

SMC 1. Do you agree with the IPSASB's proposed Strategy Objective 2019-2023?

	Country	Answers		Comments
		Yes	No	
1	<i>Argentina</i>	1		The objectives should consider citizen training through instructions that allow non-professional readers to understand the sizing of the figures that are exposed.
2	<i>Chile</i>	1		
3	<i>Ecuador</i>	1		However, the importance of financial and non-financial information of public finance decision-making countries should be further promoted.
4	<i>Peru</i>	1		
5	<i>Paraguay</i>	1		<p><b>1. Give priority to topics:</b></p> <ul style="list-style-type: none"> <li>• A y C, on issues that comprise the public sector: <ul style="list-style-type: none"> <li>○ Voices of accountants in issues that make the reality of the government sector</li> <li>○ Information demanded by citizens</li> </ul> </li> <li>• Transparency</li> <li>• Accountability</li> </ul> <p>2. It is very important the <b>participation of FOCAL</b> as a representative of the Latin American countries, their realities and context, as well as the demands of the citizenship to be part of the IPSASB's agenda.</p>
6	<i>Dominican Republic</i>	1		
7	<i>Uruguay</i>	1		
8	<i>Brazil</i>	1		<p>To better clarify IPSASB's strategy, the differences between users (political agents, bureaucrats, etc.) regarding knowledge, concerns, language proficiency, effort and benefits should be address. Consequently, the objectives could be presented in a more specific way towards IPSAS' main users. It is necessary to make the usefulness of accrual accounting information better disseminated to these different stakeholders to reduce possible resistance to the transition from budget-based or cash-based information to the full set of accrual based IPSAS.</p> <p>In addition, the IPSASB could consider regional variations or differences, e.g., Europe and Latin America. (see example in the questionnaire)</p> <p>It is also worth mentioning the possibility of including an area of institutional strengthening and governance activities, with emphasis on resources, training programs, information technology and support from multilateral agencies.</p>
9	<i>Panama</i>	1		
10	<i>Mexico</i>	1		
	<b>TOTAL</b>	10		

SMC 2. Do you agree with the 5 proposed Strategic Themes?

	Country	Answers		Comments
		Yes	No	
1	<i>Argentina</i>	1		
2	<i>Chile</i>	1		
3	<i>Ecuador</i>	1		<ul style="list-style-type: none"> <li>But it is necessary to coordinate the issues with other agencies for the purposes of harmonization with fiscal statistics (FMI), management system and debt management (UNCTAD)</li> <li>In addition, work should be done in spaces where the highest authorities of the public finances of the countries (ministers of finance) are made aware of the progress and the importance of the application of standardized norms.</li> </ul>
4	<i>Peru</i>	1		They recommend completing the objectives with a methodology for the accrual of income with the alternative of accruing income tax, according to the guidelines of an international standard such as the case of New Zealand.
5	<i>Paraguay</i>	1		
6	<i>Dominican Republic</i>	1		
7	<i>Uruguay</i>	1		Their order of priority in the topics is: A, B, (D and E), and C.
8	<i>Brazil</i>	1		<p>However, there seems to be no correspondence between strategic objective and the five strategic themes, since the goal is quite daring and the themes have been developed in a conservative way. In addition, it should be clear that themes A and B were prioritized over other themes, given the prioritization criteria pointed out by the IPSASB in the document.</p> <p>Most IPSAS are based on IFRSs that are applicable to private sector entities. However, despite the importance of comparability of information across sectors due to the consolidation process required by the IPSAS themselves or by public finance statistics models, it is necessary to consider the particularities of the public sector, not only in the specific scope of a standard, but also as to the emphasis of the model as a whole.</p> <p>It is unclear whether there is a primary targeting. If any relevant to identify the primary targeting and its possible outcomes. (For more see questionnaire)</p>
9	<i>Panama</i>	1		<p>The main reason to agree to the five strategic issues is the following:</p> <ul style="list-style-type: none"> <li>Very good focus on the issues currently observed as more relevant to the Public Sector.</li> <li>Maintaining convergence with IFRS makes the task more practical and aligned for evaluation and analysis purposes, since there exists a reference of a standard already issued and applied in the private sector.</li> <li>For the purposes of the presentation of Financial Statements. Development of guides would be very useful, since the characteristics of some activities in the public sector generate doubts at the time of recognition and assessment processes</li> <li>What is not known cannot be appreciated, therefore promoting the advantages or benefits offered to the public sector by the adoption of IPSAS based on accrual accounting, is practically like fulfilling the mission</li> </ul>
10	<i>Mexico</i>	1		However, we believe it is important to evaluate the situation related to the legal frameworks that are observed in each of the countries and public entities, since this is of great importance to allow the adoption of IPSAS in a gradual manner
	<b>TOTAL</b>	10		

SMC 3. Do you agree with the criteria used for prioritizing the projects?

	<u>Country</u>	<u>Answers</u>		<u>Comments</u>
		Yes	No	
1	<i>Argentina</i>	1		However, the objective of training and awareness must not be ignored.
2	<i>Chile</i>	1		Partially; In addition to the four criteria proposed by the IPSAB, it should be considered to add the criterion of "opportunity", which refers to the use of a specific conjuncture at the time of the evaluation. (See questionnaire for more details)
3	<i>Ecuador</i>	1		
4	<i>Peru</i>	1		They consider as a priority the treatment of the accrual of income, in particular of the income tax
5	<i>Paraguay</i>	1		The prioritization should also include the applicability (costs, number of users or entities) of the rule on implementation or complexity of the topic.
6	<i>Dominican Republic</i>	1		
7	<i>Uruguay</i>	1		
8	<i>Brazil</i>	1		Partially agree; from the document is not possible to understand how the criteria were to set priorities. This is because the hierarchy between them and their operational definitions have not been presented. If there were a hierarchy between criteria, it would be important to establish whether the criteria have equal or different weights (for more details see questionnaire) Consideration of the differences between regions, countries and entities within the same country when the criteria are operationalized is not an easy task. (for more details see questionnaire) In addition, promoting transparency regarding the prioritization process can contribute to the legitimacy of the IPSASB Strategy and Work Plan 2019-2023, which includes presenting the operational definitions of the criteria as well as the weights assigned to each one of them.
9	<i>Panama</i>	1		
10	<i>Mexico</i>	1		
	<b>TOTAL</b>	10		

SMC 4. Theme A: Setting Standard on public sector specific issues – Do you agree with the prioritized projects?

	Country	Answers		Comments
		Yes	No	
1	<i>Argentina</i>	1		Especially the Natural Resources Theme.
2	<i>Chile</i>	1		Partially. <ul style="list-style-type: none"> <li>• They suggest that the Natural Resources standard could cover the treatment of income and expense, together with specific indications to assess deterioration and determine which entity controls them.</li> <li>• It would be highly desirable that Conceptual Framework limited-scope review would have a high priority. If there are limitations in it, it could generate some imbalance in the issues addressed by the regulations.</li> <li>• They suggest that the final list of the projects indicated in the SMC 6 should be consider.</li> </ul>
3	<i>Ecuador</i>	1		The infrastructure theme requires a broader treatment when referring to amortization, valuation after completion of construction and maintenance.
4	<i>Peru</i>	1		
5	<i>Paraguay</i>		1	In addition to the mentioned topics it is important to see the following cases: <ul style="list-style-type: none"> <li>• For incomes also consider the treatment of tax expenditures or exonerations, accounting and budgetary impact (non-monetary operations)</li> <li>• Contabilization of costs (costs of budgetary programs), services rendered.</li> </ul>
6	<i>Dominican Republic</i>	1		
7	<i>Uruguay</i>		1	They do not agree with the following prioritized projects: <ul style="list-style-type: none"> <li>• Social Benefits: Uruguay's current pension and retirement system is legally regulated, so it is not a priority project</li> <li>• Heritage: we believe that it fits into a theme of a social and cultural nature more than financial. Based on this, its economic valuation is very subjective</li> <li>• Public Sector Measurement: we do not understand the objective of the project</li> <li>• Conceptual Framework limited-scope review: we do not consider it a project itself, but an update of the advances that are specified in specific projects.</li> </ul>
8	<i>Brazil</i>		1	<p><b>Differential Reporting:</b> The GA/CFC understands that it should be the priority of Theme A, given the set of local governments - 5,569 Brazilian municipalities, the majority of which are small or medium in size...the use of resources is not justified on the basis of the cost-benefit of the information generated.</p> <p><b>Discount Rates:</b> The opinion of the GA/CFC is that this project should not be a priority because low or negative discount rates are not a reality in Latin American countries, and in particular in Brazil. (For more details see questionnaire)</p> <p><b>Conceptual Framework limited-scope review:</b> GA/CFC identified the need for revisions, such as those related to the use of the term fair value. On the other hand, since the Conceptual Framework was recently issued, it would be important for the jurisdictions to have the opportunity to conduct a more in depth analysis, which would occur even from their use over a longer period of time. (For more details see questionnaire)</p> <p><b>Natural Resources:</b> The GA/CFC understands that it is a relevant but not a priority project among those which have been presented. IPSAS are still in process of being implemented in most of the countries that have adopted it, and therefore there is an overall view that the board should focus on developing standards that are more relevant and comprehensive... (For more details see questionnaire)</p>

			<p><b>Sovereign Powers and Their Impact on Financial Reporting:</b> GA/CFC understands that this project is a priority in comparison to Intangible Assets and Natural Resources because the specificities regarding the treatment of such items may be related to Sovereign Power... A guidance issued by the IPSASB related to the Sovereign Power could also encompass other projects proposed by the S&amp;W 2019-2023 document, such as the natural resources project. (for more details see questionnaire)</p> <p><b>Accounting for Tax Expenditures:</b> The GA/CFC understands that the criteria of prevalence, consequences and urgency are present on this proposed project and therefore should be prioritized... Tax relief is important for most countries that are adopting IPSAS, and their adequate recognition and measurement could also contribute strongly to Theme E of this document, which is to promote the benefits of accounting information by strengthening PFM.</p>	
9	<i>Panama</i>		1	I do not agree with the order of prioritization. Because, in the case of Natural Resources, although from an environmental point of view, it is being given a lot of attention by the countries of our region (LAC), putting it in terms of achieving the recognition and evaluation criteria for reporting purposes, at the level of the Financial Statements, I do not see it feasible in the medium term.
10	<i>Mexico</i>			The proposed topics are very important, but we consider that the term established for their observance is short, taking into account, for example, that before the accounting record there are the administrative and technical activities of other disciplines to be prepared, in order to be able to apply them. For example, the valuation of natural resources, their measurement and monitoring of inventories, for this it requires expert personnel in the matter and uniform guidelines, etc.
	<b>TOTAL</b>	5	4	

SMC 5. Theme B: Maintaining IFRS convergence – Do you agree with the prioritized major project?

	<b>Country</b>	<b>Answers</b>		<b>Comments</b>
		Yes	No	
1	<b>Argentina</b>	1		However, this regulatory framework should not ignore some budgetary issues, given that the relevance of the legislative mandate must be taken into account.
2	<b>Chile</b>	1		In particular, it is pointed out that the consolidation of mixed groups is of great importance in the case of Chile, since there are accounting regulations that differ between the central body, as in the case of two public entities,: <ul style="list-style-type: none"> <li>• Chilean Economic Development Agency (CORFO), which has participation of ownership in Public Companies</li> <li>• Ministry of Education that generates a good part of financing from Public Universities</li> </ul>
3	<b>Ecuador</b>	1		Emphasizing the use of the common language and the permanent search for the appropriate translation.
4	<b>Peru</b>	1		Emphasizing new IFRSs such as 15, 9, 16 and 17.
5	<b>Paraguay</b>	1		
6	<b>Dominican Republic</b>	1		There should be no material discrepancies between the two standards, rather it is necessary some considerations for the issues and transactions that occur in one sector and not in another.
7	<b>Uruguay</b>	1		This is what they are promoting in their implementation of their integrated financial information system, version 2, for the consolidation of the public sector.
8	<b>Brazil</b>	1		If it is possible to include new projects, it suggests prioritizing IFRS 5, since the insertion or regulations on non-current assets held for sale and discontinued operations is necessary to fill an IPSAS gap, once that neither the inventory nor the fixed asset standard provides accounting treatment for this situation.
9	<b>Panama</b>	1		Totally agree. Grouping or segmenting financial information allows the accountant to concentrate his analysis on those aspects that have the greatest impact on the results.
10	<b>Mexico</b>			The projects to be prioritized, in addition to applying the criteria established in the work plan, must previously consider the origin of their development, taking into account the needs of the users of the information, as established in Theme C of the document.
	<b>TOTAL</b>	9		

SMC 6. Do you agree with the approach proposed by the IPSASB on Theme C?

-Is there a project in Annex A of the document that you believe should be added to the Work Plan in place of a currently proposed project?

	Country	Answers		Comments
		Yes	No	
1	<i>Argentina</i>	1		<ul style="list-style-type: none"> <li>The treatment of the accrual of tax resources</li> <li>Public Operations Cost Systems</li> </ul>
2	<i>Chile</i>	1		
3	<i>Ecuador</i>	1		Agree with the emphasized themes; however, RPG related to Public-Private Associations should increase to broaden the treatment provided by IPSAS 32.
4	<i>Peru</i>	1		They agree with the inclusion of income accrual
5	<i>Paraguay</i>	1		Cost accounting
6	<i>Dominican Republic</i>	1		They consider necessary cost accounting
7	<i>Uruguay</i>	1		<p>They propose to prioritize the following projects contained in Annex A:  <b>Accounting of Tax Expenses:</b> in our country they are very significant and we consider it key for the transparency of information on public management.</p> <p>They suggest considering the inclusion of:</p> <ul style="list-style-type: none"> <li>The accounting treatments of the Public-Private Partnerships</li> <li>As well as the Trusts</li> </ul> <p>Both issues have gained notorious reluctance in Uruguay</p>
8	<i>Brazil</i>			GA/CFC believes that the Public Sector Guidance for Cost Accounting should be added to the Strategy and Work Plan 2019-2023...In addition, it is verified that the adequate treatment of cost accounting information in the public sector is aligned with the proposed strategic objective and its unfolding, as well as to Themes A, C, D and E, and not only to Theme C as proposed by the document. This demonstrates the relevance of a cost accounting project in the public sector.
9	<i>Panama</i>	1		
10	<i>Mexico</i>			It is considered that the existing IPSAS should continue to be reinforced through the normative update of the established technical provisions, conclude and prove the observance of those that are in development and subsequently make proposals aimed at including the missing issues that the different users of the information they demand.
	<b>TOTAL</b>	9		

SMC 7: Part 1 – Do you agree with the IPSASB’s proposed approach for Theme D?

	<u>Country</u>	<u>Answers</u>		<u>Comments</u>
		Yes	No	
1	<b>Argentina</b>	1		This requires the confluence of the education sector (at all levels), especially the university level, without distinction of careers, and professional bodies in accounting.
2	<b>Chile</b>	1		
3	<b>Ecuador</b>	1		Emphasizing the need for dissemination on the use and application of IPSAS worldwide
4	<b>Peru</b>	1		
5	<b>Paraguay</b>	1		
6	<b>Dominican Republic</b>	1		<ul style="list-style-type: none"> <li>• IPSAS should be taught in spanish language, as well as trained in seminars and programs, in order to certify facilitators.</li> <li>• Make agreements with public accounting offices or ministries in order to spread IPSAS knowledge.</li> </ul>
7	<b>Uruguay</b>	1		Additionally, we comment that, in Uruguay in budgetary matters, the regulations have adopted a mixed criterion -in application of the principle of prudence-; Income is recorded on a cash basis, expenses on an accrual basis
8	<b>Brazil</b>	1		
9	<b>Panama</b>	1		
10	<b>Mexico</b>			The approach is interesting, but first it is convenient to take into account that, even when a standard is elaborated under the best practices, it will not yield fruits for its application if the administrative, legal and other models of the different countries are not uniform, therefore, it is necessary in the stage of gradual adoption, to have the possibility of adapting a standard or to look for alternatives that allow achieving convergence with IPSAS
	<b>TOTAL</b>	9		



SMC 7: Part 2 - Do you agree with the IPSASB's proposed approach for Theme E?

	<u>Country</u>	<u>Answers</u>		<u>Comments</u>
		Yes	No	
1	<i>Argentina</i>	1		
2	<i>Chile</i>		1	Issue E, on the work of promoting the accrual regime, could seek a special approach aimed at authorities of the General Government, Local Governments and Congress, increasing their presence in support of the implementation of standards in different sectors. It is also suggested that the IPSASB should analyze the possibility of incorporating links to databases in the information attached to the Financial Statements, regarding information that may generate greater public interest, such as the delivery of bonds and costs associated with certain groups of the population. It is also suggested to explore the possibility of issuing an updated document on the current differences between Government Public Finance Statistics (GFS) and IPSAS.
3	<i>Ecuador</i>	1		Agree, even more with the mechanisms of dissemination and support to the converging countries
4	<i>Peru</i>	1		The recommended additional measures are specifically related to the invitation of CIPFA training courses that contribute to the dissemination of the standards issued by the IPSASB.
5	<i>Paraguay</i>	1		
6	<i>Dominican Republic</i>	1		Work with other professional groups and sponsoring organizations to help develop an understanding of the benefits and adoption of IPSAS and to improve transparency, accountability and decision-making.
7	<i>Uruguay</i>	1		We understand that it is a good tool to enable the comparability of financial reports, not only to evaluate management, but also to contribute to decision making.
8	<i>Brazil</i>	1		
9	<i>Panama</i>	1		
10	<i>Mexico</i>			The approach is interesting, but first it is convenient to take into account that, even when a standard is elaborated under the best practices, it will not yield fruits for its application if the administrative, legal and other models of the different countries are not uniform, therefore, it is necessary in the stage of gradual adoption, to have the possibility of adapting a standard or to look for alternatives that allow achieving convergence with IPSAS
	<b>TOTAL</b>	8	1	

Question 1- Do you consider it necessary to have a standardized methodology for public sector cost accounting issued by IPSASB?

	<b>Country</b>	<b>Answers</b>		<b>Comments</b>
		Sí	No	
1	<b>Argentina</b>	1		The standardization will allow, among other aspects, to evaluate the same efforts carried out in different countries of the region and will allow adopting the best practices of each of the countries.
2	<b>Chile</b>	1		It is considered of high value that the IPSASB could offer at least some type of guidelines to guide actions in this area.
3	<b>Ecuador</b>	1		Agreed, all the possibilities of increasing the verifiability of the centers where costs are generated with the aim of improving their determination must be taken into account.
4	<b>Peru</b>	1		Fully in agreement with standardizing cost accounting with a methodology issued by the IPSASB for which we put ourselves at your disposal with the purpose of sharing our experiences related to Budgets for Results
5	<b>Paraguay</b>	1		They agree on the elements to be considered to be part of the costs, but not on a single methodology or way of collecting the data, because each country has its information systems, accounts plans, budgetary classifiers, budget structure, etc.
6	<b>Dominican Republic</b>	1		Standardization would facilitate the transfer of knowledge and greater comparability with respect to the evaluation of public services provided efficiently.
7	<b>Uruguay</b>	1		A standardized methodology would make it easier to pay for and evaluate Public Policies, which are the basis of Financial Management of the Public Sector.
8	<b>Brazil</b>			No answer from Brazil
9	<b>Panama</b>	1		
10	<b>Mexico</b>			No answer from Mexico
	<b>TOTAL</b>	8	0	

## Summary

- **SMC 1. Do you agree with the IPSASB's proposed Strategy Objective 2019-2023?**
  - Agree: 10/10
  - Disagree: 0/10
- **SMC 2. Do you agree with the 5 proposed Strategic Themes?**
  - Agree: 10/10
  - Disagree: 0/10
- **SMC 3. Do you agree with the criteria used for prioritizing the projects?**
  - Agree: 9/10
  - Disagree: 0/10
- **SMC 4. Theme A: Setting Standard on public sector specific issues – Do you agree with the prioritized projects?**
  - Agree: 5/10
  - Disagree: 4/10

\*Mexico didn't agree nor disagree, only commented.
- **SMC 5. Theme B: Maintaining IFRS convergence – Do you agree with the prioritized major project?**
  - Agree: 9/10
  - Disagree: 0/10

\*Mexico didn't agree nor disagree, only commented.
- **SMC 6. Do you agree with the approach proposed by the IPSASB on Theme C? -Is there a project in Annex A of the document that you believe should be added to the Work Plan in place of a currently proposed project?**
  - Agree: 8/10
  - Disagree: 0/10

\*Brazil didn't agree nor disagree

\*Mexico didn't agree nor disagree, only commented.
- **SMC 7: Part 1 – Do you agree with the IPSASB's proposed approach for Theme D?**
  - Agree: 9/10
  - Disagree: 0/10

\*Mexico didn't agree nor disagree, only commented.
- **SMC 7: Part 2 - Do you agree with the IPSASB's proposed approach for Theme E?**
  - Agree: 8/10
  - Disagree: 1/10

\*Mexico didn't agree nor disagree, only commented.
- **Question 1- Do you consider it necessary to have a standardized methodology for public sector cost accounting issued by IPSASB?**
  - Agree: 8/10
  - Disagree: 0/10

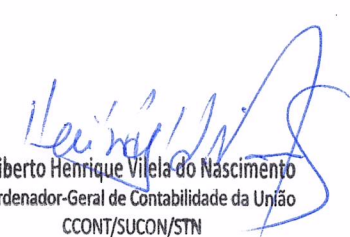
\*Brazil didn't answer this question.

\*Mexico didn't answer this question.

## 1. Context and General Comments

The Brazilian Federation is composed by central government, 26 states, one federal district and 5,569 municipalities. These levels of governments are responsible for formulating, implementing and evaluating public policies in cooperative and/or competitive arrangements.

In the next section, we present our comments and answers on the preliminary views and specific matters for comment of the consultation paper on an international level.



Heriberto Henrique Vilela do Nascimento  
Coordenador-Geral de Contabilidade da União  
CCONT/SUCON/STN

## 2. Responses to the Specific Matters for Comment and Preliminary Views

### Specific Matter for Comment 1:

Do you agree with the IPSASB's proposed Strategic Objective 2019-2023? If you agree please provide any additional reasoning not already discussed in the document. If you do not agree please explain your reasoning and your proposed alternative.


GACFC agrees with the IPSASB's proposed Strategic Objective 2019-2023.

The strategic objective is broad and allows the planning and execution of several projects relevant to the public sector. In addition, identifying the benefits of the accrual basis can help to boost the use of accounting information by different users and, consequently, strengthen IPSAS adoption and implementation.

However, to better clarify IPSASB's strategy, the differences between users (political agents, bureaucrats, accountants, controllers, auditors, international organizations, citizens and others) regarding knowledge, concerns, language proficiency, effort and benefits should be addressed. Consequently, the objectives could be presented in a more specific way towards IPSAS' main users. It is necessary to make the usefulness of accrual accounting information better disseminated to these different stakeholders so as to reduce possible resistance to the transition from budget-based or cash-based information to the full set of accrual based IPSAS.

In addition, the IPSASB could consider regional variations or differences, e.g., Europe and Latin America, as the objective for Latin America could initially be bring awareness to IPSAS and not raise awareness. In fact, there are strategies that are common to different regions, but others should be adapted according to their peculiarities, in particular, to the second area of activity.

It is also worth mentioning the possibility of including an area of institutional strengthening and governance activities, with emphasis on resources, training programs, information technology and support from multilateral agencies.



Heriberto Henrique Vilela do Nascimento  
Coordenador-Geral de Contabilidade da União  
CCONT/SUCON/STN

**Specific Matter for Comment 2:**

Do you agree with the IPSASB's five proposed Strategic Themes for the 2019-2023 period? If you agree please provide any additional reasoning not already discussed in the document. If you do not agree please explain your reasoning, including any proposed alternatives.

GA/CFC agrees with the IPSASB's proposed Strategic Themes for the 2019-2023.


However, there seems to be no correspondence between strategic objective and the five strategic themes, since the goal is quite daring and the themes have been developed in a conservative way. In addition, it should be clear that themes A and B were prioritized over other themes, given the prioritization criteria pointed out by the IPSASB in the document.

Most IPSAS are based on IFRSs that are applicable to private sector entities. However, despite the importance of comparability of information across sectors due to the consolidation process required by the IPSAS themselves or by public finance statistics models, it is necessary to consider the particularities of the public sector, not only in the specific scope of a standard, but also as to the emphasis of the model as a whole. For example, in defining whether the focus would be on the assessment of financial capacity by one or more specific groups of users.

It is unclear whether there is a primary targeting - for example, financial capacity - and one or more user groups for which IPSAS are targeted. If any, it is relevant to identify the primary targeting and its possible outcomes, for example, costs of public services. Thus, the discussion of the assumptions and the basic concepts of the model could contribute to the strategic objective, evaluation of the adequacy of the themes and priorities setting.

At some point, it turns out that there is possibly a hierarchy between the themes, since, for example, Theme A has more projects prioritized than the others. If IPSASB understands this way, it should make clear that there is a prevalence of one theme over another. In addition, there is an intersection between themes D and E, because promoting the benefits of accounting information by competence in strengthening the PFM results in promoting the adoption and implementation of IPSAS as a natural consequence.

In line with the suggestion presented SMC 1, it is also suggested to include issues that aim institutional and governance strengthening.



Heriberto Henrique Vilela do Nascimento  
Coordenador-Geral de Contabilidade da União  
CCONT/SUCON/STN

**Specific Matter for Comment 3:**

Do you agree with the criteria the IPSASB has used in deciding the proposed issues to add to its Work Plan 2019-2023? If you agree please provide any additional reasoning not already discussed in the document. If you do not agree please explain why, including any proposed alternatives.

GA/CFC **partially agrees** with the criteria the IPSASB has used in deciding the proposed issues to add to its Work Plan 2019-2023.


From the document, it is not possible to understand how the criteria were used to set priorities. This is because the hierarchy between them and their operational definitions have not been presented.

If there is an hierarchy between the criteria, it would be importante to establish whether the criteria have equal or different weights. If the criteria have different weights, it is suggested to determine the weights of each of them and, consequently, those that are priorities. In this case, the preponderance should be the criterion with greater weight. In addition, the relevance criterion should be considered together with the preponderance or separately. This would be a more defensible and scientific way of showing the criteria used.

Consideration of the differences between regions, countries and entities within the same country when the criteria are operationalized is not an easy task. For example, in the preponderance criterion, how to approach the different levels of governments regarding their operational definition? Given that the regions / countries are unequal in terms of the degree of development and implementation of IPSAS, could not the urgency of the project have different views?

Regarding the criterion of relevance, for example, the use of standards on consolidated financial statements may generate different results in the various jurisdictions, since a natural resource standard can generate significant changes in the consolidated statements in countries or regions where such resources are an important economic source. One possible solution could be the regionalization of the use of these standards according to the reality of each cluster of countries and/or jurisdictions.

In addition, promoting transparency regarding the prioritization process can contribute to the legitimacy of the IPSASB Strategy and Work Plan 2019-2023, which includes presenting the operational definitions of the criteria as well as the weights assigned to each one of them.



Heriberto Henrique Vilela do Nascimento  
Coordenador-Geral de Contabilidade da União  
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**Specific Matter for Comment 4:**

Do you agree with the projects that the IPSASB proposes to prioritize for addition to the Work Plan 2019-2023 on Theme A: Setting standards on public sector specific issues (Natural Resources, Discount Rates, Differential Reporting and Conceptual Framework limited-scope Review)? If not please explain your reasoning, and any proposed alternatives.

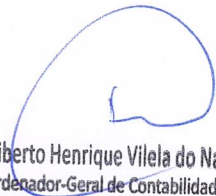
GA/CFC **doesn't agree** with the projects that IPSASB proposes to prioritize for addition to the Work Plan 2019-2023 on Theme A.

Differential Reporting: The GA / CFC understands that it should be the priority project of Theme A, given the set of local governments - 5,569 Brazilian municipalities, the majority of which are small or medium in size and which carry out low complexity transactions. In small and medium municipalities, the full adoption of IPSAS requires human, operational and financial resources, whose scarcity is a limitation for their implementation, and the use of such resources is not justified on the basis of the cost-benefit of the information generated (which is also one of the restrictions on the observance of the qualitative characteristics of the IPSAS conceptual framework).

Discount Rates: The opinion of the GA / CFC is that this project should not be a priority because low or negative discount rates are not a reality in Latin American countries, and in particular in Brazil. Although it is important to establish general principles applicable to discount rates, it is a specific issue related to the measurement of items in the financial statements, and there are entities that standardize the measurement, such as The International Valuation Standards (IVS) Council. Thus, it would not correspond the core of the accounting information, which adds recognition, measurement and disclosure of specific phenomena. It may be extremely challenging for IPSASB to define general measurement bases, especially the one presented in the project brief in the S & W 2019-2023 document.

Conceptual Framework limited-scope review: GA / CFC identified the need for revisions, such as those related to the use of the term fair value. On the other hand, since the Conceptual Framework was recently issued, it would be important for the jurisdictions to have the opportunity to conduct a more in-depth analysis, which would occur even from their use over a longer period of time. One of the main features of the conceptual framework should be stability and it is necessary to avoid making changes, even if they are of limited scope. Given the relevance of the CF, it is understood that any change, even if it is small, has a significant impact on stakeholders and generates some instability in the standardization process. In addition, in principle, it is perceived that the current text of the CF fully complies with the general conceptual principles that should be reflected in IPSAS and in the use of public sector accounting information.

Natural Resources: The GA / CFC understands that it is a relevant but not a priority project among those who have been presented. IPSAS are still in process of being implemented in most of the countries that have adopted it, and therefore there is an overall view that the board should focus on developing standards that are more relevant and comprehensive, and it is understood that there are other gaps to be met before a standard for the accounting of natural resources is developed, even considering that in our jurisdiction and, in general, in Latin America, countries have many resources of this nature and they exert influence in decision making and in the accountability.




Heriberto Henrique Vilela do Nascimento  
Coordenador-Geral de Contabilidade da União  
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In addition to the Discount Rates, Conceptual Framework limited-scope review and Natural Resources, GA / CFC suggests the inclusion of two projects on Theme A and one in Theme C (as presented in our response of SMC 6).

**Sovereign Powers and Their Impact on Financial Reporting:** GA / CFC understands that this project is a priority in comparison to Intangible Assets and Natural Resources because the specificities regarding the treatment of such items may be related to Sovereign Power. This is because decisions arising from Sovereign Power may have repercussions on different assets and liabilities, for example, by increasing the service potential of an asset or reducing the obligations related to liabilities. Thus, the scope and impact of Sovereign Power on different assets and liabilities make this project a priority. On the other hand, due to its comprehensiveness and difficulty in defining scope, we believe that this project could initially be covered by Theme C and, after a deeper understanding of the implications of the Sovereign Power over the elements of the financial statements, could be object of a specific standard. A guidance issued by the IPSASB related to the Sovereign Power could also encompass other projects proposed by the S & W 2019-2023 document, such as the natural resources project.

**Accounting for Tax Expenditures:** The GA / CFC understands that there the criteria of prevalence, consequences and urgency are present on this proposed project and therefore should be prioritized. On the other hand, there are challenges regarding technical and resource considerations. Countries with a high tax burden, such as our jurisdiction and other developing countries with a more interventionist economic policy, especially in Latin America, usually reduce the tax burden in order to induce a certain economic behavior, rather than directly disburse resources to particular sectors of the economy. Tax relief is important for most countries that are adopting IPSAS, and their adequate recognition and measurement could also contribute strongly to Theme E of this document, which is to promote the benefits of accounting information by strengthening PFM.



Heriberto Henrique Vilela do Nascimento  
Coordenador-Geral de Contabilidade da União  
CCONT/SUCON/STN


**Specific Matter for Comment 5:**

Do you agree with the project that the IPSASB proposes to prioritize for addition to the Work Plan 2019-2023 on Theme B: Maintaining IFRS convergence (IPSAS 18, Segment Reporting)? If not please explain your reasoning, and any proposed alternatives.

GA/CFC **agrees** with the project that the IPSASB proposes to prioritize for addition to the Work Plan 2019-2023 on Theme B.

The GA / CFC understands that the prioritized project is the most relevant to the public sector since it can demonstrate, for example, how much each segment of government contributes to the performance of the public sector entity as a whole, being an extremely relevant information in strengthening PFM, in line with the proposed strategic objective. But if it is possible to include new projects, it suggests prioritizing IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, since the insertion of regulations on non-current assets held for sale and discontinued operations is necessary to fill an IPSAS gap, once that neither the inventory nor the fixed asset standard provides accounting treatment for this situation.

Although not prioritized, IPSAS 1 - Presentation of Financial Statements was highlighted as being of interest by the group, which involves comprehensive results within the public sector.



Heriberto Henrique Vilela do Nascimento  
Coordenador-Geral de Contabilidade da União  
CCONT/SUCON/STN

**Specific Matter for Comment 6:**

Are there any projects in Appendix A that you believe should be added to the Work Plan 2019-2023 in place of a currently proposed project? If you believe that any Appendix A projects should be added, please explain your views on why the projects should be included, which proposed project should not then be started and your reasoning.

GA/CFC believes that the **Public Sector Guidance for Cost Accounting should be added to the Strategy and Work Plan 2019-2023**. In the answer of SMC 4, we indicated the projects should not be started and why.

## Introduction

Convergence to IPSAS generates a significant burden regarding available resources to this task and there are many questions about its benefits, one of which is the ability to calculate the costs of different cost objects, which is essential for both purposes of the general purpose financial statements: decision-making and accountability.

The peculiarities of the public sector in relation to the IPSAS target stakeholders, fundraising, purpose, performance management and accountability refer to a cost dynamics that does not have as a primary assumption the maximization of financial results, but the quality of the expenditure of the public sector, a fact that demands procedures and analysis different from those applicable to the private sector.

## Relevance of Cost Accounting Applied to the Public Sector

In a context of fiscal constraints, cost information can boost efficiency related to the use of budgetary resources and obtained from other sources that are used for the implementation of public sector policies. It also influences the judgment of different users regarding the cost-benefit / cost-effectiveness of the governmental services. Additionally, it also allows the prioritization of budget allocations in a performance criterion.

In the performance evaluation of entities and public policies, the use of data generated on a basis other than accrual basis can generate biases in the analysis because it does not allow to determine the resources consumed in the provision of public goods and services. Knowing the resources consumed is preponderant in the evaluation of the alternatives for the provision of public goods and services regarding efficiency and combinations of products / services that generate the best cost-effectiveness. In addition, it is an essential element for assessing the sustainability of public policies in the long term.

## Why is it necessary a Project on Cost Accounting Applied to the Public Sector?

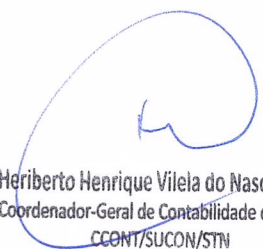
In the evaluation of the different dimensions of the performance of entities and public policies - efficiency, effectiveness, inputs, outputs, outcomes, quality, etc. - the comparative analysis allows to obtain conclusions about a unit of analysis over time and in relation to its pairs. Therefore, discussions on cost objects (standardized x specifics), costing methods, costing system, measurement bases (for example, historical cost x opportunity cost) and predictive and confirmatory cost values are essential.

The prioritization of public sector cost accounting, on a comparative basis, has the potential to complement RPG 3 of the IPSASB and even allow for a more in-depth approach to performance evaluation in the public sector. In addition, it may enhance the strengthening of other dimensions, in addition to financial capacity, by making the benefits of adopting the accrual basis more evident and, more specifically, of accrual based IPSASs use.

GA / CFC understands that there is a need for establishing principles and developing a conceptual framework that will be the basis for cost accounting in different jurisdictions and entities within the same jurisdiction, but not a standard methodology, if it respects the specificities of the entities regarding the informational needs of its users. In addition, it is verified that the adequate treatment of cost accounting information in the public sector is aligned with the proposed strategic objective and its unfolding, as well as to Themes A, C, D and E, and not only to Theme C as proposed by the document. This demonstrates the relevance of a cost accounting project in the public sector.

#### Next Steps

The projects proposed by the IPSASB have different degrees of complexity and, perhaps, the elimination of one can allow the insertion of more than one originally non-prioritized project. Therefore, as a suggestion, the GA / CFC understands that, after the cost accounting project, those that should be prioritized are: #1. Defining Public Sector Key Financial Performance Indicators; #2. IASB Initiative - Better Communication in Financial Reporting. There is also an important gap in accounting information in the public sector, which is the analysis of the financial statements by means of indicators, given the specificities of these entities and the fact that they do not follow, in general, the logic of market basis applied to private sector.



Heriberto Henrique Vilela do Nascimento  
Coordenador-Geral de Contabilidade da União  
CCONT/SUCON/STN

**Specific Matter for Comment 7:**

The IPSASB views building relationship with those working in the PFM space and engaging in their work as critical to furthering the use of IPSAS in PFM reform projects. Therefore, under Themes D and E, the IPSASB will actively monitor the work of others and look for appropriate opportunities to engage and support that work.

- Do you agree with the IPSASB's proposed approach under these Themes? If so, are you aware of any ongoing initiatives which the IPSASB should monitor and look to engage with (please provide details).

- If you do not agree, please explain your reasoning along with any proposed alternatives, and how those might be resourced.

GA/CFC agrees with the IPASB's proposed approach under these Themes.

The GA / CFC suggests that there should also be engagement with other international bodies that relate more directly to civil society, such as the Open Government Partnership (OGP). Consistently with the interest in the integrated report, the International Integrated Reporting Council (IIRC) is suggested. In addition to international organizations, partnerships with regional organizations could enhance the dissemination and strengthening of IPSAS, such as the Forum of General Governmental Accounting Offices of Latin America (Foro de Contadurías Gubernamentales de América Latina – FOCAL).

The IPSAS adoption and implementation process is often weakened by conflicts between actors of different profiles, so the proposal is to align macro-level understandings (e.g. IPSASB versus INTOSAI) with a view to avoiding conflicts at the micro level (countries, levels of governments and entities that compose the structure of governments).

In this sense, to promote consistency of objectives between different actors, the IPSASB could implement an IPSAS "train-the-trainers" policy for different audiences. This is a sensitive point and it has not been clearly defined - the players who will be targeted for each group of actions conducted by the IPSASB. Highlight should be given to public managers, whose support for convergence to IPSAS is essential for their effective implementation.

In the process of raising the awareness of PFM managers about the relevance of IPSAS, it is necessary to schedule visits of the main players of IPSAS standardization (international standard-setters) - such as the IPSASB Chair or IFAC high level staff - and managers of the implementation process in selected countries that are reference on IPSAS adoption and implementation to the PFM managers, demonstrating the the importance of these institutions for information to the decision-making in the public sector, governance mechanisms, the process of standard setting, and the overview of adoption on a global scale. In addition, the awareness-raising process should also target credit rating agencies and multilateral organizations (OECD, WB, IADB, etc.). For all of these players, the main message would be about the benefits of implementing IPSAS versus the associated costs.

IPSASB could also evaluate the strategy of establishing enforcement mechanisms for the adoption of its standards, as well as awards or certification in an independent manner and with objective criteria.

Besides the congruence between the objectives, it is also important a balance on the countries represented on IPSASB. Thus, it is suggested to increase the representation of Latin America countries in the IPSASB.

Another point worth mentioning is the licensing policy for the use of IPSAS provided by IFAC, which has made it difficult for some countries in Latin America to adopt them. Specifically in relation to topic E, there is significant support for IPSASB to apply resources in translating its documents (CPs, EDs, IPSAS, RPGs, etc.) into several languages allowing users of standards and other pronouncements contribute to raise the adoption and implementation on a global scale.