PREFACE TO IPSAS® ACCOUNTING STANDARDS AND IPSASB SRS™ STANDARDS

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This publication was published by the International Federation of Accountants (IFAC®). Its mission is to serve the public interest and strengthen the accountancy profession by supporting the development of high-quality international standards, promoting the adoption and implementation of these standards, building the capacity of professional accountancy organizations, and speaking out on public interest issues.

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History of the Preface

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Introduction

1. This *Preface* sets out the objectives of the *International Public Sector Accounting Standards Board* (IPSASB®) and explains the scope and authority of the IPSAS® Accounting Standards and IPSASB SRS™ Standards. The *Preface* should be used as a reference for interpreting Consultation Papers, Exposure Drafts, and Standards developed and issued by the IPSASB.

2. The mission of the International Federation of Accountants (IFAC), as set out in its constitution, is "to serve the public interest by contributing to and supporting high-quality international standards, helping to build and encouraging strong professional accountancy organizations, accounting firms, and high-quality practices by professional accountants; and speaking out on public interest issues where the accountancy profession's expertise is most relevant." In pursuing this mission, the IFAC Board has established the IPSASB to function as an independent standard-setting body under the auspices of IFAC.

3. The IPSASB serves the public interest by developing and issuing, under its own authority, accounting and sustainability reporting standards and other publications for use by public sector entities as described in paragraph 10 below.

4. Information on the IPSASB's membership, terms of office, meeting procedures, due process, and oversight is set out in the IPSASB's Terms of Reference.

Objective of the IPSASB

5. The objective of the IPSASB is to serve the public interest by developing high-quality standards and other guidance for use by public sector entities around the world in the preparation of general purpose financial reports.

6. The standards are intended to enhance the quality and transparency of public sector financial and sustainability reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports the alignment of international and national public sector accounting and sustainability reporting standards and the alignment of accounting and statistical bases of financial reporting where appropriate; and also promotes the acceptance of its standards and other publications.

7. In fulfilling its objective, the IPSASB develops and issues the following publications:

   - IPSAS Accounting Standards as the standards to be applied in the preparation of general purpose financial reports of public sector entities.
   - IPSASB SRS Standards as the standards dealing with public sector sustainability reporting.
   - RPG Guidelines to provide guidance on good practice that public sector entities are encouraged to follow.
   - Studies to provide advice on financial reporting issues in the public sector. They are based on study of the good practices and most effective methods for dealing with the issues being addressed.
   - Other papers and research reports to provide information that contributes to the body of knowledge about public sector financial and sustainability reporting issues. They are aimed at providing new information or fresh insights and generally result from research activities such as: literature searches, questionnaire surveys, interviews, experiments, case studies and analysis.

Scope and Authority of IPSAS Accounting Standards and IPSASB SRS Standards

Scope

8. The IPSASB develops IPSAS Accounting Standards which apply to the accrual basis of accounting and IPSASB SRS Standards which apply to sustainability-related information in general purpose financial reports.

9. The Standards set out requirements dealing with transactions and other events in general purpose financial reports. General purpose financial reports are financial reports intended to meet the information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs.

10. The Standards are designed to apply to public sector entities[1] that meet all the following criteria:

    (a) Are responsible for the delivery of services[2] to benefit the public and/or to redistribute income and wealth;

    (b) Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and

    (c) Do not have a primary objective to make profits.

11. Any limitation of the applicability of specific Standard is made clear in those standards. The Standards are not meant to apply to immaterial items.

12. The IPSASB has adopted the policy that all paragraphs in the Standards shall have equal authority, and that the authority of a particular provision shall be determined by the language used. Consequently, Standards approved by the IPSASB after January 1, 2006 include paragraphs in bold and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. An individual Standard should be read in the context of the objective and Basis for Conclusions (if any) stated in that Standard and this *Preface*.

Development

13. The IPSASB develops IPSAS Accounting Standards and IPSASB SRS Standards that:

    - Are aligned with IFRS Accounting Standards issued by the IASB and IFRS Sustainability Disclosure Standards issues by the International Sustainability Standards Board (ISSB®) by adapting them to a public sector context where appropriate. In undertaking that process, the IPSASB attempts, wherever possible, to maintain the accounting treatment and original text of the IFRS Accounting Standards and the IFRS Sustainability Disclosure Standards unless there is a significant public sector issue which warrants a departure; and

    - Deals with public sector financial and sustainability reporting issues that are either not addressed by adapting IFRS Accounting Standards and IFRS Sustainability Disclosure Standards or for which IFRS Accounting Standards and IFRS Sustainability Disclosure Standards have not been developed by the IASB and ISSB, respectively.

Moving from the Cash Basis to the Accrual Basis

14. The IPSASB has issued a comprehensive Cash Basis IPSAS Standard that includes mandatory and encouraged disclosures and is a temporary transitional Standard towards the adoption of accrual-based IPSAS Accounting Standards.

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[1] Paragraph 1.8 of The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities identifies a wide range of public sector entities for which IPSAS are designed.

[2] Services encompasses goods, services and policy advice, including to other public sector entities.

15. The Cash Basis IPSAS Standard encourages an entity to voluntarily disclose accrual-based information, although its core financial statements will nonetheless be prepared under the cash basis of accounting. An entity in the process of moving from cash accounting to accrual accounting may wish to include particular accrual-based disclosures during this process. The status (for example, audited or unaudited) and location of additional information (for example, in the notes to the financial statements or in a separate supplementary section of the financial report) will depend on the characteristics of the information (for example, reliability and completeness) and any legislation or regulations governing financial reporting within a jurisdiction.

16. The IPSASB also attempts to facilitate compliance with accrual-based IPSAS Accounting Standards through the use of transitional provisions in certain standards. Where transitional provisions exist, they may allow an entity additional time to meet the full requirements of a specific accrual-based IPSAS Accounting Standard or provide relief from certain requirements when initially applying an IPSAS Accounting Standard. An entity may at any time elect to adopt the accrual basis of accounting in accordance with IPSAS Accounting Standards. Having decided to adopt accrual accounting in accordance with IPSAS Accounting Standards, the transitional provisions would govern the length of time available to make the transition. On the expiry of the transitional provisions, the entity reports in full accordance with all accrual-based IPSAS Accounting Standards.

17. Paragraph 28 of IPSAS 1, *Presentation of Financial Statements* includes the following requirement:

An entity whose financial statements comply with IPSAS shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IPSAS unless they comply with all the requirements of IPSAS.

18. IPSAS 1 also requires disclosure of the extent to which the entity has applied any transitional provisions.

Authority

19. Within each jurisdiction, regulations may govern the issue of general purpose financial reports by public sector entities. These regulations may be in the form of statutory reporting requirements, financial reporting directives and instructions, and/or accounting standards promulgated by governments, regulatory bodies and/or professional accounting bodies in the jurisdiction concerned.

20. The IPSASB believes that the adoption of the Standards, together with disclosure of compliance with them, will lead to a significant improvement in the quality of general purpose financial reporting by public sector entities. This, in turn, is likely to strengthen public finance management leading to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability.

21. The IPSASB strongly encourages the adoption of the Standards and the harmonization of national requirements with them. The IPSASB acknowledges the right of governments and national standard-setters to establish standards and guidelines for financial and sustainability reporting in their jurisdictions. Some sovereign governments and national standard-setters have already developed accounting and sustainability standards that apply to governments and public sector entities within their jurisdiction. The Standards may assist such standard-setters in the development of new standards or in the revision of existing standards in order to contribute to greater comparability. The Standards are likely to be of considerable use to jurisdictions that have not yet developed accounting standards for governments and public sector entities.

22. Standing alone, neither the IPSASB nor the accounting profession has the power to require compliance with the Standards. The success of the IPSASB's efforts is dependent upon the recognition and support for its work from many different interested groups acting within the limits of their own jurisdiction.

Language

23. The official text of the Standards and other publications is that approved by the IPSASB in the English language. Member bodies of IFAC are authorized to prepare, after obtaining IFAC approval, translations of such pronouncements at their own cost, to be issued in the language of the own jurisdictions as appropriate.