

## Swiss Comments to

## Consultation Paper Work Program 2013 - 2014

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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 intercantonal Conference of Cantonal Finance Directors (Finance Ministers at the States level). One of its aims is to provide the IPSAS Board with a consolidated statement for all the three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPSP has discussed *Consultation Paper Work Program 2013 - 2014* and comments as follows.

## 2. General Remarks to Consultation Paper

The SRS-CSPCP is of the opinion that it is basically positive that a Consultation Paper on the Work Programm2013-2014 is being circulated for comment. Indeed, it is important that the Conceptual Framework is completed first, because it will have an influence on all other projects. The work capacity that it frees up should be employed as efficiently as possible for projects that enjoy wide support

### 2.1. Question 1

**Considering the additional potential projects identified above and described in Appendix C, are there any other projects that you think need to be added to the list of potential projects?**

The SRS-CSPCP is of the opinion that the following problem areas are interesting and important enough for the IPSAS Board to deal with them.

#### 1. IPSAS 25

As IAS 19 (Employee Benefits) has been revised and becomes effective from 1.1.2013, the IPSAS Board should consider a revision of the corresponding IPSAS. Pension fund liabilities also play a growing role in the public sector. It is therefore important that the differences between IFRS and IPSAS are not of a methodological nature. There should only be differences, if the peculiarities of the public sector demand them (e.g. because of the financing model "differential funding" with the system of partial capitalisation under Art. 72a BVG in Switzerland). The SRS-CSPCP believes that it is important to emphasise that the revised standard IAS 19 is not taken over 1:1 in IPSAS 25.

In calculating the liability both IPSAS 25 and IAS 19 use a standardised method ("Projected Unit Credit Method"). This provides a result that systematically varies from the legal liability according to the revised Federal Law on Occupational Welfare (BVG). The legal liability is often significantly less than the liability calculated under IPSAS/IAS. There is no practice of meeting claims that exceed the legal liability. Therefore disclosing the liability according to IPSAS/IAS results in a systematic overstatement of the liabilities. A revision of IPSAS 25 should therefore govern how to deal with variant legal liabilities.

#### 2. Leasehold rights

Leasehold rights are similar to leases, but are not explicitly mentioned in the relevant IPSAS standard. As Leases is included in the list of Additional Potential Projects, it would make sense and be desirable, if leasehold rights were added to the list.

### 3. Investment grants

While investment grants are dealt with in IPSAS 23, this is confined to the recipient. The paying side is not considered. It is desirable, above all for statistical purposes, that investment grants are recorded symmetrically by donor and recipient and depreciated using the same method.

## 2.2 Question 2

**Which project do you think the IPSAS Board should prioritize for 2013-2014 ? In your response you could consider providing your assessment of the 3 most important projects or a ranking of all projects on the list. Please explain the reasons for your answers.**

The SRS-CSPCP prioritized 5 projects, but then agreed on a list of 3. The reasons are in part already included in the responses to Question 1.

### **1. Presentation of Financial Statements (Update of IPSAS 1 – underlying standards IAS 1)**

The presentation of financial statements is very important and has the highest priority for understanding and interpreting the financial position of a public authority. A uniform and consistent presentation of the financial statements and also of the national debt is of fundamental importance for all involved (stakeholders).

### **2. Improvements to IPSAS 23 – Non-Exchange Revenues**

As already mentioned in response to Question 1, investment grants should be considered not only from the recipient, but also from the paying side. A symmetric recording method for donor and recipient and the same depreciation methods for both sides should be clearly laid down.

### **3. IPSAS 25**

With the revision of the standard IAS 19, an adjustment of IPSAS 25 will be necessary. The IPSAS Board should deal with the revision of IPSAS 25. The differences between IFRS and IPSAS should not be of a methodical nature. There should only be differences, if the peculiarities of the public sector demand them (e.g. because of the financing model "differential funding" with the system of partial capitalisation under Art. 72a on the Ordinance on Occupational Retirement, Survivors and Disability Pension Plans in Switzerland). The revised standard IAS 19 should not be taken over 1:1 in IPSAS 25, given that the difference between "comprehensive income" and "other comprehensive income" has no relevance under IPSAS.

The other 2 projects, which the SRS-CSPCP considers to be important are:

#### **Leases**

In particular the treatment of leasehold rights, which could be attached to/explained in this standard.

## **Small and Medium Enterprises (SMEs)**

Standards for SMEs would be especially interesting for Switzerland, because there are many small public authorities. However this topic does not have absolute priority, because up to now the small public authorities have always been able to look after themselves. Furthermore, the financial reporting standards for municipalities are anyway legally set by the upper tier of government (i.e. by each canton for its municipalities). Additionally there are already some standards (together with a chart of accounts) that are provided nationwide by the so-called "Harmonised Accounting Model for the cantons and municipalities".

### **2.3 Question 3**

**Please provide any further comments you have on the IPSASB's Work Program for 2013 - 2014**

The SRS-CSPCP has no further comments on the Work Program 2013- 2014.

Lausanne, October 11 2012