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The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2
CANADA

Dear Sir

The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to Exposure Draft 75 "*Leases*" issued January 2021.

1. The ICGFM notes the changes from the original ED64. Our preference was for the ED64 proposals.

2. We appreciate the opportunity to comment on this Exposure Draft and would be pleased to discuss this letter with you at your convenience. If you have questions concerning this letter, please contact Michael Parry at mike@pfmtraining.com or on +44 7525 763381.

Yours faithfully,

Michael Parry

Michael Parry
Chair, ICGFM Ad Hoc Committee on Accounting Standards

Cc: David Pearl, President, ICGFM

Members of the ICGFM Ad Hoc Committee on Accounting Standards

Michael Parry, Chair

Osman Ali

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General

In our response to ED64 the ICGFM welcomed the proposed "right of use" approach to lease reporting as both elegant and simple. In ED 75 this approach continues to be applied to lessees, but not lessors. We understand that ED75 is regarded as the basis for an interim Standard and the right of use approach may be extended to lessor reporting in the future, but for the moment this is disappointing.

Applying the right of use model only to lessees removes symmetry as between lessors and lessees and therefore make this approach infeasible for either Government Finance Statistics (GFS) or the EU European System of Accounts (ESA). We understand these statistical reporting requirements will continue to use the "control" model for both lessors and lessees.

In general, the ICGFM argues for consistency between IPSAS and GFS approaches. Despite this general preference, we supported the ED64 right of use model because we regarded this as superior to the GFS model. However, the inevitable divergence between the GFS and IPSAS presents a conundrum for many countries – do they maintain too separate sets of records for different reporting purposes, or do they diverge from either GFS or IPSAS when reporting?

On balance, we support the ED75 approach for lessees in the hope that it will eventually be extended to lessors. We would advocate some guidance be included in the eventual standard explaining what is necessary to enable reporting on leases to be adjusted to meet the requirements for statistical system reports.

Our responses to the three specific questions are indicated below.

№	Request for comments	ICGFM comments
1	**Specific Matter for Comment 1:** The IPSASB decided to propose an IFRS 16-aligned Standard in ED 75 (see paragraphs BC21–BC36). Do you agree with how the IPSASB has modified IFRS 16 for the public sector (see paragraphs BC37–BC60)? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.	We agree with the changes as compared to IFRS 16
2	**Specific Matter for Comment 2:** The IPSASB decided to propose the retention of the fair value definition from IFRS 16 and IPSAS 13, Leases, which differs from the definition proposed in ED 77, Measurement1 (see paragraphs BC43– BC45). Do you agree with the IPSASB's decision? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.	We agree, as the definition proposed in IPSAS 13 is in line with the concept of measurement declared in Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. The last provides the basic guidance principles of measurement for public sector entities applying IPSAS. *Notes.* According to IFRS 16 fair value is defined as following: "For the purpose of applying the lessor accounting requirements in this Standard, the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction" (Appendix A). Definition of fair value presented in IPSAS 13 "Leases" is equal to IFRS 16.

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		The definition of fair value provided in ED 77 “measurement” is following: “Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.
3	**Specific Matter for Comment 3:** The IPSASB decided to propose to refer to both “economic benefits” and “service potential”, where appropriate, in the application guidance section of ED 75 on identifying a lease (see paragraphs BC46–BC48). Do you agree with the IPSASB’s decision? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.	We agree with this provision. It complies with the principles set out in the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. In accordance with paragraph BC5.7 “term “service potential” has been used to identify the capacity of an asset to provide services in accordance with an entity’s objectives. The term “economic benefits” has been used to reflect the ability of an asset to generate net cash inflows”. The IPSAS Board experts determined that these terms could be interchangeable.