

Swiss Comments to

Consultation Paper IPSASB's Strategy and Work Program 2015-2019

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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 has discussed *Consultation Paper IPSASB's Strategy and Work Program 2015-2019* and comments as follows.

2. Comments to Consultation Paper

2.1 General Remarks

The SRS-CSPCP finds it in principle positive that the IPSAS Board has distributed for consultation a paper on its strategy and work programme for the next five years. From a strategic perspective the Committee, however, emphasised that the interest of the IPSAS Board should be concentrated primarily on the subject of accounting and financial reporting. In this area its competences are recognized and it enjoys a high degree of legitimacy. The SRS-CSPCP therefore considers it to be strategically false, if the IPSAS Board deals with topics of secondary importance or with topics that do not derive from its core competences. Looked at from this aspect the SRS-CSPCP considers the attempt of the IPSAS Board to provide guidance in performance reporting as an example of a secondary topic, which does not belong among the core competences of the IPSAS Board (*see ED Reporting Service Performance Information*).

2.2 Question 1

Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

The SRS-CSPCP agrees with the strategic objective that financial management and knowledge of public finances should be achieved by increased adoption of the IPSASs. It is, however, important that the IPSAS Board concentrates on accounting. In that perspective it is proposed that letter (b) be supplemented: *"developing other publications for the public sector that are **relevant for financial reporting**"*. In the strategic objectives a point concerning strengthening of the legitimacy of the IPSAS Board should be mentioned. In fact in Switzerland the IPSASB legitimacy or standards proposed by the IPSAS are sometimes disputed. A point (d) "Strengthening the legitimacy of the IPSAS Board" should therefore be added.

2.3 Question 2

Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

The two *outcomes* clearly concern the financial area and are therefore considered to be appropriate.

2.4 Question 3

Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

The SRS-CSPCP is by and large in agreement with the *outputs* described for achieving the *outcomes*. But as already mentioned in the response to Question 1, the RPGs (*Recommended Practice Guidelines*) should be restricted to the accounting and financial reporting area.

2.5 Question 4

What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

The SRS-CSPCP agrees with the proposed consultation procedure. This does not represent a change in respect of the present situation. The consultation procedure on the strategy of the IPSAS Board should offer interested parties (stakeholders) the opportunity to communicate their comments formally, e.g. about any weaknesses in the Standards. A time period and frequency of four years for a consultation by the IPSAS Board on its strategy is adequate. For feedbacks given in the interim, for example about specific developments of the Standards in practice, a less formal procedure is sufficient.

2.6 Question 5

Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

The proposed five selection criteria for prioritising projects are helpful in selecting the topics to be dealt with. As the IPSAS Board has at its disposal restricted resources (financial and personnel), it is important that they are deployed as efficiently as possible.

Point 4 should be changed as follows: “*IFRS – the project helps to reduce divergence between the IPSASs and the IFRSs*”) instead of “*the project meets the goal of convergence with the IFRSs*”). In Switzerland also similar selection criteria are used when there is a question of whether to draw up a new recommendation in the Harmonized Accounting Model (HAM2) or an interpretation.

2.7 Question 6

Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

The committee is of the opinion that the *Cash Basis IPSAS* makes no contribution towards strengthening the introduction of accrual-based accounting. The objective of the IPSASs is accrual-based accounting and therefore this Standard should receive no further support. The resort to cash-based accounting should be seen as a transitional solution towards the use of accrual-based accounting.

2.8 Question 7

Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

The SRS-CSPCP is of the opinion that the Standard concerned should be left as it is. It therefore supports Alternative (b) (*"Retain the Cash Basis IPSAS unchanged; this would mean suspending the review project and doing no further work on the IPSAS"*).

Alternative(c) (*"Withdraw the Cash Basis IPSAS from the IPSASB Handbook"*) is rejected, because otherwise the countries using this Standard suddenly stand there without a Standard.

Alternative (a) (*Retain the Cash Basis IPSAS and complete the review project"*) is also rejected, because the IPSAS Board should deploy its limited resources for more important topics.

2.9 Question 8

Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

The SRS-CSPCP has taken notice with satisfaction that the IPSAS Board has taken into consideration its submissions on the *Work Program 2013-2014*. In December 2012 the SRS-CSPCP expressed the wish that *Non-exchange Expenses* (in conjunction with IPSAS 23), *Employee Benefits* (IPSAS 25) and *Presentation of Financial Statements* (IPSAS 1) be taken up in the work program. The Committee supports in each of the four categories mentioned the following projects:

1. *Projects to Address Public Sector Specific Issues*
 - *Non-exchange Expenses*: This wish was expressed already in the consultation to *Work Program 2013-2014*. Already at the time it was considered important that there is a counterpart to IPSAS 23 *Non-exchange Revenues*. Furthermore in Switzerland transfer payments, in particular in the form of investment contributions, are of great importance.
 - *Heritage Assets*: for the public sector it is difficult to estimate the value of its cultural assets and recognize them in the balance sheet.
 - *Infrastructure Assets*: these assets are typical for public entities; they represent more or less what is called 'administrative assets' (or productive investment) in the Swiss entities; compared to 'non-administrative assets' (that include financial investments).
 - *Natural resources* and *trust funds* are interesting and worldwide important topics, which can also be relevant for Switzerland. This applies in particular for trust funds, which are of great importance in Swiss practice.

2. *Projects to Maintain Existing IPSASs*
 - The projects *Segment Reporting (IPSAS 18)* and *Disclosure of Financial Information about the General Government Sector (IPSAS 22)* enjoy high priority and should be addressed together. In particular IPSAS 22 is to be cancelled and IPSAS 18 adapted in such a way that the information necessary for a statement on the General Government Sector can be taken from a revised IPSAS 18.
 - *Employee Benefits (IPSAS 25)* was put by the SRS-CSPCP on its wish list for the *Work Program 2013-2014* and is still a priority, because there is a small

variation between the calculation of the liabilities under Swiss law and IPSAS 25.

- *Presentation of Financial Statements (IPSAS 1)* was also on the wish list for the Work Program 2013-2014 and in the view of the SRS-CSPCP still retains its importance, in particular in its interaction with Government Finance Statistics (GFS).

3. *Projects to converge with IFRS*

This heading should be changed as follows: *Projects to reduce divergence from IFRS and GFS* (see response to Question 5)

- *Non-current Assets Held for Sale and Discontinued Operations (following IFRS 5)*: this project should be cancelled, because it is not particularly relevant for the public sector.
- An additional project is proposed: *Monitoring and addressing the extent of differences between IPSAS and GFS reporting guidelines on an on-going basis and development of solutions to manage the differences*. One can also entitle this more briefly *GFS Alignment Project*.

4. *Other Projects*

- *Differential Reporting* is supported by the SRS-CSPCP and should be further pursued by the IPSAS Board. Standards for small and medium-sized public sector entities should be developed (in the style of the *IFRS for SMEs*). It is important that small entities (like municipalities) and their needs are also borne in mind.
- *Integrated Reporting* should be cancelled, because the legitimacy of the IPSAS Board on these topics is at risk to be controversial.
- *Interim Financial Reporting* should also be set back. This topic is of secondary importance. For a true and fair view of the financial position it is sufficient to draw up public sector accounts once a year.

Lausanne, July 28, 2014