the expansion of the IPSASB’s remit to sustainability reporting.

As the Swiss public sector accounting framework is closely aligned with international developments, the IPSASB’s future work program is of direct relevance to the SRS-CSPCP and its constituents.

The main purpose of this response is to contribute to the IPSASB’s consultation by sharing the SRS-CSPCP’s perspective on future work program priorities and proposed areas of focus, taking into account the needs of Swiss public sector entities, the maturity of existing standards, and the importance of proportionality and implementation feasibility.

3. Specific Matter for Comment

From SRS-CSPCP’s perspective, the following projects are considered critical:

3.1 Specific Matter for Comment 1 (SMC 1): Financial Reporting Projects

Priority 1 – current projects:

- Presentation of Financial Statements
- Strengthening Linkages Between IPSAS and GFSM – Phase 2

Presentation of Financial Statements

The IPSASB should ensure that sufficient resources continue to be allocated to the revision of this core standard. Presentation of financial statements is fundamental to transparency, accountability and comparability of public sector financial reports.

However, the SRS-CSPCP notes that certain proposals in early drafts raise concerns regarding their applicability in the Swiss federal context. In particular, the structure of the Swiss statement of financial performance (including the subtotal “self-financing”) and the balance sheet (distinction between financial and administrative assets) is strongly influenced by constitutional fiscal rules, such as the debt brake. In cases of conflict, these fiscal rules take precedence over accounting considerations. The SRS-CSPCP therefore encourages the IPSASB to carefully consider flexibility and jurisdiction-specific constraints when finalising the revised standard.

Strengthening Linkages Between IPSAS and GFSM – Phase 2

The interface between IPSAS and GFSM is of central importance. As IPSAS adoption continues to expand, an increasing number of GFS compilers will rely on IPSAS-based data as source information. Strengthening these linkages enhances consistency, reduces reconciliation effort and improves data quality.

In this context, previously identified projects that align with this objective—such as IPSAS 22 Disclosure about the General Government Sector—could be further developed within the scope of this workstream.

Priority 2 - new projects/improvement of standards:

- IPSAS 18 Segment Reporting (improvement)
- IPSAS 31 Intangible Assets (improvement)
- IPSAS 41 Equity Investments Held for Operational reasons (new)
- IPSAS 48 Forgone Revenues (new)

IPSAS 18 Segment Reporting

A review makes sense, as the requirements there are outdated and should allow for more pragmatic implementation. There have also been developments in IFRS 8 that could be incorporated into this project. From a financial statistics perspective, a revision to strengthen the functional view would be desirable, but this would require IPSAS to oppose the IFRS requirements. IFRS 8 stipulates in its 'management approach' that a segment is an organisational area that is managed operationally (in Switzerland, this means departments rather than areas of responsibility). On the other hand, improving the quality of the source data provided by function instead of disclosure in the annual financial statements could assist the needs of statistical community. This could also be achieved by additional implementation guidance. Depending on the scope of the adjustments, this project can be designed as a separate financial reporting project or as a PIR.

Prioritization Criteria	Analysis
Prevalence	Medium: Segment reporting is relevant for many public sector entities, particularly at central government and large sub-national levels. However, the practical application of IPSAS 18 varies across jurisdictions, and in some cases segment information is primarily used for statistical rather than financial reporting purposes.
Consequences	Medium: Outdated requirements and limited alignment with current practices reduce the usefulness and comparability of segment information. While this does not generally undermine the overall reliability of financial statements, it does affect the decision-usefulness of segment disclosures for both financial and statistical users.
Urgency	Medium: While a review of IPSAS 18 would be beneficial, the issue is not considered urgent. Interim improvements - such as enhanced implementation guidance or improved source data by function - could address key user needs without immediate standard-setting changes.
Feasibility	Medium: A review of IPSAS 18 is technically feasible. However, any move towards a stronger functional approach would require careful consideration of consistency with IFRS 8 and the implications of diverging from the management approach. A PIR or a limited-scope project could therefore be an appropriate starting point.

IPSAS 31 Intangible assets

We also consider clarifications and clearer regulations to be necessary, particularly in the area of accounting for intangible assets (especially software development costs and cloud issues). As the IAS Board is already working on this issue, IPSAS should wait for this work to be completed and then promptly review the findings and adopt them if appropriate.

Project IPSAS 41 Equity Investments Held for Operational reasons

Overview:

IPSAS 41.2 and IPSAS 28.9 do not address equity investments (below the threshold of significant influence) that are held for strategic or public policy objectives rather than for financial return. Such equity investments are almost unknown in the private sector but common in the public sector. In certain public sector circumstances, equity investments are acquired and held not for the purpose of generating economic benefits, such as returns in the form of dividends, but in order to enable the entity to carry out administrative functions or service delivery objectives. Often, a large number of public sector entities (e.g., Municipalities, States) hold such investments, each of them holding only a small number of shares. Another example are shareholdings in Multinational Development Banks (MDB). Such arrangements are not clearly contemplated within the scope of IPSAS 41.2 and IPSAS 28.9, resulting in a classification gap. Furthermore, in light of newly emerging industrial policy programs with the goal of strengthening resilience of the supply chains and huge spending increases in areas such as defence the importance of strategic equity will only increase in the future on international level.

IPSAS 41.2 does not contain an explicit requirement that equity investments must be held for the purpose of generating returns through dividends in order to fall within its scope. However, where an investment does not, in substance, exhibit the key characteristics of a financial asset or an equity instrument as defined in IPSAS 41.2 and IPSAS 28.9 (for example, where there is receipt of dividends combined with substantive restrictions on the constraints on disposal or liquidation, and the equity instrument is therefore not held for financial purposes). It is unclear whether such an asset meets the definition of a financial instrument. In the absence of specific guidance, IPSAS 41 does not clearly specify which Standard should be applied to such equity investments.

In certain standards (e.g. IPSAS 45.AG11 or IPSAS 47.IE24 or IPSAS 48.IE18 or IPSAS 42.AG22), there is an explicit reference to «substance over form» as a component of reliability/ fair presentation as a general concept in the conceptual framework. In the case of financial instruments some clarification about the use of «substance over form» is desirable.

Conclusion:

The classification of sector-specific equity investments held for the purpose of performing public administration activities is not adequately addressed by IPSAS. IPSAS 41.2 does not provide explicit guidance indicating that equity instruments are held with the objective of generating a financial return, such as profit in the form of dividends. Consequently, it is unclear under which standard equity instruments that are held to support operational capacity, and without the intention of generating financial returns (e.g. dividends), should be classified and accounted for.

In accordance with the Conceptual Framework, assets held primarily for operational capacity should be measured using a measurement basis that reflects an entity's capacity to support the provision of services rather than its ability to generate cash flows. In these circumstances, the IPSAS should consider which Standard is most appropriate for addressing such equity investments. Doing so would ensure that the accounting treatment appropriately reflects the economic substance, service potential, and public interest mandate associated with these equity investments.

Prioritization Criteria	Analysis
Prevalence	High: The majority of the equity investments value of states in Switzerland or internationally (e.g., investments in Multinational Development Banks) are held for administrative rather than financial reasons. Newly emerging industrial policy programs involving a governmental equity investment with a strategic rather than a financial objective are expected to significantly increase over time on an international level.
Consequences	High: There is a classification gap. IPSAS 41 does not accommodate equity investments that are held for strategic other than financial reasons and which are prohibited or not intended to be sold. While strategic equity injections also do exist in the private sector, they are made with the goal to increase medium to long-term profits on a consolidated level. This is not the case with governmental strategic equity which follows other policy goals.

Urgency	Medium: It is unclear whether all equity investments fall within the scope of IPSAS 41 or if the concept of «substance over form» is also usable for financial investments. Consequently, the determination of the applicable Standard has a material effect on the measurement of the equity investment.
Feasibility	High: Amending the existing suite of standards with AG or IG for clarification seems reachable.

IPSAS 48 Forgone Revenues

Overview:

Revenue waivers are revenues that must be collected by law but are waived on a contractual basis. The treatment of revenue waivers is not conclusively regulated in IPSAS 47 or 48. Consequently, IPSAS does not allow them to be recorded gross. This net representation should be reconsidered.

Example:

An event organised by a private organisation or a foreign community (e.g., sports events, the World Economic Forum) is supported by the police/military in terms of security without compensation or at a reduced fee, even though the fee regulations would require a fee to be charged. This results in a financial expenditure (subsidy/granting of benefits) for the service provider. According to IPSAS 48, this is not recorded in the accounts.

Challenge:

In view of the principles of transparency and gross accounting, net accounting has disadvantages. From an economic perspective, the service provider incurs transfer expenses. Unlike in the private sector, public organisations are often not free to choose their contractual partners. The waiver of revenue is therefore not the result of market-based contract negotiations, but of politically motivated decisions. The corresponding transfer expense (granting of benefits) should therefore be disclosed in the financial statements for reasons of transparency and accountability (cf. similar arguments regarding IPSAS 44.BC14). The valuation of the benefit depends on the benefit and can be complex or even impossible in some cases. Whether the corresponding lost revenue is recognised in income or equity should also be the subject of discussion. The same problem arises when renting property below market rent in accordance with IPSAS 43. In accordance with IPSAS 9 (now IPSAS 47), the foregone revenue is not recognised.

Prioritization Criteria	Analysis
Prevalence	High. Revenue foregone is common in the public sector.
Consequences	High. Recording revenue waivers significantly increases transparency and accountability. Disclosing such use of funds, which occurs without a direct legal basis, makes corrupt transactions more difficult.
Urgency	Medium. The recording of revenue foregone should be regulated in the short to medium term. The loss of transparency due to the lack of information on the use of funds is unsatisfactory. However, the scope of the regulation should be limited to what is necessary.
Feasibility	High. The data basis is likely to already be available to users in some cases. However, there are some challenges in terms of evaluation. Conceptually, the principles of transparency, accountability and the goal of preventing corruption are deeply embedded in IPSAS. It is therefore possible to regulate the accounting of revenue foregone in the relevant standards without making any adjustments to the framework, filling a gap in the area of transfers.

3.2 Specific Matter for Comment 2 (SMC 2): Post-Implementation Review (PIR)

Priority 1 - Reduce Regulatory Burden and increase practical applicability.

SRS-CSPCP considers the current level of regulation within IPSAS to be broadly sufficient. At this stage, users should be given adequate time to process and implement the extensive new requirements introduced by IPSAS 47 and IPSAS 48.

At the same time, the SRS-CSPCP supports a systematic review of existing standards with a view to:

- assessing their practical applicability,
- identifying potential simplifications, and
- ensuring proportionality, particularly for smaller public sector entities.

A reduction in the density of disclosure requirements should also be considered, as the growing risk of information overload in financial statements may undermine rather than enhance transparency and accountability.

Currently, complexity reduction is largely achieved by preparers through the application of materiality. From the SRS-CSPCP's perspective, relying solely on materiality at the entity level is not sufficiently user-oriented. Standard setters also have a responsibility to reduce complexity. PIRs should therefore explicitly consider whether complexity can be reduced at the standard-setting level.

3.3 Specific Matter for Comment 3 (SMC 3): Sustainability Reporting Projects

Priority 1 - Completing Phase 2 of the climate-related public policy program project.

Priority 2 - Develop practical implementation guidance for SRS 1 and the forthcoming SRS 2 on policy program. Refrain from initiation project on additional IPSAS SRS.

With the approval of IPSASB SRS-CSPCP 1 Climate-related Disclosures – Own Operations, the SRS-CSPCP believes it is important, for reasons of completeness and coherence, that the public sector-specific building block Public Policy Programs is addressed in a timely manner. Based on our experience, public interest is stronger in the area of Public Policy Programs than in the area of Own Operations.

Policy programs are not only central to climate-related reporting but are equally relevant for other sustainability topics such as health, education and clean water. As a cross-cutting issue, policy programs should therefore be treated as a priority to ensure a consistent conceptual approach across future sustainability standards.

However, the SRS-CSPCP does not recommend initiating additional sustainability reporting projects at this stage. Priority should first be given to completing Phase 2 of the climate-related public policy program project. Following the issuance of IPSASB SRS-CSPCP 1, sufficient time should be allowed to gather implementation experience before further expanding the sustainability reporting framework.

In addition, the SRS-CSPCP encourages the IPSASB to focus on developing practical implementation guidance. Existing materials issued by the ISSB primarily reflect a private sector perspective and may not adequately address public sector-specific challenges.

4. Other comments to the IPSASB

IPSAS 35 Consolidated Financial Statements

With regard to IPSAS 35 Consolidated Financial Statements, the SRS-CSPCP acknowledges the relevance of the topic and the considerations raised. From a Swiss perspective, however, the practical benefits of prioritising further work in this area are currently limited.

In Switzerland, the scope of consolidation - particularly at the federal level - is largely determined by legal and fiscal policy considerations rather than by accounting standards. While the requirements of IPSAS 35 are conceptually sound and technically feasible, their impact on financial reporting outcomes is constrained by jurisdiction-specific frameworks. Against this background, and in light of limited standard-setting resources, the SRS-CSPCP does not recommend prioritising further work on IPSAS 35 at this stage.

Winterthur, 12th March 2026