Harmonization of IPSASs and General Government Accounting Legislation

Final Gap Assessment Report
November 30, 2017

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Table of Contents

1. Introduction 4
2. Methodology 5
3. Country and IPSAS Analysis 7
3.1. Public Immovables 7
3.1.1. Accounting for Underground Resources 7
3.1.2. Recognition and Disclosure of Public Immovables 8
3.1.3. Depreciation Practices 9
3.1.4. Recording of Public Immovables with Token Value 11
3.1.5. Directly Attributable Costs 12
3.1.6. Recording of Land and Building 12
3.1.7. Recording Entity 13
3.1.8. Recognition and Depreciation Threshold 14
3.2. Intangible Assets 16
3.2.1. Recording of Research and Development Activities 16
3.3. Contingent Liabilities and Provisions 18
3.3.1. Differentiation of Contingent Liabilities from Provisions 18
3.3.2. Measurement of Contingent Liabilities 23
3.3.3. Disclosure of Contingent Liabilities 24
3.3.4. Reporting of Contingent Liabilities 25
3.3.5. Provisions 26
3.3.6. Clarification of IPSAS 19 28
3.4. Financial Statements 30
3.4.1. Consolidation of financial statements 30
3.4.2. Institutions that are not incorporated as a separate legal entities and Segment Reporting 31
3.4.3. Prepared Financial Statements 33
3.4.4. ESA Based and GFS Based Financial Statistics 35
3.5. Tax and Budget Practices 37
3.5.1. IPSAS 23 37
3.5.2. Accounting for tax revenues 37
3.5.3. Statistical methods 38
3.5.4. Factors constitute the expenses and expenditures 39
3.5.5. Using reverse entry to close accrual record 39
3.5.6. Comparison of budget and actual results and basis of budget preparation and comparison 39
4. Case Studies 41

4.1 United Kingdom 41
4.1.1 Standards for PPPs 41
4.1.2 Measurement of PPPs 42
4.1.3 Recognition of PPPs 42
4.1.4 Reporting of PPPs 43
4.1.5 Demand Guarantees 44
4.1.6 Responsibilities of Operator and Grantor 45
4.1.7 Risk and Return Approach 46
4.1.8 PPPs and Financial Statistical Tables 47
4.2 New Zealand 47
4.2.1 Standards for PPPs 47
4.2.2 Measurement of PPPs 48
4.2.3 Recognition of PPPs 49
4.2.4 Reporting of PPPs 49
4.2.5 Demand Guarantees 49
4.2.6 Responsibilities of Operator and Grantor 50
4.2.7 Risk and Return Approach 50
4.2.8 PPPs and Financial Statistical Tables 51
5. Works Performed within the Scope of the Project 52
5.1. Reports 52
5.2. First Workshop 52
5.3. Second Workshop 52
5.4. Conference 55
5.5. Third Workshop 55
6. Conclusion 56
7. Annexes 61
7.1. Questionnaires 61
7.2. Responses to the Questionnaires from Selected Countries 75
7.3. Inception Report 130
7.4. Situation Analysis Report 140
7.5. Conference Report 203
7.6. Workshops 286
7.7. Project Feedback Forms 555

1. Introduction

The Harmonization of IPSASs and General Government Accounting Legislation Project has been initiated by the Ministry of Finance within the scope of public financial management reform in Turkey. The aim of the project is to harmonize the Turkish general government accounting legislation with the international public sector accounting standards. Steps have already been taken for harmonizing the legislation and international standards yet the level of harmonization is still being developed. The General Directorate of Public Accounts of Ministry of Finance has determined particular topics to analyze in the project which include:

- Public Private Partnerships (PPPs),
- Public Immovables,
- Intangible Assets,
- Contingent Liabilities,
- Financial Statements, and
- Tax and Budget Practices.

The project is made up of four phases: (i) Inception, (ii) Situation Analysis, (iii) Gap Assessment, and (iv) Finalization. This report is the final report of the project and is the output of the *(iii) Gap Assessment* Phase, in which the selected country practices on the specific topics and questions are analyzed.

Following this 1. Introduction, the *Gap Assessment Report* is structured into the following sections:

- 2. Methodology
- 3. Country and IPSAS Analysis
- 4. Case Studies
- 5. Works Performed within the Scope of the Project
- 6. Conclusion

The *Methodology* section provides an overview of how the country and IPSAS analysis as well as case studies are conducted within the report. Furthermore, this section is giving information on what ground the country practices, *France, Germany, UK, and New Zealand* are selected, how the information is gathered and analyzed within the report.

The *Country and IPSAS Analysis* section provides answers to the prior questions received based on the questionnaires sent to subject matter experts in the exemplary countries and secondary sources. The accounting practices of exemplary countries, as well as, the practices of Turkey are analyzed. In addition to that, some of the questions are answered based on the publications of the IPSAS Board.

Since the topic of PPPs is one of the crucial parts of the project, a separate section has been dedicated to it. Two detailed case studies with a broader scope of questions are conducted based on the UK and New Zealand practices on PPPs. The information here is provided by the data received from subject matter experts in the countries with the questionnaires, official sources in the selected countries and secondary sources.

Details of the works (reports, workshops, conferences) performed during the project were included in the *Works Performed within the Scope of the Project* part.

The *Conclusion* part is an overview of the analysis on the specific topics and concentrates on the key findings of the Gap Assessment Report. The data collection tools (questionnaires) developed for the country analysis, IPSAS review, and case studies are provided in the *Annex 2*.

2. Methodology

The analyses in this Gap Assessment Report focus on the priority areas identified at the situation analysis phase. The regulatory framework and particular public accounting practices in Turkey have been reviewed in the Situation Analysis Phase and level of harmonization with IPSAS and the areas where further information needs from other country practices has been identified. The findings of the Situation Analysis were discussed at the three day Situation Analysis Workshop with the Ministry of Finance.

The questions raised during the Situation Analysis Workshop were elaborated and a common understanding was established on the background of each question. The level of information needed and the sources of information to address those questions were identified during the workshop.

Following the course of the situation analysis, there are six main topics which are elaborated in the gap assessment phase:

- Public Immovables,
- Intangible Assets,
- Contingent Liabilities and Provisions,
- Financial Statements,
- Tax and Budget Practices, and
- PPPs.

For each of the topic, EY has developed data collection tools to acquire information from other countries on the subject topic. The data collection tools aimed to address particular questions of MoF from an international perspective and to acquire relevant information from the selected countries on the particular topics responding to the Turkey context.

Three sets of questionnaires were developed addressing the gaps; i.e. one questionnaire for the country reviews, one questionnaire for the PPP case studies and one for the issues that can be solely addressed through focusing on the theoretical concepts of IPSAS.

In the country and IPSAS analysis part, there are 25 subtopics and 39 questions in total. The report is also structured according to these subtopics and questions. Each question is elaborated one by one through three country reviews or the particular accounting concepts provided by IPSAS.

For the PPP case studies questionnaire, there are 8 sub-topics and 24 questions. The questionnaires were responded for two countries. The collected data is analyzed and presented according to the countries in order to provide a holistic picture of the country practices on the accounting and reporting of PPPs.

The below table summarizes the data collection tool for the country case reviews.

Table 1: Overview of the data collection tools for the country reviews

	Intangible Assets	Public Immovables	Contingent Liabilities	Financial Statements	Tax and Budget Practices	PPPs
Number of Subtopics	1	8	6	4	6	8
Number of Questions	1	9	17	5	7	24
Importance Level	Medium	High	High	Medium	Medium	High

Country Analysis

Case Study

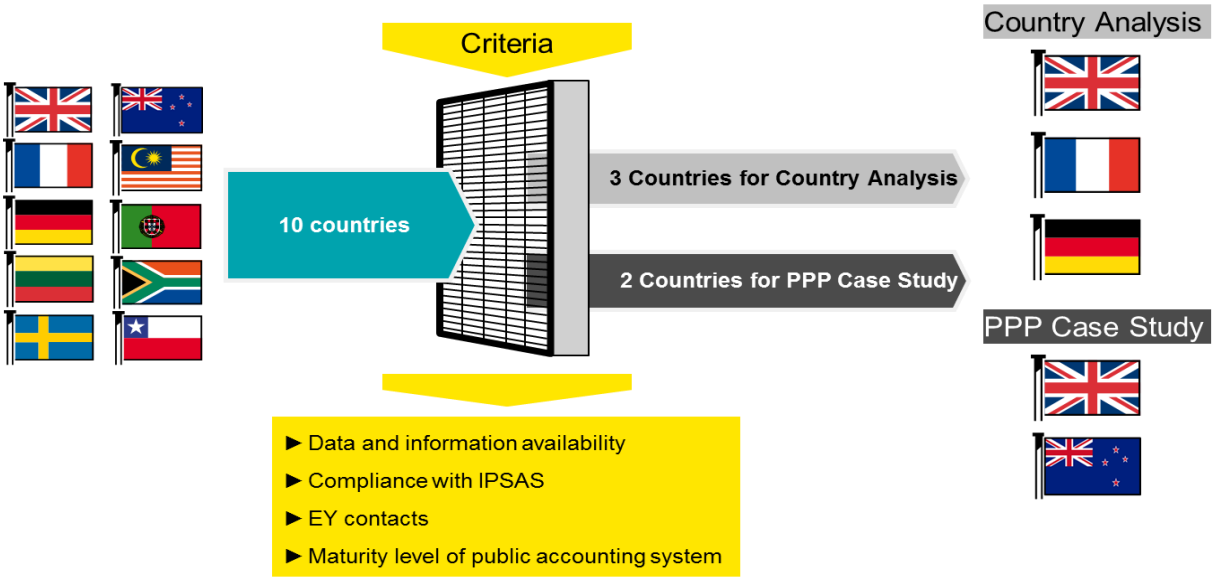
IPSAS Analysis

Note: The full questionnaires are provided in Annex 1.

The questionnaires for the country reviews and PPP case analysis were responded by the particular country experts. The data provided by the country experts was verified through secondary data sources where possible.

The countries analyzed were selected according to particular criteria. These criteria are (i) data and information availability, (ii) compliance with IPSAS, (iii) EY contacts, and (iv) maturity level of public accounting system in that country. The probable countries were United Kingdom, France, Germany, Lithuania, Sweden, New Zealand, Malaysia, Portugal, South Africa and Chile and these countries were determined jointly together with MoF and EY subject matter experts. Based on criteria and decision of MoF; United Kingdom, France and Germany were selected for country analysis; and United Kingdom and New Zealand were selected for PPP case study. The below figure summarizes the country selection method followed for this study.

Figure 1: Country Selection



3. Country and IPSAS Analysis

In this section, the topics analyzed in the situation analysis phase are discussed respectively and the relevant international practices are presented together with other country studies and IPSAS analysis. The necessary areas of improvement are identified for each subject and analysis questions of the areas are formulated. International practices and the situation in Turkey are analyzed as comparative responses to these questions.

3.1. Public Immovables

The recording and disclosure of public immovables in Turkey is a crucial topic underlined in the scope of the project. According to the interviews conducted with the MoF, areas of improvement have been identified and the respective questions have been provided. The country practices of France, Germany, and the UK will be analyzed and a comparative analysis will be made between the practices in Turkey and the selected countries. Furthermore, the topic public immovables is covered within the scope of IPSAS 17, *Property, Plant and Equipment* and thus IPSAS guidance is referred where related. The areas of improvement identified include the following issues:

1. Accounting for underground resources
2. Recognition and disclosure of public immovables
3. Depreciation practices
4. Recording of public immovables with token value
5. Directly attributable costs
6. Recording of land and building
7. Recording entity
8. Recognition and depreciation threshold

Research questions and analysis findings are respectively given below for each area.

3.1.1. Accounting for Underground Resources

How are the accounting records made in other countries for underground resources such as minerals, petroleum, natural gas and similar underground reserves?

Turkey: No accounting record or financial statistics is made for such underground resources in the current situation. While the accounting of underground resources are out of the scope under IPSAS, it is indicated that these resources should be included under the GFS financial statistics reports.

France: The central government of France is currently not accounting for underground resources and no requirement has been specified under the Central Government Accounting Standards.

Germany: The property accounts of central government does not present such resources. Furthermore, no guidance on accounting for the underground resources has been provided under the Standards for Government Accrual Accounting.

UK: UK would have accounted for these resources based on IFRS 6, *Exploration and Evaluation of Mineral Resources* yet it does not own such resources in the current situation.

The analysis of the country practices has confirmed that overall no accounting record for underground resources such as mineral, petroleum and natural gas is currently being made. This holds also true for Turkey. There is no guidance for the accounting of underground resources in the scope of IPSAS.

In addition, during the second workshop of the project, EY public sector accounting specialist has stated that there is no guidance on the accounting of underground resources under IPSAS and thus it would be more suitable to evaluate the accounting of these resources in the scope of IFRS.

3.1.2. Recognition and Disclosure of Public Immovables

Which public immovables should be excluded from the records and balance sheet (taking into account of highway-road, forest-park, and lake-pond)?

Turkey: The public immovables such as forest-park are currently being accounted for and measured based on token value. The immovables that are recorded with token value by the General Directorate of National Real Estate are presented in the balance sheet. If the highways and roads are in the scope of public private partnerships, they are monitored based on fair value. Furthermore, according to the regulation on immovables, the highways and roads are monitored based on token value whereas they are monitored based on cost value under the accounting regulation.

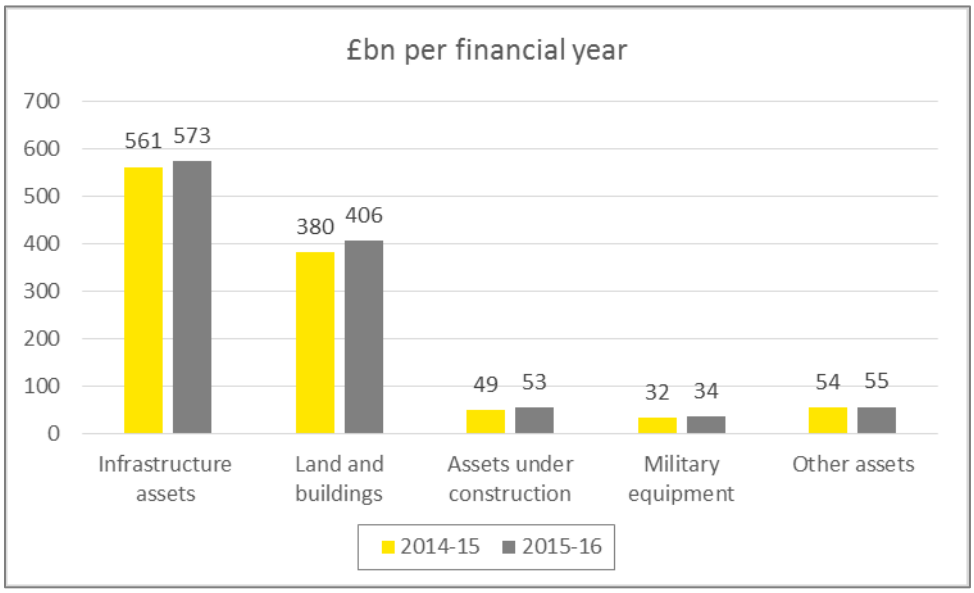
France: According to the Central Government Accounting Standards, the asset should be controlled by the Central Government and should be measured reliably in order to be recognized as a tangible asset. All of the public immovables are recognized and reflected in the balance sheet in the current situation in France. Furthermore, natural sites such as moors, beaches, dunes, ponds, and lakes are accounted for and presented separately in the financial statements. Furthermore, roads, motorways and the other related structures are also presented separately in the financial statements.[1]

Germany: The central government of Germany would also have to account for highway and roads, forest and parks as wells as lakes according to the Standards of Government Accrual Accounting. However, the property accounts of the German Federal Government does not present such assets in the current situation.

UK: All types of property, plant and equipment (PPE) in question are recorded in the central government unless other public sector entities fund their acquisition, procurement and maintenance. The types of PPE are also included in the Whole of Government Accounts. For instance, the highway assets are recorded by the regional and local government entities. However, if the assets are part of the strategic highway network in the UK, then the central government does the accounting either directly or by consolidating a subsidiary (examples are Highways England, Transport Scotland or Network Rail). The breakdown of types of property, plant and equipment and their values in the periods between 2014 and 2016 can be seen in the table below.

[1] Ministry of Finance in France, Central Government Accounting Standards, Standard 6-Tangible Assets, 2016

Figure 2: Types of Property, Plant and Equipment in the UK Whole of Government Accounts



Source: HM Treasury, Whole of Government Accounts, July 2017

The analysis of country practices demonstrates that France and the UK account for assets such as highway-road, forest-park and lake-pond in their balance sheet. The only exception here is that the Federal Government in Germany does not account for these assets in their property accounts in the current situation.

Furthermore, during the second workshop of the project, specific questions for the accounting of roads have been discussed. One of the questions discussed was whether there is a distinction between the accounting of toll roads and freely available roads. If the tolls roads are service concession assets in the scope of IPSAS 32-*Service Concession Arrangements: Grantor*, then the assets would have to be reflected on the balance sheet. Similarly, the motorways that are freely available to the public use should be accounted under IPSAS 17. The motorways that are freely available to the public use fulfills the recognition criteria and generates service potential.

The other question discussed was whether both the expenditure spent on the surface layer and the base layer, which is the land is recognized or not. This case relates to the accounting of land and building separately. The land and road should also be accounted separately since the land is not depreciated whereas the road is depreciated.

3.1.3. Depreciation Practices

IPSAS 17.75 states that "If the cost of land includes the cost of site dismantlement, removal, and restoration, that portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs".[2] What is the scope of this IPSAS based rule?

Turkey: If the cost of site dismantlement, removal and restoration is included in the cost of the land, that portion of the land is not being depreciated in the current situation in Turkey.[3]

[2] IPSASB (2001). *IPSAS 17 – Property, Plant and Equipment*. London: December 2001.
[3] Nazire Kont (2015). *Compliance of Accounting Regulations with Government Accounting Standards (2006-2014).* Ministry of Finance General Directorate of Public Accounts, Dissertation.

France: The cost of land includes the cost of site, dismantlement, removal and restoration costs in France and that portion of the land is depreciated accordingly in the current situation. Furthermore, according to the Central Government Accounting Standards, land is one of the subclasses under tangible assets. The accounting treatment of dismantling and restoration of land differs according to the deterioration that creates the obligation. The first case is when the deterioration is an inevitable result of a future operating activity. The dismantling costs are recognized when the operations are terminated. Provision is recognized for the total liability of the dismantling costs as the land starts to operate or as a legal obligation occurs. At initial recognition, the cost of the land is increased in the proportion of the provision recognized for the restoration cost. The second case is when the cost occurs as a result of immediate deterioration. This case can be seen in the examples of expenditures arising because of asbestos removal. The expenditure that arises due to immediate deterioration is recognized when the cost occurs. Last but not the least, the third case is when the expenditure is a result of progressive deterioration. The expenditure is recognized as the deterioration occurs. An example of this case is pollution that is directly related to the level of activity. As deterioration occurs, provision for the expense is recognized when a legal obligation occurs to restore.[4]

Germany: The cost of site dismantlement, removal and restoration are not included in the cost of land according to the Standards of Government Accrual Accounting.

UK: The central government includes the cost of dismantlement, removal, and restoration when determining the cost of land and that portion of the land is being depreciated. The improvement costs such as adding a new lane to the highway are capitalized during the construction period in the current situation. The assets that are put into service at the first valuation are impaired for any write-down of cost and this is reflected in the Statement of Comprehensive Net Expenditure.

To sum up, the country analysis has shown that France and the UK are including the cost of site dismantlement, removal and restoration to the cost of land and that portion of the land is depreciated accordingly. There is no such requirement in Germany.

IPSAS 17.59 states that "Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately".[5] How is this IPSAS based rule implemented? How is the significance criteria determined?

Turkey: The practices in Turkey carries differences with this IPSAS rule. The parts of an item are typically not depreciated separately under the regulations and thus the component approach is not applied.[6]

France: The central government does not apply the component approach since each component of assets has different characteristics and the analysis of these components would require a complex analysis due to the number and variety of assets. Furthermore, the

[4] Ministry of Finance in France, Central Government Accounting Standards, Standard 6-Tangible Assets, Pages 103-104, 2016
[5] IPSASB (2001). *IPSAS 17 – Property, Plant and Equipment*. London: December 2001.
[6] Nazire Kont (2015). *Compliance of Accounting Regulations with Government Accounting Standards (2006-2014).* Ministry of Finance General Directorate of Public Accounts, Dissertation.

tangible assets that are measured based on depreciated replacement cost or fair value at the reporting date are not suitable for the component approach.[7]

Germany: Generally the component approach is not applied. However, due to specific regulations mainly relating to tax accounting (which are also partly applied in the public sector) in Germany, components of assets such as the elevator in a house would have to be accounted for separately.

UK: IAS 16 is applied in the UK and thus the component approach in IPSAS is comparable in this case. The government is not fully implementing this approach in the current situation since it is a complex approach especially for some of the assets such as highways. The overriding principle in the UK is that the value of the asset reflects the cost of replacing the service potential. When the value alters, then the asset is impaired or revalued by the department.

To sum up, the country analysis has shown that France and Germany are not implementing the component approach as is also the case for Turkey. UK is also not fully implementing the component approach for all the assets due to the complexity.

3.1.4. Recording of Public Immovables with Token Value

What are the examples of immovables that can be recorded with token value? Should immovables recorded with token value be disclosed in the balance sheet or notes?

Turkey: The public immovables recorded based on token value by the General Directorate of National Real Estate are presented in the balance sheet. Currently, assets such as historical and cultural heritage assets are recognized based on token value.

France: The assets that are measured based on token value or non-revisable fixed amount include natural sites (assets with an unmeasurable service potential), cemeteries that are not included in Standard numbered 17, *Heritage Assets*, some of the Ministry of Defense property assets.[8] The immovables recorded with token value are disclosed in the balance sheet.

Germany: Waste disposal sites (landfills), uncultivated land (fallow land), heritable building right, works of art and collections as well as other cultural goods and monuments (but only in the case when other values are not available) are measured based on token value. The public immovables recorded based on token value are disclosed in the balance sheet. No separate disclosure is made for the immovables in the notes.

UK: Community assets such as parks and open spaces, historic buildings and works of art are controlled by an authority in perpetuity and may have restrictions on their disposal. These non-current assets held for their cultural or historical value are measured based on cost or token value and reflected in the Statement of Financial Position under 'Other Assets'. Furthermore, the assets that are recorded with token value are also disclosed within the disclosures section.

[7] Ministry of Finance in France, Central Government Accounting Standards-Standard 6, Page 92, 2016
[8] Ministry of Finance in France, Central Government Accounting Standards-Standard 6, Page 106, 2016

The country analysis has shown that France, Germany and the UK are monitoring some of their assets based on token value and the assets are reflected in the balance sheet similar to what is being implemented in Turkey.

Furthermore, during the second workshop of the project, the example of accounting for trees have been discussed. In government accounting, trees are often not accounted for separately. In many cases, it is only accounted for forests and a fixed amount for each square meter of the forest is used for its measurement. However, in their opening balance sheet some jurisdictions have used a fixed amount per tree for the trees in a city (e.g. the City of Hamburg). Furthermore, it has been stated by the EY public sector accounting expert that the idle/unused land can be monitored based on token value.

3.1.5. Directly Attributable Costs

Are there countries that include the directly attributable costs, such as the costs of employee benefits and professional fees for workers, to the cost value? How is the implementation done?

Turkey: The directly attributable costs such as the costs of employee benefits and professional fees for workers that are specified under IPSAS 17.31 are currently not accounted in the general government.

France: The directly attributable costs are included in acquisition the cost of tangible assets. Tangible assets that are acquired are measured based on acquisition cost. To bring the asset to the working condition and to use it as intended, the directly attributable costs are included in the acquisition cost. Some of the costs that are included in the acquisition cost are costs for site preparation, initial delivery and handling costs, installation costs, and professional fees paid to architects and engineers.[9]

Germany: According to the Standards of Accrual Accounting, in the acquisition cost of an item of PPE all costs that are required to bring the item of PPE in the condition necessary for it to be capable of operating would be considered. If these costs are directly attributable to the asset (e.g. the professional fees for workers) these costs would have to be considered. In the case of production costs for an item of PPE, they include material costs, production costs and appropriate allocations of fixed and variable overheads. However, in the property accounts, it remains unclear whether the directly attributable costs, such as the costs of employee benefits and professional fees for workers, are included in the cost value.

UK: The directly attributable costs are included in the cost value. For instance, the staff costs that are directly attributable to the construction of the asset are capitalized.

To conclude, the directly attributable costs are included in the cost value in France, Germany (in terms of the Standards of Accrual Accounting) and the UK, contrary to what is being implemented in Turkey.

3.1.6. Recording of Land and Building

Are buildings/property on a land separately accounted for?

Turkey: The building and the land which it is built on are not recorded separately. When there is a building on the land, the respective accounting record is made as building in the

[9] Ministry of Finance in France, Central Government Accounting Standards-Standard 6, Page 105, 2016

current situation which includes the land and the building. However, it is foreseen that the land and building would be accounted separately with a change in the regulation.

France: According to the CGAS, the tangible assets are divided into classes with similar characteristics. The sub-classes of assets are presented separately in the financial statements of the Central Government. Land and property are separate classes/sub-classes of assets and would, therefore, need to be accounted for separately.[10]

Furthermore, the recording of office and residential buildings and the land on which they are built are similar in practice with IPSAS 17 according to the CGAS. IPSAS 17.74 clarifies that the land and building are distinct assets and that they are accounted separately even in the cases when they are acquired together. The land has an unlimited useful life with the exceptions such as quarries and sites used for landfill whereas the building has limited useful life. Thus, the building is depreciated and the land is not. [11]

Germany: In the central government of Germany, land needs to be separately accounted for. Furthermore, the local governments in Germany also implement the same accounting practice for the land and building.

UK: In the UK, IAS 16, *Property, Plant and Equipment* is applied. The understanding of IAS 16 in the UK is that entities are required to value and depreciate classes of assets separately and land is one of the examples provided. However, this does not necessarily imply that entities present a separate value for land in the Statement of Financial Position yet the value presented includes the separate value measured for land which includes depreciation.

All in all, the analysis of country practices demonstrate that the building and the land on which it is built on are accounted for separately in France and Germany contrary to what is currently being implemented in Turkey. The land and the building are valued separately in the UK.

In addition, during the second workshop of the project, the registry of land and building was discussed. In Turkey, there is a single registry of land and building. When there is a building on the land, the registry is made as building and when the land is vacant, the registry is made for the land. On the other hand, in Germany, the registry is solely on the land yet it is described whether there is a building or not on the land. The accounting of the land and building is implemented separately as described above. Furthermore, the separate accounting of land and building is done initially on the balance sheet in Germany.

The work on the necessary amendments to the government accounting legislation in compliance with IPSAS in Turkey has been completed and will be put into practice in the coming years. With this new regulation, it will be possible to monitor the record of the building and the land which it is built on as land and building.

3.1.7. Recording Entity

If more than one public administration is located in the same building or on the same land, which of those public administrations is keeping the accounting records of the land or building?

[10] Ministry of Finance in France, Central Government Accounting Standards-Standard 6, Page 94, 2016
[11] IPSASB (2001). *IPSAS 17 – Property, Plant and Equipment, Paragraph 74.* London: December 2001.

Turkey: When there is more than one public administration serving in the same building, it is not specified of whom should be making the records of the land or the building.

France: If more than one public administration is located in the same building/land, the entity controlling it as a whole keeps the accounting records of the land or building. A national decision tree is used to determine whether the building or the land is controlled by central government/a public entity or not. The three criteria used in the decision tree are the type of the owner, the occupant type and the type of the occupation contract.

Germany: The public administration owning the building or land from an economic perspective, would have to account for the land/building and legal ownership is not decisive. There is the principle of economic ownership in place and the economic owner of an asset is required to account for it.

UK: When there are multiple public administrations located in the same building/land, the accounting record of the land or building is kept by each Accounting Officer from each government department and the departments are responsible for safeguarding their assets.

All in all, when there are more than one public administration serving in the same building/land, countries typically refer to the entity controlling, owning or safeguarding the land or building.

3.1.8. Recognition and Depreciation Threshold

Does your central government has a recognition and/or depreciation threshold for the items of property, plant and equipment? What amount is taken for the threshold?

Turkey: Even if the value of the asset is 0.01 TL, all of the tangible assets are recognized in Turkey. One reason of this is that the final account is presented to the parliament. The inventory needs to be matched with the accounting records in the final account. Furthermore, a depreciation threshold has been set for public immovables. A limit of 14.000 TL for movables and 34.000 TL for the immovables has been put for the cost value. The public immovables that are not above this limit has a depreciation rate of 100%.[12]

France: There is the concept of materiality threshold and the central government can set this threshold depending on the diversity of the tangible assets and distinguish between the asset and expense. The Central Government Accounting Standards do not specify a materiality and depreciation threshold.[13]

Germany: Entities within the scope of the Standards of Government Accrual Accounting can define recognition thresholds of up to 5.000 EUR per item and 50.000 EUR for a group of items. The German public administrations only have a recognition threshold. A depreciation threshold is not known in Germany.

UK: Each department sets an appropriate capitalization threshold for assets and discloses the thresolds in the accounting policy note in their accounts. The capitalization threshold for assets is generally GBP £5,000 except that of the Ministry of Defence which sets a threshold of GBP £25,000. There is no depreciation threshold in UK.

[12] Republic of Turkey Official Gazette (2015). General Directorate of Public Accounts General Communique (No: 47) of Amortization and Depletion Expenses.4 November 2015, 29522.
[13] Ministry of Finance in France, Central Government Accounting Standards-Standard 6, Page 90, 2016

The country analysis has shown that recognition thresholds are in place in all countries examined and the amounts differ from one country to the other. The depreciation threshold implemented in Turkey is not known in other countries.

3.2. Intangible Assets

3.2.1. Recording of Research and Development Activities

How are research and development activities recorded?

First of all, according to IPSAS 31.26, an internally generated intangible asset needs to be recognized when they fulfill the definition of an intangible asset and meet the recognition criteria. The items that are not recognized as intangible assets include internally generated brands, mastheads, publishing titles, lists of users of a service as stated under IPSAS 31.61. Furthermore, underground resources and the expenditure spent on their extraction and development, as well as the rights conferred by legislation are not in the scope of IPSAS 31. According to EY public sector accounting experts, the licences for the 4.5G network can be considered as a type of a right conferred by legislation and as internally generated. Based on this, these licences should not be capitalized according to IPSAS 31.3. If the license for 4.5G was acquired it would be recognized as an intangible asset but in this case it is not recognized as an intangible asset since the government is generating the license.

The problem identified under this topic is that the recognition of internally generated intangible assets can be sometimes hard due to problems in:

- Identifying the intangible asset that will generate economic benefit and/or service potential in the future
- Assessing the cost reliably because sometimes the cost of the asset cannot be distinguished from the costs of daily operations[14]

The recognition of internally generated intangible assets differs between the research phase and development phase.

Table 1: The comparison of the research and development phase

Research Phase	Development Phase

▸ The intangible assets that are in the research phase are **not recognized**
▸ The expenditure occurred during the research phase is recognized as an **expense**
▸ An entity **cannot** distinguish between whether an intangible asset will generate **probable future economic benefits** or **service potential** or not
▸ Some of the activities in the research phase include:
  ▸ activities to gain new knowledge
  ▸ the assessment and selection of research findings and knowledge
▸ The difference between the two phases is that an entity can identify whether the intangible asset **can** generate **probable future economic benefit/**service potential or not in the development phase
	▸ The intangible assets are recognized if certain conditions are met
	▸ The conditions that an entity must demonstrate for the intangible asset include:
	  ▸ the **technical feasibility** to be used or to be sold
	  ▸ the **capacity** and the objective to complete and **use or sell it**
	  ▸ the **probable future economic benefits** or service potential generated
	  ▸ the **availability** of enough financial, technical and other **resources** to conclude the development
	  ▸ the ability to **measure the expenditure**

Source: The information in the above table is extracted from IPSASB, IPSAS 31, Paragraphs 52-56, 2011

[14] IPSASB (2011). *IPSAS 31 – Intangible Assets, Paragraph 49*. London: October 2011.

The fulfillment of the criteria for the capitalization of development costs is rather difficult in the General Government. From an international perspective, accounting for development activities is typical in higher education institutions (universities) as well as in public research centers.

Furthermore, the country practices of how Turkey, France, Germany and UK are recording internally generated intangible assets are analyzed within this section.

Turkey: According to the regulation, the research and development expenses are both capitalized without being distinguished from each other in the current situation.

France: IPSAS 31/IAS 38 is generally followed for the accounting of internally generated intangible assets. Expenses relating to the research phase are not capitalized whereas expenses relating to the development phase are capitalized. Expenditures for the development phase of a project can only be capitalized if their total value is greater than a threshold set for this type of asset.

Germany: The German Federal Government does not account for internally generated intangible assets in the property accounts. According to the Standards for Government Accrual Accounting, it is not allowed to account for internally generated intangible assets.

UK: IAS 38 is applied and thus internally generated intangible assets are accounted for. There are no deviations between IAS 38 and IPSAS 31 in accounting for internally generated assets. Only the costs occurred in the development phase of an intangible asset are capitalized.

The country analysis has shown that France and the UK are accounting for internally generated intangible assets and that they are applying IAS 38/IPSAS 31. Costs occurred in the development phase of an intangible asset are typically capitalized. In France, only expenditures incurred for the development phase of a project above a certain threshold set for this type of asset can be capitalized. However, internally generated intangible assets are generally not accounted for in the property accounts of the German Federal Government.

3.3. Contingent Liabilities and Provisions

There are six encountered issues providing improvement areas in contingent liabilities and provisions. These six issues can be summarized under two main topics that are the confusions on the differentiation and disclosure of contingent liabilities and provisions. To solve these issues and improve these areas, MoF asked some questions that were transformed into subtopics listed below. Most of these questions are answered based on country analysis made in the United Kingdom, France and Germany, while five of them are answerable based on the instructions of IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*. The findings are presented below along with the current situation in Turkey for the respective question. Moreover, importance levels of questions were determined by MoF. Five topics out of six are considered as having high importance.

The following subtopics will be focused on the contingent liabilities and provisions part of the report:

1. Differentiation of contingent liabilities from provisions
2. Measurement of contingent liabilities
3. Disclosure of contingent liabilities
4. Reporting of contingent liabilities
5. Provisions
6. Clarifications of IPSAS 19

3.3.1. Differentiation of Contingent Liabilities from Provisions

How does your central government differentiate contingent liabilities from provisions?

Turkey: In order to differentiate contingent liabilities from provisions, MoF relies on *IPSAS 19, Provisions, Contingent Liabilities and Contingent Asset*. Instructions in the standard imply that a provision is a liability in which the outflow of resources is inevitable yet the timing and amount of it are uncertain; whereas a contingent liability is "a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity."[15]

France: The Central Government of France uses two standards for the differentiation of contingent liabilities from provisions; *Standard 12 – Non-financial Liabilities* and *Standard 13 - Commitments to be disclosed in the Notes to the Financial Standard*.

Standard 12 deals with non-financial liabilities, including provisions. Accordingly, non-financial liabilities shall be recognized when the three following cumulative conditions are fulfilled:

- the Central Government has an obligation towards another party relating to the current or an earlier reporting period;
- it is certain or probable that an outflow of resources will be necessary to settle the obligation towards the other party; and
- the amount of the obligation can be estimated reliably.

[15]IPSASB (2002). *IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets*. London: October 2002.

Among non-financial liabilities, provisions for risks and liabilities are described as liabilities of uncertain timing or amount.

Standard 13, on the other hand, deals with contingent liabilities and associates them with commitments. In compliance, it describes them as

- "a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Central Government; or
- a Central Government obligation towards another party where it is not probable or certain that the obligation will give rise to an outflow of resources necessary to settle the obligation."[16]

Based on these definitions, Central Government Standards differentiate a contingent liability from a provision through the fact that a provision represents a probable or an unconditional obligation at the reporting date.

Germany: The Standards of Government Accrual Accounting currently follow business accounting law on the issue. In this context, provisions are defined as obligations that are not specified exactly with regards to their value and/or their date of payment. However, German accrual accounting standards do not provide a legal definition for contingent liabilities; instead, the accounting law of the country follows international accounting standards and assumes for contingent liabilities a probability of occurrence of less than 50%.

United Kingdom: The Financial Reporting Manual indicates that the UK applies *IAS 37 – Provisions, Contingent Liabilities and Contingent Assets which is the source of IPSAS* with no significant adaptations or interpretations. Therefore, the UK Government applies its principles in distinguishing between a provision and a contingent liability. This distinction rests on either whether the liability is present or depends on uncertain future events, or whether the entity cannot currently measure a present liability reliably.

The review on the standards that each country uses revealed that even though each of them uses different standards, the perception on contingent liabilities and provision is compatible with one another. All of them differentiate contingent liabilities from provisions based on its uncertain nature of payment amount and date.

How does your central government determine the probability of an obligation?

Turkey: For the determination of the probability of obligation, MoF depends on the percentage method given in IPSAS 19. Based on this, if there is a probability of obligation chance between 5% and 50%; then this transaction must be classified as a contingent liability. If the probability is higher than 50%, then it must be considered as a provision. However, the complexity and lack of clarity of the instructions stated in the standard cause difficulties in implementation. Furthermore, lack of a guideline on the issue worsens the implementation problems.

[16] Republic of France Ministry of Finance the Public Sector Accounting Standards Council. 2016. *Central Government Accounting Standards – Standard 13 – Commitments to be disclosed in the Notes of Financial Statements*. Page 188.

France: French Central Government Accounting Standards do not have guidelines for determining the level of probability that would permit the distinction between a liability and a contingent liability. For this determination, professional judgment is used.

Germany: The Standards of Government Accrual Accounting, also, do not provide any guidelines on the issue, as well. Determining whether there would be a payment obligation or not is under the responsibility of the institutions that undertakes the liability and this is made based on the professional judgment of the experts on the related subject employed within the legal branch of the institution. Within this practice, Ministry of Finance is only responsible to collect the probability of the obligations.

United Kingdom: None of the central government level manuals, such as the Financial Reporting Manual, function as a guideline on determination of the probability of the obligation. Instead, HM Treasury leaves this decision to the management of the institution that undertakes the liability.

Government Legal Department, established in 1996, is a non-ministerial central government body in the UK which provides legal advisory to all of the central government institutions including the Cabinet Office, HM Treasury, Department of Transportation and Department of Defence. Addressing government litigations in which central government institutions are part of and providing advice on them about how they would be concluded is one of the tasks of the Government Legal Department[17] and these bodies can obtain assistance from this department, when they are deciding the probability of obligation. None of the three countries has manuals or guidelines on the determination of the probability of an obligation. Instead, in all of them, the decision lies in the hands of the management of the undertaking entity.

What are considered as contingent liabilities by your central government?

Turkey: The following are considered as contingent liabilities;

- Lawsuits,
- Demand guarantees,
- Treasury debt guarantees,
- Debt undertakings related to PPPs

France: Standard 13 categorizes contingent liabilities under four major headlines;[18]

- First category is related to contingent liabilities arising as a result of financial or contractual agreements. These include;
  - debt guarantees,
  - guarantees relating to general interest tasks (i.e. insurance schemes, savings protection guarantees and exchange rate guarantees),
  - guarantees of liabilities (i.e. disposals and restructuring of government business enterprises and guarantees related to the implementation of the special structures),
  - Central Government financial commitments (i.e. co-financing commitments,

[17] For further information, please visit https://www.gov.uk/government/organisations/government-legal-department/about#who-we-are

[18] Republic of France Ministry of Finance the Public Sector Accounting Standards Council. 2016. *Central Government Accounting Standards – Standard 13 – Commitments to be disclosed in the Notes of Financial Statements*.

derivative financial instruments and budgetary commitments)

- Second category is related to contingent liabilities arising from the role of Central Government as economic and social regulator. This category majorly represents the transfers that the Central Government has to make as the beneficiary cannot complete the task in reporting date.
- Third category is related to the contingent liabilities arising from litigation involving the Central Government's liability and obligations acknowledged by the Central Government, and;
- The final category is related to contingent liabilities arising from the pension payments of the Central Government to its current and former employees.

Germany: Export guarantees and debt guarantees are the only items considered as contingent liabilities.

United Kingdom: Contingent liabilities are divided into quantifiable and non-quantifiable contingent liabilities.
Quantifiable contingent liabilities are;

- Export guarantees and insurance policies,
- Clinical negligence,
- Taxes subject to challenge
- Transport infrastructure projects.

Unquantifiable contingent liabilities, on the other hand, are categorized as the following;[19]

- Legal claims,
- Commitments in relation to pension scheme deficits made by entities in order to provide pay for pension liabilities,
- Contingent liabilities for reinsurance arising from acts of terrorism which to cover damages in buildings or facilities as a result of terrorist attacks in the UK,
- Civil nuclear liabilities arising from the obligations of international nuclear arrangements and national atomic research,
- Asset transfers under Financial Assistance Scheme which replaces the government pension scheme,
- Contingent liability in relation to the Channel Tunnel which is to keep the land within the Channel Tunnel in a suitable condition[20],
- Payment guarantees given by the Department for Transportation in certain projects such as 3EMOTION Environmentally Friendly, Efficient Electric Motion Project; replacing regular London buses with fuel and hydrogen mix buses, and
- Life insurances of the Ministry of Defence personnel.

The analysis on three countries brings out different considerations on the contingent liabilities. France separates contingent liabilities under four categories as guarantees,

[19] HM Treasury. 2017. Whole of Government Accounts: Year Ended 31 March 2016.
[20] According to the Whole of Government Account, page 108, "The Department for Transport has a statutory liability under the Channel Tunnel Act 1987 that if, after termination of the Channel Tunnel concession, it appears to the Secretary of State that the operation of the tunnel will not be resumed in the near future, necessary steps shall be taken to ensure that the land is left in a suitable condition in accordance with the scheme."

transfers, lawsuits and pensions; whereas Germany has only two contingent liability categories including debt and export guarantees. Among the three, the UK is the most elaborative by gathering contingent liabilities under two main categories as quantifiable and non-quantifiable and expands each and every one of them further for better coverage.

In the case of contracts with demand guarantees: How does your central government account for contingent liabilities there?

Turkey: Demand guarantees and debt undertakings related to PPPs given by the Undersecretariat of Treasury are recorded and followed in memorandum accounts for the information of the entity and the MoF. There is no disclosure of these contingent liabilities.

France: Generally, the amount in the contract should be disclosed. Nevertheless, accounting for continent liabilities originated from arrangements involving demand guarantees should be based on the terms of an agreement. It is expected that each arrangement would have different accounting circumstances so that these conditions must be considered.

Germany: For demand guarantees, the general accounting principles for contingent liabilities hold, as well. If the contingent liability for the demand guarantee is remote then no contingent liability is disclosed. If the probability is more than 10% and less than 50%, a contingent liability would be accounted for.

United Kingdom: The department will apply *IAS 32 – Financial Instruments: Presentation* and *IAS 39 – Financial Instruments: Recognition and Measurement*. Based on the standards, the demand guarantee will be considered as a financial guarantee; so the entity will measure the guarantee at the product of the amount that may fall due under the guarantee and the likelihood that the recipient will call on the guarantee.

In terms of accounting for demand guarantee sourced contingent liabilities, the practices differ between countries. While France uses directly the amount written on the contract, the UK considers it as a financial guarantee and practices the instruction given in the appropriate standard, IAS 32 and IAS 39. Germany, on the other hand, uses the proximity rule for the amount and assesses the probability of an obligation to account demand guarantee related contingent liabilities.

How does your central government account for contingent liabilities in court cases?

Turkey: In the current situation, there is no accounting for contingent liabilities in court cases.

France: According to Standard 13, the probability of each case should be measured separately, and this measurement provides should be based on the best estimate method which provides an estimate falling with a range or the maximum amount of risk.

Germany: For court cases, the individual measurement principle in German public sector accounting applies, which means that each case has to be covered separately. Consistent with this principle, the probability for each court case would have to be determined on a case-by-case-basis.

United Kingdom: Similar to France, for the accounting of court cases, the probability of each case should be determined case-by-case separately. In this measurement, central

government in the UK applies IAS 37, Provisions, Contingent Liabilities and Contingent Assets and according to IAS 37.86 (a) for contingent liabilities the same measurement approach for provisions can be used. In this regard, the UK is using the best estimate method. The measured best estimate can either fall within a range of risk, i.e. when there are different probabilities for the expenditures required to settle the obligation or it could be the maximum amount of risk when the best estimate refers to a 100% probability for the full amount of expenditures required to settle the obligation.

In case of the contingent liabilities originated from legal proceedings, all three countries have the similar approach for their accounting. All of them measures the amount to be disclosed separately based on the dynamics of the lawsuit by getting assistance from experts of the field. Furthermore, their measurement, based on the best estimate method given in the standards, provides an estimate falling with a range or the maximum amount of risk.

3.3.2. Measurement of Contingent Liabilities

How does your central government measure contingent liabilities?

Turkey: MoF follows the instructions of the IPSAS 19 regarding the measurement of contingent liabilities. According to the standard, there is no measurement difference between contingent liabilities and provisions. All given methods for the measurement of the provisions; best estimate, risk estimation, present value, the impact of future events in the standard can also be used for the contingent liabilities as well. However, the complexity of the instructions stated in the standard cause difficulties in implementation.

France: The Central Government Accounting Standards acknowledges that measurement of contingent liabilities is not always possible; yet if it is possible to measure them, it would provide better information to the users, the Central Government itself. Accordingly, the Standard 13 states that each type of contingent liability has its own different way of measurement.

- For contingent liabilities based on the terms of agreement, there is no need for specific measurement. The amount in the contract, the total amount of guarantee, must be disclosed.
- For contingent liabilities related to the role of the Central Government as the economic and social regulator, mainly transfers; the measurement is based on an estimation of previous transfers.
- For contingent liabilities based on lawsuits, the measurement of a disclosure would provide an estimate falling with a range or the maximum amount of the risk;
- For contingent liabilities based on pensions, the disclosed amount is measured based on a method called the projected unit credit method which calculates "the present value of pension of retired employees and entitlements to pensions of current employees at the measurement date under the assumption that there are no changes in legislation."[21]

Germany: Germany follows a similar approach with IPSAS 19. Therefore, the measurement of contingent liabilities follows the same approach than the measurement of the provisions.

[21] Republic of France Ministry of Finance the Public Sector Accounting Standards Council. 2016. *Central Government Accounting Standards – Standard 13 – Commitments to be disclosed in the Notes of Financial Statements*. Page 190.

United Kingdom: Instead of having a method for the measurement of contingent liabilities, HM Treasury inserts a ceiling. Individually significant contingent liabilities are measured with a potential liability of at least GBP £3.0 billion. The ones above this figure are considered, and included in the calculations. Below figure depicts the quantifiable contingent liabilities above this threshold.

Table 2: Total number of quantifiable contingent liabilities

	2015-16 £bn	2014-15 £bn
Export guarantees and insurance policies	11.6	13.4
Clinical negligence	26.7	14.0
Taxes subject to challenge	49.1	35.6
Transport infrastructure projects	7.6	6.4
Other	9.3	7
Total quantifiable contingent liabilities	104.3	76.4

Source: HM Treasury, Whole of Government Accounts: Year Ended 31 March 2017.

For the measurement of contingent liabilities for disclosure, each analysed country uses a different approach. France follows a very structured method and displays measurement criteria for each contingent liability category; whereas the UK sets a threshold and differentiates quantifiable and non-quantifiable contingent liabilities based on this numerical ceiling. Germany, on the other hand, similar to the practices in Turkey, follows the instructions of the IPSAS 19.

3.3.3. Disclosure of Contingent Liabilities

How does your central government disclose contingent liabilities?

Turkey: Contingent liabilities are disclosed in the contingent assets and liabilities table and notes to the balance sheet.

France: There are two disclosure policies for contingent liabilities presented in French Central Government Accounting Standards.

- Objective and unequivocal amount for the contingent liability, and
- Detailed description of the contingent liability

First policy is preferred when the obligation cannot be measured properly at the reporting date, but it can be measured at the time of financial statements. If the obligation is totally unmeasurable, then detailed information on the contingent liability and related risks to it, second procedure, must be included to the notes.

According to these policies there are several different conditions which determine the type of disclosure;

- Obligation for the contingent liability must exist at the reporting date; even though its enforcement may be conditional (possible obligation). Then contingent liability should be disclosed in the notes of balance sheets.

- If the obligation becomes certain at the time of reporting; but there is no certainty for the outflow of the resource (improbable obligation); then contingent liability should be reported as off-balance sheet commitment.
- If both the obligation and the outflow of resources are certain (certain obligation), then a contingent liability should be recognized as a liability in Central Government balance sheet.

Germany: Similar to the practice in Turkey, contingent liabilities are disclosed in the notes of the balance sheet.

United Kingdom: Contingent liabilities are disclosed within the disclosure notes of the Whole of Government Accounts detailing in a table for each of the contingent liabilities categories.

Table 3: Detailed disclosure of quantifiable contingent liabilities

Department	Contingent liability	2015-16 Potential Liabilities £bn	2014-15 Potential Liabilities £bn
Department for Transport	The Department for Transport supports the delivery of the Cross Rail project, and has provided indemnities and assurances to parties carrying risks that they would be unable to bear	4.5	3.8
Export Credits Guarantee Department	The Export Credit Guarantee Department supported exports and investments through issuing and renewing guarantees and insurance policies. It issues guarantees and insurance against loss for, or on behalf of, exporters of goods and services and overseas investors from the UK, and supports the provision of fixed-rate export finance.	11.7	13.4
Department of Health	The Department of Health is the actual or potential defendant in a number of actions regarding alleged clinical negligence. In some cases, costs have been provided for or otherwise charged to the Department's accounts. In other cases, there is a large degree of uncertainty as to the department's liability and amounts involved.	26.5	14.0
HM Revenue and Customs (HMRC)	HMRC is engaged in a number of legal and other disputes which can result in claims by taxpayers against HMRC. This covers a range of cases, including Corporation Tax and VAT.	49.1	35.6

Source: HM Treasury, Whole of Government Accounts: Year Ended 31 March 2017.

In all three countries, contingent liabilities are disclosed in the notes of financial statements.

3.3.4. Reporting of Contingent Liabilities

How often does your country report contingent liabilities (monthly, quarterly or annual)?

Turkey: Reporting of contingent liabilities is made annually.

France: Reporting of contingent liabilities is made annually according to the French Central Government Accounting Standard.

Germany: External reporting of contingent liabilities is only made annually.

United Kingdom: The existing standards do not provide a timeframe for contingent liability reporting; however, they are reported annually for external reporting purposes.

In all three countries, reporting of contingent liabilities is made annually.

Does your country publish a financial statistics showing contingent assets and liabilities?

Turkey: Since 2015, a Contingent Assets and Liabilities Table is annually published by the MoF. It presents assets and liabilities that may arise for a public institution due to certain conditions in the future.

France: There is no such report published in France.

Germany: The German Federal Statistics Office reports solely debt guarantees and non-performing loans. No other contingent liabilities or contingent assets are reported.

United Kingdom: Quantifiable contingent liabilities (Table 2) categorised in a tabular format showing the amounts and published annually in Whole of Government Accounts are prepared by using ESA 2010 based statistical information. From these tables no stock data or flow data is deductible.

The three analysed countries differ from one another in terms of reporting contingent liabilities on financial statistical tables. While France has no such practice, Germany has a limited approach by reporting debt guarantees and non-performing loans. The UK, on the other hand, does not prepare a separate financial statistical table; but the data for the quantifiable contingent liabilities is developed by the Office of National Statistics.

3.3.5. Provisions

What does your central government consider as provisions?

Turkey: Currently, only severance allowances to Central Government workers are considered as provisions.

France: According to the Standard 12, at the face of the balance sheet Central Government differs between provisions for risks and provisions for liabilities. They include:

- provisions for all types of non-financial expenses (for instance, provisions for personnel expenses, for transfers, for restoration);
- provisions for risks, such as those related to litigation.

Germany: The property accounts in Germany differ between the following types of provisions;

- Provisions for pensions and similar obligations (mainly health allowances)
- Provisions for assumed guarantees
- Provisions for final payments for index-linked federal bonds
- Provisions for rehabilitation of old ecological burdens

United Kingdom: Currently, UK accounts for numerous provisions across all parts of the public sector. While the consolidated information on these provisions is given in the balance sheet, detailed information on them is given in notes of the Whole of Government Accounts.

Table 4: Provision Profile of the UK

	Nuclear decommissioning	Clinical negligence	Other provisions	2015-16 total	2014-15 total
	£bn	£bn	£bn	£bn	£bn
Within 1 year	3.6	2.3	8.8	14.7	14.9
Between 1 and 5 years	13.1	10.9	20.0	44.0	49.2
Thereafter	165.0	44.4	37.4	246.8	111.2
Total provision liability	181.7	57.6	66.2	305.5	175.3
Current provisions	3.6	2.3	8.8	14.7	14.9
Non-current provisions	178.1	55.3	57.4	290.8	160.4

Source: HM Treasury, Whole of Government Accounts: Year Ended 31 March 2017.

Major provision areas can be listed as the following;

- Provisions for nuclear decommissioning,
- Provisions for clinical negligence,
- Other provisions (including injury benefits, medical costs, criminal injuries compensation, legal costs, mine water treatment, public safety and subsidence, compensation payments for termination of employment and so on)

In all three countries, different items are considered as provisions. France divides provisions under two headings; provisions for non-financial expenses and provisions for risks. Germany makes provisions for pensions and similar obligations, assumed guarantees, final payments for index-linked federal bonds and rehabilitation of old ecological burdens. Finally, the UK has a broader understanding for provisions as making them from nuclear decommissioning to medical costs.

Does your central government account for provisions and contingent liabilities from social benefits?

Turkey: Currently, the central government does not account for provisions and contingent liabilities from social benefits in Turkey.

France: French Central Government account for provisions for short-term social benefits and cut-off purposes among social benefits.

Germany: Central government does not account for provisions and contingent liabilities from social benefits.

United Kingdom: Among other provisions category, there are provisions such as injury benefits, medical costs, criminal injuries compensation, and compensation payments for termination of employment which are related to social benefits.

Country practices for making provisions for social benefits differ from one another. Germany does not make any provisions in this regard. France makes in a limited fashion by only considering short-term social benefits and cut-off purposes among social benefits and the UK makes provisions for social benefits under a consolidated name; other provisions.

Does your central government pay termination benefits to workers and civil servants?

Turkey: In the current situation, Central Government does pay termination benefits to its workers; but not to civil servants.

France: The way the French civil servants employment system operates makes it rare to provide termination benefits.

Germany: The central government does not pay termination benefits to its employees. Instead, civil servants in Germany have a special health plan and they get an index-linked pension paid directly by the state.

United Kingdom: UK Central Government does pay termination benefits to employees. Termination benefits are paid to the individuals concerned using the arrangements for paying pensions, with the amounts being recharged to employers. As the arrangements for paying termination benefits and their recovery from employers may differ from scheme to scheme, the guidance is of a general nature and may need to be interpreted to reflect individual circumstances.

When the answers from each country are reviewed, it becomes clear that only one out of three countries, the UK, pays termination benefits for its workers and civil servants. Yet, no such practice exists in either in Germany or in France.

3.3.6. Clarification of IPSAS 19

Is there a calculation method for measuring contingent liabilities?

IPSAS 19 defines a percentage method for determining whether a spending is a provision or a contingent liability. According to this method, if the probability of occurrence of the spending is more than 50% then the entity needs to account for a provision and must recognize it in its balance sheets. If, on the other hand, this probability is between 5% and 50%, the spending must be treated as a contingent liability and it must only be disclosed in the notes of the balance sheet of the entity. Lastly, if this probability is less than 5%, which means its occurrence is remote, then nothing should be recognized nor disclosed.

How is the degree of probability determined in the method given in IPSAS 19?

In order to determine the likelihood of the outcome, IPSAS does not suggest a way instead leaves it to the implementing countries. The most common methods are;

- Using different techniques like ranges of outcomes and point estimates,
- Assessing evidences about economic circumstances that existed at the reporting date,
- Having advice from experts on the issue and previous examples/experiences

At which stage should contingent liabilities be recorded as provisions in financial tables?

A contingent liability must be recorded as provision, when according to IPSAS 19.22 the following occurs;

- a past event has created a present legal or constructive obligation,
- an outflow of resources embodying economic benefits or service potential required

to settle the obligation is probable,
- and the amount of the obligation can be estimated reliably

What is the best period of time for the reporting process for contingent liabilities?

According to IPSAS 1.66, financial statements should be reported annually. From this aspect, as being part of the reporting in financial statements, contingent liabilities should, also, be reported annually. From an internal risk management standpoint, however, a quarterly reporting is suggested by the experts during the second workshop as being appropriate.

Should the contingent liability be disclosed when the contract is signed or when the obligating event arises?

Disclosure of a contingent liability depends on the underlying transaction or the event. Generally, a contingent liability needs to be disclosed when the criteria for a contingent liability are fulfilled which is given in the definition of the contingent liability in IPSAS 19.18.

3.4. Financial Statements

There are five subtopics and six questions in the financial statements part. Consolidation and disclosure were identified as improvement areas for this topic. All of the questions in this part were answered based on the country analysis (France, Germany and the United Kingdom). In the country analysis, answers to the questions are also given for Turkey. The only topic that was considered to be high importance is the consolidation of financial statements.

The following subtopics will be focused in the financial statements part of the report:

1. Consolidation of financial statements
2. Institutions that are not incorporated as a separate legal entities and segment reporting
3. Prepared financial statements
4. ESA-based and GFS-based financial statistics

3.4.1. Consolidation of financial statements

What entities do central governments of selected countries include in the scope of consolidation? For example, are public banks or public enterprises included in the scope of consolidation? If public banks are included in the scope of consolidation, are they included according to the share of capital?

Turkey: Balance sheet, cash flow statement, net balance sheet, net financial balance sheet, functional classification table of expenditures, budget balance sheet and contingent assets and liabilities table are prepared by MoF as consolidated tables for general budget institutions, central government institutions, local governments and social security institutions. Central government institutions include general budget institutions, special budget institutions, regulatory and supervisory institutions, extra budgetary funds, extra budgetary other institutions, social facilities, and revolving funds. Since public banks and public enterprises in Turkey are not included in the scope of financial statistics, they are included in the consolidation on the basis of their capital shares.

France: The Central Government of France does not prepare consolidated financial statements.

Germany: Currently, the federal government in Germany does not prepare consolidated financial statements. The Standards of Government Accrual Accounting require applying the control criteria for determining the scope of consolidation. The question in Germany, for example, would be whether the central government controls the Bundesbank.

United Kingdom: Office for National Statistics prepares Whole of Government Accounts (WGA) that includes consolidated financial statements (based on ESA 2010). The list of entities included in consolidation is published on «Annex 1: List of entities consolidated in the Whole Government of Accounts» including some of the public banks, public entities and local governments. Public banks consolidated in the WGA are listed under the central government and central bank sectors/sub-sectors according to the Public Sector Classification Guide of Office for National Statistics. However, public banks that are listed under public other financial intermediaries are not included in the consolidation. For instance, Royal Bank of Scotland is recognized as an investment of government rather than being consolidated.

The financial statements consolidate a group of entities that appear to HM Treasury to exercise functions of a public nature or to be entirely or substantially funded by public money. This group includes central government departments, non-departmental public bodies, public corporations, local authorities, the National Health Service and the devolved administrations. The Whole of Government Accounts (WGA) boundary is compared to the Office for National Statistics (ONS) classification of the public sector to ensure the accounts are consistent and comparable to other measures of financial performance, such as the National Accounts. There are areas where the boundary diverges from the ONS classification, most significantly the exclusion of public other financial intermediaries such as Royal Bank of Scotland (RBS), and further details are provided in the critical accounting policies in note 2. [22]

To sum up, only UK prepares consolidated financial statements on a central level. Neither Germany nor France does prepare consolidated financial statements. In the so-called "Whole-of-Government" accounts in the UK, some of public banks, public entities and local governments are included in the scope of consolidation. The main criteria used for determining the scope of consolidation is control. The only exception in the UK is the Royal Bank of Scotland (RBS). Despite the fact that the government holds 72 percent of the share capital the government accounts for the entity as an equity investment. This is justified based on the arguments that the scale and the nature of RBS's activities would distort the reflection of government's core activities within the financial statements.

3.4.2. Institutions that are not incorporated as a separate legal entities and Segment Reporting

Are institutions that are not incorporated as a separate legal entities accepted as reporting units[23]? If yes, what financial statements these institutions prepare?

Turkey: Institutions that are not incorporated as a separate legal entities[24] are accepted as reporting units. They have to prepare a balance sheet and statement of operation results annually. Furthermore, these institutions publish other financial statements (according to regulations) on a monthly basis.

France: Institutions that are not incorporated as a separate legal entities are not accepted as reporting units. According to the conceptual framework of central government accounting standards, the definition of the scope of the reporting unit is linked to the existence of a legal entity.

Germany: Institutions that are not incorporated as a separate legal entities are not accepted as reporting units. Such financially controlled public institutions would also be within the scope of the central government or the Ministry which they are part of.

United Kingdom: The Government Financial Reporting Manual of United Kingdom applies to all institutions ('reporting institutions'), and to funds, flows of income and expenditure and any other accounts (referred to collectively as 'reportable activities') that are prepared on an accruals basis and consolidated within Whole of Government Accounts (with the

[22] www.gov.uk/government/uploads/system/uploads/attachment_data/file/627535/Whole_of_Government_Accounts_2015_to_2016_WEB.pdf (pg. 61-64)
[23] Reporting units: It is a government or other General Government organization, program or identifiable area of activity (hereafter referred to as an entity or public sector entity) that prepares general purpose financial reports.
[24] These are general budget institutions which are unable to earn income, assets or are unable to borrow.

exception of the accounts of any reportable activities that are not covered by an Accounts Direction).

The annual report and accounts comprise:

- The Performance Report;
- The Accountability Report;
- The Financial Statements; statement of comprehensive net expenditure, statement of financial position, statement of cash flows and statement of changes in equity.

Reporting entities must prepare and publish an annual report and accounts as a single document unless the relevant authorities have specifically agreed otherwise. Therefore, institutions that are not incorporated as a separate legal entities are accepted as a reporting entity in the United Kingdom.

Consequently, in Germany institutions that are not incorporated as a separate legal entities are not accepted as reporting units. No separate financial statements are prepared for them. On the other hand, these entities are accepted as reporting units in the UK. Prerequisite for a reporting unit in France is the existence of a separate legal entity. As Central Government departments, establishments and institutions are not incorporated as separate legal entities in France, no separate financial statements are prepared for them.

Do selected countries apply segment reporting according to IPSAS 18? If yes, what is the methodology by doing that?

Turkey: Segment reporting is generally applied in Turkey and regulation on general government accounting complies with IPSAS 18.

According to IPSAS 18, if consolidated financial statements of economic entity and separate financial statements of the controlling entity are presented together, segment information is required to be presented only on the basis of the consolidated financial statements. Segment reporting requires entities to report on segments on a basis appropriate for assessing the past performance of entity with regards to reach its targets and make decisions about the future allocation of resources. A primary and secondary segment reporting structure might be accepted with disclosures made about secondary segments. Segment information should be based on the same accounting policies as the consolidated institution or entity. Assets that are jointly used by two or more segments must be allocated to segments if, and only if, their related revenues and expenses are also allocated to those segments. If a segment is identified as a segment for the first time, prior period segment data that is presented for comparative purposes should be restated to reflect the newly reported segment as a separate segment.

France: France's Central Government Accounting Standard 16 - (Segment Reporting) is based on existing international standard; namely IPSAS 18 Segment Reporting and also IFRS 8. France segmentation approach is based on missions, which corresponds to major policies. France identifies international public institutions, capital markets and investors in debt securities as further main user groups for segment reporting.

Germany: Germany does not present segment information. In Germany, segment reporting is only required at state or federal government level if a public sector entity prepares its budget based on outputs (products). For instance, the City of Hamburg reports segment

information only in terms of the statement of financial performance and in accordance to the budget structure.

United Kingdom: UK applies segment reporting according to IFRS 8, *Operating Segments*. Entities should provide an analysis of its operating segments, products and services, the geographical areas in which they operate, and their major customers in accordance with the requirements of IFRS 8.

IFRS 8 is interpreted for WGA in the following ways[25]:

i) the requirement to report separately information about each operating segment will be met by following the sub-sector classification (central government, local government and public entities) used by the Office for National Statistics in the National Accounts prepared under the European System of Accounts (ESA 10). Parts of entities classified in the National Accounts to a different sector from the classification of the main part of the entity should be classified with the main part of the entity;

ii) the requirement to report information about profit and loss for each reportable segment will be met by reporting taxation revenues, operating expenditure, other operating income, operating surplus, surplus / (deficit) on the disposal of fixed assets, interest receivable and similar income, interest payable and similar charges and the surplus or deficit for the year within the reportable segments identified in i) above;

iii) the requirement to report information about assets and liabilities for each reportable segment will be met by reporting total non-current assets, current assets, current liabilities, long-term borrowings, long-term provisions (excluding pensions provisions), other non-current liabilities, pensions provisions and the total net assets at the statement of financial position date within the reportable segments identified in i) above;

iv) the information defined in ii) and iii) above shall be reported, for each reportable segment, after the elimination of all transaction streams and balances internal to that segment. Consolidation adjustments for transaction streams and balances between segments shall be removed from each column to indicate the net contribution by sector; and

v) no information requires to be given about services or products, geographical areas or major customers.

UK presents segment information based on IFRS 8, whereas France provides segment information based on IPSAS 18, Segment Reporting and also IFRS 8. Germany does currently not apply segment reporting. In the UK Whole of Government Accounts, it is differed between Central Government, Local Government and Public Corporations as segments. In France, segmentation is based on missions, which corresponds to major policies. In Germany, segment reporting is only required at state or federal government level if a public sector entity prepares its budget based on outputs (products), which is currently the case for some state governments.

3.4.3. Prepared Financial Statements

What financial statements do central government's general budget institutions of selected countries prepare? Which financial statements included in IPSAS 1 are published in selected countries?

[25] HM Treasury, The Financial Reporting Manual 2017-18, Part 10.2, 2016

Turkey:

Main Financial Statements:

- Balance Sheet
- Cash Flow Statement
- Statement of Operation Results

Other Financial Statements:

- Table of Budget Implementation Results
- Table of Economic Classification Income
- Table of Institutional Classification of Expenditure
- Tables of Economic Classification Expenditure
- Table of Economic Classification of Budget Income
- Table of Institutional Classification of Budget Expenditures
- Table of Functional Classification of Budget Expenditures
- Table of Financial Classification of Budget Expenditures
- Table of Economic Classification of Budget Expenditures
- Table of Budget Expenditures and Appropriations

Explanatory notes to be included in the scope of IPSAS 1 are also included for the above tables. In addition, it is prepared *Final Account* each year for submission to the Turkish Parliament in cooperation with the General Directorate of the Public Accounts and the institutions. *Final Account* includes *Comparison of the Budget and Actual Amounts* of the current year with the data of previous two years. *Comparison of the Budget and Actual Amounts* is required to be prepared by Central Governments according to IPSAS 1. In the current situation, *Comparison of the Budget and Actual Amounts* and *Changes in Net Assets/Equity* is not included in the Regulation on General Government Account. However, these statements are going to be included in the regulations at January 1, 2018 within scope of the IPSAS harmonization of Turkish legislations.

France: General budget institutions do not prepare separate financial statements. The Central Government as a whole publishes:

- Balance Sheet is presented as a statement of net assets/equity
- Surplus/deficit statement is presented in three parts:
  - A net expenses statement
  - A net sovereign revenues statement
  - A net operating surplus or deficit statement for the period
- Cash flow statement that distinguishes between flows from:
  - Operating activity
  - Investing activity
  - Financing activity

All financial statements published according to France's public sector accounting standards are included in IPSAS 1.

Germany: Germany's general budget institutions do not prepare separate financial statements. They all fall under the scope of the Central Government. The Central Government as a whole publishes:

- Property Account (Balance Sheet)
- Budget execution report on the cash basis

These two statements are included in IPSAS 1.

United Kingdom: HM Treasury and reporting entities publish the following financial statements:

- Statement of Revenue and Expenditure
- Statement of Comprehensive Income and Expenditure
- Statement of Financial Position
- Statement of Changes in Taxpayers' Equity
- Statement of Cash Flows

All financial statements published by HM Treasury are included in IPSAS 1.

In Germany and in France, central government's general budget institutions do not prepare separate financial statements. In the UK, central government's general budget institutions prepare the financial statements that are required by IAS 1. In the UK, the central government prepares financial statements in accordance with IAS 1. Therefore, other than under IPSAS 1 a Statement of Comprehensive Income and Expenditure is prepared. IAS 1 does not require a comparison of budget and actual amounts. The French Central Government does not prepare a statement of changes in net assets/equity. A comparison of budget and actual amounts are not included in the financial statements. However, France publishes a separate budget execution report. Germany is the country which is the least in compliance with the requirements in IPSAS 1. Only a balance sheet is prepared. No cash flow statement, no statement of financial performance and no statement of changes in net assets/equity are presented. As in France, a budget execution report is issued separately to the financial statement.

3.4.4. ESA Based and GFS Based Financial Statistics

Who is responsible within selected countries' central government for the preparation of ESA-based and GFS-based financial statistics?

Turkey: While the Turkish Statistical Institute prepares ESA-based financial statistics, GFS-based financial statistics are prepared by MoF General Directorate of Public Accounts.

France: The French National Central Bank (Banque de France) prepares ESA based financial statistics. The French National Institute of Statistics and Economic Studies which is a Directorate-General of the Ministry for the Economy and Finance prepares GFS based financial statistics.

Germany: Federal Statistical Office prepares ESA based financial statistics. The German Bundesbank (Central Bank) is in charge of reporting against the IMF.

United Kingdom: Office of National Statistics prepared ESA based financial statistics according to the National Accounts prepared under the European System of Accounts (ESA 10). Although Office for National Statistics compiles and published GFS based financial statistics, HM Treasury prepared GFS based financial statistics. Whole of Government Accounts (WGA) consolidates the audited accounts of over 6,000 organizations across the public sector in order to produce a comprehensive and accounts-based picture of the financial position of the UK public sector. The Whole of Government Account by HM Treasury is based on International Financial Reporting Standards (IFRS), the system of accounts used internationally by the private sector.

In the UK and in Germany the statistical offices are in charge of the preparation of the ESA financial statistics, whereas in France the National central bank, Banque de France is responsible. Responsibilities for the GFS-based financial statistics are with different institutions in all three countries (UK: HM Treasury, France: The French National Institute of Statistics and Economic Studies, INSEE, and Germany: Deutsche Bundesbank).

3.5. Tax and Budget Practices

There are six subtopics and six questions in the tax and budget practices part of the report. Year shifts, record periods, and absence of statistical methods are improvement areas on this topic. Most of the questions were answered based on the country analysis (France, Germany and United Kingdom) and two of them are answered based on IPSAS guidance (IPSAS 23, *Revenue from non-exchange transactions*). In the country analysis, answers to the questions are also given for Turkey. IPSAS 23 and accounting for corporate tax, personal income tax, and VAT are the topics that have high importance in tax and budget practices in view of the MoF.

In the tax and budget practices part, it will be focused on the following subtopics:

1. IPSAS 23
2. Accounting for tax revenues
3. Statistical methods
4. Factors constitute the expenses and expenditures
5. Using reverse entry to close accrual record
6. Comparison of budget and actual results and basis of budget preparation and comparison

3.5.1. IPSAS 23

Do selected countries' central government apply IPSAS 23? Do selected countries have an application for collecting taxes in the form of prepayment under IPSAS 23? If yes, how do they account?

Turkey: Because tax revenues are accounted when the taxable event occurs and they have been already accrued and collected within the year which is very similar to instructions in IPSAS 23, it would be appropriate to state that the Central Government of Turkey substantially applies IPSAS 23.

France: According to IPSAS 23, a tax declaration approach is applied. Even though a tax declaration approach is applied in France, statistical methods for revenue recognition are not applied. Therefore, Central Government of France does not apply IPSAS 23.

Germany: The German Federal Government does not apply IPSAS 23.

United Kingdom: Some taxes are accounted based on statistical methods in the United Kingdom. Therefore, tax practices of Central Government of UK are substantially in compliance with IPSAS 23.

3.5.2. Accounting for tax revenues

At what point in time do selected countries' central government account for corporate tax, personal income tax and VAT?

Turkey: Income from income taxes is recognized in the period when accrue occurs. In terms of the budget, recognition is made when collections are made, for example when cash is received. During the declaration period, the activity is transferred to the operating account and the income is recorded as budget revenue when collection is made.

There is no difference between accounting processes of corporate tax and income tax. Furthermore, tax revenues are substantially recognized when taxable event occurs. Amounts that are declared next year are adopted to the previous year's financial statistics throughout the DMS 14 "Events after the reporting date".

France: Gross revenues and the Central Government's liabilities arising from **corporate income tax** are recognized in the financial statements for the year in which returns reporting taxable income and deductions are filed. Instalment payments received for corporate income tax are recognized in the balance sheet until the final assessment of the tax owed is made.

Gross revenues and the Central Government's liabilities arising from **personal income tax** are recognized in the financial statements for the year in which the taxpayers file returns reporting taxable income. Instalment payments received for personal income tax are recognized in the balance sheet until the final assessment of the tax owed is made.

Gross **VAT** revenues and credits are recorded in the year in which the VAT becomes due.

Germany: German central government accounts all of tax types when cash is received.

United Kingdom: All kinds of taxes (corporate tax, personal income tax and VAT) and duties are measured at the fair value of the consideration received or receivable net of repayments. Revenue is recognized when: a taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to HMRC.

3.5.3. Statistical methods

Do selected countries' central governments use statistical methods for the revenue recognition of taxes? In case they are using statistical methods for the revenue recognition of taxes: How do they account for corrections of actual tax revenue in subsequent periods?

Turkey: Statistical methods for the revenue recognition of taxes are not used.

France: Statistical methods for the revenue recognition of taxes are not used.

Germany: Statistical methods for the revenue recognition of taxes are not used.

United Kingdom: Statistical methods for the revenue recognition of taxes are used in the UK. Some of the accrued revenue receivables figures and other items are subject to statistical estimation of the forecast. Corrections of actual tax revenue are made according to IAS 8 which is similar standard with IPSAS 3. The reason behind the applying IAS 8 in the UK is to calculate the tax revenues with statistical methods.

If there is certainty between the closing of the year and the final preparation of financial statements, IPSAS 14 could be applied for correction. If there is a difference between incurred values and recognized values, it will be the correction of the another year.

Neither the French nor the German government applies IPSAS 23. Also, the UK has stated that they do not apply IPSAS 23. However, given the fact that the UK uses statistical methods for the revenue recognition for some of the accrued revenue receivables and applies the taxable event approach, UK is very close to what IPSAS 23 requires. For the correction of actual tax revenue in subsequent periods UK uses IAS 8. Under IPSAS the equivalent standard would be IPSAS 3.

3.5.4. Factors constitute the expenses and expenditures

What can be factors that constitute tax expenses and expenditures?

IPSAS 23.71 states that taxation revenue shall be determined at a gross amount. It shall not be reduced for expenses paid through the tax system. Government uses the tax system as a convenient method of paying to taxpayers benefits that would otherwise be paid using another payment method, e.g. health insurance premiums. EY has found that expenses paid through the tax system are not common in the European tax systems. In the workshop it was confirmed that this is also not the case in Turkey.

With regards to tax expenditures IPSAS 23.73 provides that taxation revenue shall not be grossed up for the amount of tax expenditures. Tax expenditures are concessions given by the government to the taxpayers to influence certain behavior of the tax payer, e.g. the deduction of interest paid for mortgage. Generally said, taxation revenue should be recorded net of tax expenditures.

3.5.5. Using reverse entry to close accrual record

Is the accrual record closed by doing reverse entry?

- A reverse entry is only required in the case when a statistical model is applied for the accounting of revenue from taxes.
- Given the fact that estimates are used in applying the statistical models, IPSAS 23.69 states that IPSAS 3 applies in such cases.
- According to IPSAS 3, changes in accounting estimates would have to be accounted for prospectively by including it in surplus or deficit in the period of the change.

The figure below shows the journal entries for such changes in accounting estimates.

Figure 2: Journal Entries[26]

Journal Entries		
a) In case that the tax revenue estimate was too high	→	DR tax revenue CR tax receivables
b) In case that the tax revenue estimate was too low:	→	DR tax receivables CR tax revenue

3.5.6. Comparison of budget and actual results and basis of budget preparation and comparison

Do central governments of selected countries provide a comparison of budget and actual results in their financial statements? If yes, on what accounting basis is that comparison made?

Turkey: Budget execution table for presenting budget results, budget expenses and allowances table for comparing allowances and actual results are published as a consolidated. *Final Account* is the detailed version of these tables and is presented to the

[26] DR: Debit Record; CR: Credit Record

Turkish Parliament. Furthermore, the financial tables of the central government of Turkey include the *Comparison of the Budget and Actual Amounts*. Three year budget executions are shown in particular tables. However, according to Regulation on General Government Accounting, *Comparison of the Budget and Actual Amounts* is not included in the financial statements. *Comparison of the Budget and Actual Amounts* will be included in the financial statements by the legislative arrangements at January 1, 2018. For the preparation of the *Final Account*, the cash basis is applied.

France: France central government provides a comparison of budget and actual amounts according to budgetary accounting. Either as separate additional schedule in the financial statements or as a budget column in the financial statements are used. Annually, this comparison appears in a dedicated document, submitted to the Parliament in the context of the review act. Moreover, notes to the financial statements content information on the linkage of accrual-based general-purpose financial statements to cash-based budget accounts. It means budget comparison is made based on the cash basis.

Germany: German central government provides a comparison of budget and actual amounts. Comparison is made on the cash basis**.** The "Haushaltsrechnung" is issued as a separate report.

United Kingdom: UK central government provides a comparison between budgeted and actual amounts. Comparison of budgeted and actual amounts is applied, either as separate additional schedule in the financial statements or as a budget column in the financial statements within individual government departments. Budget comparison is made based on the accrual basis.

What basis do selected countries prepare their budget? (Cash basis or accrual basis)

Turkey: Budget is prepared on a cash basis in Turkey.

France: France Central Government prepares its budget on a cash basis.

Germany: Germany Central Government prepares its budget on a cash basis.

United Kingdom: Budget is prepared on an accrual basis in the UK.

Selected countries present comparison of budgeted and actual amounts table. Among these countries, while the UK prepares its budget on an accrual basis, Germany and France prepare their budget on a cash basis as Turkey does. Starting from this point of view, the UK makes the budgeted and actual results comparison on an accrual basis, Germany and France make this comparison on a cash basis.

4. Case Studies

Public-Private Partnerships are one of the priority areas of the MoF due to an increasing number of service concession arrangements in Turkey. Therefore, questions by the MoF related to PPPs have been treated by a more in-depth approach and been answered through detailed case studies on selected countries. EY research has found that United Kingdom and New Zealand are the most advanced with regards to the accounting for PPPs. Consequently, these countries were taken for the case study. One of the main objectives of the case studies is to focus especially on the grant of a right to the operator model in accounting for PPPs.

Throughout this analysis, the treatment of service concession arrangements/PPPs in General Government accounting and their treatment in national accounts/finance statistics were studied in detail and practices were conveyed as an integrated structure. In this context, 24 questions were answered, available in the Annex: 2, under eight sub-topics, all considered as having high importance.

The report focusses on the following subtopics in the PPPs part of the report:

1. Standards for PPPs
2. Reporting of PPPs
3. Recognition of PPPs
4. Demand Guarantees
5. Measurement of PPPs
6. Responsibilities of Operator and Grantor
7. Risk and Return Approach
8. PPPs and Financial Statistical Tables

4.1 United Kingdom

4.1.1 Standards for PPPs

IFRS is the primary public sector accounting framework in the UK. IPSAS instructions are only used as secondary sources when IFRS cannot provide necessary answers. That is why, UK Central Government does not refer to the control approach in IPSAS 32 in determining whether the agreement is a service concession arrangement or not, unless the grantor can decide it by using the control conditions in IFRIC 12. These two IFRIC 12 control tests are:

- The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- The grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the infrastructure at the end of the term of the arrangement.

In the UK, the grantor accounts for a service concession asset and a liability or deferred revenue balance if the two IFRIC 12 control tests apply to the arrangement. For accounting for PPPs, United Kingdom Central Government applies IAS 16: Property, Plant and Equipment to the service concession asset which is similar to IPSAS 32 – Service Concession Arrangements: Grantor, under which the grantor records the infrastructure assets according to IAS 17.

As mentioned above, the UK approach generally corresponds to the IPSAS 32 approach. The only difference between them is simply on the measurement of the financial liability through

the use of the interest rate. Normally, the financial liability related to service concession arrangement would be measured under IPSAS 29. This would imply the use of the effective interest method. However, in the UK, as the operator has a financial asset the grantor measures a long term liability using the same principles as under IAS 17 rather than as a financial liability. This means that the liability profile differs because the implicit lease interest rate is net of any price indexation once the grantor has deducted the fair value of services from the cash it pays to the operator.

On the other hand, IAS 17 – Leases that is equivalent to IPSAS 13 is applicable if the first IFRIC 12 control test apply to the arrangement and the second IFRIC 12 control test "The grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the infrastructure at the end of the term of the arrangement" does not apply to the arrangement. In these circumstances, United Kingdom applies IFRIC 4 – Determining Whether an Agreement Contains a Lease and IAS 17 – Leases. No differences were found between these practices and IPSAS.

4.1.2 Measurement of PPPs

This section provides analysis of the initial measurement based on fair value and subsequent measurement in the scope of service concession assets. To begin with, data on the fair value of the service concession asset is typically available in the case of the UK. The basis of the fair value of PPE is available since the acquisition of the project requires detailed financial models from all bidders. The assumption made here is that the service concession arrangement is a fixed price construction contract in which the operator is required to fix the price for building the asset by taking the risk on that price. In that way, the grantor does not need to compensate the operator for any other changes in the price after signing the contract. In the case when the data for the initial measurement of fair value is not available, independent valuation of PPE would be used.

Furthermore, in terms of subsequent measurement of the service concession assets, the grantor measures for them as any other PPE, i.e. under IAS 16, *Property, Plant and Equipment*. The aim of the accounting here is to show that the grantor has the asset and how the asset is funded. The critical point is to demonstrate how the grantor is funding the payment of the asset rather than the asset itself.

All in all, the data for the initial recognition of the fair value of service concession assets are typically available in the UK. The subsequent measurement of the service concession assets is done in line with other types of PPE.

4.1.3 Recognition of PPPs

In the UK, property, plant and equipment is typically recorded by the public sector entities when the operator completes the construction. There is no specific guidance on when exactly the recording is done. However, IAS 17-*Leases* is applied for the recognition of a finance lease when the asset is available for use. The PPE is not measured reliably during the construction phase and thus it does not meet the recognition criteria under IAS 16-*Property, Plant and Equipment*. This is due to the financing structure of the project; there is no payment made from the grantor to the operator until the asset is available for use. Consequently, there is no sufficient visibility of the value of the work in progress in construction.

The grantor provides disclosures to the service concession arrangement when the contract is signed with the operator. The disclosures of the service concession arrangement includes the following:

- The amount that the grantor anticipates for the opening value of the PPE
- Schedule of cash payments
- Interest charge
- Costs of service for 5 year periods

All in all, in the UK the service concession asset is typically not recorded during the construction phase of the agreement since it cannot be measured reliably. On the other hand, the grantor discloses the service concession arrangement in the year that the contract is signed.

4.1.4 Reporting of PPPs

United Kingdom records PPP assets and liabilities on balance sheet if the two IFRIC 12 control criteria are fulfilled. If the grantor pays the operator for the PPE by granting a right to charge users, it records a deferred revenue balance as a result of the exchange of PPE for the intangible that the operator receives – in this case the deferred revenue balance also falls on balance sheet to match the PPE. This corresponds to IPSAS 32's grant of a right to the operator model. Furthermore, there might be cases in the UK where PPPs are presented off-balance sheet. The accounting guidance does cater for off-balance sheet PPPs by requiring disclosure of the payments that the grantor expects to make in five yearly bands. However, as practice of IFRIC 12 control tests and contract terms almost invariably allow the grantor to obtain the property either for nil on expiry or for an open market value, and determine how to use the property during the arrangement's term, there is no available off-balance sheet recording of PPPs.

Another issue on reporting of PPPs is the question whether there is a separate reporting of PPPs in jurisdictions. In the United Kingdom, there is no separate report on PPPs that includes financial information and various analysis. However, HM Treasury publishes, publicly available, annual Public Finance Initiative and Private Finance 2 Project: Summary Data reports which include the list of new projects, continuing projects and completed projects, estimated future payments, and top grantor institutions. In addition, within the Whole of Government Accounts, detailed information about PPPs is shared with the public. The analysis consists of the net present value of future obligations, finance lease charges, and consolidated future obligations for the grantors. The following tables show some examples on reporting on PPPs in the UK taken from the Whole of Government Accounts:

Table 5: Details of the imputed finance lease charges based on PFI contracts

Obligations for future periods arise in the following periods:	**2015-16 £bn**	2014-15 £bn
No later than one year	4.6	4.7
Later than one year and not later than 5 years	17.0	17.3
Later than 5 years	57.7	59.5
Sub-total	79.3	81.5
Less interest charges allocated to future periods	(38.8)	(40.4)
Net present value of obligations	40.5	41.1

Source: HM Treasury, Whole of Government Accounts: Year Ended 31 March 2017.

Table 6: The PFI obligations by segment of government

	2015-16 £bn	2014-15 £bn
Central government departments and entities within the NHS	43.8	44.4
Local authorities	34.0	35.6
Public corporations	1.5	1.5
Gross present value of future finance lease obligations	79.3	81.5

Source: HM Treasury, Whole of Government Accounts: Year Ended 31 March 2017.

4.1.5 Demand Guarantees

Even though the demand guarantees are typically given within the grant of a right to the operator model, the guarantees provided in the UK are not within this context. The guarantees provided are accounted for in the scope of the financial liability model under IPSAS 32. In the UK, the grantor provides guarantees by paying for the use of PPE until the level of the guarantee. The grantor then makes additional payments depending on the volume of use. The grantor does not recognize a separate item for the guarantee since the payment is already within the liability. The operator makes the corresponding record as a financial asset under IFRIC 12-*Service Concession Arrangements*. If the payment differs with demand and includes a minimum payment level, then the accounting treatment by the grantor is comparable to an availability payment. The corresponding record made by the grantor is a long-term liability under IAS 17-*Leases*.

On the other hand, if the grantor provides guarantees by "topping up" revenue from third parties when the demand is lower than the guarantee, then the corresponding record made by the grantor is a financial guarantee according to IAS 39-*Financial Instruments: Recognition and Measurement*. Furthermore, the total amount of the guarantee does not equal to the amount of the possible abandoned future income in the case of the UK. Instead, the financial guarantee would equal to the present value of the difference between the actual income and guaranteed income. The financial guarantee is recorded at fair value as the guarantee begins. In the cases when the demand is below the guarantee, the grantor should account for a liability that equals to the difference between the demand generated by the operator and the guarantee. The liability is comparable to any trade creditor and it would be discharged when the payment is made by the grantor. However, this type of guarantee is not implemented for PPPs in the UK.

In the central government of the UK, it is determined whether contingent liabilities or provisions are disclosed or not for the guarantees provided in the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The only difference between the current practice and IAS 37 is the prescribed discount rates for any provision with a term of more than one year. Contingent liabilities and provisions are generally not disclosed under normal contract terms. Future commitments for the service concession assets are usually disclosed by grantors in a similar way with operating and finance lease disclosures and the grantor records a liability in the balance sheet or a deferred revenue balance. The liability is comparable to the financial liability model under IPSAS 32 yet the measurement is done similar to a finance lease according to IAS 17. The deferred revenue is comparable to the grant of a right to the operator model and the balance is reflected in the balance sheet as a

long term credit. However, the grantor does not consider it as a liability but rather the exchange of dissimilar assets in the scope of IAS 18. If there are any contingent liabilities disclosed for the service concession assets, the grantor discloses them as any other contingent liability.

To sum up, the guarantees provided in the UK are applied in the scope of the financial liability model and the grantor records a liability or a deferred revenue balance on the balance sheet.

4.1.6 Responsibilities of Operator and Grantor

In the UK, responsibilities of the operator and the grantor are determined under the terms and conditions of the contract. Yet, just like the general framework for the grantor is set by some standards like IAS 16 or IAS 17, the general framework for the duties of the operator in a service concession arrangement is determined by standards, as well. In this context, operators either practice *IFRIC 12 – Service Concession Arrangements* or *Financial Reporting Standard 2 (FRS 102) - The Financial Reporting Standard Applicable in the UK and Republic of Ireland*.

FRS 102 actually applies the principles of IFRIC 12 directly. Despite this main similarity, FRS 102 enables operators to the policies that they previously applied before transitioning to FRS 102 if they had reached financial close on the project before that date. Under those circumstances, operators may have recorded PPE or a financial asset depending on their view of the project's risk allocation. Therefore, depending on their risk allocation, while most UK service concession operators record financial or intangible assets under IFRIC 12 principles, some operators will record PPE by using FRS 102.

In the UK, grantors determine whether the control criteria under IFRIC are met. If the criteria is not fulfilled, then other accounting standards may be used. The accounting treatment differs according to whether the financial liability model or the grant of a right to the operator model is in place. The first case is when the financial liability model is in place and the first control criteria is not fulfilled and the second criteria is. In this case, the asset is not recorded by the grantor. However, the grantor allocates cash payments to profit and loss less an amount to build the prepayment of the residual value of the asset. The grantor sometimes buys the asset at the open market value and in this case the grantor does not build the prepayment.

The second case is when the first criteria applies but the second one does not. In this case, if there is a lease under IFRIC 4, then the accounting treatment is done according to IAS 17. PPE or liability is not recorded by the grantor when there is no finance lease.

In addition to that, when the grant of a right to the operator model applies and either one of the two criteria is not fulfilled, service concession asset is not recorded on the balance sheet by the grantor. However, any other costs incurred for the service concession asset are accounted for in the scope of the related IFRS.

Last but not the least, the financial reporting between the grantor and the operator depends on the provisions of the contract. The operator reports the grantor the following items:

- The amount due within the financial liability model, notified annually
- The invoice of penalties regarding non-availability, notified monthly

To sum up, the responsibilities of the operator and the grantor depend on the individual contract. Based on the mirror approach, the control criteria adopted in IFRIC 12 are applicable and the accounting treatment varies according to whether the financial liability model or the grant of a right to the operator model is used.

4.1.7 Risk and Return Approach

United Kingdom follows European System of Accounts (ESA) 2010 for financial statistical reporting. It uses same risk and return factors for all types of PPPs/service concession arrangements. For the purpose of classifying PPPs in national accounts and in order to simplify the analysis, three main categories of risks have been selected.[27]

- ***Construction risk*** covers events related to difficulties encountered during the construction phase and to the state of the involved asset(s) at the beginning of the services. In practice it is related to events such as late delivery, non-respect of specified standards, material financial additional costs, legislation and environmental issues, technical insufficiency, and external harmful effects (including environmental risk) that trigger compensation payments to third parties.
- ***Availability risk*** covers situations where, during the operation of the asset, the responsibility of the partner is called upon, because of insufficient management, resulting in a volume of services lower than what was contractually agreed, or in services that do not meet specified quality standards in the contract.
- ***Demand risk*** covers the variability of demand (higher or lower than expected when signing the contract), independent of the performance of the private sector partner. In other words, the shift in demand cannot be directly linked to the inadequate quality of the services provided by the private partner. However, the quantitative and qualitative deficiencies have an impact on the effective use of the service and in some cases exert an eviction effect, but this primarily result from a poor management of the availability risk. Instead, the business cycle should be driven by other factors such as new market trends, a change in end user preferences, or technological depreciation. This is part of a usual "economic risk" borne by private entities in a market economy.

To assess the risk and return factors in practice, the government assesses the conditions of mentioned risk factors by looking at the terms and conditions of the arrangement. Based on its own judgment, PPPs are recognized either on the balance sheet of the operator or the government. If

- the construction risk is borne by operator,
- one of the availability or demand risks is again borne by the operator or under the terms of the contract, both the availability and demand risks are borne by the operator,
- the government does not incur the risks through means like government financing, government guarantees and early redemption clauses,

the asset is recognized on the balance sheet of the operator and "the treatment of the PPP would be similar to the treatment of an operating lease in national accounts; it would be classified as a purchase of services by government".[28]

[27] Eurostat, Implementation of ESA 2010, 2014
[28] Eurostat. 2016. *Manual on Government Deficit and Debt Implementation of ESA 2010*. Luxemburg, 2016. Page 333.

On the other hand, if even one of these conditions is not met or the government gets majority of the rewards, determined by the judgment of the grantor, then the asset is recognized on the balance sheet of the government. Then the treatment would be similar to a financial lease in national accounts.

4.1.8 PPPs and Financial Statistical Tables

Following the statements prepared by HM Treasury to provide information on PPPs:

- Statement of Revenue and Expenditure,
- Statement of Comprehensive Income and Expenditure,
- Balance Sheet,
- Statement of Changes in Taxpayers' Equity, and
- Statement of Cash Flows.

National Accounts, Public Sector Finances, and Eurostat - UK Government debt are financial statistics prepared and published by Office for National Statistics.

- Liabilities related to private-public partnerships (PPPs) recorded off-balance sheet of government,
- FA: F.423 PR asset: level: Finance Leasing including PFI/PPP, and
- FA: F423 PR asset: flow: Finance Leasing including PFI/PPP

are some of these financial statistics. Presenting the related amount of the PPPs in the liabilities table and contingent liabilities table depends on either;

- there are any contingent liabilities or
- these contingent liabilities are not as separately recognizable from the liabilities.

If the PPP project is to be presented on the balance sheet, it will be recorded PPE and a liability. Conversely, if it is on off-balance sheet, the national accounts will present each year's cash flow statement throughout the project term.

4.2 New Zealand

4.2.1 Standards for PPPs

Public Benefit Entities (PBEs) in New Zealand have been using PBE IPSAS (Public Benefit Entity Standards based on International Public Sector Accounting Standard) 32 – Service Concession Arrangements – Grantor for periods beginning on or after 1 July 2014 (public sector) and 1 July 2015 (non-profit organizations). There is no difference in accounting for service concession arrangement to IPSAS 32 besides having a statement of comprehensive revenue and expense which is a unique feature in NZ as they were using IFRS prior to this date and this statement is a requirement by the IFRS.

If the arrangement involves leases, then PBEs in New Zealand use PBE IPSAS 13 – Leases for accounting tasks completed by the grantor. This standard has been applied for all public sector PBEs from periods beginning on or after 1 July 2014 (public sector) and 1 July 2015 (non-profit organizations). PBE IPSAS 13 is the combination of;

- IPSAS 13 – Leases,
- NZ SIC 15 - Operating Leases – Incentives,

- NZ SIC-27 - Evaluation the Substance of Transactions Involving the Legal Form of a Lease; and
- NZ IFRIC 4 - Determining whether an Arrangement contains a Lease.

The reason behind NZ SIC 15, NZ SIC 27, and NZ IFRIC 4 have been included in PBE IPSAS 13 is they were already being applied by PBEs in New Zealand (under New Zealand IFRS). Therefore, the New Zealand Accounting Standards Board determined that it was important that entities applying PBE Standards can continue to apply the guidance in the interpretations.

Apart from the inclusion of the interpretations, PBE IPSAS 13 has no significant differences to IPSAS 13 except that it requires the presentation of a statement of comprehensive revenue and expense. IPSASs require the presentation of a statement of financial performance.

4.2.2 Measurement of PPPs

As mentioned above, generally the financial liability model rather than the grant of a right to the operator model is used in New Zealand. In the financial liability model, the fair value of the service concession asset is equal to the value of future payments. Furthermore, the information of the cost of the service concession assets needs to be disclosed for the service concession arrangements. In rare cases, when the information is not disclosed, then the entity should get a valuation for the service concession asset that is likely to be done based on depreciated replacement cost under the related PBE standards.

Furthermore, PBE IPSAS 17, *Property, Plant and Equipment* applies in terms of subsequent measurement of the service concession assets. In terms of subsequent measurement, an entity should choose to adopt an accounting policy based on either the revaluation model or the cost model according to PBE IPSAS 17. The cost model suggests that after the tangible asset is recognized, it should be measured at cost less accumulated depreciation and less accumulated impairment losses. On the other hand, the revaluation model suggests that after the tangible asset is recognized, it should be measured at a revalued amount based on fair value less any accumulated depreciation and accumulated impairment losses. The depreciable amount which is calculated by subtracting the residual value should be allocated to the useful life of the asset. The residual value is often not important in calculating the depreciable amount of the asset.[29]

For both the cost model and the revaluation model, the impairment loss needs to be calculated. The impairment loss is defined as the carrying amount of the asset being decreased to the recoverable service amount. The impairment should only be applied when the recoverable service amount is lower than the carrying amount. For the measurement of the recoverable service amount, the higher of the costs to sell subtracted from the asset's fair value and the value in use is taken.[30]

To sum up, the data on the fair value of the service concession assets are already available in the scope of a financial liability model in New Zealand. The subsequent measurement of the assets is done according to PBE IPSAS 17.

[29]New Zealand Accounting Standards Board, PBE IPSAS 17-*Property, Plant and Equipment*, 2014

[30] New Zealand Accounting Standards Board, PBE IPSAS 21-*Imparment of Non-Cash Generating Assets*, 2014

4.2.3 Recognition of PPPs

The service concession assets are usually recognized during the construction phase of the project in New Zealand. A necessary requirement for that is that the service concession asset is controlled by the government in the scope of PBE IPSAS 32, *Service Concession Arrangements: Grantor*. Information of the work in progress of the project needs to be provided by operators to assist grantors with the recognition of the assets.

Consequently, contingent assets are not disclosed since the service concession asset is already recognized during the construction phase.

4.2.4 Reporting of PPPs

Based on the financial statements published by Treasury, Service Concession Arrangements are not displayed separately in the statement of financial position. However, other public sector entities do present PPPs in their financial statements:

- The Ministry of Education discloses its financial obligation (NZD$280m) on the face of the balance sheet. In the notes, the ministry discloses separately the PPP assets (NZD$213m on a balance sheet of NZD$14.6bn PPE assets).
- The Department of Corrections (General Directorate of Prisons and Detention Houses) does not specifically refer to PPPs on the face of the balance sheet but in the notes it discloses assets (NZD$320m on a balance sheet of NZD$2.6bn) and liabilities (NZD$409m).
- New Zealand Transport Agency recognized on the face of the balance sheet the asset (NZ$245m on total assets of NZD$33.4bn) and a liability of the same amount.

Under PBE Standards PBEs are required to recognize all PPP arrangements in accordance with PBE IPSAS 32. Therefore, off-balance sheet reporting of PPPs only apply when a PPP does not qualify as a service concession arrangement in accordance with PBE IPSAS 13.

Another issue on reporting of PPPs is the question whether there is a separate reporting for PPPs by the New Zealand government. Control of the PPPs at the central level is done by Treasury's PPP Team established under New Zealand Treasury. Treasury has the necessary guidelines, the updated list of current PPP projects, and reviews the PPP procurement process in NZ. Instead of having a separate report, relevant information are published publically on a specific website.

4.2.5 Demand Guarantees

In New Zealand, the service concession arrangements are generally in the form of the financial liability model rather than the grant of a right to the operator model. Thus, the demand guarantees are generally not used. However, if this model was used, then the accounting treatment would be done according to PBE IPSAS 32. In that case, the demand guarantee is only recognized when there is a certain probability for it to occur. First of all, a contingent liability would be disclosed when the possible obligation is not remote. If the probability that the demand guarantee occurs is higher than 50%, then a provision is recognized.

The question of whether the demand guarantee equals the total amount for the possible abandoned future income or not depends on the individual contract and generalization cannot be made in New Zealand.

When the expected demand is not met and the government has granted a demand guarantee, the probability of an outflow of resources would have to be assessed. The accounting treatment according to the probability of outflow is conducted as follows:

- If the probability of an outflow is between 5% and 50%, then a contingent liability is disclosed in the notes
- If the probability of an outflow is greater than 50%, then the grantor would have to pay the operator

In the case that the outflow is greater than 50%, the *unearned revenue liability* becomes a financial liability which is accounted for in the scope of IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*.

All in all, currently demand guarantees are not accounted for in New Zealand since generally, the financial liability model is applied for service concession arrangements. If demand guarantees are used, then they would be accounted for under PBE IPSAS 32 and the contingent liabilities and provisions would be accounted for in the scope of IPSAS 19.

4.2.6 Responsibilities of Operator and Grantor

The public benefit entities involved in a PPP apply PBE FRS 45, *Service Concession Arrangements: Operator* and the profit entities use NZ IFRIC 12, *Service Concession Arrangements*. These standards are similar to IFRIC 12, *Service Concession Arrangements*.

The entities that fulfill the definition under PBE IPSAS 32 need to follow the requirements of the Treasury for PPPs in New Zealand. Most of the terms and conditions of the PPP arrangements need to abide by the requirements of the Standard Form of the Treasury. The rest of the terms is agreed between the parties. There is a PPP team within the Treasury responsible for:

- "developing PPP policy and processes
- assisting agencies with PPP procurement
- the Standard Form PPP Project Agreement
- engaging with potential private sector participants, and
- monitoring the implementation of PPP projects"[31]

Furthermore, the financial reporting between the grantor and the operator depends on the contractual agreements. The Standard Form of the Treasury mentioned above includes the requirements of monthly reporting of performance monitoring.

4.2.7 Risk and Return Approach

Risk allocation is one of the main preference reasons of service concession arrangements in New Zealand. According to the Treasury, the purpose of service concession arrangements is to ensure "efficient allocation of risks to the party best able to manage" by separating the ownership and financing. [32] Through a service concession arrangement, it is assumed that the risks related to the whole economic life of the asset will be transferred to the operator. Risks related to the whole economic life of the asset are the risks associated with facilities

[31] The Treasury of New Zealand, http://www.treasury.govt.nz/statesector/ppp, 2017
[32] New Zealand Government Treasury. 2015. Public Private Partnership Programme the New Zealand PPP Model and Policy: Setting the Scene. Page: 3.

management, lifecycle, fit out and damages on equipment. In addition to these risk factors, New Zealand also considers the factors outlined in the IMF GFS Manual.

The identification of these risks depends on the judgment of the grantor. Moreover to the identification, grantor also determines the costs related to these risks in case of their occurrence. Once the grantor identifies and values them, then, it tests which of them are more suitable to be borne by the operator and which of them are better for the grantor. If it is only where the operator is better placed to manage a particular risk, then it should be transferred to the private sector operator. After the decision of the grantor, operator assesses the consequences of its undertaking for the particular risk. Therefore, during the negotiation period for the arrangement, all risks and related returns are tested and shared between the operator and the grantor.[33]

This approach is practiced in each service concession arrangement type and grantors do not prioritize one risk factor over the other and value and tests equally.

4.2.8 PPPs and Financial Statistical Tables

Following statements prepared by the Treasury provide information on PPPs:

- Statement of financial position
- GFS-equivalent of the income statement, and
- Contingent liabilities statement

The list above indicates that the Central Government of New Zealand shows both the liabilities and contingent liabilities related to PPPs; as liabilities are presented on the statement of financial position and contingent liabilities are in the contingent liabilities statement. If a PPP project needs to be shown in the national accounts, the amounts related to those projects are directly transferred from the public sector accounting records to the financial tables under statistics.

[33] New Zealand Government Treasury. 2015. Public Private Partnership Programme the New Zealand PPP Model and Policy: Setting the Scene.

5. Works Performed within the Scope of the Project

5.1. Reports

Within the scope of project for "Harmonization of IPSASs and General Government Accounting Legislation", which started on July 10, 2017, three reports have been prepared: Inception Report (July 17), Situation Analysis Report (October 2) and Gap Assessment Report (November 30). This report is the Gap Assessment Report and the Inception Report and Situation Analysis Report is attached (Annex: 3 and Annex: 4).

5.2. First Workshop

First workshop conducted from August 23 to 25 at the World Bank Turkey Office, with the participation of the project team of General Directorate of Public Accounts, EY project team and EY foreign subject matter expert Dr. Jens Heiling. The workshop included the current situation analysis findings on the topics identified under the ToR. Presentations made within the scope of the first workshop are presented in Annex: 6.

5.3. Second Workshop

Second workshop conducted from October 9 to 11 at the World Bank Turkey Office, with the participation of the project team of General Directorate of Public Accounts, EY project team and EY foreign subject matter experts Thomas Müller - Marqués Berger and Dr. Jens Heiling. Presentations made within the scope of the first workshop are presented in Annex: 6.

In addition to the discussions on the findings of the Gap Assessment Report, the second workshop assessed the following aspects:

- **Responses to Questions Asked in the Scope of IPSAS 21 and IPSAS 26**
  - Calculation of recoverable amount and recoverable service amount under standards IPSAS 21 – impairment of non-cash-generating assets and IPSAS 26 - impairment of cash-generating assets is required to be calculated for important assets such as bridges.
  - A separate assessment regarding an indication for impairment for each single asset may be too cumbersome. Therefore, in practice a threshold is defined based on materiality considerations. Assets with a value below that threshold are not assessed whether there is any indication for impairment. Where entities pay taxes impairment is in fact important because of the reduction of the tax base. For governmental accounting, it is important to reflect accountability and the real value of the assets.

- **Responses to Questions Asked in the Scope of the Presentation of Financial Statements**
  - From a consolidation point of view, it might not make sense to consolidate all the assets and liabilities of for example public banks as this would distort the financial position of the government. One approach to handle this issue would be to present such entities in the consolidated financial statements using the equity method.
  - In the context of defining the reporting entity, there is no requirement under IPSAS that public administrations within the scope of the general budget need to have their own legal entity. Chapter 4 of IPSASB's Conceptual Framework

provides guidance on the key characteristics of a reporting entity. It could therefore be the case, that a public administration with little or no income could be considered as a reporting entity.

- **Responses to Questions Regarding the Monitoring of Ammunition and Munition in Stocks**

  - Some countries recognize ammunition as expenditure, while some countries refer to such ammunitions as assets. Internationally, there is no standard practice in this regard. IPSASB has been working with several countries but it has been stated that in general, countries prefer the direct expenditure method. Therefore, it has been stated that the IPSASB might reconsider the current accounting treatment for ammunition.

- **Responses to Questions Asked in the Scope of the Public Private Partnerships**

  - According to the IPSAS 33 - First Time Adoption of Accrual Basis, there is a three-year transitional period where the fair value can be used as deemed cost as a measurement basis. Precondition for that transitional provision is that cost information of the service concession asset is not available (see IPSAS 33.64). The fair value of the service concession asset must, in fact, be determined based on the contract. In other words, the contract signed between the operator and the public unit should also include the appropriate amount of value for the service concession asset.
  - In the given demand guarantees, if there are more vehicle passes than the number of passes envisaged in the contract, the share of the public administration should be monitored as a contingent asset in case the amount corresponding to the exceeding number of vehicles is shared between the operator and the public administration.
  - Subsequent value-added expenditure made for service concession assets should be added to the value of the asset if the fulfill the recognition criteria for an asset in accordance with IPSAS 17/31.

- **Responses to Questions Related to Contingent Liabilities**

  - Each of the lawsuit filed against the public must be evaluated separately. Regarding the amount, in France, contingent liabilities resulting from lawsuits are measured based on either an estimate falling within a range of possible outcomes or the maximum amount of the risk.
  - The country analysis has shown, that for the disclosure of contingent liabilities certain thresholds are used (for example, based on materiality considerations, contingent liabilities with a value of 500,000 Euros and above may be disclosed in the notes, and contingent liabilities with values below the threshold will not be disclosed)

- **Responses to the Questions Regarding the IPSAS 39 – Employee Benefits Standard**

  - Under IPSAS 39 – Employee Benefits, it has been stated that the concept of employee covers all employees of the reporting entity. Each reporting entity would have to assess whether IPSAS 39 applies in the individual case.
  - While for defined benefits plans pension liabilities are presented in the balance sheet according to IPSAS 39, in France, these liabilities are not reflected in the

balance sheet. These obligations are disclosed as contingent liabilities in the notes.

- **IPSAS 23 - Revenue from Non-Exchange Transactions**

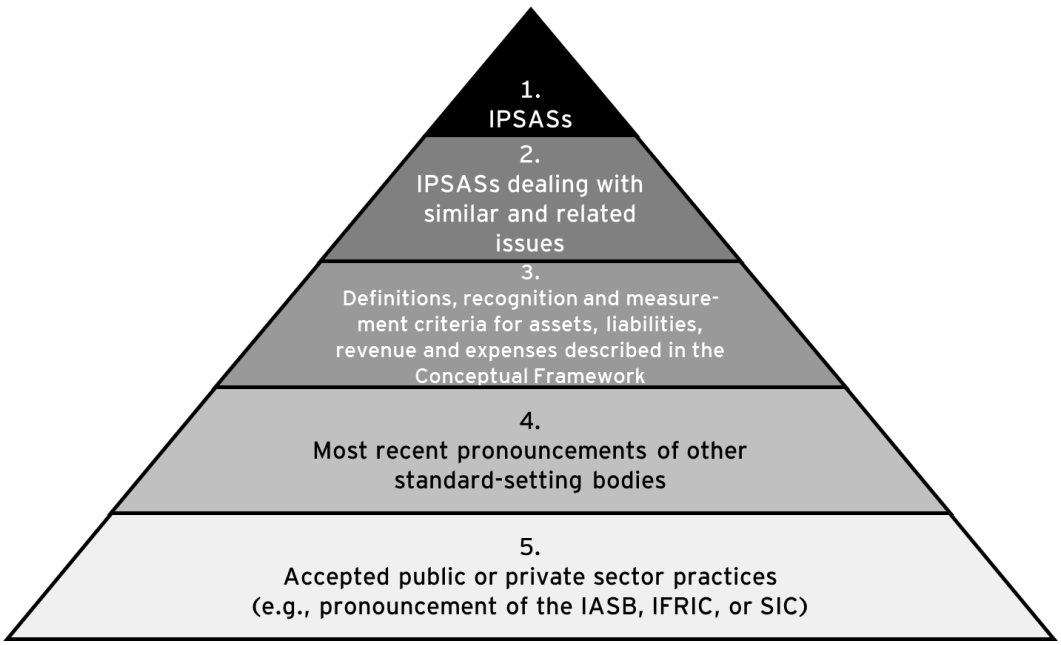
  - If there is a condition attached to a transfer in accordance with IPSAS 23, then a liability is recorded first and it is converted to revenue periodically (see IPSAS 23.44). Time of the revenue recognition under such non-exchange transaction depends generally on the fulfillment of the condition,

    - In the case of financial aid this could mean that revenue will be realized when expenses are incurred for the stipulated job,
    - In the case of the public relief, it is stated that income will be recorded as long as it is used for the stipulated work. (According to our legislation, it is thought to be recorded as income during the period of depreciation, the period of use and the time given by the grantor).

  - In addition, regarding the question asked by the Ministry of Finance project team about the consecutive tracing of the journal entry, Dr. Jens Heiling briefly stated that the journal entry must be followed closely, that this is one of the main principles of the account, that errors and corrections should only be made by accounting record, that related corrections in financial reporting should be made according to the standard 3.

- **IPSASB Conceptual Framework**

  - When interpreting IPSASs it is emphasized that IPSAS 3 provides a hierarchy and in this respect the main sources to be considered in order to find a suitable accounting treatment are as follows:



While taking these as a whole will provide the harmonization of the national legislation with the standards, considering the harmonization provisions that are primarily needed by a cost-benefit analysis rather than all the provisions of the standards will be healthier.

5.4. Conference

Within the scope of the project, "Accounting for PPPs and Their Presentation in Financial Statements According to International Standards " was organized at Swiss Hotel on October 25, 2017 with World Bank contributions. Within the scope of the conference, Minister of Finance Mr. Naci AĞBAL made an opening speech on PPP projects. Presentations of General Director of Public Accounts Mr. Ertan ERÜZ, Professor. Dr. Nalan AKDOĞAN, Dr. Jens Heiling, and Mr. Giovanni COLETTA and conference report are attached (Annex: 5).

5.5. Third Workshop

Third workshop conducted from November 29 to 30 at the World Bank Turkey Office, with the participation of the project team of General Directorate of Public Accounts, EY project team and EY foreign subject matter experts Thomas Müller - Marqués Berger and Dr. Jens Heiling. Furthermore, foreign subject matter experts participated in the DMSK monthly meeting. Thomas Müller - Marqués Berger presented structure, functions and work plan of the IPSASB. Head of the Department of the Directorate and Management of Public Accounts Harun Yalçın Mengüloğul, on the other hand, presented structure, functions and work plan of the DMSK. These presentations and presentations made within the scope of the second workshop are presented in Annex: 6.

6. Conclusion

In *Country and IPSAS Analysis;* focused topics are public immovables, intangible assets, contingent liabilities, financial statements, and tax and budget practices. In these topics, there are 27 subtopics and questions. France, Germany, and United Kingdom are the three countries that are analyzed.

The country analysis has shown that France, Germany and the UK as well as Turkey are not accounting for underground resources. However, all three countries and Turkey account for public immovables such as forest-park except the Federal Government in Germany. Furthermore, the costs of site dismantlement, removal and restoration are included in the cost of land and that portion of the land is depreciated accordingly in France and the UK yet there is no such requirement in Germany. In Turkey, that portion of the land is not depreciated. The component approach is also not applied in France and Germany similar to the case in Turkey and it is not fully applied in the UK. All the countries as well as Turkey are measuring some of their assets based on token value and the assets are reflected on the balance sheet. The directly attributable costs are also included in the cost value in France, Germany and the UK. In Turkey, the directly attributable costs are not included in the cost value in the current situation. The land and the building are accounted for separately in France and Germany and they are valued separately in the UK. The land and building are not accounted separately in Turkey.

According to IPSAS, the expenditures that are in the research phase are not capitalized whereas the expenditures that are in the development phase are capitalized if certain conditions are met. According to the country analysis, France and the UK are applying IAS 38/IPSAS 31 and both of these countries are accounting for internally generated intangible assets. On the other hand, internally incurred expenditures are generally not capitalized for in the property accounts of the German Federal Government. In Turkey, there are provisions in the regulation for capitalizing the expenditures arising from research and development phases for intangible assets.

For contingent liabilities and provisions France uses its own Central Government Accounting Standard 12 and 13; Germany uses IPSAS 19 and the UK uses IAS 37. In France, guarantees, transfers, legal proceedings and pensions are treated as contingent liabilities; all types of non-financial expenses and risks are treated as provisions. In Germany, export and debt guarantees are processed as contingent liabilities; pensions, guarantees and federal bonds are processed as provisions. In the UK, for nuclear decommissioning and clinical negligence the entities make provisions and separate contingent liabilities as quantifiable and non-quantifiable. All three analyzed countries disclose contingent liabilities in the notes of the financial statements; yet they measure the disclosed figure in different methods. France declares separate measurement methods for all four contingent liability categories. Germany keeps the methods given in IPSAS 19 and the UK uses its £3.0 billion threshold. These disclosed numbers are reported annually in all three focused countries and none of them have separate financial statistical reporting based on contingent liabilities. Country practices for making provisions for social benefits differ from one another. Germany does not make any provisions in this regard. France makes in a limited fashion and the UK makes provisions for social benefits. Only the UK, pays termination benefits for its workers and civil servants and no such practice exists in either in Germany or in France.

Only the UK prepares consolidated financial statements on a central level among selected countries. "Whole-of-Government" accounts in the UK, some of public banks, public entities and local governments are included in the scope of consolidation. UK public entities are also accepted as a reporting entities and they are preparing separate financial statements. On the other hand, public institutions in Germany are not accepted as reporting unit. In France, there is an exception for reporting entities. Public institutions that are incorporated as a separate legal entities are accepted as reporting unit. Other institutions (those are not incorporated as a separate legal entities) are not accepted as a reporting unit. When financial statistics are examined, it is seen that in the UK and in Germany the statistical offices, in France the National central bank (Banque de France) are in charge of the preparation of the ESA financial statistics. Responsibilities for the GFS-based financial statistics are with different institutions in all three countries (UK: HM Treasury, France: The French National Institute of Statistics and Economic Studies, INSEE, and Germany: Deutsche Bundesbank).

Neither the French nor the German government applies IPSAS 23. Even though, the UK has stated that they do not apply IPSAS 23, the UK is very close to what IPSAS 23 requires because of using statistical methods for the revenue recognition for some of the accrued revenue receivables and applying the taxable event approach.

Among selected countries, the UK is the only country that prepares its budget on an accrual basis. Germany and France uses the cash basis for budgetary purposes. Based on this, the UK central government provides a comparison between budgeted and actual amounts on an accrual basis. In France and in Germany, a comparison between budget forecast and actual results is regularly made based on budgetary accounting.

In *Case Study*; Public-Private Partnerships questions have been answered through detailed case studies on the United Kingdom and New Zealand. EY research has found that these countries are the most advanced with regards to the accounting for PPPs. To focus especially on the accounting for PPPs is one of the main objectives of the case study. Throughout this analysis, answers to the 24 questions were analyzed under eight sub-topics all considered as having high importance.

For accounting for PPPs, the UK applies IAS 16. In the UK, the grantor accounts for a service concession asset and a liability or deferred revenue balance if the two IFRIC 12 control tests apply to the arrangement. The only difference between standards is on the measurement of the financial liability through the use of the interest rate. On the other hand, IAS 17 which is equivalent to IPSAS 13 is applicable if the first IFRIC 12 control test apply to the arrangement and the second IFRIC 12 control test does not apply to the arrangement. In these circumstances, United Kingdom applies IFRIC 4 and IAS 17. No differences were found between these practices and IPSAS. In New Zealand, PBE IPSAS 32 has been applied by PBEs. There is no difference in accounting for service concession arrangement to IPSAS 32. If the arrangement involves leases, PBE IPSAS 13 is used for accounting tasks completed by the grantor. PBE IPSAS 13 is the combination of IPSAS 13, NZ SIC 15, NZ SIC-27, and NZ IFRIC 4. PBE IPSAS 13 has no significant differences to IPSAS 13.

The UK records PPP assets and liabilities on balance sheet if the two IFRIC 12 control criteria are fulfilled. Although in some cases PPPs can be presented off-balance sheet, there is no available off-balance sheet recording of PPPs. In the UK, there is no separate report on PPPs. However, HM Treasury publishes, publicly available, annual reports which include some information of PPPs. Also, within the WGA, detailed information about PPPs is shared. In

New Zealand, based on the financial statements published by Treasury, service concession arrangements are not indicated separately in the balance sheet. However, some public entities present PPPs in their separate financial statements. According to standard, PBEs are required to recognize all PPP arrangements in accordance with PBE IPSAS 32. Thus, off-balance sheet reporting of PPPs only apply when a PPP does not qualify as a service concession arrangement in accordance with PBE IPSAS 13. In some cases, relevant information are published publically on a specific websites in New Zealand.

In terms of recognition and disclosure of PPPs, the service concession assets are typically not recorded in the construction phase in the UK contrary to the case in New Zealand. Furthermore, the guarantees in the UK are provided within the scope of the financial liability model. The grantor records a liability or a deferred revenue balance on the balance sheet for the guarantees provided. In New Zealand, demand guarantees are not used since the service concession arrangements are typically made in the scope of the financial liability model. However, if demand guarantees are applied, then they would be accounted under PBE IPSAS 32. In this case, contingent liabilities and provisions would be disclosed under IPSAS 19.

In addition, the data for initial recognition of fair value is already available for service concession assets in the UK. Subsequent measurement of the assets is done as it is done for any other PPE. Similarly, the data for the initial recognition of fair value for the service concession assets is also available in the financial liability model in New Zealand. The subsequent measurement of these assets is done in the scope of PBE IPSAS 17.

In analyzing the operator side of accounting for PPPs, operators either use IFRIC 12 or FRS 102 in the UK. The control criteria are explained under IFRIC 12 and the accounting treatment varies whether the financial liability model or the grant of a right to the operator model is used. Furthermore, the public benefit entities in New Zealand use the PBE FRS 45 and the profit entities apply NZ IFRIC 12. The standards that are used in both of the countries are similar to IFRIC 12. Last but not the least, operators in New Zealand need to abide by the requirements specified by the Treasury.

In terms of the risk and return approach that the countries take for the service concession arrangements that they become parties to, the UK chooses to follow ESA 2010, as a result of its commitments to the EU. Based on the rules of the ESA 2010, the grantor assesses three risk points; construction risk, availability risk and demand risk. Sharing of these risks are determined during the signature of the contract by determining which party will bear which risk. As for New Zealand, Treasury declares that service concession arrangements are to transfer risks entirely to the operator and returns should be shared during the contractual phase of the arrangement. Further assessment of the risks are under the grantors control by looking at the terms and conditions of the contract.

For statistical purposes, service concession arrangements have a place in the following statements in the UK; statement of revenue and expenditure, statement of comprehensive income and expenditure, balance sheet, statement of changes in taxpayers' equity, and statement of cash flows. In New Zealand, on the other hand, statement of financial position, GFS-equivalent of the income statement, and contingent liabilities statement use financial statistical information on service concession arrangements.

The subjects within the scope of the Project are the topics that Turkey focuses primarily on the IPSAS harmonization process. The studies performed in Turkey, IPSASs, and country

practices have been examined in detail. Turkey has set the goal of 100% compliance with IPSAS in the topics examined. Thanks to this goal, it is aimed to present more reliable financial statements prepared by public institutions in accordance with accounting practices, contribute the financial transparency, and also prepare comparable data at international level.

The analysis made within the scope of the project reveal the progress that Turkey has made in the process of harmonization with IPSAS. Relevant IPSAS standards have been published in Turkey by DMSK and the relevant legislation has been reviewed for full compliance. In some of the topics examined in the report, it is seen that Turkey is at a more advanced level of compliance than the examined countries. With the implementation of the relevant secondary legislative amendments made using the outputs of this project, another material progress will also be made in the process of full compliance with IPSAS. Ongoing harmonization studies and current situation in Turkey present a material experience that other countries can also benefit from.

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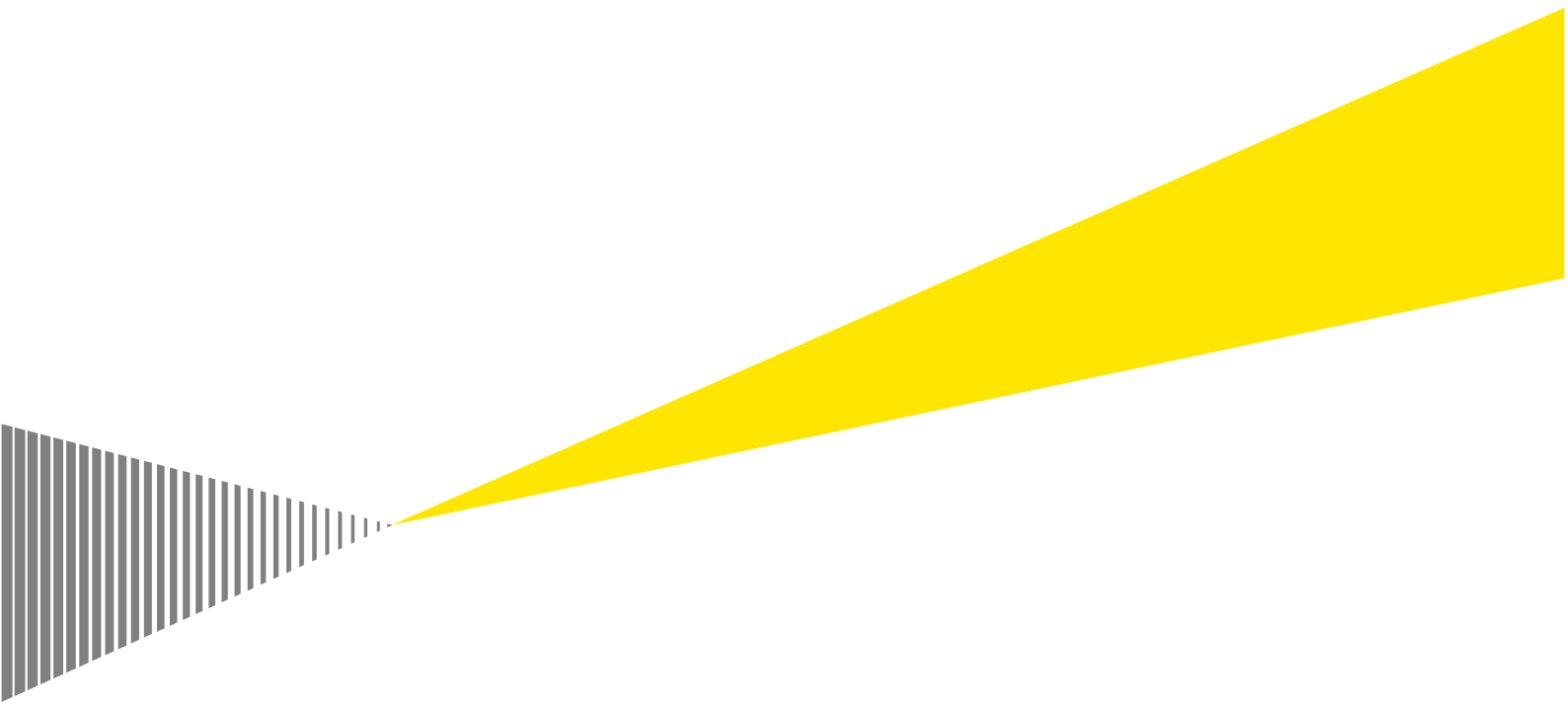
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7. Annexes

7.1. Questionnaires

Annex:1 Questionnaires

Harmonization of IPSASs and General Government Accounting Legislation



Building a better working world

Kamu Taşınmazlarının Muhasebeleştirilmesi

1. a) Merkezi yönetimin mali tablolarında maden, petrol, doğal gaz ve benzeri yeraltı kaynakları gösterilmekte midir?

   a. Evet

   b. Hayır

   b) Eğer cevap evet ise, yeraltı kaynakları nasıl muhasebeleştirilmekte ve ölçülmektedir? (Lütfen detaylı açıklayınız)

2. Merkezi yönetimde arsa ve üzerindeki binalar ayrı mı muhasebeleştirilmektedir?

   a. Evet

   b. Hayır

3. Merkezi yönetimde hangi taşınmazlar kayıt altına alınmamakta ve bilanço dışında tutulmaktadır (otoyol-yol, orman-park, göl-gölet gibi taşınmazları dikkate alarak)?

4. IPSAS 17.75'e göre "Eğer arsa maliyeti sökülme, kaldırma ve restorasyon maliyetlerini içeriyorsa, arsanın bu bölümü hizmet potansiyeli sunduğu sürece amortismana tabi tutulmaktadır". Merkezi yönetim arsanın maliyetini hesaplarken sökülme, kaldırma ve restorasyon maliyetlerini de dahil etmekte midir ve arsanın bu bölümü uygun olarak amortismana tabi tutulmakta mıdır? Eğer cevap evet ise, lütfen bu maliyetleri ne zaman dâhil ettiğinize dair örnek veriniz.

   a. Evet

   b. Hayır

5. a) Merkezi yönetim maddi duran varlıklara bileşen yaklaşımını uygulamakta mıdır[1]? (Maddi duran varlığın toplam maliyetinin önemli bir kısmını oluşturan her bir parçası ayrı ayrı amortismana tabi tutulmaktadır)

   a. Evet

   b. Hayır

   b) Eğer cevap evet ise, bu bileşenler nasıl tespit edilmektedir? Önemlilik kriteri nasıl belirlenmektedir? Maliyetler nasıl bölüştürülmektedir? (Lütfen detaylı açıklayınız)

6. a) Merkezi yönetim kamu taşınmazlarını iz bedeliyle kaydetmekte midir?

   a. Evet

   b. Hayır

   b) Eğer cevap evet ise, iz bedelinin kullanıldığı durumlara örnek veriniz.

   c) İz bedeliyle kaydedilen kamu taşınmazları bilançoda ya da dipnotlarda gösterilmekte midir?

   a. Evet

   b. Hayır

7. a) IPSAS 17.31'e göre, varlığa doğrudan atfedilebilir maliyetler (örneğin; varlığın yapımına veya alımına doğrudan atfedilebilir çalışanlara sağlanan faydalardan kaynaklanan maliyetler) varlığın maliyetin eklenmektedir. Varlığa doğrudan atfedilebilir maliyetler sizin ülkenizde kamu taşınmazlarına dâhil edilmekte midir?

   a. Evet

   b. Hayır

   b) Eğer cevap evet ise, uygulama nasıl yapılmaktadır?

[1] Örneğin; yolun farklı yüzeyleri

8. a) Aynı binada veya aynı arazide birden fazla kamu idaresi hizmet vermekte ise hangi birim tarafından muhasebe kayıtları tutulmaktadır?

b) Bu gibi durumlar için herhangi bir yönlendirme bulunmakta mıdır? Eğer cevap evet ise, lütfen açıklayınız.

9. a) Merkezi yönetim maddi duran varlıklar için muhasebeleştirme limiti uygulamakta mıdır?

   a. Evet

   b. Hayır

   b) Muhasebeleştirme limitinin tutarı ne kadardır?

   c) Merkezi yönetimin kamu taşınmazları için uyguladığı bir amortisman limiti bulunmakta mıdır? (Örneğin; Maliyet bedeli X tutarı geçmeyen (=amortisman limiti) kamu taşınmazları için amortisman oranı ilk yılda %100'dür)

   a. Evet

   b. Hayır

   d) Amortisman tutarı ne kadardır?

Koşullu Yükümlülükler ve Karşılıklar

10. Merkezi yönetim seviyesinde koşullu yükümlülükler karşılıklardan nasıl ayrılmaktadır?

11. Yükümlülüğün gerçekleşme olasılığı nasıl belirlenmektedir?

12. Merkezi yönetim tarafından neler koşullu yükümlülük olarak değerlendirilmektedir?

13. Koşullu yükümlülüklerin ölçümü merkezi yönetim tarafından nasıl yapılmaktadır?

14. Koşullu yükümlülüklerin mali tablolarda açıklanması merkezi yönetim seviyesinde nasıl yapılmaktadır?

15. Merkezi yönetim seviyesinde koşullu yükümlülükleri ve varlıkları içeren mali istatistikler yayımlanmakta mıdır? Eğer cevap evet ise, hangi sıklıkta yayımlanmaktadır? Bu tablo stok veriyle mi yoksa akım veriyle mi hazırlanmaktadır?

16. Koşullu yükümlülükler merkezi yönetim seviyesinde ne sıklıkla raporlanmaktadır?

17. Talep garantisi içeren sözleşmeler sonunda oluşan koşullu yükümlülükler merkezi yönetim tarafından nasıl ele alınmaktadır?

18. Davalar sonucu oluşan koşullu yükümlükler merkezi yönetim tarafından nasıl değerlendirilmektedir (örneğin; her dava için ayrı olasılık mı belirlenmektedir)?

19. Merkezi yönetim tarafından neler karşılık olarak değerlendirilmektedir?

20. Merkezi yönetim sosyal faydalar için karşılık ayırmakta veya koşullu yükümlülük kaydı atmakta mıdır (bir devletin sosyal politikası kapsamında verilen ürünler, hizmetler ve diğer yararlar, örneğin; çocuk yardımları)?
    a. Evet
    b. Hayır
21. Merkezi yönetim kendi bünyesinde çalışan işçiler ve memurlar için kıdem tazminatı ödemekte midir?
    a. Evet
    b. Hayır

Mali Tablolar

22. Merkezi yönetimde hangi kurumlar konsolidasyon kapsamına dahil edilmektedir? Örneğin; kamu bankaları veya kamu işletmeleri konsolidasyona dâhil edilmekte midir? Eğer evet ise, kamu bankaları sermaye paylarına göre mi konsolidasyona dâhil edilmektedir?

23. a) Mali açıdan kontrol edilen kamu kurumları[2] raporlama birimi olarak kabul edilmekte midir?
    a. Evet
    b. Hayır

    b) Kabul ediliyorsa, bu kurumlar hangi mali tabloları hazırlamaktadır?

24. Ülkenizde IPSAS 18 esas alınarak bölümsel raporlama yapılmakta mıdır? Eğer yapılıyorsa, hangi yöntem kullanılmaktadır?

25. Merkezi yönetimde genel bütçeli kurumlar[3] hangi mali tabloları hazırlamaktadır? Bu tablolar IPSAS 1 kapsamında yer almakta mıdır?

26. Merkezi yönetimde hangi kurumlar
    a) ESA esaslı mali istatistikleri hazırlamaktadır?

    b) GFS esaslı mali istatistikleri hazırlamaktadır?

[2] Gelir ve varlık edinemeyen, borç verme yetkisine sahip olmayan ve tüzel kişiliği bulunmayan genel bütçeli kurumlar
[3] Meclis, başbakanlık, bakanlıklar, yüksek mahkemeler ve kurullar, başkomutanlıklar, müsteşarlıklar ve bazı genel müdürlükler

Vergi ve Bütçe Standardı Uygulamaları

27. a) Merkezi yönetimde IPSAS 23 kullanılmakta mıdır?

    a. Evet

    b. Hayır

    b) IPSAS 23 kapsamında vergilerin tahsilatı için ön ödeme yöntemi kullanılmakta mıdır? Eğer kullanılıyorsa, nasıl muhasebeleştirmektedir?

28. Merkezi yönetim;

a) Kurumlar vergisi,

b) Gelir vergisi ve

c) KDV'den elde edilen gelirleri ne zaman muhasebeleştirmektedir?

29. a) Merkezi yönetimde vergi gelirlerinin muhasebeleştirilmesi için istatistiksel yöntemler kullanılmakta mıdır?

a. Evet

b. Hayır

b) Kullanıldığı durumlarda, ilgili dönemlerdeki vergi düzeltmeleri nasıl muhasebeleştirilmektedir?

30. a) Ülkenizin merkezi yönetimi bütçelenen ve gerçekleşen tutarların karşılaştırmalı tablosunu yayımlamakta mıdır?

    a. Evet

    b. Hayır

    b) Eğer yayımlanıyorsa; karşılaştırma hangi esasa dayalı olarak yapılmaktadır?

31. Merkezi yönetimin bütçeleri hangi esasa dayanarak hazırlanmaktadır?

Maddi Olmayan Duran Varlıklar

1. Maddi olmayan duran varlıklara ilişkin araştırma ve geliştirme faaliyetleri nasıl muhasebeleştirilmektedir?

Koşullu Yükümlülükler ve Karşılıklar

2. IPSAS 19'da koşullu yükümlülüklerin ölçülmesine yönelik bir hesaplama yöntemi bulunmakta mıdır?
3. IPSAS 19'da verilen yönteme göre zorunluluğun gerçekleşme olasılığı nasıl belirlenmektedir?
4. Hangi aşamada koşullu yükümlülükler mali tablolarda karşılık olarak kaydedilmektedir?
5. Koşullu yükümlülüklerin raporlanması için en uygun zaman nedir?
6. Koşullu yükümlülükler mali tablolarda ne zaman açıklanmalıdır? (Örneğin; sözleşmenin imzalanması sonrası, zorunluluğu doğurucu olayın oluşması)

Vergi ve Bütçe Uygulamaları

7. Vergi gider ve harcamalarını oluşturan unsurlar neler olabilir?
8. Tahakkuk kaydı ters kayıtla kapatılabilmekte midir?

A: Kamu Muhasebesinde Hizmet İmtiyaz Sözleşmelerinin Muhasebeleştirilmesi

1. Ülkenizde IPSAS 32, *Hizmet İmtiyaz Sözleşmeleri: İmtiyaz Veren* ya da ona benzer bir standart kullanılmakta mıdır?

2. Ülkenizde IPSAS 32'ye benzer bir standardın uygulandığı durumlarda, uyguladığınız standart ile IPSAS arasında ne gibi farklılıklar mevcuttur?

3. Ülkenizde kamu özel işbirliklerinin muhasebeleştirilmesi için IPSAS 13, *Kiralamalar* ya da ona benzer bir standart kullanılmakta mıdır?

4. Ülkenizde IPSAS 13'e benzer bir standardın uygulandığı durumlarda, uyguladığınız standart ile IPSAS arasında ne gibi farklılıklar mevcuttur?

5. Ülkenizde KÖİ'ler bilançoda (finansal durum tablosunda) gösterilmekte midir?

6. Ülkenizde nazım hesaplarda kaydedilen KÖİ'ler bulunmakta mıdır?

7. Projenin hangi aşamasında hizmet imtiyaz varlığı kaydı yapılmaktadır? Hizmet imtiyaz varlığı yapım aşamasında muhasebeleştirilmekte midir (örneğin; bir altyapı varlığı)?

8. Hizmet imtiyaz sözleşmesi eğer inşaat süresinde muhasebeleştirilmiyorsa, imtiyaz veren hizmet imtiyaz varlığı yerine koşullu varlık kaydı mı atmaktadır?

9. Hizmet imtiyaz sözleşmesinin talep garantisi içerdiği varsayıldığında (örneğin; devlet, hizmet imtiyaz varlığı için belirli sayıda kullanıcı garanti eder): bu garanti hangi noktada muhasebeleştirilerek açıklanmaktadır?

   a. İmtiyaz veren bu garantiyi nasıl ve hangi noktada muhasebeleştirmektedir (muhasebeleştirme/açıklama ve ölçüm)?

   b. Bu garantiler için karşılık ayrılmakta mıdır?

10. Ülkenizde hizmet imtiyaz sözleşmelerinden doğan, garantiler için koşullu yükümlülük kaydı atılmakta mıdır?

11. İşletmeciye bir hakkın devredilmesi modelinde hizmet imtiyaz varlığının gerçek değerinin nasıl hesaplanacağına dair bir veri bulunmadığı durumlarda gerçeğe uygun değer hesaplaması nasıl yapılmaktadır?

12. İşletmeciye bir hakkın devredilmesi modeline göre hizmet imtiyaz varlığının ve ilgili yükümlülüğün ilk muhasebeleştirildiği anda verilen talep garantisinin (devlet tarafından işletmeciye verilen) değeri ile muhtemel vazgeçilen gelir değeri eşittir denilebilir mi?

13. İşletmeciye bir hakkın devredilmesi modeline göre, imtiyaz verenin işletmeciye talep garantisinde bulunduğu ve işletmecinin beklenen talebe ulaşamadığı durumlar nasıl muhasebeleştirilmektedir? İşletim haklarının devri sırasında vazgeçilen gelir nasıl ölçülmektedir?

14. Hizmet imtiyaz varlıkları ilk muhasebeleştirme sonrası nasıl ölçülmektedir (örneğin; faydalı ömür, kalıntı bedel)?

15. Ülkenizde gerçekleşen hizmet imtiyaz sözleşmelerinin muhasebeleştirilmesi sırasında işletmeci hangi standartları kullanmaktadır (örneğin; IFRIC 12 veya ulusal standartlar/mevzuat)?

16. Ülkenizde yapılan hizmet imtiyaz sözleşmelerinin IPSAS 32'de verilen kontrol yaklaşımına uygunluğunu değerlendiren herhangi bir komisyon ya da kurum bulunmakta mıdır? Projeler kamu hizmeti kapsamında olup olmadıklarına göre mi değerlendirilmektedir? Kontrol ve kamu hizmeti kriterine uymayan projeler muhasebeleştirilmekte ve raporlanmakta mıdır?

17. Ülkenizde imtiyaz veren ile işletmeci arasında gerçekleşen raporlama hakkında bilgi veriniz (zaman aralıkları, raporların formatı, verilen bilgiler).

18. KÖİ'lerle ilgili finansal bilgi ve çeşitli analizler içeren ayrı bir rapor bulunmakta mıdır? Eğer var ise, bu rapor kamuyla paylaşılmakta mıdır?

B: Ulusal Hesaplar/Mali İstatistik Açısından Hizmet İmtiyaz Sözleşmelerinin Değerlendirilmesi

19. KÖİ'ler açısından risk ve geri dönüş analizi için hangi faktörleri göz önünde bulundurmaktasınız?

20. Yap-işlet-devret ve yap-kirala-devret gibi tüm KÖİ modellerinde aynı risk ve geri dönüş faktörlerini mi kullanmaktasınız?

21. Uygulamada risk ve geri dönüş faktörlerini nasıl değerlendirmektesiniz? Yapılan değerlendirme ilgili faktörlerin rakamsal çoğunluğuyla mı belirlenmekte yoksa faktörlerin ağırlığını belirlediğiniz başka bir yönteminiz bulunmakta mıdır?

22. Ülkenizde hizmet imtiyazları sözleşmelerini göstermek için hangi mali istatistik tablolarını kullanmaktasınız?

23. Eğer bir KÖİ projesinin mali istatistik tablolarında gösterilmesi gerekmekteyse, ilgili miktarlar hem yükümlükler tablosunda hem de koşullu yükümlülükler tablosunda mı gösterilmektedir?

24. Eğer bir KÖİ projesinin ulusal hesaplarda gösterilmesi gerekmekteyse, projenin toplam tutarı mali tablolara direk mi aktarılmakta yoksa toplam sözleşme tutarı sözleşme süresine bölünerek ortaya çıkan tutar mı tablolara yansıtılmaktadır?

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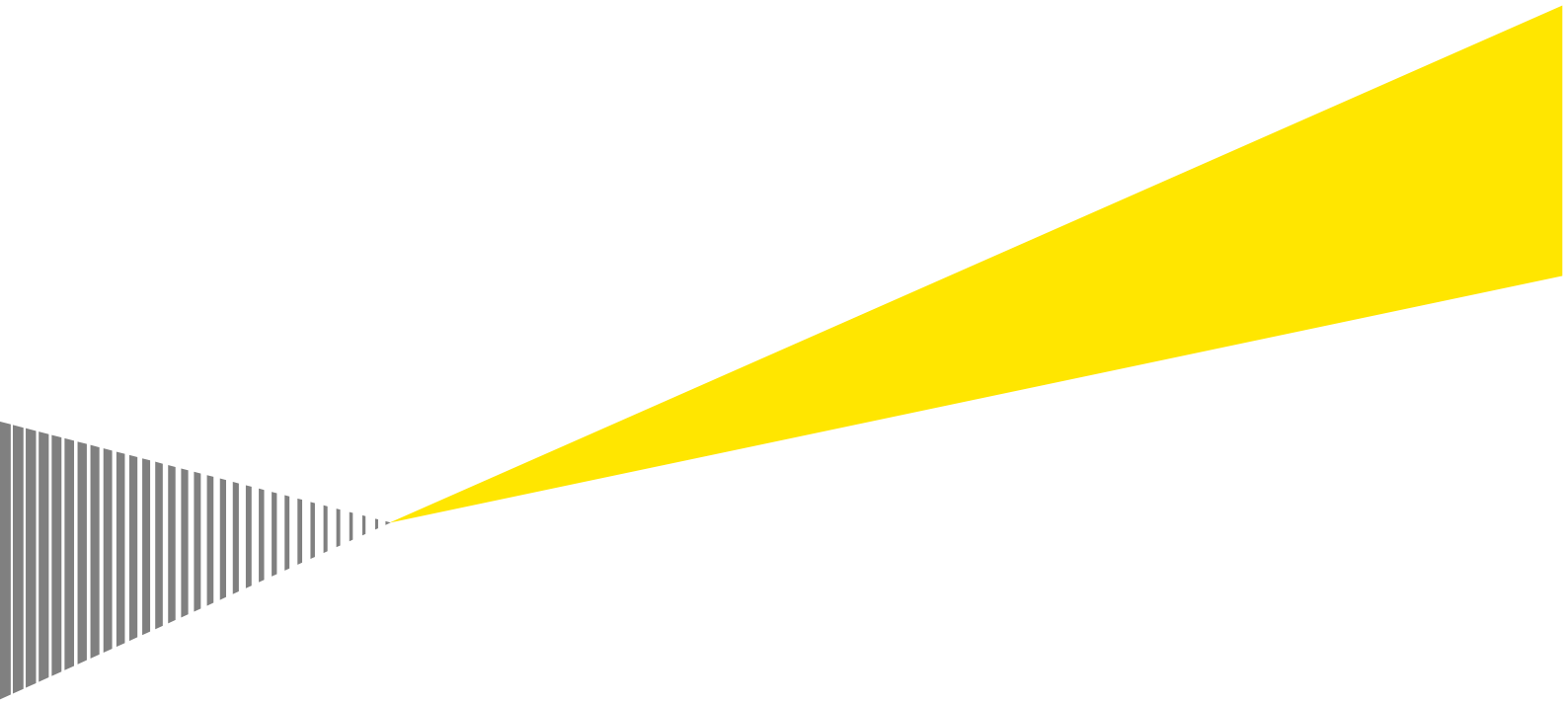
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7.2. Responses to the Questionnaires from Selected Countries

Annex:2 Responses to the Questionnaires from Selected Countries

Harmonization of IPSASs and General Government Accounting Legislation



Building a better working world

Harmonization of IPSASs and General Government Accounting Legislation

Country Analysis Questionnaire – United Kingdom

The UK Central Government accounts under the government's financial reporting manual (FReM) which follows IFRS with adaptions and interpretations for the public sector. The Government issues new versions of the FReM each year following consultation with the Financial Reporting Advisory Board (FRAB) to ensure that it remains up to date with new IFRS. The UK Government's finance ministry (HM Treasury) ensures that departments prepares accounts on an accruals basis and consolidate these accounts within Whole of Government Accounts, which also includes accounts from local and regional government, and health providers (the National Health Service or NHS). However, local and regional government bodies and the NHS apply their own guidance, which follows the FReM's principles.

Accounting for public immovable (IPSAS 17)

1. a) Does your central government's financial statements present underground resources such as minerals, petroleum, natural gas and similar underground reserves?

   ~~a. Yes~~

   b. No

   ~~b) If yes, how are underground resources accounted and measured? (Please explain in detail)~~

Answer: The UK Government does not own any such resources so although the FReM applies IFRS 6 with no adaptation, it has no such asset to record

2. Are buildings/property on a land separately accounted for by your central government, i.e. the land and the building/property separately accounted for?

   ~~a. Yes~~

   b. No

Answer: Our understanding of IAS 16 is that it requires entities to value and depreciate classes of assets separately, and it gives land as an example of such a class. This does not necessarily mean that entities present a separate value for land on their statements of financial position, but that the value they measure includes separate values for land, including its depreciation (if any).

3. Which public immovable categories are excluded from the records and balance sheet in your central government (taking into account of highway and roads, forest and parks, lake and ponds)?

Answer: The central government includes examples of all PPE categories unless other public sector bodies fund their procurement, upgrade and maintenance. For example, local and regional government bodies will record highways assets in their accounts unless the assets are part of the UK strategic highway network, in which case the central government accounts for them, either directly or through consolidating a subsidiary (e.g. Highways England, Transport Scotland or Network Rail). The Whole of Government Accounts will include all PPE categories.

4. IPSAS 17.75 requires that: "If the cost of land includes the cost of site dismantlement, removal, and restoration, that portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs" (IPSASB (2001). IPSAS 17 – Property, Plant and Equipment, Paragraph 75. London: December 2001). When determining the cost of land, does your central government also include the cost of site dismantlement, removal, and restoration and is that portion of the land being depreciated? If yes, please provide examples of when you include these costs.

   a. Yes

   ~~b. No~~

Answer: The cost of improvements to existing assets (such as building of a new wing within an existing prison or adding a lane to a motorway) should be capitalised during the construction phase as an asset under construction. At the first valuation after the asset is brought into use, any write down of cost should be treated as an impairment and charged to the Statement of Comprehensive Net Expenditure.

5. a) Does your central government apply the component approach for the accounting of property, plant, and equipment[1]? (This means that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately)

~~a. Yes~~

b. No

~~b) If yes, what is your approach in defining such components? How is the significance criteria determined? How are costs allocated? (Please explain in detail)~~

Answer: The adaptions and interpretations of IAS 16 that UK Central Government applies do not alter the need in that standard to apply component accounting. However for some assets such as highways, the Government has not yet fully applied a component based approach to measurement due to its complexity. The overriding principle is that the value reflects the cost of replacing the service potential that the asset currently provides, and if that value changes, the department will impair or revalue the asset.

6. a) Does your central government account for public immovable (PP&E) using token value (or reminder value)?

a. Yes

~~b. No~~

b) If yes, give some examples where the token value is used.

Answer: Community assets are non-current assets held by an authority in perpetuity that have no determinable useful life and may have restriction on their disposal, such as parks and open spaces, historic buildings, works of art etc. They are primarily held for their historic and cultural value. Local community assets are generally included at cost or a token value in the Statement of Financial Position under 'other assets'.

7. Are the immovable recorded with token value disclosed in the balance sheet or

[1] Such as: different layers of a road.

Answer: The token value (or reminder value) is disclosed within the disclosures section.

8. a) According to IPSAS 17.31, directly attributable costs (e.g. costs of employee benefits arising directly from the construction or acquisition of the item of property) need to be included in the cost of an item of property, plant, and equipment. Does your country include such directly attributable costs in the cost of public immovable?

a. Yes

~~b. No~~

b) If yes, how is this done in practice?

Answer: Staff costs that can be attributed directly to the construction of an asset have been capitalised.

9. a) If more than one public administration is located in the same building or on the same land, which of those public administration is keeping the accounting records?

Answer: Each Accounting Officer from each government department is responsible for keeping its records and safeguarding the assets of its department.

b) Do you have any guidelines in place for such cases? If yes, please explain.

Answer: The guidelines are located in the Statement of Accounting Officer's responsibilities within the FReM.

10. a) Does your central government has a recognition threshold for items of property, plant and equipment?

a. Yes

~~b. No~~

b) What amount is taken for the recognition threshold?

Answer: The threshold for capitalising non-current assets is set by each government department as appropriate to their circumstances and disclosed in the accounting policy note in their accounts. Central government departments typically have a capitalisation threshold of GBP £5,000, other than the Ministry of Defence which has a capitalisation threshold of GBP £25,000.

c) Does your central government has a depreciation threshold for public immovable? (For instance, for public immovable that do not exceed the limit of an X amount of acquisition cost (= depreciation threshold), the depreciation rate would be 100% in the first year)

~~a. Yes~~

b. No

Answer: FReM only states the recognition threshold of an asset. There is no depreciation threshold stated.

d) What amount is taken for the depreciation threshold?

Answer: N/A

Contingent Liabilities and Provisions

11. a) How does your central government differentiate contingent liabilities from provisions? (Please explain with an example)

Answer: The Financial Reporting Manual (FReM) applies IAS 37 with no significant adaptations or interpretations (other than the requirement to apply a risk free gilt rate to the discount rate for a provision), and so the UK Government will apply its principles in distinguishing between a provision and a contingent liability. This distinction rests on either whether the liability is present or depends on uncertain future events, or whether the entity cannot currently measure a present liability reliably.

b) How do you determine the probability of an obligation?

Answer: The FReM does not have any guidelines on how to determine the probability of an obligation. This would be determined by management decision making.

c) What do you consider as contingent liabilities?

Answer: Under IAS 37, the quantifiable contingent liabilities are considered for Export guarantees, insurance policies, clinical negligence, and transport infrastructure projects.

d) How do you measure contingent liabilities?

Answer: Individually significant contingent liabilities are measured with a potential liability of at least GBP £3.0 billion.

e) How do you disclose contingent liabilities?

Answer: They are disclosed within the disclosure notes detailing in a table for each of the contingent liabilities categories.

f) Does your country publish a financial statistics showing contingent assets and liabilities? If yes, how often is it published? Is this table created with stock data or flow data?

Answer: Yes, however only for Contingent Liabilities, as categorized in tabular format showing the amounts and published annually in Whole of Government Accounts. No stock data or flow data is provided.

g) In the case of contracts with demand guarantees: How do you account for contingent liabilities there?

Answer: The department will apply IAS 32 and IAS 39 and measure the guarantee at the product of the amount that may fall due under the guarantee and the likelihood that the recipient will call on the guarantee.

h) How does your central government account for contingent liabilities in court cases (e.g. is the probability of each case determined separately)?

Answer: The probability of each case is determined case-by-case separately, which this measurement provides an estimate falling with a range or the maximum amount of risk.

12. Please provide an overview of the provisions your central government is accounting for.

Answer: Examples of provisions include nuclear decommissioning costs and clinical negligence.

13. Does your central government account for provisions and contingent liabilities from social benefits (i.e. goods, services, and other benefits provided in the pursuit of the social policy objectives of a government, e.g. child benefits)

a. Yes

~~b. No~~

Answer: Other provisions include wide range of provisions across all parts of the public sector. These include: injury benefits, medical costs, criminal injuries compensation, legal costs, compulsory purchases, concessionary fuel allowance to ex-miners, mine water treatment, public safety and subsidence, subsidence pumping stations and tip management, claims in respect of structural damage and diminution of value of properties affected by transport schemes, and compensation payments for termination of employment.

14. a) Does your central government pay termination benefits (e.g. severance allowances) to workers and civil servants?

a. Yes

~~b. No~~

b) If yes, how do you calculate and record such benefits?

Answer: Termination benefits are paid to the individuals concerned using the arrangements for paying pensions, with the amounts being recharged to employers. As the arrangements for paying termination benefits and their recovery from employers may differ from scheme to scheme, the guidance is of a general nature and may need to be interpreted to reflect individual circumstances.

15. How often does your country report contingent liabilities (monthly, quarterly, annual, etc.)?

Answer: For external reporting purposes, contingent liabilities are reported annually.

Financial Statements and Tables

16. What entities does your central government include in the scope of consolidation? For example, are public banks or public enterprises included in the scope for consolidation? If public banks are included in the scope of consolidation, are they included according to the share of capital?

Answer: The only entities that central government departments consolidate are those that the UK's statistical body – the Office of National Statistics ('ONS') classifies to General Government under ESA 2010. Otherwise, departments account for any stakes they hold in any other entity as an investment under IAS 39.

17. a) Are financially managed public entities[2] accepted as reporting units?

a. Yes

~~b. No~~

b) If yes, what financial statements these institutions prepare?

Answer: Performance report, accountability report, financial statements (statement of financial position, cash flow statement etc.)

c) Do you apply segmental reporting according to the IPSAS 18 segment reporting standard in your country? If yes, what is the methodology by doing that?

Answer: Entities should provide an analysis of its operating segments, products and services, the geographical areas in which they operate, and their major customers in accordance with the requirements of IFRS 8.

18. What financial statements does your central government's general budget institutions[3] prepare? Please describe.

Answer: HM Treasury prepare the following financial statements:

i. **Statement of Revenue and Expenditure**
ii. **Statement of Comprehensive Income and Expenditure**
iii. **Statement of Financial Position**
iv. **Statement of Changes in Taxpayers' Equity**
v. **Statement of Cash Flows**

[2] These are general budget institutions which are unable to earn income, assets or unable to borrow and not incorporated as a separate legal entity

[3] These are parliament, presidency, ministries, high courts and councils, supreme military commands, undersecretariats, and some of general directorates

19. Who is responsible within your central government

a) for the preparation of ESA-based financial statements?

Answer: Office for National Statistics in the National Accounts prepared under the European System of Accounts (ESA 10).

b) for the preparation of GFS-based financial statements?

Answer: Whole of Government Accounts (WGA) consolidates the audited accounts of over 6,000 organisations across the public sector in order to produce a comprehensive, accounts-based picture of the financial position of the UK public sector. WGA by HMY Treasury is based on International Financial Reporting Standards (IFRS), the system of accounts used internationally by the private sector.

20. Could you please share your central government's financial statements (including balance sheet and notes) with us?

Answer:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/627535/Whole_of_Government_Accounts_2015_to_2016_WEB.pdf

21. Which financial tables included in IPSAS 1 are published in your country?

Answer: HM Treasury prepare the following financial statements:

i. **Statement of Revenue and Expenditure**
ii. **Statement of Comprehensive Income and Expenditure**
iii. **Statement of Financial Position**
iv. **Statement of Changes in Taxpayers' Equity**
v. **Statement of Cash Flows**

Tax and Budget Standard Practices

22. Do you record any prepaid taxes under IPSAS 23? If yes, how do you account?

Answer: This is not applicable.

23. Does your central government apply IPSAS 23?

~~a. Yes~~

b. No

Answer: Central Government partially applies IPSAS 23.

c) On what basis of budget does your central government prepare its budget?

Answer: Departments publish budgetary information in Departmental Reports; they publish reconciliations to budgets in their Supply Estimates; and they are required to report in a note to their annual report and accounts the outturn against Estimate.
The budgets follow ESA 2010 principles but align directly with the accounts where ESA 2010 and IFRS give substantially the same outcome. Where there is a difference (e.g. for service concessions under IPSAS 32/IFRIC 12), the department reports against the budget.

27. In case your central government is using statistical methods for the revenue recognition of taxes: How do you account for corrections of actual tax revenue in subsequent periods?

Answer: This is not applicable.

Harmonization of IPSASs and General Government Accounting Legislation

Country Analysis Questionnaire - France

Accounting for public immovable (IPSAS 17)

1. a) Does your central government's financial statements present underground resources such as minerals, petroleum, natural gas and similar underground reserves?

   a. Yes

   b. No

   b) If yes, how are underground resources accounted and measured? (Please explain in detail)

Answer: No

2. Are buildings/property on a land separately accounted for by your central government, i.e. the land and the building/property separately accounted for?

   a. Yes

   b. No

Answer: Yes
The tangible assets are divided into classes with similar characteristics.
The sub-classes of assets are presented separately in the financial statements of the Central Government. Land and property are separate classes/sub-classes of assets and would therefore need to be accounted for separately. (Source: Ministry of Finance in France, Central Government Accounting Standards-Standard 6, Page 94, 2016)

3. Which public immovable categories are excluded from the records and balance sheet in your central government (taking into account of highway and roads, forest and parks, lake and ponds)?

Answer: According to the Central Government Accounting Standards, the asset should be controlled by the Central Government and should be measured reliably in order to be recognized as a tangible asset.

No immovable category is a priori excluded from recording in balance sheet. The accounting classification of tangible assets is used for measurement rules.

Natural sites such as moors, beaches, dunes, ponds, and lakes are presented separately in the financial statements of the Central Government. This class of tangible assets is composed of land with a service potential intrinsically related to public interest. Roads, motorways and the other related structures are also presented separately in the financial statements. (Source: Ministry of Finance in France, Central Government Accounting Standards, Standard 6-Tangible Assets, 2016)

4. IPSAS 17.75 requires that: "If the cost of land includes the cost of site dismantlement, removal, and restoration, that portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs" (IPSASB (2001). IPSAS 17 – Property, Plant and Equipment, Paragraph 75. London: December 2001). When determining the cost of land, does your central government also include the cost of site dismantlement, removal, and restoration and is that portion of the land being depreciated? If yes, please provide examples of when you include these costs.

(a.) Yes

b. No

Answer: Yes

The accounting treatment of dismantling and restoration of land differs according to the deterioration that creates the obligation. The first case is when the deterioration is an inevitable result of a future operating activity. The dismantling costs are recognized when the operations are terminated. Provision is recognized for the total liability of the dismantling costs as the land starts to operate or as a legal obligation occurs. At initial recognition, the cost of the land is increased in the proportion of the provision recognized for the restoration cost. The second case is when the cost occurs as a result of immediate deterioration. This case can be seen in the examples of expenditures arising because of asbestos removal. The expenditure that arises due to immediate deterioration is recognized when the cost occurs. Last but not the least, the third case is when the expenditure is a result of progressive deterioration. The expenditure is recognized as the deterioration occurs. An example of this case is pollution that is directly related to the level of activity. As deterioration occurs, provision for the expense is recognized when a legal obligation occurs to restore. (Source: Ministry of Finance in France, Central Government Accounting Standards, Standard 6-Tangible Assets, Pages 103-104, 2016)

5. a) Does your central government apply the component approach for the accounting of property, plant, and equipment[4]? (This means that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately)

a. Yes

(b.) No

[4] Such as: different layers of a road.

b) If yes, what is your approach in defining such components? How is the significance criteria determined? How are costs allocated? (Please explain in detail

Answer: No, the central government does not apply the component approach since each component of assets has different characteristics and the analysis of these components would require a complex analysis due to the number and variety of assets. Furthermore, the tangible assets that are measured based on depreciated replacement cost or fair value at the reporting date are not suitable for the component approach. (Source: Ministry of Finance in France, Central Government Accounting Standards-Standard 6, Page 92, 2016)

6. a) Does your central government account for public immovable (PP&E) using token value (or reminder value)?

(a.) Yes

b. No

b) If yes, give some examples where the token value is used.

Answer: The assets that are measured based on token value or non-revisable fixed amount include natural sites (assets with an unmeasurable service potential), cemeteries that are not included in Standard numbered 17, Heritage Assets, some of the Ministry of Defense property assets. (Source: Ministry of Finance in France, Central Government Accounting Standards-Standard 6, Page 106, 2016)

c) Are the immovable recorded with token value disclosed in the balance sheet or notes?

(a.) Yes

b. No

Answer: yes (In the Balance Sheet)

7. a) According to IPSAS 17.31, directly attributable costs (e.g. costs of employee benefits arising directly from the construction or acquisition of the item of property) need to be included in the cost of an item of property, plant, and equipment. Does your country include such directly attributable costs in the cost of public immovable?

(a.) Yes

b. No

b) If yes, how is this done in practice?

Answer: The directly attributable costs are included in the acquisition cost of tangible assets. Tangible assets that are acquired are measured based on acquisition cost. To bring the asset to the working condition and to use it as intended, the directly attributable costs are included in the acquisition cost. Some of the costs that are included in the acquisition cost are costs for site preparation, initial delivery and handling costs, installation costs, and professional fees paid to architects and engineers. (Source: Ministry of Finance in France, Central Government Accounting Standards-Standard 6, Page 105, 2016)

8. a) If more than one public administration is located in the same building or on the same land, which of those public administration is keeping the accounting records?

Answer: The multi-occupied building and/or land is recorded in the accounts of the entity that controls it as a whole.

b) Do you have any guidelines in place for such cases? If yes, please explain.

Answer: A national decision tree is applied to determine whether a property is controlled by the Central Government / a public entity or not, from the 3 cumulative criteria "type of owner + occupant type + type of occupation contract".

9. a) Does your central government has a recognition threshold for items of property, plant and equipment?

a. Yes

b. No

b) What amount is taken for the recognition threshold?

Answer: There is the concept of materiality threshold and the central government can set this threshold depending on the diversity of the tangible assets and distinguish between the asset and expense. (Source: Ministry of Finance in France, Central Government Accounting Standards-Standard 6, Page 90, 2016)

c) Does your central government has a depreciation threshold for public immovable? (For instance, for public immovable that do not exceed the limit of an X amount of acquisition cost (= depreciation threshold), the depreciation rate would be 100% in the first year)

a. Yes

b. No

Answer: According to our understanding, our central government has no depreciation threshold.

d) What amount is taken for the depreciation threshold?

Answer: N/A

Contingent Liabilities and Provisions

10. a) How does your central government differentiate contingent liabilities from provisions? (Please explain with an example)

Answer: French Central Government Accounting Standards deal with contingent liabilities under Standard 13: Commitments to be disclosed in the Notes to the Financial Statements. The Standard associates contingent liabilities with commitments and describe them as;

- "a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Central Government; or
- a Central Government obligation towards another party where it is not probable or certain that the obligation will give rise to an outflow of resources necessary to settle the obligation." (page 188)

Based on these definitions, Standard differentiates contingent liabilities from a provision through the fact that a provision represents a probable or an unconditional obligation at the reporting date.

Standard 12 deals with non-financial liabilities, including provisions. According to standard 12, non-financial liabilities shall be recognized when the three following cumulative conditions are fulfilled:

- the Central Government has an obligation towards another party relating to the current or an earlier reporting period;
- it is certain or probable that an outflow of resources will be necessary to settle the obligation towards the other party;
- the amount of the obligation can be estimated reliably.

Among non-financial liabilities, provisions for risks and liabilities are liabilities of uncertain timing or amount.

b) How do you determine the probability of an obligation?

Answer: French Central Government Accounting Standards **do not** have guidelines for determining the level of probability that would permit the distinction between a liability and a contingent liability. Professional judgment is used to determine the probability of an obligation.

c) What do you consider as contingent liabilities?

Answer: Standard categorizes contingent liabilities under four major headlines;

- Commitments given under the terms of agreements; such as
  - debt guarantees,
  - guarantees relating to general interest tasks (i.e. insurance schemes, savings protection guarantees and exchange rate guarantees),
  - guarantees of liabilities (i.e. disposals and restructuring of government business enterprises and guarantees related to the implementation of the special structures),
  - Central Government financial commitments (i.e. co-financing commitments, derivative financial instruments and budgetary commitments)
- Commitments relating to Central Government's role as economic and social regulator, in other words transfers;
- Commitments arising from litigation involving the Central Government's liability and obligations acknowledged by the Central Government, in other words lawsuits and;
- Pension commitments.

d) How do you measure contingent liabilities?

Answer: French Central Government Accounting Standards acknowledges that measurement of contingent liabilities is not always possible; yet if it is possible to measure them, it would provide better information to the users, the Central Government itself. Accordingly, the Standard states that each type of contingent liability has its own different way of measurement.

- For contingent liabilities based on terms of agreement, there is no need for specific measurement. The amount on the contract, the total amount of guarantee, must be disclosed.
- For contingent liabilities related to transfers, the measurement is based on an estimation of previous transfers.
- For contingent liabilities based on lawsuits, the measurement of a disclosure would provide an estimate falling with a range or the maximum amount of the risk;
- For contingent liabilities based on pensions, the disclosed amount is measured based on a method called the projected unit credit method which calculates "the present value of pension of retired employees and entitlements to pensions of current employees at the measurement date under the assumption that there are no changes in legislation." (page 190)

e) How do you disclose contingent liabilities?

Answer: There are several different conditions which determine the type of disclosure;

- Obligation for the contingent liability must exist at the reporting date; even though its enforcement may be conditional (possible obligation). Then contingent liability should be disclosed in the notes of balance sheets.
- If the obligation becomes certain at the time of reporting; but there is no certainty for the outflow of the resource (improbable obligation); then contingent liability should be reported as off-balance sheet commitment.
- If both the obligation and the outflow of resources are certain (certain obligation), then contingent liability should be recognized as liability in Central Government balance sheet.

There are two disclosure policies for contingent liabilities presented in French Central Government Accounting Standards.

- Objective and unequivocal amount for the contingent liability
- Detailed description of the contingent liability

First policy is preferred when the obligation cannot be measured properly at the reporting date, but it can be measured at the time of financial statements. If the obligation is totally unmeasurable, then detailed information on the contingent liability and related risks to it, second procedure, must be included to the notes.

f) Does your country publish a financial statistics (e.g. under ESA 2010) showing contingent assets and liabilities? If yes, how often is it published?

Answer: No

g) In the case of contracts with demand guarantees: How do you account for contingent liabilities there?

Answer: The amount in the contract should be disclosed.

h) How does your central government account for contingent liabilities in court cases (e.g. is the probability of each case determined separately)?

Answer: The probability of each case is measured separately; and this measurement provides an estimate falling with a range or the maximum amount of risk.

11. Please provide an overview of the provisions your central government is accounting for.

Answer: At the face of the balance sheet Central Government differs between provisions for risks and provisions for liabilities. They include:

- provisions for all types of non-financial expenses (for instance, provisions for personnel expenses, for transfers, for restoration);
- provisions for risks, such as those related to litigation

12. Does your central government account for provisions and contingent liabilities from social benefits (i.e. goods, services, and other benefits provided in the pursuit of the social policy objectives of a government, e.g. child benefits)

a. Yes

b. No

Answer: Yes for short term social benefits and cut-off purposes

13. a) Does your central government pay termination benefits (e.g. severance allowances) to workers and civil servants?

a. Yes

b. No

b) If yes, how do you calculate and record such benefits?

Answer: Yes, the way the civil servants employment system operates makes it rare to provide termination benefits.

14. How often does your country report contingent liabilities (monthly, quarterly, annual, etc.)?

Answer: Reporting of contingent liabilities is made annually according to the French Central Government Accounting Standard.

Financial Statements and Tables

15. What entities does your central government include in the scope of consolidation? For example, are public banks or public enterprises included in the scope for consolidation? If public banks are included in the scope of consolidation, are they included according to the share of capital?

Answer: The Central Government of France does not prepare consolidated financial statements. According to the French Central Government Accounting Standards, the financial statements produced by the entities falling within the scope of the Central Government's financial statements are referred to as the "separate financial statements" of the Central Government.

16. a) Are financially managed public entities[5] accepted as reporting units?

c. Yes

d. No

[5] These are general budget institutions which are unable to earn income, assets or unable to borrow and not incorporated as a separate legal entity

b) If yes, what financial statements these institutions prepare?

Answer: **No.**

According to the conceptual framework of central government accounting standards, the definition of the scope of the accounts is linked to the existence of a legal entity. The definition of the scope of the Central Government's financial statements also needs to be based on this approach. This scope encompasses all of the Central Government departments, establishments and institutions that are not incorporated as separate legal entities. On the whole, this corresponds to the entities and departments where the operating resources are authorised and described in the Budget Act, including special accounts and specific budgets. It does not include public establishments and similar bodies that are incorporated as separate legal entities.

The financial statements produced by the entities falling within the scope of the Central Government's financial statements are referred to as the "separate financial statements" of the Central Government.

c) Do you apply segmental reporting according to the IPSAS 18 segment reporting standard in your country? If yes, what is the methodology by doing that?

Answer: Yes, France Central Government Accounting Standard 16 - (Segment Reporting) is based on existing international standard; namely IPSAS 18 Segment Reporting and also IFRS 8. France segmentation approach: segmentation based on missions, which corresponds to major policies. France identifies international public institutions, capital markets and investors in debt securities as a further main user group for segment reporting. (EY, Segment reporting under the future European Public Sector Accounting Standards, 2017) (Methodology will be given from France Central Government Accounting Standard 16 and EPSAS issue paper on segment reporting by EY)

17. What financial statements does your central government's general budget institutions[6] prepare? Please describe.

Answer: General budget institutions do not prepare separate financial statements.

18. Who is responsible within your central government

c) for the preparation of ESA-based financial statements?

[6] These are parliament, presidency, ministries, high courts and councils, supreme military commands, undersecretariats, and some of general directorates

Answer: **The French National central banque, Banque de France**

d) for the preparation of GFS-based financial statements?

Answer: **The French National Institute of Statistics and Economic Studies, INSEE**

19. Could you please share your central government's financial statements (including balance sheet and notes) with us (if possible in English)?

Answer: ***The Central Government Accounts (around 300 pages) may be consulted (in French) at www.performance-publique.budget.gouv.fr.***

Overview of the approach using the 2016 accounts (25 pages) and central government accounts 2016 4pages are available in English.

20. Which financial tables included in IPSAS 1 are published in your country?

Answer:

- Balance sheet
- Statement of financial performance
- Cash flow statement
- Notes to the financial statements

Tax and Budget Standard Practices

21. Do you record any prepaid taxes under IPSAS 23? If yes, how do you account?

Answer: Central Government does not apply IPSAS 23.

22. Does your central government apply IPSAS 23?

a. Yes

b. No

23. At what point in time does your central government account for

a) Corporate tax?

Answer: Gross revenues and the Central Government's liabilities arising from corporate income tax are recognized in the financial statements for the year in which returns reporting taxable income and deductions are filed. Instalment payments received for corporate income tax are recognized in the balance sheet until the final assessment of the tax owed is made.

b) Personal income tax?

Answer: Gross revenues and the Central Government's liabilities arising from personal income tax are recognized in the financial statements for the year in which the taxpayers file returns reporting taxable income. Instalment payments received for personal income tax are recognized in the balance sheet until the final assessment of the tax owed is made.

c) VAT?

Answer: Gross VAT revenues and credits are recorded in the year in which the VAT becomes due.

d) Does your central government use statistical methods for the revenue recognition of taxes?

c. Yes

d. No

Answer: No. As the Central Government does not apply IPSAS 23, statistical methods are not used for revenue recognition.

e) In case your central government is using statistical methods for the revenue recognition of taxes: How do you account for corrections of actual tax revenue in subsequent periods?

Answer: Not applicable

24. a) Does the central government of your country provide a comparison of budget and actual results in its financial statements?

a. Yes
b. No

Answer: **A comparison between budget forecast and actual results is regularly made, according to budgetary accounting. Annually , this comparison appears in a dedicated document, submitted to Parliament in the context of the review act. Moreover, notes to the financial statements content information on the linkage of accrual-based general-purpose financial statements to cash-based budget accounts;**

b) If yes, on what accounting basis is that comparison made?

Answer: see answer to question a.

c) On what basis of budget does your central government prepare its budget?

Answer: Cash based

Harmonization of IPSASs and General Government Accounting Legislation

Country Analysis Questionnaire
Germany

For Germany the so-called property accounts of the German Federal governments are analyzed. In addition, the Standards of Government Accrual Accounting are taken for answering the questions.

Accounting for public immovable (IPSAS 17)

1. a) Does your central government's financial statements present underground resources such as minerals, petroleum, natural gas and similar underground reserves?

   a. Yes

   b. No

   b) If yes, how are underground resources accounted and measured? (Please explain in detail)

Answer: Not applicable (N/A)

2. Are buildings/property on a land separately accounted for by your central government, i.e. the land and the building/property separately accounted for?

   a. Yes

   b. No

Answer: Land ("Grund und Boden") needs to be separately accounted for by the German Central Government. This is also the case for all local governments in Germany.

3. Which public immovable categories are excluded from the records and balance sheet in your central government (taking into account of highway and roads, forest and parks, lake and ponds)?

Answer: The property accounts of the German Federal Government does currently not include such assets. However, according to the Standards of Government Accrual Accounting, Central Government would have to account for highway and roads, forest and parks as well as lakes.

4. IPSAS 17.75 requires that: "If the cost of land includes the cost of site dismantlement, removal, and restoration, that portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs" (IPSASB (2001). IPSAS 17 – Property, Plant and Equipment, Paragraph 75. London: December 2001). When determining the cost of land, does your central government also include the cost of site dismantlement, removal, and restoration and is that portion of the land being depreciated? If yes, please provide examples of when you include these costs.

a. Yes

b. No

Answer: No, these costs are not included in the cost of land.

5. a) Does your central government apply the component approach for the accounting of property, plant, and equipment[7]? (This means that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately)

a. Yes

b. No

b) If yes, what is your approach in defining such components? How is the significance criteria determined? How are costs allocated? (Please explain in detail)

Answer: Generally, the component approach is not applied. However, due to specific regulations (mainly relating to tax accounting) in Germany, components of assets (e.g. the elevator in a house) would have to be accounted for separately.

[7] Such as: different layers of a road.

6. a) Does your central government account for public immovable (PP&E) using token value (or reminder value)?

a. Yes

b. No

b) If yes, give some examples where the token value is used.

Answer: : waste disposal sites (landfills), uncultivated land (fallow land), heritable building right, works of art and collections as well as other cultural goods and monuments (but only in the case when other values are not available)

7. Are the immovable recorded with token value disclosed in the balance sheet?

a. Yes

b. No

Answer: -

8. a) According to IPSAS 17.31, directly attributable costs (e.g. costs of employee benefits arising directly from the construction or acquisition of the item of property) need to be included in the cost of an item of property, plant, and equipment. Does your country include such directly attributable costs in the cost of public immovable?

a. Yes

b. No

b) If yes, how is this done in practice?

Answer: According to the Standards of Accrual Accounting, in the acquisition cost for an item of PP&E all costs that are required to bring the item of PP&E in the condition necessary for it to be capable of operating would be considered. If these costs are directly attributable to the asset (e.g. the professional fees for workers) these costs would have to be considered. In the case of production costs for an item of PP&E they include material costs, production costs and appropriate allocations of fixed and variable overheads. However, in the property accounts it remains unclear whether the directly attributable costs, such as the costs of employee benefits and professional fees for workers, to the cost value are included.

9. a) If more than one public administration is located in the same building or on the same land, which of those public administration is keeping the accounting records?

Answer: The public administration owning the building or land (from an economic perspective), would have to account for it. Legal ownership is not decisive.

b) Do you have any guidelines in place for such cases? If yes, please explain.

Answer: In Germany we have the principle of economic ownership in place. The economic owner of an asset is required to account for it.

10. a) Does your central government has a recognition threshold for items of property, plant and equipment?

a. Yes

b. No

b) What amount is taken for the recognition threshold?

Answer: Entities within the scope of the Standards of Government Accrual Accounting can define recognition thresholds of up to 5.000 EUR per item and 50.000 EUR for a group of items.

c) Does your central government has a depreciation threshold for public immovable? (For instance, for public immovable that do not exceed the limit of an X amount of acquisition cost (= depreciation threshold), the depreciation rate would be 100% in the first year)

a. Yes

b. No

Answer: The German public administrations only have a recognition threshold. A depreciation threshold is not known in Germany.

d) What amount is taken for the depreciation threshold?

Answer: N/A

Contingent Liabilities and Provisions

11. a) How does your central government differentiate contingent liabilities from provisions? (Please explain with an example)

Answer: Provisions need to be accounted for obligations that are not defined with regard to their date of payment and to their value. At the balance sheet date the obligation needs to have been caused economically and it is probable that a claim will be raised. For contingent liabilities (also called as "balance sheet-external obligations" or "financial obligations") there is no legal definition. The Standards of Government Accrual Accounting currently follow business accounting law on that. Generally it can be said that for contingent liabilities it is less probable (less than 50%) that a claim will be raised.

b) How do you determine the probability of an obligation?

Answer: The Standards of Government Accrual Accounting does not have guidelines for determining the probability of an obligation. So judgment is required by the preparer. For law cases, the judgment of an expert (lawyer) will be asked for.

c) What do you consider as contingent liabilities?

Answer: The property accounts of the Central Government currently show guarantees (mainly export guarantees and debt guarantees) as contingent liabilities.

d) How do you measure contingent liabilities?

Answer: Measurement of contingent liabilities is the same than for provisions.

e) How do you disclose contingent liabilities?

Answer: Contingent liabilities are shown in the notes. The respective category of the contingent liability, the amount at the beginning of the year, the usage and the increase of the current year, and the amount at the end of the year.

f) Does your country publish a financial statistics showing contingent assets and liabilities? If yes, how often is it published? Is this table created with stock data or flow data?

Answer: The German Federal Statistics Office reports solely debt guarantees and non-performing loans. However, no other contingent liabilities or contingent assets are reported (see https://www.destatis.de/DE/ZahlenFakten/GesellschaftStaat/OeffentlicheFinanzenSteuern/OeffentlicheFinanzen/EUHaushaltsrahmenrichtlinie/Tabellen/BuergschaftenOeffentlicherGesamthaushalt.html) and https://www.destatis.de/DE/ZahlenFakten/GesellschaftStaat/OeffentlicheFinanzenSteuern/OeffentlicheFinanzen/EUHaushaltsrahmenrichtlinie/Tabellen/NotleidendeKredite.html)

g) In the case of contracts with demand guarantees: How do you account for contingent liabilities there?

Answer: If the contingent liability for the demand guarantee is remote then no contingent liability is disclosed. If the probability is more than 10% that the guarantee crystalizes (but less than 50%) then a contingent liability would be accounted for.

h) How does your central government account for contingent liabilities in court cases (e.g. is the probability of each case determined separately)?

Answer: According to the individual measurement principle in German public sector accounting the probability for each court case would have to be determined separately.

12. Please provide an overview of the provisions your central government is accounting for.

Answer:

- **Provisions for pensions and similar obligations (mainly health allowances)**
- **Other provisions:**
  - **Provisions for assumed guarantees**
  - **Provisions for final payments for index-linked federal bonds**
  - **Provisions for rehabilitation of old ecological burdens**

13. Does your central government account for provisions and contingent liabilities from social benefits (i.e. goods, services, and other benefits provided in the pursuit of the social policy objectives of a government, e.g. child benefits)

a. Yes

b. No

Answer: No provisions and contingent liabilities from social benefits are accounted for by Central Government.

14. a) Does your central government pay termination benefits (e.g. severance allowances) to workers and civil servants?

a. Yes

b. No

b) If yes, how do you calculate and record such benefits?

Answer: Civil servants in Germany have a special health plan, the Beihilfe, which also applies when they are in pension, and they get an index-linked pension paid directly by the state.

15. How often does your country report contingent liabilities (monthly, quarterly, annual, etc.)?

Answer: For external reporting purposes only annually.

Financial Statements and Tables

16. What entities does your central government include in the scope of consolidation? For example, are public banks or public enterprises included in the scope for consolidation? If public banks are included in the scope of consolidation, are they included according to the share of capital?

Answer: Currently, the federal government in Germany does not prepare consolidated financial statements. The Standards of Government Accrual Accounting require to apply the control criteria for determining the scope of consolidation. The question in Germany for example would be whether the central government controls the Bundesbank.

17. a) Are financially managed public entities[8] accepted as reporting units?

e. Yes

f. No

b) If yes, what financial statements these institutions prepare?

Answer: Such financially managed public entities would also be within the scope of the central government or the Ministry which they are part of.

c) Do you apply segmental reporting according to the IPSAS 18 segment reporting standard in your country? If yes, what is the methodology by doing that?

Answer: No. In Germany segment reporting is only required if a public sector entity prepares its budget based on outputs ("products").

18. What financial statements does your central government's general budget institutions[9] prepare? Please describe.

Answer: They don't prepare separate financial statements. They would fall under the scope of the Central Government.

19. Who is responsible within your central government

e) for the preparation of ESA-based financial statements?

Answer: Federal Statistical Office

f) for the preparation of GFS-based financial statements?

Answer: The German Bundesbank is in charge of reporting against the IMF.

20. Could you please share your central government's financial statements (including balance sheet and notes) with us?

Answer: See attached.

[8] These are general budget institutions which are unable to earn income, assets or unable to borrow and not incorporated as a separate legal entity

[9] These are parliament, presidency, ministries, high courts and councils, supreme military commands, undersecretariats, and some of general directorates

21. Which financial tables included in IPSAS 1 are published in your country?

Answer:
- balance sheet
- budget execution report ("Haushaltsrechnung) which is similar to the statement of budget and actual results under IPSAS

Tax and Budget Standard Practices

22. Do you record any prepaid taxes under IPSAS 23? If yes, how do you account?

Answer: The German Federal Government does not apply IPSAS 23. Taxes are recognized when cash is received.

23. Does your central government apply IPSAS 23?

c. Yes
(d.) No

Answer: No.

24. At what point in time does your central government account for

f) Corporate tax?

Answer: When cash is received.

g) Personal income tax?

Answer: When cash is received.

h) VAT?

Answer: When cash is received.

25. Does your central government use statistical methods for the revenue recognition of taxes?

e. Yes
(f.) No

Answer: No.

Harmonization of IPSASs and General Government Accounting Legislation

Case Study Questionnaire- United Kingdom

Questions of the Accounting for Service Concession Arrangements

The focus of the questions is on service concession arrangements where the grantor is granting the operator the right (i.e. a concession) to earn revenue from third-party users of the service concession asset. In this context IPSAS 32 has termed such an arrangement the grant of a right to the operator model.

A: Treatment of Service Concession Arrangements in Public Sector Accounting

1. Does your country apply IPSAS 32, *Service Concession Arrangements: Grantor* or a standard/law similar to that?

Answer: The UK applies a similar principle to IPSAS 32, under which the grantor records PPE and a liability or deferred revenue balance if the two IFRIC 12 control tests apply to the arrangement. This principle is explicit in the IFRS based accounting guidance that apply to all of the UK public sector (central government – FReM, local government – CIPFA code of accounting practice, and health sector – specific service concession accounting guidance).

2. In case that your country is applying a standard/law similar to IPSAS 32: What are differences to IPSAS 32? Please name them.

Answer: The only difference is that in the UK in arrangements where the operator has a financial asset the grantor measures a long term liability using the same principles as under IAS 17 rather than as a financial liability. This means that the liability profile differs because the implicit lease interest rate is net of any price indexation once the grantor has deducted the fair value of services from the cash it pays to the operator.

3. Does your country apply IPSAS 13, *Leases* or a standard/law similar to that for the accounting of public private partnerships?

Answer: Yes – but only if the second IFRIC 12 control test (control of the residual interest) does not apply to the arrangement. In these circumstances the UK applies IFRIC 4 and IAS 17.

4. In case that your country is applying a standard/law similar to IPSAS 13: What are differences to IPSAS 13? Please name them.

Answer: None

5. Does your country present PPPs (where applicable) on the balance sheet (statement of financial position)?

Answer: The UK records PPP assets and liabilities on balance sheet if the two IFRIC 12 control tests apply. If the grantor pays the operator for the PPE by granting a right to charge users, it records a deferred revenue balance as a result of the exchange of PPE for the intangible that the operator receives – in this case the deferred revenue balance also falls on balance sheet to match the PPE. This corresponds to IPSAS 32's grant of a right to the operator model

6. Are there PPPs in your country which are recorded off-balance sheet?

Answer: We are not aware of any because the IFRIC 12 control tests apply because the contract terms almost invariably allow the grantor to obtain the property either for nil on expiry or for an open market value, while also determining how to use the property during the arrangement's term. It is worth noting that the UK currently measures long term liabilities under ESA 2010 principles in its fiscal debt measures, under which most PPPs do not add to long term borrowing due to their construction and availability risk allocation to the operator. This treatment contrasts with the UK's public sector financial statements which apply IFRS principles.
The accounting guidance does cater for off balance sheet PPPs by requiring disclosure of the payments that the grantor expects to make in five yearly bands.

7. At what point in time of the project life-cycle is the service concession asset recognized? Is it already recognized during the construction of the service concession asset (e.g. an infrastructure asset)?

Answer: In most cases UK public bodies record the PPE as a single point when the operator completes its construction. The guidance is not specific on this point but refers to IAS 17 which requires recognition of a finance lease asset when it is ready for use. Public bodies also often determine that they cannot measure the PPE's value during construction reliably because they do not have enough visibility of the value of construction work in progress; this is because the project financing structure usually means that the operator receives no payment from the grantor until the PPE is ready for use. Hence the PPE does not usually meet the criteria in IAS 16 for recognising an asset – being able to measure its costs reliably.

8. In case that the service concession asset is not recognized already during the construction, does the grantor (i.e. the government entity) disclose a contingent asset instead of a service concession asset?

Answer: Government bodies will usually disclose the service concession arrangement's existence from the year in which the body concerned signs the contract with the operator. This disclosure will usually include the amount at which the grantor expects to measure the PPE's opening value, along with a schedule of cash payments, interest charge and service costs in five yearly bands.

9. Assuming that the service concession arrangement contains a demand guarantee (i.e. the government guarantees a certain number of users for the service concession asset):

a. How and at what point in time does the grantor account for such guarantees (recognition/disclosure and measurement)?

Answer: Most UK PPPs provide guarantees by paying for the PPE's availability (such that the operator records a financial asset under IFRIC 12). The grantor guarantees demand by paying directly for use up to the level of the guarantee and then paying additional amounts depending on the volume of use. The grantor treats this as an equivalent to IPSAS 32's financial liability model, and so the grantor does not record a separate item for the guarantee because it has measured its liability already. If the payment varies with demand but includes a minimum payment level, the grantor treats this minimum demand as equivalent to an availability payment and so records a long term liability under IAS 17 principles (see question 2).
If however the grantor provides guarantees from third parties, by "topping up" revenue when and to the extent that demand falls below the guarantee, we would expect the grantor to record this guarantee as a financial guarantee contract under IAS 39 at its fair value from the point it enters into the guarantee. However we are not aware of any UK PPPs with this structure.

b. Are provisions accounted for these guarantees?

Answer: We are not aware of any such demand guarantee in the UK but would expect the grantor to record this guarantee as a financial guarantee contract under IAS 39 at its fair value from the point it enters into the guarantee.

10. Are there any contingent liabilities (e.g. for any guarantees) accounted for in the context of accounting for service concession arrangements?

Answer: Not specifically under normal contract terms; grantors will usually disclose future commitments under SCAs similarly to operating and finance lease disclosures. The UK Central Government applies IAS 37 with the only modification being prescribed discount rates for any provision extending over more than one year. Hence if any SCA includes a contingent liability, we would expect the grantor to disclose this as it would any other contingent liability. Grantors either record a liability on the face of the balance sheet or a deferred revenue balance. UK grantors record a:

- **Liability under the UKs equivalent to IPSAS 32's financial liability model but measure it as if it is a finance lease under IAS 17; and**
- **Deferred revenue balance under the equivalent to the grant of a right to the operator model; they will present this on balance sheet as a long term credit balance but grantors do not see this as a liability but as deferred revenue for the exchange of dissimilar assets under IAS 18.**

11. How would you initially determine the fair value of the service concession asset in the grant of a right to the operator-model when the arrangement does not contain any data on the fair value of the service concession asset.

Answer: It is difficult to see any circumstance under which this situation would arise in the UK; this is because the procurement process would require detailed project financial models from all bidders for the contract, on which the grantor would base its estimate of the PPE's fair value. A SCA in the UK usually requires the operator to fix the price for building the service concession asset by taking the risk on that price such that the grantor does not compensate the operator for any changes in that price after contract signature. This means that the bid process includes submission of a financial model that will include the cost of building the service concession asset. Grantors will then usually base their fair value assessment on the financial model figure. In the absence of any such information, we would suggest an independent valuation of the PPE.

12. Would you agree that at initial recognition of the service concession asset and the corresponding liability in the grant of a right to the operator model the total amount for a demand guarantee (which is granted by the government to the operator) equals the total amount for the possible abandoned future income?

Answer: No – for reasons that we state earlier, we would expect the grantor to treat a guarantee as a financial guarantee contract under IAS 39; in this case the value would equal the present value of the likely difference between the guaranteed income and actual income on the basis that the guarantee is to "top up" the revenue when and to the extent that the demand falls below the guaranteed level.

13. In the grant of a right to the operator model: How do you account for instances where the operator does not achieve the expected demand and the government has granted a demand guarantee to the operator. => How is the foregone revenue being measured during the transfer of operating rights?

Answer: If we understand the question correctly, this situation arises when and to the extent that the operator fails to generate demand that exceeds the guarantee level. In these circumstances, the grantor would record a liability for the amount falling due under the guarantee, which it would discharge on making the payment. This liability would be equivalent to any other trade creditor for the grantor.

14. How do you account for the service concession assets in terms of subsequent measurement (e.g. useful lives, residual value)?

Answer: In the UK, grantors measure service concession assets identically to how they would measure any other PPE item. The accounting aims to capture the grantor having an asset and how the grantor funds this asset, so the difference arises in how the grantor accounts for its payment for the asset rather than the asset itself.

15. What standards does the operator apply for the accounting of the service concession arrangement in your country (e.g. IFRIC 12 or national standards/laws)?

Answer: Operators either apply IFRIC 12 or a section of UK specific accounting guidance (Financial Reporting Standard 102: the Financial Reporting Standard applicable to the UK and Republic of Ireland ('FRS 102')) which applies IFRIC 12 principles directly. Under the latter treatment, operators may adopt the policies that they previously applied before transitioning to FRS 102 if they had reached financial close on the project before that date. Under those circumstances, operators may have recorded PPE or a financial asset depending on their view of the project's risk allocation. Hence while most UK service concession operators record financial or intangible assets under IFRIC 12 principles, some operators will record PPE.

16. Are there any commissions or institutions assessing the criteria specified in foreseen control approach in IPSAS 32? Are the projects being examined whether they are within the scope of the public service or not? Are the projects beyond the control and public service criteria being accounted and reported in accounting terms?

Answer: All grantors in the UK assess whether the IPSAS control criteria apply to the service concessions they propose. If a project falls outside of one or both of these criteria, other accounting standards will apply depending on which criterion does not apply, and on whether the "financial liability" model applies:
Financial liability model applies:
If the first criterion does not apply but the second one does, the grantor does not record the asset but instead allocates cash payments to profit and loss less an amount to build up a prepayment for the asset's residual value. In rare circumstances where the grantor has an option to buy the asset at open market value, the second control test still applies but in this case the grantor does not build up the prepayment.
If the first criterion applies but the second one does not apply, the grantor determines whether there is a lease under IFRIC 4 and then if so applies IAS 17. If there is no lease, the grantor does not record PPE or a liability.
Grant of a right to the operator model applies:
In both cases, the grantor does not record PPE but will otherwise account for any other obligations it has under the relevant IFRS.

17. Are the projects beyond the control and public service criteria (i.e. out of the scope of accounting for service concession arrangements) being accounted and reported in accounting terms?

Answer: The UK Government will record and account for any transaction to which it is a party, such that it either guarantees payments or makes payment to such an arrangement's operator. If there is no recognisable transaction the public body will not account for it.

18. Please describe the financial reporting between the grantor and the operator (time intervals, format of reports, information provided).

Answer: This will depend on the individual contract provisions, but usually the operator notifies the grantor of any factor determining how much is due under the financial liability model annually, as well as specifying in a monthly invoice any penalties for non-availability.

19. Do you have a separate report on PPPs that includes financial information and various analysis? If yes, is this report shared with the public?

Answer: No – we do not. However, HM Treasury publishes annual Public Finance Initiative and Private Finance 2 Project: Summary Data reports. It lists new projects, continuing projects and completed projects. Also it includes estimated future payments, top grantor departments and other information. This report is publicly available.
Furthermore, within the Whole of Government Accounts, detailed information about PPPs is shared with the public. The analysis consists of the net present value of future obligations under PFI, finance lease charges, minimum service charges and consolidated future obligations for the grantors. These are all yearly comparable.

B: Treatment of Service Concession Arrangements/PPPs in National Accounts/Finance Statistic

20. What factors do you consider for the risk and return assessment in the context of PPPs?

Answer: The factors we consider follow ESA 2010 and are whether the operator:

- **Is independent enough of the Government to be a private sector body**
- **Holds the risk of cost and time overruns during construction; and**
- **Holds either the availability or demand risk for the underlying PPE**

21. Are the same risk and return factors being used for all PPPs/service concession arrangements such as build-operate-transfer or build-rent-transfer etc.,?

Answer: Yes – these follow ESA 2010

22. How do you evaluate the risk and return factors in practice? Is the assessment for example based on the numerical majority of the related factors or is there a specifc method of scoring using weigthing factors implemented?

Answer: There is a specific method which is a narrative analysis of risk factors – please see the following link http://europa.eu/rapid/press-release_MEMO-16-3224_en.htm

23. Which financial statistical tables are used by your country to show PPP/service concession arrangements?

Answer: Those that the Office of National Statistics produces, along with the HM Treasury's Whole of Government Accounts

24. If a PPP project needs to be shown on the financial statistical tables, will the related amounts be shown on both the liabilities table and contingent liabilities table?

Answer: This depends on whether there are any contingent liabilities or not as separately recognisable from the liabilities.

25. If a PPP project needs to be shown in the national accounts, are the amounts related to those projects directly transferred to the financial tables or are each years' amounts reflected in the table by dividing the amounts to contract period?

Answer: The national accounts will show each year's cash flow throughout the project term if the PPP is off balance sheet, or will record PPE and a liability under a similar calculation to the UK's IFRS calculations as we have detailed above if it is on balance sheet.

Harmonization of IPSASs and General Government Accounting Legislation

Case Study Questionnaire – New Zealand

Questions of the Accounting for Service Concession Arrangements

The focus of the questions is on service concession arrangements where the grantor is granting the operator the right (i.e. a concession) to earn revenue from third-party users of the service concession asset. In this context IPSAS 32 has termed such an arrangement the grant of a right to the operator model.

A: Treatment of Service Concession Arrangements in Public Sector Accounting

26. Does your country apply IPSAS 32, *Service Concession Arrangements: Grantor* or a standard/law similar to that?

Answer: Public Benefit Entities (PBEs) in New Zealand have been using PBE IPSAS (Public Benefit Entity Standards based on International Public Sector Accounting Standard) 32 – Service Concession Arrangements – Grantor for periods beginning on or after 1 July 2014 (public sector) and 1 July 2015 (not-for-profit) with no significant differences to IPSAS 32.

27. In case that your country is applying a standard/law similar to IPSAS 32: What are differences to IPSAS 32? Please name them.

Answer: There is no difference in accounting for service concession arrangement to IPSAS 32 (besides having a statement of comprehensive revenue and expense in NZ).

28. Does your country apply IPSAS 13, *Leases* or a standard/law similar to that for the accounting of public private partnerships?

Answer: If the arrangement involves leases, then PBEs in New Zealand use PBE IPSAS 13 – Leases for accounting tasks completed by the grantor. This standard been applied for all public sector PBEs from periods beginning on or after 1 July 2014 (public sector) and 1 July 2015 (not-for-profit)

29. In case that your country is applying a standard/law similar to IPSAS 13: What are differences to IPSAS 13? Please name them.

Answer: PBE IPSAS 13 is the combination of;
IPSAS 13 – Leases,
NZ SIC 15 - Operating Leases – Incentives,
NZ SIC-27 - Evaluation the Substance of Transactions Involving the Legal Form of a Lease; and
NZ IFRIC 4 - Determining whether an Arrangement contains a Lease.
Apart from the inclusion of the interpretations, PBE IPSAS 13 has no significant differences to IPSAS 13 except that it requires the presentation of a statement of comprehensive revenue and expense. IPSASs require the presentation of a statement of financial performance.
NZ SIC 15, NZ SIC 27, and NZ IFRIC 4 have been included in PBE Standards because they were already being applied by PBEs in New Zealand (under NZ IFRS). Therefore, the NZASB determined that it was important that entities applying PBE Standards can continue to apply the guidance in the interpretations.

30. Does your country present PPPs (where applicable) on the balance sheet (statement of financial position)?

Answer: Based on the financial statements published by Treasury, service concession arrangements are not displayed separately in the statement of financial position. However other public sector entities do present PPPs.

- The Ministry of Education discloses its financial obligation (NZD$280m) on the face of the balance sheet. In the notes it discloses separately the PPP assets (NZD$213m on a balance sheet of NZD$14.6bn PPE assets).
- The Department of Corrections does not specifically refer to PPPs on the face of the balance sheet but in the notes it discloses assets of NZD$320m on a balance sheet of NZD$2.6bn) and liabilities of NZD$409m.
- New Zealand Transport Agency recognised on the face of the balance sheet the asset (NZ$245m on total assets of NZD$33.4bn) and a liability of the same amount.

31. Are there PPPs in your country which are recorded off-balance sheet?

Answer: Under PBE Standards PBEs are required to recognise all PPP arrangements in accordance with PBE IPSAS 32

32. At what point in time of the project life-cycle is the service concession asset recognized? Is it already recognized during the construction of the service concession asset (e.g. an infrastructure asset)?

Answer: In NZ the service concession asset would be recognized already when constructed (in case the asset is reliably measurable). Assets are recognised during the construction phase of the project assuming control of the asset resides with the Government (in accordance with PBE IPSAS 32). Operators are usually required to provide information regarding the progress of the project to assist grantors with the recognition of the assets.

33. In case that the service concession asset is not recognized already during the construction, does the grantor (i.e. the government entity) disclose a contingent asset instead of a service concession asset?

Answer: No contingent asset would be disclosed because an asset is recognised as it is constructed.

34. Assuming that the service concession arrangement contains a demand guarantee (i.e. the government guarantees a certain number of users for the service concession asset to the operator):

a. How and at what point in time does the grantor account for such guarantees (recognition/disclosure and measurement)?

Answer: According to IPSAS 32, a demand guarantee is accounted for only in the case when there is a certain probability that it crystalizes. First a contingent liability (when the possible obligation is not remote) would be disclosed and, if the probability that the guarantee crystalizes, is higher than 50% then a provision would be recognized.
Further, such demand features are not likely to be used in New Zealand. The majority of PPPs are financial obligations not operator model. However any application to the operator model would be in accordance with PBE IPSAS 32.

b. Are provisions accounted for these guarantees?

Answer: See answer before.

35. Are there any contingent liabilities (e.g. for any guarantees) accounted for in the context of accounting for service concession arrangements?

Answer: See answer before and maybe any other cases related to the arrangement where the definition of a contingent liability is fulfilled.

36. How would you initially determine the fair value of the service concession asset in the grant of a right to the operator-model when the arrangement does not contain any data on the fair value of the service concession asset?

Answer: In my experience PPP arrangements with the government are required to provide information on the cost of the service concession asset. In the unlikely event that this did not happen, the entity would be required to get a valuation completed. This would be completed in accordance with PBE Standards and is likely to reflect replacement cost (and depreciated replacement cost as the asset is used).

37. Would you agree that at initial recognition of the service concession asset and the corresponding liability in the grant of a right to the operator model the total amount for a demand guarantee (which is granted by the government to the operator) equals the total amount for the possible abandoned future income?

Answer: This would in our understanding be dependent on the contractual arrangements and does not necessarily have to be the case.

38. In the grant of a right to the operator model: How do you account for instances where the operator does not achieve the expected demand and the government has granted a demand guarantee to the operator. => How is the foregone revenue being measured during the transfer of operating rights?

Answer: When the demand guarantee crystalizes, then the probability of an outflow would have to be assessed. In case the probability of the outflow is less than 50% but higher than 5% you would disclose a contingent liability in the notes. In case that there is a probability of more than 50% that the grantor would have to pay the operator, the "unearned revenue liability" would turn into a financial liability. For the assessment of that financial liability you would apply the general principles of IPSAS 19.

39. How do you account for the service concession assets in terms of subsequent measurement (e.g. useful lives, residual value)?

Answer: According to PBE IPSAS 17.

40. What standards does the operator apply for the accounting of the service concession arrangement in your country (e.g. IFRIC 12 or national standards/laws)?

Answer: NZ FRS 45 Service Concession Arrangements: Operator (FRS 45) applies to PBEs in New Zealand. For profit entities apply NZ IFRIC 12. Both of these standards are practically identical to IFRIC 12.

41. Are there any commissions or institutions assessing the criteria specified in foreseen control approach in IPSAS 32? Are the PPP projects being examined whether they are within the scope of the public service or not by such an institution? Are the projects beyond the control and public service criteria being accounted and reported in accounting terms?

Answer: In New Zealand entities entering into PPPs with the government are required to comply with the Treasury requirements. Roughly 80% of the terms and conditions of all PPPs are required to comply with the Standard Form issued by Treasury, with the remaining terms determined between the parties. The Treasury PPP team is responsible for

- **"developing PPP policy and processes**
- **assisting agencies with PPP procurement**
- **the Standard Form PPP Project Agreement**
- **engaging with potential private sector participants, and**
- **monitoring the implementation of PPP projects." (Source: The Treasury of New Zealand, http://www.treasury.govt.nz/statesector/ppp, 2017)**

All entities entering PPP arrangements that meet the definition of PBE IPSAS 32 are required to apply the Standard to the arrangement.
For further information on the standard terms and conditions please see the link below.
http://www.treasury.govt.nz/statesector/ppp

42. Please describe the financial reporting between the grantor and the operator (time intervals, format of reports, information provided).

Answer: That might be dependent on the contractual arrangements. However as noted above, the each PPP is required to include the Standard Form template terms and conditions which include specific requirements for monthly reporting including monitoring of performance / progress.

43. Do you have a separate report on PPPs that includes financial information and various analysis? If yes, is this report shared with the public?

Answer: Control of the PPPs at the central level is done by Treasury's PPP Team established under New Zealand Treasury.
Treasury has;

- **the necessary guidelines,**
- **the updated list of current PPP projects and**
- **review of PPP procurement process in NZ.**

Instead of having a separate report, relevant information are published publically On their website. Additionally, entities' individual financial statements which are also publically available have information on their PPPs.

B: Treatment of Service Concession Arrangements/PPPs in National Accounts/Finance Statistic

44. What factors do you consider for the risk and return assessment in the context of PPPs?

Answer: Probably the factors as outlined in the GFS Manual and those established by Treasury – see link below for further details on the policy to be met
http://www.treasury.govt.nz/statesector/ppp/guidance/model-and-policy

45. Are the same risk and return factors being used for all PPPs/service concession arrangements such as build-operate-transfer or build-rent-transfer etc.,?

Answer: Yes every PPP is required to consider risks and returns as outlined by Treasury.

46. How do you evaluate the risk and return factors in practice? Is the assessment for example based on the numerical majority of the related factors or is there a specific method of scoring using weighting factors implemented?

Answer: All factors are treated equally as the GFSM also does not provide a weighting of factors.

47. Which financial statistical tables (i.e. which GFS statements) are used by your country to show PPP/service concession arrangements?

Answer: The balance sheet, the GFS-equivalent of the income statement, and the contingent liabilities statement.

48. If a PPP project needs to be shown on the financial statistical tables, will the related amounts be shown on both the liabilities table and contingent liabilities table?

Answer: The logic here is the same than under IPSAS 32.

49. If a PPP project needs to be shown in the national accounts, are the amounts related to those projects directly transferred to the financial tables or are each years' amounts reflected in the table by dividing the amounts to contract period?

Answer: The logic here is the same than under IPSAS 32.

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7.3. Inception Report

Annex:3 Inception Report

Harmonization of IPSASs and General Government Accounting Legislation

Building a better working world

IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması

Başlangıç Raporu

17 Temmuz 2017

EY
Building a better working world

İçindekiler

1 Giriş
2 Raporun amacı
3 Projeyi anlayışımız
4 Yöntem
5 Proje planı
6 Proje organizasyonu
7 Uygulamaya ilişkin pratik konular
8 Sonuç

Giriş

- **«IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi»,** Dünya Bankası ve Maliye Bakanlığı arasında imzalanmış olan Kamu Mali Yönetimi Reformu Uygulamalarının Desteklenmesi Projesi başlıklı hibe anlaşması kapsamında gerçekleştirilmekte olup, projenin yararlanıcısı Maliye Bakanlığı ve yüklenici firma EY Kurumsal Finansman Danışmanlık A.Ş.'dir.

- Seçili konu başlıklarına ilişkin Türkiye'de uygulanan muhasebe mevzuatı ile Uluslararası Kamu Muhasebe Standartları (IPSAS) arasındaki farkların uyumlaştırma çalışmalarında katkı sağlaması amacıyla değerlendirileceği proje, dört aşamada yürütülecektir:
  - Başlangıç
  - Mevcut Durum Analizi
  - Fark Analizi
  - Sonuçlandırma

- İşbu rapor, Başlangıç aşamasının tamamlanmasına müteakip hazırlanmış olup, bu aşamada yapılan çalışmaları ve sonuçlarını içermektedir.

Raporun Amacı

1

Proje planı ve kapsamının onaylanması

- **İş planı üzerine anlaşılması**
- **Çalıştay ve Yönlendirme Komitesi Toplantısı tarihlerinin kararlaştırılması**

2

Proje yönetim ve uygulama ekibinin tanıtılması

- **Proje organizasyonunun gözden geçirilmesi**
- **Proje uygulama ve yönetim toplantılarının usulüne karar verilmesi**

3

Beklentiler ve birlikte çalışma prensiplerinin belirlenmesi

- **Maliye Bakanlığınca ilgili ekibin görevlendirilmesi**
- **Sonraki adımların belirlenmesi**

Projeyi anlayışımız

İş tanımına karşılık proje için belirlediğimiz temel aşamalar

Proje Süresince İzlenecek Yöntem ve İş Planı

1. Kamu taşınmazlarının değerlemesi ve muhasebeleştirmesi;

i. IPSAS uygulamalarının taahhütler, gerçekleşmeler, güncellemeler ve KÖİ yatırımlarında edinilen varlıklar açısından değerlendirilmesi

ii. Kamu Özel Ortaklığı modeli ile yürütülen yatırımların IPSAS, ESA ve GFS içerisinde ele alınım şekilleri arasındaki farkların belirlenmesi ve çözüm önerilerinin analizi,

iii. Yeraltı kaynaklarının değerlemesi ve muhasebe kayıtları açısından ülke uygulamalarının analizi,

iv. Uluslararası iyi uygulamaların üzerinde bina yer alan arazilerin değerlemesi ve tescili açısından incelenmesi,

v. Hangi taşınmazların çalışmaya dâhil edilmesi ve hangilerinin dâhil edilmemesi gerektiğinin analizi ve otoyolları, ormanları, gölleri taşınmazlar arasında inceleyen iyi uygulama örneklerinin değerlendirilmesi

vi. IPSAS uygulanan ülkelerde taşınmazların değerlemesinde iz bedelinin uygulanabilirliğinin değerlendirilmesi, bu ülkelerde iz bedelinin uygulandığı taşınmazların belirlenmesi

2. Mali tabloların hazırlanması; Genel bütçe kapsamındaki birimlerin, benzer idari yapıya sahip diğer ülkelerdeki uygulamaları dikkate alarak mali tablolar üretip üretmediğinin değerlendirilmesi

3. IPSAS ile Türkiye'de uygulanan muhasebe mevzuatı arasındaki uyuşmazlıkların seçili konularda incelenmesi;

i. Araştırma ve geliştirme faaliyetleri yoluyla oluşan gayri maddi sabit varlıkların kayıt altına alınması

ii. Amortisman kayıt prosedürünün değerlendirilmesi

iii. Şüpheli alacaklar ve sosyal güvenlik hükümleri için ayrılan karşılıkların muhafaza edilmesine ilişkin uygulamaların analizi

iv. Bütçe ve vergi standartları uygulamalarının analizi

v. Kamu kuruluşları tarafından üretilecek mali tabloların iştirakler, ortaklıklar, girişimler, kontrol eden ve kontrol edilen işletmeler ile yerel yönetimler açısından incelenmesi

vi. Koşullu yükümlülükler için mali tablolarda sunulan açıklamalarda esas alınacak kapsam, miktar ve kayıt süresi kriterlerinin belirlenmesi

Projeyi Anlayışımız ve Temel Aşamalar

Aşama 1 - Başlangıç

Aşama 2 - Mevcut Durum Analizi

- Mevcut muhasebe mevzuat ve kurumsal çerçevesinin gözden geçirilmesi
- İlgili alanlarda muhasebeleştirme süreçlerinin tespiti ve incelenmesi
- Birinci Çalıştay

Aşama 3 - Fark Analizi

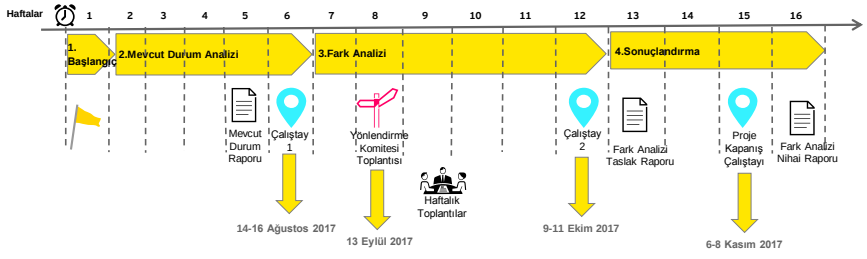
- İlgili alanlarda mevcut standartlar ile IPSAS'ların karşılaştırılması
- Diğer ülke uygulamalarından örneklerin sağlanması
- İkinci Çalıştay

Aşama 4 - Sonuçlandırma

- Fark Analizi Raporu
- Üçüncü çalıştay

Yöntem

Proje Faaliyetleri ve Genel Uygulama Planı



1. Başlangıç

1.1. Proje Açılış Toplantısı
1.2. Proje İş Planı ve Çıktılarının Gözden Geçirilmesi
1.3. Maliye Bakanlığı Tarafından Proje Ekibinin Belirlenmesi
1.4. Ortak Çalışma Prensiplerinin Belirlenmesi
1.5. Proje Planının Onaylanması

2. Mevcut Durum Analizi

2.1. Merkezi düzeydeki mevcut muhasebe uygulamalarının gözden geçirilmesi
2.1.1. Mevcut yasal çerçevenin gözden geçirilmesi
2.1.2. İK ve organizasyon yapısı tespitleri
2.1.3.Dönüşüm Yaklaşımı tespitleri
2.2. Maliye Bakanlığı tarafından önceliklendirilen alanlara ilişkin IPSAS eşleştirmelerinin yapılması
2.3. Mevcut durumun raporlanması
2.4. Çalıştay-1: Odak alanlardaki tespitler
2.5. MDA Raporu Hazırlanması

3. Fark Analizi

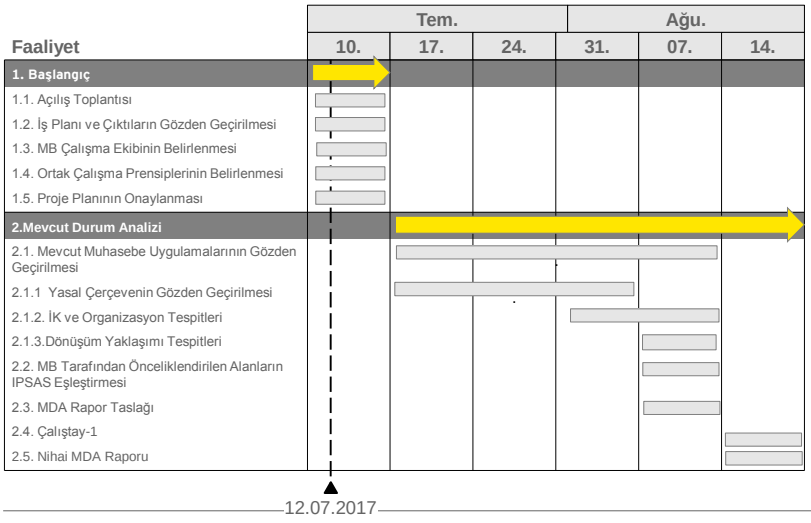
3.1. Ulusal uygulamalar ile IPSAS karşılaştırması
3.1.1. KÖİ muhasebeleştirme ve raporlaması
3.1.2. Kamu taşınmazları muhasebeleştirme ve raporlaması
3.1.3. Merkezi bütçe finansal raporları
3.1.4. Seçili diğer konuların IPSAS uyumlaştırması
3.2. IPSAS dönüşümünde örnek uygulamalar
3.2.1. Taşınmazların muhasebeleştirme, değerleme ve raporlamasında örnek 3 ülke üzerinden inceleme
3.2.2. Finansal tabloların örnek 3 ülke üzerinden incelenmesi
3.3. Çalıştay-2: Farklılıklar ve uyum seçenekleri

4. Sonuçlandırma

4.1. Fark Analizi Raporu taslağının hazırlanması
4.2. Maliye Bakanlığı tarafından raporların gözden geçirilmesi
4.3. Çalıştay-3: Proje kapanış çalıştayı
4.4. Fark Analiz Raporu nihai halinin tamamlanması

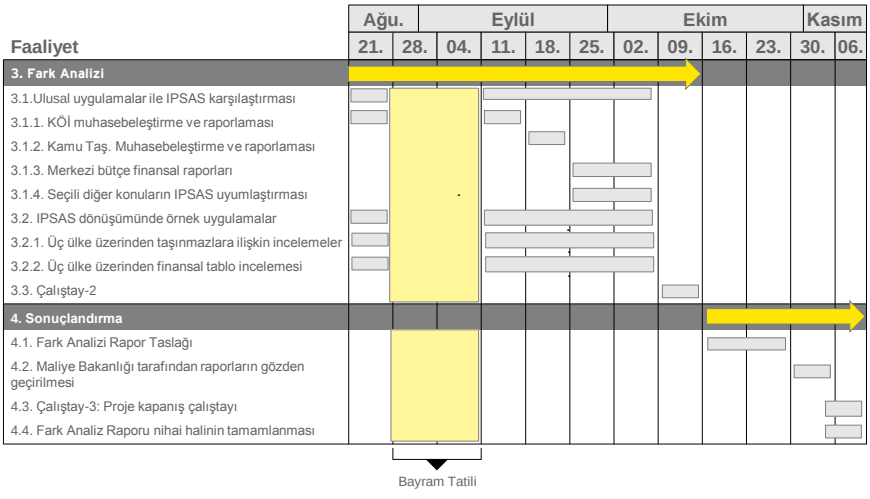
Proje planı (1/2)

Proje Faaliyetleri ve Ayrıntılı Uygulama Planı

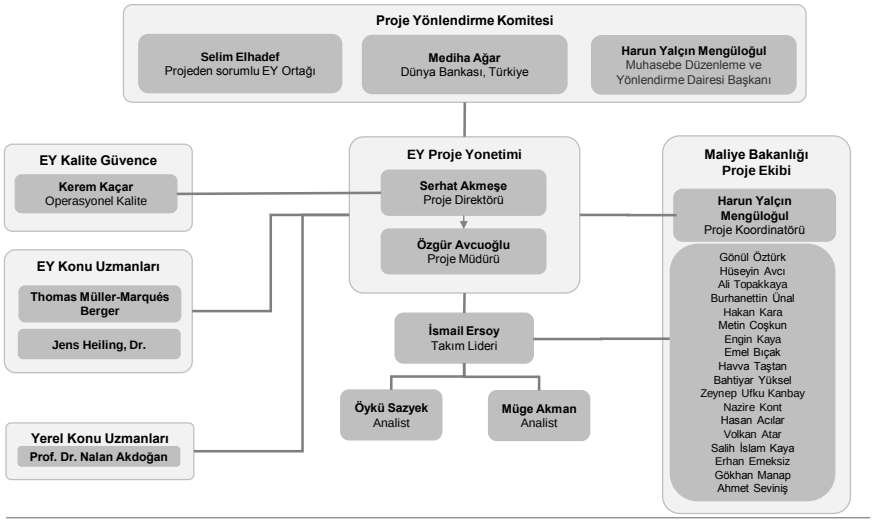


Proje planı (2/2)

Proje Faaliyetleri ve Ayrıntılı Uygulama Planı



Proje organizasyonu





Thomas Müller-Marqués Berger
Şirket Ortağı, Denetim, EMEIA Kamu Sektörü Denetim Lideri,
Kamu Sektörü Muhasebesi Küresel Lideri
Telefon: +49 711 9881 15844
Eposta: thomas.mueller-marques.berger@de.ey.com

Özgeçmiş

- Kamu Maliyesi ve Muhasebeciliği Enstitüsü (CIPFA) Onursal Üyesi (Kasım 2016 - devam ediyor)
- IPSASB Danışmanlık Grubu Açılış Başkanı (Ocak 2016 - devam ediyor)
- Fédération des Experts Compatibles Européens, Kamu Sektörü Komitesi Başkanı
- Institut der Wirtschaftsprüfer (IdW) Alman Kamu Sektörü Komitesi Üyesi
- Avrupa Komisyonu Avrupa Muhasebe Danışma Kurulu Üyesi
- Diplom-Kaufmann (yüksek lisans eşdeğeri)
- Wirtschaftsprüfer (Alman mali müşavirliği)
- Steuerberater (Alman yetkili vergi danışmanı)

Uzmanlık alanları

- Kamu Sektörü Muhasebesi
- IPSAS
- EPSAS
- UFRS
- Finansal Muhasebe Danışmanlığı
- Finansal Denetim
- Kamu Mali Yönetimi
- Sektör Tecrübesi: Kamu Sektörü, Otomotiv Sektörü, İmalat Sektörü
- Uluslararası Proje Tecrübesi: Gana, Nijerya, Kenya, Çin, Singapur, Amerika Birleşik Devletleri, Güney Amerika (Brezilya, Şili, Ekvador vb.), Birleşik Arap Emirlikleri, Fransa, İtalya, Belçika, İsviçre, Lüksemburg, Almanya

Profesyonel Deneyimi

- Doğu Afrika Topluluğu Sekreterliği için Muhasebe ve Mali Raporlama; Proje lideri
  - Projenin genel olarak ve teknik açıdan yönetilmesi ve yönlendirilmesinden sorumludur.
- Dünya Bankası için Hizmet İmtiyazları Düzenlemelerinin Muhasebesi Üzerine Çalıştay; Kilit eğitmen ve çalıştay lideri
  - Bağışçı" başlıklı çalıştayın yönetilmesinden sorumlu olmuştur.
- Eurostat - Kamu sektörü muhasebesi alanında istatistik hizmetleri sunumu; Proje lideri
  - Projenin genel olarak yönetilmesi ve yönlendirilmesinden sorumludur.
- EUMETSAT - IPSAS dönüşüm projesi; Proje lideri
  - IPSAS'nin uygulanması hakkında tavsiyelerde bulunulması
  - En iyi uygulama prosedürleri hakkında tavsiyelerde bulunulması
  - Kamu taşınmazlarının değerlemesi ve muhasebe kayıtlarına alınmasına yönelik ulusal muhasebe uygulamaları ile kamu idarelerince düzenlenen ulusal mali tabloların sağlıklı bir biçimde üretilmesi
  - Taşınmazların değerlemesinde ve kayıt altına alınmasında, IPSAS ile ESA ve GFS yaklaşım farklılıklarının tespit edilmesi ve çözümlerinin incelenmesi
- Abu Dabi Hükümeti IPSAS uygulaması; Kalite Kontrolden Sorumlu Şirket Ortağı
  - Almanya merkezli kalite güvence görevi
- Savunma Bakanlığı - IPSAS Uygulaması için Muhasebe Kılavuzunun Hazırlanması; Projeden sorumlu ortak ve anahtar iletişim kişisi
  - IPSAS temelinde yeni muhasebe politikaları ile prosedürlerinin getirilmesi konusunda danışmanlık hizmetlerinin sunulması (alt yüklenici olarak)
  - Muhasebe kılavuzu hazırlama sürecinde kalite güvencenin sağlanması
  - Kamu taşınmazlarının değerlemesi ve muhasebe kayıtlarına alınmasına yönelik ulusal muhasebe uygulamaları ile kamu idarelerince düzenlenen ulusal mali tabloların sağlıklı bir biçimde üretilmesi
  - Taşınmazların değerlemesinde ve kayıt altına alınmasında, IPSAS ile ESA ve GFS yaklaşım farklılıklarının tespit edilmesi ve çözümlerinin incelenmesi



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Özgeçmiş

- EY Almanya, Finansal Muhasebe Danışmanlık Hizmetleri, Kıdemli Müdür
- EY Almanya, Uluslararası Kamu Sektörü Muhasebesi, Müdür
- IPSAS Yönetim Kurulu, Teknik Destek Müdürü
- Mannheim Üniversitesi, Yüksek Lisans, İşletme
- Mannheim Üniversitesi, Doktora, İşletme

Uzmanlık alanları

- Kamu Sektörü Muhasebesi
- IPSAS
- EPSAS
- UFRS
- Finansal Muhasebe Danışmanlığı
- Finansal Denetim
- Kamu Mali Yönetimi
- Sektör Tecrübesi: Kamu Sektörü, Sağlık Sektörü
- Uluslararası Proje Tecrübesi: Türkiye, Avusturya, Belçika, Kanada, Gana, Lüksemburg, İtalya, İsviçre, ABD, Suudi Arabistan, Tanzanya

Profesyonel Deneyimi

- Türkiye Genel Yönetim Muhasebe Mevzuatı ile IPSAS'ın uyumlaştırılması projesi
- Cenova Eyaleti için Teknik Muhasebe Desteği ve Doğu Afrika Topluluğu Sekreterliği için Muhasebe ve Mali Raporlama Desteği:
  - Kamu taşınmazlarının değerlemesi ve muhasebe kayıtlarına alınmasına yönelik ulusal muhasebe uygulamaları ile kamu idarelerince düzenlenen ulusal mali tabloların sağlıklı bir biçimde üretilmesi
  - Taşınmazların değerlemesinde ve kayıt altına alınmasında, IPSAS ile ESA ve GFS yaklaşım farklılıklarının tespit edilmesi ve çözümlerinin incelenmesi
  - Uygulanan muhasebe mevzuatı ile IPSAS'lar arasındaki farklılıklar yönünden incelenmesi
- Lüksemburg Kamu Sektörü Muhasebesi Alanında İstatistik Hizmetlerinin Sunulması;
  - Teknik sunumlar ile ihraç edilecek raporların hazırlanması suretiyle EPSAS'ın (taşınmazlar dahil) geliştirilmesine katkı sağlanması, uyumlaştırılmış kamu sektörü muhasebe standartlarının Avrupa'ya getirilmesinden doğacak olası etkileri nicelleştirilmesi
- IPSAS kuruluna Teknik Destek Müdürü olarak geçici görevlendirme;
  - Yönetim kurulunun "Tahakkuk esaslı IPSAS'ın ilk kez uygulanması" hakkında standart belirleyici proje yürütülmesi
- IPSAS dönüşüm projesi;
  - IPSAS'in EUMETSAT'ta uygulanmasına ilişkin danışmanlık hizmeti verilmesi
- Abu Dabi Hükümeti için IPSAS uygulaması
- SAP yazılımının IPSAS uygunluğunun ölçüldüğü projenin yürütülmesi

Uygulamaya ilişkin pratik konular

İletişime Yönelik Alınan Kararlar

- Yönetim ile her Pazartesi sabahı haftalık toplantılar gerçekleştirilmesi kararlaştırılmıştır.
- MB-EY arasında günlük iletişim kanalı oluşturulmuştur.
- Proje Yönlendirme Komitesi Toplantısı yapılmasına karar verilmiş olup, EY tarafından toplantı tarihine ilişkin olarak 13.09.2017 Çarşamba günü önerilmiştir ve MB onayı beklenmektedir.
- Çalışma dilinin Türkçe, Mevcut Durum Analizi ve Fark Analizi raporlarının dilinin ise Türkçe ve İngilizce olması kararlaştırılmıştır. Çalışma sırasında kullanılan bazı araçlar ve örnekler için İngilizce kullanılacaktır. MB tarafından proje çıktılarına ilişkin değerlendirme ve kabul Türkçe versiyonlar baz alınarak yapılacaktır.





Lojistike Yönelik Alınan Kararlar

- **EY tarafından**: Ofis ekipmanları ve donanımları, proje ekibinin donanımları
- **Maliye Bakanlığınca**: Binaya erişim, çalışma/toplantı odası, çalıştay organizasyonu
- **Dünya Bankasınca:** İhtiyaç duyulması halinde çalıştaylara ilişkin toplantı salonu ve çeviri hizmeti sağlanması

Sonuç

- Maliye Bakanlığı tarafından proje planı onaylanmıştır.
- Maliye Bakanlığı tarafından eş proje yöneticisi ve proje ekibi görevlendirilmiş olup, görevlendirmenin detayları raporun 13 numaralı sayfasında yer almaktadır.
- Paylaşılan proje çıktılarının bir hafta süre içerisinde MB tarafından değerlendirilmesi ve onaylanması kararlaştırılmıştır.
- Çalıştaylar ve ortak çalışma durumlarında çalışma ortamının MB tarafından sağlanmasına karar verilmiştir.

Sonuç

- Çalıştaylara ve Yönlendirme Komitesi Toplantısına ilişkin olarak, aşağıdaki tarihlerin uygunluğu EY tarafından MB'ye iletilmiş olup, tarihlere ve çalıştay usullerine ilişkin onay, Başlangıç Raporu tesliminden sonraki hafta MB tarafından verilecektir.
  - I.Çalıştay: 14-16 Ağustos 2017 (Pazartesi-Çarşamba)
  - II.Çalıştay: 9-11 Ekim 2017 (Pazartesi-Çarşamba)
  - III.Çalıştay: 6-8 Kasım 2017 (Pazartesi-Çarşamba)
  - Yönlendirme Komitesi Toplantısı: 13 Eylül 2017 (Çarşamba)

  Çalıştayların video konferansla katılımcıların bağlanması da sağlanarak yüz yüze yapılması öngörülmüştür. EY konu uzmanlarından Jens Heiling'in birinci ve üçüncü çalıştaya bilfiil, ikinci çalıştaya video konferans ile; Thomas Müller-Marqués Berger'in ikinci çalıştaya bilfiil, üçüncü çalıştaya video konferans ile katılması planlanmıştır. Maliye Bakanlığı proje sonunda, son çalıştayın parçası olarak bir konferans yapmayı da değerlendirmektedir.
- Başlangıç aşamasını müteakip olarak, proje ekipleri Mevcut Durum Analizi aşamasına geçmiştir.

Sonuç

Konu Başlığı	Görevli Kişiler
KÖİ'lerde muhasebe ve raporlama kuralları	Havva Taştan, Nazire Kont, Hasan Acılar, Erhan Emeksiz
Kamu taşınmazlarının değerlemesi ve muhasebe kaydının yapılması	Burhanettin Ünal, Zeynep Ufku Kanbay, Havva Taştan, Volkan Atar, Erhan Emeksiz
Mali tabloların hazırlanması	Havva Taştan, Bahtiyar Yüksel, Erhan Emeksiz, Gökhan Manap
ARGE çalışmaları	Hakan Kara, Ahmet Seviniş
Sosyal güvenlik karşılıkları ile şüpheli alacak karşılıklarının ayrılması ve muhasebeleştirilmesine ilişkin uygulamaların değerlendirilmesi	Salih İslam Kaya, Ahmet Seviniş
Amortisman ayırma işlemlerinin değerlendirilmesi	Zeynep Ufku Kanbay, Salih İslam Kaya
Bütçe standardı ve *vergi standardı* uygulamalarının değerlendirilmesi	Nazire Kont, Volkan Atar
*Koşullu Yükümlülükler*in mali tablolarda açıklanmasında esas alınacak kapsam, tutar ve kayıt zamanına ilişkin kriterlerin belirlenmesi	Havva Taştan, Nazire Kont, Hasan Acılar, Erhan Emeksiz, Engin Kaya

EY | Assurance | Tax | Transactions | Advisory

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EY bağımsız denetim, vergi, kurumsal finansman ve danışmanlık hizmetlerinde bir dünya lideridir. Anlayışımız ve kaliteli hizmetlerimiz dünya ekonomisi ve sermaye piyasalarında güvenin oluşmasına katkıda bulunmaktadır. EY, güçlü yönetim ekibiyle tüm paydaş gruplarına verdiği sözleri yerine getirmekte ve bu şekilde çalışanları, müşterileri ve içinde yer aldığı diğer çevreler için daha iyi bir çalışma hayatı oluşturulmasında önemli bir rol üstlenmektedir.

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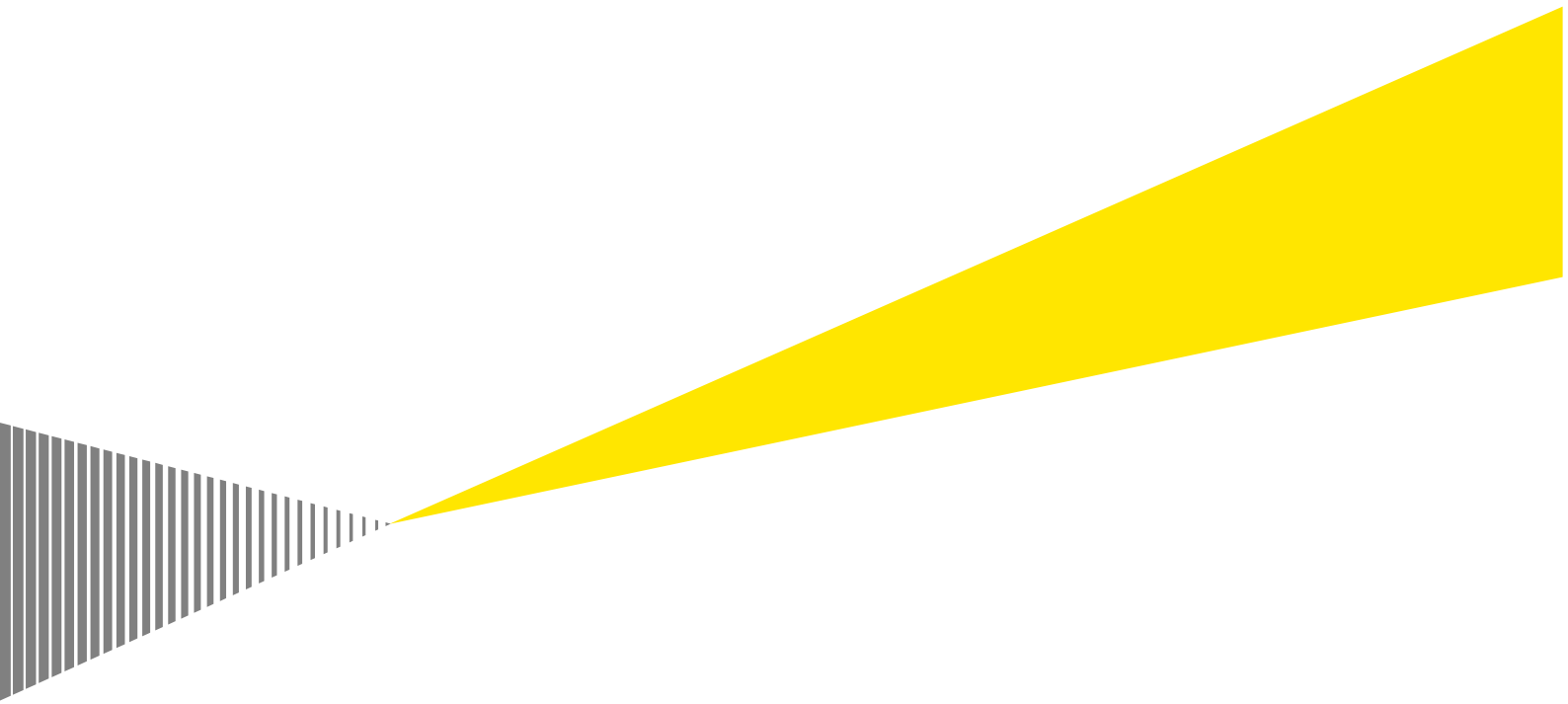
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7.4. Situation Analysis Report

Annex:4 Situation Analysis Report

Harmonization of IPSASs and General Government Accounting Legislation



EY
Building a better working world

Harmonization of IPSASs and General Government Accounting Legislation

Situation Analysis Report
October 2, 2017

The better the question. The better the answer.
The better the world works.

Building a better working world

Contents

List of acronyms 145
1. Introduction 146
1.1. Project background 146
1.2. Objectives of the study 146
2. Methodology and scope of the study 148
2.1. Methodology 148
2.2. Scope and limitations of the situation analysis 149
3. Analysis of the Current Situation 151
3.1. The general framework and institutional capacity 151
3.2. Analysis of the particular topics 156
3.2.1. Public Private Partnerships (PPPs) 156
3.2.1.1. National Regulatory Framework 157
3.2.1.2. Accounting Practices and Issues Encountered 159
3.2.2. Public Immovable 164
3.2.2.1. National Regulatory Framework 165
3.2.2.2. Accounting Practices and Issues Encountered 167
3.2.3. Intangible assets and Amortization 172
3.2.3.1. National Regulatory Framework 172
3.2.3.2. Accounting Practices and Issues Encountered 173
3.2.4. Sparing provisions for doubtful debts and social security provisions 175
3.2.4.1. National Regulatory Framework 176
3.2.4.2. Accounting Practices and Issues Encountered 176
3.2.5. Contingent liabilities in financial statements 179
3.2.5.1. National Regulatory Framework 180
3.2.5.2. Accounting Practices and Issues Encountered 182
3.2.6. Preparation of financial statements and tables of general budget institutions 185
3.2.6.1. National Regulatory Framework 186
3.2.6.2. Accounting Practices and Issues Encountered 190
3.2.7. Budget standard and tax standard practices 192
3.2.7.1. National Regulatory Framework 193
3.2.7.2. Accounting Practices and Issues Encountered 197
4. Conclusions 200

List of acronyms

BOT	Build-Operate-Transfer
BRT	Build-Rent-Transfer
DMS	Government Accounting Standards (Devlet Muhasebe Standartları in Turkish)
DMSK	Government Accounting Standards Board (Devlet Muhasebe Standartları Kurulu in Turkish)
ESA	European Standards of Accounting
GDPA	Ministry of Finance General Directorate of Public Accounts
GFS	Government Finance Statistics
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
MoF	Republic of Turkey Ministry of Finance
MoH	Republic of Turkey Ministry of Health
PFM	Public Financial Management
PPP	Public-Private Partnership
RCGA	Regulation on Central Government Accounting
RGGA	Regulation on General Government Accounting
RPAI	Regulation on Registration of Public Administrations' Immovable
SCA	Service Concession Asset

1. Introduction

1.1. Project background

Turkey has been performing a comprehensive reform programme in its public financial management (PFM) structure introduced by the Public Financial Management and Control Law No. 5018 in 2006. Standardization of the public sector accounting and reporting practices are part of the reform programme initiated with the Law, as well. In accordance with this reform objective, the Government Accounting Standards Board (DMSK in Turkish acronym) has been established under the supervision of the Ministry of Finance (MoF).

The Board has the mandate to issue accounting and financial reporting standards for public administrations including local authorities and social security institutions as well as harmonizing the national government accounting legislation with international government accounting standards. Since 2007, DMSK has issued 28 government accounting standards (DMS in Turkish acronym) and is continuing its work on this matter.

For a successful harmonization and implementation, the Ministry of Finance General Directorate of Public Accounts (GDPA) decided to obtain further information on certain subjects which has paved way to the project this report is part of. The Harmonization of IPSASs and General Government Accounting Legislation Project has been initiated by the MoF with the financial support of the World Bank, and awarded to EY Turkey in July 2017.

1.2. Objectives of the study

The project aims to comprehend the current situation of accounting and financial reporting legislation in Turkey and to evaluate international practices on these topics by selecting example countries that possess similar PFM structures in order to compare and differentiate the implementation differences between Turkey and selected cases. Through this, the Ministry intends to remove inconsistencies between Turkish DMS and international public sector accounting standards for a well-ordered harmonization process.

The project aims to focus on specific areas to address the current gaps in Turkish government accounting. These are public immovable, PPPs, intangible assets, provisions, contingent liabilities, financial statements and budget and tax standards. The project will identify and elaborate on the discrepancies between IPSASs and Turkish accounting practices, considering other international standards such as ESA and GFS where relevant.

In order to fulfil project objective, the project has been structured under four phases; (i) Inception, (ii) Situation Analysis, (iii) Gap Assessment and (iv) Finalization.

This *Situation Analysis Report* is the output of the (ii) Situation Analysis phase of the project. The objective of the report is to provide an overview of the current public accounting environment with a focus on central government accounting and to elaborate the existing situation of DMS practices in Turkey. The analysis and findings presented in this report are the results of a comprehensive research and weekly meetings organized with the MoF experts working on the particular subjects.

Following this introduction, the Situation Analysis Report consists of following three sections;

- Methodology and scope of the study,

- Analysis of the current situation and
- Conclusion.

In the methodology and scope of the study section, the methodology for conducting the situation analysis is described along with the scope as well as the limitations of this study.

Analysis section is the part in which the main results of the situation analysis are presented. After the description of the general accounting framework and institutional structure at the, particular subject topics are elaborated under the following topics:

- Public immovable,
- PPPs,
- Intangible assets and amortization,
- Provisions for doubtful debts and social security provisions,
- Contingent liabilities,
- Preparation of financial statements and tables of central budget institutions, and
- Budget standard and tax standard practices.

After the presentation of the analysis findings, a conclusion section follows reflecting on the overall findings bridging to the next phase of the project, i.e. the gap assessment.

2. Methodology and scope of the study

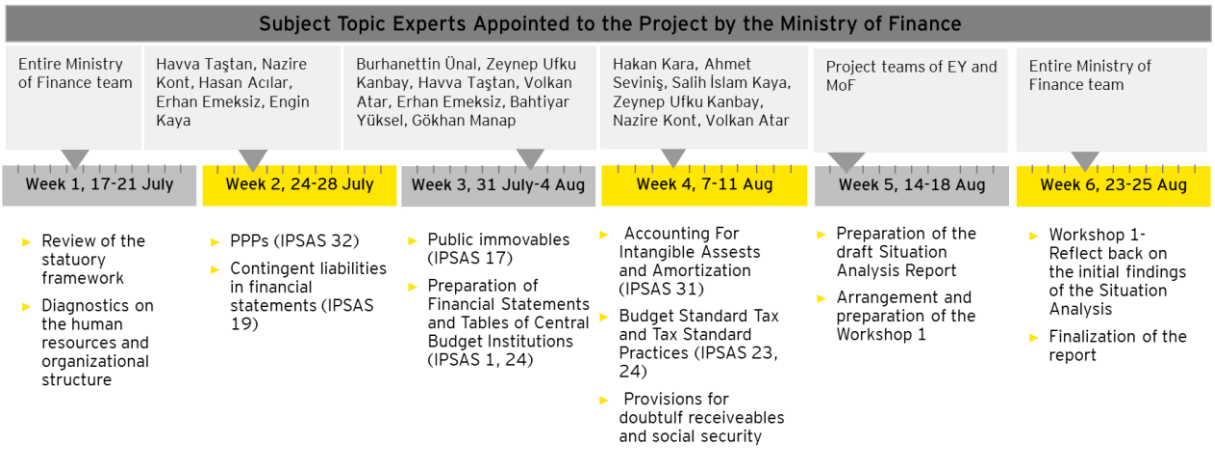
2.1. Methodology

The project adopts a phased approach for the analysis of the current situation in Turkey (Phase 1) and gap assessment for the harmonization of national accounting standards and practices with IPSASs (Phase 2). Each phase is followed by a workshop where the preliminary analysis results are discussed in an interactive setting with the MoF. The first draft of this report is prepared one week ahead of the Workshop 1 –Situation Analysis Workshop, and the report is finalized together with the inputs from the workshop.

The Situation Analysis Phase spanned six weeks together with the week of Workshop 1, between the dates 17 July 2017 and 25 August 2017. In the first week, a questionnaire had been developed and applied for the assessment of the overall public sector accounting environment in TR. In the following three weeks, particular public sector accounting issues had been elaborated one by one in each week. During the last week of Situation Analysis, a three day workshop had been conducted on 23-25 August and this Situation Analysis Report has been finalized considering the outputs of the Workshop.

For each week, a set of questions had been formulated by the EY team (EY Turkey jointly with EY Germany), half-day meetings were conducted with the participation of the relevant experts of the MoF on the particular subject topic of that week. MoF had also provided information notes and list of questions on the particular topics for further consideration during the situation analysis and gap assessment stages.

Figure 1: Work plan during for the Situation Analysis phase and the lists of MoF experts consulted during each week



The situation analysis relied on desk review of relevant literature, laws and regulations and the information provided by the MoF experts. In order to align the focus of the analysis and the level of the detail for each topic, a standardized approached was followed. The particular analysis pillars for each of the elaborated topics are summarized by using the below table for each of the topics.

Name of the particular accounting topic	
Particular IPSAS on the topic	Respective IPSAS number
Statutory Framework	Short synthesis of the statutory framework for the particular topic. ► List of relevant laws and secondary legislation
Presence of Government Accounting Standards and current harmonization with the standard	Whether the particular IPSAS is adopted by the DMSK. • Particular actions taken by the MoF for the harmonization of IPSAS o Issuing new legislation, or revision of the existing regulations, etc.
Issues on implementation	What are the issues regarding the role of the MoF as the central accounting unit of the whole public sector? What are the issues with regard to the implementing agencies?
Items / cases where the particular issues frequently observed	Custom gates, ports
Other relevant issues	

Findings on the particular topics addressing the relevant IPSASs were reported both in English and Turkish. EY project team used English as the internal working language. Discussions, workshops and written correspondences with the MoF were conducted in Turkish.

Initial findings of the Situation Analysis had been reported by the EY team and submitted to the MoF as the Draft Situation Analysis Report. The findings have been discussed during the workshop and reported in the Final Report in Turkish taking into account the outputs of the Workshop.

2.2. Scope and limitations of the situation analysis

Scope of the study mainly focuses on the accounting issues of the central government institutions. Particular subject topics specified in the ToR are linked with the respective IPSASs and the current implementation environment in Turkey have been depicted with an overall picture of the statutory framework and institutional capacity of the GDPA as well particular practise and national standards were elaborated for each of the topic in detail.

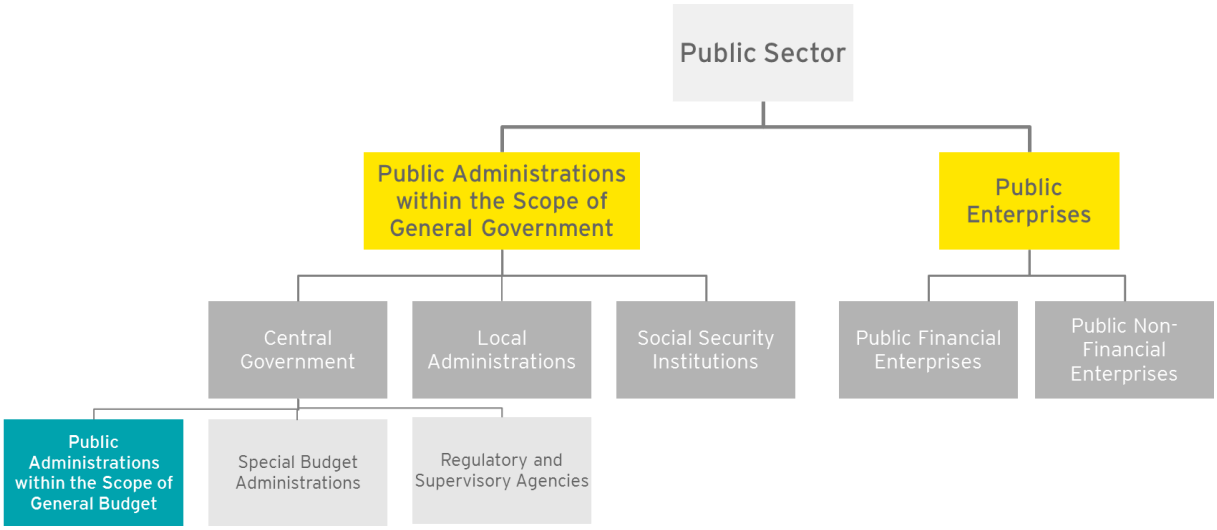
The topics were grouped and elaborated according to the following order:

1. Public Immovable
2. PPPs
3. Accounting for intangible assets and amortization
4. Sparing provisions for doubtful debts and social security provisions
5. Contingent liabilities in financial statements
6. Preparation of financial statements and tables of central budget institutions
7. Budget standard and tax standard practices

Current situation regarding the IPSAS alignment has been elaborated for each of the topics. The main focus of the report is to document existing situation from the perspective of IPSAS harmonization. The objective of the study is limited to compiling and analysing information, without giving any recommendation or opinion, in accordance with the professional standards to which we are subject. Other reporting standards such as GFS and ESA were also referred where relevant under the particular subject topic (preparation of financial statements, etc.).

Considering the diversity, complexity and heterogeneity of the institutional and accounting arrangements in the public sector of a country, the object of this study was limited to the general budget institutions under the central government. The below diagram shows the public sector organization in Turkey. The object of this study is highlighted in the diagram.

Figure 2: Object of the Study



There are 48 general budget public administrations under the central government and their budgets constitute 88% of the 2017 general government budget. In that regard, scope of the study covers significant portion of the public sector.

3. Analysis of the Current Situation

3.1. The general framework and institutional capacity

Main service units of the MoF are:

- Chief Legal Advisory and Directorate General of Proceedings
- Directorate General of Budget and Fiscal Control
- Directorate General of Public Accounts
- Directorate General of Revenue Policies
- Directorate General of National Property
- Financial Crimes Investigation Board
- Department of the EU and Foreign Affairs

There are also other Advisory and Supervisory Units and Supporting Units in addition to the above main service units of MoF.

Among the main service units, **General Directorate of Public Accounts (GDPA)** is responsible for public sector accounting in Turkey and responsible for the IPSAS alignment process in Turkey.

Responsibilities of GDPA include:

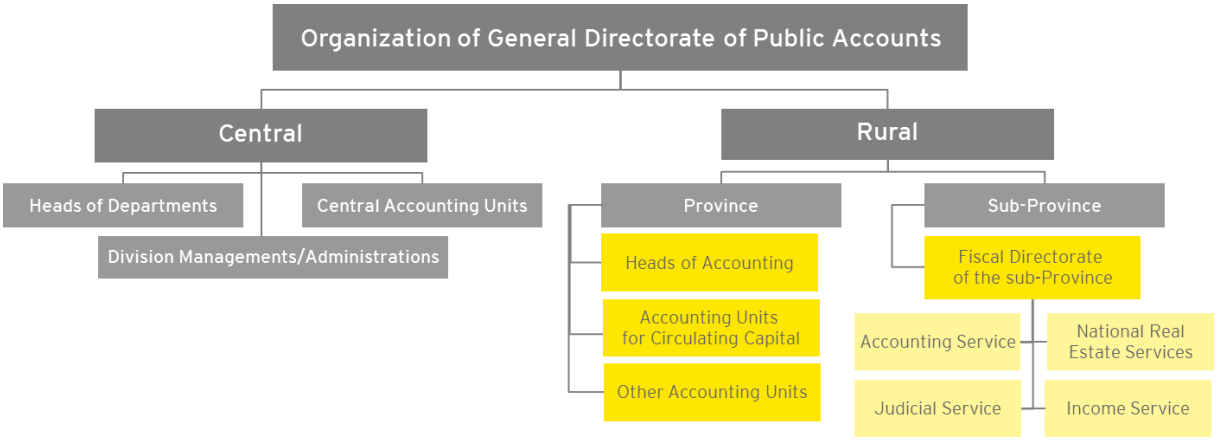
- Providing accounting services for public administrations within the scope of general budget (including revolving fund accounting offices)
- Providing certification of the accountants to be employed by the general government administrations
- Developing the accounting system, preparing the chart of accounts and identifying reporting templates, types, and periods for the public administrations under the general government based on the accounting and reporting standards
- Issues accounting regulation for the central government administrations and provides views on the accounting regulations for the rest of the general government
- Preparing financial reports and statistics related to public administrations within the scope of general government
- Providing trainings and certificates for accounting officers in public administrations within the scope of general government
- Steering financial transactions of and establishing accounting systems for the revolving funds that are affiliated to public administrations with general and special budget
- Providing accounting services for the revolving funds deemed appropriate
- Contributing to the preparation and implementation of expenditure policies which are a component of the fiscal policy
- Providing opinion in order to overcome hesitations about the issues that are related to its area of responsibility specified in relevant legislation, and transfers shares from general budget accounts under the relevant legislation
- Examining final accounts of public administrations within the scope of central government, correcting the detected errors
- Preparing the Central Government Final Account Draft Law
- Working on development of the Integrated Financial Management System of Turkey
- Secretariat of the Government Accounting Standards Boards

Organizational structure and human resources of GDPA. GDPA is centrally organized in all the provinces and sub-provinces of Turkey. The central office in Ankara manages the organization (records, personnel, IT, trainings, etc.), consolidates the accounts, prepares and publish reports and sets the national accounting policies in the country. The provincial and sub-provincial units undertake accountancy services of the general budget institutions organized in those provinces. There are 602 personnel at the central office in Ankara and 7,778 personnel at the provincial/sub-provincial units in Turkey. In total there are 8,380 fulltime personnel of GDPA at the end of 2016[1].

GDPA certifies the accountants that can work in other public institutions. There are also formal trainings provided by the GDPA experts to the provincial staff.

Organization of the GDPA is presented below:

Figure 3: Organization Structure of Ministry of Finance General Directorate of Public Accounts



National accounting system. Double-entry book keeping system is in use and the national accounting system runs on the real-time working national system called say2000i where each accounting unit has authorized access according to the pre-defined access rights.

Recent accounting reforms and harmonization with IPSAS. The PFM reform with the enactment of the Law No. 5018 (enacted in December 2003, took effect in 2006) envisages the implementation of an accrual accounting system. The records are being kept both on cash basis and accrual basis. Preparation, consolidation and reporting of public financial statistics are mainly based on GFS. Budget codes (economic, functional, institutional, financial classification) also rely mainly on GFS classification.

IPSAS alignment is in progress with the establishment of the DMSK in 2006 in line with the stipulations of the Law No. 5018. According to the official website of the Turkish Accounting Standards Board, the board is represented by 3 officials from the MoF along with one officer from the Turkish Court of Account, Ministry of Internal Affairs, Ministry of Development, Undersecretariat of Treasury, and the Council of Higher Education each. The Department of the Directorate and Management of Public Accounts writes a draft document and presents it to the board. The standards are determined by the Turkish Accounting Standards Board and monitored by the MoF. The transition of Turkish Accounting Standards to the legislations

[1] Republic of Turkey Ministry of Finance General Directorate of Public Accounts (2017). *Unit Activity Report of 2016.*

is defined as the responsibility of the MoF, while its inspection is defined as that of the Turkish Court of Accounts.

There are 16 officials working as a part of the IPSAS implementation team at the GDPA. No training has been received on IPSAS, yet GDPA plans to get trainings. The IPSAS implementation team of GDPA does not have internationally recognized accounting qualification.

IPSAS alignment is defined as a continuous process by the GDPA and it has been stated that harmonization of the regulations with IPSASs on the accounting of PPPs was of particular interest in the recent years in Turkey.

Turkey has adopted 28 DMS in accordance with IPSASs during the period of 2008-2016. DMSs are translations of IPSASs having the same paragraph numbers with minor revisions in the main body in few of the standards.

Publishing of the DMSs is an important step towards harmonization of national accounting system with IPSASs; nevertheless, alignment of the existing accounting legislation is the main determinant of harmonization with IPSAS. Particular accounting standards published by DMSK take effect as long as the particular approaches and definitions in those standards are adopted in regulations issued by the GDPA.

Regulatory framework. The main laws and regulations setting the legislative framework for public sector accounting in Turkey include the following:

- Public Financial Management and Control Law No. 5018
- Regulation on General Government Accounting (RGGA)
- Regulation on Central Government Accounting (RCGA)
- Communiqué on Spending and Accounting of Grant Amounts Transferred from the Sources of the European Union and International Organizations to Public Administrations
- Communiqué on Recognition of Public Immovables
- Communiqué on Accounting Transactions of Public Private Partnership Practices
- Communiqué on Financial Statistics of General Government
- Communiqué on Amortization and Exhaustion Ratios
- Principles and Procedures on Accounting Applications of Social Facilities Operated by Public Institutions
- Regulation on Local Government Budget and Accounting
- Social Security Institution Presidency Accounting Directive
- Regulation on Turkish Labor Agency Accounting Application

The above listed legislations and standards provide detailed definitions of concepts and accounts (recognition and reporting) to be used by the public administrations. There are no practical guidelines provided for the accounting practices of public institutions. But GDPA provides guidance to the public institutions on demand.

Reporting entities and preparation of financial statements – General government institutions (reporting entities) prepare and publish their own financial statements following the regulations and guidance of the GDPA. The regulatory framework mainly addresses the preparation of financial statements by the individual public institutions, i.e. reporting entities. Reporting entities are described in line with IPSAS in the Article 310 of the RGGA. Reporting entity is defined as "every public administration which can acquire economic

assets, undertake obligations, and engage in economic relations with other public administrations or third parties".

GDPA prepares the nationally consolidated financial statements for the public sector according to the sectorial classification described in the Law No. 5018. However, as noted in the Turkish Court of Accounts' Report on the Financial Statements in 2015, the current chart of accounts is not conducive for national level consolidation of accounts. There is no relationship matrix for the transactions among the public institutions and there is double counting risk in the nationally prepared financial statements.

The following financial statements, excluding the cash flow chart, are required to be prepared by the reporting entities (general budget public administrations) as stipulated in the RGGA.

1. Main financial statements
   - 1.1. Balance sheet
   - 1.2. Operation results
   - 1.3. Cash flow chart
2. Other financial statements:
   - 2.1. Chart of budget implementation results
   - 2.2. Chart of economic classification of income
   - 2.3. Chart of institutional classification of expenses
   - 2.4. Chart of the economic classification of expenses
   - 2.5. Chart of economic classification of budget revenues
   - 2.6. Chart of institutional classification of budget expenditures
   - 2.7. Chart of functional classification of budget expenditures
   - 2.8. Chart of financial classification of budget expenditures
   - 2.9. Chart of economic classification of budget expenditures
   - 2.10. Chart of budget expenditures and appropriations

MoF experts stated that cash flow chart is not prepared by the general budget institutions since their cash management is made by the Treasury and they are not able to hold any cash in their accounts.

For the purpose of financial statistics, GDPA prepares the nationally consolidate financial statements. It is stated by the MoF officials that, the accounting records (both the chart of accounts and the quality of the data provided by the individual institutions) are not conducive for the preparation of consolidated financial statements for the general government. Consolidation is being done by the Department of Financial Statistics of the GDPA based on the GFS manual.

Auditing of public accounts. The accounting records of public administrations are audited by the Turkish Court of Accounts. Each of the public administrations also have their internal auditors as well. Central auditing/inspection presidencies of the administrations themselves as well as the GDPA conducted case based inspections/audits.

IT system. There is the central online public accounting system called say2000i in use. The system operates on a real-time basis. All the public accountants in Turkey have access to the system through authorized access centrally defined for them by the GDPA. All public institutions are obliged to record their accounts in the system. The system provides certain reporting and consolidation options; though bounded with the quality of the data entered into the system by the public institutions. The General Directorate of Public Accounts is

conducting studies for the improvement and integration of current PFM IT systems. The Integrated Public Financial Management Information System, which will be developed at the end of these studies, is planned to be used in January 2018, and with the new system, improvement in data quality and system integration is expected.

3.2. Analysis of the particular topics

3.2.1. Public Private Partnerships (PPPs)

PPPs have been an increasing public service provision model over the past years in Turkey. The increasing number of PPPs have increased the need for proper recognition, measurement and reporting in public accounting system and MoF has taken steps to align existing accounting practices with IPSAS on this topic. This subject topic has been addressed mainly by IPSAS 32: Service Concession Arrangements: Grantor, and Turkey started to harmonize its national accounting framework with IPSAS 32.

The below table summarizes a brief outlook to this subject topic:

Public Private Partnerships	
Particular IPSAS on the topic	IPSAS 32: Service Concession Arrangements: Grantor
Statutory Framework	Turkish regulations are in line with IPSAS 32. The following regulation establishes the framework for IPSAS 32 implementation. ▶ Regulation on General Government Accounting (No. 2014/7052) ▶ Defines service concession arrangement and service concession asset in line with IPSAS 32 ▶ The control based approach is applied for the definition of the grantor and the operator in the Regulation ▶ Regulation on Central Government Accounting (2014/20357) ▶ Regulation on Local Government Budget and Accounting (2016/29724) ▶ General Directorate of Public Accounts, 45 General Communiqué (2015) which regulates the Accounting Transactions of Public Private Partnership Practices
Presence of Government Accounting Standards and current harmonization with the standard	DMSK had adopted DMS 32 in accordance with the IPSAS 32. Current regulations are mostly in line with the DMS/IPSAS 32. One divergence is that, intangible service concession assets are not recognized in the regulations.
Issues on implementation	Issues regarding the central accounting framework ▶ Regulation on General Government Accounting (Article 24) is in line with IPSAS 32 esp. for the tangible assets; no reference to the intangibles Issues with regard to the implementing agencies? ▶ The regulation is new, and the public institutions do not have experience to record the transactions accordingly ▶ The form developed by GDPA for accounting has made progress even though it is not sufficiently filled due to the need for technical information ▶ Valuation commission had been established, but still lack of experience esp. on the valuation of assets not having market value like custom gates etc.

Public Private Partnerships	
Items / cases where the particular issues frequently observed	Valuation of custom gates, ports (assets having no market value)

3.2.1.1. National Regulatory Framework

MoF has recently prepared an inventory of the PPPs in Turkey. There are 47 PPPs (30 central, 17 local government) that have recently start operating and there are 28 ongoing PPPs (27 central, 1 local). The below table summarizes the number of PPPs in Turkey.

Table 1: PPPs in Turkey

Project Types	Central Government	Local Governments
City hospitals	21	-
Customs gates	12	-
Marina	17	-
Tunnels	1	-
Motorways/bridges	4	-
Solid waste facilities	-	3
Culture and tourism facilities	-	6
Car park	-	9
TOTAL	**55**	**18**

Source: MoF, provided in August 2018.

In order to improve the accounting of PPPs in Turkey, DMSK of MoF published the DMS 32 in accordance with the IPSAS 32 on 07.05.2014 and started to align regulatory framework accordingly. RGGA and the RCGA which took effect in 2015 included necessary definitions, codes and explanations for the accounting of PPPs.

In 2015, MoF - General Directorate of Public Accounts issued the General Communiqué No. 45 which regulates the Accounting Transactions of Public Private Partnership Practices in Turkey. This Communique included:

- Definitions
- The documents to be provided to the accounting units by the implementing agencies
- Accounting records and monitoring of commitments
- Asset and liability recording for the build-operate-transfer model
  - Recoding for the guarantees and contribution payments
  - Recording of the transfer of operating rights
- Asset and liability recording for the build-rent-transfer model
- Debt undertaking
- Inventory of PPPs in Turkey.

The principal definitions, i.e. the definitions of the service concession arrangement and service concession asset are provided in the RGGA and Communique 45 in alignment with IPSAS 32. The below table presents the alignment of the definitions provided in IPSAS 32 and RGGA.

	IPSAS 32	RGGA
Service Concession Arrangement	… a binding arrangement between a grantor and an operator in which: a) The operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and b) The operator is compensated for its services over the period of the service concession arrangement	Service concession arrangement is the arrangement in which the operator uses the service concession asset for a specified period to provide public services and that the compensation of these services is paid to the operator.
Service Concession Asset	A service concession asset is an asset (typically property, plant, and equipment or an intangible asset) used to provide public services in a service concession arrangement that a) Is provided by the operator which: i) The operator constructs, develops, or acquires from a third party; or ii) Is an existing asset of the operator; or b) Is provided by the grantor which: i) Is an existing asset of the grantor; or ii) Is an upgrade to an existing asset of the grantor.	Service concession asset describes the assets in a service concession arrangement. When the public administration monitors the services provided by the operator with this asset as well as to whom and with what prices these services are to be provided, and the service concession asset is transferred to the public administration with the expiration of the arrangement, these assets are monitored in the service concession assets account within the intangible fixed assets account group.

The control by the grantor over the asset and service provision terms is taken as the basis for the definition of the Service Concession Asset (SCA) in RGGA as in the case of IPSAS 32.

Regarding the measurement of the service concession asset, RGGA stipulates that accounting record should take into account the fair value of the asset. The fair value of the SCA is to be recoded.

Another PPP model frequently used in Turkey is the build-rent-transfer (BRT) model. Due to the rent component it holds, the service concession assets acquired under this model are recognized based on IPSAS 13. The published General Communiqué complies with IPSAS 13. According to this; while the service concession assets acquired in the framework of the BRT model are accounted; the current value of the asset and the present value of the rent payments are compared and the asset is accounted at the lower value.

The following PPP accounting codes were introduced to the Chart of Accounts of General Budget Institutions (*Genel Bütçe Detaylı Hesap Planı*) with the issuing of the Communique 45: (the scope of the Communique)

- 256 Service Concession Assets Account
- 257 Accumulated Depreciation Account (-)
- 307 Financial Leasing Undertakings Account (short term)
- 407 Financial Leasing Undertakings Account (long term)
- 922 PPP Commitments Account
- 923 PPP Commitments Provision Account
- 930 Given Guarantees Account
- 931 Given Guarantees Provision Account
- 934 Debt Undertaking Commitments Account
- 935 Debt Undertaking Commitment Provision Account

Central government institutions financed by the general budget are expected to keep track of their PPP-related activities with the help of those accounts. The DG of Public Accounts provides accounting advice to the implementing institutions and checks the accounts from time to time.

The two most commonly used PPP models are *build-operate-transfer (BOT)* and *build-rent-transfer (BRT)* models. These models are briefly described below:

BOT Model in Turkey

This model is mainly applied in road transportation investments in Turkey. In this model:

Responsibilities of the operator: Finances and constructs the public service provision facility; provides the public service through the facility according to the terms and conditions for a certain period of time set by the agreement with the grantor as well as the relevant laws and regulations; hand over the control of the asset at the end of the operation period.

Responsibilities of the grantor: The respective public administration/grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them and at what price. In most of the cases, the grantor provides a demand guarantee for the operators to increase the attractiveness of the investment opportunity. At the end of the term of agreement, public administration acquire the ownership of the asset.

BRT Model in Turkey

This model is mainly followed for the sizable hospital investments in Turkey. The primary definitions for this model described in the RGGA Article 25 is in line with the definitions provided with the IPSAS 13.

Operator finances and constructs the public service provision facility; rents the facility to the grantor for a defined rent payment and period of time set in the agreement; provides other services (such as parking area, canteens, restaurants etc. – revenue generating assets) according to the terms set in the agreement; hands over the control of the asset at the end of the operation period.

The grantor provides the service by using the asset; pays rent to the operator for a period of time based on the agreement; grants the operating of certain revenue generating assets to the operator as part of the agreement; and owns the asset after the end of the agreement.

3.2.1.2. Accounting Practices and Issues Encountered

BOT Model in Turkey

Accounting treatment for BOT model in Turkey, an example: [2] General Directorate of Highways (GDH) in Turkey decides to construct a certain section of the motorway between İstanbul and Ankara through BOT model. Construction Company ZYX wins the tender and it finances and constructs the certain section of the motorway within two years. Following the decision of the Council of Ministers, the Treasury Undersecretariat and the creditor signed a debt financing agreement of 3,000,000,000 TL on 18.02.2015. After completion of the investment, the company will operate the motorway and collect toll fees of TL 20 per vehicle

[2] Is adapted from General Directorate of Public Accounts, PPP Exemplary Accounting Records, 2017

for the following eight years. After the end of eight years, GDH will acquire the ownership of the motorway and will run the motorway itself.

Key project information is summarized below:

- Investment amount : 4.500.000.000 TL
- Construction period : 2 years from 01.01.2015
- Operation period : 8 years from 01.01.2017
- Given guarantee : 40.000 vehicle/year
- Price per vehicle : 20 TL
- Maximum guarantee given according to feasibility: 6.400.000.000 TL

i- Recording of the commitment

This recording is expected to be made by the grantor according to the contract price of the SCA after the signature is signed:

922- PPP Commitments Account	4.500.000.000	
923- PPP Commitments Provision Account		4.500.000.000

After completion of the 10% is reported to the accounting unit of the grantor:

923- PPP Commitments Provision Account	450.000.000	
922- PPP Commitments Account		450.000.000

The above accounts are used similarly until the end of the construction period.

- Following the decision of the Council of Ministers, the Treasury Undersecretariat and the creditor signed a debt financing agreement of 3,000,000,000 TL on 18.02.2015.

934 - Debt Undertaking Commitments Account (934.01- Debt Undertaking Commitments – Agreements Account)	3.000.000.000	
935- Debt Undertaking Commitments Provision Account		3.000.000.000

- A week later, XYZ used an externally financed loan of US $ 1.5 billion with an 8-year maturity. ($ 1 = TL 2)

934 - Debt Undertaking Commitments Account (934.02- Debt Undertaking Commitments – Net Used Account)	3.000.000.000	
934 - Debt Undertaking Commitments Account. (934.01- Debt Undertaking Commitments – Agreements Account)		3.000.000.000

ii- Recognition and recording of the asset and revenues

After the construction of the SCA, the asset is recognized and recorded at its service guarantee value.

256- Service Concession Assets Account	6.400.000.000	
480- Account of Income Relating to Future Years		6.400.000.000

Note: At IPSAS 32, the fair value of the service concession is measured at the beginning of the transaction, and the accounting records are prepared accordingly. The measurement of the fair value, whether it is the obligation amount committed by the grantor or the operator is among the questions raised by MoF.

At the beginning of the financial year, proportional to its envisaged operation period (1year / 8 years) by the operator, the following records is made to monitor monthly expected revenues.

480- Account of Income Relating to Future Years	800.000.000	
380- Account of Income Relating to Future Months		800.000.000

And monthly proportions of the accrued revenues are monitored at the end of each month as follows:

380- Account of Income Relating to Future Months	66.666.666	
600- Income Account		66.666.666

The above cycle repeats for the following 7 years during the agreed operation period. At the end of the operation period, SCA is recoded as follows:

251- Underground and Overland Plants Account	6.400.000.000	
256- Service Concession Assets Account		6.400.000.000

iii- Recording of the guarantees:

At the end of the first operation year, the grantor calculates the actual amount to be paid to the operator, and estimates future amounts to be paid based on the actual figures. The cumulative amount for the 8 years of operation period is expected to be recorded by the grantor at the end of the first year of the operation. There is no specific measurement or feasibility methods provided in the regulations for the recognition and measurement of the guarantees to be recoded. The below figure is provided as a representative figure for this example:

930- Given Guarantees Account	2.400.000.000	
931-Given Guarantees Provision Account		2.400.000.000

Recording of the actual guarantee at the end of a year is to be recorded as follows; assuming that the guarantee is for 40,000 vehicles whereas the actual number was 35,000, which means 100,000 TL is to be paid to the operator ([40,000-35,000]x20TL= 100,000 TL).

630- Expense Account	100.000.000	
103- Cheques Given and Payment Orders Account		100.000.000
830- Budget Expense Account	100.000.000	
835-Expense Reflection Account		100.000.000
931- Given Guarantees Provision Account	300.000.000	
930- Given Guarantees Account		300.000.000

BRT Model in Turkey

Accounting treatment for BRT model in Turkey, an example: [3]

Republic of Turkey Ministry of Health (MoH) signs an agreement with a Construction Company XYZ for the construction of a city hospital in Ankara. The hospital is going to be built on the state/treasury land. The construction will be financed and completed by XYZ within two years and the building will be rent by the MoH by the following eight years. MoH will pay its yearly rents in December every year. After eight years of rental period, MoH will be the owner of the building.

The project summary is provided below:

- Investment amount :1.300.000.000 TL
- Construction period : 01.01.2015 - 01.01.2017
- Rental period : 01.01.2017 - 01.01.2025
- Yearly rent : 250.000.000 TL
- Present value of the total rent payments : 1.500.000.000 TL
- Adjusted value of total rent payments : 1.800.000.000 TL

i- Recording of the commitment

The contract is signed on 10.12.2014:

922- PPP Commitments Account	1.300.000.000	
923- PPP Commitments Provision Account		1.300.000.000

10% of the construction is completed at the end of the first quarter and proportional amount is recorded as follows:

923- PPP Commitments Provision Account	130.000.000	
922- PPP Commitments Account		130.000.000

Similar accounting records will be made till the end of the construction period as necessary documentation is provided to the accounting unit of MoH.

ii- Recording of the asset and leasing

Once the hospital construction is completed and accepted by the MoH, the following record is made:

252- Buildings Account 408- Deferred Financial Leasing Borrowing Cost Account (long term)	1.500.000.000 500.000.000	
407- Financial Leasing Undertakings Account (long term)		2.000.000.000

[3] Is adapted from General Directorate of Public Accounts, PPP Exemplary Accounting Records, 2017

Following records are made for the current year portion of the rent payment and leasing costs:

407- Financial Leasing Undertakings Account (long term)	250.000.000	
308- Deferred Financial Leasing Borrowing Cost Account (short term)	62.500.000	
307- Financial Leasing Undertakings Account (short term)		250.000.000
408- Deferred Financial Leasing Borrowing Cost Account (long term)		62.500.000

At the end of first month of the year (presumably 31.01.2017); the following record is made for the accrued leasing costs:

630- Expense Account	5.208.333	
308- Deferred Financial Leasing Borrowing Cost Account (short term)		5.208.333

This record is repeated every month till the end of the year.

Yearly rent payment made at the end of the year (presumably 2017) and the following records are made:

307- Financial Leasing Undertakings Account (short term)	250.000.000	
325- Cash Demand and Appropriation Account		250.000.000
830- Budget Expense Account	250.000.000	
835- Expense Reflection Account		250.000.000

The above record is repeated till the end of the rental period, up until the end of 2024.

During the accounting of the PPPs following issues were observed:

At the central level:

- Budget codes are not suitable to track PPP related financial data.

At the institutional level:

- Despite the national regulations are in line with IPSAS, the accounting practices by the implementing institutions has not settled yet.
- General budget institutions record PPPs in their balance sheets and disclose the balance of respective memorandum codes for the PPPs and continue to study to explain other necessary disclosures.
- There are some difficulties in determining the fair value of assets.
- Revaluation of the service concession assets is not being done during the operation period. Institutions experience difficulties in recognizing the revenue generating parts of the service concession assets and do not take into account the foregone revenues from such assets (like car parts, canteens etc.).

3.2.2. Public Immovable

The accounting and disclosure of property, plant and equipment are standardized in IPSAS 17. The subject topic public immovable is held under this standard and DMSK has translated IPSAS 17 and adopted as DMS 17. The standard is valid for the public administrations that prepare and present its financial statements on an accrual basis. The statutory framework of the public immovable is specifically drawn with the Regulation on Registration of Public Administrations' Immovable (RPAI). The related standards are not harmonized with the regulation on some of the topics and this raises problems on the implementation of the standards in the current situation. One of the main reasoning behind why this particular topic is chosen is that the recognition, measurement and reporting has been identified as one of the key areas of improvement.

One of the key objectives of the General Directorate of National Real Estate, which monitors the public immovable in the scope of the general budget in Turkey, is to update the records of the public immovable with fair value until 2017 which were previously recorded with property tax value. According to the Provisional Article 1 of the RPAI, "The public immovable that needs to be recorded under cost value or fair value should be recorded under property tax value until these values are determined".[4] The detailed analysis of the scope of this subject topic and the differences between regulation and the standards will be demonstrated in this report.

The below table summarizes a brief outlook to the subject topic:

Public Immovable	
Particular IPSAS on the topic	IPSAS 17: Property, Plant, Equipment
Statutory Framework	The regulation is not in line on some of the topics with the related IPSAS. The following regulations establishes the framework for the implementation of IPSAS 17: ▶ Regulation on Registration of Public Administrations' Immovable (No. 2016/10970) ▶ Is used for the monitoring and recording of public immovable ▶ Regulation on General Government Accounting (No. 2014/7052) ▶ Explains how immovable is disclosed ▶ Regulation on Central Government Accounting (No. 2014/20357) ▶ Explains the recording of public immovable on accounts ▶ General Directorate of Public Accounts General Communiqué (No: 47) of Amortization and Depletion Expenses is used for the implementation of depreciation. However, the communiqué is not completely in line with the standard.

[4] Republic of Turkey Prime Ministry Official Gazette (2006). *Regulation on Registration of Public Administrations' Immovable.* 2 October 2006, 10970.

Public Immovable	
Presence of Government Accounting Standards and current harmonization with the standard	DMSK has adopted DMS 17 in accordance with the IPSAS 17. The regulation and the standard are not line with each other on some of the topics.
Issues on implementation	► The fair value of public immovable cannot be determined easily. Only a small portion of the immovable is recorded with fair value. ► There is a board established to determine the fair value in the public administrations. However, their capability of measuring the fair value is not sufficient. ► There is a lack of measurement of future economic benefit potential. ► There is a lack of accounting practices for the underground resources. ► There is no current system for the evaluation of fair value and the further allocation of the public immovable but the General Directorate of National Real Estate is working on the development of a new system.
Items / cases where the particular issues frequently observed	The recording of custom gates and ports with fair value

3.2.2.1. National Regulatory Framework

The immovable is defined as the land, buildings and underground and overland layouts which are in the possession, management and use of public administrations under the Regulation on Public Administrations' Immovable. The public immovable in Turkey is monitored by the General Directorate of National Real Estate. According to the interviews conducted with the MoF, **75%** of the central government immovable are those of general budget institutions and **95%** of the general budget institutions record their immovable. The number of immovable registered to the Treasury is **3.841.426** in 2016 and there is a **1.4%** increase in the number of immovable compared to the previous year.[5]

Table 2: Breakdown of the types of public immovable registered to the Treasury

The Breakdown of Public Immovable Registered to the Treasury				
Immovable Category	Amount	Percentage of the total number of immovable (%)	Acreage (m^2)	Percentage of the total acreage of immovable (%)
Land	958.643	25	31.629.815.333	12,9
Territory	472.673	12,30	1.787.370.082	0,7
Vineyard-Garden	238.803	6,2	1.008.493.375	0,4
Building	191.243	5	650.791.852	0,3
Space	1.917	0	82.767.563	0

[5] General Directorate of National Real Estate, 2016 Activity Report, 2017

Coastal and paddy fields	610	0	5.588.633	0
Mine and quarry fields	1.194	0	113.280.123	0
Forests	454.875	11,8	187.513.949.998	76,4
Collective Goods	91.728	2,4	4.583.104.703	1,9
Water and Aquaculture fields	52.229	1,4	516.805.752	0,2
Historic and Cultural Fields	4.101	0,1	92.698.809	0
Field	1.367.151	35,6	17.096.129.404	*7*
Other	6.259	0,2	467.603.484	*0,2*
Total	**3.841.426**	**100**	**245.548.399.111**	**100**

Source: General Directorate of National Real Estate, 2016 Activity Report, 2017

The public immovable are recorded with the measurement bases listed below:

1. Cost value
2. Fair value
3. Property tax value (temporary valuation method)
4. Token value

The public immovable is a type of tangible asset, and thus it is standardized under tangible assets in IPSAS 17. The objective of IPSAS 17 is to specify how to account for the tangible assets. The regulatory framework of tangible assets and thus public immovable is drawn with the RGGA and RCGA. Furthermore, the RPAI specifically aims to regulate the recording of the public immovable of the public administrations in the scope of general management and the public immovable that is owned, managed and used by the administrations and institutions that are dependent on those administrations.[6]

The regulations in which tangible assets are explained and the related IPSAS 17 are not in line on some of the topics. According to IPSAS 17, property, plant and equipment are tangible assets that:

- "Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- Are expected to be used during more than one reporting period".[7]

A similar definition of tangible asset has been made under RGGA. However, the valuation approach after the first accounting recording differs between the regulation and standard. Even though, the first accounting record of the tangible asset is made under the cost value in both the standard and the regulation, the valuation of the tangible asset differs after the first accounting record is made. According to the standard, the valuation is made either with cost value or with the revaluation model. Whereas, the regulations state that the tangible assets that meet certain conditions are subject to inflation adjustment. Another difference between the standard and the regulation is the accounting of land and buildings. According to the standard, even if the land and the building are acquired together, the two needs to be

[6] Republic of Turkey Prime Ministry Official Gazette (2006). *Regulation on Registration of Public Administrations' Immovable-Article 1*. 2 October 2006, 10970.
[7] IPSASB (2001). *IPSAS 17 – Property, Plant and Equipment*. London: December 2001.

accounted separately. On the other hand, the regulation does not indicate the need to account for land and building separately even if they are acquired together.[8]

The depreciation of the tangible assets do also bring differences between the standard and the regulation. The standard has differences in the depreciation practices with the General Directorate of Public Accounts General Communiqué of Amortization and Depletion Expenses. The standard and the communiqué have discrepancies of the fact that the depreciation record that constitutes a substantial part of the cost of the asset is made separately for each part. In addition, the standard does state that the carrying amount of the modified old parts of a tangible asset component is removed from the accounting record whereas the regulations do not. The IPSAS 17.85 states that "If, under the recognition principle in paragraph 14, an entity recognizes in the carrying amount of an item of property, plant and equipment the cost of a replacement for part of the item, then it derecognizes the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately".[9] Last but not the least, the tangible assets that are not expected to provide any future economic benefit or service potential are removed from the accounting records whereas these type of assets are moved to a different account under the regulations.[10]

3.2.2.2. Accounting Practices and Issues Encountered

Accounting Practices

A record plan for the particular types of public immovable and the measurement basis under which the record will be made are specified in the RPAI. Each public administration is responsible to record their immovable according to the measurement basis specified by the regulation in collaboration with the General Directorate of National Real Estate. The records of the public immovable are made either manually or through the system. According to the information gathered by the MoF, the immovable inventory procedures of public administrations within the scope of the general budget are carried out by the General Directorate of National Real Estate and transferred to the Public Expenditure and Accounting Information System through the National Estate Automation Project (MEOP). The information also indicates that **97%** of the immovable registered to the Treasury are recorded automatically with MEOP-HYS (Expense Management System in Turkey) as of 28/07/17.

The sub accounts of public immovable is listed under both the RGGA and RCGA and classified under the tangible asset. These accounts are defined in detail in both of the regulations and the recording of the account is demonstrated under RCGA. According to the information received from the MoF, the most actively used accounts of the public immovable are:

- 250 Lands and parcels account
- 251 Underground and overland layouts account
- 252 Buildings account
- 256 Service concession assets account

[8] Nazire Kont (2015). *Devlet Muhasebesi Standartlarının Muhasebe Yönetmelikleri ile Uyumu (2006-2014).* Maliye Bakanlığı Muhasebat Genel Müdürlüğü, Uzmanlık Tezi.

[9] IPSASB (2001). *IPSAS 17 – Property, Plant and Equipment*. London: December 2001.

[10] Nazire Kont (2015). *Devlet Muhasebesi Standartlarının Muhasebe Yönetmelikleri ile Uyumu (2006-2014).* Maliye Bakanlığı Muhasebat Genel Müdürlüğü, Uzmanlık Tezi.

The accounting of the public immovable is done through the accounts listed above under the tangible assets. Furthermore, the public immovable is categorized based on the status of the cadastral registration and the aims of use under the RPAI. The categories specified under the regulation are:

- The public immovable registered in the land titles
- The public immovable that are not registered in the land titles
- Collective goods
- General service areas

The public immovable categories have different accounting and recording principles. The general budget detailed chart of accounts that General Directorate of Public Accounts determine and the public administrations in the scope of the general management use is in line with the public immovable list under RPAI. However, the detailed chart of accounts does not categorize as 'immovable registered and not registered in the land titles' as the appendices under RPAI but is detailed as (01) The immovable that are owned by the public administration, (02) The immovable that are assigned by the public administration and (03) The immovable that are used as assigned.

The recording of the public immovable categories differ according to the values they are going to be recorded under. According to the Article 5 of the RPAI, the 'Public Immovable registered in the land titles' are recorded based on their cost value and for the ones that the cost value cannot be determined the record is made under fair value. However, the public immovable categories listed below:

- 'Public Immovable registered in the land titles' for which the cost or fair value cannot be determined,
- 'Public immovable that are not registered in the land titles' which are subject to economic evaluation or which are only used for public necessities,
- 'Collective goods',
- 'General Service Areas'

Are recorded based on their token value. [11]

As pointed out above, the General Directorate of National Real Estate aims to update the records of public immovable with fair value until 2017 which were previously recorded with property tax value. According to the Provisional Article 1 titled 'Transactions related to the registration of existing immovable' of the RPAI, the immovable that should be recorded based on cost or fair value are recorded under the property tax value until these values are determined, the inventory related to the immovable should be recorded by the units in charge until 30/09/2014 and the immovable recorded based on the property tax value should be updated with its fair value until 31/12/2017. It has been stated by the MoF that the measurement of public immovable with property tax value is temporary and that this value will not be used after the end of year 2017.

The fair value of the immovable is determined individually by the public administrations. Public administrations need to fill the values they have evaluated and provide updated values under the assessment form for each of the immovable categories in the appendices attached

[11] Republic of Turkey Prime Ministry Official Gazette (2006). *Regulation on Registration of Public Administrations' Immovable-Article 5*. 2 October 2006, 10970.

to the RPAI. Therefore, the records of the public immovable of the General Directorate of National Real Estate and the public administrations are harmonized and integrated with each other. According to the 7th article of RPAI, these forms that are prepared by the units responsible for the recording and control of the immovable of public administrations are sent to the financial services unit to prepare summary tables. These forms are consolidated by the financial services unit and the summary tables are created in line with the Appendix of the RPAI.[12]

Furthermore, the depreciable amount has been defined as the cost minus the residual value of an asset under IPSAS 17.13. The residual value has been identified as unimportant and it has been stated that it is not taken into account in the calculation of the depreciable amount under IPSAS 17.69. In the current situation, residual cost is not calculated, definition of residual cost does not exist in the regulations and depreciation is calculated directly through the cost value.

During the first workshop of the project, it has been stated by the EY public sector accounting specialists that the residual value is often taken as zero in public sector accounting.

Last but not the least, according to the Article 9 of RGGA, the immovable that is assigned and registered by the public administrations are shown in footnotes.

Identified Areas of Improvement

According to the interviews conducted with the MoF, some of the topics about the immovable of public administrations are identified as areas of improvement. Some of the issues identified include the valuation of underground resources, the separate recording of land and building, the disclosure and recording of immovable that are based on token value and the depreciation of land improvement costs. The issues encountered and the current situation practices are as follows:

- ***Valuation of underground resources such as minerals, petroleum, natural gas and similar underground reserves in accounting records:*** In the current situation, there is no accounting record or financial statistics made for underground reserves. Furthermore, no explanation about the subject topic is made under IPSAS.
- ***The recording of land and building:*** In the cases in which there is a building on a land, it is recorded as building in the current situation. The RPAI states that the building and land should be recorded as a single immovable. However, the standard indicates that the two should be recorded separately and thus this raises a question mark of how the land and building should be recorded. IPSAS 17.59 states that "Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately".[13] The criteria that makes the tangible cost component significant relative to the total cost, how the costs are allocated and what the other country practices implement are the questions that are underlined by the MoF. Furthermore, when there are more than one public administration offering services in the same building or land, for example the TOBB

[12] Republic of Turkey Prime Ministry Official Gazette (2006). *Regulation on Registration of Public Administrations' Immovable-Article 7*. 2 October 2006, 10970.

[13] IPSASB (2001). *IPSAS 17 – Property, Plant and Equipment*. London: December 2001.

Building in Ankara, no accounting practice exists of which unit should be making the records.

- ***The recording and disclosure of public immovable in the balance sheet:*** IPSAS 17 suggests that the future economic benefit or service potential should be measured and the respective record should be made accordingly. However, in the current situation there is no distinction whether the public immovable provide any future economic benefit/service potential or not. Immovable such as highway roads, forest parks, and pond lakes are recorded based on their token value. The public immovable that is recorded with the token value by the General Directorate of National Real Estate, are reflected in the balance sheet. There are question marks of how the future economic benefit is measured and whether the public immovable recorded with token value should be reflected in the balance sheet and footnotes or not.
- ***The recording of immovable with fair value:*** The fair value of the public immovable, especially for the custom gate and harbor, cannot be determined in the current situation since these kind of assets do not have an active market and precedents. According to the interviews conducted with the MoF, the need to record these assets with fair value has been underlined. In order to record the public immovable with fair value, a board has been established in institutions and thus the records will be updated with the values that the board has determined.
- ***Examples of directly attributable costs to the assets:*** Under IPSAS 17.31, examples of directly attributable costs such as costs of employee benefits and professional fees are provided. However, some of the costs are not taken into account in public sector accounting in the current situation. There are question marks on whether other countries do take into account of these costs or not and how the implementations are.

In addition to the issues encountered in the recording and disclosure of the public immovable, there are also areas of improvement recognized for the depreciation practices of the tangible assets. The depreciation of tangible assets are identified under IPSAS 17 and the General Directorate of Public Accounts General Communiqué (No: 47) of Amortization and Depletion Expenses. In the interviews conducted with the MoF, the following current implementations has been described and the need to analyze exemplary countries has been underlined:

- The IPSAS 17.75 states that "If the cost of land includes the cost of site dismantlement, removal, and restoration, that portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs". [14] The scope of this IPSAS based rule and the situations in which the cost of land is evaluated are the questions that are wondered.
- According to the General Directorate of Public Accounts General Communiqué (No:47) of Amortization and Depletion Expenses, a limit of 14.000 TL for the movable and 34.000 TL for the immovable has been put for the cost value. For the immovable which do not exceed this limit, the depreciation rate is 100%. In other words, tangible assets that are under this limit are fully depreciated at the end of the

[14] IPSASB (2001). *IPSAS 17 – Property, Plant and Equipment*. London: December 2001.

year in which they are received. There are question marks on whether there are countries who set these limits or implement 100% depreciation.

The areas of improvement mentioned above are discussed in the interviews with the MoF. Some of the issues encountered in the implementation arises from the fact that the standard is not yet fully integrated with the regulations and the other issues result from the lack of information and capability on the public administrations' side. Thus, the importance of analyzing the accounting practices of exemplary countries for each of the topics are underlined.

3.2.3. Intangible assets and Amortization

The accounting and disclosure of intangible assets are standardized in IPSAS 31. DMSK has translated IPSAS 31 and adopted it as DMS 31. The standard is valid for the public administrations that prepare and present its financial statements on an accrual basis. The statutory framework of intangible assets are specified with the RGGA and RCGA. The related standard is not harmonized with the regulations on some of the topics and this raises question marks on the implementation of the standards in the current situation. One of the main reasoning behind why this particular topic is chosen is that the recognition of intangible assets has been identified as one of the key areas of improvement.

The below table summarizes a brief outlook to the subject topic:

Intangible assets and Amortization	
Particular IPSAS on the topic	IPSAS 31: Intangible Assets
Statutory Framework	The related IPSAS is not completely in line with the regulation. ► Regulation on General Government Accounting (No. 2014/7052) ► Regulation on Central Government Accounting (No. 2014/20357) ► General Directorate of Public Accounts General Communiqué (No: 47) of Amortization and Depletion Expenses is used for the implementation of amortization for the intangible assets.
Presence of Government Accounting Standards and current harmonization with the standard	DMSK had adopted DMS 31 in accordance with IPSAS 31. There are differences between the current regulations and the DMS/IPSAS 31.
Issues on implementation	► There are question marks of how to account for research and development expenses. Issues arising from implementing agencies ► There are problems in accounting for research and development activities since there is no detailed regulation about it. Thus, the research and development expense account in the balance sheet does not function accurately.
Items / cases where the particular issues frequently observed	The intangible asset is amortized 100% and thus the useful life of the asset is not observed. It has been stated that this implementation is temporary and that it will be changed by the Ministry of Finance.

3.2.3.1. National Regulatory Framework

The objectives of IPSAS 31 are to specify the accounting treatment for intangible assets, indicate how to measure the carrying amount of intangible assets and require specified disclosures about intangible assets. The regulations and the standard carry differences between each other. This raises gaps in the implementation of IPSAS 31 in the current situation since regulations are the basis of accounting principles and records.

The explanation under IPSAS 31.17 provides of intangible assets is as follows:

- "Entities frequently expend resources, or incur liabilities, on the acquisition, development, maintenance, or enhancement of intangible resources such as scientific or technical knowledge, design and implementation of new processes, or systems, licences, intellectual property, and trademarks (including brand names and publishing titles)".[15]

However, not all the components described above meet the definition for intangible assets. According to IPSAS 31.18, the criterion that are analyzed for the definition of intangible assets are:

- *Identifiability*
- *Control over a resource*
- *Existence of future economic benefits or service potential*

There is no such accounting criterion of intangible assets in the current regulations. In the current situation, the expenses that are not included in the cost of the intangible asset are recorded as expense when they occur and assets that have no physical substance are monitored in the account of intangible assets. The valuation approach after the first accounting recording differs between the regulation and standard. Even though, the first accounting record of the intangible asset is made under the cost value in both the standard and the regulation, the valuation of the intangible asset differs after the first accounting record is made. According to the standard, the valuation can be made either with cost value or with the revaluation model. Whereas the regulations state that the intangible assets that meet certain conditions are subject to inflation adjustment. Furthermore, according to the standard, the intangible assets that are internally generated are accounted if they meet certain conditions and internally generated goodwill is not accounted as an asset. On the other hand, the intangible assets that are internally generated are not accounted for according to the regulations and there is no specification for internally generated goodwill under the current regulations. [16]

Last but not the least, there are other differences between the current implementation and the standard such as the accounting of research and development expenses and the amortization of intangible assets according to their useful lives. According to IPSAS 31.96-105, the intangible assets that have a finite life are amortized. On the other hand, according to IPSAS 31.106-109, intangible assets with an indefinite useful life are not subject to amortization.

3.2.3.2. Accounting Practices and Issues Encountered

The accounts used for the accounting of intangible assets are defined under RCGA and RGGA. The account code numbered 26 is used for the recording of the transactions of intangible assets. The following are the accounts based on the qualifications of these assets:[17]

[15] IPSASB (2011). *IPSAS 31 – Intangible Assets*. London: October 2011.

[16] Nazire Kont (2015). *Devlet Muhasebesi Standartlarının Muhasebe Yönetmelikleri ile Uyumu (2006-2014).* Maliye Bakanlığı Muhasebat Genel Müdürlüğü, Uzmanlık Tezi.

[17] Republic of Turkey Prime Ministry Official Gazette (2014). *Regulation on General Government Accounting.* 23 December 2014, 29214.

- 260 Rights Account
- 263 Research and Development Expense Account
- 264 Special Costs Account
- 267 Other Intangible Assets Account
- 268 Accumulated Depreciation Account

According to the interviews conducted with the MoF, the 260 rights account is the most commonly used in the list of account groups. The examples of the rights account include computer software, map-plan-projects, licenses, patents and rights about international mobile telecommunication service and infrastructure. During the first workshop in the scope of the project, it has been stated that the licences for the 4.5G network is a type of a right conferred by legislation and it is internally made and in this case it should not be capitalized. If the license for 4.5G was acquired it would be recognized as an intangible asset but in this case it is not recognized as an intangible asset since the entity is making the license.

Furthermore, according to the information received from the MoF, the research and development expenses are not separated from each other and the two are also combined under the RGGA. According to IPSAS 31.52, the intangible assets that arise as a result of the research phase are not recognized and the costs that arise as a result of the research phase are expensed when they occur. On the other hand, according to IPSAS 31.55, the intangible assets that arise as a result of the development phase are recognized if certain conditions are met. However, both the research and development expense are capitalized and are recorded as a single account in the current situation. According to the interviews conducted with the MoF, an issue that has been encountered is that the research and development expense account in the balance sheet does not work accurately since there is no detailed regulation about the related activities.

Last but not the least, as pointed out in the interviews with the MoF, intangible assets are 100% amortized. The accounting of intangible assets are made with the cost basis and the ones granted are recorded by valuation and then reflected in the balance sheet. The intangible asset that is 100% amortized at the end of the period of when it is recognized in the inventory and the regulatory amortization account appear together in the balance sheet. The cost value and the amount of 100% amortization are shown in different balance sheet items. Furthermore, due to the fact that the intangible assets are 100% amortized, useful life is not observed. However, during the first workshop of the project it has been stated by the MoF that the implementation of 100% amortization is temporary and it will be changed soon in Turkey.

The current accounting practices of intangible assets and areas of improvement mentioned above are discussed in the interviews with the MoF. Some of the issues encountered in the implementation arises from the fact that the standard is not yet fully integrated with the regulations. Thus, the importance of especially analyzing the accounting practices of research and development costs in the scope of IPSAS has been underlined.

3.2.4. Sparing provisions for doubtful debts and social security provisions

Doubtful debts does not fall under the scope of IPSAS 19. It considers them as "adjustments to the carrying amounts of assets" and states that these should not to be categorized under provisions. The relevance of doubtful debts with the receivables makes the subject related to IPSAS 29; Financial Instruments: Recognition and Measurement. DMS has adopted IPSAS 29 in December 2016. However, general budget institutions do not have a practice on making provisions for doubtful debts.

Provisions for social benefits and their recognition in financial statements are covered in IPSAS 19. However, IPSAS 19 excludes social benefits related to employee benefits. They are covered under the instructions of IPSAS 25 and there is no corresponding DMS in Turkey. MoF is working on a draft DMS 39; that would cover the employee benefits; similar to IPSAS 39, that will replace IPSAS 25 in 2018.

Below table provides a general approach to the provisions for suspected receivables and social security payments in Turkish PFM structure.

Doubtful debts and social security provisions	
Particular IPSAS on the topic	IPSAS 19: Provisions, Contingent Liabilities and Contingent Assets IPSAS 25: Employee Benefits IPSAS 29: Financial Instruments: Recognition and Measurement (through the relation between receivables and provisions for doubtful debts) IPSAS 39: Employee Benefits (Updated IPSAS 25)
Statutory Framework	► For **provisions of doubtful debts**, there is no harmonization between regulations and IPSAS 29. The Regulations on General Government Accounting (No. 2014/7052) determines the legal framework; ► For **social security provisions**, there is an ongoing harmonization effort with IPSAS. Additionally, Regulations on General Government Accounting (No. 2014/7052) determines the recognition framework; ► Article 197 points out the way of recognition and disclosure of severance allowances of workers
Presence of Government Accounting Standards and current harmonization with the standard	► **Provisions of doubtful debts:** IPSAS 29 has been adopted by DMSK; but not used practically by the central budget institutions. ► **Social security provisions:** Work on publishing DMS 39 – Employee Benefits carries on.
Issues on implementation	► General terms; ► The concept of provision is different than what IPSAS considers as provision. ► Specific terms: ► **Provisions for doubtful debts**, only practice is amendments on existing records in general budget administrations. ► **Social security provisions,** severance allowances are the only item considered as provision.

3.2.4.1. National Regulatory Framework

Provisions for Doubtful Debts

IPSAS 19 aims to define provisions, to identify the circumstances in which they should be recognized, how they should be measured and to emphasize the ways of disclosure in financial statements; but its scope does not cover provisions for doubtful debts. IPSAS does not provide any particular information on the accounting of the doubtful debts in public sector.

Provision for doubtful debts is relevant in the context of subsequent measurement of receivables and refers to the balance sheet account. Receivables typically need to be classified as financial assets. Therefore, receivables are non-derivative financial assets with fixed or determinable payments and they should be measured at amortized cost using the effective interest method[18]. Related to this, provisions for doubtful debts can be defined as the estimated amount of bad debt that will arise from accounts receivable that have been issued but not yet collected.

In business accounting, an entity typically estimates the amount of bad debt based on historical experience, and charges this amount to expense with a debit to the bad debts account which appears in the Statement of Financial Performance and a credit to the provision for doubtful debts account located in the balance sheet[19].

Social Security Provisions

Social security is a comprehensive concept. The scope of it analyzed in this report is related to employee benefits. In Turkey, the only provision made is for Severance allowances of workers. There is no provision made for the civil servants.

Generally, IPSAS 19 is the relevant standard for the accounting of social benefit provisions. However, IPSAS 19.1 stipulates that "entities are not required to disclose provisions and contingent liabilities arising from social benefits provided by an entity for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits[20]."

This indicates the exclusion of social benefits related to employee rights. These are specifically dealt in IPSAS 25 – Employee Benefits. IPSASB, however, is currently revising this particular standard as IPSAS 39 under the same name.

Within national practices, there is no adoption of IPSAS 25 in Turkey; but DMSK is currently working on DMS 39 which will standardize the accounting practices on the employee related social benefits.

3.2.4.2. Accounting Practices and Issues Encountered

Provisions for Doubtful Debts

Recognition of the doubtful debts is made by using previously mentioned account numbers.

[18] IPSASB (2011). *IPSAS 29 – Financial Instruments: Recognition and Measurement*. London: January 2011.
[19] Accounting-simplified (2017). *Accounting for Doubtful Debts.* Available from: http://accounting-simplified.com/accounting-for-doubtful-debts.html.
[20] EY (2016). *Accounting treatment of social benefits with a view to financial reporting requirements under the future EPSAS.*

Example[21]**:** When 30% of a debt in amount of TL 700.000 is considered to be a bad debt, first the whole amount is recognized in 137 – other doubtful debts account. Then, following records are made for the transaction;

630- Expenses Accounts	TL 210.000	
138- Other Doubtful Debts Provisions Account		TL 210.000

The following steps change according to the amount that is to be received.

- If whole amount is to be received, then the following transactions are made;

100- Cash Account	TL 700.000	
137- Other Doubtful Debt Account		TL 700.000
805- Revenue Reflection Account	TL 700.000	
800- Budget Revenue Account		TL 700.000
138- Other Doubtful Debts Provisions Account	TL 210.000	
600- Revenue Account		TL 210.000

- If TL 490.000 is to be received, then the following transactions are made;

100- Cash Account	TL 490.000	
138- Other Doubtful Debt Provision Account	TL 210.000	
137- Other Doubtful Debt Provision Account		TL 700.000
805- Revenue Reflection Account	TL 490.000	
800- Budget Revenue Account		TL 490.000

Social Security Provisions

The concept of provision differs from the scope of IPSAS 19. Interviews have revealed that the only accounting practice that fully corresponds to the practices of IPSAS in terms of provisions is the provisions of severance allowances. All the other such accounts, as it is previously stated, are just amendments to existing records. Therefore, the only recognized employee related social benefit is severance allowances.

Based on the Article 197 of RGGA, short-term provisions for severance allowances are recognized under 372 severance allowance provisions account; while long-term allowances are followed under account number 472, in conformity with Article 228 of same regulation. Their measurement and recognition has become official in 2015. In that year, a retrospective study has been made and the following accounting steps were made. These calculation were made only for the allowances of workers; there is no provision for severance allowances of civil servants.

630 – Expenses Account	Found amount	
472- Severance Allowance Provision Account (Long-term)		Found amount

Example 1: When TL 100.000 of severance allowance is estimated to be paid for the upcoming year; the following transactions

630- Expenses Account	TL 100.000	
372- Severance Allowance Provision Account (Short-term)		TL 100.000

- If this amount is to be paid in the long-term, then the following transactions are made;

[21] Ömer Dağ (2015). *Merkezi Yönetim için Devlet Muhasebesi.* Seçkin Yayıncılık 5. Baskı.

630- Expenses Account	TL 100.000	
472- Severance Allowance Provision Account (Long-term)		TL 100.000

Example 2: When TL 100.000 of severance allowance, considered to be paid in the long-term, has become to be paid in the short-term; the following transactions are made;

472- Severance Allowance Provision Account (Long-term)	TL 100.000	
372- Severance Allowance Provision Account (Short-term)		TL 100.000

Consequently, there is no harmonization between IPSAS and Turkish PFM legislation on both the doubtful debts and social security provisions. Essentially, the concept of provision is not fully implemented in Turkey. The only provision appropriate to the instructions of IPSAS is made for the severance allowance of workers. Therefore, there is no alignment between IPSAS and legal framework on these subjects. Nevertheless, current preparation of DMS 39 on employee benefits, similar to the expected IPSAS 39 is a considerable improvement.

To continue the harmonization efforts and the enhancements in accounting practices, MoF General Directorate of Public Accounts would like to know what are considered as provisions in other countries and how they account them.

3.2.5. Contingent liabilities in financial statements

Contingent liabilities and their disclosure in financial statements are standardized in IPSAS 19. Within the scope of the accountancy reform in Turkey, DMSK has translated IPSAS 19 and adopted it as DMS 19. The standard is effective since its publication on Official Gazette in February 2011.

Below table provides a general approach to the disclosure of contingent liabilities in Turkish PFM structure.

Contingent Liabilities	
Particular IPSAS on the topic	IPSAS 19: Provisions, Contingent Liabilities and Contingent Assets
Statutory Framework	Existing regulations are not in line with the IPSAS 19. The only harmonized part with the IPSAS of the Regulation on General Government Accounting is on the disclosure of the contingent liabilities. ▶ Although it does not specify exactly what needs to be recognized under contingent liabilities, Article 339 of the Regulation on General Government Accounting includes the definition of contingent liabilities in the statement of contingent assets and liabilities, which is prepared in statistical sense
Presence of Government Accounting Standards and current harmonization with the standard	DMSK has adopted DMS 19 in accordance with the IPSAS 19.
Issues on implementation	General issues; ▶ Disclosures are not well-structured. Not all the central government institutions disclose contingent liabilities. The ones which disclose only note down the balance of the memorandum accounts without any explanation. ▶ Institutions lack capacity to recognize and measure their contingent liabilities. ▶ There is no solid model for measuring the probability of occurrence. Specific issues; ▶ Letters of guarantee, given guarantees and debt undertakings related to PPPs ▶ They are all followed in specific memorandum accounts; but there is no regulation on their disclosure. ▶ Lawsuits; ▶ There is no regulation or existing practices on recognition of possible liabilities resulting from the ongoing court cases.
Items / cases where the particular issues frequently observed	Lawsuits, given guarantees, letters of guarantees and debt undertakings related to PPPs

3.2.5.1. National Regulatory Framework

IPSAS 19 aims to define contingent liabilities and to prescribe the disclosure requirements that should be made about them in financial statements.

According to the standard, a contingent liability is;

- "A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity; or
- A present obligation that arises from past events but is not recognized because:
  - It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - The amount of the obligation cannot be measured with sufficient reliability."[22]

In other words, contingent liabilities are liabilities that exist because of past events whose future occurrence is not certain and the amount to be paid is not predictable for the authorities. The standard emphasizes that the past event leading to a contingent liability must generate a commitment such as signing of a contract. This definition is exactly translated in the adopted national standard (DMS 19); yet it is not included in the current legislation for the public sector accounting in Turkey. There is no stand-alone definition of contingent liabilities presented in any of the documents including the RGGA.

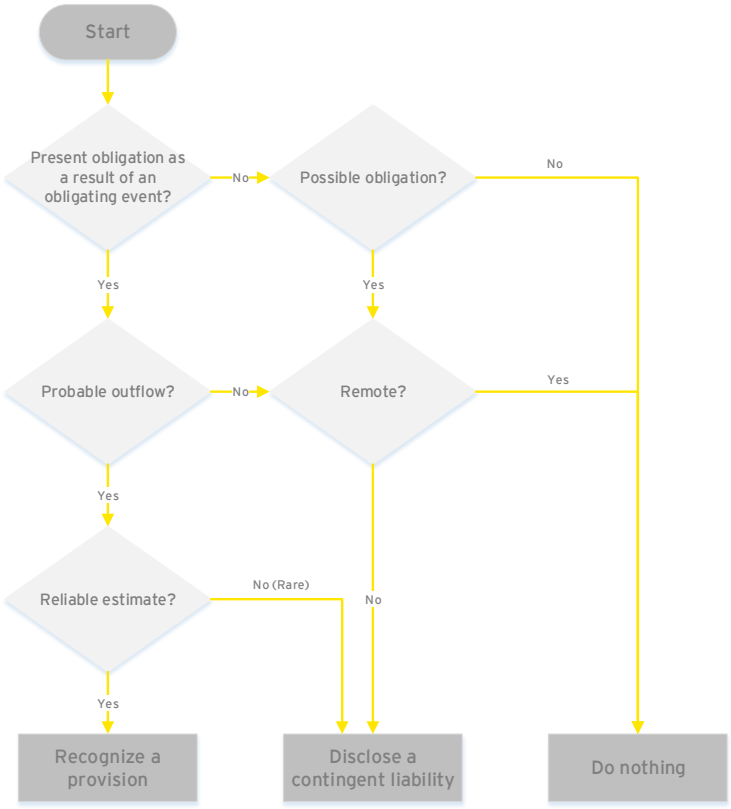
In IPSAS 19, recognition of a liability and its provision on a financial statement depends on its measurability based on the best estimate. Yet, this is not possible for contingent liabilities due to the unpredictability of the timeframe for the payment. Therefore, foreseeing the probability of their occurrence becomes the most significant factor for the disclosure of the contingent liabilities. IPSAS 19 indicates that if the possibility of occurrence is between 5% and 50%; then the item must be processed as contingent liability[23]. Yet, legislation in Turkey does not provide such or any other measurement method for the amount of the contingent liabilities to be disclosed.

Yet the effect of their occurrence on public finance is considered as damaging because of their unpredictable and uncertain nature[24]. Based on this it states that they should be disclosed and this must be done in the footnotes of financial tables.

IPSAS 19 does not provide any explanation to what is a contingent liability. The decision in IPSAS 19 only provides information on the contingent liability / separation of liabilities in Figure 2.

[22] IPSASB (2002). *IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets*. London: October 2002.
[23] IPSASB (2002). *IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets*. London, October 2002.
[24] Nilüfer Turan (2014). *Mali Şeffaflık ve Kamu Mali İstatistikleri Açısından Koşullu Yükümlülüklere Bakış*. Sayıştay Dergisi, Sayı: 95/Ekim – Aralık 2014.

Figure 4: Decision tree in determination of provisions and contingent liabilities



Source: IPSAS 19 – Provisions, contingent liabilities and contingent assets (2002).

Despite there is no regulation on this, conducted interviews have revealed that the following issues need to be considered as contingent liabilities both by the MoF and the public administrations;

- Lawsuits,
- Given guarantees,
- Treasury debt guarantees,
- Debt undertakings related to PPPs

RGGA lists all the chart of accounts. It also states memorandum accounts; but does not correlate which account should be used in disclosure of contingent liability and which of the accounts should be used[25]. Under these terms, each public administration uses the accounts it needs. Interview results have stated that these are the most frequently used accounts;

- 914 – Given letters of guarantee account
  - 915 – Given letters of guarantee provision account
- 930 – Given guarantees account
  - 931 – Given guarantees provision account
- 934 – Debt undertaking commitments account
  - 935 – Debt undertaking commitments provision account

[25] Nazire Kont (2015). *Devlet Muhasebesi Standartlarının Muhasebe Yönetmelikleri ile Uyumu (2006-2014).* Maliye Bakanlığı Muhasebat Genel Müdürlüğü, Uzmanlık Tezi.

Disclosures in these accounts, according to IPSAS 19, should be controlled and revised in every financial year. Legislation on public accounting declares that records in them feed the Table of Contingent Assets and Liabilities prepared by the MoF. This table is revised and published in every three months and every year[26].

Consequently, all these differences between the standard framework pointed out by IPSAS 19 and legal instructions demonstrate that there is no harmonization between these two sources. Standards work only as guidelines; therefore, except for the rule of using memorandum accounts, there is no legal framework or requirement on disclosing the contingent liabilities in Turkish public accounting structure.

3.2.5.2. Accounting Practices and Issues Encountered

Accounting of contingent liabilities is conducted both by the public administrations and by the central authority, MoF Directorate General of Public Accounts. Public administrations are responsible for keeping their own records of contingent liabilities by using memorandum accounts to disclose them; whereas MoF is responsible with consolidating these records for preparing the Contingent Assets and Liabilities Table together with the other produced the financial statistics tables. However, the lack of alignment between IPSAS and legal framework as well as confusions on the instructions of IPSAS 19, lead to implementation differences and even in certain cases lacks of implementation on the disclosure of contingent liabilities.

Accounting Practices

Public administrations and MoF, Directorate General of Public Accounts keep their contingent liability related records on letters of guarantee, demand guarantees and debt undertakings related to PPPs. The records on these are kept under the guidance of RGGA and RCGA. Accordingly, the following issues are observed.

- ***Letters of guarantee*** are not described as contingent liabilities in regulations, yet in practice they are processed as such by the administrations. Memorandum accounts of 914 and 915 are used for this purpose. According to RCGA Article 468, if a public entity would give a letter of guarantee to another public or legal entity, it would recorded it in account number 914 as debit and credit as to the account number 915. The same entity should disclose this amount in its balance sheet footnotes at the end of the financial year.
- ***Given guarantees;*** Based on the authorization given by Law No: 4749, Treasury guarantee amounts that are issued for the administrations or institutions excluded from the scope of general budget as well as the amount annulled, paid, lended or covered by other public institutions and the guarantees given in accordance with the relevant regulation are monitored by the Undersecretariat of Treasury. Moreover, examples of guarantees given within the scope of the PPP projects are stated in "3.2.1 Public Private Partnerships".
- ***Debt undertakings related to PPPs*** are commitments by the Undersecretariat of Treasury in a service concession arrangement. They cover the debts that might occur if the operator cannot complete its part of the arrangement. As they are based on

[26] Republic of Turkey Prime Ministry Official Gazette (2014). *Regulation on General Government Accounting.* 23 December 2014, 29214 (Article 339).

legally binding contracts made in the past in which cash outflow is expected in case of their future occurrence, debt undertakings are also considered as contingent liabilities. Articles 492-494 of RCGA describes how this type of contingent liabilities should be disclosed. Immediately after the signing of the debt undertaking agreement, the contracting authority, is responsible to register the contract amount in the memorandum accounts of 934-935 based on the exchange rates.

- ***Lawsuits,*** outcomes of legal proceedings are regarded as difficult to disclose; because the possibility of succeeding in an action cannot be foreseen. The instructions in IPSAS 19 on how to disclose them are not clear. Additionally, there is no explanation available on when this amount is processed as a contingent liability and when it becomes a liability so that a provision can be recognized in accounts in the current national regulatory framework. Therefore, in current situation, there is ambiguity and confusion on this subject and the implementation of the possible amount can neither be followed in memorandum accounts nor disclosed in financial tables.

Consequently, public administrations and MoF try to run their contingent liability related accounting practices in line with the standard, yet without a legal basis. This, inevitably, paves way to all the counted issues which, in the end, averts a unified disclosure of contingent liabilities among public administrations. In order to eliminate these, instructions of IPSAS 19 must be embedded into the legal framework regulating PFM structure in Turkey and the pending points of the standard must be clarified.

Issues Encountered

Public administrations generally encounter the following problems;

- Being not concise and open-to-interpretation makes IPSAS 19 instructions incomprehensible for public administrations and for MoF General Directorate on Public Accounts. This situation results in further delay on the amendments to-be-made on existing regulations and deepens the accounting practice differences between administrations.
- Existing regulations do not cover the scope of contingent liabilities. Administrations disclose mentioned items as contingent liabilities for their own information and do not have a concern about being in conformity with the IPSAS. This results in overlooking of some of the items to be followed from the memorandum accounts.
- There is no existing model for determining the possibility of occurrence of contingent liability. Neither public administrations nor the MoF, General Directorate of Public Accounts are well-informed and equipped enough on the how to differentiate contingent liabilities from provisions.
- Lack of a convincing method to predict the possibility of occurrence of the contingent liabilities constitutes a confusion in administrations on how to measure the possible payment amounts and the recognition time and prevents the proper practice of IPSAS 19.
- The structure of contingent liability disclosures is not informative and reader-friendly. Instead of being well-structured notes, they are usually uninstructive footnotes in which related memorandum accounts are listed.

In summary, under current conditions in Turkish accounting principles, contingent liabilities are not disclosed with full conformity to the framework provided under IPSAS 19. There are differences between both IPSAS and current regulations and current regulations and accounting principles in public administrations.

In order to get ahead, MoF, General Directorate of Public Accounts would like to obtain further information on the following questions;

- What are considered as contingent liabilities in other countries?
- How is the measurement for possibility of occurrence made in other countries?
- When is the most appropriate time for the disclosure of contingent liabilities?
- How do other countries account for contingent liabilities in court cases (e.g. is the probability of each case determined separately)?

3.2.6. Preparation of financial statements and tables of general budget institutions

Financial statements are prepared and presented by public institutions worldwide to enlighten public opinion by providing information about the results of activities, financial position, and cash flows of institution. This information is used by the public opinion to have an idea regarding the allocation of resources. In private sector, they are also used to make a critical business decisions such as; credit, investment, taxation, and union bargaining. These tables indicate a great similarity from country to country. On the other hand, there could be some differences between countries regarding the preparation of financial tables based upon economic and legal grounds. These differences have led to the use of different definitions and implementations for the financial statements. In addition, the differences led to the use of different criteria in accounting for records on the financial statements and the adoption of different measurement principles for these records. The scope of the financial statements and the disclosures included in these tables were also affected by these differences.

The international standard for the preparation of financial statements is IPSAS 1. In Turkey, DMS 1 has been adopted in accordance with the IPSAS 1. DMS 1 is the standard for the presentation of financial statements and was published on the Official Gazette in 2008.

The table below is showing general overview of related DMS and IPSAS, statutory framework, harmonization of standards and regulations, and issues on implementation, and items / cases where the particular issues frequently observed in Turkey.

Preparation of financial statements and tables of general budget institutions	
Particular IPSAS on the topic	IPSAS 1: Presentation of Financial Statements
Statutory Framework	Turkish regulations and IPSAS 1 are in line with each other except some differences. One of these differences is related with changes in assets and liabilities tables. ▶ Regulation on General Government Accounting (No. 2014/7052; Part 5) ▶ Regulation on Central Government Accounting (No. 2014/7052; Part 13) ▶ Mentions financial reporting processes and defines financial statements and tables
Presence of Government Accounting Standards and current harmonization with the standard	DMSK has adopted DMS 1 in accordance with the IPSAS 1. Current regulations are mostly in line with the DMS 1/IPSAS 1. One divergence is that, the change in net assets and liabilities table is not covered in regulations.
Issues on implementation	Issues about footnotes ▶ There is a statement about the footnotes in the regulation. When reporting, it is stated which footnotes need to be disclosed for accounting records. However, it is observed that public institutions do not implement this regulation while they prepare their financial statements.
Items / cases where the particular issues frequently observed	Footnotes, Consolidation

Although there are some issues for the implementation of the standards which are related with financial statements, there is a general conformity between the regulations and the standards. The majority of the definitions and processes identified in the standards are similar to RCGA and RGGA.

3.2.6.1. National Regulatory Framework

Regulations on Central Government Accounting and General Government Accounting

The subject of the 13th part of RCGA is financial reporting. In article 538 and 539, it is mentioned that procedures of financial reporting and financial tables need to be prepared. According to regulation, main financial tables and other financial tables are the main components of financial reporting. There are balance sheet, statement of operation results, and cash flow statement under the main financial tables and 10 different financial tables under other financial tables.

Another important point that is mentioned in the regulation is the obligation of preparing all the financial tables except for the cash flow statement of each general budget institution.

Also, the subject of the 5th part of RGGA is also based on financial reporting. In related parts of the regulation; financial reporting, financial reporting agencies and responsible, the terms

and processes related to financial statements and preparation of financial statements and tables of central budget institutions are defined and determined.

Detailed definitions of the financial statements specified in the RCGA are included in the RGGA. The definitions of the main financial statements (balance sheet, statement of operation results, and cash flow statement) are shown in the table below.

Table 3: Definition of Main Financial Statements

Balance Sheet	▸ It indicates the assets, liabilities and capital of the public institution. ▸ Active and passive regulatory accounts are shown as negative values in the group in which they are included.
Statement of Operation Results	▸ It represents income and expenses and liabilities related to the management of tangible and intangible assets of a public institution during an activity period and provides detailed information about them. ▸ It includes income and expense accounts, returns and discounts. ▸ In the footnote of the statement, it is specified how much of the period net income or loss is due to the differences in exchange rates and values, and the effects of these changes on the income statement. ▸ All income and expenses are indicated in the income statement of the period which they are accrued.
Cash Flow Statement	▸ It represents the movement of cash and cash equivalents of the public institution. ▸ Cash inflows and outflows are classified according to the needs within a certain period. Foreign currency cash inflows and outflows are turned into Turkish Lira based on the related exchange rate and included in the cash flow statement. ▸ Gains and losses that do not require the use of cash and cash equivalents, non-cash donations and aids, settlements and swaps, and transactions that will generate cash flow in the future are not included in the cash flow statement. ▸ The amounts of cash and cash equivalents at the beginning and end of the period and the amount of change during the period are shown in the footnote. The change amount should be equal to the "Net Change in Cash Inventory". ▸ Cash flows are classified as cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. ▸ **Cash Flows From Operating Activities** include cash inflows and outflows from operating income and expenses. Cash flows that arise as a result of transactions such as an acquisition or a disposal of a tangible fixed asset is not included in this segment. ▸ **Cash Flows From Investing Activities** consist of payments for the production and construction of tangible fixed assets investments, cash outflows arising from purchases of tangible and intangible fixed assets, and cash inflows arising from sales of tangible and intangible fixed assets. ▸ **Cash Flows From Financing Activities** include cash inflows arising from short-term and long-term borrowing instruments (bonds, bills etc.) or other debts, cash outflows due to debt payments and cash equivalents. Except for those held for trading purposes, borrowing notes or equity instruments of other entities or cash payments made to obtain commercial rights in joint ventures, cash inflows arising from the sale of these instruments, cash loans and cash prepaid payments to third parties and the collections are also classified in this group.

The definitions of the other 10 financial statements are given in the table below.

Table 4: Other Financial Statements

Table	Definition
Table of Budget Implementation Results	It shows budget revenues and expenditures of public institutions in detail. The table of budget implementation results is generated from the budget income and budget expenditure, and the budget revenues in the rejection and return accounts group. Offset period transactions are also included in this table which is prepared for the whole budget year.
Table of Economic Classification of Income	The operating income of public institutions is reported according to the classification in the detailed account plans.
Table of Institutional Classification of Expenditure	It indicates the distribution of expenses at the institutional level.
Table of Economic Classification of Expenditure	The operating expense of public institutions is reported according to the classification in the detailed account plans.
Table of Economic Classification of Budget Income	It is reported in accordance with the classification in the budgets of public institutions and prepared by using budget income accounts.
Table of Institutional Classification of Budget Expenditures	It shows institutional distribution of budget expenditures belonging to public institutions and prepared by using budget expenditure accounts.
Table of Functional Classification of Budget Expenditures	It is classified as general public services, defense services, public order and security services, economic affairs and services, environmental protection services, housing and community welfare services, health services, rest, cultural and religious services, education services, and social security and social assistance services. It is also based on budget expense accounts.
Table of Financial Classification of Budget Expenditures	It shows what sources of funding are used in budget expenses of public institution and created by using budget expense accounts.
Table of Economic Classification of Budget Expenditures	It is created by using budget expense accounts.
Table of Budget Expenditures and Appropriations	It is prepared by using the appropriations received from the budget expenditures, allowances and reductions. It is also prepared by using budget expenditure accounts and appropriation accounts to show expenditure above the appropriation.

Financial statistical tables are; financial statements prepared by using statistical methods in which information about income, expenses, assets, liabilities and equity are included. These tables are prepared as consolidated and include the financial transactions of public institutions.

GFS-based financial statistical tables are prepared by the Ministry of Finance. These tables are; balance sheet, net balance sheet, net financial balance sheet, cash flow statement, functional classification table of expenditures, budget balance sheet and contingent assets and liabilities table. As reported earlier, the balance sheet and cash flow statement are also included in the main financial statements. When the other tables are examined;

- **Net Balance Sheet:** It indicates to the borrowing requirement or lending capacity of the institutions under general government in a certain period. Net balance is carried out by using income, expense and intangible assets.
- **Net Financial Balance Sheet:** It indicates to the financing of the borrowing requirement or the use of lending capacity of institutions under general government

in a certain period. It is carried out by calculating the difference between the net change in financial asset acquisitions and liabilities.

- **Functional Classification Table of Expenditures:** It is prepared based on the basic functions of institutions under general government.
- **Budget Balance Sheet:** It indicates the budget revenues and budget expenditures of the institutions under general government. It is created by using the budget revenues and budget expenditure account groups and the refusal and refund account groups from the budget revenues.
- **Contingent Assets and Liabilities Table:** Based on past practices, it indicates assets and liabilities that may arise for a public institution due to certain conditions in the future.

IPSAS 1

Financial statements are a formal record of the financial activities of an entity and show the financial position of the entity. Relevant financial information is presented in a structured manner and in a comprehensible form. The analysis of the tables directly affects the understanding of the current situation and the taking of important administrative decisions. Therefore, it is being prepared and presented by public institutions worldwide. There is an IPSAS standard on preparation of financial statements and tables (IPSAS 1).

IPSAS 1 aims at preparing financial tables to ensure comparability both with the financial tables of previous periods and with the financial tables of other entities. To achieve this objective, this standard sets out overall considerations for the presentation of financial statements and minimum requirements for the content of financial statements prepared under the accrual basis of accounting. IPSAS 1 shall be applied to all general purpose financial statements prepared and presented under the accrual basis of accounting in accordance with IPSASs. General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. Users of general purpose financial statements include taxpayers and ratepayers, members of the legislature, creditors, suppliers, the media, and employees. General purpose financial statements include those that are presented separately or within another public document such as an annual report.

Balance sheet, statement of financial performance, statement of changes in net assets and equity, cash flow statement, comparative table for budgeted and actual amounts and explanatory footnotes are main components of financial statements according to IPSAS 1.

Differences between IPSAS, DMS, and Regulations

There are several differences between IPSAS, DMS and Regulations with respect to presentation of financial statements and tables of general budget institutions. The difference between DMS 1 and IPSAS 1 is the table of changes in net assets / equity. In DMS 1, there are net asset / equity change table and financial asset and liability change table under the table of changes in assets and liabilities. In IPSAS 1, there is no statement of changes in financial asset and liabilities while net asset / equity change table is available. On the other hand, according to RGGA and RCGA, both table of changes in assets and liabilities and the statement of change in net assets/equity are not included in the main financial tables.

3.2.6.2. Accounting Practices and Issues Encountered

Reporting is based on a dual reporting system, including financial statistics and financial reporting. Financial statistics tables are prepared based on GFS. On the other side, financial tables consist of balance sheet, cash flow statement and statement of operation results. While the cash flow statement is prepared as consolidated, the balance sheet and statement of financial performance are prepared individually by all general budget institutions. All general budget institutions shall prepare their own financial statements.

Because general budget institutions do not have the authority to collect income and borrowing, to sell their own equities, assets and immovable; EY public sector accounting experts determine that it is not efficient and required to make a balance sheet by all general budget institutions.

Balance sheet provides additional information through memorandum accounts. In other financial statistical tables, disclosures are made in footnotes if needed. There is an article about what needs to be disclosed in RGGA, but there is no application by institutions. In the current situation, an institution has not been sufficiently competent to present footnotes in a balance sheet and statement of financial performance. Institutions do not provide additional information as a footnote. However, they can indicate accounting records on memorandum accounts that may be disclosed in the footnote as a support. Footnotes should be as applied in Turkish Accounting Standards.

According to EY public sector accounting experts, in relation to journal errors, the steps below should be followed in accordance with IPSAS.

- Correction of errors detected in the current period before the publication of financial statements,
- If a situation requiring correction occurs between the end of the reporting period and the period of approval of the financial statements, correcting the amount of the error in the related record or adding it if it is not included in the financial statement,
- Other amounts are also updated based on the corrections made, and
- Material errors made in previous periods and not noticed until the next period have also been stated in the comparative information presented in the financial statements of the period in which this error was noticed.

Moreover, there are other problems encountered on implementation of IPSAS 1. Further topics are;

- How footnotes are presented in other countries?
- Which institutions do prepare ESA based and GFS based financial statistic tables in other countries?
- What entities does your central government include in the scope of consolidation? For example, are public banks or public enterprises included in the scope for consolidation? If public banks are included in the scope of consolidation, are they included according to the share of capital?
- Which financial statistic tables are not included in IPSAS 1?

- What is the detail level of balance sheet and other financial statements?

3.2.7. Budget standard and tax standard practices

Revenue of public institutions mostly include non-exchange transactions that include non-exchange transfers and taxes. Non-exchange transactions are the way that an institution gives/takes some value to/from another institution without taking/giving exactly same value in return. Transfers may include grants, debt forgiveness, fines and penalties, gifts, donations, and promise to give. The main source of income for government and public institutions, on the other hand, is taxes paid mandatorily by taxpayers as specified by law and regulation.

Moreover, governments generally prepare and publish financial documents in order to make their financial budget and plan available to the public. In these documents, the government specifies the financial characteristics and the financial plans for the near future. It is also important for governments to present these documents for financial management and control, and for avoiding financial mistakes on the results of their operations.

IPSAS 23 is the international standard for the revenue from non-exchange transactions, i.e.taxes and transfers. In accordance with this standard, DMS 23 is adopted as an application of standard for taxes and other unilateral transfers in Turkey and was published on the Official Gazette in 2015. On the other hand, the international standard related to the presentation of budget information in financial statements is IPSAS 24. In the same way, as an equivalent standard to IPSAS 24, DMS 24 is applied in Turkey and was published on the Official Gazette in 2015.

The table below is indicating statutory framework, harmonization of standards and regulations, issues on implementation and items / cases where issues encountered for DMS 23 / 24 and IPSAS 23 / 24 in Turkey.

Tax Standard and Budget Standard Practices	
Particular IPSAS on the topic	IPSAS 23: Revenue from Non-Exchange Transactions (Taxes and Transfers) IPSAS 24: Presentation of Budget Information in Financial Statements
Statutory Framework	Turkish regulations related with IPSAS 23 ▶ Regulation on General Government Accounting (No. 2014/7052; Part 4; Article 65) ▶ Regulation on Central Government Accounting (No. 2014/7052; Part 3; Article 50) Turkish regulations related with IPSAS 24 ▶ Regulation on General Government Accounting (No. 2014/7052; Part 2; Article 7, Part 4; Article 280, 281, Part 5; Article 317, 321, 322, 323, 324, 325, 326, 338) ▶ Regulation on Central Government Accounting (No. 2014/7052; Part 10)
Presence of Government Accounting Standards and current harmonization with the standard	DMSK has adopted DMS 23 in accordance with the IPSAS 23. Also, DMS 24 is mostly in line with the IPSAS 24.
Issues on implementation	**Issues on tax standard practices** Issues due to year shifts ▶ Recordings of revenues from the past cannot be made due to year shifts. Issues due to recording period and absence of statistical method ▶ There is no current statistical method used and the recording is made when the accrual takes place. This causes an extension to the following year.
Items / cases where the particular issues frequently observed	Year shifts, Record periods, Absence of statistical methods

3.2.7.1. National Regulatory Framework

Regulations

When examining the regulations on accounting for tax practices, it is seen that RCGA Article 50 and RGGA Article 65 have related practices for non-exchange transactions by defining accounts receivable. However, there are some difference between regulations. Definitions of accounts receivable and accounts included on regulations can be seen at the table below.

Table 5: Accounts Recivable Definition, Scope and Used Accounting Codes Included in RGGA and RCGA

Regulation	RCGA	RGGA
Definition and Scope	Accounts Receivable covers tax revenues, government enterprises and property revenues, donations and aids received, receipts from other revenues and capital revenues, and deposits and guarantees given.	Taxes, duties, premiums and similar incomes, which are accrued as revenue by public institutions and foreseen collections in the year or within the activity period and receivables with and without note arising from the goods or services are followed. It is also used to monitor deferred receivables, limited to one year or period of activity in accordance with the legislation.
Accounts Included	▸ 120 Income Receivables ▸ 121 Notes Receivables ▸ 122 Discount of Notes Receivables ▸ 126 Deposits and Guarantees Given ▸ 127 Other Trade Receivables	▸ 120 Income Receivables ▸ 121 Notes Receivables ▸ 122 Discount of Notes Receivables ▸ 126 Deposits and Guarantees Given ▸ 127 Other Trade Receivables ▸ 128 Doubtful Debts ▸ 129 Doubtful Debts Provisions

Source: Official Gazette, RGGA; RCGA, 2014

Regulations

According to Regulations on General Government Accounting and Regulations on Central Government Accounting, budget revenue and budget expenditure accounts of the public institutions are deducted on the basis of the annual budget regulation and other legislation, which is defined as the budget revenue and budget expenditure and which constitutes the basis for the final calculation. Provision accounts are used when the transactions of public institutions are recorded and reported on cash basis and the activity and balance sheet accounts are related to the budget revenue, budget expenditure and budget revenues according to the refusal and refund accounts. In detail, related parts in regulations contains budget revenue accounts, reflection of revenue accounts, refusal and refund of budget revenue account, budget expense accounts, expenses to be deducted from the account, last year budget deductions, reflection of expense account, and budget execution results. These budget accounts are used to monitor the budget revenues and expenditures of public institutions in accordance with economic classifications.

IPSAS 23

The objective of IPSAS 23 is to provide the requirements for the financial reporting of revenue arising from non-exchange transactions other than non-exchange transactions that result in a public entity combination. The standard deals with issues that need to be taken into account in order to recognize and measure the revenue from non-exchange transactions, including the identification of contributions from the owner. Revenue from exchange transactions is subject to IPSAS 9, "Revenue From Exchange Transactions" While revenues received by public entities can arise from both exchange and non-exchange transactions, the majority of revenue of governments and other public entities is typically derived from non-exchange transactions such as: (a) Taxes; and (b) Transfers (whether cash

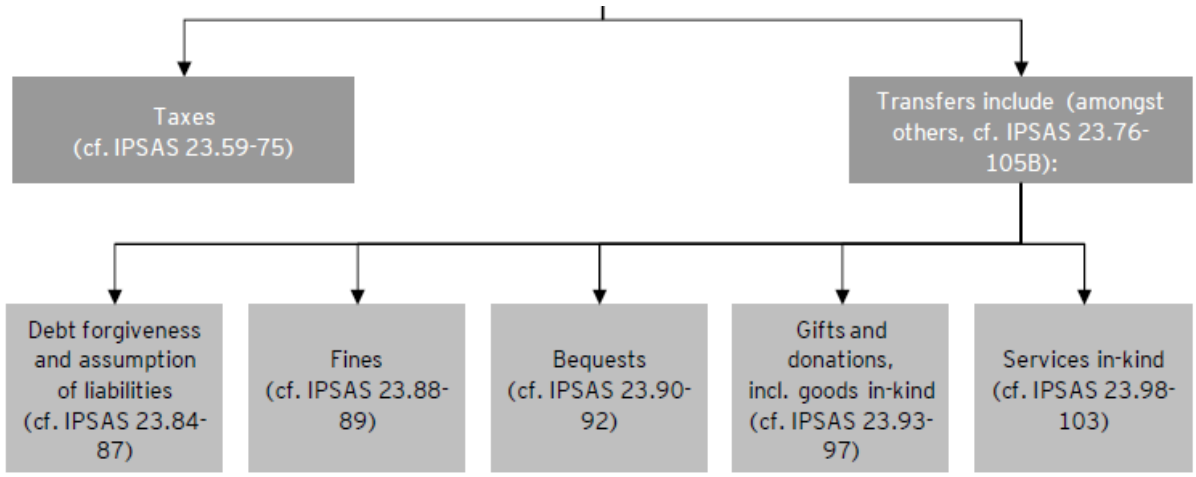
or non-cash), including grants, debt forgiveness, fines, bequests, gifts, donations, and goods and services in-kind.

Table 6: Revenue of Financial Institution

Exchange Transactions	Non-exchange Transactions
Entity receives assets / services or has liabilities extinguished and directly gives approximately equal value to another entity in exchange.	Entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange. ▶ Taxes ▶ Transfers, including grants, debt forgiveness, fines, bequests, gifts, donations and goods and services in-kind ▶ Remember there must be a direct relationship between the receiver and the payer.

Source: IPSAS 9, 2001; IPSAS 23, 2006

Figure 5: Unilateral Transfers



Source: IPSAS 23, 2006

IPSAS 24

IPSAS 24 requires a comparison of figures in the budget and the actual amounts arising from execution of the budget. This comparison included in the financial tables of institutions that are required or elect to make publicly available their approved budget. It is also needed to explain the reasons of significant differences between budget and actual amounts according to standard. Consequently, the objective of the standard is to enhance transparency and accountability. On the other hand, IPSAS 24 does not require approved budgets to be made publicly available means there is no enforcement by IPSAS to publish approved budget.

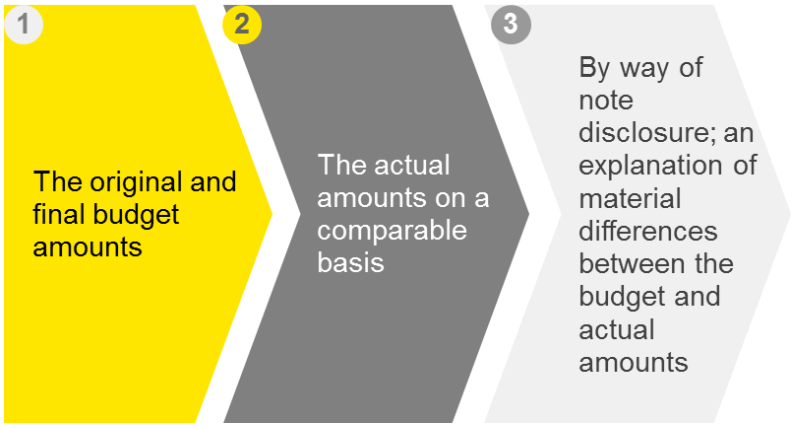
Figure 6: Budget Definitions



Source: IPSASB, IPSAS 24, 2006

The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

Figure 7: Process of presentation of a comparison of budget and actual amounts



Source: IPSASB, IPSAS 24, 2006

IPSAS 24 enables the comparison of the budget and actual amounts to be recognized in the financial tables by additional column approach in the main financial tables or by a separate statement only that financial tables and the budget should be prepared on a comparable basis. This IPSAS also requires disclosure of the reasons behind the differences between the original and final budget, including the budgetary redistribution or other factors. These disclosures can be made in the notes to the financial statements. It is not mandatory for the disclosures presented IPSAS 24 to disclose comparative information for the prior period.

When the differences between IPSAS, DMS and regulations are examined, several differences occurs. In IPSAS 24, it is mentioned that financial tables should be included to present information which corresponds qualitative characteristics according to IPSAS 3[27]. DMS 24 does not refer to IPSAS 3 / DMS 3. Moreover, presentation of comparative table for

[27] IPSASB (2006), *IPSAS 24 – Presentation of Budget Information in Financial Statements, Para. 26*

budgeted and actual amounts is not included in financial tables according to regulations. However, it is included in financial tables according to IPSAS.

3.2.7.2. Accounting Practices and Issues Encountered

Tax Standard Practices

Revenue from income taxes is accounted in the corresponding period when accrual takes place. In terms of budget, it is accounted when collection is made, i.e. when cash is received. During declaration period, it is transferred to activity/operation accounts and it is recorded as a budget revenue when collection is made. In provisional tax periods, the declarations of the first three months are recorded as operating revenue and it is recorded as a budget revenue when collection is made. On the other hand, recognition of corporate taxes differs from income taxes. Corporate tax revenues appear as income for the following year and the amounts collected as provisional taxes are set-off from the amount to be collected from corporation tax at the end of the year. For instance, the corporate tax of 2016 is recorded the revenue of 2017. It is recorded as revenue, when taxes are declared and the amounts are collected. Therefore, revenues collected from corporate taxes recognized both when cash is received and taxes are declared. Same procedure is followed for recognition of revenues from VAT, indirect taxes and social security contributions.

MoF currently faces particular challenges and issues in the accounting for taxes. The standard emphasizes the need for standard tax revenue to be recorded in accordance with the taxable event. As a result a measurable and accurate forecast has to be made, and the recording would need to be made from January on an accrual basis. Tax revenues cannot be reported in the year in which the tax incentive occurred due to year shift. Also, there is no current statistical method used and the recording is made when the accrual takes place. This causes an extension to the following year.

Furthermore, expenses paid by the tax system and tax spending are other topics dealt with in the standard. Unlike tax spending, expenses made through the tax system are paid regardless of whether the beneficiaries use a certain tax payment method or whether they pay taxes. These expenses are not set-off from the tax revenues, the tax revenues must be increased by these amounts and they must be shown separately as an expense. On the other hand, tax spending are not considered as an expense. In current practice in Turkey, exemptions and exceptions are specified as tax spending.

The issues encountered in practice and questions asked by MoF are;

- Which countries do apply IPSAS 23?
- How recording are made in accrual and collection?
- Is it used reverse recording while accrual recording is made?
- Which statistical methods are used for estimation?
- What can be the factors that constitutes tax expenditures and tax spendings derived from the tax practices in Turkey?

Budget Standard Practices

Among the two tables released in the annual financial statements, there is a budget execution table that is extracted as a result of allowances and is related to the account of

settlement. Also, there is a budget expense and allowance table that shows the comparison of allowances and realizations. The tables are not released on an institutional basis, yet they are released as consolidated. The account of settlement is the detailed version of these tables and is presented to the parliament. It can be seen what the taxes are spent on under the account of settlement. Furthermore, the financial tables of the central government of Turkey include the comparison of the budget and actual amounts. 3-year-old accruements are shown in particular tables.

For the preparation of the government budget, cash basis is applied; for accounting, full accrual basis is applied. Both the accounting and the budget are monitored. For example, for a purchase of a vehicle, it is recorded to the balance sheet as an asset and to the budget through the reflection account. Consequently, budget results are concluded by accounting records, not by statistical methods applied to accounting records.

Consequently, accounting records are recognized based on accrual basis, while the budget is generally recognized based on cash basis. Budget transactions are divided into two: budget income and budget expense. While their definitions are similar with the definitions of accounting, they are not same. In the budget system, the records defined as income is specified budget income and the records defined as expense is specified budget expense. Budget income and budget expense are followed in the memorandum accounts. The scope of income and budget income is not same; income is more extensive. In the same way, the scope of the expense and budget expense is not same. When a financial transaction is recorded, it is followed by both normal accounting records and in budget accounts' records. There are two examples to show how budget transactions are followed.

Example 1: When TL 100 is paid as personnel wage, two different records are made for the same transaction in the accounting system:

630- Expense Account	TL 100	
100- Cash		TL 100

830- Budget Expense Account	TL 100	
835- Budget Expense Reflection Account		TL 100

Example 2: When TL 50 is received as tax collection, two different records are made for the same transaction:

100- Cash	TL 50	
600- Income Account		TL 50

805- Budget Revenue Reflection Account	TL 50	
800- Budget Revenue Account		TL 50

First entries on the examples indicate normal accounting records. Through these records, the statement of financial position is prepared. Second entries indicate budget records followed under memorandum accounts. Through these records, differences between budget income and budget expense is calculated.

In Turkey, the government budget is made publicly available. The government prepares a reconciliation of the actual amounts on a budgetary (cash) basis (budget execution) and the amounts in the financial statements because both revenues and expenses are monitored in journals.

The issues encountered in practice and questions asked by MoF are;

- When budget and accounting bases are different, IPSAS 24 emphasizes the need for a comparative presentation table of budgeted and actual expenses. Is final account suitable?
- Is there any country that structured their budget on an accrual basis and if any, how is it accomplished?
- How budget transactions are followed with accounting records in other countries?
- How connection is made between budget and accounting in other countries? (Especially, in the countries that accounting and budgeting are monitored on different bases as in Turkey)

4. Conclusions

There are differences between what is in the standards, what is in the regulation and what is actually done in practice.

The findings of the Situation Analysis will guide use during the Gap Assessment stage where we focus on the differences between what is done in practice / according to regulations and what is required in the standards/IPSAS.

Below important issues are highlighted for each of the headings covered in this report:

Public immovable:

- Almost all the immovable of public administrations are recorded in the system and the records of the public administration and the General Directorate of National Real Estate is harmonized. The recording of immovable with fair value is not widely implemented. There is lack of capability of measuring fair value in the public administrations. There is also a lack of information on how to measure future economic benefit potential.
- Other areas of improvement identified are the the recording of land and building separately, the disclosure of public immovable that are recorded with token value and accounting practices for the underground resources.

PPPs:

- Recent stride of PPP investments in Turkey is accompanied by the national efforts to improve their accounting and reporting. RGGA and RCGA have brought new recognition, measurement and reporting requirements in line with IPSAS. Nevertheless, there are challgens on the implementation side, and following issues can be noted among for further harmonization with IPSAS:
- General budget institutions experience difficulty in measuring (no uniform practices on which approach to follow for measurement) the value of the assets provided to the operator.
- Revaluation of the service concession assets is not being done during the operation period. Institutions experience difficulties in recognizing the revenue generating parts of the service concession assets and do not take into account the foregone revenues from such assets (like car parts, canteens etc.).

Intangible assets and amortization:

- Differences between IPSAS and the regulations, and gaps in the implementation of intangible assets have been identified.
- Problems arise about the recording of research and development activities since a detailed regulation about the related activies does not exist. Thus, the research and development expense account in the balance sheet does not function correctly.

Provisions for doubtful debts and social security provisions:

- Whereas there is no alignment between related IPSASs on provisions for doubtful debts; the ongoing work on adoption of IPSAS 39- Employee Benefits is noteworthy.

- The concept of provision is different than what IPSAS considers as provision. The only corresponding term is the provisions made for severance allowance of workers. Neither the social security provisions nor the provisions for doubtful debts are approached as described in IPSAS.

Contingent liabilities:

- Alignment efforts on contingent liabilities is remarkably ahead of its time as DMS 19 has been adopted by the DMSK in December 2011. Even though there is no specific alignment between IPSAS and the legal framework, RGGA provides an indirect definition based on final statistics as well as a clear way of disclosure.
- There is no solid model for measuring the probability of occurance and the general budget administrations do not have the fundamental capacity to recognize and measure the contingent liabilities. Therefore not all of these institutions disclose contingent liabilities and if they do it is not well-structured. They are usually notes balance of the memorandum accounts without any explanation.
- On specific terms; demand guarantees, letters of guarantee, Treasury debt undertakings, and debt undertakings related to PPP are all followed in specific memorandum accounts; but there is no regulation on their disclosure; whereas, there is no regulation or existing practices on recognition of possible liabilities resulting from the ongoing court cases.

Preparation of financial statements and tables of central budget institutions:

- Turkish regulations and IPSAS 1 are in line with each other except some differences. One of these differences is related with changes in assets and liabilities tables.
- There is a statement about the footnotes in the regulation. When reporting, it is stated which footnotes need to be disclosed for accounting records.

Budget standard and tax standard practices:

- Even though there are some practical differences between IPSAS and regulations, there are some equivalent points between them in practice.
- Recordings of revenues from the past cannot be made due to year shifts. Also, there is no current statistical method used and the recording is made when the accrual takes place. This causes an extension to the following year.

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7.5. Conference Report

Annex:5 Conference Report

Harmonization of IPSASs and General Government Accounting Legislation



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Building a better working world



İçindekiler

- Konferansın Amacı
- Konferans Gündemi
- Açılış Konuşmaları
- Katılımcı Profili
- Katılımcı Soruları
- Ekler
  1. Muhasebat Genel Müdürü Ertan ERÜZ'ün Sunumu
  2. EY Kamu Muhasebesi Kıdemli Müdürü Dr. Jens HEILING'in Sunumu
  3. İtalya Maliye ve Ekonomi Bakanlığı Kurumlar Arası KÖİ Grubu Kıdemli Üyesi Giovanni COLETTA'nın Sunumu
  4. Başkent Üniversitesi Prof. Dr. Nalan AKDOĞAN'ın Sunumu
  5. Protokol Listesi
  6. Katılımcı İmza Listesi
  7. Seçili Fotoğraflar



Konferansın Amacı

Konferans, **Muhasebat Genel Müdürlüğü** ve **EY** tarafından yürütülen «IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi» kapsamında, **25 Ekim 2017** tarihinde gerçekleştirilmiştir. Proje için finansman **Dünya Bankası** tarafından sağlanmıştır.

- **Konferansın amacı**, kamu-özel-işbirlikleri (KÖİ) uygulamalarının muhasebeleştirilmesi ve mali tablolarda sunumu üzerine uluslararası bir yaklaşım sunmak ve konuyu ilgili paydaşlarla tartışmaktır.
- Sunuşlar aşağıdaki **konularda** sırasıyla gerçekleştirilmiştir:
  - KÖİ uygulamalarının IPSAS'lara göre muhasebeleştirilmesi ve diğer ülke uygulamaları
  - KÖİ uygulamalarının mali istatistik tablolarında sunumu ve diğer ülke uygulamaları
  - KÖİ uygulamalarının özel sektörde VUK ve TMS/TFRS'lere göre muhasebeleştirilmesi ve raporlanması
- **Konferansa katılım**, genel kamu yönetimi altında KÖİ işlemleri yürüten veya yürütülmesini koordine eden ilgili kuruluşların konu uzmanları tarafından sağlanmıştır.



Konferans Gündemi

Swiss Hotel (Anatolia Balo Salonu), 25 Ekim 2017

PROGRAM	
09:15-09:45	Kayıt
AÇILIŞ KONUŞMALARI	
10:00-10:45	▪ MUHASEBAT GENEL MÜDÜRLÜĞÜ Muhasebat Genel Müdürü Sayın Ertan ERÜZ
	▪ DÜNYA BANKASI Dünya Bankası Türkiye Direktörü Sayın Johannes ZUTT
	▪ EY TÜRKİYE EY Türkiye Kamu Sektörü Lideri Sayın Alper KARAÇAR
	▪ T.C. MALİYE BAKANLIĞI Maliye Bakanı Sayın Naci AĞBAL
SUNUMLAR	
10:45-11:15	▪ Sayın Dr. Jens HEILING EY Kamu Muhasebesi Kıdemli Müdürü KÖİ Uygulamalarının IPSAS'lara Göre Muhasebeleştirilmesi; Örnek Ülke Uygulamaları
12:30-13:00	Kahve Arası
11:30-12:00	▪ Sayın Prof. Dr. Nalan AKDOĞAN KÖİ Uygulamalarının Özel Sektörde VUK ve TMS/TFRS'lere Göre Muhasebeleştirilmesi ve Raporlanması
12:00-12:30	▪ Sayın Giovanni COLETTA İtalya Ekonomi ve Maliye Bakanlığı, İtalya Kurumlar Arası KÖİ Grubu Kıdemli Üyesi KÖİ Uygulamalarının Mali İstatistik Tablolarında Sunumu; Örnek Ülke Uygulamaları
12:30-13:00	Soru-Cevap
13:00-14:00	Öğle Yemeği

Açılış Konuşmaları

T.C. Maliye Bakanı Sayın Naci AĞBAL'ın açılış konuşması



Şu anda yürüyen kamu-özel iş birliği projelerinin ileriki yıllarda kamu maliyesine getirebileceği risklerin uluslararası standartlara uygun olarak belirlenmesi, bunların uluslararası standartlara uygun olarak hesaplanması ve mali tablolara yansıtılarak kamuoyuyla paylaşılmasının amaçlandığını belirten Maliye Bakanı Naci Ağbal, Türkiye'nin kısa vadede sağlıkta, eğitimde, altyapıda ve ulaştırmada çok daha fazla yatırım yapmasına ihtiyaç olduğunu ve Türkiye'nin 2023 hedefleri doğrultusunda çok daha üst düzey yatırım hedefleri bulunduğunu ifade etmiştir. Türkiye'nin daha rekabetçi olabilmesi adına yatırımların devam ettirilmesi gerektiğini anlatan Maliye Bakanı, geleneksel bütçe kaynakları dışında kamu özel iş birliği projelerini de devreye sokarak yatırımları hızlandırma yolunda hükümetin kararlı olduğunu sözlerine eklemiştir.

Açılış Konuşmaları

Muhasebat Genel Müdürü Sayın Ertan ERÜZ'ün açılış konuşması

1995 yılında başlayan Kamu Mali Yönetim Reform Sürecinde bugüne dek 29 Devlet Muhasebe Standardı yayımlandığını belirten Muhasebat Genel Müdürü Ertan Erüz, KÖİ uygulamalarının muhasebeleştirme sürecinin esas olarak 2015 yılındaki mevzuat değişikliği ile hayata geçtiğini ifade etti.



Dünya Bankası Türkiye Direktörü Sayın Johannes ZUTT'un açılış konuşması

Dünya Bankası Türkiye Direktörü Johannes Zutt, kamu özel iş birliği projelerinin Türkiye'de uzun yıllardan bu yana başarıyla uygulandığını ve uluslararası standartlar ve ülke uygulamaları ile kıyasladığında Türkiye'de elde edilen sonuçların etkileyici derecede olumlu olduğunu belirtti.



EY Türkiye Kamu Sektörü Lideri Sayın Alper KARAÇAR'ın açılış konuşması

EY Türkiye Kamu Sektörü Lideri Alper Karaçar, EY Türkiye olarak mali yönetimde şeffaflığın ve hesap verebilirliğin artırılmasına yönelik atılan adımlara katkı vermekten dolayı kıvanç duyduklarını belirtti ve Dünya Bankası'na da sağladığı finansman ve süregelen desteği için teşekkür etti. Türkiye'nin 2023 hedeflerine ulaşmasında kamu özel iş birliği modelinin önem arz ettiğini vurgulayan Alper Karaçar, kamu özel iş birliklerinin muhasebeleştirme ve raporlanma pratiklerinin iyileştirilmesinin kaynakların daha ektin kullanımına katkı sağlayacağını da ifade etti.



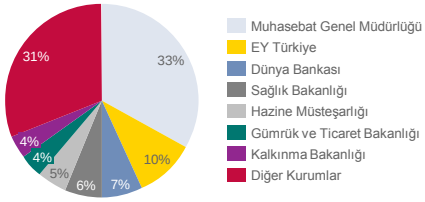
Katılımcı Profili

Konferans kayıt masasına toplam 148 katılımcı kayıt yaptırmıştır. Aşağıda davetlilerin kurumlara ve unvanlara göre dağılımı verilmiştir.

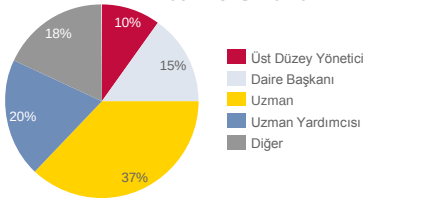
Katılımcı Kurum ve Kuruluşlar

- Dünya Bankası
- Muhasebat Genel Müdürlüğü
- EY Türkiye
- Sayıştay Başkanlığı
- Sağlık Bakanlığı
- Türkiye Elektrik Ticaret ve Taahhüt A.Ş.
- Bilim, Sanayi ve Teknoloji Bakanlığı
- Karayolları Genel Müdürlüğü
- T.C. Devlet Demiryolları
- Vergi Denetim Kurulu
- T.C. Merkez Bankası
- Milli Emlak Genel Müdürlüğü
- Bursa Büyükşehir Belediyesi
- Ulaştırma, Denizcilik ve Haberleşme Bakanlığı
- Gümrük ve Ticaret Bakanlığı
- Hazine Müsteşarlığı
- Adana Büyükşehir Belediyesi
- Türkiye İstatistik Kurumu
- Kamu Gözetimi, Muhasebe ve Denetim Kurulu
- Kalkınma Bakanlığı
- Gelir İdaresi Başkanlığı
- Bütçe ve Mali Kontrol Genel Müdürlüğü
- Gelir Politikaları Genel Müdürlüğü

Katılımcıların Kurumları



Katılımcı Unvanları



Katılımcı Soruları

- Konferansın soru-cevap bölümünde farklı kurumlardan katılımcılar tarafından konuşmacılara sorular yöneltilmiştir. Yöneltilen sorulardan bazıları aşağıda verilmiştir:

- Maliye Bakanlığı sunumunu yaparken Genel Yönetimden bahsedildi. Kamu İktisadi Teşebbüsleri (KİT) bu anlamda IFRS uyumlu muhasebe standartlarını takip ederek kendi KÖİ uygulamalarını raporlamaktadır. Genel yönetim olarak raporlamanın nasıl yapılması gerekmektedir?
- Dünya Bankası ve IMF'nin ortak yayımladığı KÖİ kılavuzunda projeden doğan varlıkların risklerinin yüksek, orta ve düşük olarak ölçüldüğü belirtilmektedir. Giovanni Coletta (İtalya Maliye Bakanlığı) bu risklerin hesaplanabilirliğinden bahsetmişti. Bu risk oranı nasıl, hangi yöntem kullanılarak hesaplanmaktadır?



Konferans Raporu Ekleri

Ek-1 Muhasebat Genel Müdürü Ertan ERÜZ'ün Sunumu



T.C. MALİYE BAKANLIĞI
MUHASEBAT
GENEL MÜDÜRLÜĞÜ

KAMU ÖZEL İŞ BİRLİĞİ UYGULAMALARININ MUHASEBELEŞTİRİLMESİ

Ertan ERÜZ
Genel Müdür

Ankara
25 Ekim 2017

Sunum Planı

- Kamu Mali Yönetimi Reform Süreci
- KÖİ Uygulamalarının Muhasebeleştirilmesi
- Mali Raporlama ve İstatistikler

Türkiye'de Kamu Mali Yönetim Reform Süreci

1995-2003
- Dünya Bankası Destekli Kamu Mali Yönetim Projesi tamamlandı.

2002
- Say2000i etkin şekilde kullanılmaya başlandı.

2003 / 2006
- 5018 sayılı Kanun yayımlandı/ Tüm maddeleri ile yürürlüğe girdi.

2006
- Maliye Bakanlığı bünyesinde Devlet Muhasebesi Standartları Kurulu kuruldu.

2015
- İkincil muhasebe mevzuatı DMS'lere uygun olarak yenilendi.

2017
- Bugüne kadar, 29 Devlet Muhasebesi Standardı yayımlandı.

Hedef: IPSAS'lara Tam Uyum

Devlet Muhasebesi Standartları

Devlet Muhasebesi Standartları	
DMS-1	Mali Tabloların Sunulması
DMS-2	Nakit Akış Tablosu
DMS-3	Muhasebe Politikaları, Muhasebe Tahmınındeki Değişiklikler Ve Hatalar
DMS-4	Dövizle Yapılan İşlemler ve Döviz Kurlarındaki Değişimin Etkileri
DMS-5	Borçlanma Maliyetleri
DMS-6	Konsolide ve Bireysel Mali Tablolar
DMS-7	İştiraklerdeki Yatırımlar
DMS-8	Ortak Girişimlerdeki Paylar
DMS-9	Bedel Karşılığında Yapılan Faaliyetlerden Elde Edilen Gelirler
DMS-10	Yüksek Enflasyonlu Ekonomilerde Mali Raporlama
DMS-11	İnşaat Sözleşmeleri
DMS-12	Stoklar
DMS-13	Kiralamalar
DMS-14	Raporlama Tarihinden Sonraki Olaylar
DMS-16	Yatırım Amaçlı Varlıklar
DMS-17	Maddi Duran Varlıklar
DMS-18	Bölümsel Raporlama
DMS-19	Karşılıklar, Koşullu Yükümlülükler ve Koşullu Varlıklar
DMS-20	İlişkili Taraf Açıklamaları
DMS-21	Nakit Üretmeyen Varlıklarda Değer Düşüklüğü
DMS-22	Genel Yönetime İlişkin Mali Bilgilerin Açıklanması
DMS-23	Vergiler ve Karşılıksız Diğer Gelirler
DMS-24	Mali Tablolarda Bütçe Bilgilerinin Sunumu
DMS-26	Nakit Üreten Varlıklarda Değer Düşüklüğü
DMS-28	Mali Araçlar: Sunum
DMS-29	Mali Araçlar: Muhasebeleştirme ve Ölçme
DMS-30	Mali Araçlar: Açıklamalar
DMS-31	Maddi Olmayan Duran Varlıklar
DMS-32	Hizmet İmtiyaz Sözleşmeleri

Devlet Muhasebesi Standartları Kurulu

Maliye Bakanlığı, Sayıştay Başkanlığı Hazine Müsteşarlığı, Gelir İdaresi Başkanlığı, Kalkınma Bakanlığı, İçişleri Bakanlığı, Sosyal Güvenlik Kurumu, Üniversiteler

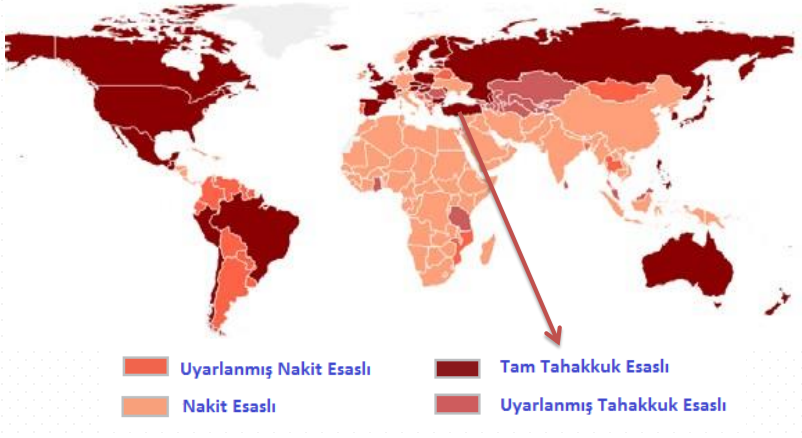
Üzerinde Çalışılan Standartlar

Uluslararası Kamu Sektörü Muhasebe Standartları (IPSAS)	
IPSAS-27	Tarım
IPSAS-39	Çalışanlara Sağlanan Faydalar

Gelecekte Çalışılacak Standartlar

Uluslararası Kamu Sektörü Muhasebe Standartları (IPSAS)	
IPSAS-34	Bireysel Mali Tablolar
IPSAS-35	Konsolide Mali Tablolar
IPSAS-36	İştirakler ve Orta Girişimlerdeki Yatırımlar
IPSAS-37	Ortak Düzenlemeler/Sözleşmeler
IPSAS-38	Diğer İdarelerdeki Payların Açıklanması
IPSAS-40	Kamu Sektörü Birleşmeleri

Ülkelerin Muhasebe Sistemleri



KAYNAKLAR: OECD ve IMF uzman tahminleri, Blöndal ve Moretti (2016), Eurostat (2014)

KÖİ Modeli ile İlgili Muhasebe Standartları

Uluslararası Kamu Sektörü Muhasebe Standartları (IPSAS)

IPSAS 13 (2001)
- Kiralamalar

IPSAS 19 (2002)
- Karşılıklar, Koşullu Yükümlülükler ve Koşullu Varlıklar

IPSAS 32 (2011)
- Hizmet İmtiyaz Sözleşmeleri

Devlet Muhasebesi Standartları (DMS)

DMS 13 (2010)
- Kiralamalar

DMS 19 (2011)
- Karşılıklar, Koşullu Yükümlülükler ve Koşullu Varlıklar

DMS 32 (2014)
- Hizmet İmtiyaz Sözleşmeleri

DMS 32: Hizmet İmtiyaz Sözleşmeleri'nin Uygulandığı Modeller

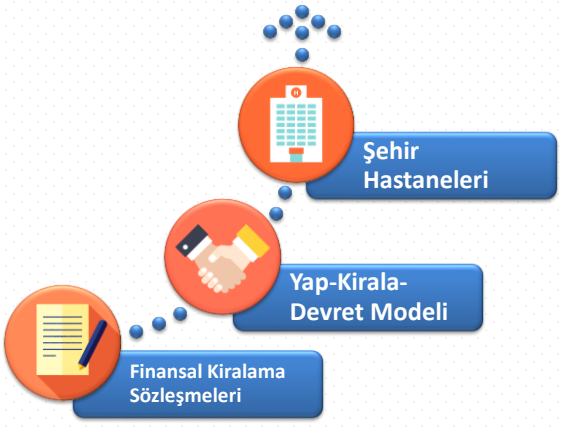
Hizmet İmtiyaz Sözleşmeleri

Yap-İşlet-Devret Modeli → Otoyol, Köprü, Tünel, Yat Limanı, Gümrük Kapıları



İşletme Hakkının Devri → Otoparklar

DMS 13: Kiralamalar'ın Uygulandığı Modeller



Türkiye'de KÖİ Uygulamalarının Muhasebeleştirme Süreci



2010 2011 2014 — Devlet Muhasebesi Standartları yayımlandı.
DMS 13 / DMS 19 / DMS 32

2015 Ocak Temmuz — İkincil mevzuat düzenlendi.
GYMY/ MYMY / 45 No.lu Genel Tebliğ

2015 Eylül — İlk muhasebe kaydı yapıldı.

2017 Ekim — Varlık, Yükümlülük, Koşullu Varlık ve Koşullu Yükümlülükler muhasebeleştirilip raporlanmaktadır

Yap-İşlet-Devret Modeli Uygulamalarının Muhasebeleştirilmesi

Aktif — **BİLANÇO** — **Pasif**

256- Hizmet İmtiyaz Varlıkları Hesabı

- Hizmet imtiyaz varlıkları
- İşletme süresinin başladığı tarihte
- Gelecekte elde edilmesi muhtemel vazgeçilen gelir üzerinden bu hesaba kaydedilir.

380/480- Gelecek Aylara/Yıllara Ait Gelirler Hesabı

- İşletme süresi başlayan hizmet imtiyaz varlıkları için
- Gelecekte elde edilmesi muhtemel vazgeçilen gelir bu hesaplara kaydedilir.

Yap-Kirala-Devret Modeli Uygulamalarının Muhasebeleştirilmesi

Aktif — **BİLANÇO** — **Pasif**

252-Binalar Hesabı
255-Demirbaşlar Hesabı

- Finansal Kiralamaya Konu Varlıklar
- İdare tarafından kabulünün yapıldığı tarihte
- Kiralamaya konu varlığın gerçeğe uygun değeri ile kira ödemelerinin bugünkü değeri karşılaştırılarak düşük olan değer üzerinden bu hesaba kaydedilir.

307/407- Finansal Kiralama İşlemlerinden Borçlar Hesabı
308/408- Ertelenmiş Fin. Kiralama Borç. Maliyetleri Hesabı (-)

- Ödenecek kira tutarları bu hesaplara kaydedilir.
- Toplam kira tutarı ile maddi duran varlığın kayıtlı tutarı arasındaki borçlanma maliyetlerine ilişkin fark bu hesaplara kaydedilir.

Türkiye'de KÖİ Projelerinin Muhasebeleştirilmesi

BİLANÇO

252-Binalar Hesabı
255- Demirbaşlar Hesabı
256- Hizmet İmtiyaz Varlıkları Hesabı

307/407- Finansal Kiralama İşlemlerinden Borçlar Hesabı
308/408- Ertelenmiş Fin. Kiralama Borç. Maliyetleri Hesabı (-)
380/480- Gelecek Aylara/Yıllara Ait Gelirler Hesabı



BİLANÇO DİPNOTLARI
Yatırımcıların Kamuya Olan Taahhütleri
Verilen Talep Garantileri
Borç Üstlenim Taahhütleri

Merkezi Yönetim Kapsamında Envanteri Yapılan KÖİ Projeleri





Mahalli İdareler **23 Proje**

Genel Yönetim Toplam **81 Proje**

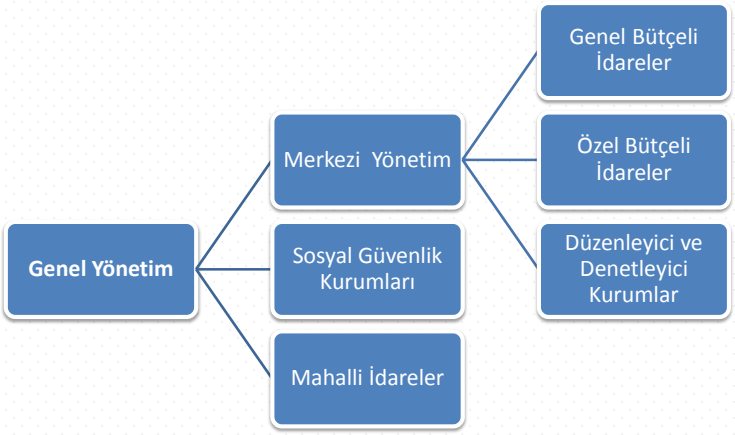
Envanteri Yapılan KÖİ Projelerine İlişkin Bilgiler

Kamu İdaresi	Proje Sayısı	Proje Türü	Model	Sözleşme Türü	Yapım Aşamasındaki Projeler	İşletmede Olan Projeler
Sağlık Bakanlığı	21	Sağlık Tesisleri	YKD	Finansal Kiralama	17	4
Gümrük ve Ticaret Bakanlığı	12	Gümrük Tesisleri	YİD	Hizmet İmtiyaz	2	10
Ulaştırma, Denizcilik ve Haberleşme Bakanlığı	18	Liman, Yat Limanı, Tünel	YİD	Hizmet İmtiyaz	5	13
Karayolları Genel Müdürlüğü	7	Otoyol, Köprü	YİD	Hizmet İmtiyaz	6	1

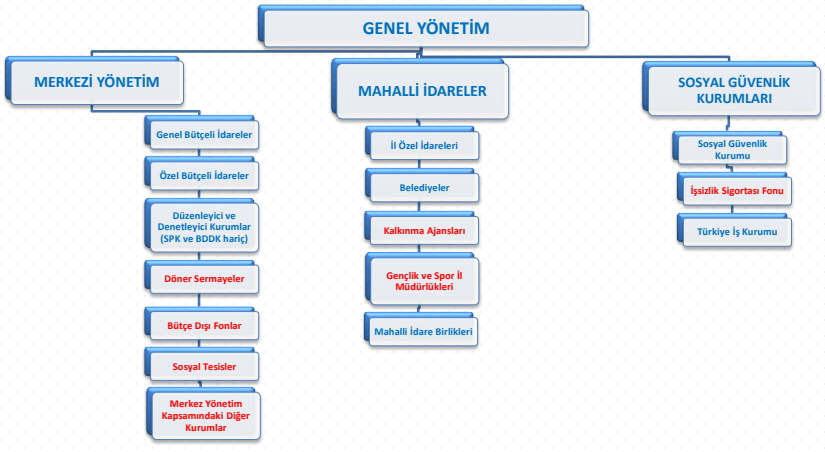
Koşullu Yükümlülük/Yükümlülük Durumları

Kurum	Ödenecek Kira Bedelleri	Borç Üstlenimleri	Talep Garantileri
Sağlık Bakanlığı	✓	X	X
Gümrük ve Ticaret Bakanlığı	X	X	✓
Ulaştırma, Denizcilik ve Haberleşme Bakanlığı	X	✓	✓
Karayolları Genel Müdürlüğü	X	✓	✓

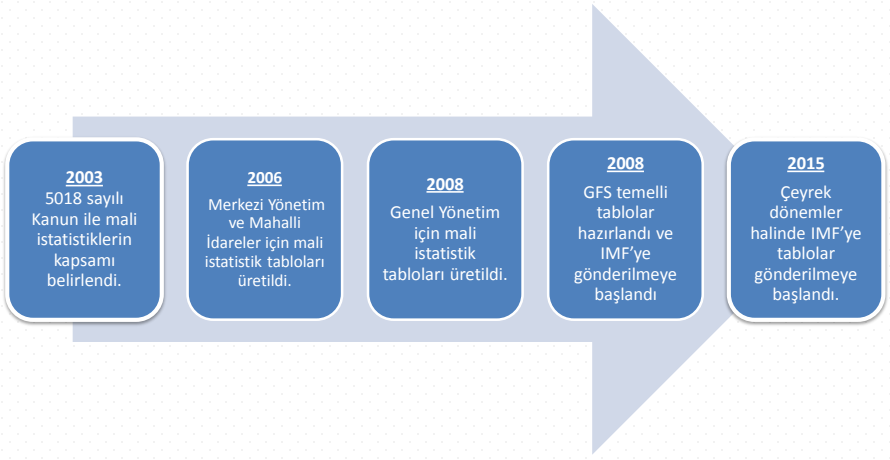
Mali Raporlama Kapsamı



Mali İstatistiklerin Kapsamı



Mali İstatistiklere İlişkin Gelişmeler



Mali İstatistik Tabloları

Tablolar		Dayanak	Hazırlanma Sıklığı
1	Net Denge Tablosu	GFS	Aylık (t+45 gün)
2	Net Mali Denge Tablosu	GFS	
3	Harcamaların Fonksiyonel Sınıflandırılması Tablosu	GFS	3'er Aylık (t+3 ay)
4	Şarta Bağlı Varlık ve Yükümlülükler Tablosu	IPSAS	Yıllık (t+5 ay)
5	Nakit Akış Tablosu	GFS – DMS	
6	Bilanço	GFS - DMS	Yıllık (t+5 ay)

Teşekkürler...

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GENEL MÜDÜRLÜĞÜ

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Ek-2 EY Kamu Muhasebesi Kıdemli Müdürü Dr. Jens HEILING'in Sunumu

EY

KÖİ Uygulamalarının IPSAS'lara Göre Muhasebeleştirilmesi; Örnek Ülke Uygulamaları

Dr. Jens Heiling

Ankara, 25 Ekim 2017

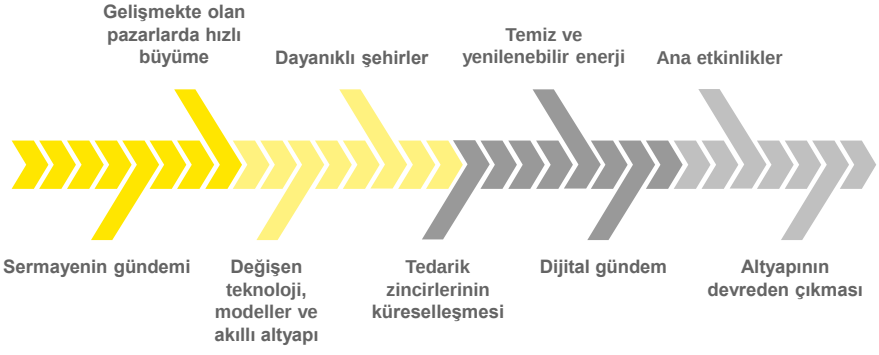
EY
Building a better working world

Gündem

1. Ekonomik Arka Plan
2. IPSAS 32 Hedefleri, GFS ve IFRS ile İlişkisi
3. IPSAS 32'nin Muhasebe Kavramları
4. Sonuç

1. Ekonomik Arka Plan

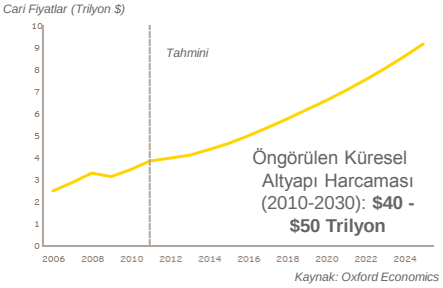
1. Ekonomik Arka Plan
Küresel yatırımı teşvik eden anahtar akımlar nelerdir?



1. Ekonomik Arka Plan
Gelecek yatırımları teşvik için GSYH büyümesi



…2015 ile 2025 arası, $6 Trilyondan fazla küresel sermaye yatırımı…



Kaynak: Oxford Economics

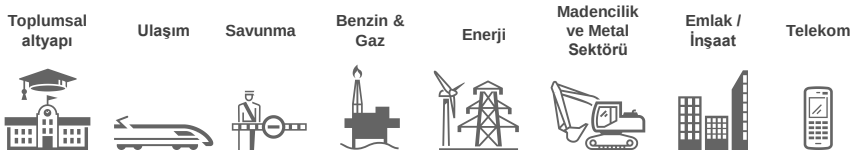
c.$6 - $8tr	c.$10 – $13tr	c.$24tr – $29tr
Amerika Kıtası	Avrupa, Orta Doğu, Afrika	Asya Pasifik

- Büyüyen pazarlar ve gelişen ülkelerdeki GSYH büyümesi, gelecekteki altyapı yatırımlarını teşvik ediyor.

1. Ekonomik Arka Plan
KÖİ'lerin İlişkisi

Nüfus artışı	**Fon açığı**	**Yatırım**
Bütçe baskısı	**İnovasyon**	**Bakım**

1. Ekonomik Arka Plan
KÖİ'ler– altyapı yatırımlarına odaklanma



İki temel altyapı yatırımı

Sıfırdan altyapı inşası ("Doğrudan yatırım")

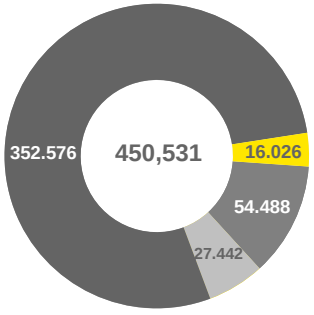
(c. Önümüzdeki 10 yılda $60 Trilyon)

Kurulu altyapı ("Dolaylı yatırım")

(c. Yalnızca 2014'te $300 Milyar yeniden finansman)

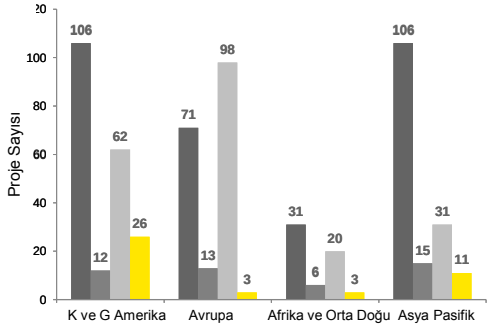
1. Ekonomik Arka Plan
Sektörel bakış: KÖİ'ler

Sektör bazında Ön Finansman, Finansman ve Finansal Kapanışı olan KÖİ Projelerinin Değeri (Milyon ABD Doları)



- Enerji – Sosyal Hizmetler – Ulaşım - Su

Bölge ve Sektör bazında Ön Finansman, Finansman ve Finansal Kapanışı olan KÖİ proje sayısı



- Enerji – Sosyal Hizmetler – Ulaşım - Su

Ulaşım ve enerji projeleri en yüksek değere sahipken, sosyal hizmetler küçük çaplı projelerde birçok küçük proje bulunmaktadır.

Kaynak: Infrastructure Journal Global

1. Ekonomik Arka Plan
Temel pazarlar arası KÖİ'lerin tablosu

	Gelişmiş	Gelişen
Pazarlar	Ör; İngiltere, Kanada, Avustralya, Hindistan, Şili	Ör; Brezilya, Peru, Meksika, Kolombiya, Şili
Düzenleyici Çerçeve	Çerçeve oturmuş, uygulanabilir, denenmiş ve çoğunluk tarafından anlaşılabilir.	Yetkilendirici yasalar yürürlükte ve uygulanabilir fakat henüz tamamı denenmemiş ya da yasaya açıklık getiriliyor, yasa genişletiliyor veya ilk kez geçiyor.
Proje Geçmişi	Projeler hazırlanmış, uygulamada ve ilk iyileştirme döngülerine giriyor.	Projelerin çoğu yapım ve üretim aşamasında, bir kısmı ise uygulamada
Proje Stoku ve Türü	Proje stoku toplumsal, ulaşım, savunma ve çevresel projeler gibi çoklu varlık sınıfları arasındaki tahmin edilebilir.	Proje stoku, önceliği ulaştırma sektörüne verip, sosyal altyapı ve diğer alanlara doğru büyüyor.
Proje Kontratları	Proje kontratları bir standarda oturtulmuş ve çoğunluk tarafından anlaşılabilir.	Proje kontratları kendinden öncekilere göre modellenmekte ve standartlaşmamış. Uzun dönemli uygulanabilirlik kesin olmayabilir.
Yatırımcı Tabanı ve Sermaye Piyasası	Yatırımcı tabanı geniş, derin ve gelişmiş	Yerel yatırımcı tabanı büyüyor; Pazar katılımcıları arasında çeşitli sermaye-Pazar gelişmişliği seviyeleri mevcut ve projeler, önemli ölçüde kalkınma-bankası finansmanı alabilir.

Source: Moody's Investor Services

1. Ekonomik Arka Plan
IPSAS Kurulu (IPSASK) konuyu neden ele aldı?

- Kasım 2006'da, IASB IFRIC, Yorum 12'yi *Hizmet İmtiyaz Anlaşmalarını* yayınladı (IFRIC12)
- Bunun ardından IPSASK projeye başladı.
- IPSASK'nin projeye başlamasının temel nedenleri:

Varlıktan kimin sorumlu olduğunun belirli olmaması

İmtiyaz verenler için ortak uluslararası bir rehber bulunmaması

2. IPSAS 32'nin Hedefleri, GFS ve IFRS ile İlişkisi

2. IPSAS 32 Hedefler

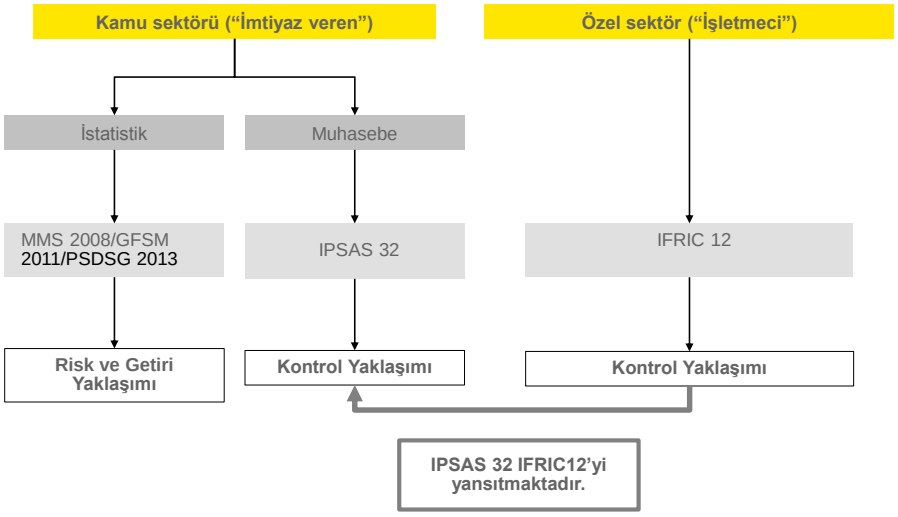
Genel:

İmtiyaz verenlere, hizmet imtiyaz sözleşmelerinde muhasebe rehberliği sağlama.

Ayrıntılı:

- Hizmet imtiyaz varlığı ne zaman muhasebeleştirilir
- Hizmet imtiyaz varlığı nasıl ölçülür
- Hizmet imtiyaz varlığıyla ilişkili yükümlülüklerden nasıl sorumlu olunur

2. IPSAS 32 ile GFS ve IFRS arasındaki ilişki



3. IPSAS 32'de Muhasebe Kavramı ve Diğer Ülke Uygulamaları

3. IPSAS 32'de Muhasebe Kavramı
Temel riskler muhasebe yaklaşımını belirleyebilir

Başlangıç noktası olarak ekonomik bakış açısı: Proje riskinin çoğunun, devlet dışı ortaklara aktarıldığı yerde, KÖİ'ye dahil varlıklar, kamu sektörü bilançosunun «dışında» sayılır

Risk Türleri

İnşaat Riski	Talep Riski	Erişilebilirlik Riski
Teslimatta gecikme, sözleşmenin belli standartları yerine getirmeden, büyük miktarda ekstra masrafla, teknik sorunlarla tamamlanması vb.	Kullanıcı talep faktörlerinin söz konusu varlık ya da hizmetlere kaynak sağladığı projeler.	Ödemenin varlık ve hizmetlerin teslimatına bağlı olduğu projeler.
Kim projenin inşaat risklerini üstlenmiştir?	**Taraf, varlık ve hizmetlere kaynak sağlayacak talep riskini üzerine mi almaktadır?**	**Varlık ve hizmetlerin tesliminden hangi taraf sorumludur?**

- **FAKAT, KÖİ'nin anahtar öncülü, riski en iyi idare edecek tarafa aktarmaktır. Muhasebe kavramları risk paylaşımı yaklaşımını esas ALMAMALIDIR!**

3. IPSAS 32'de muhasebe kavramı
Bilanço ve Nazım Hesaplar Yaklaşımı

Nazım Hesaplar

- Yalnızca KÖİ işletmecisine yaptığı yıllık ödemeleri işaret eder, projenin varlıklarını, yükümlülüklerini ya da borcunu değil.
- KÖİ'nin uzun dönemli zorunlulukları hükümetin mali bilançolarında/ bütçesinde görünmediğinden ve hükümetin net borcu referans değeri içinde tutmasını sağladığından çekicidir
- Ancak, kredi derecelendirme kuruluşları bu yaklaşımı değerlendirmelerinde sıkılaştırmaya başlamıştır.

Bilanço

- Bilanço içi yaklaşım proje başladıktan ya da ticari olarak kabul edildikten sonra doğan tüm yükümlülüklerin kaydını işaret eder.
- Genelde «yükümlülük» (ertelenen gelir) aracılığıyla bildirilir, KÖİ varlıklarındaki yatırım başından itibaren kaydedilir ve proje hayatına itfa edilir.
- Bilançoda tanınan brüt yükümlülükleri devamlı düşürür. Net etki, varlığın tanınmasıyla dengelenir.

3. IPSAS 32'de muhasebe kavramı
Kapsam

IPSAS 32 kapsamında:

İşletmeci, imtiyaz veren adına hizmet imtiyaz varlığıyla ilişkili kamu hizmetleri sağlar.

Kapsam dışı:

- Kamu hizmeti sunumu içermeyen faaliyetler
- Dış kaynak kullanma, hizmet sözleşmeleri ya da özelleştirme
- Varlığın imtiyaz veren tarafından yönetilmediği durumlarda hizmet ve yönetim bileşenleri

3. IPSAS 32'de muhasebe kavramı
Hizmet imtiyaz varlığı nedir?

Hizmet imtiyaz anlaşmasında kamu hizmeti sağlamak için kullanılan varlık:

İşletmeci tarafından sağlanan	İmtiyaz veren tarafından sağlanan
• İşletmeci oluşturur, geliştirir ya da üçüncü bir taraftan alır veya • İşletmecide hali hazırda olan bir varlıktır	• İmtiyaz verende hali hazırda olan bir varlıktır veya • İmtiyaz verenin hazırdaki varlığının güncellemesidir.

3. IPSAS 32'de muhasebe kavramı
Hizmet imtiyaz varlığı için muhasebe (1)

Muhasebeleştirme kriterleri

İmtiyaz veren, işletmecinin sağlayacağı hizmetleri kontrol eder veya yönetir

İmtiyaz veren, anlaşmanın sonunda varlıktaki kayda değer artık payı kontrol eder.

Ayrıca: IPSAS 17/31'deki tanınma kriterlerinin yerine getirilmesi

- Ögeyle ilişkili gelecekteki ekonomik faydaların tarafa akması olasıdır
- Gerçeğe uygun değerin veya maliyet güvenilir biçimde ölçülebilir

3. IPSAS 32'de muhasebe kavramı
Hizmet imtiyaz varlığı için muhasebe (2)

Varlığın ölçümü:

İlk ölçüm:	Gerçeğe uygun değer
İkincil ölçüm:	Maliyet yöntemi veya
	Yeniden değerleme yöntemi

3. IPSAS 32'de muhasebe kavramı
Yükümlülükleri üstlenme (1)

Muhasebeleştirme – anahtar ilke:

"İmtiyaz veren, bir varlığı IPSAS 32.9'a göre muhasebeleştiriyorsa, yükümlülüğü de muhasebeleştirmelidir."

- Finansal yükümlülük modeli
- İşletmeciye hak sağlama modeli

3. IPSAS 32'de muhasebe kavramı
Yükümlülükleri üstlenme (2)

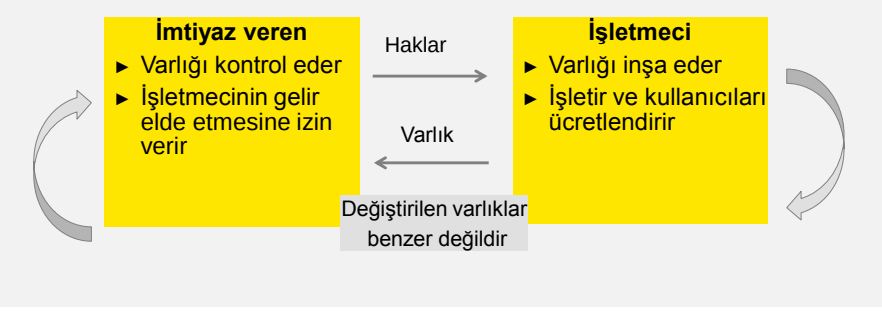
Finansal yükümlülük modeli

Hükümet, KÖİ süresince önceden belirlenmiş ödemeler yaparak işletmeciye yapımın bedelini öder (hükümet finansmanlı KÖİ)

Hükümet varlığı ve varlığın tüm değerine eşit finansal yükümlülüğü muhasebeleştirir.

3. IPSAS 32'de muhasebe kavramı
Yükümlülükleri üstlenme (3)

İşletmeciye hak sağlama modeli



3. IPSAS 32'de muhasebe kavramı
Yükümlülükleri üstlenme (4)

İşletmeciye hak sağlama modeli

Hükümet, işletmeciye kullanıcılardan gelir kazanma hakkı sağlayarak işletmeciye yapım bedelini öder (kullanıcı destekli KÖİ)

Bu değişim işlemi IPSAS 9'da verilmiştir.

Gelirin muhasebeleştirilmesi, net varlıklarda zamanla yaşanan artışa karşılık gelir.

Hükümet varlığı ve ertelenen geliri, varlığın tüm değerine eşit sayar.

3. IPSAS 32'de muhasebe kavramı
Yükümlülükleri üstlenme (5)

Yükümlülüğün ölçümü:

İlk ölçüm:	Hizmet imtiyaz varlığıyla aynı miktarda
İkinci ölçüm:	

- **Finansal yükümlülük modeli:** amortize edilen maliyet yaklaşımı
- **Hak sağlama modeli:** Gelirin kazanılmamış kısmının, varlık değişimiyle ortaya çıkması
- **Karma anlaşmalar için:** Muhasebeleştirilen toplam yükümlülüğün her parçasını ayrı hesaplayın

3.Gözlenmiş Ülke Uygulamaları

	İngiltere	Yeni Zelanda
Genel Muhasebe Çerçevesi	IFRS uygulanıyor	IPSAS uygulanıyor
Hizmet imtiyaz varlığı için Muhasebe Çerçevesi	IFRIC12'nin yansıtması	Yeni Zelanda IPSAS 32
Hizmet imtiyazı varlığının muhasebeleştirilmesi	Kontrol temelli yaklaşım	Kontrol temelli yaklaşım
Yükümlülüğün ölçümü	Finansal varlık ve maddi olmayan varlık modeli arasında değişmekte. => İmtiyaz veren, finansal yükümlülük yerine Uluslararası Muhasebe Standartları (IAS) 17'deki ilkeleri kullanarak uzun vadeli bir yükümlülük ölçer	Finansal faaliyet modeli ve işletmeciye hak sağlama modeli arası değişir

4. Sonuç

Karmaşıklık, muhasebenin kendisinde değil, sözleşmelerde.

KÖİ sözleşmelerinin tek tek değerlendirilmesi gerekir.

Muhasebe ve istatistiki muamele arasındaki farklar

Etkinin düşük olduğu düşünülüyor (GFS Manual 2014)

Vizyon: Muhasebeyi yalnızca bir raporlama aracı olarak kullanmayın

Sözleşmeyi oluşturma aşamasında bir yönetim aracı olarak da kullanın

Dinlediğiniz için teşekkürler!

Ek-3 İtalya Maliye ve Ekonomi Bakanlığı Kurumlar Arası KÖİ Grubu Kıdemli Üyesi Giovanni COLETTA'nın Sunumu

MEF Ragioneria Generale dello Stato



İtalya'daki KÖİ'ler ve Kamu Mali İstatistikleri Standartları

Giovanni Coletta
Ekonomi ve Maliye Bakanlığı - İTALYA
Ülke Genel Maliyesi Bölümü

«KÖİ Uygulamalarının Uluslararası Muhasebe Standartlarına Göre Muhasebeleştirilmesi ve Mali Tablolarda Sunumu»

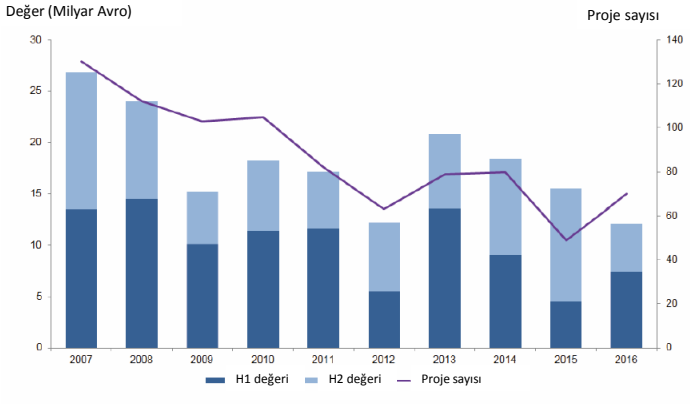
Gündem

1. *İtalya KÖİ Uygulamalarının Özellikleri*
2. İtalya'da KÖİ Kullanan Kurumlar
3. ISTAT Risk ve İstatistik Analizleri
4. KÖİ'lerin Mali Tablolarda Gösterimi: IPSAS, IMF'nin Devlet Maliye İstatistikleri Kılavuzu (GFSM) ve Eurostat Standartları

Kamu Özel İşbirliği

İtalya KÖİ Uygulamalarının Özellikleri

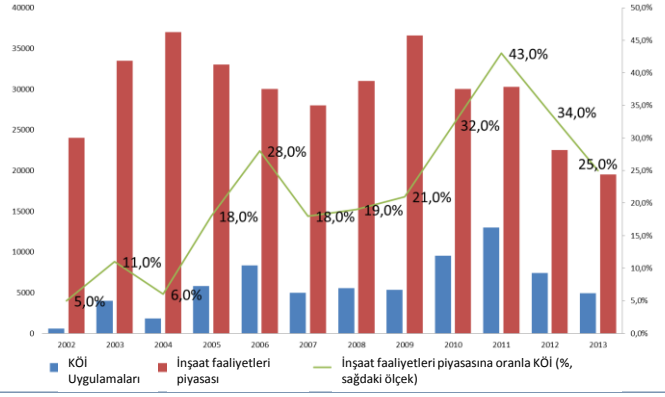
Büyük altyapı projelerinin mali kapanışları



Kamu Özel İşbirliği

İtalya KÖİ Uygulamalarının Özellikleri

KÖİ Uygulamalarının Gelişimi
(€ milyon ve % değişiklik olarak ifade edilmiştir)



1
2
3
4

KÖİ'ler ile genel inşaat faaliyetlerinin oranı 2000 yılında %5 iken 2013 yılında yaklaşık %25 seviyesine çıkmıştır

Kamu Özel İşbirliği

İtalya'da KÖİ Kullanan Kurumlar

1
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Sınıflandırma ve bütçe açığı üzerindeki etkilerinin ESA 2010 Düzenlemelerinde belirtilen kurallar doğrultusunda değerlendirilmesi

DIPE (PCM)

Tanıtım ve dağılım, PA için ücretsiz destek

ISTAT

RGS

Yolsuzluğun önlenmesi, şeffaflığın sağlanması, yönergeler

ANAC

Hükümet yatırım harcamaları, altyapı mevzuatları

Kamu Özel İşbirliği

İtalya'da KÖİ Kullanan Kurumlar

WHAT

1. Ragioneria Generale dello Stato
   - IGECOFIP
   - IGAE
   - IGB
2. ANAC Autorità Nazionale Anticorruzione
3. Istat
4. Dipartimento per la Programmazione e il Coordinamento della Politica Economica
   SDA Bocconi School of Management
   anci iFEL Fondazione ANCI

Kamu Özel İşbirliği

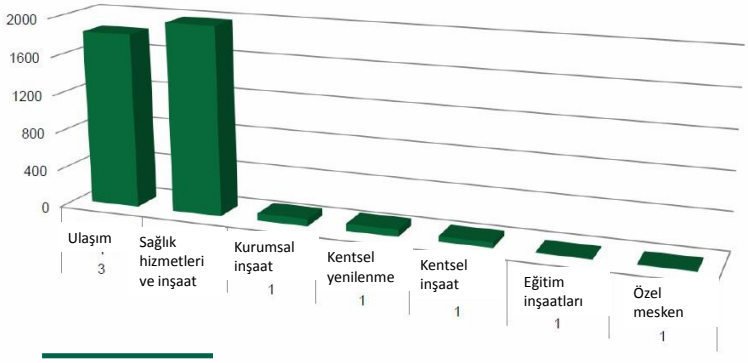
ISTAT Risk ve İstatistik Analizleri

İtalya Ulusal İstatistik Enstitüsü'nün (ISTAT) görevi

1. **ISTAT, Ulusal Maliye Merkez Departmanı, Kamu Maliye Hizmeti:**
2. Eurostat'ın 2004 yılındaki «Kamu Özel İşbirlikleri (KÖİ) İşlemleri» kararından bu yana, KÖİ sözleşmelerinin doğru sınıflandırılmasının ve bütçe açığı üzerindeki etkilerinin ESA 2010 Düzenlemesi'nde belirlenen kurallar doğrultusunda değerlendirilmesi ISTAT'nin sorumluluğunda olmuştur.

ISTAT Risk ve İstatistik Analizleri

Sektörler

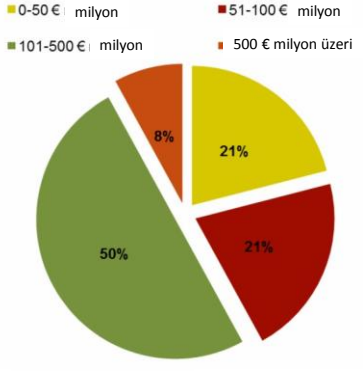


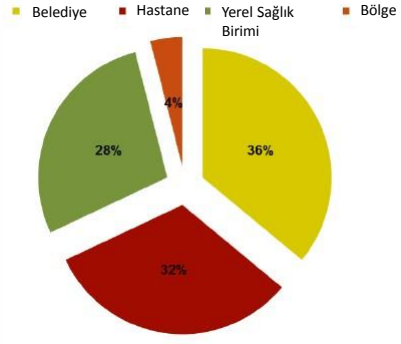
Kaynak: ISTAT

Kamu Özel İşbirliği

ISTAT Risk ve İstatistik Analizleri

İmtiyaz verenin büyüklüğü ve faaliyet alanı



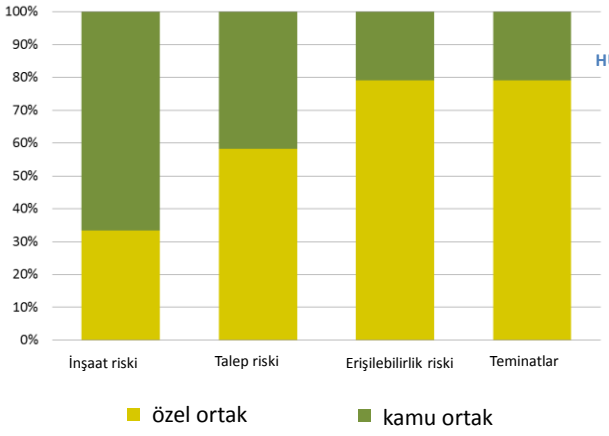


Kaynak: ISTAT

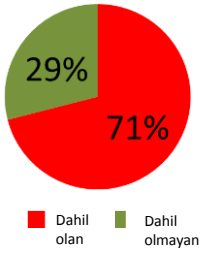
Kamu Özel İşbirliği

ISTAT Risk ve İstatistik Analizleri

ISTAT Değerlendirmesinin Sonuçları



HÜKÜMET BİLANÇOSUNA DAHİL OLAN/OLMAYAN (%)



ISTAT Risk ve İstatistik Analizleri

Yüksek Bütçe Açığı Prosedürü (EDP) Bilgilendirmesi için KÖİ Tablosu

Tablo 11. Kamu Özel İşbirlikleri

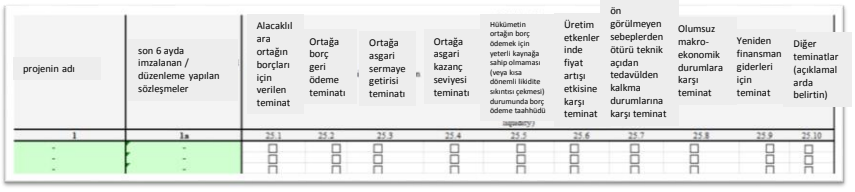
- ✓**Tablo 11.1** KÖİ'ler hakkındaki mali veriler ve ulusal muhasebe bilgileri
  - ✓Genel kurumsal veriler
  - ✓Mali veriler: sözleşmeye konu sermaye değeri, şu ana kadar gerçekleşen yıllık yatırımlar ve birim fiyat ödemeleri
  - ✓Ulusal muhasebede işlenmesi: risk, teminat ve erken fesih maddeleri

Ulusal muhasebe işlemi						
Ulusal muhasebe işlemi ve EDP						
Dahil olan/ olmayan	Genel Yönetim risk almış mı evet/hayır[5]					
S.13	inşaat riski	talep riski	erişilebilirlik riski	teminatlar	erken fesih maddeleri	diğer riskler
21	22	23	24	25	26	27
Dahil olan	Evet	Hayır	Hayır	Evet	Evet	Hayır

ISTAT Risk ve İstatistik Analizleri

Yüksek Bütçe Açığı Prosedürü (EDP) Bilgilendirmesi için KÖİ Tablosu

Tablo 11.1(m) Bilgilendirme başlıkları: Hükümet bilançosuna girmeyen en büyük KÖİ'ler için verilen teminatlar



projenin adı	son 6 ayda imzalanan / düzenleme yapılan sözleşmeler	Alacaklılara ara ortağın borçları için verilen teminat	Ortağa borç geri ödeme teminatı	Ortağa asgari sermaye getirisi teminatı	Ortağa asgari kazanç seviyesi teminatı	Hükümetin ortağın borç ödemek için yeterli kaynağa sahip olmaması (veya kısa dönemli likidite sıkıntısı çekmesi) durumunda borç ödeme taahhüdü	Üretim etkenlerinde fiyat artışı etkisine karşı teminat	ön görülmeyen sebeplerden ötürü teknik açıdan tedavülden kalkma durumlarına karşı teminat	Olumsuz makro-ekonomik durumlara karşı teminat	Yeniden finansman giderleri için teminat	Diğer teminatlar (açıklamalarda belirtin)
1	1a	25.1	25.2	25.3	25.4	25.5	25.6	25.7	25.8	25.9	25.10
-	-	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
-	-	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
-	-	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

- ✓ Alacaklılara teminat
- ✓ Ortağa teminat: borç ödeme, asgari sermaye getirisi, asgari gelir seviyesi, Ortağın borcunu ödemek için yeterli sermayesinin bulunması durumunda Hükümet taahhüdü, fiyat artışı, ön görülmeyen sebeplerden ötürü teknik açıdan tedavülden kalkma, olumsuz makro-ekonomik eğilimler, yeniden finansman sağlama maliyetleri, açıklamalarda belirtilen diğer başlıklar

ISTAT Risk ve İstatistik Analizleri

Yüksek Bütçe Açığı Prosedürü (EDP) Bilgilendirmesi için KÖİ Tablosu

Tablo 11.2: birim fiyat ödemeleri dışında hükümetin KÖİ ödemeleri hakkındaki mali veriler

No	projenin adı	sözleşmedeki sermaye değeri[3]	Birim fiyat ödemeleri dışında hükümetin yaptığı nakit / borç / benzer ödemeler				
			2013	2014	2015	2016	şu ana kadar yapılan ödemeler
1		2	3	4	5	6	7
I.Toplam KÖİ'ler(A+B)		0,0	0,0	0,0	0,0	0,0	0,0
Bunun içinden: A. hükümet bilançosuna giren							
B. hükümet bilançosuna girmeyen							
II. Başlıca projeler:							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							

ISTAT Risk ve İstatistik Analizleri

İstatistik işlemleri hakkındaki son değerlendirmeler

1
2
3
4

Eurostat Kuralları

Dahili İstikrar Anlaşması

Istat

CORTE DEI CONTI

Ulusal İstatistik Kurumu

Sayıştay (İtalya)

KÖİ'lerin Mali Tablolarda Gösterimi

1
2
3
4

IPSAS stands for International Public Sector Accounting Standard

Kamu kontrolü 1

GOVERNMENT FINANCE STATISTICS

Ekonomik sahiplik 2

eurostat

Risk, ödül ve teminatlar... 3

Kamu Özel İşbirliği

KÖİ'lerin Mali Tablolarda Gösterimi

1
2
3
4

IPSAS
stands for
International Public Sector Accounting Standard
Kamu kontrolü 1

GOVERNMENT FINANCE STATISTICS
Ekonomik sahiplik 2

eurostat
Risk, ödül ve teminatlar… 3

IPSAS

- tahakkuk esaslı muhasebe
- süreç İtalya ve diğer ülkelerde devam ediyor
- sadeleştirilmiş versiyon
- yön gösterici prensipler, ayrıntılandırılmamış kurallar.

Kamu Özel İşbirliği

KÖİ'lerin Mali Tablolarda Gösterimi

1
2
3
4

IPSAS
stands for
International Public Sector Accounting Standard
Kamu kontrolü 1

GOVERNMENT FINANCE STATISTICS
Ekonomik sahiplik 2

eurostat
Risk, ödül ve teminatlar… 3

IMF

- varlığın edinilmesi
- varlığın işletilmesi;
- Özel hükümler

Kamu Özel İşbirliği

KÖİ'lerin Mali Tablolarda Gösterimi

Ekonomik Sahiplik Kavramının Gerçekleştirilen Uygulamaları

1
2
3
4

Ülkeler farklı yaklaşımlar izlemiştir

eurostat
- Riskler
- Teminatlar
- çoğunluk finansmanı
- fesih maddeleri

IPSAS
Finansal kiralama

Kamu Özel İşbirliği

KÖİ'lerin Mali Tablolarda Gösterimi

İstatistik işlemleri

Sözleşme süresi esnasında Ekonomik Sahibi

1
2
3
4

Hükümet

Ortak

Başlangıçta belirtilen bir ödeme varsa

bir işlem yapılmalıdır (finansal kiralama veya kredi)

Kamu Özel İşbirliği

KÖİ'lerin Mali Tablolarda Gösterimi

İstatistik işlemleri

Sözleşme süresi esnasında Ekonomik Sahibi

1
2
3
4

Hükümet

Ortak

Sözleşme süresinin **sonunda** herhangi bir ödeme yapılmadan yasal ve ekonomik sahiplik

Ortağa karşı borçlar

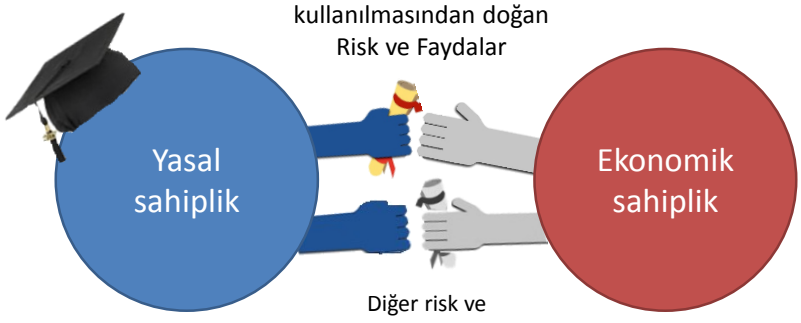
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KÖİ'lerin Mali Tablolarda Gösterimi

Yasal ve Ekonomik Sahiplik

1
2
3
4

Kaynakların ekonomik faaliyetlerde kullanılmasından doğan Risk ve Faydalar



Diğer risk ve faydalar

Kamu Özel İşbirliği

KÖİ'lerin Mali Tablolarda Gösterimi



- ✓ ESA 2010 – Avrupa muhasebe sistemi
- ✓ Eurostat'ın 2004 yılı tarihli «Kamu özel işbirliklerinin işleme alınması» kararı;
- ✓ 2016 Hükümet Bütçe Açığı ve Borç Kılavuzu, Bölüm 4 "KÖİ'ler"
- ✓ KÖİ'lerin İstatistiksel İşlemleri konulu 2016 Eurostat Kılavuzu

KÖİ'lerin Mali Tablolarda Gösterimi

Eurostat'ın 2004 yılı tarihli «Kamu özel işbirliklerinin işleme alınması» kararının önemli unsurları

1) Bu karar hükümetin hali hazırda **güçlü etki sahibi olduğu** alanlardaki uzun vadeli sözleşmeler için geçerli olacak.

2) Bu karar ancak ortağın sağladığı hizmetlerin **ana alıcısının** talebin doğrudan hükümetten ya da üçüncü şahıslardan gelip gelmediğine bakılmaksızın hükümet olduğu durumlar için geçerli olacak.

KÖİ'lerin Mali Tablolarda Gösterimi

Eurostat'ın 2004 yılı tarihli «Kamu özel işbirliklerinin işleme alınması» kararının önemli unsurları

1. 3) Ortak varlıkları sağladığında hükümet düzenli ödemeler **yapar**…
2.
3. 4) Eurostat **üç** «genel» risk kategorisi belirlemiştir: inşaat riski, erişilebilirlik riski ve talep riski.
4.







KÖİ'lerin Mali Tablolarda Gösterimi

Eurostat'ın 2004 yılı tarihli «KÖİ'lerin İşleme Alınması» kararı

İnşaat riski

1.
2.
3.
4. **Birinci kategori** olan «inşaat riski» geç teslimat, belirtilen standartlara uyulmaması, ek giderler, teknik eksiklik ve harici olumsuz etkiler gibi önemli olayları kapsamaktadır.



KÖİ'lerin Mali Tablolarda Gösterimi

Eurostat'ın 2004 yılı tarihli «KÖİ'lerin İşleme Alınması» kararı

Erişilebilirlik riski



İkinci kategori olan «erişilebilirlik riski» konusunda ortağın sorumluluğu oldukça açıktır. Sözleşme ile anlaşılan miktarı teslim edemeyecek ya da hizmetlerin son kullanıcılara tedariki konusunda, sözleşmede de belirtilen, güvenlik veya kamu standartlarını yerine getiremeyecek bir durumda olabilir.

Bu kategori aynı zamanda «ortağın görevlerini yerine getirmemesi» durumu için de geçerlidir.

Kamu Özel İşbirliği

KÖİ'lerin Mali Tablolarda Gösterimi

Eurostat'ın 2004 yılı tarihli «KÖİ'lerin İşleme Alınması» kararı

Talep riski



Üçüncü kategori olan «talep riski» özel ortağın davranışlarından (yönetiminden) bağımsız bir şekilde gerçekleşen talep dalgalanmalarını (sözleşme imzalanırken beklenenin üstünde veya altında olması) konu almaktadır.

Bu risk iş döngüsü, yeni piyasa eğilimleri, son kullanıcıların tercihlerindeki değişiklikler veya teknolojilerin tarihinin geçmesi gibi etkenlerden ortaya çıkabilmektedir.

Bazı durumlarda bu risk geçerli değildir!

Kamu Özel İşbirliği

KÖİ'lerin Mali Tablolarda Gösterimi

eurostat
Manuals and guidelines

1.
2. İnşaat, Erişilebilirlik ve Talep Riski
3. Hükümetin teminatları
4. İmtiyaz veren tarafından çoğunluğun finansmanı
   - Fesih maddelerinin mali unsurları
   - Sözleşmelere yapılan kapsamlı düzenlemeler veya müzakerelerin tekrarlanması

Kamu Özel İşbirliği

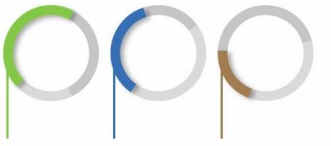
KÖİ'lerin Mali Tablolarda Gösterimi

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   - Fesih maddelerinin mali unsurları
   - Sözleşmelere yapılan kapsamlı düzenlemeler veya müzakerelerin tekrarlanması

Kamu Özel İşbirliği

KÖİ'lerin Mali Tablolarda Gösterimi



KÖİ'lerin İstatistik İşlemleri ile ilgili Kılavuz
Eylül 2016

- Eurostat'ın KÖİ'lerin istatistik işlemlerini değerlendirmek için uyguladığı kuralların açıklanması;
- Hükümet bilançosuna giren ve girmeyen kayıtlara aşırı dikkat edilmemektedir

Kamu Özel İşbirliği

KÖİ'lerin Mali Tablolarda Gösterimi

KÖİ'lerin İstatistik İşlemleri konumu
EPEC-EUROSTAT kılavuzu

- Kuralların arka planı
- Bir KÖİ'nin özellikleri
- KÖİ sözleşmesi

Kamu Özel İşbirliği

KÖİ'lerin Mali Tablolarda Gösterimi

PPP? Bir KÖİ'nin özellikleri

1. - kamu makamının «istatistiksel sektör sınıflandırması»
2. - ortağın «istatistiksel sektör sınıflandırması» (SPV?);
3. - **Ortak'ın gelir kaynağı (KÖİ ile ayrıcalıklar arasındaki fark);**
4. - Ortak'ın sözleşme kapsamında sağlayacağı varlığın türü;
   - yapımların özellikleri (ör. yeni yapım, tadilat, yenileme, geliştirme)
   - varlığın ekonomik ömrü ve sözleşmenin süresi;
   - Ortak'ın sözleşme uyarınca sağlayacağı hizmetlerin kapsamı;
   - hükümetin proje dolayısıyla elde edeceği gelir.

Kamu Özel İşbirliği

KÖİ'lerin Mali Tablolarda Gösterimi

İstatistiksel İşlem Değerlendirmesinin Tamamlanması

1. **Yöntem**
2. **Sorunların tespiti**
   1) Bilançoda
   2) Çok yüksek
   3) Yüksek
   4) Ortalama

   0,0,0,0 → **Bilançoya dahil olmayan**

   >1,0,0,0 → **Bilançoya dahil olan**
3. **Sorunların öneminin analiz edilmesi** → **Kategoriye göre düzenleme**
4.

Kamu Özel İşbirliği

Ek-4 Başkent Üniversitesi Prof. Dr. Nalan AKDOĞAN'ın Sunumu

KAMU ÖZEL İŞBİRLİĞİ(KÖİ) UYGULAMALARININ ULUSLARARASI MUHASEBE STANDARTLARINA GÖRE MUHASEBELEŞTİRİLMESİ ve TABLOLARDA SUNUMU

KÖİ UYGULAMALARININ ÖZEL SEKTÖRDE TMS/TFRS'LERE GÖRE MUHASEBELEŞTİRİLMESİ VE RAPORLANMASI

Prof. Dr. Nalan Akdoğan

Başkent Üniversitesi

25.Ekim 2017

Ankara

96/50

SUNUŞ PLANI

- **KÖİ'lerde TMS -TFRS uygulamaları**
- **TFRS 12 İmtiyazlı Hizmet anlaşmaları yorumunun uygulama esasları**
- **KÖİ 'lerde TFRS 15, TMS 37 ve TMS 38 in uygulanması,**
- **Yap işlet devret modelinde uygulanabilecek yöntemler,**
- **Finansal varlık modeli, Maddi olmayan duran varlık modeli, Karma model**

TÜRKİYEDE UYGULANAN KÖİ MODELLERİ VE MEVZUAT

MODELLER	YAPILANLAR	MEVZUAT
YAP-İŞLET- DEVRET	Otoyol ,Liman , Marina Havaalanı , Gümrük kapısı Elektrik Santrali	**3996, 3465 ve 3096 Sayılı kanunlar**
YAP-İŞLET	Termik santral	**4283 sayılı kanun**
YAP-KİRALA-DEVRET	Hastane ,Okul ,Yurt	**5396,652,6428 ve 351 sayılı kanunlar**
İŞLETME HAKKI DEVRİ	Havaalanı,Liman,Santral Elektrik dağıtım	**4046,5335,3465,3096 sayılı kanunlar**

98/50

KÖİ MODELİNDE MUHASEBELEŞTİRME ESASLARI

- Avrupa Birliği uyum sürecinde kamu özel işbirliği uygulamalarının muhasebeleştirilmesinde Avrupa Birliği'ninde uygulanmasını önerdiği ***TFRS Yorum 12 - İmtiyazlı Hizmet Anlaşmaları (***IFRIC 12 -Interpretation on Service Concession Arrangements) uygulanmaktadır

99/50

TFRS Yorum 12 İle İlişkili standartlar

Finansal Tabloların Hazırlanma ve Sunulma Esaslarına İlişkin Kavramsal Çerçeve	TMS 20 Devlet Teşviklerinin Muhasebeleştirilmesi ve Devlet Yardımlarının Açıklanması
TFRS 1 Türkiye Finansal Raporlama Standartlarının İlk Uygulaması	TMS 23 Borçlanma Maliyetleri
TFRS 7 Finansal Araçlar: Açıklamalar	TMS 32 Finansal Araçlar: Sunum
TFRS 9 Finansal Araçlar	TMS 36 Varlıklarda Değer Düşüklüğü
TMS 8 Muhasebe Politikaları, Muhasebe Tahminlerinde Değişiklikler ve Hatalar	TMS 37 Karşılıklar, Koşullu Borçlar ve Koşullu Varlıklar
~~TMS 11 İnşaat Sözleşmeleri~~-TFRS 15 Müşteri sözleşmelerinden hasılat standardı	TMS 38 Maddi Olmayan Duran Varlıklar
TMS 16 Maddi Duran Varlıklar	TFRS Yorum 4 Sözleşmenin Kiralama İşlemi Kapsayıp Kapsamadığının Belirlenmesi
~~TMS 17 Kiralama İşlemleri~~ TFRS 16 Kiralamalar standardı	TMS Yorum 29 İmtiyazlı Hizmet Anlaşmaları - Açıklamalar
~~TMS 18 Hasılat~~-TFRS 15 Müşteri sözleşmelerinden hasılat standardı	

100/50

TFRS 12 yorum KAMUDAN ÖZEL SEKTÖRE VERİLEN İMTİYAZLI HİZMET ANLAŞMALARININ İŞLETMECİLER TARAFINDAN MUHASEBELEŞTİRİLMESİNİ DÜZENLER

Düzenlemeler ve denetim imtiyazı veren tarafından yapılır	• İmtiyazı tanıyanın, işletmecinin altyapı ile hangi hizmetleri vermesi gerektiğini, bu hizmetleri kimin için vermesi gerektiğini ve hangi fiyat üzerinden vermesi gerektiğini denetlemesi veya düzenlemesi durumunda
İmtiyazı veren altyapı yatırımı üzerindeki hakkı ve payı kontrol etmektedir	• İmtiyazı tanıyanın; mülkiyet, intifa hakkı ya da başka bir vasıtayla, anlaşma döneminin sonunda altyapıya ilişkin mevcut herhangi bir önemli hak/payı kontrol etmesi durumunda
TFRS 12 yorum hükümleri Uygulanır.	• TFRS 12 yorum hükümleri uygulanır.

101/50

TFRS YORUM 12

İşletmecinin hizmet anlaşması nedeniyle inşa ettiği veya üçüncü bir taraftan elde ettiği altyapı ya da

İmtiyazı tanıyanın hizmet anlaşmasının amacı doğrultusunda işletmeciye imtiyaz hakkı tanıdığı mevcut altyapı ya ilişkin muhasebe esaslarını düzenler

102/50

TFRS 12 yorum

HİZMET ANLAŞMASINI YAPMADAN ÖNCE İŞLETMECİ TARAFINDAN MADDİ DURAN VARLIK OLARAK ELDE TUTULAN VE MUHASEBELEŞTİRİLEN ALTYAPININ **MUHASEBELEŞTİRİLMESİNİ DÜZENLEMEZ** BUNLAR TMS 16 MADDİ DURAN VARLIK ST. HÜKÜMLERİNİ UYGULAR.

103/50

TFRS 12 YORUMUN DÜZENLEDİĞİ KONULAR

- **a)** İşletmecinin altyapı üzerindeki haklarının kullanımı
- b) Anlaşma bedellerinin muhasebeleştirilmesi ve ölçülmesi
- c) İnşaat veya yenileme hizmetleri;
- **d)** İşletme hizmetleri
- **e)** Borçlanma Maliyetleri
- **f)** Bir finansal varlığın ve maddi olmayan duran varlığın sonraki muhasebeleştirme işlemi;
- **g)** İmtiyazı tanıyan tarafından işletmeciye sunulan kalemler.

104/50

ANLAŞMA BEDELİNİN MUHASEBELEŞTİRİLMESİ VE ÖLÇÜLMESİ

- Bu Yorumun kapsamına giren sözleşmeye dayalı anlaşmaların şartları uyarınca, işletmeci, bir ***hizmet sunucusu*** olarak hareket eder.
- İşletmeci, bir kamu hizmetinin sunulması için kullanılan altyapıyı inşa eder veya yeniler (inşaat veya yenileme hizmetleri) ve
- belirlenen dönem boyunca bu altyapıyı işletir ve altyapının bakımını (işletme hizmetleri) gerçekleştirir.

105/50

TFRS 15 'e göre kayıt yapar

- İşletmeci, gerçekleştirdiği hizmetler için TFRS 15' i (eski TMS 11) uygular,
- Ve hasılatı TFRS 15 (eski TMS 18) uyarınca muhasebeleştirir ve ölçer.

106/50

TFRS 15

- İşletmecinin tek bir sözleşme veya anlaşma çerçevesinde birden fazla hizmet gerçekleştirmesi durumunda (örneğin, inşaat veya yenileme hizmetleri ile işletme hizmetleri) alınan veya alınacak bedel, tutarlar ayrı ayrı tanımlanabildiği zaman, verilen hizmetlerin gerçeğe uygun değerleri oranında dağıtılır.
- Söz konusu bedelin niteliği, daha sonra nasıl muhasebeleştirileceğini belirler

107/50

İNŞAAT VEYA YENİLEME HİZMETLERİ

- İşletmeci, inşaat veya yenileme hizmetlerine ilişkin hasılatı ve maliyetleri TFRS 15 Müşteri sözleşmelerinden hasılat standardı (eski TMS 11 İnşaat Sözleşmeleri Standardı)'na göre muhasebeleştirir
- İşletmeci yapım aşamasında inşaat hizmeti veren herhangi bir işletmeden farksızdır
- Çünkü kendi adına değil kamu adına ve hesabına taahhüt şeklinde inşaat yapmaktadır

108/50

İNŞAAT VEYA YENİLEME HİZMETLERİ

- İnşaat sözleşmeleri tamamlanma aşamasına (oranına) göre muhasebeleştirilir.
- Bu yöntemde inşaata ilişkin maliyetler işin tamamlanma yüzdesine göre finansal tablolara yansıtılır.
- İşletme yaptığı inşaat giderleri ile gelecekte bir ekonomik fayda sağlayacaktır, ve yaptığı bu giderler de güvenilir olarak ölçülebilmektedir
- Bu nedenle işletme yapım aşamasında katlandığı giderlere eş zamanlı olarak bir varlık kayıtlara almalıdır.
- Aktifleştirilecek varlığın türünün belirlenmesinde kriter gelecekte sağlayacağı fayda akışı ile ilgilidir.

109/50

TFRS 15- MÜŞTERİ SÖZLEŞMELRİNDEN HASILAT STANDARDI

- Bu standarda göre, KÖİ kapsamında yapılan sözleşmelerde inşaat sözleşmelerinin işin tamamlanma oranına göre muhasebeleştirilmesi ve gelirin de gerçeğe uygun değeri ile dönemsel olarak kayıtlara alınması gerekir.

110/50

TFRS 15- İŞİN TAMAMLANMA AŞAMASINA GÖRE GELİRİN KAYDI

Örneğin bir köprünün inşaatı YİD modeline göre bir KÖİ verilmişse, ve köprünün 2 yılda tamamlanması sözleşmeye bağlanmış ve inşaat maliyeti 1.000.000 TL olarak tahmin edilmiş ve köprünün kullanıma açıldığında gerçeğe uygun değeri %20 kar marjı ile 1.200.000 TL olarak öngörülmüşse; yapılacak muhasebe kayıtları aşağıdaki gibi olacaktır: (İmtiyazı veren köprü geçiş ücretlerinin işletmeciye verilmesini iki yıl için garanti etmiştir)

1. Yılda 400.000 TL inşaat gideri yapılmıştır. Bu durumda inşaat giderleri dönem sonuçlarına hizmet maliyeti olarak aktarılırken , gelir de 1.200.000 TL'nin %40 oranında (tamamlanma oranına göre) 480.000 TL olarak alacak hesapları karşılığında sonuç hesaplarına kaydedilecektir. Böylece birinci yılın karı 80.000 TL olarak raporlanmış olacaktır.
2. Oysa Türkiye'de VUK uygulamalarına göre inşaat bitip geçici kabul yapılıncaya kadar gider ve gelir tahakkuku yapılmamakta yapılan inşaat harcamaları yıllara yaygın inşaat işleri olarak aktifleştirilip alınan hakedişler pasifte yükümlülük olarak bekletilmektedir.

111/50

VARLIK TÜRÜ

SAĞLANACAK FAYDA AKIŞINA GÖRE



112/50

ALTYAPI YATIRIMLARININ MUHASEBELEŞTİRİLMESİNDE BEDEL

- İşletmeci, inşaat veya yenileme hizmeti veriyorsa, işletmeci tarafından alınan veya alınacak bedel, hizmetin gerçeğe uygun değeri üzerinden muhasebeleştirilir. Söz konusu bedel;

  (a) Bir finansal varlık veya

  (b) Bir maddi olmayan duran varlık hakları olabilir.

113/50

FİNANSAL VARLIK OLARAK MUHASEBELEŞTİRME

- *Finansal varlık başka bir işletmeden nakit veya başka bir finansal varlık almak için sözleşmeden doğan haktır.*
- Sözleşme, işletmeye koşulsuz nakit tahsil etme hakkı tanıyorsa yani işletmenin kamu hizmetinin kullanımından bağımsız bir şekilde varlık kullanılsa da kullanılmasa da nakit tahsil etme hakkına sahipse işletmeci yapım aşamasında finansal varlık muhasebeleştirir.

114/50

FİNANSAL VARLIK OLARAK MUHASEBELEŞTİRME

- İmtiyazı tanıyan, sözleşmeye göre işletmenin nakit akışlarını garanti etmiştir.
- İmtiyazlı hizmet varlığının işletme aşamasında kamu tarafından kullanılmama riski imtiyaz veren tarafından üstlenilmektedir

115/50

FİNANSAL VARLIK OLARAK MUHASEBELEŞTİRME

- Ödeme, işletmecinin altyapının belirlenen kalite veya etkinlik gereklerini karşıladığını garanti etmesi koşuluna bağlı olsa dahi, imtiyazı tanıyan taraf, işletmeciye

(a) belirlenen veya belirlenebilen tutarı veya

(b) eğer varsa, kamu hizmeti kullanıcılarından tahsil edilen tutarlar ile belirlenen veya belirlenebilen tutarlar arasındaki açığı ödemeyi sözleşmeye dayalı olarak taahhüt ediyorsa, işletmecinin nakit tahsil etmeye ilişkin ***koşulsuz bir hakkı vardır.***

116/50

FİNANSAL VARLIK OLARAK MUHASEBELEŞTİRME

- Finansal varlık; TFRS 9 çerçevesinde,

  (a) itfa edilmiş maliyetinden veya

  (b) gerçeğe uygun değer farkı kâr veya zarara yansıtılarak ölçülen şeklinde muhasebeleştirilir.

- İmtiyazı tanıyan tarafından ödenmesi gereken tutar itfa edilmiş maliyetinden muhasebeleştirilirse TFRS 9,
- etkin faiz yöntemi kullanılarak hesaplanan faizin kâr veya zararda muhasebeleştirilmesini gerekli kılar.

117/50

MADDİ OLMAYAN DURAN VARLIK OLARAK MUHASEBELEŞTİRME

Maddi olmayan duran varlık TMS (IAS) 38 Maddi Olmayan Duran Varlıklar Standardında;

- "***fiziksel varlığı olmayan, tanımlanabilir, parasal olmayan varlık***" olarak tanımlanmıştır (IAS 38 md.8).

- Ayrıca maddi olmayan duran varlığın tanımlanabilir olması için ***sözleşmeye bağlı haklardan doğması*** gerektiği ifade edilmiştir (IAS 38 md. 11,12).

118/50

MADDİ OLMAYAN DURAN VARLIK OLARAK MUHASEBELEŞTİRME

YİD Sözleşmesi;

- İşletmeciye belirlenebilir veya sabit bir ödeme garanti etmemektedir.
- İşletmeciye kamu hizmetinin kullanımına bağlı olarak ücret tahsil etme hakkı vermektedir
- Kamu hizmeti kullanıcılarından ücret tahsil etme hakkı, nakit elde etmek için koşulsuz bir hak değildir; çünkü tutarlar, kamunun hizmeti kullandığı ölçüde koşula bağlıdır.

119/50

KARMA MODEL- FİNANSAL VARLIK VE MADDİ OLMAYAN DURAN VARLIK

- Bazı YİD sözleşmeleri, işletmeciye belirli asgari bir tutarı garanti etmekte ayrıca bu tutarı aşacak talep oluştuğu durumda hizmeti kullananlardan ücret tahsil etme hakkı verebilir.

- Bu tür sözleşmelerde talep riski taraflar arasında paylaşılmış olur. Böyle bir sözleşmeye taraf olan işletmeci, garanti edilen kısım için finansal varlık
- ve talep fazlası durumunda kamu hizmetini kullananlardan ücret tahsil etme hakkı içinse maddi olmayan duran varlık muhasebeleştirir

120/50

KARMA MODEL- FİNANSAL VARLIK VE MADDİ OLMAYAN DURAN VARLIK MODELLERİNİN KARŞILIŞTIRLMASI

- Karma modelin finansal varlık modelinden farkı, kamu hizmetinin garanti edilen tutarı aşacak şekilde talep görmesi durumunda, işletmeciye garanti edilenin üzerinde gelir elde etme fırsatı sunmasıdır.
- Finansal varlık modelinde, işletmeci garanti edilen tutar dışında herhangi bir getiri sağlayamamaktadır. Karma modelin ve maddi olmayan duran varlık modelinden farkı ise, kamu hizmetinin kullanımından bağımsız olan asgari bir getiriyi işletmeciye her zaman sağlamasıdır.
- Maddi olmayan duran varlık modelinde getiri tamamen talebe bağlı olup, asgari

de olsa, herhangi bir garanti ücreti söz konusu değildir.

121/50

İŞLETMECİNİN YAPIM AŞAMASINDA MUHASEBELEŞTİRECEĞİ VARLIĞIN TÜRÜNÜ BELİRLEYEN UNSURLAR

Sözleşme koşullarına göre	Varlığın türü	Talep riskini üstlenen
İşletmeci belirlenebilir veya sabit bir tutar tahsil etmektedir.	Finansal Varlık	İmtiyazı tanıyan kurum
İşletmeci kullanıma bağlı olarak değişen bir tutar tahsil etmektedir	Maddi olmayan Duran Varlık	işletmeci
İşletmeye belirli bir tutara kadar gelir de garanti edilmiştir Ayrıca kullanıma bağlı olarak değişken bir tutar tahsil etme fırsatı da sunulmaktadır.	Finansal varlık ve Maddi olmayan duran varlıklar	Risk işletme ve imtiyazı tanıyan kurum tarafından paylaşılmaktadır.

122/50

İŞLETME HİZMETLERİ

- İşletmeci, işletme hizmetlerine ilişkin hasılatı ve maliyetleri TFRS 15'e göre muhasebeleştirir
- İşletme döneminde yapılan giderler, gelecekte ekonomik fayda yaratmadığı sürece ve faydası tükenen maliyetler niteliğini taşıdığı durumlarda döneme ilişkin tutarları gider olarak sonuç hesaplarına kaydedilir.
- Döneme ait gelir unsurları da gerçeğe uygun değerleri ile sonuç hesaplarına alınır.

123/50

ALTYAPIYI BELİRLENEN HİZMET VEREBİLİR DÜZEYE ÇIKARMAYA İLİŞKİN SÖZLEŞMEDEN DOĞAN YÜKÜMLÜLÜKLER

- İşletmeci, hizmet anlaşmasının sonunda, altyapı imtiyazı tanıyana teslim edilmeden önce,
- (a) altyapıyı belirlenen hizmet verebilir düzeyde muhafaza etmek veya
- (b) altyapıyı belirlenen bir duruma çıkarmak için lisansının bir koşulu olarak yerine getirmesi gereken sözleşmeden doğan yükümlülüklere sahip olabilir.

124/50

TMS 37 KARŞILIKLAR KOŞULLU BORÇLAR KOŞULLU VARLIKLAR STANDARDININ UYGULANMASI

- Herhangi bir yenileme unsuru haricinde (Bu unsurlar TFRS 15 göre muhasebeleştirilir) sözleşmeden doğan altyapıyı muhafaza etme ve iyileştirme yükümlülükleri, TMS 37 uyarınca muhasebeleştirilir ve ölçülür; örneğin, raporlama dönemi sonundaki mevcut yükümlülüğün yerine getirilmesi için yapılması gereken harcamaya yönelik en iyi tahmin muhasebeleştirilirken bu standart hükümleri uygulanır.

125/50

TMS 37 STANDARDI

- Bu standart; uygun muhasebeleştirme kriterleri ve ölçüm esaslarının karşılıklar, koşullu borçlar ve koşullu varlıklara uygulanmasını ve kullanıcıların bunların nitelikleri, zamanlamaları ve tutarlarını anlamalarını sağlamak üzere gerekli bilgilerin finansal tablo eklerinde gösterilmesini öngörür.

- Yap işlet devret sözleşmelerinde, sözleşme konusu varlığın sözleşme bitiminde yenilenmiş çalışılabilir durumda imtiyazı tanıyana devredilmesi gerektiğinden, gelecekte yapılması gereken yenileme maliyetlerinin ölçülmesi ve borç karşılığı olarak finansal tablolara yansıtılması gerekir.

126/50

Karşılık veya şarta bağlı yükümlülük?

Karşılık	=	Geçmiş olaydan kaynaklanan *halihazırdaki* yükümlülük	+	Kaynak çıkışı muhtemel	+	Ölçülebilir
Koşullu borçlar ……	=	Geçmiş olaydan kaynaklanan olası yükümlülük	ve/ veya	Kaynak çıkışı muhtemel değil	ve/ veya	*Ölçülemez*

127/50

ÖLÇME

En gerçekçi tahmin

Karşılık olarak muhasebeleştirilen tutar, mevcut bir yükümlülüğü yerine getirmek için bilanço tarihi itibariyle yapılması gereken harcamaya ilişkin en gerçekçi tahmin olmalıdır.

En gerçekçi tahmini, işletmenin yükümlülüğün yerine getirilmesi amacıyla bilanço tarihi itibariyle makul olarak ödeyeceği veya bu tarihte üçüncü kişilere devredeceği miktardır.

128/50

ÖLÇME

En iyi tahmin

- İşletmenin yükümlülüğü yerine getirmek ve üçüncü bir tarafa devretmek için ödeyeceği para = Gerçeğe uygun değer
- Gerektiğinde bağımsız uzmanların raporları kullanılır

En iyi tahmini yaparken aşağıdakiler göz önüne alınır:

- Birden fazla olay ➡ beklenen değer
- Bir tek olay ➡ muhtemel çıkış
- Riskler ve belirsizlikler
- Paranın zaman değerinin etkisinin önemli olduğu durumlarda tahmini değer bugüne ıskonto edilir
- Gelecekteki olaylar

129/50

BORÇLANMA MALİYETLERİ

- TMS 23 Borçlanma maliyeti standardı, özellikli varlık olmadığı sürece ortaya çıkan borçlanma maliyetlerinin döneme gider olarak yazılmasını öngörür.
- Kullanıma ve satışa hazır hale gelmesi uzun süreyi gerektiren varlıklar özellikli varlık olarak tanımlanmıştır.

130/50

BORÇLANMA MALİYETLERİ

- TMS 23 kapsamında imtiyazlı sözleşmeler değerlendirildiğinde, yatırım aşamasındaki borçlanma maliyetleri işletmecinin kamu hizmeti kullanıcılardan ücret tahsil etme hakkının olması nedeniyle sözleşmeden dolayı maddi olmayan duran varlığı elde etme hakkının bulunduğu durumlarda , yatırım maliyetine verilerek maddi olmayan duran varlığın maliyeti içinde aktifleştirilir,
- işletme dönemine ait borçlanma maliyetleri ise döneme gider yazılır.

131/50

İMTİYAZI TANIYAN TARAFINDAN İŞLETMECİYE SUNULAN KALEMLER

- İmtiyazı tanıyan aynı zamanda, işletmecinin istediği gibi elinde tutabileceği veya tasarrufta bulunabileceği diğer kalemleri de işletmeciye sağlayabilir. Bu varlıklar, imtiyazı tanıyan tarafından hizmetlerin karşılığı olarak ödenecek bedelin bir kısmını oluşturuyorsa, bu varlıklar TMS 20'de tanımlandığı gibi devlet teşvikleri değildir.

132/50

SONUÇ

1. KÖİ çerçevesinde işletmelere verilen ihaleler kapsamında yapılan yatırımlar işletmecinin kayıtlarında maddi duran varlık olarak muhasebeleştirilemez

2. Maddi duran varlıklarda varlığın kontrolü işletme sahibine aittir. Oysa KÖİ lerde kontrol imtiyazı veren kamudadır. Gerek YİD gerek YK modellerinde hem fiyatın belirlenmesinde hem de işletme döneminde denetim ve kontrol imtiyazı verendedir. Bu nedenle yapılan yatırım tutarı maddi duran varlıklara kaydedilemez.

3. TFRS 12 yorumda açıklandığı üzere ya finansal varlık olarak (ödemelerde garanti varsa) ya da maddi olmayan duran varlık olarak muhasebeleştirilir.

133/50

SONUÇ

- KÖİ KAPSAMINDA KURULAN İŞLETMELERİN BÜYÜK BÖLÜMÜ BÜYÜK ÖLÇEKLİ İŞLETMELER KAPSAMINDA OLDUĞUNDAN BU İŞLETMELERİN MUHASEBE KAYITLARININ TMS VE TFRS 'LERE GÖRE YAPILMASI KAÇINILMAZ OLMAKTADIR
- KÖİ 'LER TFRS 12 YORUMUNA GÖRE KAYITLARINI YAPMALI VE BU ÇERÇEVEDE FİNANSAL TABLOLARINI HAZIRLAMALIDIR.

134/50

Toplantıya katıldığınız ve beni dinlediğiniz için teşekkürler

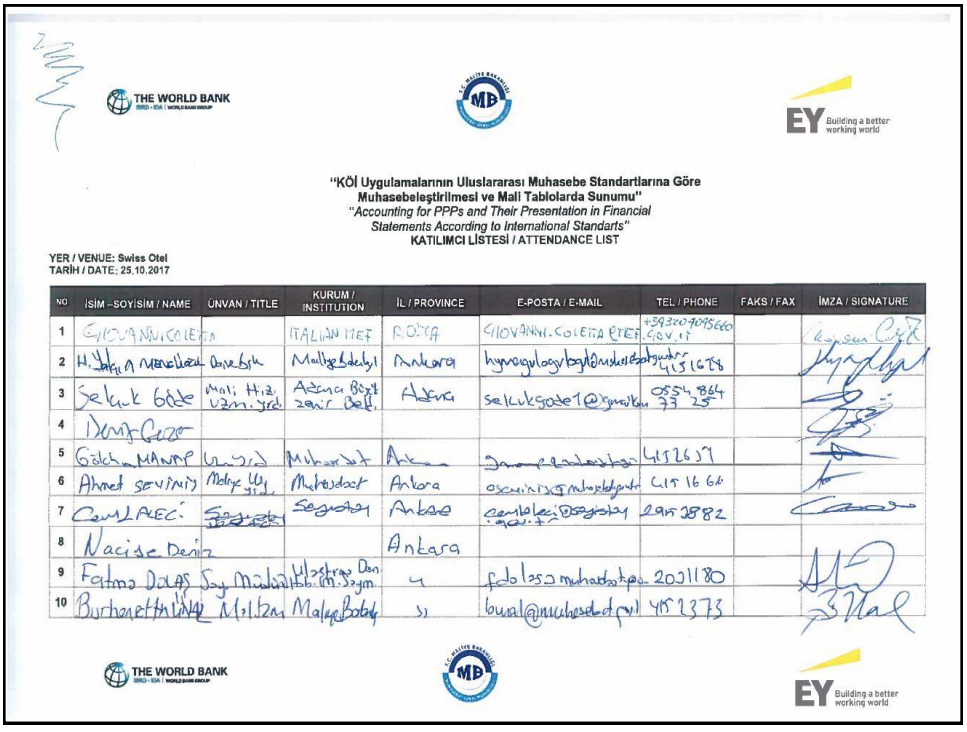
- nalanakdogan@hotmail.com

Ek-5 Protokol Listesi

Protokol Listesi

İsim	Unvan	Kurum
Naci AĞBAL	Maliye Bakanı	Maliye Bakanlığı
H. Abdullah KAYA	Maliye Bakanlığı Müsteşarı	Maliye Bakanlığı
Johannes ZUTT	Dünya Bankası Ülke Direktörü	Dünya Bankası
Abdurrahman MADAN	Maliye Bakanlığı Müsteşar Yardımcısı	Maliye Bakanlığı
Hüseyin KARAKUM	Vergi Denetim Kurulu Başkanı	Maliye Bakanlığı
Ayşe Berrin DİKMELİK	Strateji Geliştirme Dairesi Başkanı	Maliye Bakanlığı
Tayyibe KAYCIOĞLU	Başhukuk Müşavirliği ve Muhakemat Genel Müdürü	Maliye Bakanlığı
Hakan AY	Bütçe ve Mali Kontrol Genel Müdürü - DMSK Üyesi	Maliye Bakanlığı
Ertan ERÜZ	Muhasebat Genel Müdürü - DMSK Üyesi	Maliye Bakanlığı
Tufan BÜYÜKUZUN	Milli Emlak Genel Müdürü	Maliye Bakanlığı
Ahmet KOÇYİĞİT	İdari ve Mali İşler Dairesi Başkanı	Maliye Bakanlığı
Muammer ÇOLAK	Milli Piyango İdaresi Genel Müdür	Maliye Bakanlığı
Mahmut VAROL	Genel Müdür Yardımcısı	Maliye Bakanlığı
İbrahim AKPINAR	Genel Müdür Yardımcısı	TETAŞ
Yıldırım BOZBIYIK	GİB Başkan Yrd. - DMSK Üyesi	Maliye Bakanlığı
Prof. Dr. Necmiddin BAĞDADİOĞLU	Öğretim Üyesi - DMSK Üyesi	Hacettepe Üniversitesi
Sadettin KAYACI	Uzman Denetçi - DMSK Üyesi	Sayıştay Başkanlığı
Mehmet Kağan SAYGILI	Daire Başkanı - DMSK Üyesi	Kalkınma Bakanlığı
Atilla TUNCER	Daire Başkanı - DMSK Üyesi	Hazine Müsteşarlığı
Selim ÇAPAR	Güvenlik ve Acil Durumlar Koordinasyon Merkezi Başkanı - DMSK Üyesi	İçişleri Bakanlığı
Muhiddin ŞAHİN	SGK SGB Başkanı - DMSK Üyesi	Çalışma Bakanlığı
Alper KARAÇAR	EY Türkiye Kamu Sektörü Lideri	EY

Ek-6 Katılımcı İmza Listesi



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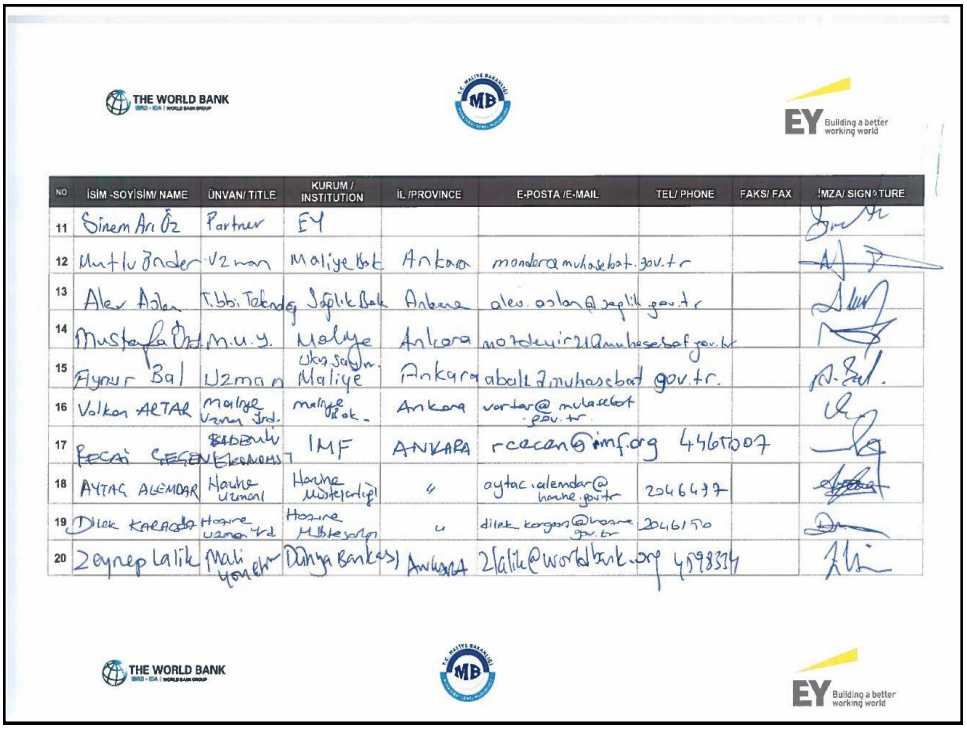
"KÖİ Uygulamalarının Uluslararası Muhasebe Standartlarına Göre Muhasebeleştirilmesi ve Mali Tablolarda Sunumu"
"Accounting for PPPs and Their Presentation in Financial Statements According to International Standarts"
KATILIMCI LİSTESİ / ATTENDANCE LIST

YER / VENUE: Swiss Otel
TARİH / DATE: 25.10.2017

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1	GIOVANNI COLETTA		ITALIAN MEF	ROMA	GIOVANNI.COLETTA@TES.IT	+39320 7095660		
2	H. [illegible]		Maliye Bakanlığı	Ankara		4151678		
3	Selçuk Göde	Mali Hiz. Uzm. Yrd.	Aztınca Bşk. Danış. Belf.	Adana	selcukgode1@gmail.com	0554 864 33 25		
4	Deniz Gezer							
5	Gülcan MANAP	Uzm. Yrd.	Muhasebat	Ankara		4152657		
6	Ahmet SEVİNİÇ	Maliye Uz. Yrd.	Muhasebat	Ankara		4151666		
7	Cem LALECİ	Sosyal Bilgiler	Sağlık	Ankara		2957882		
8	Nacide Deniz			Ankara				
9	Fatma Dalgıç	Soy. Mühendis	Hizmetten Sn. Müh. Soyum	4		2031180		
10	Burhanettin [illegible]	Maliyeci	Maliye Bakanlığı	11		4152373		

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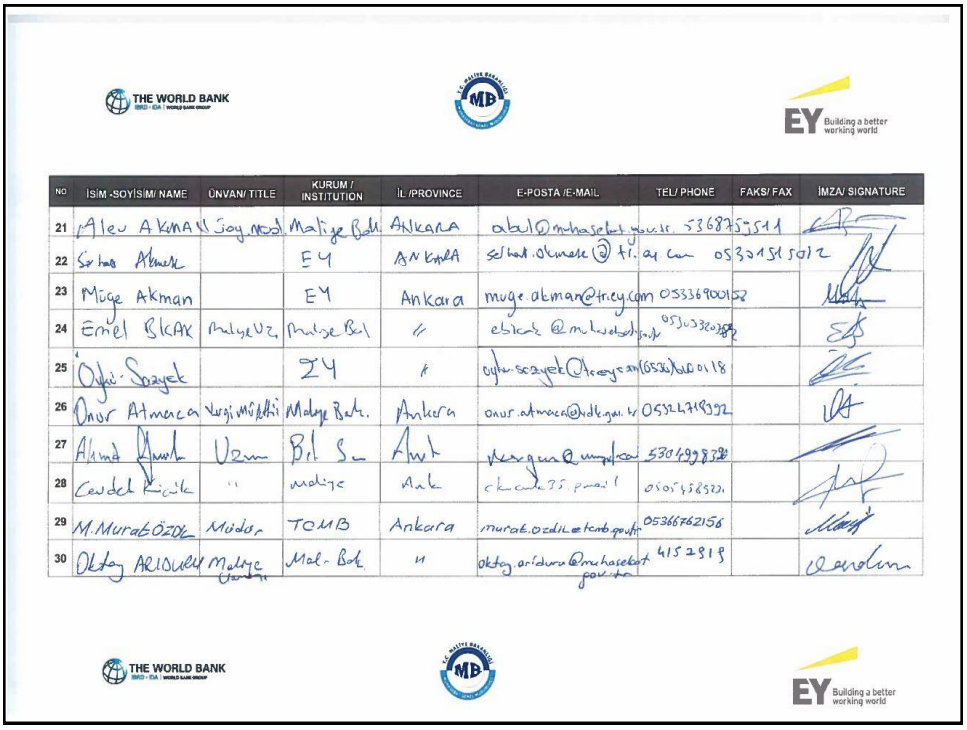
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11	Sinem Arı Öz	Partner	EY					
12	Mutlu Önder	Uzman	Maliye Bak.	Ankara	mondera muhasebat.gov.tr			
13	Alev Aslan	T.Bbi. Teknolog	Sağlık Bak.	Ankara	alev.aslan@saglik.gov.tr			
14	Mustafa Öz	M.U.Y.	Maliye	Ankara	muhasebat21@muhasebat.gov.tr			
15	Aynur Bal	Uzman	Uks. Sayım. Maliye	Ankara	abalk@muhasebat.gov.tr.			
16	Volkan ARTAR	Maliye Uzman Yrd.	maliye Bak.	Ankara	vartar@muhasebat.gov.tr			
17	Recai SEÇEN	Ekonomist	IMF	ANKARA	rcecan@imf.org	4467007		
18	AYTAÇ ALEMDAR	Hazine Uzmanı	Hazine Müsteşarlığı	"	aytac.alemdar@hazine.gov.tr	2046497		
19	Dilek KARAGÖZ	Hazine Uzman Yrd.	Hazine Müsteşarlığı	"	dilek.karagoz@hazine.gov.tr	2046150		
20	Zeynep Lalik	Mali Yönetim	Dünya Bankası	Ankara	ZLalik@worldbank.org	4998374		

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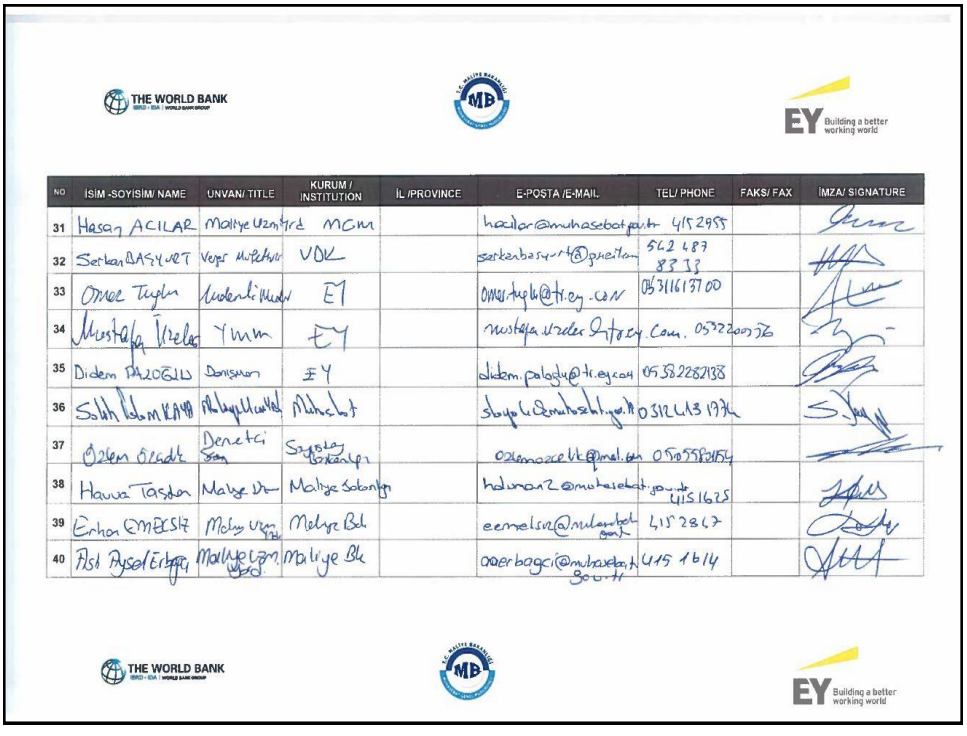
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21	Alev Akman	Sayman	Maliye Bak.	Ankara	akal@muhasebat.gov.tr	5368755511		
22	Serhat Akmeşe		EY	ANKARA	serhat.akmese@tr.ey.com	05331515012		
23	Müge Akman		EY	Ankara	muge.akman@tr.ey.com	05336900158		
24	Emel BİCAK	Maliye Uz.	Maliye Bak.	"	ebicak@muhasebat.gov.tr	05303382088		
25	Oğuz Soyyek		EY	"	oguz.soyyek@tr.ey.com	(0536) 4600118		
26	Onur Atmaca	Vergi Müfettişi	Maliye Bak.	Ankara	onur.atmaca@hdkgm.gov.tr	05324718992		
27	Ahmet	Uzm	Bşk Sn	Ank		5304998		
28	Cevdet Kıcık	"	maliye	Ank	ckucuk75@gmail	05054585221		
29	M. Murat ÖZDİL	Müdür	TOMB	Ankara	murat.ozdil@tomb.gov.tr	05366762156		
30	Oktay ARIDURU	Maliye Uzmanı	Muh. Bak.	"	oktay.ariduru@muhasebat.gov.tr	4152818		

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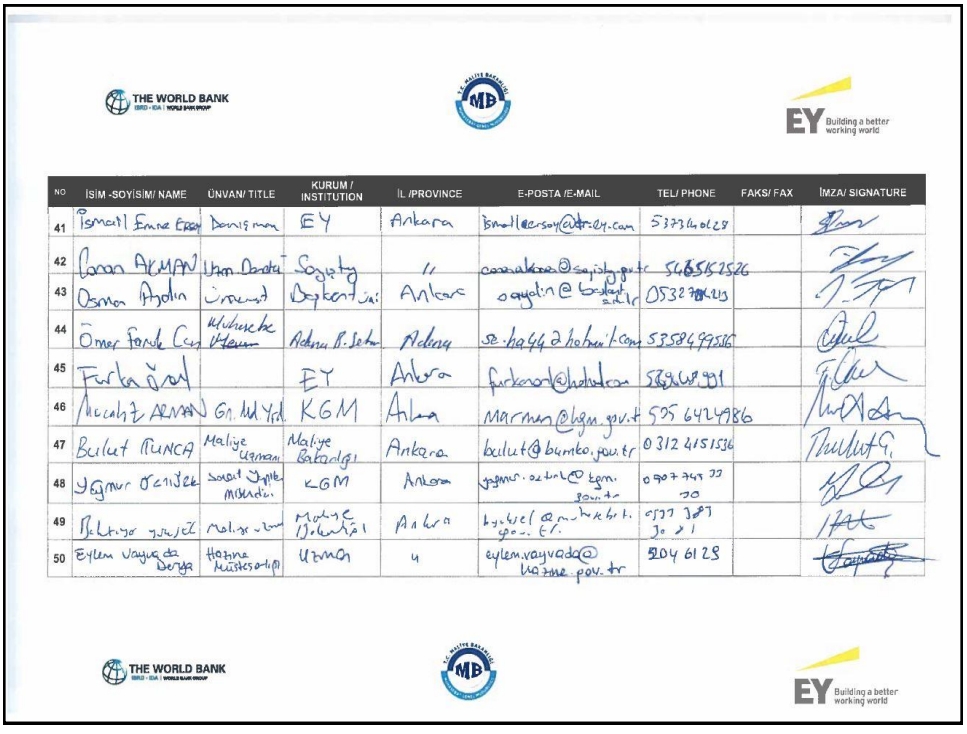
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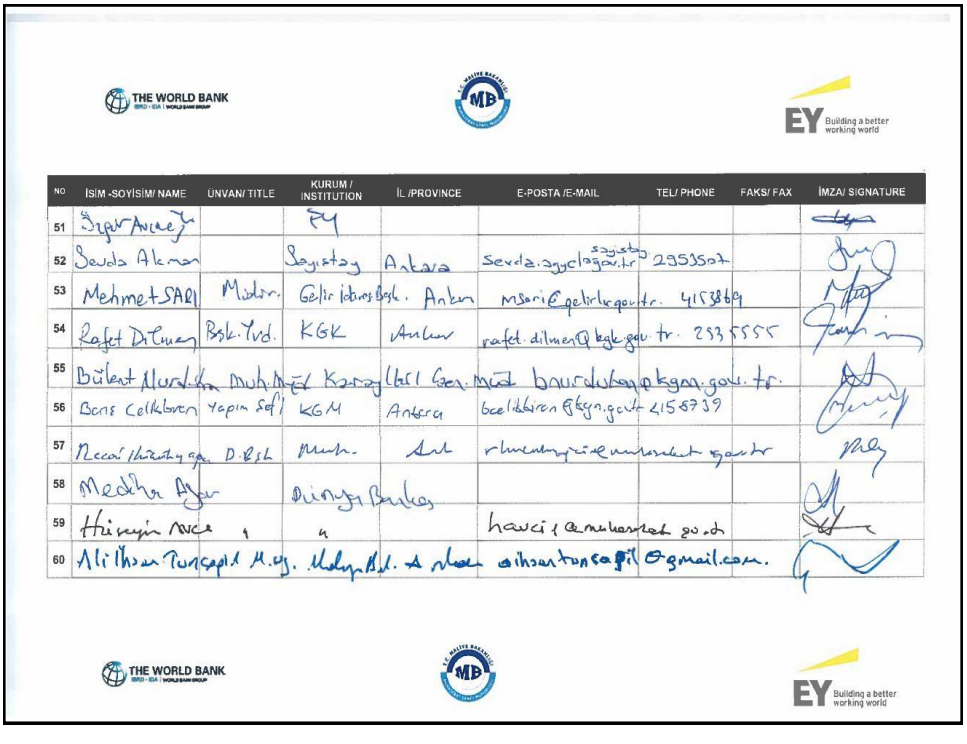
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31	Hasan ACILAR	Maliye Uzmanı	MCM		hacilar@muhasebat.gov.tr	4152955		
32	Serkan BAŞYURT	Vergi Müfettişi	VDK		serkanbasyurt@gmail.com	542 487 83 33		
33	Ömer Tuğlu	Kıdemli Müdür	EY		omer.tuglu@tr.ey.com	05311613700		
34	Mustafa Uzelaş	Yrd.	EY		mustafa.uzelas@tr.ey.com	05322007326		
35	Didem PALOĞLU	Danışman	EY		didem.paloglu@tr.ey.com	05382282138		
36	Salih İslam KAYA	Maliye Müfettişi	Muhasebat		slaykaya@muhasebat.gov.tr	0312413 1936		
37	Özlem Öncü	Denetçi	Sayıştay Başkanlığı		ozlemoncu@gmail.com	05055581854		
38	Havva Taşkın	Maliye Uz.	Maliye Sabonlığı		havvaz@muhasebat.gov.tr	4151625		
39	Erhan EMEKSİZ	Maliye Uzm.	Maliye Bak		eemeksiz@muhasebat.gov.tr	4152867		
40	Fisli Ayşe Erbaşı	Maliye Uzm.	Maliye Bk		aerbagci@muhasebat.gov.tr	415 1614		

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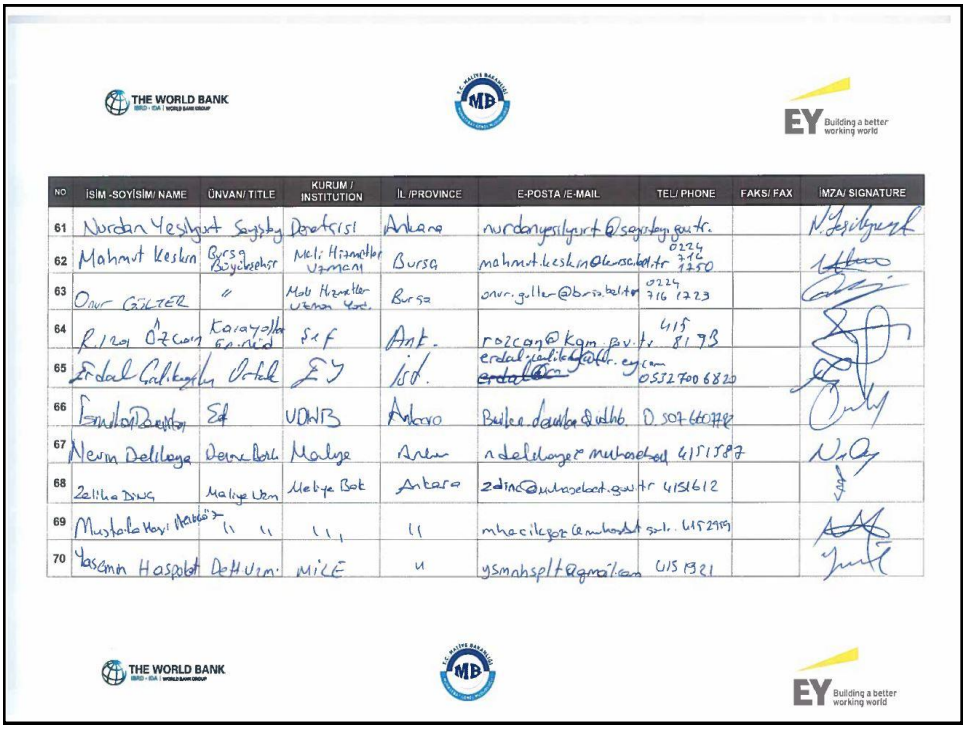
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41	İsmail Emre Ersoy	Danışman	EY	Ankara	ismail.ersoy@tr.ey.com	5377340128		
42	Canan AKMAN	Uzm. Denetçi	Sayıştay	"	cananakman@sayistay.gov.tr	5468562526		
43	Osman Aydın	Denetçi	Başkent Üni.	Ankara	oaydin@baskent.edu.tr	05327[illegible]		
44	Ömer Faruk Cey	Müfettiş Yrd.	Adana B. Sekt.	Adana	se.ha44@hotmail.com	5358499586		
45	Furkan Şirvil		EY	Ankara	furkan.sirvil@tr.ey.com	5[illegible]		
46	Necdet ARMAĞAN	Gn. MY Yrd.	KGM	Ankara	marmagan@kgm.gov.tr	505 6424986		
47	Bülent TUNCA	Maliye Uzmanı	Maliye Bakanlığı	Ankara	bulut@bumko.gov.tr	0 312 4151536		
48	Yağmur Özdüzek	Sosyal Yardım Müdürü	KGM	Ankara	yagmur.ozduzek@kgm.gov.tr	0 507 745 77 70		
49	[illegible]	Mal. Müş.	Maliye Bakanlığı	Ankara	[illegible]	0533 387 30 21		
50	Eylem Vayvada Derya	Hazine Müsteşarlığı	Uzman	"	eylem.vayvada@hazine.gov.tr	204 61 28		

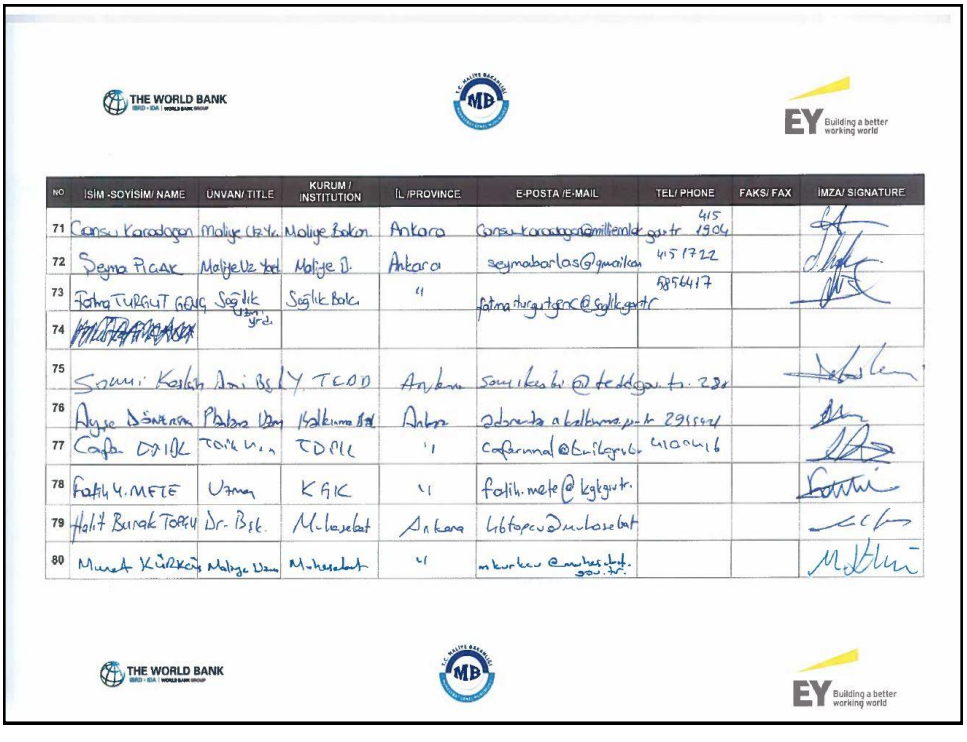


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51	Ziyar Avcı		EY					
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54	Rafet Dilmen	Bşk. Yrd.	KGK	Ankara	rafet.dilmen@kgk.gov.tr	293 5555		
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57	Necat [illegible]	D. Bşk.	Muh.	Ank	[illegible]			
58	Medihan Ayar		Dünya Bankası					
59	Hüseyin Avcı	"	"		havci@[illegible]			
60	Alihan Tunçapıl M.Ş.	Muhş. Müf. A.	[illegible]		alihantunca@gmail.com			



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70	Yasemin Hastalar	Dr.Hek.Uzm.	MİLLÎ	"	ysmnhsplt@gmail.com	4151921		

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71	Cansu Karadoğan	Maliye Uzm.	Maliye Bakan.	Ankara	Cansu.karadogan@milliemlak.gov.tr	415 1904		
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88	Engin KAYA	Maliye Uzmanı	Maliye Bakanlığı	"	ekaya12@muhasebat.gov.tr	415 1665	—	
89	Mehmet Kardeş	Muh. Kont	"	"	mehmet.kardes@hmb.gov.tr	2158833	—	
90	R.Oktay GÜNAY	Tük Uzm.	Tük	"	oktay.gunay@tuik.gov.tr	4100502	—	

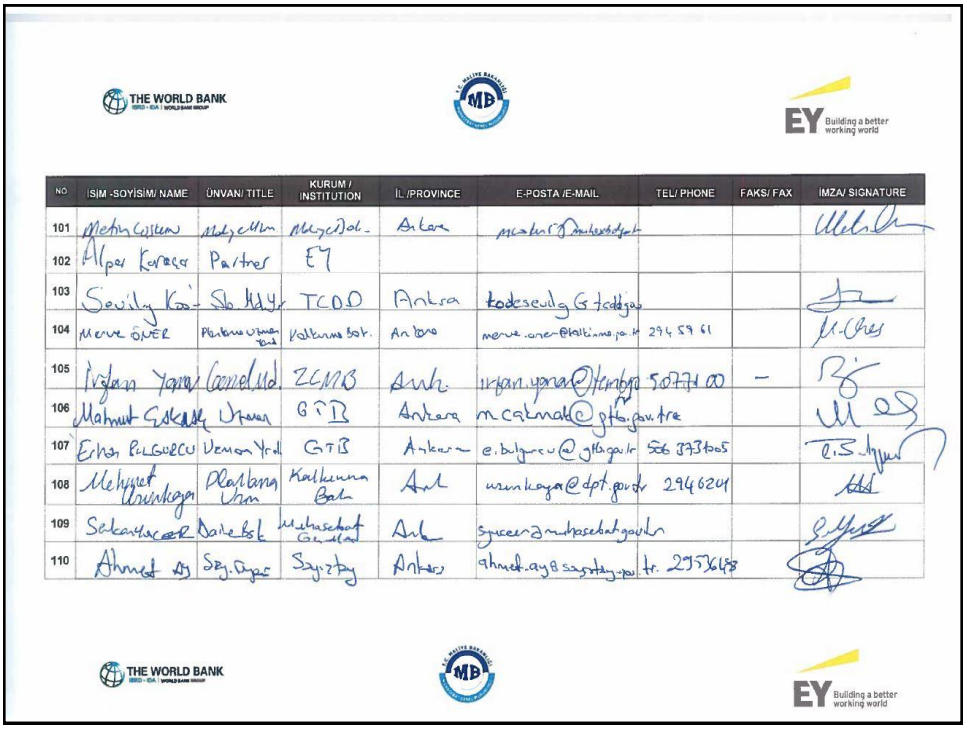
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93	Zeynep KAMBAY	Maliye UZM	"	"	zuygarcioglu@muhasebat.gov.tr	2938		
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95	[illegible]	[illegible]	[illegible]	[illegible]	—	0 [illegible]		
96	Ömer Karakemer	Daire Bşk	Hazine Müst	Ankara	omer.karakemer@hazine.gov.tr	2047306		
97	Birgül Saygılı	Şef	Sigorta Mad.Sog.	—	bsaygili@hazine.gov.tr	4168259		
98	[illegible]	Genel Müd	BAŞkanı	"				
99	[illegible]	Maliye	Maliye	"	h.karadumanoglu@gib.gov.tr	415 16 55		
100	Sezai Celik	~~Hakim~~ Uzman Yrd	Bş DHİS	"	sezai.celik@hmb.gov.tr	2032104		

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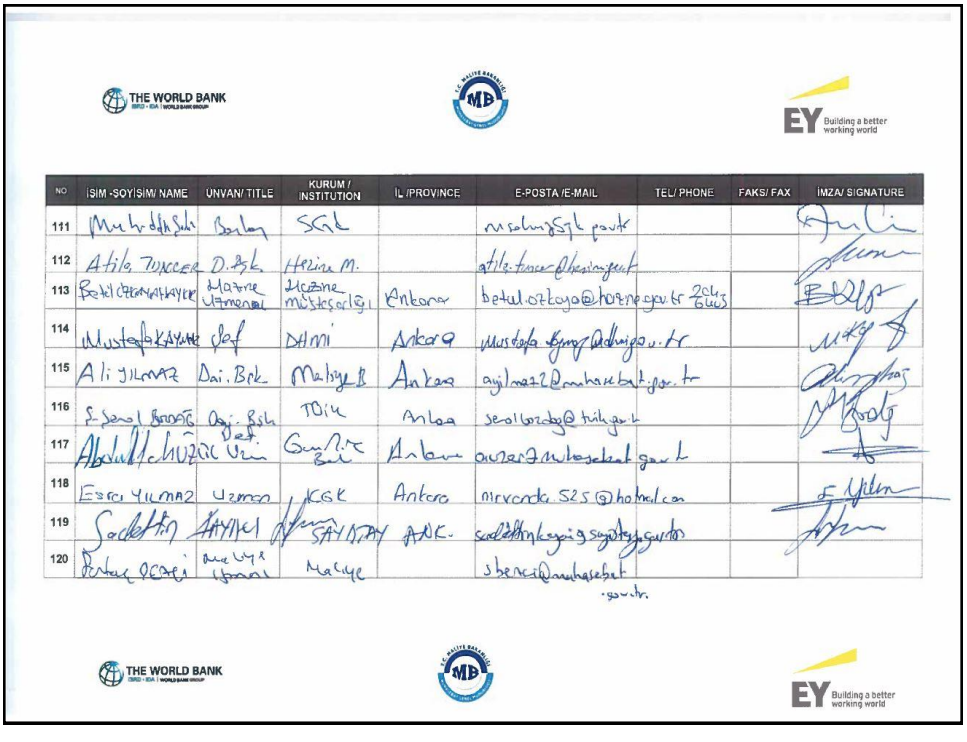
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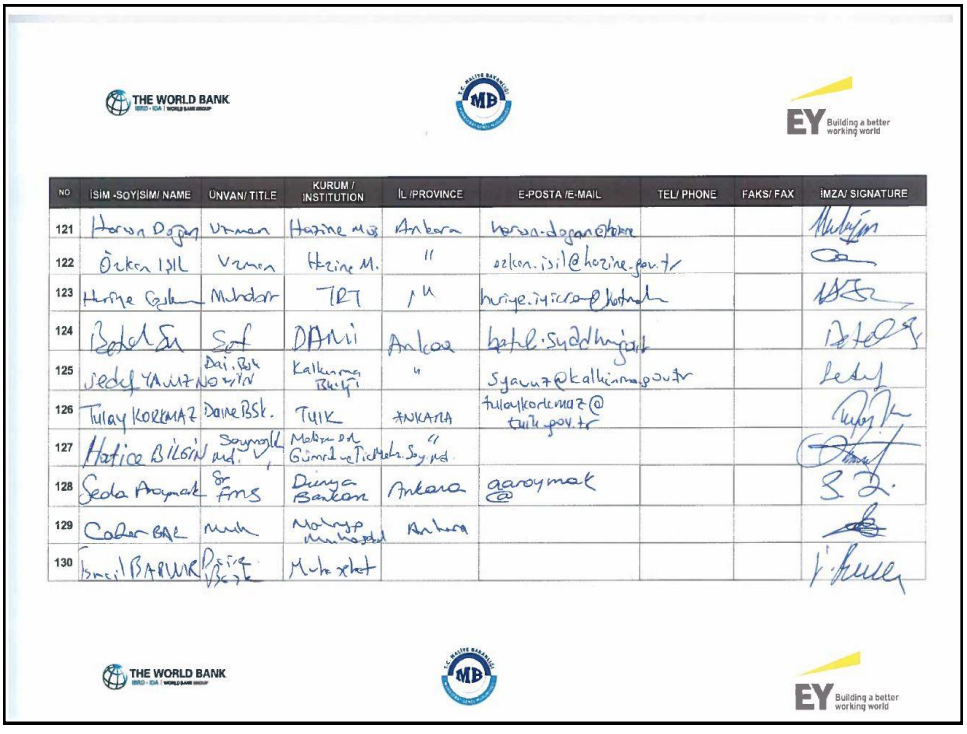
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101	Metin Gürcan	Müşavir	Müşavirlik	Ankara				
102	Alper Karaca	Partner	EY					
103	Sevilay Koç	Sb. Müdür	TCDD	Ankara				
104	Merve ÖNER	Planlama Uzman Yrd.	Kalkınma Bak.	Ankara		294 59 61		
105	İrfan Yaman	Genel Md.	ZCMB	Ank.		507 71 00	-	
106	Mahmut Çakmak	Uzman	GİB	Ankara				
107	Erhan Bilgiç	Uzman Yrd.	GİB	Ankara		526 373 605		
108	Mehmet Yürükoğlu	Planlama Uzm.	Kalkınma Bak.	Ank.		2946204		
109	Selcan Yücel	Daire Bşk.	Muhasebat Genel Md.	Ank.				
110	Ahmet Ay	SB. Uzm.	Sayıştay	Ankara		tr. 2953648		



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111	Muharrem Şahin	Başkan	SGK					
112	Atila Tüccar	D.Bşk.	Hazine M.					
113	Betül Öztoya	Hazine Müşavirliği	Hazine Müşteşarlığı	Ankara		2614665		
114	Mustafa KAYA	Şef	DHMİ	Ankara				
115	Ali YILMAZ	Dai. Bşk.	Maliye Bk.	Ankara				
116	Şenol Bozoğlu	Dış. Bşk.	TÜİK	Ankara				
117	Abdulkadir Güzel	Gn. Müd. Yrd.	Gümrük	Ankara				
118	Esra Yılmaz	Uzman	KGK	Ankara				
119	Sadettin SAYINCI		SAYIŞTAY	ANK.				
120	Berkay ÖZATA	Mali Uzman	Maliye					



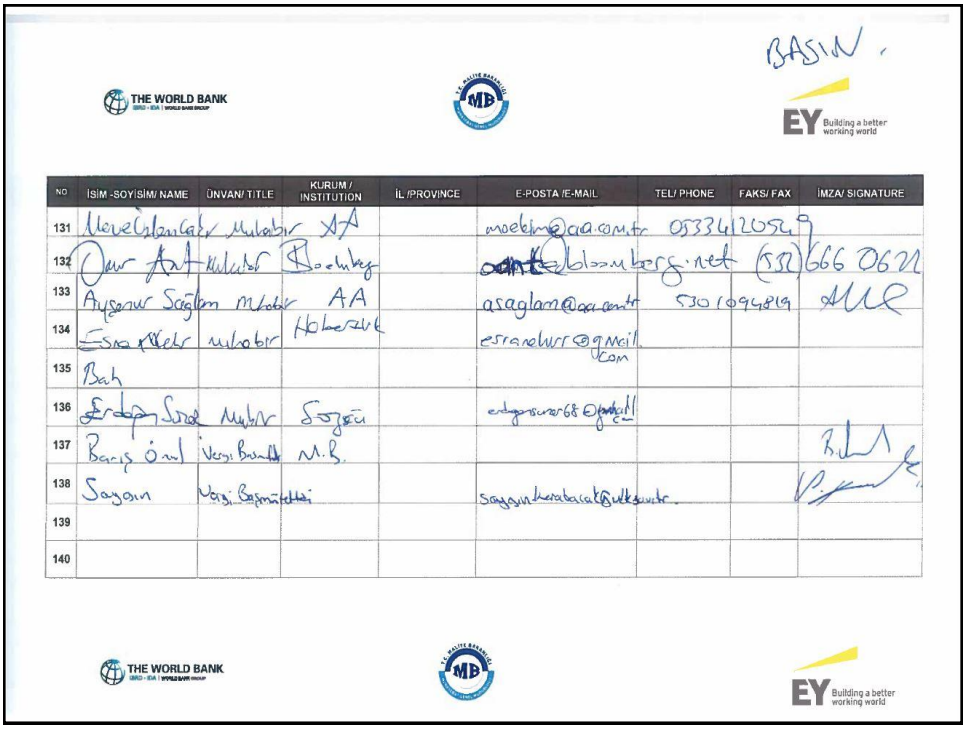
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129	Coşkun BAŞ	Muh	Maliye Müfettişi	Ankara				
130	İsmail BARUK	Başkan Yrd.	Müsteşarlık					

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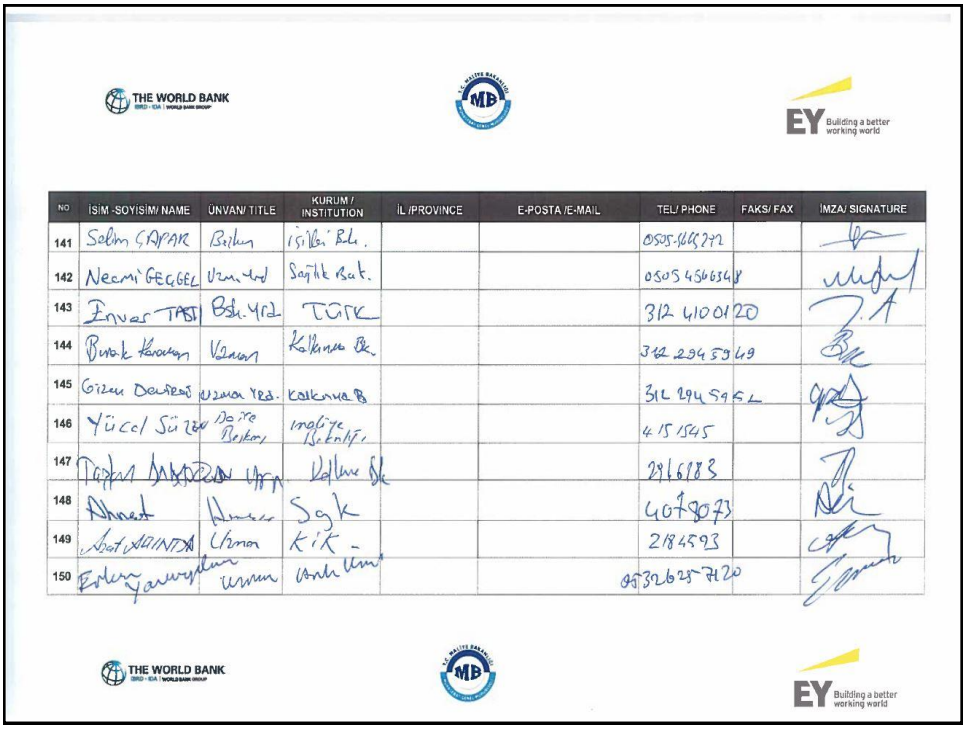
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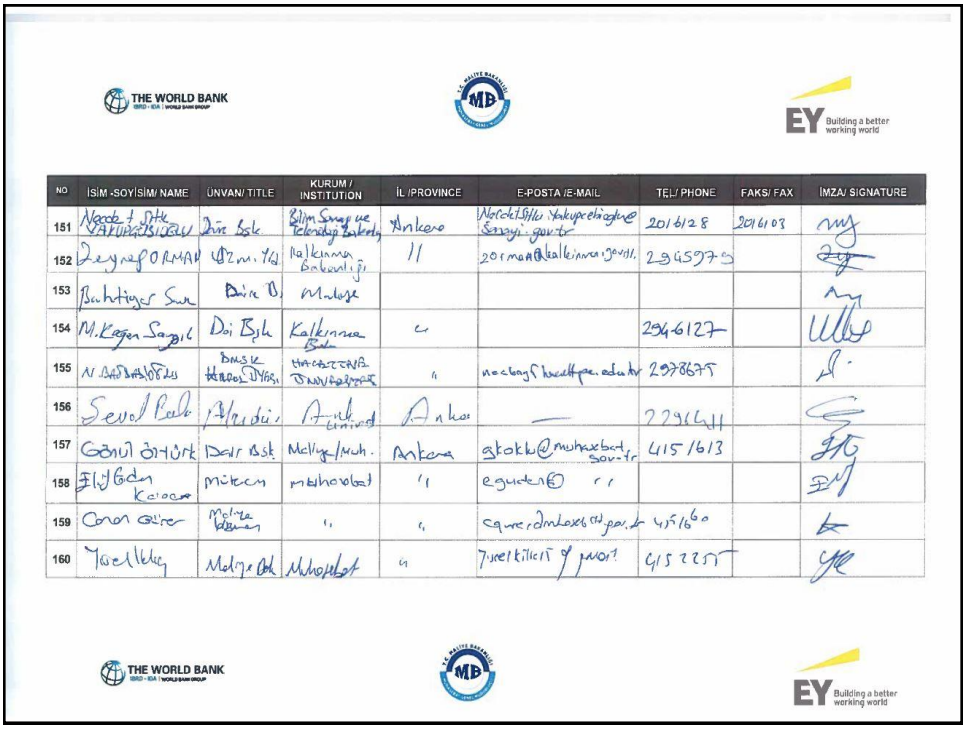
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139								
140								

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141	Selim ÇAPAR	Başkan	Işıklar Bak.			0505-668272		
142	Necmi GEÇGEL	Uzman Yrd	Sağlık Bak.			0505 4566548		
143	Enver TAŞ	Bşk.Yrd.	TÜİK			312 4100120		
144	Burak Karaman	Uzman	Kalkınma Bk.			312 294 5969		
145	Gizem Demirel	Uzman Yrd.	Kalkınma B.			312 294 5965		
146	Yücel Sürer	Daire Başkanı	İmalat Sanayii			415 1545		
147	[illegible]	[illegible]	Kalkınma Bk			2966883		
148	Ahmet	Uzman	Sağlık			4047073		
149	[illegible]	Uzman	KİK			2184593		
150	Erdem Yarayıcı	Uzman	Ankara Üni.			0532 625 7120		



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159	Canan Güler	Maliye Uzmanı	"	"	cguler@muhasebat.gov.tr	415 1600		
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7.6. Workshops

Annex:6 Workshops

Harmonization of IPSASs and General Government Accounting Legislation

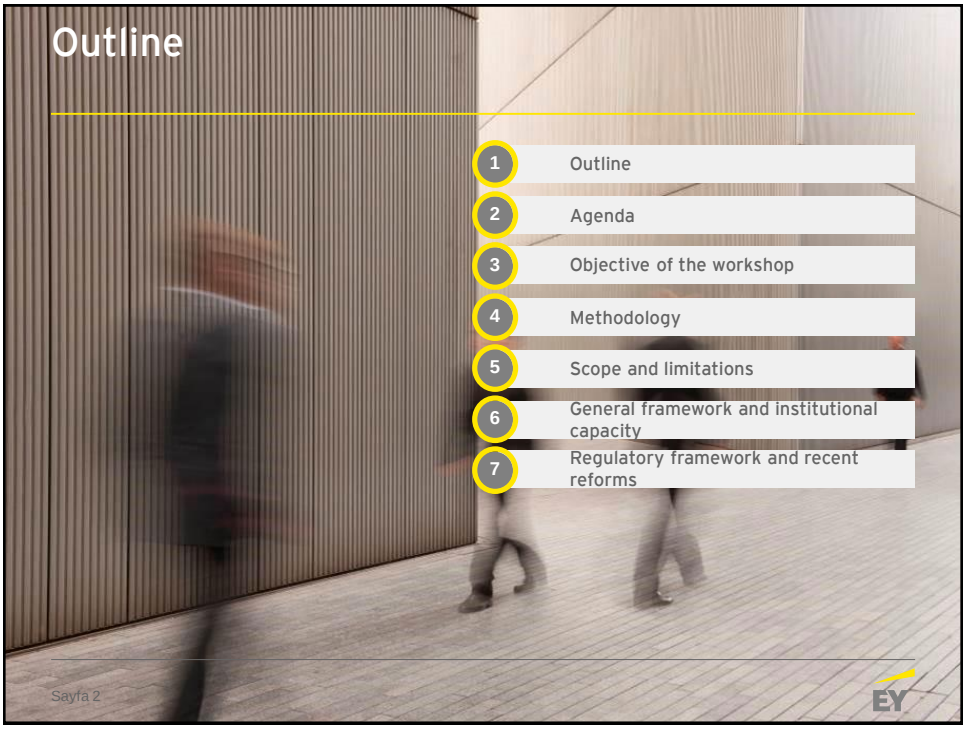
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Harmonization of IPSASs and General Government Accounting Legislation

Workshop 1

23 August 2017

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Agenda

Time	Subject
	Day 1
10.00 - 10.45	Presentation of the objectives and the methodology of the situation analysis
10.45- 11.00	Break
11.00- 12.00	Public sector accounting at the Central Government in Turkey
12.00- 14.00	Lunch Break
14.00- 15.15	**Accounting for Public Immovables** ► Foundations for the accounting of Public Immovables according to IPSAS ► Accounting treatment of Public Immovables in Turkey ► Discussion
15.15 15.30	Break
15.30- 17.00	**Accounting for PPPs** ► Presentation of the Foundations for the accounting of PPPs according to IPSAS Discussion

Agenda

Time	Subject
	Day 2
10.00- 11.00	**Review of Yesterday's Discussion on PPPs** ► Accounting treatment for the PPP models in Turkey ► Discussion
11.00- 12.00	► Continue to discuss on PPPs
12.00- 14.00	Lunch Break
14.00- 15.30	**Accounting for intangible assets and amortization** ► Foundations for the accounting of intangible assets according to IPSAS ► Accounting treatment of intangible assets in Turkey ► Discussion
15.30- 15.45	Break
15.45 - 17.15	**Contingent liabilities and provisions in financial statements** ► Foundations for the disclosure of contingent liabilities and provisions according to IPSAS ► Disclosure of contingent liabilities and provisions (within the scope of PPP projects and social security provisions)in Turkey ► Discussion

Agenda

Time	Subject
	Day 3
10.00-12.00	**Preparation of financial statements and tables of central budget institutions** ► Foundations for the preparation of financial statements and tables of central budget institutions according to IPSAS ► Preparation of financial statements and tables of central budget institutions in Turkey ► Discussion
12.00-14.00	Lunch break
14.00-15.30	**Budget standard and tax standard practices** ► Foundations for budget standard and tax standard practices according to IPSAS ► Budget standard and tax standard practices in Turkey ► Discussion
15.30-15.45	Break
15.45 - 17.00	► **Wrap-Up (Outputs of workshop, next steps) (half an hour)** • A session for prioritization questions/subject topics for the Gap Assessment stage • Discussion of countries to be selected for country analysis • Elaborate on the next steps

Workshop Participant List

TR Ministry of Finance Directorate General of Public Accounts

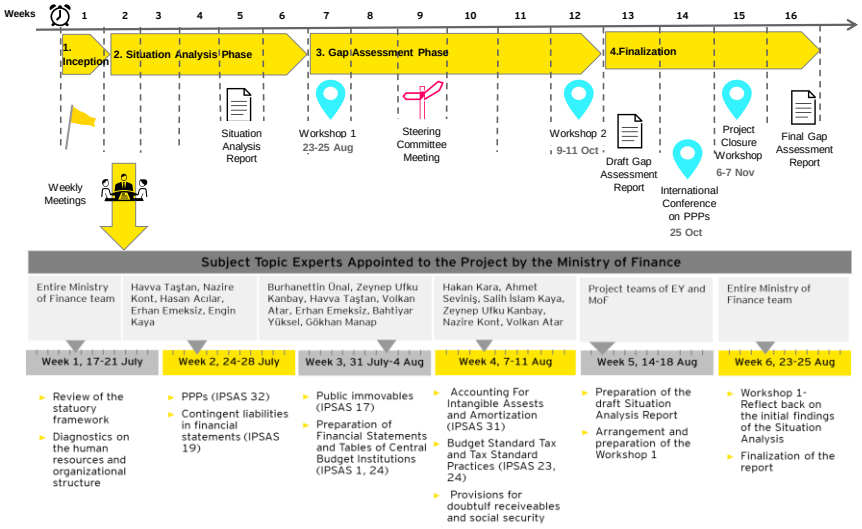
Name-Surname	Job Title	Department
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Hüseyin Avcı	Expert	The Department of the Directorate and Management of Public Accounts
Ali Topakkaya	Expert	The Department of the Directorate and Management of Public Accounts
Hakan Kara	Expert	The Department of the Directorate and Management of Public Accounts
Metin Coşkun	Expert	The Department of External Audit Monitoring
Engin Kaya	Expert	The Department of the Directorate and Management of Public Accounts
Emel Bıçak	Expert	The Department of the Directorate and Management of Public Accounts
Bahtiyar Yüksel	Expert	The Department of External Audit Monitoring
Zeynep Ufku Kanbay	Expert	The Department of External Audit Monitoring
Nazire Kont	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Hasan Acılar	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Volkan Atar	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Salih İslam Kaya	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Erhan Emeksiz	Assistant Expert	The Department of Financial Statistics
Gökhan Manap	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Ahmet Seviniş	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Aslı Aysel Türkmenoğlu	Assistant Expert	The Department of Financial Statistics

Objective of the Workshop

1. Provide theoretical knowledge on the selected IPSASs
2. To present and clarify our understanding of the current situation
3. Set the ground for the gap assessment stage

Methodology

Project activities and implementation plan

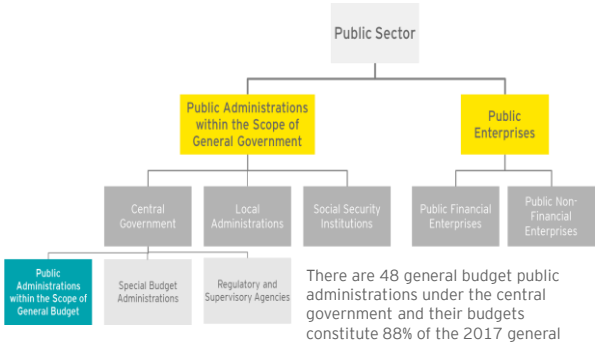


Scope and limitations
Subject topics and public sector focus

The topics grouped and elaborated according to the following order:

1. Public Immovable
2. PPPs
3. Accounting for intangible assets and amortization
4. Sparing provisions for doubtful debts and social security provisions
5. Contingent liabilities in financial statements
6. Preparation of financial statements and tables of central budget institutions
7. Budget standard and tax standard practices

Public sector organization in Turkey and the focus of this project



There are 48 general budget public administrations under the central government and their budgets constitute 88% of the 2017 general government budget.

The objective is;

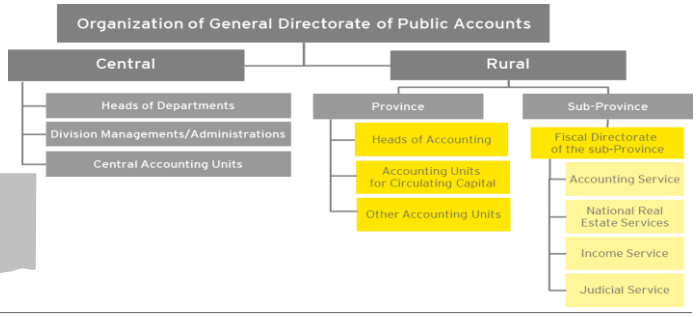
- To document existing situation from the perspective of IPSAS harmonization
- To compiling and analyzing information, without giving any recommendation or opinion

General framework and institutional capacity
Ministry of Finance and GDPA

Main service units of the MoF are:

- Chief Legal Advisory and Directorate General of Proceedings
- General Directorate of Budget and Fiscal Control
- ***General Directorate of Public Accounts***
- General Directorate of Revenue Policies
- General Directorate of National Property
- Financial Crimes Investigation Board
- Department of the EU and Foreign Affairs

7,778 personnel at the provincial/sub-provincial units (45% of total 17,334 positions)



602 personnel at the central office (49% of the total available positions of 1,239)

General framework and institutional capacity
Ministry of Finance and GDPA

- There are 16 officials working as a part of the IPSAS implementation team at the GDPA.
- Two of the team members wrote expertise thesis on the IPSAS harmonization
- There is unit particularly focusing on the preparation of the DMSs / as chair of the DMSK
- No training has been received on IPSAS, yet GDPA plans to get trainings.
- IPSAS implementation team of GDPA does not have internationally recognized accounting qualification.
- The self-trained team provides training for the accounting staff at the provincial offices and accountants at general budget institutions

General framework and institutional capacity
Responsibilities of GDPA

Responsibilities of GDPA include:

- Providing accounting services for public administrations within the scope of general budget (including revolving fund accounting offices)
- Providing certification of the accountants to be employed by the general government administrations
- Developing the accounting system, preparing the chart of accounts and identifying reporting templates, types, and periods for the public administrations under the general government based on the accounting and reporting standards
- Issues accounting regulation for the central government administrations and provides views on the accounting regulations for the rest of the general government
- Preparing financial reports and statistics related to public administrations within the scope of general government
- Providing assurance for public accounts
- Providing trainings and certificates for accounting officers in public administrations within the scope of general government
- Steering financial transactions of and establishing accounting systems for the revolving funds that are affiliated to public administrations with general and special budget
- Providing accounting services for the revolving funds deemed appropriate
- Contributing to the preparation and implementation of expenditure policies which are a component of the fiscal policy
- Providing opinion in order to overcome hesitations about the issues that are related to its area of responsibility specified in relevant legislation, and transfers shares from general budget accounts under the relevant legislation
- Examining final accounts of public administrations within the scope of central government, correcting the detected errors
- Preparing the Central Government Final Account Draft Law
- Working on development of the Integrated Financial Management System of Turkey
- Secretariat of the Government Accounting Standards Boards

General framework and institutional capacity
Key features of public accounting system in Turkey

National accounting system

- Double-entry book keeping system is in use
- The records are being kept both on cash basis and accrual basis since 2004

Auditing of public accounts

- The accounting records of public administrations are audited by the Turkish Court of Accounts
- Each of the public administrations also have their internal auditors as well
- Central auditing/inspection presidencies of the administrations themselves as well as the GDPA conducted case based inspections / audits

IT system

- The central online public accounting system called say2000i is in use.
- KBS has integrated say2000i, the payroll system for public employees (e-bordro) and the electronic records of public immovables
  - There is also Electronic Document Management System in use since 2015 and e-signature since 2016
- The system operates on a real-time basis
- All the public accountants in Turkey have access to the system through authorized access centrally defined for them by the GDPA, and they are obliged to record their accounts in the system
- Certain reporting and consolidation options available; though bounded with the quality of the data entered into the system by the public institutions. Nationally consolidated reports are produced manually.
- A new integrated financial management system is in the making

Regulatory framework and recent reforms
Main laws and regulations

Regulatory framework

The main laws and regulations setting the legislative framework for public sector accounting in Turkey include the following:

- Public Financial Management and Control Law No. 5018 (effective January 2006 onwards)
- Regulation on General Government Accounting (RGGA) (December 2014)
- Regulation on Central Government Accounting (RCGA) (December 2014)
- Communiqué on Accounting Transactions of Public Private Partnership Practices (July 2015)
- Communiqué on Financial Statistics of General Government (September 2015)
- Communiqué on Amortization and Exhaustion Ratios (November 2015)



Regulatory framework and recent reforms
Harmonization with IPSAS

- IPSAS alignment is in progress with the establishment of the DMSK in 2006 in line with the stipulations of the Law No. 5018.
- Turkey has adopted 28 DMS in accordance with IPSASs during the period of 2008-2016. DMSs are mainly the translations of IPSASs.
- DMSs are published in the Official Gazette as national standards, nevertheless they are not binding as the laws and regulations in the national accounting system.
- Alignment of the existing accounting legislation is the main determinant of harmonization with IPSAS. Particular accounting standards published by DMSK take effect as long as the particular approaches and definitions in those standards are adopted in regulations issued by the GDPA.
- It was reported by the MoF officials that existing regulatory framework is harmonized mainly with IPSAS 1, IPSAS 10, IPSAS 13 and IPSAS 32.
- The structure of the DMSK and the working principles are provided in the MoF presentation.

Regulatory framework and recent reforms
Reporting entities and financial statements

RGGA designates the general budget public administrations as reporting entities. The following financial statements, excluding the cash flow chart, are required to be prepared by the reporting entities.

Main Financial Statements
Balance sheet
Statement of Financial Performance
Cash flow chart

- The current chart of accounts is not conducive for national level consolidation of accounts – no relationship matrix among sectors
- General budget institutions lack capacity to prepare the designated financial statements in line with the required standards
- Consolidation is being done by the Department of Financial Statistics of the GDPA based on the GFS manual

Other Financial Statements
Chart of budget implementation results
Chart of economic classification of income
Chart of institutional classification of expenses
Chart of the economic classification of expenses
Chart of economic classification of budget revenues
Chart of institutional classification of budget expenditures
Chart of functional classification of budget expenditures
Chart of financial classification of budget expenditures
Chart of economic classification of budget expenditures
Chart of budget expenditures and appropriations

HARMONIZATION OF IPSASs AND TURKISH LEGISLATION ON GENERAL GOVERNMENT ACCOUNTING WORKSHOP

23,24 and 25 August 2017

Turkish Ministry of Finance

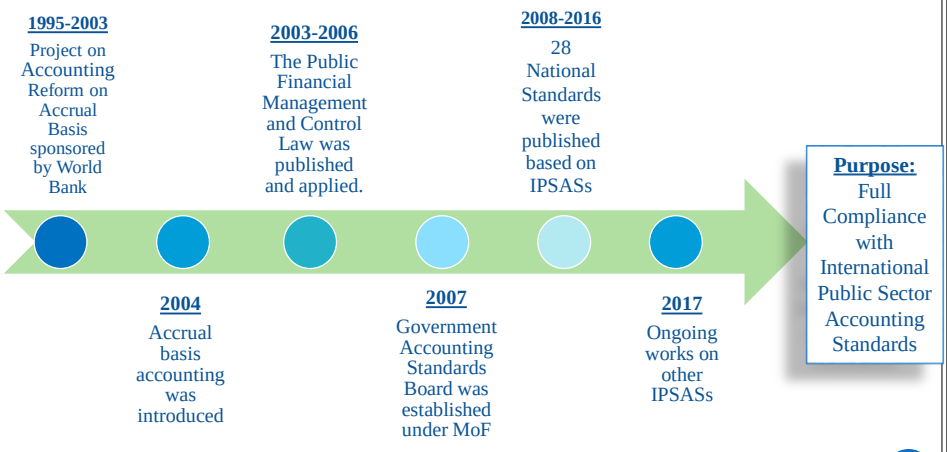
General Directorate of Public Accounts

OUTLINE

- BACKGROUND
- ACHIEVEMENTS
- FINANCIAL REPORTING
- FINANCIAL STATISTICS
- EXPECTATIONS

1

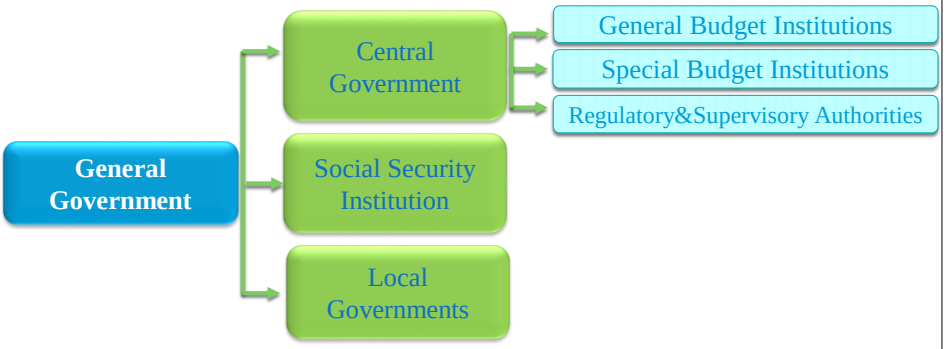
BACKGROUND
Overview of the Turkish Public Accounting System



ACHIEVEMENTS

- The framework chart of accounts and to adapt the internationally accepted accounting and reporting standards prepared,
- Fixed assets are recorded and reported in the accounting system,
- Time separated accounts are used to show short-term & long-term assets & liabilities,
- Computer technology (say2000i) is used effectively,
- Prompt information to related parties is provided in predetermined periods.

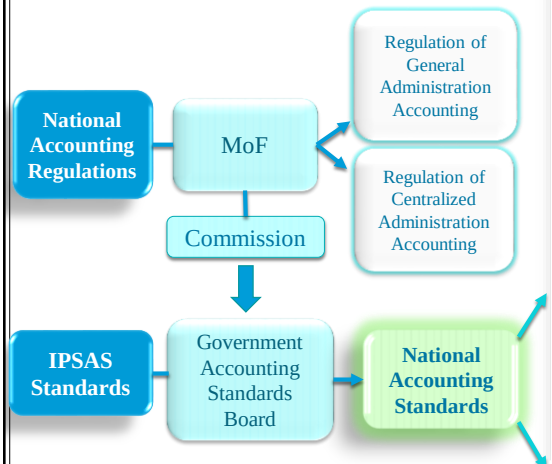
SCOPE of Financial Reporting



Source: Law no 5018: The Public Financial Management and Control Law

4

APPROACH



National Standards Published based on IPSASs

IPSAS 1	Presentation of Financial Statements
IPSAS 2	Cash Flow Statements
IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors
IPSAS 4	The Effects of Changes in Foreign Exchange Rates
IPSAS 5	Borrowing Costs
IPSAS 6	Consolidated and Separate Financial Statements
IPSAS 7	Investments in Associates
IPSAS 8	Interests in Joint Ventures
IPSAS 9	Revenue from Exchange Transactions
IPSAS 10	Financial Reporting in Hyperinflationary Economies
IPSAS 11	Construction Contracts
IPSAS 12	Inventories
IPSAS 13	Leases
IPSAS 14	Events after the Reporting Date
IPSAS 16	Investment Property
IPSAS 17	Property, Plant and Equipment
IPSAS 18	Segment Reporting
IPSAS 19	Provisions, Contingent Liabilities, Contingent Assets
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Noncash-generating Assets
IPSAS 22	Disclosure of Financial Information about the General Government Sector
IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
IPSAS 24	Presentation of Budget Information in Financial Statements
IPSAS 28	Financial Instruments: Presentation
IPSAS 29	Financial Instruments: Recognition and Measurement
IPSAS 30	Financial Instruments: Disclosures
IPSAS 31	Intangible Assets
IPSAS 32	Service Concession Arrangements: Grantor

Working on IPSASs

IPSAS 26	Impairment of Cash-Generating Assets
IPSAS 27	Agriculture
IPSAS 39	Employee Benefits

5

BACKGROUND
Financial Statistics

2003
Public Financial Management and Control Law came into effect and financial statistics introduced conceptually to the Law at the first time.

MoF started to produce:

2006
Statistical tables of Central and Local Governments
(Published annually)

2008
Statistical tables of General Government
(Published annually)

2008
GFS based statistical tables (and started to sent to IMF annually)

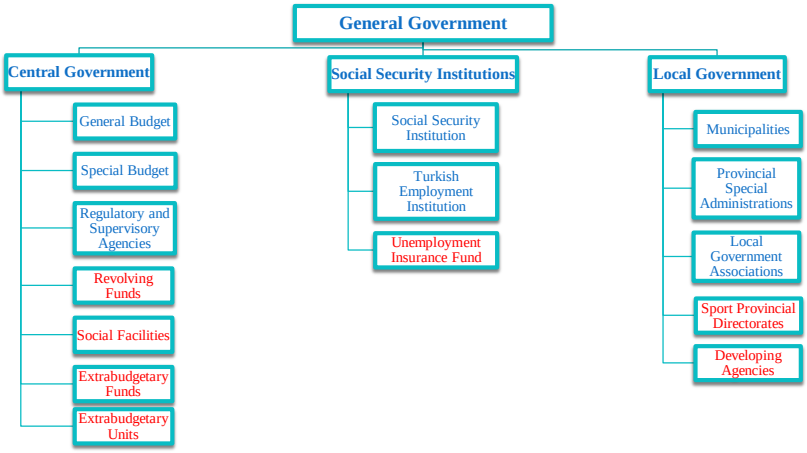
2015
MoF started to sent GFS based statistical tables to IMF quarterly.

6

SCOPE of Financial Statistics

Sectoral Scope

- MoF has the authority to determine and update the coverage,
- The same scope applicable for preparation of GFS, EDP and ESA tables.



7

Financial Statistics

The Statistical Tables Produced

	The Tables	Basis	Frequency
1	The Statement of Net Balance	GFS	Monthly (t+45 days)
2	The Statement of Net Financial Balance	GFS	
3	The Statement of Functional Classification of Expenditures (COFOG)	GFS	Quarterly (t+3 months)
4	The Statement of Contingent Assets and Liabilities	IPSAS	Annually (t+5 months)
5	Cash Flow Table	GFS - IPSAS	
6	Balance Sheet	GFS - IPSAS	Annually (t+5 months)

8

AMENDMENTS in 2015

The Regulation about Accounting Treatments of Public Private Partnership (PPP) Implementations,

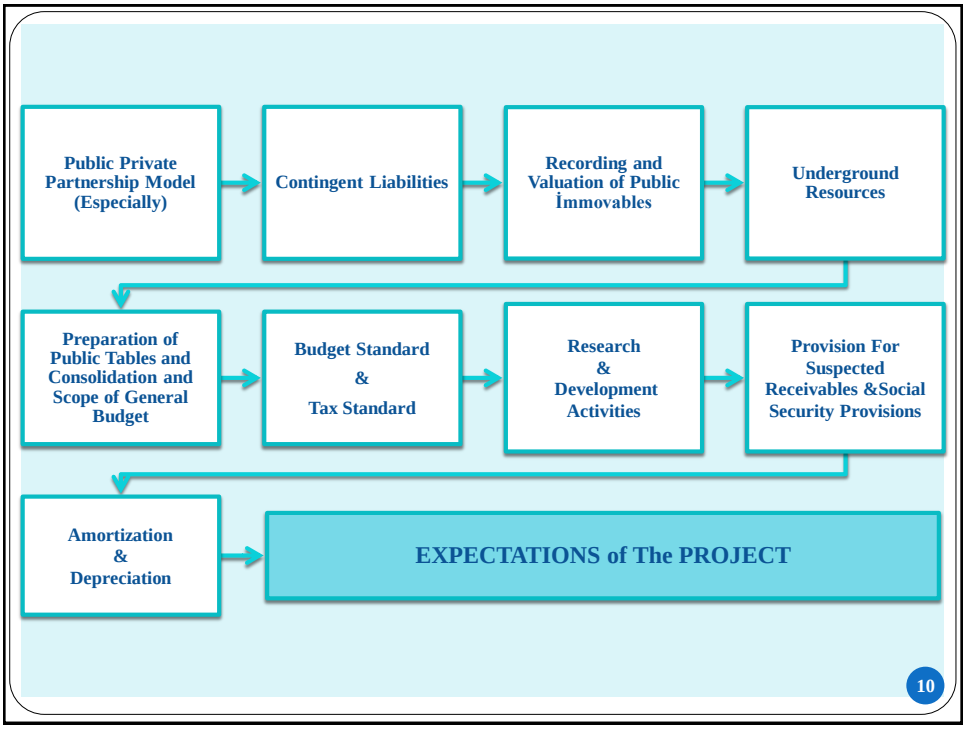
- **Service Concession Arrangements (Build-Operate-Transfer)**
- **Finance Leases (Build-Lease-Transfer)**

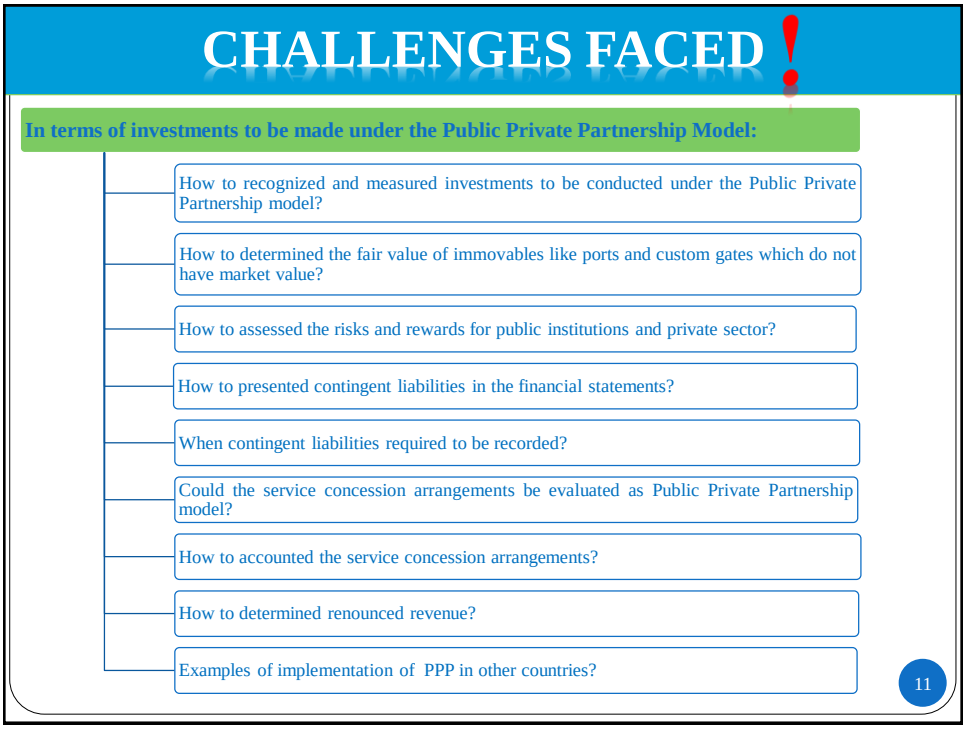
The Adjustment of Inflation,

The Inventory of Public Immovable,

The Presentation and Preparation of Financial Statements by General Budget Institutions separately.

9


Public Private Partnership Model (Especially)
Contingent Liabilities
Recording and Valuation of Public İmmovables
Underground Resources
Preparation of Public Tables and Consolidation and Scope of General Budget
Budget Standard & Tax Standard
Research & Development Activities
Provision For Suspected Receivables &Social Security Provisions
Amortization & Depreciation
EXPECTATIONS of The PROJECT
10


CHALLENGES FACED !
In terms of investments to be made under the Public Private Partnership Model:
How to recognized and measured investments to be conducted under the Public Private Partnership model?
How to determined the fair value of immovables like ports and custom gates which do not have market value?
How to assessed the risks and rewards for public institutions and private sector?
How to presented contingent liabilities in the financial statements?
When contingent liabilities required to be recorded?
Could the service concession arrangements be evaluated as Public Private Partnership model?
How to accounted the service concession arrangements?
How to determined renounced revenue?
Examples of implementation of PPP in other countries?
11

CHALLENGES FACED !

In terms of Public Immovables, IPSAS 23 and IPSAS 24:

- How to accounted and valueded underground resources in the context of IPSAS, ESA and GFS?
- How to recognized and valueded immovables (such as highways-ways, forests-parks, lake-pond)?
- How to recorded land and buildings separately when they are acquired together?
- Applicability of token value in the valuation of immovables in terms of countries implementing IPSAS?
- Countries implementing for 100% depreciation/amortization?
- Countries implementing completely compliance with IPSAS 23-Revenue from Non-Exchange Transactions (Taxes and Transfers)?
- How to prepared and presented IPSAS 24-Presentation of Budget Information in Financial Statements?

12

CHALLENGES FACED !

In terms of Other Topics:

- How to assessed the scope of consolidation, especially in terms of public banks and central bank?
- How to recorded research and development activities?
- How to monitored provision for suspected receivables and social security provision in accounting system?
- How to recorded valuable papers such as identity cards and passports?
- How to presented valuable papers?
  (For example; financial position statement/balance sheet or footnotes/disclosures/ memorandum items)

13

THANK YOU FOR YOUR ATTENTION!

Harmonization of IPSASs and General Government Accounting Legislation

IPSAS 32 – Service Concession Arrangements: Grantor

Dr. Jens Heiling

Ankara, 23 August 2017

The better the question. The better the answer.
The better the world works.

EY
Building a better working world

Accounting requirements of IPSAS 32
Overview

Under IPSAS 32, SCAs would result in infrastructure assets being regarded as controlled by government

Scope

- IPSAS 32 applies to all public sector entities other than Government Business Enterprises
- Arrangements within the scope of IPSAS 32 must involve the operator providing public services related to the service concession asset on behalf of the grantor
- Examples of arrangements that are outside the scope of IPSAS 32 are those
  - that do not involve the delivery of public services;
  - where arrangements that involve service and management components where the asset is not controlled by the grantor;
  - include outsourcing, service contracts or privatization:

Accounting requirements of IPSAS 32
Overview

Definitions

- **Service Concession Arrangement** is a binding arrangement between a grantor and an operator in which
  - the operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and
  - the operator is compensated for its services over the period of the service concession arrangement.
- A **grantor** is the entity that grants the right to use the service concession asset to the operator
- An **operator** is the entity that uses the asset to provide public services subject to the grantor´s control of the asset
- A **service concession asset** is an asset used to provide public services in a service concession arrangement that
  - is provided by the operator (construct/develop/acquire or existing asset)
  - is provided by the grantor (existing asset or update)

Accounting requirements of IPSAS 32
Overview - What is a service concession asset?

An asset used to provide public services in a service concession arrangement that is

Provided by the operator which	Provided by the grantor which
▸ Constructs, develops or acquires from a third party or ▸ Is an existing asset of the operator	▸ Is an existing asset of the grantor or ▸ Is an upgrade to an existing asset of the grantor

Accounting requirements of IPSAS 32
Accounting for service concession asset

Recognition

- A government recognizes an asset in its financial statements when (IPSAS 32.9):
  - The grantor controls or regulates the services to be provided by the operator
    and
  - The grantor controls any significant residual interest in the asset at the end of the arrangement
- **However: the recognition criteria in IPSAS 17/ IPSAS 31 have to be fulfilled**
  - it is probable that future economic benefits associated with the item will flow to the entity
  - the cost or fail value of the item can be measured reliably
    -> e.g. during construction period: progress reports by the operator (AG23).

Accounting requirements of IPSAS 32
Accounting for service concession asset

Measurement

- Initial measurement of the asset is at fair value → does not constitute revaluation under IPSAS 17 *Property, Plant and Equipment* / IPSAS 31 *Intangible Assets* (IPSAS 32.11)
- After initial recognition, the asset shall be accounted for in accordance with IPSAS 17 or IPSAS 31 , as appropriate
  - historical cost method
  - revaluation method
- In cases where an existing asset is subject to a SCA, the grantor shall reclassify the asset
  - the requirement of IPSAS 32.11 does not apply to reclassifications, i.e. no re-measurement at fair value in this case (AG24)!

Accounting requirements of IPSAS 32
Accounting for liabilities

Recognition – key principle:

- Where the grantor recognizes an asset in accordance with IPSAS 32.9, he should also recognize a liability (IPSAS 32.14).
  - but: do not recognize liability when an existing asset is reclassified!
- Nature of the liability – depending on the nature of the consideration exchanged between grantor and operator
  - payments to the operator → **financial liability model**
  - compensating the operator by other means:
    - granting the right to earn revenue from users; or
    - granting access to another revenue-generating asset

→ **grant of a right to the operator model**

Accounting requirements of IPSAS 32
Timing of recognition

- Timing of recognition of infrastructure assets and liability/deferred revenue:
  - from date control over the asset is obtained
  - usually at the start of the construction/development period
- But note again: recognition criteria of IPSAS 17 and 31 needs to be fulfilled
  - especially the aspect of "reliably measureable" could be a problem during the period of construction or development

Accounting requirements of IPSAS 32
Accounting for liabilities

- If government compensates the operator for construction by making a predetermined series of payments during the life of the PPP (a government-funded PPP):
  - Government recognizes the assets and a financial liability equal to the full value of the assets
- If government compensates operator for construction by granting the operator the right to earn revenues from users (a user-funded PPP):
  - Government recognizes the assets and deferred revenue equal the full value of the asset

Accounting requirements of IPSAS 32
Accounting for liabilities

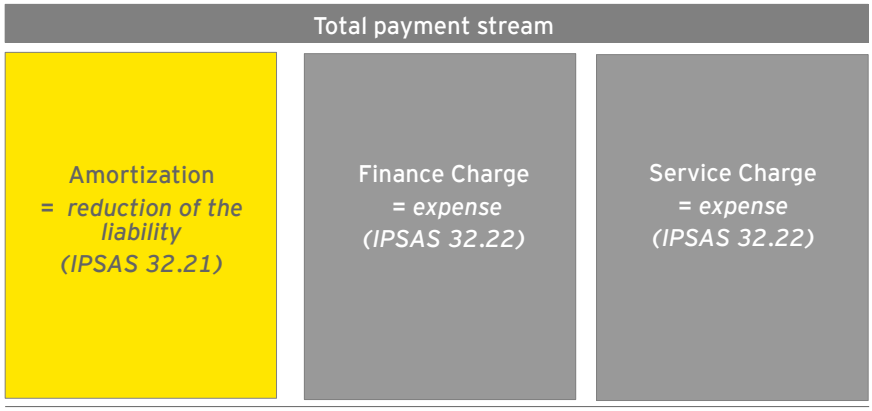
Measurement:

- The liability recognized shall be initially measured at the same amount as the service concession asset (IPSAS 32.15)
  - → It is likely that the government's gross debt increases by the amount of the liability, while net worth remains unchanged
- **Subsequent measurement is depending on the nature of the liability**
  - Financial liability model: measurement according to IPSAS 29 (IPSAS 32.20)
  - Grant of a right model: the grantor shall account for the liability as the unearned portion of the revenue arising from the exchange of assets with the operator (IPSAS 32.24).
  - For mixed arrangements: it is necessary to account separately for each part of the total liability recognized (IPSAS 32.27).

Accounting requirements of IPSAS 32
Accounting for liabilities – financial liability model

Analysing the payment stream

- The grantor shall allocate the payments to the operator and account for them according to their substance (IPSAS 32.21)



Accounting requirements of IPSAS 32
Accounting for liabilities – financial liability model

- Additional services can include:
  - Facility management such as waste management, cleaning, security, grounds and gardens maintenance, administration, building management, help desk services and utilities management
  - Such services represents an 'executory contract'
  - Executory contracts are not recognized to the extent that neither party has performed any of its obligations
  - Payments for services by the operator are accrued for as the services are provided

Accounting requirements of IPSAS 32
Accounting for liabilities – financial liability model

How to allocate the payment streams (IPSAS 32.23):

- Asset and service components are separately identifiable:
  - service components shall be allocated by reference to the relative fair values of the asset and the services
- Asset and service components are not separately identifiable:
  - the service component of payments to the operator is determined using estimation techniques (similar transactions observable?)
  - i.e. the fair value of the asset (IPSAS 32.11) is determined by using estimation techniques (AG31) → assessment of comparable assets
- Service component is recognized evenly over the term of the arrangement – best correspondents to service provision
  - only in cases when specific expenses are required to be separately compensated, and timing is known, these are recognized as incurred (AG46)

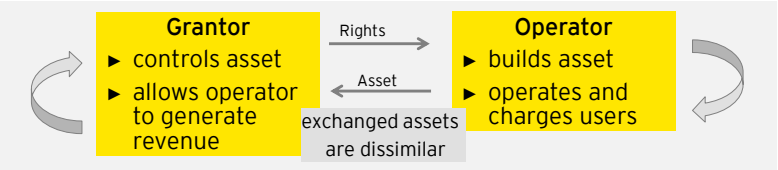
Accounting requirements of IPSAS 32
Accounting for liabilities – financial liability model

The finance charge

- General principle: the finance charge specified in IPSAS 32.21 is determined based on the operator´s cost of capital specific to the asset, if this is practical to determine (AG40).
  - Alternative 1: If cost of capital cannot be determined, the grantor´s incremental borrowing rate (the rate implicit in the arrangement specific to the service concession asset) is used (AG41).
  - Alternative 2: Where sufficient information is not available, the rate used to determine the finance charge may be estimated by reference to the rate that would be expected to acquire a similar asset (AG42).
- The interest rate may not be subsequently changed unless the asset component or the whole of the arrangement has been renegotiated (AG44).

Accounting requirements of IPSAS 32
Accounting for liabilities – Grant of a Right Model

- SCA is an exchange transaction – IPSAS 9 applies



Background information from the Basis for Conclusions:

- **revenue recognition** according to IPSAS 9: exchange is regarded as transaction that generates revenue if and as it results in an increase in the net assets of the grantor (BC35).
- in general: economic substance of an SCA provides an increase in net assets, so revenue accrues and should be recognized (BC29).
- Key question: to which period(s) has the revenue to be allocated?

→ timing is over period of arrangement. Until the criteria for revenue recognition have been satisfied, credit is recognized as liability (BC39).

Accounting requirements of IPSAS 32
Accounting for liabilities – grant of a right model

- General principle (IPSAS 32.24): the grantor shall account for the liability recognized in accordance with para.14 as the unearned portion of the revenue arising from the exchange of assets
  - As the right granted to the operator is effective for the period of the arrangement, the grantor does not recognize revenue from the exchange immediately (IPSAS 32.26; under ED 43: "performance obligation")

→ the grantor earns the benefit associated with the assets received in exchange for the right granted to the operator over the period of the arrangement (AG47)

  - The revenue is recognized according to the economic substance of the service concession arrangement, and the liability is reduced as revenue is recognized

Accounting requirements of IPSAS 32
Presentation and disclosure (IPSAS 32.32)

- A description and significant terms of the arrangement
- The nature and extent of:
  - rights to use specified assets
  - rights to expect operator to provide services
  - the service concession assets recognized
  - rights to receive specified assets at the end of the contract
  - renewal and termination options
  - other rights and obligations (e.g. major overhaul of assets)
  - obligations to provide operator access to service concession assets or other revenue-generating assets
- Changes in the arrangement during the period

Accounting requirements of IPSAS 32
Example 1: Build, maintain and operate a road

Fact pattern

- The operator is required to construct a road (within two years) and maintain and operate the road to a specified standard for eight years
- The operator is required to resurface the road and estimates the resurfacing to take place at the end of year 8 at a fair value of CU110
- At completion of the construction of the road (end of year two), total fair value of the road is CU1,050 (CU940 attributed to road base and CU110 attributed to surface layers)
- The road base has an economic life of 25 years

Accounting requirements of IPSAS 32
Example 1: Build, maintain and operate a road (cont.)

- The operator's cost of capital is not readily determinable. The rate implicit in the service concession arrangement specific to the asset is 6.18%.
- The terms of the arrangement require the grantor to pay the operator CU200 per year in years 3 – 10 for making the road available to the public
- These payments are intended to cover the cost of construction, annual operating cost (CU12) and reimbursement for the cost of resurfacing the road in year 8 (CU110)

Q1: Is this a Service Concession Arrangement in the scope of IPSAS 32?

Q2: If yes, what accounting model has to be applied?

Accounting requirements of IPSAS 32
Example 1: Build, maintain and operate a road (cont.)

Financial statement impact

Assets

- Recognize the infrastructure as PPE at its FV (CU1,050)
- Asset is recognized as it is constructed (CU525 in years 1 & 2)
- Depreciation is taken annually (road base and surface layers depreciated at different rate) from year 3

Liabilities

- A financial liability at FV is recognized at the end of year 1 (CU 525)
- The liability is increased at the end of year 2 to reflect both the fair value of the additional construction (CU525) and the finance charge on the outstanding financial liability (CU 32)

Accounting requirements of IPSAS 32
Example 1: Build, maintain and operate a road (cont.)

- The liability is subsequently measured at amortized cost, i.e., the amount initially recognized plus the finance charge on that amount calculated using the effective interest method minus repayments
- A **finance charge** at the implicit rate of 6.18% is recognized as an expense annually
- The **operating costs** (service component) are also recognized as an expense as incurred (= annually)
- The grantor recognizes the **additional resurfacing** as an asset when the work is undertaken and recognizes the depreciation charge for it from year 9 onwards

Accounting requirements of IPSAS 32
Example 1 (cont.) – Cash flows

Year	1	2	3	4	5	6	7	8	9	10	Total
Predetermined series of payments	–	–	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(1,600)
Net inflow/ (outflow)	–	–	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(1,600)

Accounting requirements of IPSAS 32
Example 1 (cont.) - Statement of financial performance: Year 1 to Year 10

Year	1	2	3	4	5	6	7	8	9	10	Total
Service expense	–	–	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(96)
Finance charge	–	(32)	(67)	(59)	(51)	(43)	(34)	(25)	(22)	(11)	(344)
Depreciation – base layers	–	–	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(304)
Depreciation – original surface layer	–	–	(18)	(19)	(18)	(18)	(19)	(18)	–	–	(110)
Depreciation – replacement surface layer	–	–	–	–	–	–	–	–	(18)	(19)	(37)
Total depreciation	–	–	(56)	(57)	(56)	(56)	(57)	(56)	(56)	(57)	(451)
Annual surplus/ (deficit)	–	(32)	(135)	(128)	(119)	(111)	(103)	(93)	(90)	(80)	(891)

Accounting requirements of IPSAS 32

Example 1 (cont.) - Statement of financial position: Year 1 to Year 10

Year	1	2	3	4	5	6	7	8	9	10
Service concession asset – base layers	525	940	902	864	826	788	750	712	674	636
Service concession asset – original surface layer	–	110	92	73	55	37	18	–	–	–
Service concession asset – replacement surface layer	–	–	–	–	–	–	–	110	92	73
Total Service concession asset	525	1,050	994	937	881	825	768	822	766	709
Cash	–	–	(200)	(400)	(600)	(800)	(1,000)	(1,200)	(1,400)	(1,600)
Financial liability	(525)	(1,082)	(961)	(832)	(695)	(550)	(396)	(343)	(177)	–
Cumulative surplus/deficit	–	32	167	295	414	525	628	721	811	891

Accounting requirements of IPSAS 32

Example 2: variation of example 1 – right to charge users for use of toll road

- Fact pattern of example 2 is a variation to example 1
- The operator is allowed to collect tolls from drivers using the road
- The operator forecasts that it will receive tolls of CU200 in each of years 3-10
- The total consideration reflects the fair values for the services to be provided and is intended to cover the cost of constructing the road, annual operating costs of CU12 and reimbursement to the operator for cost of resurfacing the road in year 8

Q1: Is this a Service Concession Arrangement in the scope of IPSAS 32?

Q2: If yes, what accounting model has to be applied?

Accounting requirements of IPSAS 32

Example 2: variation of example 1 – right to charge users for use of toll road

Financial statement impact

Assets

- Initial recognition of the asset as PPE at FV of CU1,050 (CU940 for road base and CU 110 for surface layers) is consistent with example 1

Liabilities

- In this example, the grantor recognizes a liability under the grant of a right to the operator model for granting the operator the right to collect tolls (CU 200 p.a.) in years 3-10
- The liability is recognized as the asset is recognized and initially measured at fair value of the asset.

Accounting requirements of IPSAS 32

Example 2 (cont.)

- The liability is reduced over years 3–10, as the grantor recognizes revenue on that basis because access to the road is expected to be provided evenly over the term of the arrangement
- The compensation for the additional road resurfacing is included in the tolls the operator expects to earn over the whole term of the arrangement → i.e. the resurfacing is part of the asset exchange from the commencement of the arrangement.
  - the revenue, which is evenly allocated to the periods of the arrangement, therefore contains the 110 CU for the resurfacing also evenly from period 3 – 10

Accounting requirements of IPSAS 32

Example 2 (cont.) - Statement of financial performance: Year 1 to Year 10

Year	1	2	3	4	5	6	7	8	9	10	Total
Revenue (reduction of liability)	–	–	145	145	145	145	145	145	145	145	1160
Depreciation – base layers	–	–	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(304)
Depreciation – original surface layer	–	–	(18)	(19)	(18)	(18)	(19)	(18)	–	–	(110)
Depreciation – replacement surface layer	–	–	–	–	–	–	–	–	(18)	(19)	(37)
Total depreciation	–	–	(56)	(57)	(56)	(56)	(57)	(56)	(56)	(57)	(451)
Annual surplus/(deficit)	–	–	89	88	89	89	88	89	89	88	709

Accounting requirements of IPSAS 32

Example 2 (cont.) - Statement of financial position: Year 1 to Year 10

Year	1	2	3	4	5	6	7	8	9	10
Service concession asset – base layers	525	940	902	864	826	788	750	712	674	636
Service concession asset – original surface layer	–	110	92	73	55	37	18	–	–	–
Service concession asset – replacement surface layer	–	–	–	–	–	–	–	110	92	73
Total Service concession asset	525	1,050	994	937	881	825	768	822	766	709
Cash	–	–	–	–	–	–	–	–	–	–
Liability	(525)	(1,050)	(905)	(760)	(615)	(470)	(325)	(290)	(145)	–
Cumulative surplus/deficit	–	–	(89)	(177)	(266)	(355)	(443)	(532)	(621)	(709)

Accounting requirements of IPSAS 32

Example 3: Grantor makes predetermined series of payments and grants operator right to charge

Variation to fact pattern in example 1

- The operator is allowed to collect tolls from drivers using the road
- The operator forecasts that it will receive tolls of CU100 in each of years 3-10
- The grantor is also required to pay the operator CU100 annually

Accounting requirements of IPSAS 32

Example 3: Grantor makes predetermined series of payments and grants operator right to charge

Financial statement impact

Assets

- Initial recognition of the asset as PPE at FV of CU1,050 (CU940 for road base and CU 110 for surface layers), consistent with example 1
- The grantor recognizes the resurfacing as an asset when the work is undertaken and recognizes depreciation expense of CU110/6 = CU18, beginning in year 9.

Liabilities

- The grantor's obligation related to the right granted to the operator to charge tolls and the predetermined payments are regarded as two separate items
- The grantor therefore recognizes both a liability under the grant of a right to the operator model by granting the operator the right to collect tolls (CU100) in years 3 - 10, and a financial liability to make payments of CU100 in years 3 – 10.

Accounting requirements of IPSAS 32
Example 3 (cont.)

Liability "Grant of a right"

- A liability is recognized at the end of year 1 (CU263 = ½ x CU525). The liability is increased at the end of year 2 to reflect half of the fair value of the construction (CU525).
- The liability of CU525 (recognized evenly at the end of years 1 and 2) is reduced over years 3–10, and the grantor recognizes revenue on the same basis because the tolls are expected to be earned evenly over the term of the service concession arrangement from the point at which the asset is capable of providing service benefits.

Financial Liability

- The grantor initially recognizes a financial liability at fair value equal to half of the fair value of the asset (CU525), recognized evenly at the end of years 1 and 2.
- The financial liability is also increased at the end of year 2 by the finance charge on the outstanding financial liability.

Accounting requirements of IPSAS 32
Example 3 (cont.)

- A finance charge at the implicit rate of 6.18% is recognized annually.
- The liability is subsequently measured at amortized cost, i.e., the amount initially recognized plus the finance charge on that amount calculated using the effective interest method minus repayments.
- The operator is compensated for maintenance and operating the road (CU12) through the tolls the operator expects to earn and the predetermined payment (i.e., 50% from each). Therefore half of the service component is recognized as an expense (CU6).

Accounting requirements of IPSAS 32
Example 3 (cont.) – Cash flows

Year	1	2	3	4	5	6	7	8	9	10	Total
Predetermined series of payments	–	–	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(800)
Net inflow/ (outflow)	–	–	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(800)

Accounting requirements of IPSAS 32
Example 3 (cont.) - Statement of financial performance: Year 1 to Year 10

Year	1	2	3	4	5	6	7	8	9	10	Total
Revenue (reduction of liability)	–	–	73	72	73	72	73	72	73	72	580
Service expense	–	–	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(48)
Finance charge	–	(16)	(33)	(30)	(26)	(22)	(17)	(12)	(11)	(5)	(172)
Depreciation – base layers	–	–	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(304)
Depreciation – original surface layer	–	–	(18)	(19)	(18)	(18)	(19)	(18)	–	–	(110)
Depreciation – replacement surface layer	–	–	–	–	–	–	–	–	(18)	(19)	(37)
Total depreciation	–	–	(56)	(57)	(56)	(56)	(57)	(56)	(56)	(57)	(451)
Annual surplus/(deficit)	–	(16)	(22)	(21)	(15)	(12)	(7)	(2)	–	4	(91)

Accounting requirements of IPSAS 32

Example 3 (cont.) - Statement of financial position: Year 1 to Year 10

Year	1	2	3	4	5	6	7	8	9	10
Service concession asset – base layers	525	940	902	864	826	788	750	712	674	636
Service concession asset – surface layer	–	110	92	73	55	37	18	–	–	–
Service concession asset – replacement surface layer	–	–	–	–	–	–	–	110	92	73
Total service concession asset	525	1,050	994	937	881	825	768	822	766	709
Cash	–	–	(100)	(200)	(300)	(400)	(500)	(600)	(700)	(800)
Liability	(262)	(525)	(452)	(380)	(307)	(235)	(162)	(145)	(72)	–
Financial liability	(263)	(541)	(480)	(416)	(348)	(276)	(199)	(172)	(89)	–
Cumulative surplus/deficit	–	16	38	59	74	86	93	95	95	91

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Harmonization of IPSASs and General Government Accounting Legislation

Situation Analysis – PPPs

Özgür Avcuoğlu

Ankara, 23 August 2017

The better the question. The better the answer.
The better the world works.

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Accounting for PPPs
General Framework

- Public-Private Partnerships are an increasingly popular public investment model in Turkey, There are two types of this model;
  - Build-Operate-Transfer (BOT) *(Yap-İşlet-Devret)*
  - Build-Rent-Transfer (BRT) *(Yap-Kirala-Devret)*
- IPSAS 32: Service Concession Arrangements : Grantor is used for the standardization of accounting practices related to BOT model. DMSK has adopted this standard; *DMS 32: Hizmet İmtiyaz Sözleşmeleri* is in operation since April 2014
- IPSAS 13: Leases is used for the standardization of accounting practices related to BRT model. DMSK adopted this standard; *DMS 13: Kiralamalar* is effective since January 2010.

Current Inventory of PPPs in Turkey

Project Types	Central Government	Local Governments
City hospitals	21	-
Customs gates	12	-
Marina	17	-
Tunnels	1	-
Motorways/bridges	4	-
Solid waste facilities	-	3
Culture and tourism facilities	-	6
Car park	-	9
TOTAL	55	18

Project Types	Central Government	Local Governments	Total
Projects made in inventory	55	18	73
Projects Under Construction	27	1	28
Operational/Rented Projects	30 (*)(**)	17	47

(*: 2 Projects are partly operational and partly under construction)

(**: 2 Projects are under suspension due to security reasons)

Accounting for PPPs
Current Situation

Statutory Framework

1. Regulation on General Government Accounting (No: 2014/7052)
2. Regulation on Central Government Accounting (No: 2014/20357)
3. General Directorate of Public Accounts General Communiqué (No: 45) Accounting Transactions of Public Private Partnership Practices (2015/29410)

The categories specified under the regulation are:

- Build-operate-transfer: Mostly road transportation investments such as tunnels, motorways, bridges or custom gates.
- Build-rent-transfer: Mostly sizable investments such as city hospitals

Current regulations on PPPs are mostly in line with IPSAS 13 and 32; with one divergence: intangible assets are not recognized in the regulations.

Accounting for PPPs
Current Situation

- *The definitions provided in IPSAS 32 and RGGA are aligned!*

	IPSAS 32	RGGA
Service Concession Arrangement	… a binding arrangement between a grantor and an operator in which: a) The operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and b) The operator is compensated for its services over the period of the service concession arrangement	Service concession arrangement is the arrangement in which the operator uses the service concession asset for a specified period to provide public services and that the compensation of these services is paid to the operator.
Service Concession Asset	A service concession asset is an asset (typically property, plant, and equipment or an intangible asset) used to provide public services in a service concession arrangement that a) Is provided by the operator which: i) The operator constructs, develops, or acquires from a third party; or ii) Is an existing asset of the operator; or b) Is provided by the grantor which: i) Is an existing asset of the grantor; or ii) Is an upgrade to an existing asset of the grantor.	Service concession asset describes the assets in a service concession arrangement. When the public administration monitors the services provided by the operator with this asset as well as to whom and with what prices these services are to be provided, and the service concession asset is transferred to the public administration with the expiration of the arrangement, these assets are monitored in the service concession assets account within the intangible fixed assets account group.

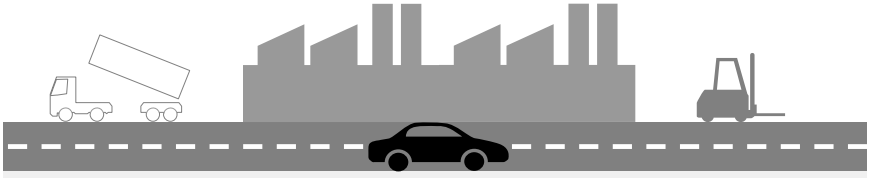
Accounting for PPPs
Current Situation

BOT MODEL

- *Recording of the commitment* :
  - Grantor makes the initial recording of the service concession asset (SCA) according to the contract amount after the signature.
  - If there is debt financing agreement, then amount of the debt is recorded by the Treasury after the signature.
- *Recognition and recording of the asset and revenues:*
  - Grantor recognizes and records the asset after the construction at its service guarantee value.
  - Operator records the monthly expected revenues at the beginning of each financial year for every contract year.
  - Operator records monthly proportions of the accrues revenues at the end of each month.
- *Recording of the guarantees*
  - Grantor calculates the actual amount to be paid to the operator, and estimates future amounts to be paid based on the actual figures. The cumulative amount for all of the contract period is made at the end of first operation year.
- *Most actively used accounts for the BOT PPPs*

Account Number	Account Name
256	Service Concession Assets Account
257	Accumulated Depreciation Account (-)
380	Account of Income Relating to Future Months
480	Account of Income Relating to Future Years
930/931	Given Guarantees Account/Given Guarantees Provision Account
934/935	Debt Undertaking Commitments Account/Debt Undertaking Commitments Provision Account

Accounting for PPPs
An Example for BOT: Motorway construction



Accounting treatment for BOT model in Turkey, motorway section between İstanbul and Ankara :

- **Grantor:** General Directorate of Highways (GDH)
- **Contractor:** Construction Company ZYX
- Undersecretariat of Treasury and the creditor signed a debt financing agreement of 3,000,000,000 TL on 18.02.2015.

Key project information is summarized below:

- **Investment amount** : 4.500.000.000 TL
- **Construction period** : 2 years from 01.01.2015
- **Operation period** : 8 years from 01.01.2017
- **Demand guarantee** : 40.000.000 vehicle/year
- **Price per vehicle** : 20 TL
- **Maximum demand guarantee according to feasibility:** 6.400.000.000 TL

EY

Accounting for PPPs
An Example for BOT: Motorway construction

- ***Recording of the commitment*** :
  - This recording is expected to be made by the grantor according to the contract price of the SCA after the signature is signed:

922- PPP Commitments Account	4.500.000.000	
923- PPP Commitments Provision Account		4.500.000.000

  - After completion of the 10% is reported to the accounting unit of the grantor:

923- PPP Commitments Provision Account	450.000.000	
922- PPP Commitments Account		450.000.000

These accounts are used until the end of construction period.

  - Following the decision of the Council of Ministers, the Treasury Undersecretariat and the creditor signed a debt financing agreement of 3,000,000,000 TL on 18.02.2015.

934 - Debt Undertaking Commitments Account (934.01- Debt Undertaking Commitments – Agreements Account)	3.000.000.000	
935- Debt Undertaking Commitments Provision Account		3.000.000.000

  - A week later, XYZ used an externally financed loan of US $ 1.5 billion with an 8-year maturity. ($ 1 = TL 2)

934 - Debt Undertaking Commitments Account (934.02 – Debt Undertaking Commitments – Net Used Account)	3.000.000.000	
934 - Debt Undertaking Commitments Account. (934.01- Debt Undertaking Commitments – Agreements Account)		3.000.000.000

EY

Accounting for PPPs
An Example for BOT: Motorway construction

- *Recognition and recording of the asset and revenues:*
  - After the construction of the SCA, the asset is recognized and recorded at its service guarantee value.

256- Service Concession Assets Account	6.400.000.000	
480- Account of Income Relating to Future Years		6.400.000.000

  - At the beginning of the financial year, proportional to its envisaged operation period (1year / 8 years) by the operator, the following records is made to monitor monthly expected revenues.

480- Account of Income Relating to Future Years	800.000.000	
380- Account of Income Relating to Future Months		800.000.000

  - And monthly proportions of the accrued revenues are monitored at the end of each month as follows:

380- Account of Income Relating to Future Months	66.666.666	
600- Income Account		66.666.666

  - The above cycle repeats for the following 7 years during the agreed operation period. At the end of the operation period, SCA is recoded as follows:

251- Underground and Overland Plants Account	6.400.000.000	
256- Service Concession Assets Account		6.400.000.000

Accounting for PPPs
An Example for BOT: Motorway construction

- *Recording of the guarantees:*
  - After the construction of the SCA, the asset is recognized and recorded at its service guarantee value. There is no specific measurement or feasibility methods provided in the regulations for the recognition and measurement of the guarantees to be recoded. The below figure is provided as a representative figure for this example:

930- Given Guarantees Account	2.400.000.000	
931-Given Guarantees Provision Account		2.400.000.000

  - Recording of the actual guarantee at the end of a year is to be recorded as follows; assuming that the guarantee is for 40,000 vehicles whereas the actual number was 35,000, which means 100,000 TL is to be paid to the operator ([40,000-35,000]x20TL= 100,000 TL).

630- Expense Account	100.000.000	
103- Cheques Given and Payment Orders Account		100.000.000
830- Budget Expense Account	100.000.000	
835-Expense Reflection Account		100.000.000
931- Given Guarantees Provision Account	300.000.000	
930- Given Guarantees Account		300.000.000

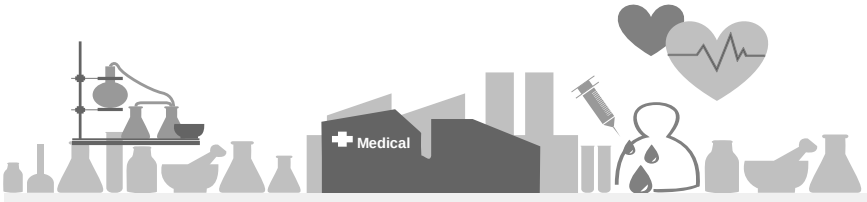
Accounting for PPPs
Current Situation

BRT MODEL

- *Recording of the commitment*
  - Grantor makes the initial recording of the service concession asset according to the contract amount after the signature.
  - When a certain amount of construction is complete, Grantor will recognize the constructed amount at the end of first quarter.
- *Recording of the asset and leasing*
  - Grantor makes the recognition of the asset, when the construction is complete.
  - Grantor records the current year portion of the rent payment and leasing cost.
  - Based on the accrued leasing costs, Grantor makes recognitions at the end of each month.
  - Grantor makes the record of yearly rent payment at the end of the each year in rental period.
- *Most actively used accounts for the BRT PPPs*

Account Number	Account Name
307	Financial Leasing Undertakings Account (short term)
308	Deferred Financial Leasing Borrowing Cost Account (long term) (-)
407	Financial Leasing Undertakings Account (long term)
408	Deferred Financial Leasing Borrowing Cost Account (long term) (-)
922/923	PPP Commitments Account/PPP Commitments Provision Account
934/935	Debt Undertaking Commitments Account/Debt Undertaking Commitments Provision Account

Accounting for PPPs
An Example for BRT: City Hospital Construction



Accounting treatment for BRT model in Turkey, city hospital construction in Ankara:

- **Grantor:** Republic of Turkey Ministry of Health
- **Contractor:** Construction Company XYZ
- Undersecretariat of Treasury and the creditor signed a debt financing agreement of 3,000,000,000 TL on 18.02.2015.

Key project information is summarized below:

- **Investment amount** : 1.300.000.000 TL
- **Construction period** : 2 years from 01.01.2015
- **Rental period** : 8 years from 01.01.2017
- **Yearly rent** : 250.000.000 TL
- **Present value of the total rent payments** : 1.500.000.000 TL
- **Adjusted value of total rent payments** : 1.800.000.000 TL

Accounting for PPPs
An Example for BRT: City Hospital Construction

- ***Recording of the commitment*** :
  - The contract is signed on 10.12.2014:

922- PPP Commitments Account	1.300.000.000	
923- PPP Commitments Provision Account		1.300.000.000

  - 10% of the construction is completed at the end of the first quarter and proportional amount is recorded as follows:

923- PPP Commitments Provision Account	130.000.000	
922- PPP Commitments Account		130.000.000

Similar accounting records will be made till the end of the construction period as necessary documentation is provided to the accounting unit of MoH.

- ***Recognition and recording of the asset and revenues***
  - Once the hospital construction is completed and accepted by the MoH, the following record is

252- Buildings Account	1.500.000.000	
408- Deferred Financial Leasing Borrowing Cost Account (long term)	500.000.000	
407- Financial Leasing Undertakings Account (long term)		2.000.000.000

  - Following records are made for the current year portion of the rent payment and leasing costs:

407- Financial Leasing Undertakings Account (long term)	250.000.000	
308- Deferred Financial Leasing Borrowing Cost Account (short term)	62.500.000	
307- Financial Leasing Undertakings Account (short term)		250.000.000
408- Deferred Financial Leasing Borrowing Cost Account		62.500.000

Accounting for PPPs
An Example for BRT: City Hospital Construction

- *Recognition and recording of the asset and revenues (Continued):*
  - At the end of first month of the year (presumably 31.01.2017); the following record is made for the accrued leasing costs:

630- Expense Account	5.208.333	
308- Deferred Financial Leasing Borrowing Cost Account (short term)		5.208.333

This record is repeated every month till the end of the year.

  - Yearly rent payment made at the end of the year (presumably 2017) and the following records are made:

307- Financial Leasing Undertakings Account (short term)	250.000.000	
325- Cash Demand and Appropriation Account		250.000.000
830- Budget Expense Account	250.000.000	
835- Expense Reflection Account		250.000.000

The above record is repeated till the end of the rental period, up until the end of 2024.

Accounting for PPPs
Issues Encountered

- **Recent stride of PPP investments in Turkey is accompanied by the national efforts to improve their accounting and reporting. RGGA and RCGA have brought new recognition, measurement and reporting requirements in line with IPSAS. Nevertheless, there are halogens on the implementation side, and following issues can be noted among for further harmonization with IPSAS:**
  - ***At the central level;***



    - There is also no reporting of the general government financial or future cost outlook data for the PPPs. Hence, PPPs are not reflected in the budget. Budget codes are not suitable to track PPP related financial data.
    - There is no particular depreciation rate envisaged for the service concession assets. The rate valid for similar public assets is used for PPPs.
  - ***At the institutional level;***



    - Despite the national regulations are in line with IPSAS, the service concession asset accounting practices by the implementing institutions has not settled yet.
    - General budget institutions experience difficulty in measuring (no uniform practices on which approach to follow for measurement) the value of the assets provided to the operator.
    - Revaluation of the service concession assets is not being done during the operation period. Institutions experience difficulties in recognizing the revenue generating parts of the service concession assets and do not take into account the foregone revenues from such assets.
    - Disclosures, made by using auxiliary accounts, are not accompanied by any verbal explanation.

Discussion

Accounting for PPPs
Discussion

1

Absence of consolidated accounting data and lack of disclosure in financial reports

- For PPPs with demand guarantee, when should their recognition be done and should there be any provisions?
- Which financial statements are used for the disclosure of the PPPs by the other countries?
- When PPPs are decided to be disclosed in financial statements, should this be in liability tables or in contingent liability tables or in both?
- In case of a disclosure in financial tables, which amount should be disclosed; the whole amount of contract or the corresponding amount for each contractual year?

2

Difficulties in measuring the fair value of the assets due to the absence of specified depreciation rate

- Which principles are used to determine the fair value of the projects in other country examples?
- What are the depreciation time and ratios of service concession assets in other countries?
- How is the foregone income being measured during the transfer of operational rights?
- How are the projects under the BOT and BRT models being accounted by the private sector? Is depreciation set aside?
- How can the fair value of non-active marketable assets be determined resulting from fair value accounting of assets in the beginning under IPSAS 32?

Accounting for PPPs
Discussion

3

Revaluation of service concession assets and operation period

- In the projects which the demand guarantee is given by the government, is the amount of possible abandoned future income equal to the demand guarantee?
- Are the amounts that are followed on the possible abandoned future income being updated during the operational phase of the project?
- Even if the areas outside of the building-use are made according to the BOT model, is it necessary to record these areas as abandoned income under DMS 32?

4

Differences between regulations and implementation

- Which countries fully implement the IPSAS 13 and IPSAS 32?
- Which countries recognize PPPs in their balance sheets and which discloses?
- What is the ratio of PPPs compared to asset and liability amounts in other countries?

5

Risk and return factors

- What kind of risk and return factors are considered in other countries?
- Does the risk and return factors for BRT and BOT differ in other countries?
- Who is responsible of their evaluation? How are these factors determined in other countries? What kind of methods are there to be used?

Accounting for PPPs
Discussion

6

Confusions on the concepts

- Are the stages of the project being accounted and reported as a contingent asset?
- Under which values and when are the demand and income guarantee amounts that are provided by the government recorded? Are provisions of these guarantees set aside?

- Is the financing of related projects guaranteed by the government? If it is, is this guarantee reported as a contingent liability?

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Harmonization of IPSASs and General Government Accounting Legislation

Accounting for public immovables

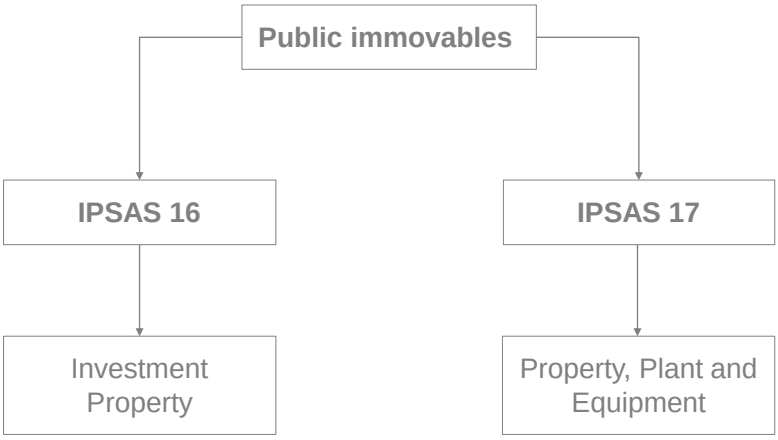
Dr. Jens Heiling

Ankara, 23 August 2017

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Accounting for public immovables under IPSAS



Accounting Requirements of IPSAS 16 - Investment Property

Key issues

- What is investment property?
- Initial recognition
- Subsequent measurement
  - Cost Model
  - Fair Value Model

EY

Definitions:

Investment property

- is property (land or buildings – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:
  - Use in the production or supply of goods or services for administration purposes; or
  - Sale in the ordinary course of business

Owner-occupied property

- is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes

EY

Examples of investment property

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of business.
- Land held for a currently undetermined future use. (If an entity has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation.)
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases.
- A building that is vacant but is held to be leased out under one or more operating leases.
- Property being constructed / developed as investment property

EY

Examples of items that are not investment property

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale
- Property being constructed or developed on behalf of third parties.
- Owner-occupied property, *including (among other things) property held for future use as* owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for military personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal.

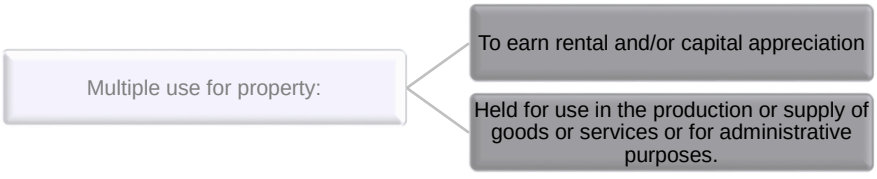
EY

Examples of items that are not investment property (continued):

- Property leased to another entity under a finance lease.
- Property held to provide a social service and which also generates cash inflows.
- Property held for strategic purposes

EY

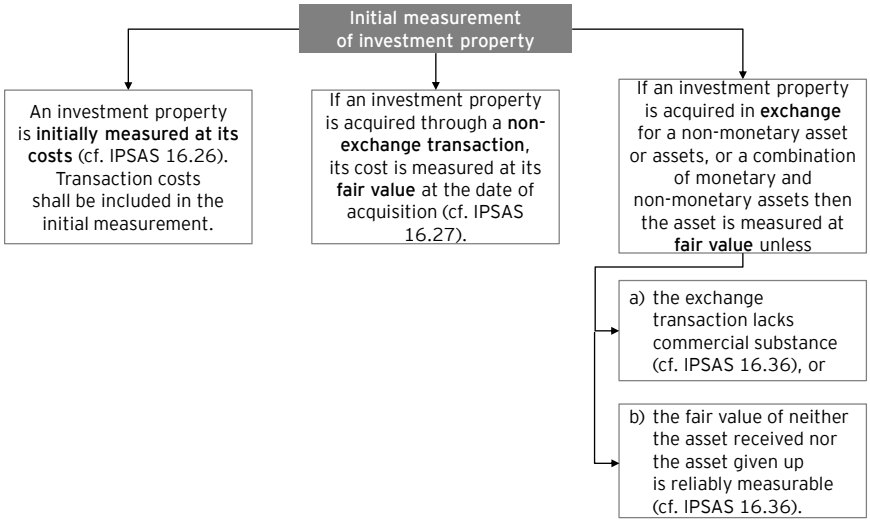
Classification



- If these portions could be sold separately (or leased out separately under a finance lease), account for the portions separately (cf. IPSAS 16.14)
  - Property must be in a state and condition to enable it to be disposed of separately at the reporting date .
- If the portions cannot be sold separately, the property is investment property if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes

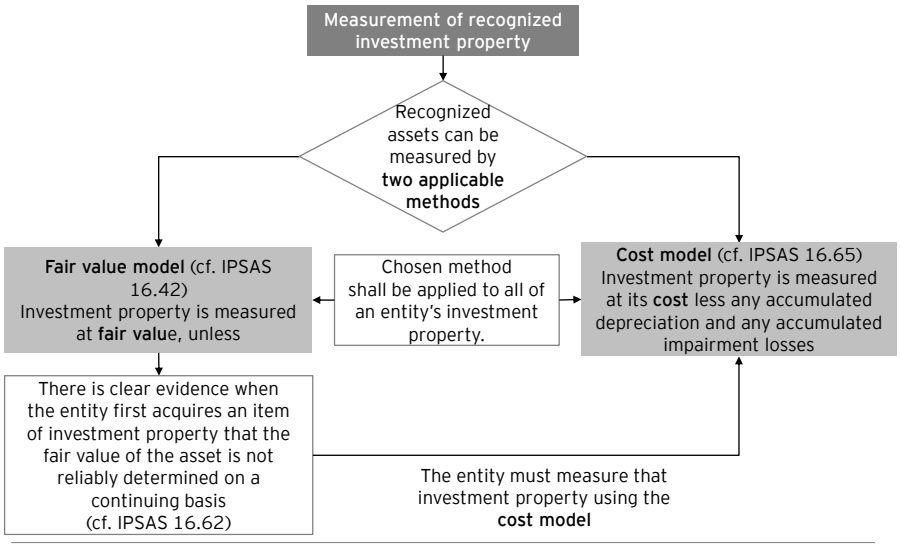
EY

Initial measurement of investment property



EY

Measurement of recognized investment property

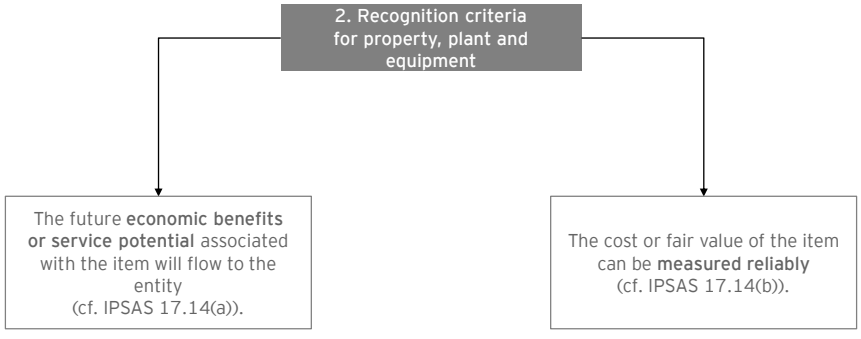


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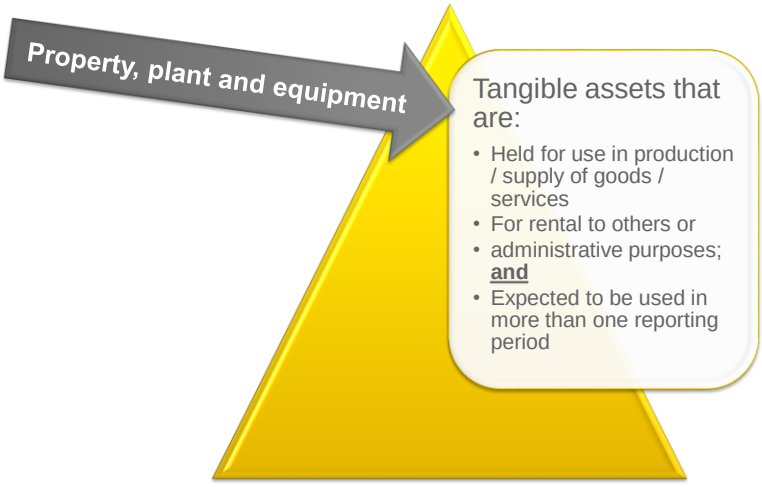
Accounting Requirements of IPSAS 17 - Property, Plant, and Equipment

Definition of PPE

- 1. Needs to fulfill the asset defintion: „A resource presently controlled by the entity as a result of a past event."



Definition of PPE



EY

Examples for PP&E

- Land
- Buildings
- Infrastructure assets (bridges, tunnels, roads, electricity/gas/water networks)
- Fixtures and fittings
- Machinery
- Military equipment
- Motor vehicles
- Computer hardware
- Furniture and office equipment
- Etc.

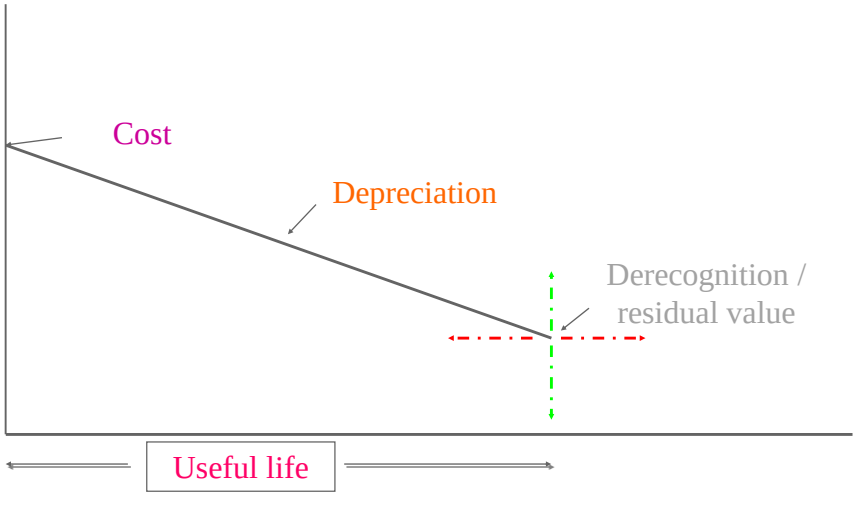
EY

Scope of IPSAS 17

- The following items are not within the scope of IPSAS 17:
  - Tangible fixed assets that qualify as investment property
  - Heritage assets

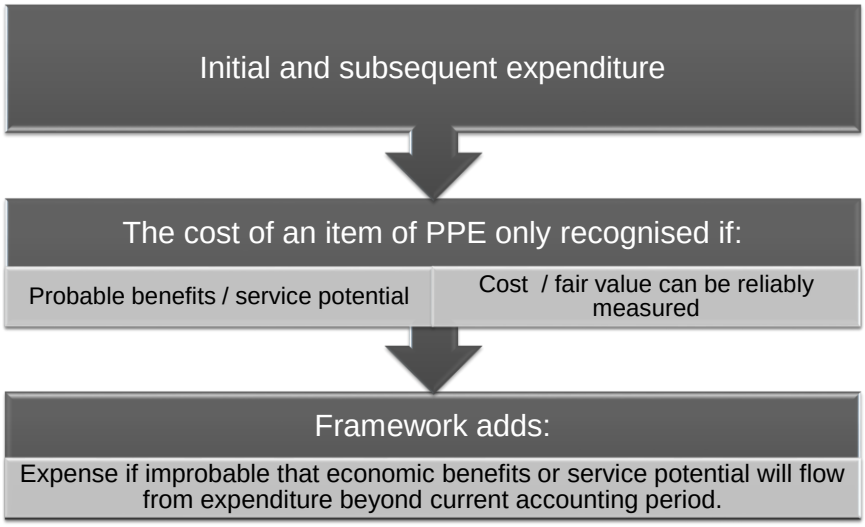
EY

Life cycle of an asset



EY

Recognition



EY

Recognition issues (1)

- Recognise spare parts and servicing equipment as inventory and recognize in surplus or deficit as consumed
- Major spare parts and stand-by equipment are qualified as PPE, when:
  - Entity expects to use more than one period.
  - Item can be used only in connection with an item of PPE. E.g. the electricity network spare parts.
- No requirement to identify all parts. Account separately, if
  - Different depreciation method / rate
  - Replaced separately

EY

Recognition issues (2)

- Infrastructure Assets
  - Part of a system or network,
  - Specialised in nature and do not have alternative uses,
  - Immovable, and
  - May be subject to constraints on disposal
- Examples
  - Road networks
  - Sewer systems
  - Water and power supply systems
  - Communication networks
- If meet definition of PPE, accounted for according to IPSAS 17

Recognition issues (3)

- Environmental and safety equipment can be recognised as PPE
  - Example air filtration systems in a hospital
  - Specialised military equipment
- Repairs/maintenance
  - Day-to-day servicing = expensed
  - Incidental items expensed
  - Replacing significant part
    - Capitalised if recognition criteria are met
    - Derecognise carrying amount of replaced part
  - Regular major inspections
    - Capitalise if recognition criteria met
    - Derecognise carrying amount of replaced part

Recognition issues (4)

- In practice, entities set a capitalization threshold above which assets are capitalized and shown in the statement of financial position;
- Assets below the relevant threshold are expensed in the period of purchase.
- Advantage: capitalization thresholds reduces the cost of gathering data as it decreases the total number of fixed assets that have to be recorded and tracked.

EY

Accounting Policies of the Central Government in France

Materiality thresholds

Central Government may fix materiality thresholds per item[1] taking into account the diversity of its tangible asset portfolio and the sometimes slender distinction between tangible assets and expense. These thresholds may also be fixed, for example, by class of items or type of activity.

EY

Example - recognition

- Entity A is a municipality with a June year-end. During the financial period ending June 2010, the company spent the following amounts:
  - New machinery and office equipment (useful life 5 years) — CU 2 000 000
  - Spare parts — CU 500 000
  - Consumables — CU 300 000
- Which of these should be accounted for as assets and which should be expensed?

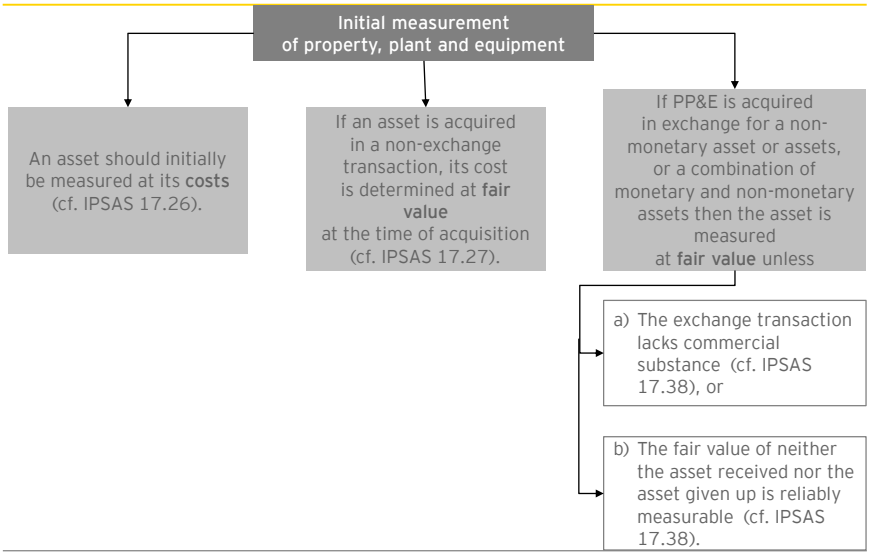
EY

Example - recognition

New machinery and equipment	• Meets the definition of PPE • Recognised as PPE
Spare parts	• Usually carried in inventory • Major spare parts are recognised as PPE when expected to be used during more than one period
Consumables	• If cannot be used beyond current period, expense

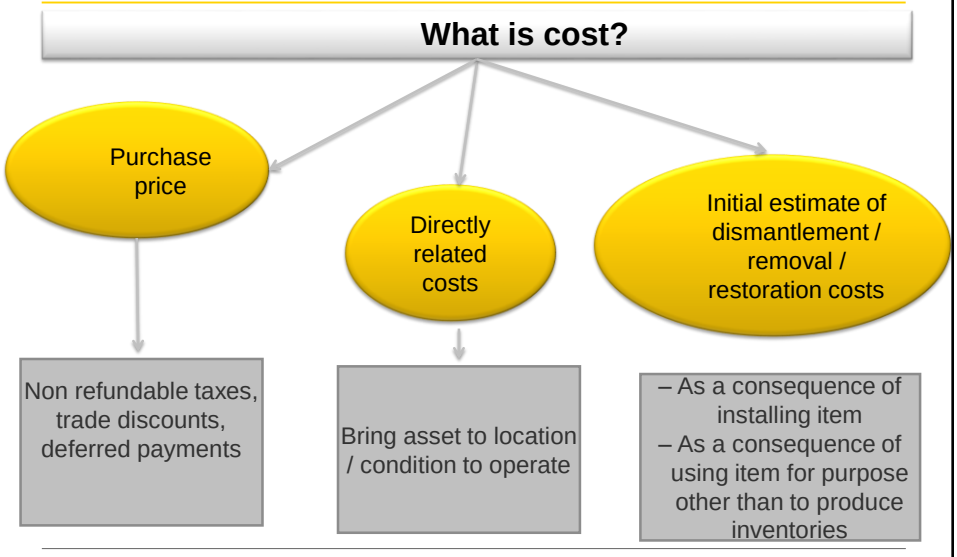
EY

Initial Measurement of PPE



EY

Initial measurement



EY

Initial measurement

Cost includes

- costs of employee benefits arising directly from the construction or acquisition of the item of PPE
- costs of site preparation
- initial delivery and handling costs
- installation and assembly costs
- costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced
- professional fees

- cost also includes capitalized borrowing costs on qualifying assets in terms of IPSAS 5

EY

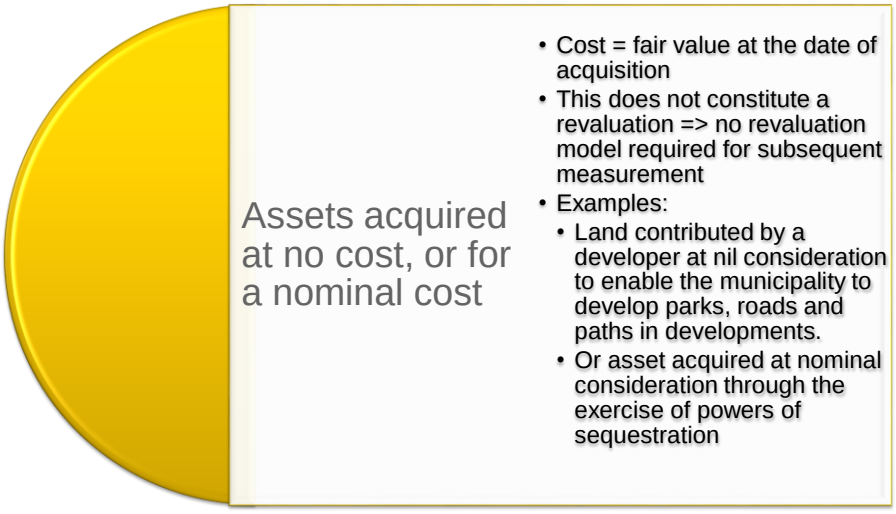
Initial measurement

Cost excludes

- Costs of opening new facility
- Cost of introducing a new product or service
- Costs of conducting business in new location / customers
- Administration and general overhead costs

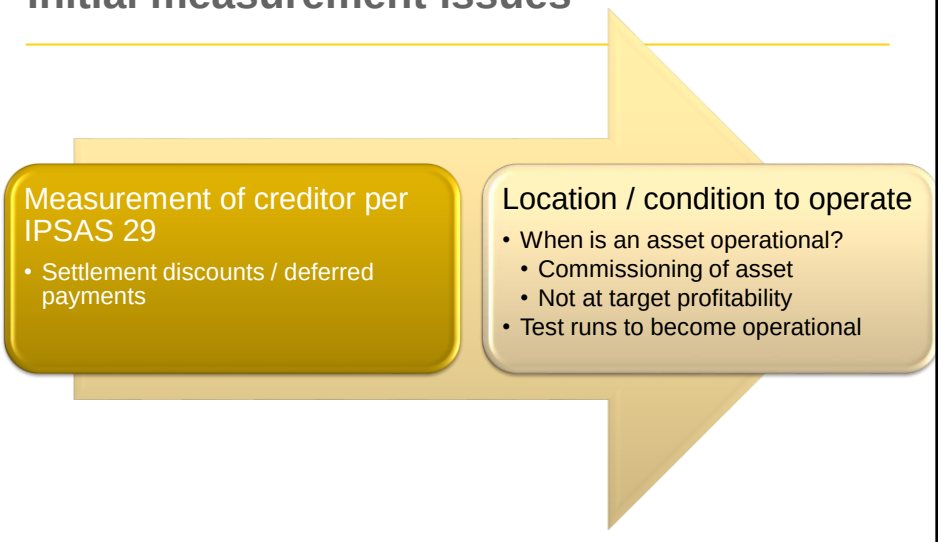
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Initial measurement



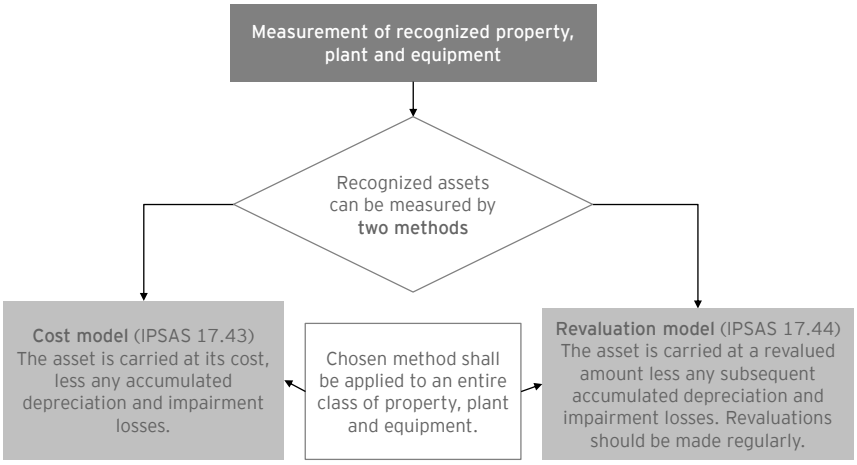
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Initial measurement issues



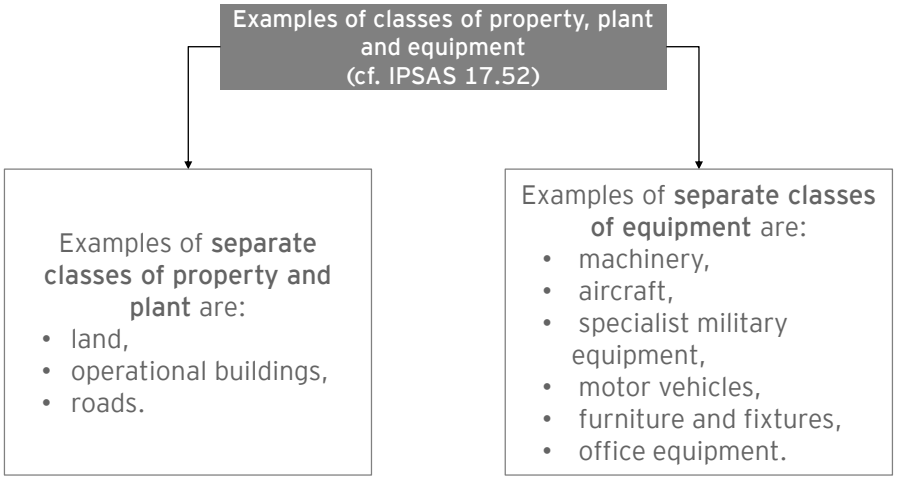
EY

Subsequent Measurement of Recognized PPE



EY

Classes of PPE



EY

Subsequent measurement

- Cost less accumulated depreciation and any accumulated impairment losses

Cost method



- Revalued amount less accumulated depreciation and accumulated impairments
- Only if fair value can be reliably measured
- Who?
- Frequency?

Revaluation method



EY

Depreciation

- Depreciate significant **parts** over useful life
- Depreciation is usually straight line over the useful life (can be on a production basis)
- Depreciation method - review at least at each financial year-end (May require update of fixed asset register)
- Commences - when asset available for use
- Ends - at earlier of
  - Derecognition, or
  - Classification as held for sale
- Continues when asset idle
- Suspension of depreciation
  - If residual amount exceeds carrying value

EY

Depreciation

Land and buildings are separable assets

- Land = unlimited useful life = no depreciation unless
  - Used for extractive purposes (mine); or
  - Used for purposes such as landfill

  - Then may include element for dismantling or restoration

Buildings = limited useful life = depreciated

EY

Depreciation – Residual value

- Estimated at amount ***currently*** obtainable
  - If it were in condition and age expected at end of useful life
  - Less estimated costs of disposal
- Review:
  - At least at each financial year-end
  - Need an annual estimation process
  - Change in estimate – prospective
- Can it be zero? - In most cases in the Public Sector this value is zero but challenge the assumption.
- Depreciation ceases if carrying amount less than residual value
- Where to get residual value?
  - Judgment and estimates

EY

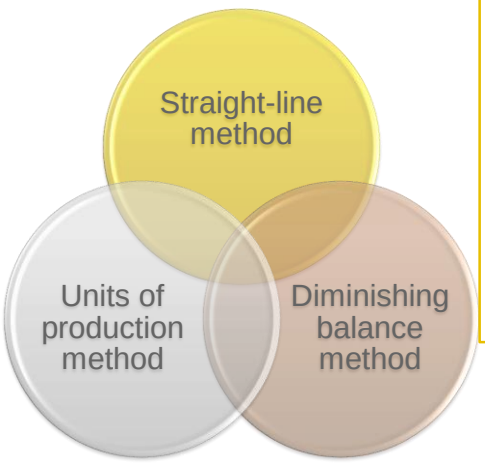
Depreciation – Useful life

Period asset used for, taking into account
- Expected usage (entity specific)
- Expected physical wear and tear
- Technical / commercial obsolescence
- Legal / similar limits

Reviewed at least at each financial year-end
- Need annual estimation process

EY

Depreciation – Methods



- Select the method that best reflects the expected pattern of consumption of future economic benefits or service potential embodied in asset.
- Reviewed annually

EY

Example - depreciation

An international organization has a property, acquired on 1 Apr 2010 for CU2m (land =CU0,5m; admin building = CU1,5m)

On this date the following was also known:

- Market value = CU1,5m;
- Residual value of 20 yr old building of similar nature = CU500k;
- Expected proceeds on disposal after 20 yr's = CU2,7m

Useful life estimated at 20 years. The entity uses the straight-line method for depreciation.

Calculate the depreciation for the year ended 31 March 2012

EY

Example - depreciation (Solution)

- Land is not depreciated
- The depreciable amount of the building is as follows:
  - Cost of Building 1,500,000
  - Residual value 500,000
  - Depreciable amount 1,000,000
- Useful life is 20 years
- Depreciation = 1,000,000/20years

Dr. Depreciation	50,000	
Cr. Accumulated deprecation		50,000

EY

Derecognition

When:	By:	Gain or loss:	Proceeds on disposal
• Item disposed of, or • No future economic benefits or service potential expected	• Entire asset or • Component	• Included in surplus or deficit (not revenue) • Net proceeds less carrying amount	• Deferred payment considerations

EY

Disclosures (for each class of PP&E)

- Accounting policy
  - Depreciation method
  - Useful lives / depreciation rate
- Reconciliation showing:
  - Gross carry amount + accumulated depreciation (beginning and end)
  - Additions
  - Disposals
  - Depreciation
  - Impairments
  - Revaluations
  - Translation differences
  - Other changes

EY

Disclosures for PP&E

- General disclosure:
  - Restrictions on title
  - Where assets are pledged as security
  - Expenditure capitalised on PPE under construction
  - Contractual commitments for acquisitions
  - Compensation for impairments
- Revaluation model disclosures
  - Revaluation date
  - Method & assumptions applied in valuation (arm's length transactions)
  - Who is the external valuer
  - Revaluation surplus

Accounting Requirements of Heritage Assets



Heritage Assets – Definition

Assets of cultural, environmental, historical, natural, scientific, technological or artistic significance held indefinitely for the benefit of present & future generations	• Historical buildings and monuments, • Archaeological sites, • Conservation areas and nature reserves, and • Works of art
Characteristics of Heritage Assets:	• Value in cultural, environmental, educational and historical terms unlikely to be reflected in market price (a financial value) • Legal and/or statutory restrictions on disposal by sale • Often irreplaceable and value may increase over time even if physical condition deteriorates • Difficult to estimate useful lives (could be >100 years)

EY

Heritage Assets – Accounting

- Do these assets meet the definition of PPE?
  - Rarely held for ability to generate cash flows (social obstacles)
  - Some may have service potential other than heritage value, e.g. historic building used for office accommodation – may be PPE
  - Others' service potential is limited to heritage characteristics, e.g. monuments and ruins
- Recognition of heritage assets not required or prohibited by IPSAS 17
  - If not recognised, apply disclosure in IPSAS 17
- An entity that recognises heritage assets should:
  - Comply with IPSAS 17 disclosure requirements
  - Comply with the transitional provisions provided for in IPSAS 17

EY

Accounting for heritage assets

IPSAS 17 does not require the recognition of heritage assets that meet definition and recognition criteria

If does recognise heritage assets:

- Disclose in terms of IPSAS 17
- Not required to apply the measurement principles

Disclosure required of

- Measurement basis used
- Depreciation method used
- Gross carrying amount
- Accumulated depreciation at the end of the period
- Reconciliation of the carrying amount at the beginning and end of the period

EY

Harmonization of IPSASs and General Government Accounting Legislation

Situation Analysis – Accounting for Public Immovable

Özgür Avcuoğlu

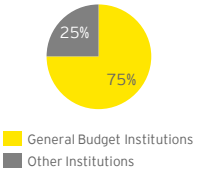
Ankara, 23 August 2017

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The better the world works.

EY
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Accounting for Public Immovable
General Framework

- The subject topic public immovable is held under IPSAS 17, which is titled property, plant, and equipment
- DMSK has adopted IPSAS 17 into DMS 17 and published in official gazette in 2010
- General Directorate of National Real Estate monitors the public immovable in Turkey



75% of the central government immovable are those of general budget institutions.

3.481.426

The number of immovable registered to the Treasury is **3.481.426** in 2016. There is a **1.4%** increase in the number of immovable in 2016 compared to the previous year.

Systems used for the recording of public immovable are; **MEOP**, **Say2000i** and **KBS. 97%** of the immovable registered to the Treasury are recorded automatically with MEOP-HYS as of 2017.

Accounting for Public Immovable
General Framework

- Breakdown of public immovable registered to the Treasury

The Breakdown of Public Immovable Registered to the Treasury

Immovable Category	Number of Items	Percentage (%)	Area (m^2)	Percentage (%)
Land	958.643	25	31.629.815.333	12,9
Territory	472.673	12,30	1.787.370.082	0,7
Vineyard-Garden	238.803	6,2	1.008.493.375	0,4
Building	191.243	5	650.791.852	0,3
Space	1.917	0	82.767.563	0
Coastal and paddy fields	610	0	5.588.633	0
Mine and quarry fields	1.194	0	113.280.123	0
Forests	454.875	11,8	187.513.949.998	76,4
Collective Goods	91.728	2,4	4.583.104.703	1,9
Water and Aquaculture fields	52.229	1,4	516.805.752	0,2
Historic and Cultural Fields	4.101	0,1	92.698.809	0
Field	1.367.151	35,6	17.096.129.404	7
Other	6.259	0,2	467.603.484	0,2
Total	**3.841.426**	**100**	**245.548.399.111**	**100**

Accounting for Public Immovable
Current Situation



1. Regulation on Registration of Public Administrations' Immovable (RPAI) (2006/10970)
2. Regulation on General Government Accounting (2014/7052)
3. Regulation on Central Government Accounting (2014/20357)
4. General Directorate of Public Accounts General Communiqué (No: 47) of Amortization and Depletion Expenses (2015/21208)

Accounting for Public Immovable
Current Situation

- The public immovable are recorded with the measurement bases listed below:
  - Cost value (*maliyet bedeli*)
  - Fair value (*rayiç bedel*)
  - Property tax value (*emlak v.d.*)
  - Token value (*iz bedel*)

The 4 immovable categories and their respective recognition under RPAI:

- '**Public Immovable registered in the land titles** *(Tapuda kayıtlı olan taşınmazlar)*' are recorded based on their cost value and for the ones that the cost value cannot be determined the record is made under fair value.
- However, the public immovable categories listed below:
  - 'Public Immovable registered in the land titles' for which the cost or fair value cannot be determined,
  - '**Public immovable that are not registered in the land titles** *(Tapuda kayıtlı olmayan taşınmazlar)*' which are subject to economic evaluation or which are only used for public necessities,
  - '**Collective goods** *(Orta Malları)*' (pasturage, etc.)
  - '**General Service Areas** *(Ortak Hizmet Alanları)*' listed in the Appendix 1 of the RPAI

Are recorded based on their token value.

Chart of Accounts of Public Immovable

Account Number	Account Name
250	Lands and Parcels Account
250 (01)	Owned by the public administration
250 (02)	Allocated by the public administration
250 (03)	Used as allocated
251	Underground and Overland Layouts Account
251 (01)	Owned by the public administration
251 (02)	Allocated by the public administration
251 (03)	Used as allocated
252	Buildings Account
252 (01)	Owned by the public administration
252 (02)	Allocated by the public administration
252 (03)	Used as allocated
256	Service Concession Assets Account
256 (01)	In the scope of 'Build-Operate-Transfer' Model
256 (02)	In the scope of 'Transfer of Operational Rights' Model

One of the key objectives of General Directorate of National Real Estate is to update the records of the public immovable with fair value until 2017 which were previously recorded with property tax value

Accounting for Public Immovable
Current Situation

- Depreciation period

Account Code	Name of Account Group, Account and Auxiliary Account	Depreciation Time (Year)
25	Tangible Assets	
251	Underground and Overland Layouts Account	1-40
252	Buildings Account	20-50
253	Plants, Machinery and Equipment Account	5
254	Vehicles Account	10
255	Inventories Account	1-5
256	Service Concession Assets Account	1-50

Accounting for Public Immovable
Issues Encountered

- ***The recording of underground resources:*** There is no accounting record or financial statistics made for underground resources. Furthermore, no explanation about the subject topic is made under IPSAS or GFS.
- ***The recording of land and building:*** In the cases in which there is a building on a land, it is recorded as building in the current situation. The RPAI states that the building and land should be recorded as a single immovable. Furthermore, when there are more than one public administration offering services in the same building or land, no accounting practice exists of which unit should be making the records.
- ***The recording and disclosure of public immovable in the balance sheet:*** Immovable such as highway roads, forest parks, and pond lakes are recorded based on their token value which does not reflect the economic benefits/service potential of the asset. The public immovable that is recorded with the token value by the GD of National Real Estate, are reflected in the balance sheet.
- ***The recording of free shops and stopovers:*** The accounting record of duty free shops and stop overs are made as a single entry in the current situation. For example, a single entry is made for highway and the stop over or for the custom gate and duty free shop.

Accounting for Public Immovable

Issues Encountered



- ***The recording of historical and heritage assets:*** The historical and cultural heritage assets that are not registered in the land titles are recorded with token value and this value equals to 1 Kuruş (0.01 Turkish Liras).
- ***The recording of immovable with fair value:*** The fair value of the public immovable, especially for the custom gate and harbor, cannot be determined. In order to record the public immovable with fair value, a board has been established in institutions and thus the records will be updated with the values that the board has determined.
- ***Directly attributable costs to the assets:*** Under IPSAS 17.31, examples of directly attributable costs such as professional fees and employee benefits are provided. However, some of the costs are not taken into account in public sector accounting.
- ***Calculating residual value:*** Residual costs are not included in accounts and depreciation is calculated directly through the cost value.

Discussion

Accounting for Public Immovable
Discussion

1

The recording of underground resources

- How are the accounting records made in other countries for underground resources such as minerals, petroleum, natural gas and similar underground reserves?
- What are the problems arising from different approaches between IPSAS and GFS-ESA? What are the recommendations of solution?

2

The recording of land and building

- How is the accounting record made when there is a building/immovable on the land?
- What is the consideration of IPSAS for recording the land and building separately? What are the accounting practices of exemplary countries?
- If more than one public administration is serving in the same building or on the same land, which unit should keep the accounting records?

3

The recording and disclosure of public immovable in the balance sheet

- Which public immovable should be excluded from the records and balance sheet (taking into account of highway-road, forest-park, lake-pond)?
- What are the examples of immovable that can be recorded with token value? Should immovable recorded with token value be disclosed in the balance sheet or footnotes? What are other exemplary countries that keep IPSAS and accrual based accounting and record with token value?

4

The recording of historical and heritage assets

- What are the other exemplary country practices of recording historical and heritage assets?

Accounting for Public Immovable
Discussion

5

Depreciation Practices

- "If the cost of land includes the cost of site dismantlement, removal, and restoration, that portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs" (IPSAS 17.75). What is the scope of this IPSAS based rule?
- For the immovable that do not exceed the limit of 34.000 TL of cost value, the depreciation rate is 100%. Are there other countries that set these kind of limits and depreciate 100%?

Depreciation Practices

- How is the residual value measured? What is the criteria of the insignificance of residual value? Are there countries that measure depreciation after deducting the residual value?
- "Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately"(IPSAS 17.59). How is the significance criteria determined? How are costs allocated? What are other country practices?

6

The recording of;

Free shops and stopovers

- How is the recording of free shops and stopovers made? How is the recording of highway and stopover or the recording of the custom gate and free shop done separately?
- What are the exemplary country practices on the issue?

Custom Gates and Ports

- How is the fair value determined for the recording of public immovable, such as custom gates and ports?

7

Directly attributable costs to the assets

- Are there countries that include the directly attributable costs, such as the costs of employee benefits and professional fees, to the cost value? How is the implementation done?

Harmonization of IPSASs and General Government Accounting Legislation

Accounting for intangible assets

Dr. Jens Heiling

Ankara, 24 August 2017

The better the question. The better the answer.
The better the world works.

Building a better working world

Objectives of this session

After this session, you should be familiar with the:

- Definition of intangible assets
- Recognition criteria of intangible assets
- Differentiation between the initial measurement of intangible heritage assets, acquired intangible assets and internally generated intangible assets
- Subsequent measurement of intangible assets

Initial recognition of intangible assets

A. **Definition: „identifiable non-monetary assets without physical substance“** (cf. IPSAS 31.16)

1) An asset is **identifiable** if it either (cf. IPSAS 31.19):
   a) is separable; or
   b) arises from binding arrangements (including rights from contracts or other legal rights).
2) **Control** of an asset (cf. IPSAS 31.17/.21):
   An entity controls an asset if the entity has the power to obtain the future economic benefits or service potential flowing from the underlying resource and to restrict the access of others to those benefits or that service potential.
3) Existence of **future economic benefits** or **service potential** (cf. IPSAS 31.17)



B. Recognition criteria: An intangible asset shall be recognized if (cf. IPSAS 31.28)

a) It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
b) The cost or fair value of the asset can be measured reliably.

EY

Future economic benefits or service potential flowing from an intangible asset

- What are “future economic benefits or service potential flowing from an intangible asset”?
  - Revenue from the sale of products or services,
  - Cost savings, or
  - Other benefits resulting from the use of the asset by the entity.
    - e.g. on-line system that allows citizens to renew driving licences more quickly on-line
- Expected future economic benefits or service potential
  - According to IPSAS 31.29 an entity shall assess the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

EY

Common examples for intangible assets

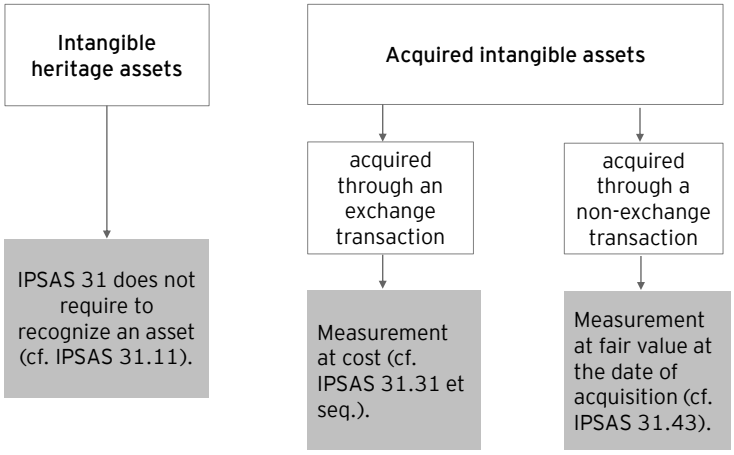
- Software licences
- (Acquired) licences/patents/copyrights
- Development activities (under certain circumstances)

- Intangible heritage assets => no requirement to recognize

Treatment of assets incorporating both intangible and tangible elements

- In this case, an entity uses judgement to assess which element is more significant.
- One possible question with regards to software could be: Is the software an integral part of the related hardware?
- Which element is more significant?
  - Navigation software for a fighter aircraft
  - Software on a CD-ROM
  - Operating system of a computer
  - Software that is not an integral part of the related hardware
  - Legal documentation of a licence/patent

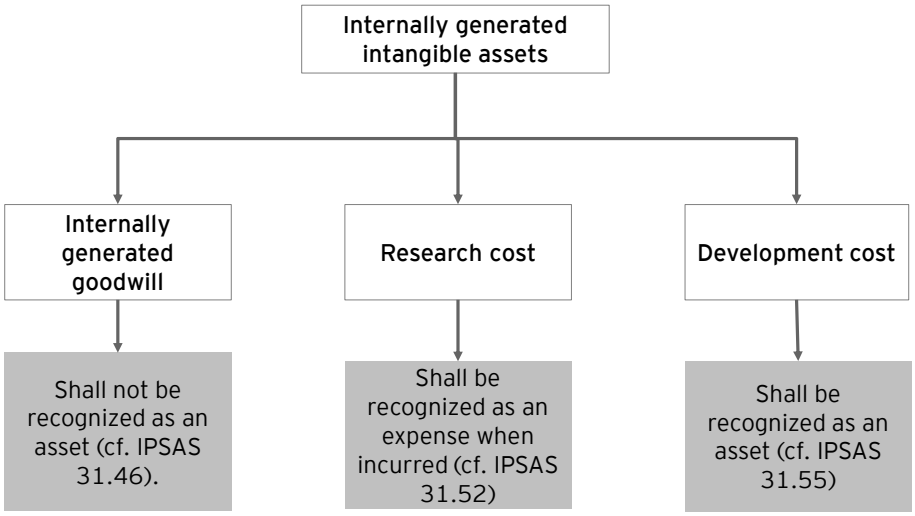
Initial measurement of intangible assets:
Intangible heritage assets and acquired intangible assets



Cost of a separately acquired intangible asset (exchange transaction)

- Cost of a separately acquired intangible asset comprises:
  - Purchase price (including import duties and non-refundable purchase taxes; discounts and rebates are deducted)
  - Directly attributable cost of preparing the asset for its intended use.
- Examples of directly attributable costs:
  - Costs of employee benefits arising directly from bringing the asset to its working condition;
  - Professional fees arising directly from bringing the asset to its working condition
  - Costs of testing whether the asset is functioning properly.
- Recognition of costs in the carrying amount ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by management

Initial recognition of intangible assets: Internally generated intangible assets



EY

Recognition and measurement of internally generated intangible assets

- To assess whether an **internally** generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into:
  - (a) A research phase; and
  - (b) A development phase.
- **Research** is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.
- **Development** is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

EY

Recognition and measurement of internally generated intangible assets

- **Research Phase:**
  - No intangible asset arising from research (or from the research phase of an internal project) shall be recognised.
  - Expenditure on research (or on the research phase of an internal project) shall be recognised as an expense when it is incurred.
  - Examples:
    - (a) Activities aimed at obtaining new knowledge;
    - (b) The search for, evaluation and final selection of, applications of research findings or other knowledge;
    - (c) The search for alternatives for materials, devices, products, processes, systems, or services; and

EY

Recognition and measurement of internally generated intangible assets

- **Development Phase:**
  - An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, an entity can demonstrate all of the following:
    - (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
    - (b) Its intention to complete the intangible asset and use or sell it;
    - (c) Its ability to use or sell the intangible asset;
    - **(d) How the intangible asset will generate probable future economic benefits or service potential;**
    - (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
    - (f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

EY

Recognition and measurement of internally generated intangible assets

- Examples of **development activities** are:
  - (a) The design, construction, and testing of pre-production or pre-use prototypes and models;
  - (b) The design of tools, jigs, moulds, and dies involving new technology;
  - (c) The design, construction, and operation of a pilot plant or operation that is not of a scale economically feasible for commercial production or use in providing services;
  - (d) The design, construction, and testing of a chosen alternative for new or improved materials, devices, products, processes, systems, or services; and
  - (e) Website costs and software development costs.

EY

Recognition and measurement of internally generated intangible assets: Exceptions

Please note:

- Initial costs of internally generated brands, mastheads, publishing titles, lists of users of a service, and items similar in substance are not recognised as intangible assets (cf. IPSAS 31.61)
- Expenditure on such items cannot be distinguished from the cost of developing the entity's operations as a whole.

EY

Cost of an internally generated intangible asset (1)

- Cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria in IPSAS 31.28 and .29 (recognition criteria), and .55 (development cost).
- Expenditure on an intangible asset that was initially recognized as an expense according to IPSAS 31 (e.g. research cost) shall not be recognized as part of the cost of an intangible asset at a later date.
- Cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

EY

Cost of an internally generated intangible asset (2)

- Examples of directly attributable costs:
  a) Costs of materials and services used or consumed in generating the intangible asset;
  b) Costs of employee benefits arising from the generation of the intangible asset;
  c) Fees to register a legal right; and
  d) Amortization of patents and licences that are used to generate the intangible asset.
- The following are not components of the cost of an internally generated intangible asset:
  a) Selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to preparing the asset for use;
  b) Identified inefficiencies and initial operating deficits incurred before the asset achieves planned performance; and
  c) Expenditure on training staff to operate the asset.

EY

Example of internally generated intangible assets

- An entity is developing a system which produces statistical reports for its internal use and **for sale** to third-parties.
- The system is **technically feasible**.
- The entity is aware that there **is a demand for this type of report** and **that third-parties are willing to pay** for the product and therefore will **generate probable future economic benefits.**
- The **expenditure attributable** to the development of this system can be **identified and measured reliably**.

EY

Subsequent measurement of intangible assets

Cost model (IPSAS 31.73)

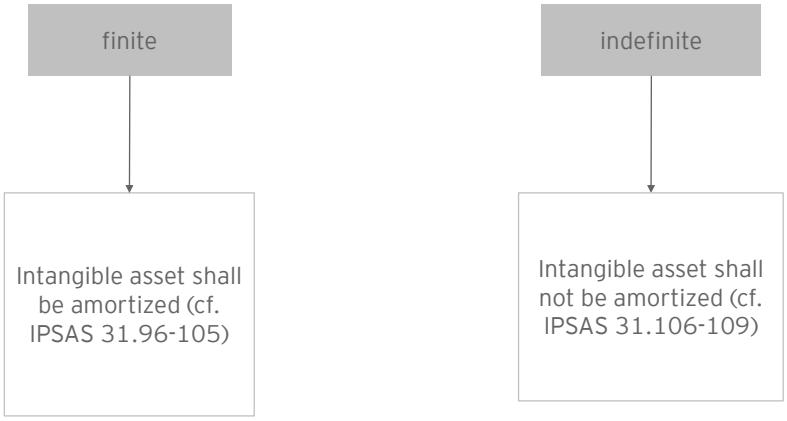
Intangible asset shall be carried at its cost less any accumulated amortization and any accumulated impairment losses.

Revaluation model (IPSAS 31.74)

Intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortization.

EY

Subsequent measurement of intangible assets: Useful life



EY

Subsequent measurement of an intangible asset with a finite useful live

- Depreciable amount shall be allocated on a systematic basis over its useful life
- Amortization shall begin when the asset is available for use, i.e.
  - when it is (a) in the location and (b) condition necessary for it to be capable of operating in the manner intended by management.
- The amortization method shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity.
  - If that pattern cannot be determined reliably, the straight-line method shall be used.
- The residual value shall be assumed to be zero, unless…
  => see para. 99

EY

Subsequent measurement of an intangible asset with an indefinite useful live

- Intangible assets with an indefinite useful life shall not be amortized, but
  - they shall be reviewed each reporting period (cf. IPSAS 31.108)
- If there will be a change in the useful life from indefinite to finite, this shall be accounted for as a change in an accounting estimate in accordance with IPSAS 3.

EY

Harmonization of IPSASs and General Government Accounting Legislation

Situation Analysis – Accounting for Intangible Assets

Özgür Avcuoğlu

Ankara, 24 August 2017

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Accounting for Intangible Assets
General Framework



- The subject **intangible assets** is held under IPSAS 31
- DMSK has adopted IPSAS 31 into DMS 31 and published in official gazette in 2011

Accounting for Intangible Assets
Current Situation

1. Regulation on General Government Accounting (RGGA) (2014/7052)
2. Regulation on Central Government Accounting (RCGA) (2014/20357)
3. General Directorate of Public Accounts General Communiqué (No: 47) of Amortization and Depletion Expenses (2015/21208)

- Some of the differences between the regulations and the standard include:
  - The recording of research and development expenses
  - The valuation approach after the first accounting record
  - The accounting of intangible assets that are internally generated
  - Derecognition of the carrying amount of the replaced part

The regulations and the standard carry differences between each other. This raises a question mark in the implementation of IPSAS 31 in the current situation since regulations are the basis of accounting principles and records

Accounting for Intangible Assets
Current Situation

- The 260 rights account is the most commonly used in the list of account groups
- The examples of the rights account include:
  - Computer software
  - Map, plans and projects
  - Licences
  - Patents
  - International Mobile Telecommunication Service and Infrastructure
  - Other rights
- The research and development activities are not separated, are recorded as a single account and capitalized.
- The recording of acquired intangible assets are recorded with cost value and the recording of granted intangible assets are recorded after the valuation is done.
- The intangible asset that is 100% amortized at the end of the period of when it is recognized in the inventory and the regulatory amortization account appear together in the balance sheet.
- The amortization rate of 100% for the intangible assets is a temporary application and it will be changed.

The Accounts of Intangible Assets that are listed under both RGGA and RCGA

Account Number	Account Name
260	Rights Account
263	Research and Development Expense Account
264	Special Costs Account
267	Other Intangible Assets Account
268	Accumulated Depreciation Account

The amortization rate of intangible assets is 100% and thus the asset is not amortized over its useful life

Accounting for Intangible Assets
Current Situation

- Amortization period

Account Code	Auxiliary 1	Auxiliary 2	Name of Account Group, Account and Auxiliary Account	Depreciation Time (Year)	Depreciation Rate (Percentage)
26			Intangible Assets		
260			Rights Account		
260	01		Computer Software	1	100
260	02		Map, Plan, Projects		
260	02	01	Maps	1	100
260	02	02	Plan and Projects	1	100
260	03		Licences	1	100
260	04		Patents	1	100
260	99		Other rights	1	100
263			Research and Development Expenses Account	1	100
264			Special Costs Account	1	100
267			Other Intangible Assets Account	1	100

Discussion

Accounting for Intangible Assets
Discussion

1

The recording of research and development expenses

- **Issue encountered:** The research and development activities under the intangible asset do not reflect the real value since not all the institutions record their activities.
- **Related Question:** How are research and development activities recorded?

2

The amortization of intangible assets

- **Issue encountered:** The intangible assets are 100% amortized and thus useful life is not observed
- **Related Questions:** Are there countries that amortize over useful life? Are there countries that amortize 100% as in the case of Turkey?

3

The recording of special costs account

- **Issue Encountered:** There is no regulation for special costs and thus gaps exist in the implementation.

Harmonization of IPSASs and General Government Accounting Legislation

IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets

Dr. Jens Heiling

Ankara, 24 August 2017

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IPSAS 19: Objectives and scope

Objective

- IPSAS 19 defines
  - Provisions
  - Contingent liabilities
  - Contingent assets
- Recognition, measurement and disclosures of provisions
- Disclosure of contingent liabilities and contingent assets

Scope

- Applies to provisions, contingent liabilities and contingent assets except for:
  - Provisions and contingent liabilities from an entity arising from social benefits
  - Those resulting from executory or insurance contracts
  - Those arising from income taxes or equivalents
  - Those addressed by another IPSAS
  - Those arising from employee benefits
  - Financial instruments (including guarantees) that are within the scope of IPSAS 29.

Relevant Definitions (1/2)

Liability

- Present obligation of the entity arising from past events.
- The settlement of that obligation is expected to result in an outflow of the entity's resources embodying economic benefits or service potential.

Legal obligation

- An obligation that derives from:
  1) A contract (through its explicit or implicit terms)
  2) Legislation; or
  3) Other operation of law

Obligating event

- An event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.

Contingent asset

- A possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity.

EY

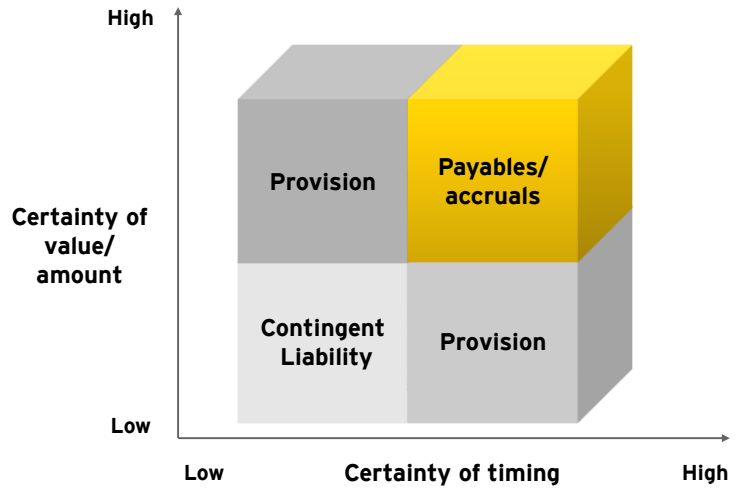
Relevant Definitions (2/2)

Contingent liability

- A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity; or
- A present obligation that arises from past events, but is not recognized because:
  1. It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  2. The amount of the obligation cannot be measured with sufficient reliability

EY

Contingent liabilities vs. provisions vs. payables/accruals



EY

Provisions vs. payables/accruals

Provision	▸ Uncertainty about timing or amount of future expense ▸ Eg – provision for rehabilitation of landfill sites (rubbish dump)
Trade payables	▸ Liability to pay for goods or services received ▸ Have been invoiced or formally agreed with supplier
Accruals	▸ Liability to pay for goods or services received ▸ Have not been paid/ invoiced/ formally agreed with supplier ▸ But: less uncertainty than a provision

EY

Recognition of provisions
Recognition criteria

Provisions shall be recognized when:

- An entity has a present obligation (legal or constructive) as a result of a past event
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation
- A reliable estimate can be made of the amount of the obligation



If these conditions are **not met**, no provision shall be recognized.

Examples for provisions: litigations, onerous contracts, restructuring provisions, warranties, refunds and site restoration costs

Recognition of provisions
Recognition criteria

Present obligation

- If uncertain if there is a present obligation (law suit):
  - Assess all available evidence e.g. opinion of experts (lawyers)
  - Recognize **if more likely than not** that present obligation exists (> 50%)

Past event

- Obligating event = Past event that leads to a present obligation

  => entity has no realistic alternative than to settle the obligation
- Requirements for an obligating event:
  - Settlement of the obligation can be enforced by law
  - In the case of a constructive obligation, where the event creates valid expectations in other parties that the entity will discharge the obligation

Recognition of provisions
Recognition criteria

Past event

- Obligations which are independent from entity's future actions: e.g.
  - Clean up costs for unlawful environmental damage already incurred
- Always involves another (external) party to whom the obligation is owed
- New legislation: only when virtually certain to be enacted as drafted

Probable outflow

- Probable = event is more likely than not to occur or
- Probability that event will occur is greater than probability that it won't
- Only to a lesser extent probable ➡ contingent liability

Reliable estimate

- Because of uncertainty of provisions => use of estimates
- Standard assumes that an entity will be able to determine a range of possible outcomes
- If this cannot be done ➡ then no provision recognized ➡ contingent liability.

EY

Recognition of provisions
Recognition criteria

For example, an organization is subject to legal proceedings seeking damages (Present obligation) following an incident on its premises (Past event). The organization disputes liability, however its lawyers advise that it is probable the organization will be found liable and will have to pay damages (probable outflow of resources). A provision should be recognised by the organization for the best estimate of the amount to settle the obligation.

EY

Recognition of provisions/contingent liabilities and assets/contingent assets (1/2)

Contingent liabilities	Contingent assets
► Do not recognize in balance sheet ► Disclosed unless outflow is remote ► Continually assessed	► Do not recognize in balance sheet ► Disclosed when inflow is probable ► Inflow virtually certain = asset ► Continually assessed

Contingent liability

Present / possible obligation	Probable outflow	What to do
Yes	Yes	Provision disclosure
Yes	No	Contingent liability disclosed
Yes	Remote	-

EY

Recognition of provisions/contingent liabilities and assets/contingent assets (2/2)

Likelihood of outcome (guidelines)	Contingent Liability/ Provision	Contingent asset
Virtually certain (> 95%)	Provision recognized	Asset recognized
Probable (> 50%)	Provision recognized	Disclose
Possible not probable (5 – 50%)	Disclose as contingent liability	No disclosure
Remote (< 5%)	No disclosure	No disclosure

EY

Contingent liabilities and assets - Examples

As in the previous example, an organization is subject to legal proceedings seeking damages (Present obligation) following an incident on its premises. Again, the organization disputes liability and this time its lawyer advises that it is probable that the organization will not be found liable. In this case, no provision is recognised by the organization. The matter is disclosed as a contingent liability unless the probability of an outflow is regarded as remote.

EY

Measurements of provisions

Best Estimate	▸ Amount rationally would pay to settle / transfer to 3rd party at B/S date. ▸ Always measured pre-tax ▸ Expected value method ▸ Mid-point method
Present value	▸ If time value is material (evidence) ▸ Pre-tax discount rate
Risk and uncertainties	▸ Shall be taken into account in reaching the best estimate ▸ Caution is needed in making judgments under conditions of uncertainty => but no creation of excessive provisions or a deliberate overstatement of liabilities.

EY

Measurement
Example

Example: Expected value method

- Entity sells goods with warranty where customers are covered for any manufacturing defects within first 6 months.
- If minor defects in all products sold = repair costs of 1 million.
- If major defects in all products sold = repair costs of 4 million.
- Past experience and future expectations indicate:
  - 75 % of goods will have no defects,
  - 20 % have minor defects, and
  - 5 % per cent major defects

Question

How much should the warranty provision be measured at?

Measurement

Future events

- Only adjust if sufficient objective evidence will occur e.g.
  - Clear advances in technology/ cost reductions
  - Changes in legislation

Expected disposal of assets

- Gains from the expected disposal of assets not taken into account

Reimbursements

- Examples: insurance contracts, indemnity clauses, warranties
- Separate asset if virtually certain
- If no longer liable, no longer have a provision

Changes and use of provisions

- Review at each reporting date
- Adjust current best estimate or reverse
- Provision shall be used only for what original recognized

Sparing provisions for suspected receivables (provision for doubtful debts) (1)

- The provision for doubtful debts is relevant in the context of the subsequent measurement of receivables and refers to the balance sheet account also known as the "Allowance for Bad Debts" or "Allowance for Uncollectible Accounts".
- Receivables typically need to be classified as a financial asset according to IPSAS 28.9. Therefore, receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. According to IPSAS 29.48 (a) receivables shall be measured at amortized cost using the effective interest method.
- The provision for doubtful debts shows the estimated amount of bad debt that will arise from accounts receivable that have been issued but not yet collected.
- In business accounting, an entity typically estimates the amount of bad debt based on historical experience, and charges this amount to expense with a debit to the bad debts expense account (which appears in the income statement (Statement of Financial Performance in IPSAS)) and a credit (!) to the provision for doubtful debts account (which is located in the balance sheet (Statement of Financial Position under IPSAS)).

EY

Sparing provisions for suspected receivables (provision for doubtful debts) (2)

- Therefore, it is important to note that the provision for bad debts is a contra asset account, i.e. an **asset account** with a credit balance. As a result, the provision for doubtful debts account should always have a credit balance. It is typically listed in the balance sheet directly below the accounts receivable line item. The two line items can be combined for reporting purposes to arrive at a net receivables figure.
- In later periods, when it turns out that an invoice is not going to be paid, then the invoice should be eliminated against the provision for doubtful debt accounts. The journal entry for this transaction is: DR Provision for doubtful debts and CR Accounts receivable.

EY

Harmonization of IPSASs and General Government Accounting Legislation

Situation Analysis – Contingent Liabilities and Social Security Provisions

Özgür Avcuoğlu

Ankara, 24 August 2017

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Accounting for Contingent Liabilities and Social Security Provisions
General Framework

- ***Contingent Liabilities;***
  - Disclosure instructions on contingent liabilities are standardized in IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets.
  - DMSK has translated and adopted IPSAS 19 as *DMS 19: Karşılıklar, Koşullu Yükümlülükler ve Koşullu Alacaklar.*
  - It is effective since its publication in Official Gazette in February 2011.
  - The scope of the standard includes the public administrations whose financial statements are filled according to accrual based accounting in Turkey.
- ***Social Security Provisions;***
  - Recognition, measurement and disclosure of provisions are standardized in IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets.
  - However, the concept of provisions described in IPSAS 19 is not fully covered in Turkey. The only practice under this scope is the severance allowances for workers, a social security benefit.
  - Recognition, measurement and disclosure of social security payments are standardized in IPSAS 25; but it will be replaced by IPSAS 39 – Employee Benefits in 2018.
  - There is no adoption of IPSAS 25 in Turkey; but similar to IPSAS, DMSK is currently working on the adoption of this particular IPSAS as *DMS 39 – Çalışanlara Sağlanan Faydalar.*

Accounting for Contingent Liabilities and Social Security Provisions
Current Situation

1. Regulation on General Government Accounting (RGGA) (No. 2014/7052)
2. Regulation on Central Government Accounting (RCGA) (No. 2014/29218)

- *Categories considered as contingent liabilities by Mof:*
  - Lawsuits
  - Demand guarantees
  - Letters of guarantee
  - Debt undertaking commitments (including PPPs)
- *Categories considered as social security provisions by MoF:*
  - Severance allowances for workers

- Current regulations on contingent liabilities are partially in line with IPSAS 19; as the way of disclosure of these liabilities and the accounts in which these liabilities should be recorded are explained in the regulations.
- Standard adoption on social security provisions is currently in progress and planned to be effective by 2018. RGGA is already declaring the ways of disclosure methods for severance allowances for workers.

Accounting for Contingent Liabilities and Social Security Provisions
Current Situation

- *Contingent Liabilities;*
  - Contingent liabilities are disclosed in memorandum accounts.
  - They are reported as footnotes in financial tables.
  - Some of the used accounts in recording the contingent liabilities;

Account Number	Account Name
914/915	Given Letters of Guarantee Account/Given Letters of Guarantee Account
930/931	Given Guarantees Account/Given Guarantees Provision Account
934/935	Debt Undertaking Commitments Account/Debt Undertaking Commitments Provision Account

- *Social Security Provisions;*
  - Social security provisions are only made for severance allowances of workers. This practice has begun in 2015 and payments occurred in previous years were also taken into consideration and recorded.
  - At the end of each year, these amounts are revised and reentered.

Account Number	Account Name
372	Severance Allowance Provision Account (short term)
472	Severance Allowance Provision Account (long term)

Accounting for Contingent Liabilities and Social Security Provisions
Issues Encountered

- **Steps for alignment between the regulations and IPSAS 19 has started relatively early. Yet, there are several issues encountered during the process.**
  - *In general terms;*



    - Lack of a convincing method to predict the possibility of occurrence of the contingent liabilities constitutes a confusion in administrations on how to measure the possible payment amounts and the recognition time.
    - The structure of contingent liability disclosures is not informative and reader-friendly. Instead of being well-structured notes, they are usually uninstructive footnotes.
    - The vagueness on the language and the instructions of the standard causes confusions in public administrations and implementation differences.
  - *In specific terms;*



    - **Lawsuits:**
      - There is no instruction in any of the sources on how to disclose the verdicts of legal proceedings.
      - No action is currently taken on their disclosure by the administrations.
    - **Demand guarantees, letters of guarantee, debt undertaking commitments including the ones related to PPPs:**
      - Accounts for these items have been identified in regulations; yet there is no implementation practice.
    - **Social Security Provisions:**
      - Provision concept described in IPSAS 19 is not practiced in Turkey. Current provision accounts are just amendments to existing records. This description is only valid for severance allowance for workers.
      - Alignment between regulations and IPSAS has currently in progress on social security benefits.

Discussion

Accounting for Contingent Liabilities and Social Security Provisions
Discussion

1

Measurement of contingent liabilities

- Which criteria is taken into account for reliable measurement of the contingent liability that are to be shown in financial statements?
- Some countries differentiate contingent liabilities as measurable-unmeasurable. What is this differentiation based on?
- How is the degree of probability determined in the method given in IPSAS 19?
- Is there a calculation method for measuring contingent liabilities?
- At which stage should contingent liabilities be recorded as provisions in financial tables?

2

Disclosure and reporting of contingent liabilities

- What is the best period of time for the reporting process for contingent liabilities?
- Should the contingent liability be disclosed when the contract is signed or when the obligating event arises?
- How often do the countries report contingent liabilities (monthly, quarterly, annual, etc.)?

3

Lawsuits

- While observing a contingent liability during a case, is it necessary to make a determination for each case, or is it sufficient to make a single determination (single probability rating / probability level for each case individually) for all the public cases?

Accounting for Contingent Liabilities and Social Security Provisions
Discussion

4

Provisions

- What should be considered under the scope of provisions?
- How do other countries practice making provisions?
- How do other countries calculate and record the severance allowances for workers and civil servants?
- How these are disclosed in financial statements?

5

Demand Guarantees

- What should be the amount of the guarantee to be recorded and when should it be recorded?

Harmonization of IPSASs and General Government Accounting Legislation

IPSAS 1 – Presentation of Financial Statements

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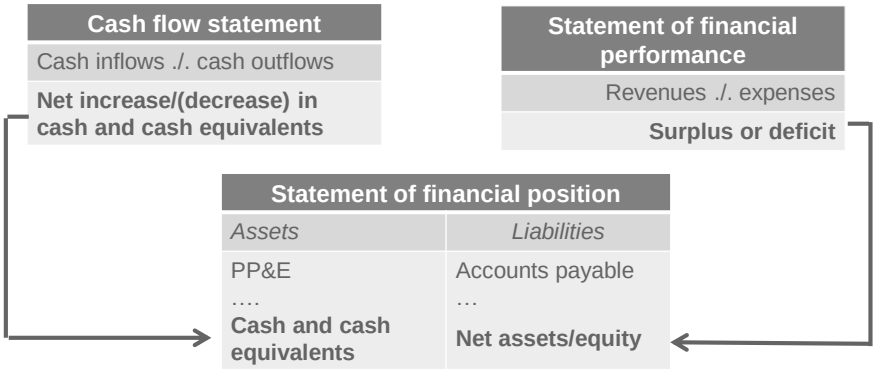
Components of financial statements (1)
(IPSAS 1.21)

- Statement of financial position
- Statement of financial performance
- Statement of changes in net assets
- When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements. (this is encouraged by IPSAS 1)
- Cash flow statement
- Notes
  - Accounting policies
  - Explanatory notes

- Note: difference to IFRS – No Statement of Comprehensive Income

Components of financial statements (2)

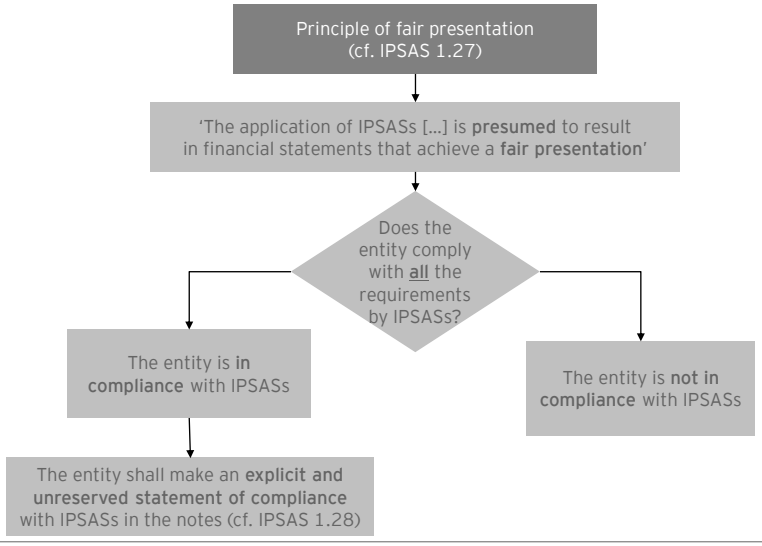
"Under the **accrual basis of accounting**, transactions and other events are recognized in financial statements when they occur (and not only when cash or its equivalent is received or paid).." **(Conceptual Framework, Introduction, 2013)**



Overall consideration for the presentation of financial statements (IPSAS 1.27-1.30)

- Overall consideration
  - Fair presentation & compliance with IPSAS
    - Annual financial statements should comply with all the standards of IPSAS that are issued and effective
    - Make an explicit and unreserved statement
  - Fair presentation override unlikely
  - Commercially sensitive information is politically not an excuse for non disclosure
  - Inappropriate accounting treatment is not rectified by disclosure

Fair presentation and IPSAS compliance



EY

Compliance with IPSASs (IPSAS 1.32)

- When an entity departs from a requirement of a Standard, it shall **disclose**:
  - That management has concluded that the financial statements fairly present the entity's financial position, financial performance and cash flows;
  - That it has complied with applicable IPSASs, except that it has departed from a particular requirement to achieve a fair presentation;
  - The Standard from which the entity has departed,
    - Its title
    - the nature of the departure,
    - the treatment required,
    - the reason why that treatment would be so misleading; and
    - and the treatment adopted;
  - Impact of the departure on surplus and deficit
  - Not applicable to departures due to legislative/statutory departures, but if material, can't claim compliance with IPSAS

EY

Identification of financial statements

- Financial statements to be identified clearly and distinguished from other information
- Display the following information prominently:
  - The name of the reporting entity
  - Whether the f/s cover the individual or the economic entity
  - The reporting date or period covered
  - The presentation currency
  - The level of rounding
- F/S to be presented per year (i.e. 12 months).
- If presented for shorter or longer period, disclose the following:
  - The reason for longer or shorter period
  - The fact that comparative amounts in financial statements are not entirely comparable

EY

Current vs. non-current distinction

- Encouraged to distinguish between current and non-current assets and liabilities
- Order of liquidity also acceptable alternative, but only if provides more useful information
- If presentation used combines current and non-current items on a single line item, must disclose the portion to be recovered / settled after 12 months separately



EY

Extract of statement of financial position from Uk Whole of Government Accounts

Statement of Financial Position

As at 31 March 2016

	Note	2015-16 £bn	2014-15 restated £bn
Non-current assets			
Property, plant and equipment	12	1,120.2	1,075.8
Investment property	13	15.8	14.9
Intangible assets	14	33.0	32.4
Trade and other receivables	15	14.4	12.7
Other financial assets	16	208.8	216.6
		1,392.2	1,352.4
Current assets			
Inventories	17	9.6	11.3
Trade and other receivables	15	140.3	133.2
Other financial assets	16	164.2	148.9
Cash and cash equivalents	18	25.8	26.8
Gold holdings		8.6	8.0
Assets held for sale		1.7	2.7
		350.2	330.9
Total assets		**1,742.4**	1,683.3

EY

Minimum requirements of an IPSAS statement of financial position (IPSAS 1.88)

Information to be presented on the face of the statement of financial position:

a) Property, plant and equipment
b) Investment property
c) Intangible assets
d) Financial assets (excluding amounts shown under (e), (g), (h) and (i))
e) Investments accounted for using the equity method
f) Inventories
g) Recoverables from non-exchange transactions (taxes and transfers)
h) Receivables from exchange transactions
i) Cash and cash equivalents
j) Taxes and transfers payable
k) Payables under exchange transactions
l) Provisions
m) Financial liabilities (excluding amounts shown under (j), (k) and (l))
n) Minority interests, presented within net assets/equity
o) Net asset/equity attributable to owners of the controlling entity

EY

Statement of financial position - Notes

- Some items may either be presented on the face, or in the notes to the statements, for e.g:
  - Items of property, plant and equipment disaggregated into classes in accordance with IPSAS 17;
  - Receivables are disaggregated into amounts receivable from user charges, taxes and other non-exchange revenues, receivables from related parties, prepayments, and other amounts;
  - Inventories are subclassified in accordance with IPSAS 12: supplies, materials, work in progress, and finished goods;
  - Taxes and transfers payable are disaggregated into tax refunds payable, transfers payable, and amounts payable to other members of the economic entity;
  - Provisions are disaggregated into provisions for employee benefits and other items; and
  - Components of net assets/equity are disaggregated into contributed capital, accumulated surpluses and deficits, and any reserves.

EY

Statement of financial performance (IPSAS 1.102)

- All items of revenue and expense to be included unless permitted by other Standard of IPSAS
- Minimum line items to be presented on face of statement
  - (a) Revenue;
  - (b) Finance costs;
  - (c) Share of the surplus or deficit of associates and joint ventures accounted for using the equity method;
  - (d) Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinuing operations; and
  - (e) Surplus or deficit.
- Additional line items, headings and sub totals presented when such presentation is relevant to an understanding of the entity's performance

EY

Statement of financial performance
Expense classification (IPSAS 1.112, 1.113)

The expenses are classified either by nature or by their function within the entity (depends on which classification provides more reliable and relevant information.)
If an entity decides to classify expenses by function, it must also provide a presentation by nature of expense in the notes, including depreciation and amortization expense and employee benefits expense.

Expenses classified by function (exemplary)	Expenses classified by nature (exemplary)
General public services	Wages, salaries, and employee benefits
Defense	Grants and other transfer payments
Public order and safety	Supplies and consumables used
Education	Depreciation and amortization expense
Health	Impairment of PP&E
Culture	Other expenses
Etc.	Finance costs

EY

Statement of financial performance
Example of UK

Statement of Revenue and Expenditure
For the year ended 31 March 2016

	Note	2015-16 £bn	2014-15 restated £bn
Taxation revenue	4	(592.6)	(566.7)
Other revenue	5	(101.3)	(93.2)
Total public services revenue		**(693.9)**	(659.9)
Social security benefits	6	222.5	217.7
Staff costs	7	193.3	185.5
Purchase of goods and services	8	192.1	191.7
Grants and subsidies	9	54.1	57.4
Depreciation and impairment	10	42.7	45.4
Interest costs on government borrowing	11	28.3	27.6
Increase in provisions	22	9.2	26.0
Total expenditure on public services		**742.2**	751.3
Net expenditure on public services		**48.3**	91.4
Financing costs of long-term liabilities, including discounting	11	187.4	65.1
Revaluation of financial assets and liabilities		8.1	(4.5)
Net expenditure for the year		**243.8**	152.0

EY

Statement of financial performance – Notes
(IPSAS 1.107)

- When items of revenue and expense are material, their nature and amount shall be disclosed separately, e.g:
  - Write-downs of inventories to net realizable value or of property, plant, and equipment to recoverable amount or recoverable service amount as appropriate, as well as reversals of such write-downs;
  - Restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;
  - Disposals of items of property, plant, and equipment;
  - Privatizations or other disposals of investments;
  - Discontinuing operations;
  - Litigation settlements; and
  - Other reversals of provisions.
- Furthermore, must present sub-classification of revenue; and
- Analysis of expenditure (nature or function – whichever is most relevant and reliable – management judgement)
- Where function is used, also provide analysis of nature in notes

Statement of changes in net assets/equity

- Components to be presented on the face of the statement of net assets/equity:
  - The surplus or deficit for period
  - Each item of revenue and expense recognised directly in net assets *(where permissible)*
  - For each component, the cumulative effects of changes in accounting policy and correction of prior years' error
- Components to be presented either on face or in the notes:
  - The amounts of transactions with owners
  - Reconciliation of accumulated surplus or deficit
  - Reconciliation of each component of net assets/equity.

Statement of changes in net assets/equity
Example of UK

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2016

	General reserve £bn	Revaluation reserve £bn	Other reserves £bn	Total £bn
At 1 April 2014	(2,099.7)	255.9	3.2	(1,840.6)
Net expenditure for the year ended 31 March 2015	(152.0)	-	-	(152.0)
Net gain/(loss) on:				
Revaluation of property, plant and equipment	-	22.2	-	22.2
Revaluation of intangible assets	-	0.6	-	0.6
Revaluation of available for sale financial assets	-	3.9	-	3.9
Revaluation of pension scheme liabilities	(134.7)	-	-	(134.7)
Other reserves movements including transfers	4.9	(7.8)	0.3	(2.6)
Balance at 31 March 2015	(2,381.5)	274.8	3.5	(2,103.2)
Restatements	1.8	226.2	-	228.0
Restated balance at 31 March 2015	(2,379.7)	501.0	3.5	(1,875.2)
Balance at 1 April 2015 (restated)	**(2,379.7)**	**501.0**	**3.5**	**(1,875.2)**
Net expenditure for the year ended 31 March 2016	(243.8)	-	-	(243.8)
Net gain/loss on:				
Revaluation of property, plant and equipment	-	31.0	-	31.0
Revaluation of intangible assets	-	0.3	-	0.3
Revaluation of available for sale financial assets	-	(0.4)	-	(0.4)
Revaluation of pension scheme liabilities	123.0	-	-	123.0
Other reserves movements including transfers	(3.9)	(17.4)	0.4	(20.9)
Balance at 31 March 2016	**(2,504.4)**	**514.5**	**3.9**	**(1,986.0)**

EY

Cash flow statement

- Refer to IPSAS 2 for detailed requirements

EY

Notes to the financial statements
(IPSAS 1.127 ff.)

- Basis of preparation
- Additional information
  - Per standard
  - Relevant to understanding
- Significant accounting policies
  - Measurement basis for transactions, assets and liabilities
  - Extent of use of transitional provisions
- The notes should be presented in a systematic manner
  - Thus note references on the face of the statements should follow sequentially

EY

Harmonization of IPSASs and General Government Accounting Legislation

Situation Analysis - Preparation of financial statements and tables of central budget institutions

The better the question. The better the answer.
The better the world works.

EY
Building a better working world

Preparation of financial statements and tables of central budget institutions

General Framework

- DMS 1 has been adopted in accordance with the IPSAS 1
- DMS 1 is the standard for the presentation of financial statements and was published on the Official Gazette in 2008
- According to Regulations on General Government Accounting;
  - Main components of financial reporting; main financial tables, and other financial tables
  - Financial statistics consist of 7 different tables and prepared GFS based

Main Financial Tables
Balance Sheet
Statement of Operation Results
Cash Flow Statement

Other Financial Tables
Table of Budget Implementation Results
Table of Economic Classification of Income
Table of Institutional Classification of Expenditure
Table of Economic Classification of Expenditure
Table of Economic Classification of Budget Income
Table of Institutional Classification of Budget Expenditures
Table of Functional Classification of Budget Expenditure
Table of Financial Classification of Budget Expenditures
Table of Economic Classification of Budget Expenditures
Table of Budget Expenditures and Appropriations

Financial Statistics
The Statement of Net Balance
The Statement of Net Financial Balance
The Statement of Functional Classification of Expenditures (COFOG)
The Statement of Contingent Assets and Liabilities
Cash Flow Table
Balance Sheet
Budget Balance Table

Preparation of financial statements and tables of central budget institutions

Current Situation

1. Regulation on General Government Accounting (No. 2014/7052; Part 13)
2. Regulation on Central Government Accounting (No. 2014/7052; Part 5)

- In IPSAS 1, there is no statement of changes in financial asset and liabilities while it is available on DMS1; the only table available in IPSAS 1 is net asset / equity change table.
- According to regulations both of tables are not included in the main financial tables
- In accordance with IPSAS 1, in some cases it is necessary to classify assets and liabilities according to their liquidity position.

Turkish regulations and IPSAS 1 are in line with each other except some differences like changes in assets and liabilities tables

Preparation of financial statements and tables of central budget institutions
Current Situation

- Dual reporting system
  - Financial Statistics (GFS Based)
  - Financial Reporting
- Financial tables
  - Cash flow statement – prepared consolidated
  - Balance sheet and statement of operation results– prepared individually by all general budget institutions
- Turkish Court of Accounts stipulates all general budget institutions prepare their own financial statements
- Institutions do not provide additional information as a footnote. However, they can indicate accounting records on memorandum accounts that may be disclosed in the footnote as a support
- ESA-based financial statements in Turkey are prepared by TURKSTAT and GFS-based financial statements are prepared by MoF



Preparation of financial statements and tables of central budget institutions
Issues Encountered

- There is an article about what needs to be disclosed in RGGA, but there is no application by institutions
- In the current situation, an institution has not been sufficiently qualified to present footnotes in a balance sheet and statement of financial performance
- Institutions do not provide additional information as a footnote, however, they can indicate accounting records on memorandum accounts that may be disclosed in the footnote as a support
- Contrary to the current situation, footnotes should be as applied in Turkish Accounting Standards

Discussion

Preparation of financial statements and tables of central budget institutions

Discussion

1

Inefficiency on preparation of balance sheet

What are the country practices on preparation of financial statements by general budget institutions?

2

Presentation of footnotes in financial tables

How other countries present footnotes?

3

Other relevant issues

ESA-based financial statements are prepared by TURKSTAT and GFS-based financial statements are prepared by MoF in Turkey. How distribution of the tasks on preparation of ESA and GFS-based financial statements is made in the exemplary country practices?

In Turkey, public banks are not included in consolidation. What are the country practices that public banks are included in consolidation?

Which financial statistical tables are not included in IPSAS 1?

Other relevant issues

What is the scope of the balance sheet and what is the detail level of the financial tables in other countries? Comparison of with Turkey in terms of prepared tables.

What are the release duration and shape procedures as well as the inspections and punishments regarding the release of financial tables?

Harmonization of IPSASs and General Government Accounting Legislation

Tax and Budget Standard Practices

Dr. Jens Heiling

Ankara, 25 August 2017

The better the question. The better the answer.
The better the world works.

Building a better working world

Accounting Requirements of IPSAS 23 – Revenue from Non-Exchange Transactions



Objective, Scope and Definitions

- Objective and Scope:
  - Revenue from non-exchange transactions other than those giving rise to a public sector combination
- Definitions:
  - Exchange transactions:
    - Entity receives assets / services or has liabilities extinguished and directly gives approximately equal value to another entity in exchange
  - Non-exchange Transactions (not an exchange transaction):
    - Entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange
      - Taxes
      - Transfers, including grants, debt forgiveness, fines, bequests, gifts, donations and goods and services in-kind
      - Remember there must be a direct relationship between the receiver and the payer.

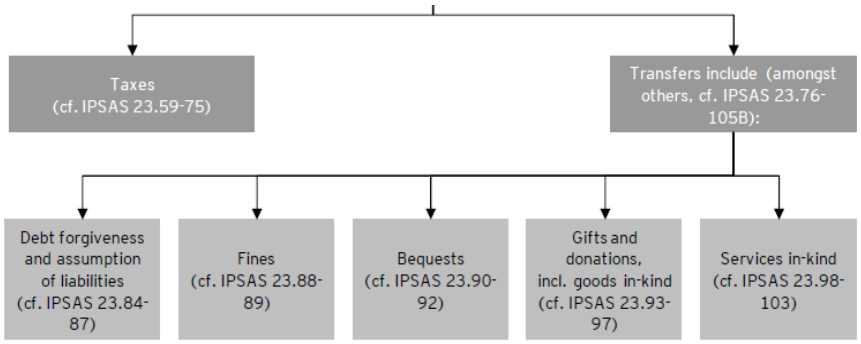
EY

Definitions: Exchange vs. non-exchange transactions

Exchange-Transactions	Non-Exchange Transactions
"Transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange."	„An entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange."
E.g. • sales of goods or services • lease of PPE at market rates.	E.g. • taxes, duties, fines • grants, donations.

EY

Overview of IPSAS 23



EY

Definitions: Taxes vs. transfers

IPSAS 23

Taxes	Transfers
• Taxes are economic benefits or service potential compulsorily paid or payable to public sector entities, in accordance with laws and/or regulations, established to provide revenue to the government. • Taxes do not include fines or other penalties imposed for breaches of the law.	• Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. • Could be cash or noncash inflows.
E.g. • VAT, Income Tax, Property Tax etc.	E.g. • Grants, debt forgiveness, fines, bequests, gifts, donations, goods and services in-kind, off-market portion of concessionary loans.

EY

Accounting for taxes according to IPSAS (1)

- Recognize tax assets when the **taxable event** occurs and the asset recognition criteria are met (cf. IPSAS 23.59)
  - The asset recognition criteria for assets (IPSAS 1) as well as non-exchange transactions (IPSAS 23) apply.
  - Taxes comply with the definition of non-exchange transaction: taxpayer transfers resources to the government, without receiving approximately equal value directly in exchange => no direct exchange!
  - Taxes do not satisfy the definition of contributions from owners.
  - Taxes levied for specific purposes: Generally not expected to give rise to a liability, because of being restrictions not conditions.

EY

Accounting for taxes according to IPSAS (2) Taxable Event

- An entity needs to analyze the taxation law in its own jurisdiction to determine what the taxable event is for the various taxes levied.

Tax	Taxable Event
Income tax	Earning of assessable income during the taxation period
Value-added tax	Undertaking of taxable activity during the taxation period by taxpayer
Goods and services tax	Purchase or sale of taxable goods and services during the taxation period
Customs duties	Movement of dutiable goods or services across customs boundary
Death duty/tax	Death of person
Property tax	Passing of the date on which the tax is levied/period for which the tax is levied, if tax is levied on periodic basis

EY

Recognition and measurement of taxes (1)

Recognition	Measurement
Timing: Recognize taxes when... ► the **taxable event** occurs ► **(1)** asset definition and **(2)** recognition criteria are met **(1) Asset definition:** Resources arising from taxes satisfy the definition of an asset when... ► control of the resources as a result of a past event (the taxable event) ► expects to receive future economic benefits or service potential from those resources **(2) Recognition criteria:** Criteria for recognition as an asset are met when... ► It is probable that the inflow of resources will occur ► The fair value of the resources can be reliably measured.	**Measurement at the best estimate of the inflow of resources to government** ► **IPSAS 23.68**: In case of a separation between the timing of the taxable event and collection of taxes government may reliably measure assets arising from taxation transactions by using **statistical models** based on the history of collecting the particular tax in prior periods. ► These models should take into account the timing of cash receipts from taxpayers, declarations made by taxpayers and the relationship between taxation receivable and other events in the economy. **Differences between estimations and actual amounts are recognized in the period in which they are identified**

Recognition and measurement of taxes (2)

► If assets arising from taxation transactions and the related revenue cannot be reliably measured until sometime after the taxable event occurs

=> assets and revenue may be recognized in the period subsequent to the occurrence of the taxable event!

Recognition and measurement of taxes
IPSAS 23 vs. ESA 2010

Recognition and measurement	IPSAS 23	ESA 2010

1. **Timing of recognizing revenue**	▸ **Accrual principle**
	▸ **Taxable event** plus **asset recognition criteria** must be met
	▸ Standard recommends to use **statistical models** when timing difference
		▸ **Accrual principle**
		▸ **Taxable event**
		▸ Two **methods** in practice:
		  ▸ Tax assessment method
		  ▸ Time-adjusted cash method

2. **Measurement of revenue/related asset**	▸ Measurement at the **best estimate of the inflow** of resources to government	▸ Recognition method also determines measurement:
		  ▸ Tax assessment method
		  ▸ Time-adjusted cash method

Recognition and measurement of taxes
IPSAS 23 vs. ESA 2010

- Both frameworks follow the taxable event approach
- However, both frameworks have different methods to fulfill the taxable event requirement

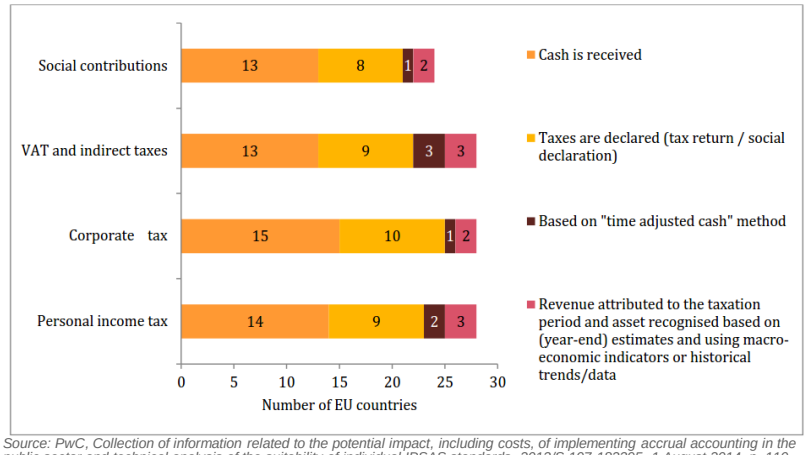
Requirement	Recognition of tax revenue based on the taxable event ("taxable event approach")		
Methods (approaches/ models)	Statistical model (IPSAS 23)	Tax declaration/ tax assessment approach	Time-adjusted cash method

Recognition and measurement of taxes
Identified approaches in practice

Approach	Explanation	Accounting frameworks
1. **Taxable event approach**	**Taxes are recognized when the taxable event occurs.** This is the underlying approach for tax recognition under IPSAS 23.	- IPSAS 23 - UK - Malta
2. **Tax declaration/ assessment approach**	**Taxes are recognized when tax declarations are received by tax payers or when tax authorities have made their tax assessment and have issued a tax assessment to the taxpayer**	- ESA/MGDD - France - Latvia - Lithuania
3. **Time-adjusted cash method**	**Taxes are recognized when cash is received from taxpayers.** However, time-adjustments are made so that tax payments are attributed to the period when the activity generating the liability to pay tax took place.	- ESA/MGDD - Currently used by many Member States

Recognition and measurement of taxes
Application of the different approaches in Europe

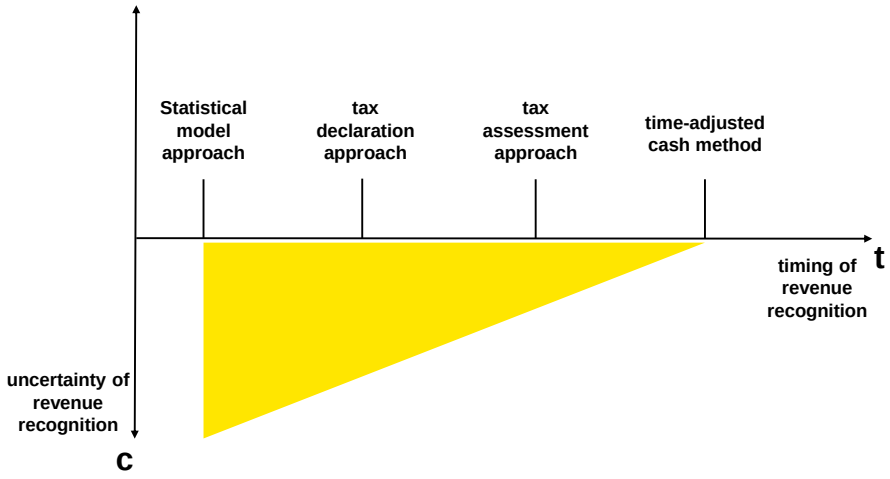
Timing of revenue recognition from taxes per category of tax in public sector financial reporting:



Source: PwC, Collection of information related to the potential impact, including costs, of implementing accrual accounting in the public sector and technical analysis of the suitability of individual IPSAS standards, 2013/S 107-182395, 1 August 2014, p. 110

Recognition and measurement of taxes

Timing (t) and certainty (c) of revenue recognition



Disclosures – notes

- Accounting policies adopted for recognition of revenue from non-exchange transactions
- Major classes of revenue from non-exchange transactions and basis on which fair value of inflowing resources was measured
- Major classes of taxation revenue which entity cannot measure reliably during period when taxable event occurs and information about the nature of the tax
- Nature and type of major classes of bequests, gifts and donations, showing separately major classes of goods in-kind received
- Encouraged to disclose – nature and type of major classes of services in-kind received, including those not recognised

Accounting Requirements of IPSAS 24 Presentation of Budget Information in Financial Statements



Introduction

- **Why was the standard issued?**
  - Most governments prepare and issue as public documents their budgets.
  - These documents are widely distributed and promoted.
  - Budget reflects ;
    - financial characteristics of the governments plans for the forthcoming period
    - Is a key benchmark for financial management and control
    - Is the central component of the process that provides for government and parliamentary oversight of the financial dimensions of operations.
- Aim of IPSAS 24 is to improve **accountability** and **transparency**

Scope

- IPSAS 24 applies to public sector entities that are required or elect to make publicly available their approved budget (cf. IPSAS 24.3).
- This standard does not require approved budgets to be made publicly available => no enforcement by IPSAS 24 to publish budget.

Definitions

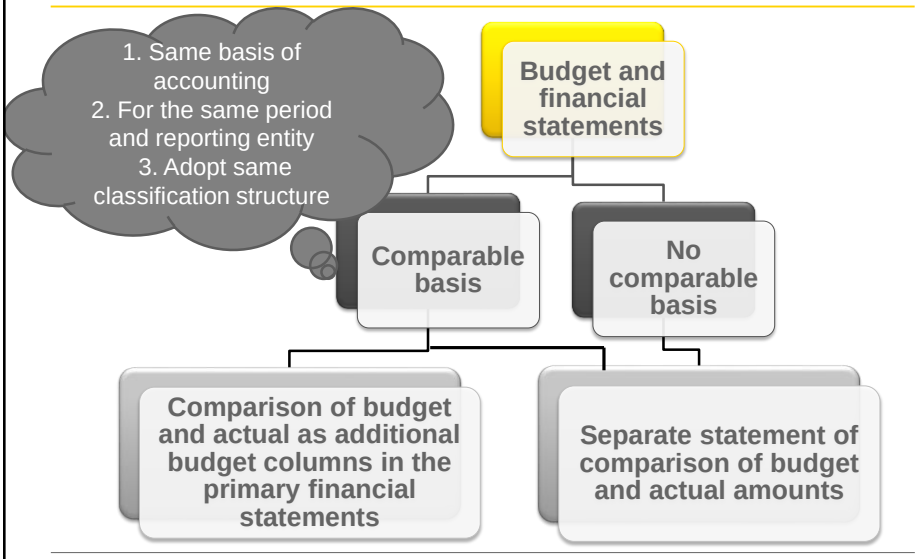
- Original budget is the initial approved budget for the budget period.
- Approved budget means the expenditure authority derived from laws, appropriation bills, government ordinances, and other decisions related to the anticipated revenue or receipts for the budgetary period.
- Final budget is the original budget adjusted for all reserves, carry over amounts, transfers, allocations, supplemental appropriations, and other authorized legislative, or similar authority, changes applicable to the budget period.
- Comparable basis means the actual amounts presented on the same accounting basis, same classification basis, for the same entities, and for the same period as the approved budget.

Presentation of a comparison of budget and actual amounts

- All comparisons of budget and actual amounts shall be presented on a **comparable basis to the budget** (cf. IPSAS 24.31).
- The comparison of budget and actual amounts shall present separately for each level of legislative oversight:
  - 1. The original and final **budget** amounts;
  - 2. The actual amounts on a comparable basis; and
  - 3. By way of note disclosure, an *explanation of material differences between the budget and actual amounts*, unless such explanation is included in other public documents issued in conjunction with the financial statements and a cross reference to those documents is made in the notes.

EY

Presentation of a comparison of budget and actual amounts



EY

Example of the additional column approach

Actual 20XX-1	(in currency units)	Actual 20XX	Final budget 20XX	Original budget 20XX	*Difference: Original budget and actual
	Revenue				
X	Taxes	X	X	X	X
X	Fees, fines, penalties, and licenses	X	X	X	X
X	Revenue from exchange transactions	X	X	X	X
X	Transfers from other governments	X	X	X	X
X	Other revenue	X	X	X	X
X	**Total revenue**	**X**	**X**	**X**	**X**
	Expenses				
(X)	Wages, salaries, employee benefits	(X)	(X)	(X)	(X)
(X)	Grants and other transfer payments	(X)	(X)	(X)	(X)
(X)	Supplies and consumables used	(X)	(X)	(X)	(X)
(X)	Depreciation/amortization expense	(X)	(X)	(X)	(X)
(X)	Other expenses	(X)	(X)	(X)	(X)
(X)	Finance costs	(X)	(X)	(X)	(X)
(X)	**Total expenses**	**(X)**	**(X)**	**(X)**	**(X)**
X	Share of surplus of associates	X	X	X	X
(X)	**Surplus/(deficit) for the period**	**X**	**X**	**X**	**X**

EY

Additional Budget Column Approach
New Zealand

Statement of Financial Performance

for the year ended 30 June 2016

2016 Forecast Budget 2015 $m	2016 Forecast Budget 2016 $m		Note	Actual 30 June 2016 $m	Actual 30 June 2015 $m
		Revenue			
68,098	68,931	Taxation revenue	3	69,668	66,055
4,606	4,637	Other sovereign revenue	3	4,643	4,953
72,704	**73,568**	**Total sovereign revenue**		**74,311**	**71,008**
17,044	16,618	Sales of goods and services	4	16,364	16,365
4,064	3,721	Interest revenue and dividends	5	3,603	3,524
3,580	3,607	Other revenue	6	3,881	3,615
24,688	**23,946**	**Total revenue earned through operations**		**23,848**	**23,504**
97,392	**97,514**	**Total revenue (excluding gains)**		**98,159**	**94,512**
		Expenses			
24,482	24,421	Transfer payments and subsidies	7	24,312	23,723
21,594	21,783	Personnel expenses	8	21,763	21,124
4,253	4,234	Depreciation		3,912	3,873
38,131	37,696	Other operating expenses	9	36,832	36,378
4,687	4,472	Interest expenses	10	4,336	4,563
4,348	4,335	Insurance expenses	11	4,725	4,110
305	2	Forecast new operating spending		-	-
(1,025)	(600)	Top-down expense adjustment		-	-
96,775	**96,343**	**Total expenses (excluding losses)**		**95,880**	**93,771**

EY

Example of a Statement of Comparison of Budget and Actual Amounts

(in currency units)	Original	Final	Actual amounts on comparable basis	Final budget and actual
Receipts				
Taxation	X	X	X	X
Aid Agreements	X	X	X	X
Proceeds: Borrowing	X	X	X	X
Proceeds: Disposal of plant and equipment	X	X	X	X
Other receipts	X	X	X	X
Total receipts	**X**	**X**	**X**	**X**
Payments				
Health	(X)	(X)	(X)	(X)
Education	(X)	(X)	(X)	(X)
Public order/safety	(X)	(X)	(X)	(X)
Social protection	(X)	(X)	(X)	(X)
Defense	(X)	(X)	(X)	(X)
Housing and community amenities	(X)	(X)	(X)	(X)
Recreational, cultural and religion	(X)	(X)	(X)	(X)
Economic affairs	(X)	(X)	(X)	(X)
Other	(X)	(X)	(X)	(X)
Total payments	**(X)**	**(X)**	**(X)**	**(X)**
Net receipts/(payments)	**X**	**X**	**X**	**X**

EY

Example of a Statement of Comparison of Budget and Actual Amounts Mauritius

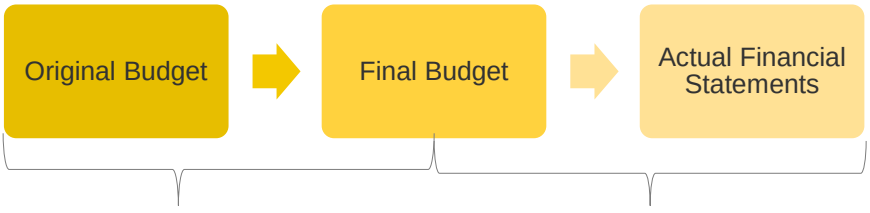
STATEMENT AB

Statement of Comparison of Budget and Actual Amounts for the financial year 2015 - 2016

	Original Estimates (a) Rs	Total Provisions after Supplementary Appropriation and Virement (N_1) (b) Rs	Actual Amount (c) Rs	Difference (N_2) Rs
REVENUE				
Taxation	77,810,000,000	77,810,000,000	78,223,732,233	(413,732,233)
Grant and Aid from International Agencies	2,595,000,000	2,595,000,000	333,393,987	2,261,606,013
Proceeds from Borrowings	20,732,000,000	20,732,000,000	22,628,967,746	(1,896,967,746)
Capital Receipts	2,392,800,000	2,392,800,000	3,862,018,584	(1,469,218,584)
Other Receipts	10,395,000,000	10,395,000,000	9,705,273,441	689,726,559
Total Revenue	**113,924,800,000**	**113,924,800,000**	**114,753,385,991**	**(828,585,991)**

EY

Presentation/disclosure requirements



Changes from original to final budget (IPSAS 24.29) Can be separate report

Column in financial statements if actual amounts on comparable basis; otherwise separate statement of comparison of budget and actual amounts

EY

Presentation disclosure requirements

- **Changes from Original to Final Budget**
- Present an *explanation* of whether *changes between the original and final budget* are a consequence of reallocations within the budget, or of other factors:
  - (a) By way of note disclosure in the financial statements; or
  - (b) In a report issued before, at the same time as, or in conjunction with, the financial statements, and shall include a cross reference to the report in the notes to the financial statements
  - Explanation will include for example:
    - Changes as a consequence of reallocations within budget
    - Change in government policies
    - Change in original budget parameters

EY

Reconciliation

- Actual amounts presented on a comparable basis to the budget ,
- shall where the f/s and budget are NOT prepared on a comparable basis, be reconciled to the following actual amounts presented in the f/s, identifying separately any basis, timing and entity differences.

Accrual basis adopted for budget	Basis other than accrual basis adopted for budget
Total Revenues	Net cash flows from ▪ Operating activities ▪ Investing activities ▪ Financing activities As presented in the cash flow statement prepared in accordance with IPSAS 2.
Total expenses	
Net cash flow from ▪ Operating activities ▪ Investing activities ▪ Financing activities	

The reconciliation shall be disclosed on the face of the statement of comparison of budget and actual amounts or in the notes.

EY

Comparative information

- IPSAS 24 does not require the disclosure of comparative information in respect of the previous period.

EY

Harmonization of IPSASs and General Government Accounting Legislation

Situation Analysis – Tax and Budget Standard Practices

Özgür Avcuoğlu

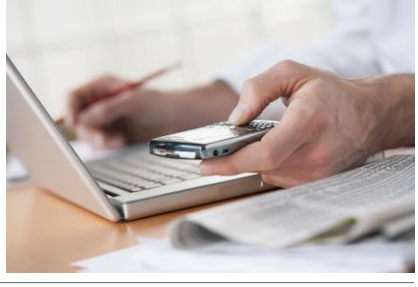
Ankara, 25 August 2017

The better the question. The better the answer.
The better the world works.

Building a better working world

Tax and Budget Standard Practices
General Framework

- IPSAS 23 is the international standard for the revenue from non-exchange transactions like taxes and transfers.
- The international standard related to the presentation of budget information in financial statements is IPSAS 24
- In accordance with IPSAS 23, DMS 23 is adopted as an application of standard for taxes and other unilateral transfers in Turkey
- As an equivalent standard to IPSAS 24, DMS 24 is applied in Turkey
- Both standards were published on the Official Gazette in 2015



Tax and Budget Standard Practices
Current Situation

Turkish regulations related with IPSAS 23

1. Regulation on General Government Accounting (No. 2014/7052; Part 4; Article 65)
2. Regulation on Central Government Accounting (No. 2014/7052; Part 3; Article 50)

RCGA	RGGA
▸ 120 Income Receivables	▸ 120 Income Receivables
▸ 121 Notes Receivables	▸ 121 Notes Receivables
▸ 122 Discount of Notes Receivables	▸ 122 Discount of Notes Receivables
▸ 126 Deposits and Guarantees Given	▸ 126 Deposits and Guarantees Given
▸ 127 Other Trade Receivables	▸ 127 Other Trade Receivables
	▸ 128 Doubtful Debts
	▸ 129 Doubtful Debts Provisions

Turkish regulations related with IPSAS 24

1. Regulation on General Government Accounting (No. 2014/7052; Part 2; Article 317, 321, 322, 323, 324, 325, 326, 338)
2. Regulation on Central Government Accounting (No. 2014/7052; Part 5)

- Related parts in regulations; budget revenue accounts, reflection of revenue accounts, refusal and refund of budget revenue account, budget expense accounts, expenses to be deducted from the account, last year budget deductions, reflection of expense account, and budget execution results.

Tax and Budget Standard Practices
Current Situation – Tax Standard Practices

- **Income Taxes;**
  - Revenue from income taxes is accounted in the corresponding period when accrual takes place
  - In terms of budget, it is accounted when collection is made
  - During declaration period, it is transferred to activity/operation accounts and it is recorded as a budget revenue when collection is made
- **Corporate Taxes;**
  - In provisional tax periods, the declarations of the first three months are recorded as operating revenue and it is recorded as a budget revenue when collection is made
  - Recognition of corporate taxes differs from income taxes
  - Corporate tax revenues appear as income for the following year and the amounts collected as provisional taxes are set-off from the amount to be collected from corporation tax at the end of the year; for instance, the corporate tax of 2016 is recorded the revenue of 2017
  - It is recorded as revenue, when taxes are declared and the amounts are collected
  - Consequently, revenues collected from corporate taxes recognized both when cash is received and taxes are declared
- Same procedure is followed for recognition of revenues from **VAT, indirect taxes and social security contributions**

Tax and Budget Standard Practices
Current Situation – Budget Standard Practices

- Two tables to present budget information;
  - There is a budget execution table that is extracted as a result of allowances and is related to the account of settlement
  - There is a budget expense and allowance table that shows the comparison of allowances and realizations
- The tables are released as consolidated
- The account of settlement is the detailed version of these tables and is presented to the parliament. It can be seen what the taxes are spent on under the account of settlement
- The financial tables of the central government of Turkey include the comparison of the budget and actual amounts. 3-year-old accruements are shown in particular tables.
- For the preparation of the government budget, cash basis is applied

Tax and Budget Standard Practices
Current Situation – Budget Standard Practices

- Budget transactions are divided into two: budget income and budget expense
- Budget income and budget expense are followed in the memorandum accounts
- When a financial transaction is recorded, it is followed by both normal accounting records and in budget accounts' records
- There are two examples to show how budget transactions are followed.
- When TL 100 is paid as personnel wage, two different records are made for the same transaction in the accounting system:

Expense Account	TL 100	
Cash and Cash Equivalents		TL 100

Budget Expense Account	TL 100	
Budget Expense Reflection Account		TL 100

- When TL 50 is received as tax collection, two different records are made for the same transaction:

Cash and Cash Equivalents	TL 50	
Income Account		TL 50

Budget Revenue Reflection Account	TL 50	
Budget Revenue Account		TL 50

- First entries on the examples indicate normal accounting records. Through these records, the statement of financial position is prepared. Second entries indicate budget records followed under memorandum accounts
- The government budget is made publicly available. The government prepares a reconciliation of the actual amounts on a budgetary (cash) basis (budget execution) and the amounts in the financial statements because both revenues and expenses are monitored in journals

Tax and Budget Standard Practices
Issues Encountered

Tax Standard Issues

- Tax revenues cannot be reported in the year in which the tax incentive occurred due to year shift
- There is no current statistical method used and the recording is made when the accrual takes place; this causes an extension to the following year

Budget Standard Issues

- When budget and accounting bases are different, IPSAS 24 emphasizes the need for a comparative presentation table of budgeted and actual expenses. Such a table is not currently available

EY

Discussion

EY

Tax and Budget Standard Practices
Discussion

1

Tax Standard Issues

- Which countries apply IPSAS 23?
- How recordings are made in accrual and collection?
- Is the accrual record closed by doing reverse entry?
- Which statistical method is used for forecasting?
- What can be the factors constitute the expenses and spending that made through current tax system based on practices in Turkey.

2

Bugdet Standard Issues – Issues on Budget Column Approach

- Which financial table should the column be added?
- Is it adequate to show the column only in one table?
- Is it required to show the column both in the cash flow table and in the balance sheet?

- When budget and accounting bases are different, IPSAS 24 emphasizes the need for a comparative presentation table of budgeted and actual expenses. Such a table is not currently available. Is account of settlement suitable?

3

Other Budget Standard Issues

- Is there any country that structured their budget on an accrual basis and if any, how is it accomplished?
- How budget transactions are followed with accounting records in other countries?
- How connection is made between budget and accounting in other countries? (Especially, in the countries that accounting and budgeting are monitored on different bases as in Turkey)

EY

Inferences from Second Workshop

Workshop 2: Gap Assessment Phase

EY
Building a better working world

Inferences from Second Workshop

In the second workshop the following issues were discussed:

- Public accounting practices and standards in selected countries
- The grant of a right to the operator model in accounting for PPPs
- Answers to the questions of the MoF based on the IPSAS guidance and country analysis

Responses to Questions Asked in the Scope of IPSAS 21 and IPSAS 26

- IPSAS 21 and IPSAS 26 require that an enitity shall assess at each reporting date whether there is any indication that an asset may be impaired. If there is such an indication, then the entity shall estimate the recoverable service amount of the asset. This test would have to be performed especially for important assets such as bridges.
- A separate assessment regarding an indication for impairment for each single asset may be too cumbersome. Therefore, in practice a threshold is defined based on materiality considerations. Assets with a value below that threshold are not assessed whether there is any indication for impairment. Where entities pay taxes impairment is in fact important because of the reduction of the tax base. For governmental accounting, it is important to reflect accountability and the real value of the assets.

Inferences from Second Workshop

Responses to Questions Asked in the Scope of the Presentation of Financial Statements

- From a consolidation point of view, it might not make sense to consolidate all the assets and liabilities of for example public banks as this would distort the financial position of the government. One approach to handle this issue would be to present such entities in the consolidated financial statements using the equity method
- In the context of defining the reporting entity, there is no requirement under IPSAS that public administrations within the scope of the general budget need to have their own legal entity. Chapter 4 of IPSASB's Conceptual Framework provides guidance on the key characteristics of a reporting entity. It could therefore be the case, that a public administration with little or no income could be considered as a reporting entity.

Responses to Questions Regarding the Monitoring of Ammunition and Munition in Stocks

- Some countries recognize ammunition as expenditure, while some countries refer to such ammunitions as assets. Internationally, there is no standard practice in this regard. IPSASB has been working with several countries but it has been stated that in general, countries prefer the direct expenditure method. Therefore, it has been stated that the IPSASB might reconsider the current accounting treatment for ammunition.

Inferences from Second Workshop

Responses to Questions Asked in the Scope of the Public Private Partnerships

- According to the IPSAS 33 - First Time Adoption of Accrual Basis, there is a three-year transitional period wherethe fair value can be used as deemed cost as a measurement basis. Precondition for that transitional provision is that cost information of the service concession asset is not available (see IPSAS 33.64). The fair value of the service concession asset must, in fact, be determined based on the contract. In other words, the contract signed between the operator and the public unit should also include the appropriate amount of value for the service concession asset.
- In the given demand guarantees, if there are more vehicle passes than the number of passes envisaged in the contract, the share of the public administration should be monitored as a contingent asset in case the amount corresponding to the exceeding number of vehicles is shared between the operator and the public administration.
- Subsequent value-added expenditure made for service concession assets should be added to the value of the asset if the fulfill the recognition criteria for an asset in accordance with IPSAS 17/31.

Inferences from Second Workshop

Responses to Questions Related to Contingent Liabilities

- Each of the lawsuit filed against the public must be evaluated separately. Regarding the amount, in France, contingent liabilities resulting from lawsuits are measured based on either an estimate falling within a range of possible outcomes or the maximum amount of the risk.
- The country analysis has shown, that for the disclosure of contingent liabilities certain thresholds are used (for example, based on materiality considerations, contingent liabilities with a value of 500,000 euros and above may be disclosed in the notes, and contingent liabilities with values below the threshold will not be disclosed)

Responses to the Questions Regarding the IPSAS 39 – Employee Benefits Standard

- Under IPSAS 39 – Employee Benefits, it has been stated that the concept of employee covers all employees of the reporting entity. Each reporting entity would have to assess whether IPSAS 39 applies in the individual case.
- While for defined benefits plans pension liabilities are presented in the balance sheet according to IPSAS 39, in France, these liabilities are not reflected in the balance sheet. These obligations are disclosed as contingent liabilities in the notes.

Inferences from Second Workshop

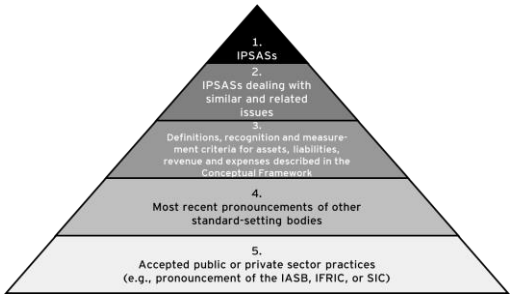
IPSAS 23 - Revenue from Non-Exchange Transactions

- If there is a condition attached toa transfer in accordance with IPSAS 23, then a liability is recorded first and it is converted to revenue periodically (see IPSAS 23.44 ff). Time of the revenue recognition under such non-exchange transaction depends generally on the fulfillment of the condition,
  - In the case of financial aid this could mean that revenue will be realized when expenses are incurred for the stipulated job,
  - In the case of the public relief , it is stated that income will be recorded as long as it is used for the stipulated work. (According to our legislation, it is thought to be recorded as income during the period of depreciation, the period of use and the time given by the grantor).
- In addition, regarding the question asked by the Ministry of Finance project team about the consecutive tracing of the journal entry, Dr Jens Heiling briefly stated that the journal entry must be followed closely, that this is one of the main principles of the account , that errors and corrections should only be made by accounting record, that related corrections in financial reporting should be made according to the standard 3.

Inferences from Second Workshop

IPSASB Conceptual Framework

- When interpreting IPSASs it is emphasized that IPSAS 3 provides a hierarchy and in this respect the main sources to be considered in order to find a suitable accounting treatment are as follows:



- While taking these as a whole will provide the harmonization of the national legislation with the standards, considering the harmonization provisions that are primarily needed by a cost-benefit analysis rather than all the provisions of the standards will be healthier.

Harmonization of IPSASs and General Government Accounting Legislation

Workshop 2: Gap Assessment Phase

October 9, 2017

Building a better working world

What are we going to cover in this workshop

Time	Subject
Day 1	
10.00 - 10.45	Objectives and the methodology of the Workshop
10.45 - 11.15	Findings and discussion on the Intangible Assets
11.15 - 11.30	Break
11.30 - 12.30	Preliminary findings of the country analysis - Public Immovables
12.30 - 14.00	Lunch Break
14.00-15.00	Discussion - Public Immovables
15.00 - 15.15	Break
15.15 - 16.00	Discussion - Public Immovables
16.00 - 16.15	Break
16.15 - 17.00	Preliminary findings of the country analysis - Contingent Liabilities
17.00 - 18.00	Discussion - Contingent Liabilities

What are we going to cover in this workshop

Time	Subject
Day 2	
10.00 - 11.00	Presentation of Thomas Müller-Marqués Berger – Accounting for Service Concession Arrangements under IPSAS with a focus on the grant of a right to the operator model
11.00 - 11.15	Break
11.15 - 12.00	Preliminary findings of the case studies – Public Private Partnerships Part 1
12.00 - 14.00	Lunch Break
14.00 - 14.30	Preliminary findings of the case studies - Public Private Partnerships Part 2
14.30 - 15.00	Discussion - Public Private Partnerships
15.00 - 15.15	Break
15.15 - 16.30	Discussion - Public Private Partnerships
16.30 - 16.40	Break
16.40 - 17.30	Discussion - Public Private Partnerships

What are we going to cover in this workshop

Time	Subject
Day 3	
10.00 - 10.30	Review of Day 2's discussions
10.30 - 11.15	Preliminary findings of the country analysis – Tax and Budget Practices
11.15 - 11.30	Break
11.30 - 12.30	Discussion
12.30 - 14.00	Lunch Break
14.00 - 14.30	Preliminary findings of the country analysis – Financial Statements
14.30 - 15.00	Discussion on the Financial Statements
15.00 - 15.15	Break
15.15 - 16.30	Wrap-Up (Outputs of workshop, next steps) ▶ General review of Workshop 2 ▶ Elaborate on the next steps

Workshop Participant List

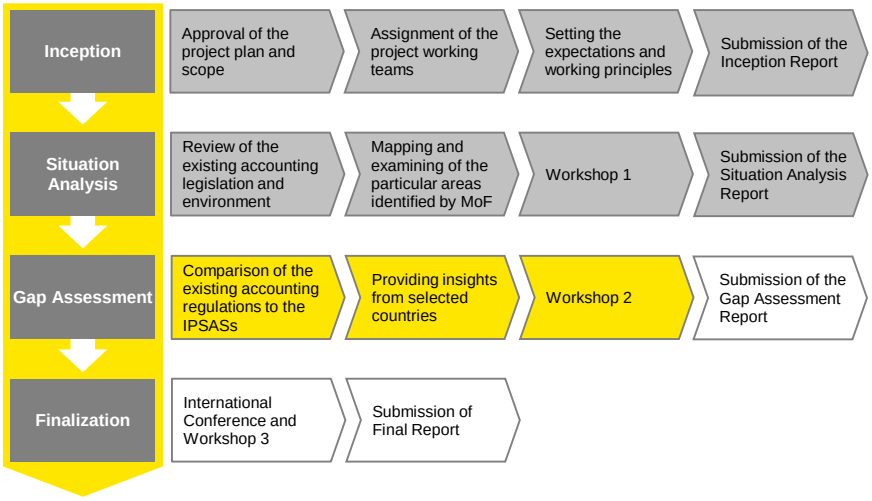
TR Ministry of Finance Directorate General of Public Accounts

Name-Surname	Job Title	Department
Harun Yalçın Mengüloğul	Head of Department	The Department of the Directorate and Management of Public Accounts
Gönül Öztürk	Head of Department	The Department of External Audit Monitoring
Hüseyin Avcı	Expert	The Department of the Directorate and Management of Public Accounts
Ali Topakkaya	Expert	The Department of the Directorate and Management of Public Accounts
Burhanettin Ünal	Expert	The Department of the Directorate and Management of Public Accounts
Hakan Kara	Expert	The Department of the Directorate and Management of Public Accounts
Metin Coşkun	Expert	The Department of External Audit Monitoring
Engin Kaya	Expert	The Department of the Directorate and Management of Public Accounts
Emel Bıçak	Expert	The Department of the Directorate and Management of Public Accounts
Bahtiyar Yüksel	Expert	The Department of External Audit Monitoring
Zeynep Ufku Kanbay	Expert	The Department of External Audit Monitoring
Nazire Kont	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Hasan Acılar	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Volkan Atar	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Salih İslam Kaya	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Erhan Emeksiz	Assistant Expert	The Department of Financial Statistics
Gökhan Manap	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Ahmet Seviniş	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Aslı Aysel Türkmenoğlu	Assistant Expert	The Department of Financial Statistics

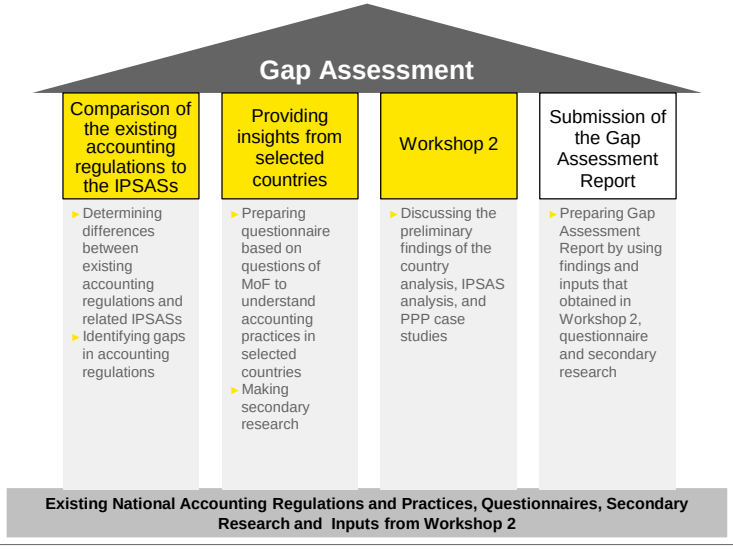
Objectives of Workshop 2

1. Provide first insights into the public accounting practices and standards in selected countries
2. Focus on the grant of a right to the operator model in accounting for PPP and discuss the questions of the MoF in this context
3. Discuss answers to the questions of the MoF based on the IPSAS guidance and country analysis

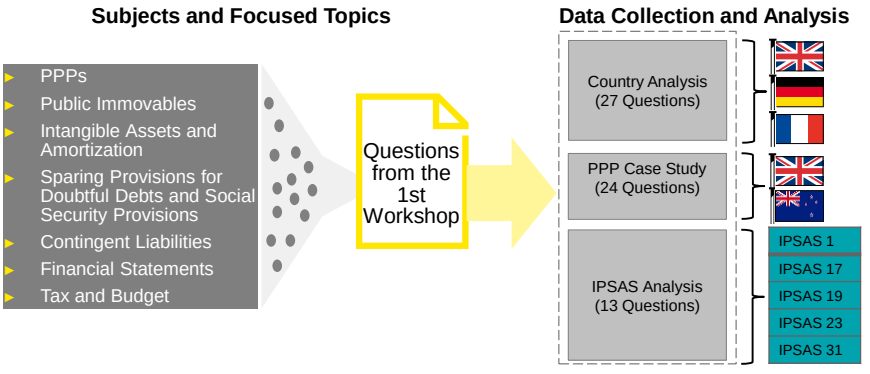
Project Phases



Gap Assessment Steps



Methodology



- **Questionnaires** for each topic
- **Regular weekly meetings** for situation analysis
- Identify the **areas of development**

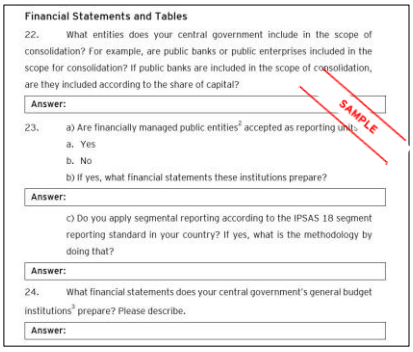
- Development of **data collection tools**
- Transform and group the linked questions into **questionnaire** for other country respondents

- **Primary and Secondary research** from reports, former EY studies
- **Triangulate** the findings from other sources

Situation Analysis → Gap Assessment

Methodology

- Questionnaires
  - We prepared related with PPPs and other topics selected by MoF
  - Brought MoF questions in line with international public sector accounting language
  - Prepared a template that made it easier for representatives to respond to questionnaire and spend time on the questionnaire
  - Review of questionnaire by MoF/EY experts and revising questionnaire in accordance with feedbacks given
  - Target group: Public sector accounting experts of Ministry of Finance or EY in selected countries



Financial Statements and Tables

22. What entities does your central government include in the scope of consolidation? For example, are public banks or public enterprises included in the scope for consolidation? If public banks are included in the scope of consolidation, are they included according to the share of capital?

Answer:

23. a) Are financially managed public entities[2] accepted as reporting units?
a. Yes
b. No
b) If yes, what financial statements these institutions prepare?

Answer:

c) Do you apply segmental reporting according to the IPSAS 18 segment reporting standard in your country? If yes, what is the methodology by doing that?

Answer:

24. What financial statements does your central government's general budget institutions[3] prepare? Please describe.

Answer:

SAMPLE



- Secondary Research
  - Scanning applied public sector accounting standards of countries within scope
  - Identification of first answers to questions of Ministry of Finance

Country Selection

Country	Selection Criteria: Data and Information Availability	Compliance with IPSAS	EY Contacts	Maturity Level of Public Accounting System
UK				
France				
Germany				
Lithuania				
Sweden				
New Zealand				
Malaysia				
Portugal				
South Africa				
Chile				

Country Analysis

PPP Case Study

Focused Topics

PPPs

Issues Encountered	Importance
1. Standards for PPPs	High
2. Reporting of PPPs	High
3. Recognition of PPPs in Financial Statements	High
4. Demand Guarantees	High
5. Measurement of PPPs	High
6. Roles of Operator and Grantor	High
7. Risk and Return Assessment	High
8. PPPs and Financial Statistical Tables	

- Detailed analysis of PPP questions
- Two separate countries selected for review
- United Kingdom and New Zealand
- Questionnaires are prepared for data collection
- The level of importance of the information needed for the particular topics
- The findings are presented according to the topics

Focused Topics

Public Immovables

Issues Encountered	Importance
1. Accounting for Underground Resources	High
2. Recognition and Disclosure of Public Immovables	High
3. Depreciation Practices	High
4. Recording of Public Immovables with Token Value	Medium
5. Directly Attributable Costs	Medium
6. Recording of Land and Building	Medium
7. Recording Entity	Low
8. Recognition and Depreciation Threshold of Public Immovables	Low
9. Recording of Land and Building	Medium

Contingent Liabilities

Issues Encountered	Importance
1. Differentiation of Contingent Liabilities	High
2. Measurement of Contingent Liabilities	High
3. Disclosure of Contingent Liabilities	High
4. Reporting of Contingent Liabilities	High
5. Social Security Provisions	High
6. Standardization of Contingent Liabilities	Medium

Intangible Assets

1. Recording of Research and Development Activities	Medium

EY

Focused Topics

Financial Statements

Issues Encountered	Importance
1. Consolidation of Financial Statements	High
2. Financially Managed Public Entities and Segmental Reporting	Medium
3. Preparation of Financial Statements	Medium
4. ESA Based and GFS Based Financial Statistics	Medium
5. Financial statistical tables that are not included in IPSAS 1	Low

Tax and Budget

Issues Encountered	Importance
1. IPSAS 23	High
2. Accounting for tax revenues	High
3. Statistical methods	Medium
4. Comparison of budget and actual results and basis of comparison	Medium
5. Factors constitute the expenses and expenditures	Medium
6. Reverse entry to close accrual record	Low

EY

Intangible Assets

Workshop 2: Gap Assessment Phase
October 9, 2017

Building a better working world

IPSAS Analysis

Recording of Research and Development Activities

- How are research and development activities recorded?



- For internally generated intangible assets it is differed between the **research** and **the development phase**
- The **recognition** of **internally generated intangible assets** can be sometimes hard due to problems in:
  - I**dentifying the intangible asset** that will generate **economic benefit** and/or **service potential** in the future
  - Assessing the **cost reliably** because sometimes the cost of the asset cannot be distinguished from the costs of daily operations

IPSAS Analysis

Recording of Research and Development Activities

Research Phase

- The intangible assets that are in the research phase are **not recognized**
- The expenditure occurred during the research phase is recognized as an **expense**
- An entity **cannot** distinguish between whether an intangible asset will generate **probable future economic benefits/service potential** or not
- Some of the activities in the research phase include:
  - activities to gain new knowledge
  - the assessment and selection of research findings and knowledge
- The difference between the two phases is that an entity can identify if the intangible asset **can** generate **probable future economic benefit/** service potential or not in the development phase

Development Phase

- The intangible assets are recognized if certain conditions are met
- The conditions that an entity must demonstrate for the intangible asset include:
  - the **technical feasibility** to be used or to be sold
  - the **capacity** and the objective to complete and **use or sell it**
  - the **probable future economic benefits** or service potential generated
  - the **availability** of enough financial, technical and other **resources** to conclude the development
  - the ability to **measure the expenditure**
- The fulfillment of the criteria for the capitalization of development costs is rather **difficult** in the **public sector**. From an international perspective, accounting for development activities is typical in higher education institutions (**universities**) as well as in **public research centers**

Country Analysis

Recording of Research and Development Activities

- How are research and development activities recorded?

UK

- The UK applies IAS 38, i.e. they account for internally generated intangible assets
- There are no deviations between IAS 38 and IPSAS 31 in accounting for internally generated assets
- Only the costs occurred in the development phase of an intangible asset are capitalized

France

- France generally follows IPSAS 31 on accounting for internally generated intangible assets. Expenses relating to the research phase are not capitalized whereas expenses relating to the development phase are capitalized
- Expenditures for the development phase of a project can only be capitalised if their total value is greater than a threshold set for this type of asset

Germany

- According to the Standards for Government Accrual Accounting it is not allowed to account for internally generated intangible assets
- In the property accounts of the German Federal Government no intangible assets are accounted for

Discussion

Questions or comments?



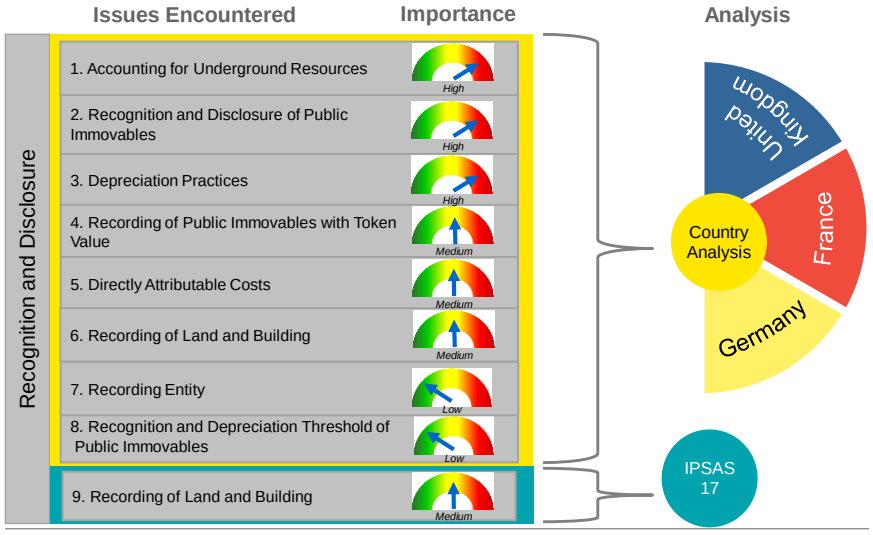
EY

Public Immovables

Workshop 2: Gap Assessment Phase
October 9, 2017

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Building a better working world

Focused Topics



Country Analysis

1. Accounting for Underground Resources

- How are the accounting records made in other countries for underground resources such as minerals, petroleum, natural gas and similar underground reserves?

UK

- The UK Government **does not own** any underground resources such as minerals, petroleum, natural gas and similar underground reserves
- Although, the FReM (Financial Reporting Manual) applies IFRS 6 (Exploration for and Evaluation of Mineral Sources) with no adaptation, the UK Government has no such asset to record

France

- **No accounting records** are currently made for underground resources in France

Germany

- The property accounts of the central government in Germany **does not** present underground resources such as minerals, petroleum and natural gas
- Also the Standards for Government Accrual Accounting does not contain any guidance on accounting for such assets.

Country Analysis

2. Recognition and Disclosure of Public Immovables

- Which public immovables should be excluded from the records and balance sheet (taking into account of highway-road, forest-park, lake-pond)?

UK

- The central government includes examples **of all PPE categories** unless other public sector bodies fund their procurement, upgrade and maintenance
- The Whole of Government Accounts includes all PPE categories

France

- **All** of the public immovables are accounted for and reflected in the **balance sheet**
- **Natural sites** such as moors, beaches, dunes, ponds, and lakes are presented separately in the financial statements
- **Roads, motorways** and the other related structures are also presented separately in the financial statements

Germany

- According to the Standards of Government Accrual Accounting, **Central Government** would have to account for highway and roads, forest and parks as well as lakes
- The property accounts of the German **Federal** Government **does currently not** include such assets

Country Analysis

3. Depreciation Practices

- ”If the cost of land includes the cost of site dismantlement, removal, and restoration, that portion of the land is depreciated over the period of benefits or service potential obtained by incurring those costs” (IPSAS 17.75). What is the scope of this IPSAS based rule?

UK

- The central government in the UK does **include** the cost of dismantlement, removal, and restoration when determining the cost of land and that portion of the land is being depreciated
- The cost of improvements to existing assets (adding a lane to a motorway) should be **capitalized during the construction phase** as an asset under construction
- At the first valuation after the asset is brought into use, any write down of cost should be treated as an impairment and charged to the Statement of Comprehensive Net Expenditure

France

- The cost of land **does include** the initial estimate of dismantlement, removal and restoration costs and that portion of the land is being depreciated. The accounting treatment of dismantling and restoration of land differs according to the **deterioration** that creates the obligation. The three different cases are as follows:
  - 1) The deterioration is an inevitable result of future operating activity
  - 2) The cost occurs as a result of immediate deterioration
  - 3) The cost is a result of progressive deterioration

Germany

- According to the Standards of Government Accrual Accounting, the cost of site dismantlement, removal and restoration are **not included** in the cost of land in Germany

Country Analysis

3. Depreciation Practices

- "Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately"(IPSAS 17.59). How is the significance criteria determined? How are costs allocated?

UK

- UK Central Government applies IAS 16 and the component approach is defined within the standard
- However for some assets such as highways, the Government has **not yet** fully applied a component based approach to measurement due to its **complexity**
- The overriding principle is that the value reflects the cost of replacing the service potential that the asset currently provides, and if that value changes, the department will impair or revalue the asset

France

- The central government **does not apply** the component approach since each component of assets has different characteristics and the analysis of these components would require a **complex** analysis given the number and variety of assets
- Furthermore, the component approach is not suitable for tangible assets that are measured based on fair value or depreciated replacement cost at the reporting date

Germany

- **Generally**, the component approach is **not applied**. However, due to specific regulations (mainly relating to tax accounting) in Germany, components of assets (e.g. the elevator in a house) would have to be accounted for separately

Country Analysis

4. Recording of Public Immovable with Token Value

- What are the examples of immovables that can be recorded with token value? Should immovables recorded with token value be disclosed in the balance sheet or footnotes?

UK

- Community assets are non-current assets held by an authority in perpetuity that have no determinable useful life and may have restriction on their disposal, such as parks and open spaces, historic buildings, works of art etc.
- They are primarily held for their historic and cultural value. **Local community assets** are generally included at cost or a **token** value in the **Statement of Financial Position** under 'other assets'
- The immovables recorded with token value is disclosed within the **disclosures** section

France

- **Natural sites** (assets with an unmeasurable service potential), **cemeteries** that are not included in Standard numbered 17 Heritage Assets, some of the **Ministry of Defense property assets**, are measured based on **token** or non-revisable fixed amount
- The public immovables that are recorded with token value are disclosed in the balance sheet

Germany

- Waste disposal sites (landfills), uncultivated land (fallow land), heritable building right, works of art and collections as well as other cultural goods and monuments (but only in the case when other values are not available) are measured based on **token** value
- The immovables recorded with token value are disclosed in the **balance sheet**
- There is no separate disclosure of immovable recorded with token value in the notes

Country Analysis

5. Directly Attributable Costs

- Are there countries that include the directly attributable costs, such as the costs of employee benefits and professional fees for workers, to the cost value? How is the implementation done?

UK

- The directly attributable costs **are included** in the cost value
- Staff costs that can be attributed directly to the construction of an asset have been capitalized

France

- The directly attributable costs **are included** in the cost of tangible assets. Tangible assets that are acquired are measured based on acquisition cost. This cost does include directly attributable costs to bringing the asset to the working condition necessary for its intended use
- Some of the costs that are included in the acquisition cost include: costs for site preparation, initial delivery and handling costs, installation costs, and professional fees such as for architects and engineers

Germany

- According to the Standards of Accrual Accounting, in the acquisition cost for an item of PP&E all costs that are required to bring the item of PP&E in the condition necessary for it to be capable of operating would be considered. If these costs are directly attributable to the asset these costs would have to be considered.
- However, in the property accounts it remains unclear whether the directly attributable costs are included in the cost value

Country Analysis

6. Recording of Land and Building

- Are buildings/property on a land separately accounted for ?

UK

- **IAS 16**, Property, Plant and Equipment is applied. The understanding of IAS 16 in the UK is that entities are required to **value and depreciate** classes of assets **separately** and land is one of the examples provided
- However, this does not necessarily imply that entities present a separate value for land in the Statement of Financial Position yet the value presented includes the separate value measured for land which includes depreciation

France

- The sub-classes of assets are presented separately in the financial statements of the Central Government. Land and property are separate classes/sub-classes of assets and would therefore need to be accounted for **separately**

Germany

- Land ("Grund und Boden") needs to be **separately** accounted for by the German Central Government. This is also the case for all local governments in Germany

Country Analysis

7. Recording Entity

- If more than one public administration is located in the same building or on the same land, which of those public administrations is keeping the accounting records for the land or building?

UK

- Each Accounting Officer from each government department is responsible for keeping its records and safeguarding the assets of its department

France

- The entity controlling the building and/or land would have to account for the building or the land
- A national decision tree is used to determine whether the central government/a public entity is controlling the land/building or not

Germany

- The public administration owning the building or land (from an economic perspective), would have to account for it. Legal ownership is not decisive
- In Germany there is the principle of economic ownership in place. The economic owner of an asset is required to account for it

Country Analysis

8. Recognition and Depreciation Threshold

- Does your central government has a recognition and/or depreciation threshold for the items of property, plant and equipment? What amount is taken for the threshold?

UK

- The threshold for capitalising non-current assets is set by each government department as appropriate to their circumstances and disclosed in the accounting policy note in their accounts
- Central government departments typically have a capitalisation threshold of **GBP £5,000**, other than the Ministry of Defence which has a capitalisation threshold of **GBP £25,000**
- There is **no depreciation threshold**

France

- The central government may put **materiality thresholds** per item depending on the diversity of the tangible asset portfolio and make a distinction between the tangible asset and expense
- The Central Government Accounting Standards do not specify such a threshold
- No specifications for the depreciation threshold

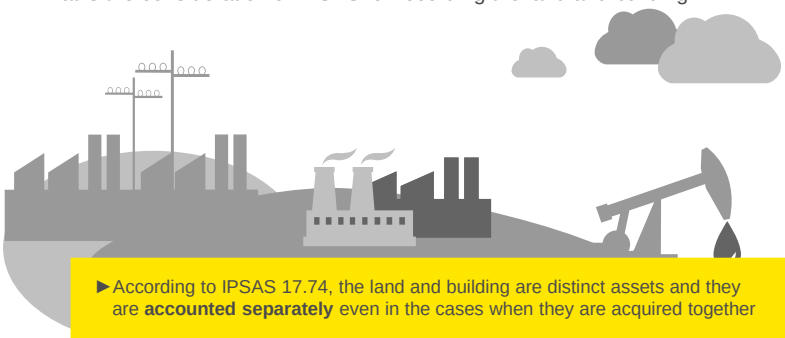
Germany

- Entities within the scope of the Standards of Government Accrual Accounting can define recognition thresholds of up to **5.000 EUR** per item and **50.000 EUR** for a group of items
- The German public administrations only have a recognition threshold. A **depreciation threshold is not known** in Germany

IPSAS Analysis

Recording of Land and Building

- What is the consideration of IPSAS for recording the land and building ?



- According to IPSAS 17.74, the land and building are distinct assets and they are **accounted separately** even in the cases when they are acquired together
- The land has unlimited useful life with the exceptions such as quarries and sites used for landfill whereas the building has limited useful life. Thus, the land is not depreciated and the building is depreciated

Discussion

Questions or comments?

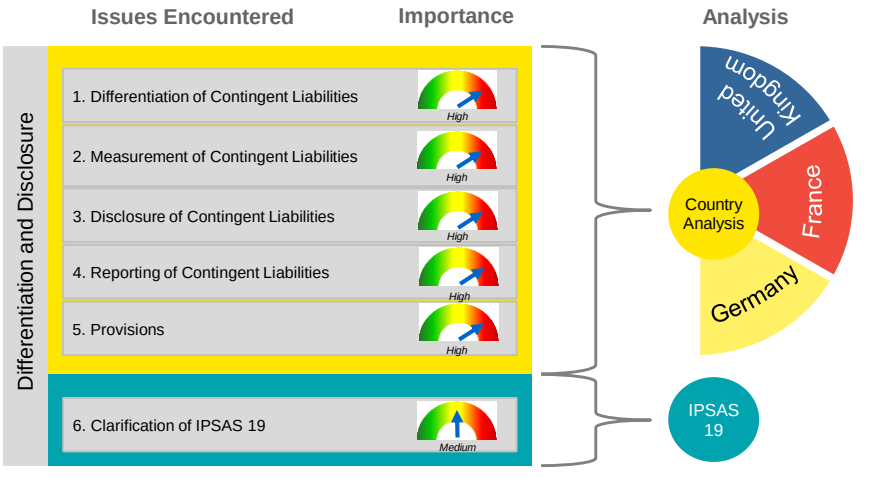


Contingent Liabilities and Provisions

Workshop 2: Gap Assessment Phase
October 9, 2017

EY
Building a better working world

Focused Topics



EY

Country Analysis

1. Differentiation of Contingent Liabilities

- How does your central government differentiate contingent liabilities from provisions?

UK

- **IAS 37 – Provisions, Contingent Liabilities and Contingent Assets** is used for differentiating contingent liabilities from provisions.
- This distinction rests on whether
  - the liability is present or depends on uncertain future events, or
  - the entity cannot currently measure a present liability reliably.

If one of these circumstances are present, then it is processed as **contingent liability.**

France

- **Standard 13 - Commitments to be disclosed in the Notes to the Financial Statements** is used for differentiating contingent liabilities from provisions.
- Standard differentiates contingent liabilities from a provision by declaring that a **provision** represents
  - a probable or
  - an unconditional obligation

at the reporting date; whereas a contingent liability does not.

Germany

- **The Standards of Government Accrual Accounting** currently follow business accounting law on the issue.
- **Provisions** are obligations that are not specified exactly with regards to their value and/or their date of payment.
- There is no legal definition for contingent liabilities;
- German accounting law follows in that regard international accounting standards, and assumes for contingent liabilities a probability of occurrence of less than 50%.

EY

Country Analysis

1. Differentiation of Contingent Liabilities

- How does your central government determine the probability of an obligation?

UK

- There is **no** guidance on this issue.
- It is determined by **management decision-making**.

France

- There is **no** guidance on this issue.
- It is determined by **professional judgment**.

Germany

- There is **no** guidance on this issue.
- It is determined by **professional judgment**.

- What do you consider as contingent liabilities?

UK

- Contingent liabilities are separated into two;
- **Quantifiable**, such as export guarantees, insurance policies, transport infrastructure projects
- **Non-quantifiable**, such as legal claims, pension scheme deficits, civil nuclear liabilities.

France

- Contingent liabilities are;
  - Guarantees,
  - Transfers,
  - Lawsuits, and
  - Pensions.

Germany

- Contingent liabilities are;
  - Export guarantees, and
  - Debt guarantees.

EY

Country Analysis

1. Differentiation of Contingent Liabilities

- In the case of contracts with demand guarantees: How do you account for contingent liabilities there?

UK

- **IAS 32 and IAS 39** are used for measuring the guarantee at the product of the amount that may fall under the guarantee and the likelihood that the recipient will call on the guarantee.

France

- Generally, the **amount in the contract** should be disclosed.
- Yet, the terms of the agreement should be assessed for each contract involving demand guarantee.

Germany

- If the contingent liability for the demand guarantee is **remote** then **no** contingent liability is disclosed.
- If the probability is **more than 10% and less than 50%**, a contingent liability would be accounted for.

- How does your central government account for contingent liabilities in court cases?

UK

- The probability of each case is determined **case-by-case separately**.
- Their measurement provides an estimate falling with a range or the maximum amount of risk.

France

- The probability of each case is measured **case-by-case separately.**
- This measurement provides an estimate falling with a range or the maximum amount of risk.

Germany

- The probability for each court case would have to be determined **case-by-case separately**.
- This based on the individual measurement principle in German public sector accounting.

EY

Country Analysis

2. Measurement of Contingent Liabilities

- How do you measure contingent liabilities?

UK

- Individually significant contingent liabilities are measured with a potential liability of at least **GBP £3.0 billion**.

Germany

- Measurement of contingent liabilities are **same** with the measurement of provisions.

France

- Measurement changes according to the types of contingent liabilities;
  - **Guarantees** do not require a special way of measurement. The amount in the contract is the value of contingent liabilities.
  - **Transfers** are measured by reviewing previous transfers.
  - **Lawsuits** are measured based on an estimate falling with a range or the maximum amount of the risk.
  - **Pensions** are measured by using the projected unit credit method .

EY

Country Analysis

3. Disclosure of Contingent Liabilities

- How do you disclose contingent liabilities?

UK

- They are disclosed within the **disclosure notes** detailing in a table for each of the contingent liabilities categories

Germany

- Contingent liabilities are shown in the **notes** of balance sheets.

France

- There are several different conditions which determine the type of disclosure;
  - Obligation for the contingent liability must exist at the reporting date; even though its enforcement may be conditional. Then contingent liability should be disclosed in the **notes of balance sheets.**
  - If the obligation becomes certain at the time of reporting; but there is no certainty for the outflow of the resource; then contingent liability should be reported as **off-balance sheet commitments.**
  - If both the obligation and the outflow of resources are certain, then the contingent liability should be recognized **as liability in Central Government balance sheet**.

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Country Analysis

4. Reporting of Contingent Liabilities

- How often does your country report contingent liabilities (monthly, quarterly, annual)?

UK

- Existing standards **do not** provide a timeframe for reporting.
- For external reporting purposes, contingent liabilities are reported **annually**.

France

- Reporting of contingent liabilities are made **annually.**

Germany

- External reporting is only made **annually**.

- Does your country publish a financial statistics showing contingent assets and liabilities?

UK

- The UK **does** publish financial statistics showing contingent liabilities annually.
- They are in **tabular format** showing the amounts.
- **No** stock data or flow data is provided.

France

- There is **no** such report published in France.

Germany

- The German Federal Statistics Office reports solely **debt guarantees and non-performing loans**.
- **No** other contingent liabilities or contingent assets are reported.

EY

Country Analysis

5. Social Security Provisions

- What do your central government consider as provisions?

UK

- Examples of provisions include
  - nuclear decommissioning costs and
  - clinical negligence.

France

- Examples of provisions include
  - Provisions for risk and liabilities;
  - Provisions for employee benefits; and
  - Provisions for public services

Germany

- Provisions for pensions and similar obligations (mainly health allowances)
- Provisions for assumed guarantees
- Provisions for final payments for index-linked federal bonds
- Provisions for rehabilitation of old ecological burdens

- Does your central government account for provisions and contingent liabilities from social benefits?

UK

- Central government **does** account for provisions from social benefits. These include:
  - injury benefits and medical costs,
  - criminal injuries compensation,
  - compensation payments for termination of employment.

France

- French Central Government account for provisions for
  - short-term social benefits and
  - cut-off purposes among social benefits.

Germany

- Central government **does not** account for provisions and contingent liabilities from social benefits.

EY

Country Analysis

5. Social Security Provisions

- Does your central government pay termination benefits to workers and civil servants?

France

- The central government **does** pay termination benefits to its employees by law.
- Through **IAS 19 – Employee Benefits**, employers recognize the retirement benefits as liabilities to be disclosed in the notes of balance sheets.

Germany

- The central government **does not** pay termination benefits to its employees.
- Instead, civil servants in Germany have a **special health plan** and they get an index-linked pension paid directly by the state.

UK

- The central government **does** pay termination benefits to workers and civil servants.
- Termination benefits are paid to the individuals concerned using the arrangements for paying pensions, with the amounts being recharged to employers.
- Arrangements for paying termination benefits and their recovery from employers may **differ from scheme to scheme.**
- Guidance is of a general nature and may need to be interpreted to reflect individual circumstances.

EY

Country Analysis

6. Clarification of IPSAS 19

- Is there a calculation method for measuring contingent liabilities? (1)

IPSAS

Likelihood of outcome	*Accounting treatment: contingent liability*	*Accounting treatment: contingent asset*
Virtually certain (say, >95% probable)	Not a contingent liability, therefore recognise	Not a contingent asset, therefore recognise
Probable (say, 50-95% probable)	Not a contingent liability, therefore recognise	Disclose
Possible but not probable (say, 5-50% probable)	Disclose	No disclosure permitted
Remote (say, <5% probable)	No disclosure required	No disclosure permitted

- To determine the likelihood of the outcome professional judgement is required.
- Generally, the same measurement principles apply than for provisions.

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Country Analysis

6. Clarification of IPSAS 19

- Is there a calculation method for measuring contingent liabilities? (2)

IPSAS

- IPSAS 19 para. 100:

100. **Unless the possibility of any outflow in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, where practicable:**

(a) **An estimate of its financial effect, measured under paragraphs 44–62;**

(b) **An indication of the uncertainties relating to the amount or timing of any outflow; and**

(c) **The possibility of any reimbursement.**

- Using different techniques like ranges of outcomes and point estimates,
- Assessing evidences about economic circumstances that existed at the reporting date,
- Having advice from experts on the issue and previous examples/experiences

EY

Country Analysis

6. Clarification of IPSAS 19

- How is the degree of probability determined in the method given in IPSAS 19?

IPSAS

- Entities can determine the degree of probability by;
  - Using their judgment on the probability by assessing the outflow of resources.

- At which stage should contingent liabilities be recorded as provisions in financial tables?

IPSAS

- A contingent liability must be recorded as provision, when the following occurs;
  - a past event has created a present legal or constructive obligation,
  - an outflow of resources embodying economic benefits or service potential required to settle the obligation is probable,
  - and the amount of the obligation can be estimated reliably

- What is the best period of time for the reporting process for contingent liabilities?

IPSAS

- According to IPSAS, contingent liabilities should be reported **annually**.
- From a risk management (internal) standpoint, however, quarterly reporting seems appropriate

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Country Analysis

6. Clarification of IPSAS 19

- Should the contingent liability be disclosed when the contract is signed or when the obligating event arises?

IPSAS

- The answer to this question **depends on the underlying transaction or the event**. Generally, a contingent liability needs to be disclosed when the "recognition" criteria are fulfilled.
- Definition of a contingent liability:

> (a) **A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or**
>
> (b) **A present obligation that arises from past events, but is not recognized because:**
>
> (i) **It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or**
>
> (ii) **The amount of the obligation cannot be measured with sufficient reliability.**

- Please note that a present obligation can be a legal or a constructive (!) obligation

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Discussion

Questions or comments?



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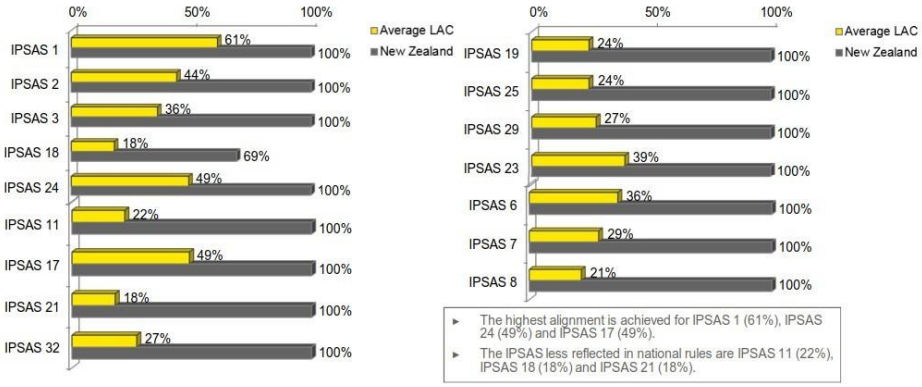
Accounting for Service Concession Arrangements under IPSAS with a focus on the grant of a right to the operator model

Thomas Müller-Marqués Berger

Ankara, 10 October 2017

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Relevant topic – but practical application of IPSAS 32?
The Example of LAC



Source: IDB Study (2017) – to be published

Accounting Requirements of IPSAS 32

Accounting requirements of IPSAS 32
Overview

IPSAS 32 deals with mainly infrastructure assets being regarded as controlled by government.

Scope

- Arrangements within the scope of IPSAS 32 must involve the operator providing public services related to the service concession asset on behalf of the grantor
- Examples of arrangement that are outside the scope of IPSAS 32 are those
  - that do not involve the delivery of public services;
  - that involve service and management components where the asset is not controlled by the grantor;
  - that include outsourcing, service contracts or privatization:

Accounting requirements of IPSAS 32
Overview

Definitions

- **Service Concession Arrangement** is a binding arrangement between a grantor and an operator in which
  - the operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and
  - the operator is compensated for its services over the period of the service concession arrangement.
- A **grantor** is the entity that grants the right to use the service concession asset to the operator
- An **operator** is the entity that uses the asset to provide public services subject to the grantor´s control of the asset
- A **service concession asset** is an asset used to provide public services in a service concession arrangement that
  - is provided by the operator (construct/develop/acquire or existing asset)
  - is provided by the grantor (existing asset or update)

Accounting requirements of IPSAS 32
Overview - What is a service concession asset?

An asset used to provide public services in a service concession arrangement that is

Provided by the operator which	Provided by the grantor which
• The operator constructs, develops or acquires from a third party Or • Is an existing asset of the operator	• Is an existing asset of the grantor Or • Is an upgrade to an existing asset of the grantor

Accounting requirements of IPSAS 32
Accounting for service concession asset (1)

Recognition

- A government recognizes an asset in its financial statements when (IPSAS 32.9):
  - The grantor controls or regulates the services to be provided by the operator and
  - The grantor controls any significant residual interest in the asset at the end of the arrangement
- However: the recognition criteria in IPSAS 17/ IPSAS 31 have to be fulfilled
  - it is probable that future economic benefits associated with the item will flow to the entity (first recognition criteria)
  - the cost or fail value of the item can be measured reliably (second recognition criteria)

Accounting requirements of IPSAS 32
Accounting for service concession asset (2)

Measurement

- Initial measurement of the asset is at fair value → does not constitute revaluation under IPSAS 17 *Property, Plant and Equipment* / IPSAS 31 *Intangible Assets* (IPSAS 32.11)
- After initial recognition, the asset shall be accounted for in accordance with IPSAS 17 or IPSAS 31, as appropriate
  - cost method
  - revaluation method

  Please note: From 1. January 2017 it is not required anymore that service concession arrangements are presented as a separate class of assets in the statement of financial performance

Accounting requirements of IPSAS 32
Accounting for service concession asset (3)

Measurement

- In cases where an existing asset is subject to a SCA, the grantor shall reclassify the asset
  - the requirement of IPSAS 32.11 does not apply to reclassifications, i.e. no re-measurement at fair value in this case (AG24)!

Accounting requirements of IPSAS 32
Accounting for liabilities

Recognition – key principle:

- Where the grantor recognizes an asset in accordance with IPSAS 32.9, he should also recognize a liability (IPSAS 32.14).
  - but: do not recognize liability when an existing asset is reclassified!
- Nature of the liability – depending on the nature of the consideration exchanged between grantor and operator
  - payments to the operator → **financial liability model**
  - compensating the operator by other means:
    - granting the right to earn revenue from users; or
    - granting access to another revenue-generating asset

      → **grant of a right to the operator model**

Accounting requirements of IPSAS 32
Timing of recognition (1)

- Timing of recognition of infrastructure assets and liability/deferred revenue:
  - from date control over the asset is obtained
  - usually at the start of the construction/development period
- But note again: recognition criteria of IPSAS 17 and 31 needs to be fulfilled
  - especially the aspect of “reliably measureable” could be a practical problem during the period of construction or development

Accounting requirements of IPSAS 32
Timing of recognition (2)

- Re. the first recognition criteria: „Similar to an asset the grantor constructs or develops for its own use, the grantor would assess, at the time the costs of construction or development are incurred, the terms of the binding arrangement to determine whether the service potential of the service concession asset would flow to the grantor at that time." (IPSAS 32.AG22)
- Re. the second recognition criteria (IPSAS 32.AG23):
  - The grantor must have reliable information about the cost or fair value of the asset during its construction or development, e.g. from progress reports from the operator to the grantor during the construction or development of the asset.

    Also, where the grantor has little ability to avoid accepting an asset constructed or developed to meet the specifications of the contract, or a similar binding arrangement, the costs are recognized as progress is made towards completion of the asset

Accounting requirements of IPSAS 32
Accounting for liabilities

- If government compensates the operator for construction by making a predetermined series of payments during the life of the PPP (a government-funded PPP):
  - Government recognizes the assets and a financial liability equal to the full value of the assets
- If government compensates operator for construction by granting the operator the right to earn revenues from users (a user-funded PPP):
  - Government recognizes the assets and deferred revenue equal the full value of the asset

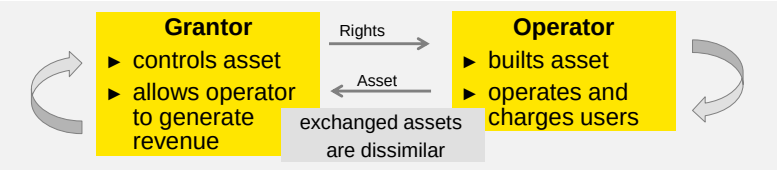
Accounting requirements of IPSAS 32
Accounting for liabilities

Measurement:

- The liability recognized shall be initially measured at the same amount as the service concession asset (IPSAS 32.15)
  - → It is likely that the government's gross debt increases by the amount of the liability, while net worth remains unchanged
- Subsequent measurement is depending on the nature of the liability
  - Financial liability model: measurement according to IPSAS 29 (IPSAS 32.20)
  - Grant of a right model: the grantor shall account for the liability as the unearned portion of the revenue arising from the exchange of assets with the operator (IPSAS 32.24).
  - For mixed arrangements: it is necessary to account separately for each part of the total liability recognized (IPSAS 32.27).

Accounting requirements of IPSAS 32
Accounting for liabilities – Grant of a Right Model

- SCA is an exchange transaction – IPSAS 9 applies



Background information from the Basis for Conclusions:

- **revenue recognition** according to IPSAS 9: exchange is regarded as transaction that generates revenue if and as it results in an increase in the net assets of the grantor (BC35).
- in general: economic substance of an SCA provides an increase in net assets, so revenue accrues and should be recognized (BC29).
- Key question: to which period(s) has the revenue to be allocated?

→ timing is over period of arrangement. Until the criteria for revenue recognition have been satisfied, credit is recognized as liability (BC39).

Accounting requirements of IPSAS 32
Accounting for liabilities – grant of a right model

- General principle (IPSAS 32.24): the grantor shall account for the liability recognized in accordance with para.14 as the unearned portion of the revenue arising from the exchange of assets
  - As the right granted to the operator is effective for the period of the arrangement, the grantor does not recognize revenue from the exchange immediately (IPSAS 32.26; under ED 43: "performance obligation")

→ the grantor earns the benefit associated with the assets received in exchange for the right granted to the operator over the period of the arrangement (AG47)

  - The revenue is recognized according to the economic substance of the service concession arrangement, and the liability is reduced as revenue is recognized

Accounting requirements of IPSAS 32
Presentation and disclosure (IPSAS 32.32)

- A description and significant terms of the arrangement
- The nature and extent of:
  - rights to use specified assets
  - rights to expect operator to provide services
  - the service concession assets recognized
  - rights to receive specified assets at the end of the contract
  - renewal and termination options
  - other rights and obligations (e.g. major overhaul of assets)
  - obligations to provide operator access to service concession assets or other revenue-generating assets
- Changes in the arrangement during the period

IPSAS 32 Transitional provisions
Recognition of service concession asset

- In the case of first-time adoption of accrual basis IPSASs, IPSAS 33, *First-time Adoption of Accrual-Basis IPSASs* applies.
- IPSAS 33.36: Where a first-time adopter has not recognized assets and/or liabilities under its previous basis of accounting, it is not required to recognize and/or measure the following assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of IPSASs:

  …

  (g) Service concession assets and the related liabilities, either under the financial liability model or the grant of a right to the operator model

=> Please note that the use of the three year transitional period affects fair presentation and compliance with IPSASs!

IPSAS 32 Transitional provisions
Measurement of service conc. asset (1)

- IPSAS 33.64: A first-time adopter may elect to measure the following assets and/or liabilities at their fair value when reliable cost information about the assets and liabilities is not available, and use that fair value as the deemed cost for:
  - (g) Service concession assets

⇒ Please note that:

- ⇒ **The use of deemed cost is not considered a revaluation or the application of the fair value model for subsequent measurement**
- ⇒ **the use of the deemed cost approach does not affect fair presentation and compliance with IPSASs!**
- ⇒ the **disclosure requirements** of IPSAS 33.148 in case the deemed cost approach is used

IPSAS 32 Transitional provisions
Measurement of service conc. asset (2)

- IPSAS 33.67: A first-time adopter may elect to use the revaluation amount of property, plant and equipment under its previous basis of accounting as deemed cost if the revaluation was, at the date of revaluation, broadly comparable to:
  - (a) Fair value; or
  - (b) Cost or depreciated cost, where appropriate, in accordance with IPSASs adjusted to reflect, for example, changes in a general or specific price index.

IPSAS 32 Transitional provisions
Initial measurement of related liability (1)

- IPSAS 33.127: Where a first-time adopter elects to measure service concession assets using deemed cost, the related liabilities shall be measured as follows:
  - (a) For the liability under the financial liability model, the remaining contractual cash flows, specified in the binding arrangement and the rate prescribed in IPSAS 32.
  - (b) For the liability under the grant of a right to the operator model, the fair value of the asset less any financial liabilities, adjusted to reflect the remaining period of the service concession arrangement.

IPSAS 32 Transitional provisions
Initial measurement of related liability (2)

- IPSAS 33.128: A first-time adopter shall recognize and/or measure any difference between the value of the service concession asset and the financial liability under the financial liability model in para. 127 in opening accumulated surplus or deficit in the period in which the items are recognized and/or measured.

Example (1)

- In a concession arrangement it is agreed that the grantor will pay $40 to the operator in a series of determined payments, which are made each year during the first four years of the operation of the service concession asset, and $180 through toll collection. Notwithstanding this latter value, the grantor guarantees $80 for the payment of the operator's debt, and the remaining value, i.e. $100, will be recovered by the operator from the tolls, bearing the demand risk.

Should the grantor obligation be classified as financial liability, deferred revenue or a combination of both (mixed)?

Example (2)

- The arrangement needs to be split in two parts in accordance with IPSAS 32.27 (mixed model). The payments of the grantor of $ 40 to the operator can be identified as a financial liability. Therefore, you would apply the financial liability model to these payments in accordance with IPSAS 32.18 ff.
- The $ 180 which have to be recovered by the operator from the tolls would be treated according to the grant of a right to the operator model in accordance to IPSAS 32.24. Therefore, you would recognize a liability in accordance with IPSAS 32.24 ff.
- The guarantee of $ 80 (or parts of it) would not be recognized as long as there is no evidence that there is a shortfall between the amounts received through toll collection and the guaranteed amount of $ 80 (see IPSAS 32.19 (b)).
- Note: the existence of the guarantee needs to be disclosed as part of the disclosure requirements of IPSAS 32.32 (significant terms of the arrangement).

Example (2)

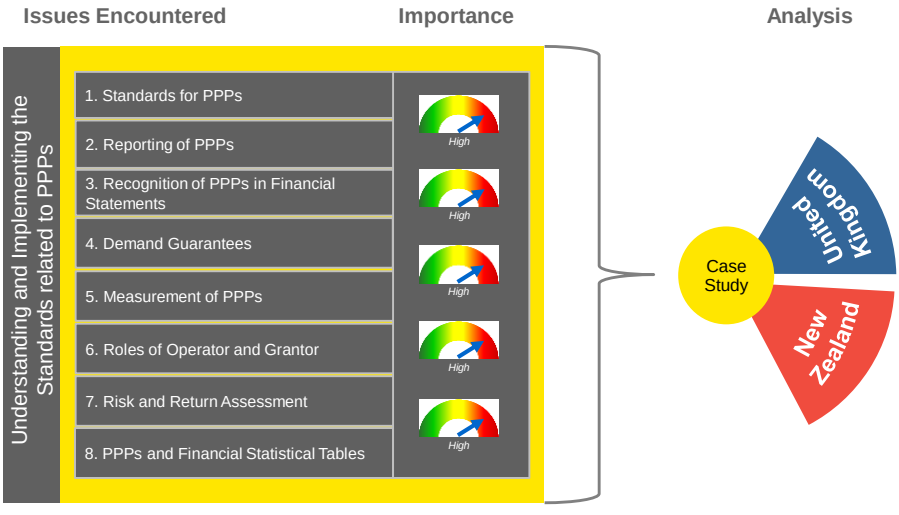
- In case the probability of the outflow is less than 50% but higher than 5%, a contingent liability would have to be disclosed in the notes.
- In case that there is a probability of more than 50% that the grantor would have to pay the operator's debt, the "unearned revenue liability" would turn into a financial liability. For the assessment of that financial liability, the general principles of IPSAS 19 would be applied.
- Note: The financial liability would be recognized instead of the respective portion of the "unearned revenue" liability – so no double recognition.

Public Private Partnerships

Workshop 2: Gap Assessment Phase
October 10, 2017

EY
Building a better working world

Focused Topics



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Case Study

1. Standards for PPPs

- Does your central government apply IPSAS 32, Service Concession Arrangements: Grantor or a standard/law similar to that?

UK

- The UK applies a **similar principle** to IPSAS 32 – Service Concession Arrangements: Grantor.
- According to this, the grantor records PPE and a liability or deferred revenue balance if **the two IFRIC 12 control tests** apply to the arrangement.
- The two IFRIC 12 control tests are
  - the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
  - the grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the infrastructure at the end of the term of the arrangement.

New Zealand

- New Zealand practices **Public Benefit Entity Standards based on International Public Sector Accounting Standard (PBE IPSAS) 32 – Service Concession Arrangements – Grantor** since 2014.

EY

Case Study

1. Standards for PPPs

- In case that your country is applying a standard/law similar to IPSAS 32: What are differences to IPSAS 32?

UK

- There is **only one** difference.
- In the UK, the operator has a financial asset the grantor measures a long term liability using the same principles as under IAS 17 rather than as a financial liability.
- This means that **the liability profile differs** because the implicit lease interest rate is net of any price indexation once the grantor has deducted the fair value of services from the cash it pays to the operator.

New Zealand

- There is **only one** difference because of the previous practice of IFRS.
- New Zealand prepares **statement of comprehensive revenue and expense instead of** preparing the statement of financial position by IPSAS for PPPs.

EY

Case Study

1. Standards for PPPs

- Does your country apply IPSAS 13, Leases or a standard/law similar to that for the accounting of public private partnerships?

UK

- It is applicable if only **the second IFRIC 12 control test,** that is the grantor's control over the residual interest, **does not** apply to the arrangement.
- In these circumstances, the UK applies **IFRIC 4 – Determining Whether an Agreement Contains a Lease** and **IAS 17 – Leases.**

New Zealand

- New Zealand uses PBE IPSAS 13 – Leases for accounting of PPPs, if they involve leases.
- PBE IPSAS 13 is the combination of;
  - IPSAS 13 – Leases,
  - NZ SIC 15 - Operating Leases – Incentives,
  - NZ SIC-27 - Evaluation the Substance of Transactions Involving the Legal Form of a Lease; and
  - NZ IFRIC 4 - Determining whether an Arrangement contains a Lease.

EY

Case Study

1. Standards for PPPs

- In case that your country is applying a standard/law similar to IPSAS 13: What are differences to IPSAS 13?

UK

- There is **no** difference between the practices in the UK and IPSAS 13.

New Zealand

- There is **only one** difference resulting in the previous practice of IFRS.
- PBE Standards require the presentation of **a statement of comprehensive revenue and expense** instead of preparing a separate statement of financial position by IPSAS for PPPs involving leases.

EY

Case Study

2. Reporting of PPPs

- Does your country present PPPs on the balance sheet (statement of financial position)?

UK

- The UK records PPP assets and liabilities on balance sheet **if the two IFRIC 12 control tests apply**.
- If the grantor pays the operator for the PPE by granting a right to charge users, it records a deferred revenue balance as a result of the exchange of PPE for the intangible that the operator receives – in this case the deferred revenue balance also falls on balance sheet to match the PPE.
- This corresponds to IPSAS 32's **grant of a right to the operator model**.

New Zealand

- Service Concession Arrangements **are not** displayed separately in the statement of financial position prepared by the Treasury.
- However, some other public sector entities like;
  - Ministry of Education,
  - Department of Corrections and
  - New Zealand Transport Agency

do present PPPs in their statement of financial position separately.

EY

Case Study

2. Reporting of PPPs

- Are there PPPs in your country which are recorded off-balance sheet?

UK

- The accounting guidance **does** cater for off balance sheet PPPs by requiring **disclosure of the payments** that the grantor expects to make in five yearly bands.
- Yet, as practice of IFRIC 12 control tests and contract terms almost invariably allow the grantor to obtain the property either for nil on expiry or for an open market value, and determine how to use the property during the arrangement's term, **there is no available off-balance sheet recording of PPPs**.

New Zealand

- Under PBE Standards PBEs are required to recognize all PPP arrangements in accordance with PBE IPSAS 32.
- Therefore, off-balance sheet reporting of PPPs **only apply** when a PPP **does not** qualify as a service concession arrangement in accordance with PBE IPSAS 13.

EY

Case Study

2. Reporting of PPPs

- Does your country have a separate report on PPPs that includes financial information and various analysis? If yes, is this report shared with the public?

UK

- HM Treasury publishes, publicly available, annual **Public Finance Initiative and Private Finance 2 Project: Summary Data** reports.
- It consists of
  - the list of new projects, continuing projects and completed projects;
  - estimated future payments,
  - top grantor institutions.
- Also, within the **Whole of Government Accounts**, yearly comparable, detailed information about PPPs is shared with the public.
- The analysis consists of
  - the net present value of future obligations
  - finance lease charges,
  - consolidated future obligations for the grantors.

New Zealand

- Control of the PPPs at the central level is done by **Treasury PPP Team** established under New Zealand Treasury.
- Treasury has;
  - the necessary guidelines,
  - the updated list of current PPP projects and
  - review of PPP procurement process in NZ.
- **Instead of being reports**, these are website information.
- All of them are **publicly available.**

EY

Case Study

3. Recognition of PPPs in Financial Statements

- At what point in time of the project life-cycle is the service concession asset recognized? Is it already recognized during the construction of the service concession asset (e.g. an infrastructure asset)?

UK

- In most cases UK public bodies record the PPE as a single point **when the operator completes its construction**.
- During the construction, grantors cannot fulfil the instruction by IAS 16, to recognize the asset when it is reliably measurable
- This is because grantors **cannot** measure the PPE's value during construction reliably because they do not have enough visibility of the value of construction work in progress.
- If PPP includes a lease then IAS 17 requires recognition of a finance lease asset when it is ready for use

New Zealand

- Assets **are recognised during the construction phase of the project** assuming control of the asset resides with the government.
- The control of the government is assessed by using the criteria in PBE IPSAS 32.
- Operators are usually required to provide information regarding the progress of the project to assist grantors with the recognition of the assets.

EY

Case Study

3. Recognition of PPPs in Financial Statements

- In case that the service concession asset is not recognized already during the construction, does the grantor (i.e. the government entity) disclose a contingent asset instead of a service concession asset?

UK

- Grantors make disclosure of service concession arrangements from the year in which they **sign the contract with the operator**.
- This disclosure usually include;
  - the amount at which the grantor expects to measure the PPE's opening value,
  - a schedule of cash payments,
  - interest charge, and
  - service costs in five yearly bands.

New Zealand

- Grantor **does not** disclose PPPs as contingent assets, because they are already recognized in the construction phase.

EY

Case Study

4. Demand Guarantees

- Assuming that the service concession arrangement contains a demand guarantee (i.e. the government guarantees a certain number of users for the service concession asset): How and at what point in time does the grantor account for such guarantees (recognition/disclosure and measurement)?

UK

- Most PPPs provide guarantees by paying for the PPE's availability, in which grantor **does not** record any guarantee because the commitment to pay regardless of use is **within the liability**.
- If the payment varies with demand but includes a minimum payment level, the grantor treats this minimum demand as equivalent to an **availability payment** and so records a long term liability under **IAS 17** principles.
- If grantor provides guarantees **from third parties**, by topping up revenue when and to the extent that demand falls below the guarantee, it is expected that grantor records this guarantee as a **financial guarantee contract under IAS 39** at its fair value from the point it enters into the guarantee.

New Zealand

- In New Zealand, the grantor accounts for a demand guarantee **only** in the case when there is a certain probability that the demand guarantee is given.
- In this case, first a contingent liability (when the possible obligation is not remote) would be disclosed and, if the probability that the guarantee occurs, is higher than 50% then a provision would be recognized.
- However, such demand features **are not** likely to be used in New Zealand as the majority of PPPs are **financial liability model** not the grant of a right to the operator model.

EY

Case Study

4. Demand Guarantees

- Would you agree that at initial recognition of the service concession asset and the corresponding liability in the grant of a right to the operator model the total amount for a demand guarantee (which is granted by the government to the operator) equals the total amount for the possible abandoned future income?

UK

- Such assumption **cannot** be made in the UK.
- Because in such case grantor treats a demand guarantee as a **financial guarantee contract** under IAS 39.
- In this case, the **value would be equal the present value of the likely difference between the guaranteed income and actual income** on the basis that the guarantee is to top up the revenue when and to the extent that the demand falls below the guaranteed level.

New Zealand

- The question of whether the total amount for a demand guarantee equals the total amount for the possible abandoned future income or not would depend on the agreements of the contract and a generalization **cannot** be made in New Zealand.

EY

Case Study

4. Demand Guarantees

- In the grant of a right to the operator model: How do you account for instances where the operator does not achieve the expected demand and the government has granted a demand guarantee to the operator. => How is the foregone revenue being measured during the transfer of operating rights?

UK

- Such assumption **cannot** be made in the UK.
- If this situation happens, the grantor would record a **liability** for the amount falling due under the guarantee, which it would discharge on making the payment.
- This liability would be equivalent to **any other trade creditor for the grantor**.

New Zealand

- The probability of an outflow of resources would have to be assessed.
- If the probability of an outflow is between 5% and 50%, then a **contingent liability** is disclosed in the notes.
- If the probability of an outflow is greater than 50%, then the grantor would **have to pay** the operator.
- In the case that the outflow is greater than 50%, the *unearned revenue liability* becomes a financial liability which is accounted for in the scope of IPSAS 19.

EY

Case Study

4. Demand Guarantees

- Are there any contingent liabilities (e.g. for any guarantees) accounted for in the context of accounting for service concession arrangements?

UK

- IAS 37 applies in the UK. Contingent liabilities are not disclosed under normal contractual agreements
- The grantor discloses a liability on the balance sheet or deferred revenue balance

New Zealand

- The financial liability model is generally used in New Zealand.
- Thus, demand guarantees are usually **not** applied.
- However, if demand guarantees were used, the demand guarantee is only recognized when there is a **certain probability for it to occur**.
- A contingent liability would be disclosed when the possible obligation **is not** remote.

EY

Case Study

4. Demand Guarantees

- Assuming that the service concession arrangement contains a demand guarantee (i.e. the government guarantees a certain number of users for the service concession asset): Are provisions accounted for these guarantees?

UK

- Even though IAS 37, *Provisions, Contingent Liabilities and Contingent* applies in the UK, a provision **is not accounted for guarantees** under normal contractual agreements.
- In the UK, the grantor discloses a liability on the balance sheet or a differed revenue balance.

New Zealand

- The financial liability model is generally used in New Zealand. Thus, demand guarantees are usually **not** practiced.
- In cases where the demand guarantees are used:
  - If the probability that the demand guarantee occurs is **higher than 50%**, then a provision is recognized.

EY

Case Study

5. Measurement of PPPs

- How would you initially determine the fair value of the service concession asset in the grant of a right to the operator-model when the arrangement does not contain any data on the fair value of the service concession asset?

UK

- Such assumption **cannot** be made in the UK.
- Because; the procurement process would require **detailed project financial models** from all bidders for the contract.
- In this process, grantor would base its estimate of the **PPE's fair value**; this is on the assumption that the arrangement includes a fixed price construction contract.
- In the absence of any such information, an independent valuation of the PPE by the grantor is suggested.

New Zealand

- The financial liability model is generally used in New Zealand instead of grant of a right to the operator model.
- In the financial liability model, the fair value of the service concession asset is **equal to the value of future payments.**
- The information of the cost of the service concession assets needs to be disclosed for the service concession arrangements.
- In rare cases, when the information is not disclosed, then the entity should get a valuation for the service concession asset that is likely to be done based on **depreciated replacement cost.**

EY

Case Study

5. Measurement of PPPs

- How does your country account for the service concession assets in terms of subsequent measurement (e.g. useful lives, residual value)?

UK

- In the UK, grantors measure service concession assets **identically to how they would measure any other PPE item.**
- The accounting aims to capture the grantor having an asset and how the grantor funds this asset, so the difference arises in how the grantor accounts for its payment for the asset rather than the asset itself.

New Zealand

- Under **PBE IPSAS 17**, an entity should choose to adapt an accounting policy between the **revaluation model** and the **cost model** for subsequent measurement.
  - The **cost model**; after recognition, the tangible asset should be measured at cost less accumulated depreciation and less accumulated impairment losses.
  - The **revaluation model;** after recognition the cost should be measured at fair value at a **revalued amount** less any accumulated depreciation and accumulated impairment losses.

EY

Case Study

6. Roles of Operator and Grantor

- What standards does the operator apply for the accounting of the service concession arrangement in your country?

UK

- Operators either apply
  - **IFRIC 12** – Service Concession Arrangements or
  - **FRS 102**, the Financial Reporting Standard applicable in the UK and Republic of Ireland, which applies IFRIC 12 principles directly.
- FRS 102 allows operators to record service concession arrangements as **PPE** or a **financial asset** depending on their view of the project's risk allocation.
- Hence while most UK service concession operators record **financial or intangible assets** under IFRIC 12 principles, some operators will record **PPE**.

New Zealand

- Operator's side in the service concession agreements is standardized **by Public Benefit Entity Standard based on a Financial Reporting Standard (PBE FRS) 45 – Service Concession Arrangements: Operator**.
- IFRIC 12 – Service Concession Arrangements has embedded into PBE FRS 45.

EY

Case Study

6. Roles of Operator and Grantor

- Are there any commissions or institutions assessing the criteria specified in foreseen control approach in IPSAS 32? Are the projects being examined whether they are within the scope of the public service or not? (1)

UK

- Control approach is assessed by all the **grantors**.
- If a project **falls outside** of one or both of these criteria, other accounting standards will apply depending on which criterion does not apply and the type of the PPP model:
  - For *Financial Liability Model;*
    - If the **first criterion in control approach does not apply but the second one does**, the grantor does not record the asset but instead allocates cash payments to profit and loss less an amount to build up a prepayment for the asset's residual value.
    - If **the first criterion applies but the second one does not,** the grantor determines whether there is a lease under **IFRIC 4** and then if so applies **IAS 17**. If there is no lease, the grantor **does not** record PPE or a liability.
  - For *Grant of a Right to the Operator Model;*
    - **In both cases**, the grantor **does not** record PPE but will otherwise account for any other obligations it has under the relevant IFRS.

EY

Case Study

6. Roles of Operator and Grantor

- Are there any commissions or institutions assessing the criteria specified in foreseen control approach in IPSAS 32? Are the projects being examined whether they are within the scope of the public service or not? (2)

New Zealand

- The entities that fulfill the definition under PBE IPSAS 32 need to follow the requirements of the Treasury for PPPs in New Zealand
- Most of the terms and conditions of the PPP arrangements need to abide by the requirements of the Standard Form of the Treasury. The rest of the terms is agreed between the parties

EY

Case Study

6. Roles of Operator and Grantor

- Please describe the financial reporting between the grantor and the operator (time intervals, format of reports, information provided).

UK

- Financial reporting between grantor and operator depends on the individual contract provisions.
- In general, the operator notifies the grantor of any factor determining how much is due under the financial liability model annually,
- Operator also specifies any penalties for non-availability in a monthly invoice.

New Zealand

- The financial reporting between the grantor and the operator depends on the contractual agreements
- The Standard Form of the Treasury includes the requirements of monthly reporting of performance monitoring

EY

Case Study

7. Risk and Return Assessment

- What factors do you consider for the risk and return assessment in the context of PPPs? Are the same risk and return factors being used for all PPPs/service concession arrangements?

UK

- UK follows **European System of Accounts (ESA) 2010** for financial statistical reporting.
- ESA 2010 risk assessment is based on three factors;
  - Construction risk: covering events like late delivery, respect of specifications and increased costs;
  - Availability risk: covering the volume and the quality of output (linked to the performance of the partner);
  - Demand risk: covering the variability of demand (the effective use of the asset by end-users).
- UK uses **same** risk and return factors for **all of type of PPP arrangements**.

New Zealand

- Risk allocation is one of the **main preference reasons** of service concession arrangements in New Zealand.
- Through a service concession arrangement, it is assumed that the risks related to the **whole economic life of the asset** will be transferred to the operator.
  - Facilities management,
  - Lifecycle,
  - Fit out and
  - Damages on equipment.
- In addition to these risk factors, New Zealand also considers the factors outlined in the IMF GFS Manual.
- New Zealand uses **same** risk and return factors for **all of type of PPP arrangements**.

EY

Case Study

7. Risk and Return Assessment

- How do you evaluate the risk and return factors in practice? Is the assessment, for example, based on the numerical majority of the related factors or is there a specific method of scoring using weighting factors implemented?

UK

- **Grantor assesses the conditions of the risk factors**;
- **If**
  - the construction risk is borne by operator,
  - one of the availability or demand risks is borne again by the operator;
  - the government does not incur the risks;
  - then the asset is recognized in the balance sheet of the operator.
- If even one of these conditions **is not** met, then the asset is recognized in the balance sheet of the government.

New Zealand

- The identification of risks and rewards depends on the **judgment of the grantor.**
- Grantor also determines the **costs** related to these risks in case of their occurrence.
- Once the risks are identified and valued, grantor assesses them to decide which side would bear the risks during the service concession arrangement period.
- After the decision of the grantor, operator assesses the consequences of its undertaking for the particular risk.
- Therefore, during the negotiation period for the arrangement, all risks and related returns are **tested and shared** between the operator and the grantor.

EY

Case Study

8. PPPs and Financial Statistical Tables

- Which financial statistical tables are used by your country to show PPP/service concession arrangements?

UK

- Following financial statistical tables prepared by Office of National Statistics have information on PPPs;
  - Statement of Revenue and Expenditure,
  - Statement of Comprehensive Income and Expenditure,
  - Statement of Financial Position,
  - Statement of Changes in Taxpayers' Equity, and
  - Statement of Cash Flows.
- **Whole of Government Accounts** prepared by HM Treasury also includes information on PPPs.

New Zealand

- Following financial statistical tables include information of PPPs in New Zealand;
  - Statement of financial position
  - GFS-equivalent of the income statement, and
  - Contingent liabilities statement

EY

Case Study

8. PPPs and Financial Statistical Tables

- If a PPP project needs to be shown on the financial statistical tables, will the related amounts be shown on both the liabilities table and contingent liabilities table?

UK

- Showing the related amount of the PPP in the financial tables depends on either
  - there are **any contingent liabilities** or
  - these contingent liabilities **are not** as separately recognisable from the liabilities.

New Zealand

- The related amounts of PPPs **are both shown** in liabilities and contingent liabilities tables statements.
- Liabilities are presented on the statement of financial position and contingent liabilities are presented in the contingent liabilities statement.

- If a PPP project needs to be shown in the national accounts, are the amounts related to those projects directly transferred to the financial tables or are each years' amounts reflected in the table by dividing the amounts to contract period?

UK

- If the Project is to be shown on the balance sheet, then it will be recorded **PPE and a liability**.
- If it is on **off-balance sheet**, then the national accounts will show **each year's cash flow throughout the project term.**

New Zealand

- If a PPP project needs to be shown in the national accounts, the amounts related to those projects are **directly transferred from the public sector accounting records** to the financial tables under statistics.

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Discussion

Questions or comments?



EY

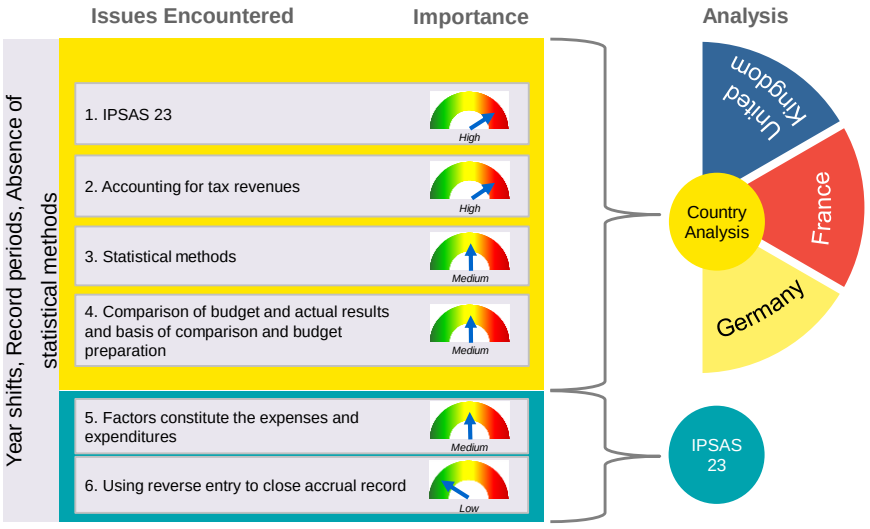
Tax and Budget Practices

Gap Assessment Phases

October 11, 2017

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Focused Topics



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Country Analysis

1. IPSAS 23

- Do selected countries' central government apply IPSAS 23?
- Do selected countries have an application for collecting taxes in the form of prepayment under IPSAS 23? If yes, how do they account?

UK

- Some taxes are accounted based on statistical methods in the United Kingdom.
- Therefore, tax practices of Central Government of UK are substantially in compliance with IPSAS 23.

France

- Even though a tax declaration approach is applied in France, statistical methods for revenue recognition are not applied.
- Therefore, Central Government of France does not apply IPSAS 23.

Germany

- The German Federal Government does not apply IPSAS 23
- Taxes are recognized when cash is received

EY

Country Analysis

2. Accounting for Tax Revenues

- At what point in time do selected countries' central government account for corporate tax, personal income tax and VAT?

UK

- For all kinds of taxes (corporate tax, personal income tax and VAT);
  - Taxes and duties are measured at the fair value of the consideration received or receivable net of repayments. Revenue is recognized when: a taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to HMRC.

Germany

- German central government accounts them when cash is received

France

- Gross revenues and the Central Government's liabilities arising from **corporate income tax** are recognized in the financial statements for the year in which returns reporting taxable income and deductions are filed. Instalment payments received for corporate income tax are recognized in the balance sheet until the final assessment of the tax owed is made
- Gross revenues and the Central Government's liabilities arising from **personal income tax** are recognized in the financial statements for the year in which the taxpayers file returns reporting taxable income. Instalment payments received for personal income tax are recognized in the balance sheet until the final assessment of the tax owed is made
- Gross **VAT** revenues and credits are recorded in the year in which the VAT becomes due

EY

Country Analysis

3. Statistical methods

- Do selected countries' central governments use statistical methods for the revenue recognition of taxes? In case they are using statistical methods for the revenue recognition of taxes: How do they account for corrections of actual tax revenue in subsequent periods?

UK

- Statistical methods for the revenue recognition of taxes are used in UK
- Some of the accrued revenue receivables figures and other items are subject to statistical estimation of forecast
- Corrections of actual tax revenue are made according to IAS 8

France

- Statistical methods for the revenue recognition of taxes are not used

Germany

- Statistical methods for the revenue recognition of taxes are not used in Germany

EY

Country Analysis

4. Comparison of budget and actual results and basis of comparison and budget preparation (1)

- Do central governments of selected countries provide a comparison of budget and actual results in their financial statements? If yes, on what accounting basis is that comparison made?

UK

- UK central government provides a comparison between budgeted and actual amounts
- Comparison of budgeted and actual amounts is applied, either as separate additional schedule in the financial statements or as a budget column in the financial statements within individual government departments
- Budget comparison is made based on the **accrual basis**

France

- France central government provides a comparison of budget and actual amounts
- Either as separate additional schedule in the financial statements or as a budget column in the financial statements
- Budget comparison is made based on the **cash basis**

Germany

- German central government provides a comparison of budget and actual amounts
- Comparison is made on the **cash basis**
- The “Haushaltsrechnung” is issued as a separate report

EY

Country Analysis

4. Comparison of budget and actual results and basis of comparison and budget preparation (2)

- On what basis of budget do selected countries’ central governments prepare their budget?

UK

- Departments publish budgetary information in Departmental Reports; they publish reconciliations to budgets in their Supply Estimates; and they are required to report in a note to their annual report and accounts the outturn against Estimate
- The budgets follow ESA 2010 principles but align directly with the accounts where ESA 2010 and IFRS give substantially the same outcome. Where there is a difference (e.g. for service concessions under IPSAS 32/IFRIC 12), the department reports against the budget
- UK prepares its budget on **accrual basis**

France

- Central government prepares its budget on the **cash basis**

Germany

- Central government prepares its budget on the **cash basis**

EY

IPSAS 23

5. Factors constitute the expenses and expenditures

- What can be factors that constitute tax expenses and expenditures?

IPSAS 23.71: **"Taxation revenue shall be determined at a gross amount. It shall not be reduced for expenses paid through the tax system."**

- Government uses the tax system as a convenient method of paying to taxpayers benefits that would otherwise be paid using another payment method, e.g. health insurance premiums => not that common in European tax systems.

IPSAS 23.73: **"Taxation revenue shall not be grossed up for the amount of tax expenditures."**

- Tax expenditures are concessions given by the government to the taxpayers to influence certain behavior of the tax payer, e.g. the deduction of interest paid for mortgage
- Generally said, taxation revenue should be recorded net of tax expenditures.

IPSAS 23

6. Using reverse entry to close accrual record (1)

- Is the accrual record closed by doing reverse entry?

1. A reverse entry is only required in the case when a statistical model is applied for the accounting of revenue from taxes.
2. Given the fact that estimates are used in applying the statistical models, IPSAS 23.69 states that IPSAS 3 applies to those.
3. According to IPSAS 3, changes in accounting estimates would have to be accounted for <u>prospectively</u> by including it in surplus or deficit in the period of the change.

IPSAS 23

6. Using reverse entry to close accrual record (2)

- Is the accrual record closed by doing reverse entry?

Journal Entries	
a) In case that the tax revenue estimate was too high	DR tax revenue CR tax receivables
b) In case that the tax revenue estimate was too low:	DR tax receivables CR tax revenue

Discussion

Questions or comments?

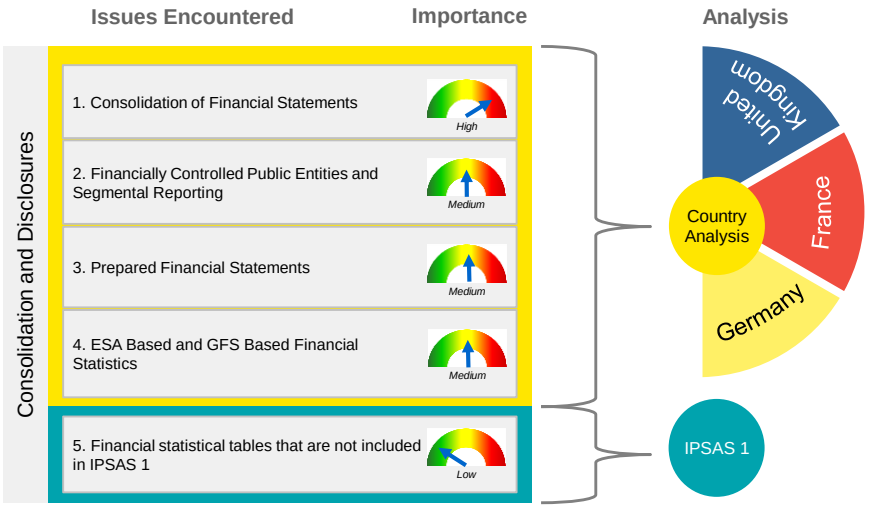


Financial Statements

Gap Assessment Phases
October 11, 2017

EY
Building a better working world

Focused Topics



EY

Country Analysis

1. Consolidation of Financial Statements

- What entities do central governments of selected countries include in the scope of consolidation? For example, are public banks or public enterprises included in the scope for consolidation? If public banks are included in the scope of consolidation, are they included according to the share of capital?

UK

- In UK, Office for National Statistics prepares **Whole of Government Accounts** that includes consolidated financial statements (based on ESA 2010)
- The list of entities that included in consolidation is published on «Annex 1: List of entities consolidated in the Whole Government of Accounts» **including some of public banks, public entities** and local governments

France

- The Central Government of France does not prepare consolidated financial statements
- According to France Central Government Accounting Standards, the financial statements produced by the entities falling within the scope of the Central Government's financial statements are referred to as the "separate financial statements" of the Central Government

Germany

- Currently, the federal government in Germany does not prepare consolidated financial statements
- The Standards of Government Accrual Accounting require to apply the control criteria for determining the scope of consolidation
- The question in Germany for example would be whether the central government controls the Bundesbank

EY

Country Analysis

2. Financially Controlled Public Entities and Segmental Reporting

- Are financially controlled public sector entities accepted as reporting units? If yes, what financial statements these institutions prepare?

UK

- The Government Financial Reporting Manual of United Kingdom applies to all institutions ('reporting institutions'), and to funds, flows of income and expenditure and any other accounts that are prepared on an accruals basis and consolidated within Whole of Government Accounts.
- The annual report and accounts comprise:
  - The Performance Report;
  - The Accountability Report;
  - The Financial Statements; statement of comprehensive net expenditure, statement of financial position, statement of cash flows and statement of changes in equity

France

- According to the conceptual framework of central government accounting standards, the definition of the scope of the accounts is linked to the existence of a legal entity. The definition of the scope of the Central Government's financial statements also needs to be based on this approach
- Therefore, financially controlled public institutions which are not incorporated as a separate legal entity, are not accepted as reporting units

Germany

- Financially managed public entities are not accepted as reporting units
- Such financially managed public entities would also be within the scope of the central government or the Ministry which they are part of

EY

Country Analysis

2. Financially Controlled Public Entities and Segmental Reporting

- Do selected countries apply segmental reporting according to the IPSAS 18 divisional reporting standard? If yes, what is the methodology by doing that?

UK

- UK applies segment reporting according to IFRS 8, *Operating Segments*
- In the UK Whole of Government Accounts, it is differed between Central Government, Local Government and Public Corporations as segments

France

- France central government applies segmental reporting
- Central Government Accounting Standard 16 - (Segment Reporting) is based on existing international standard; namely IPSAS 18 Segment Reporting and also IFRS 8
- Segmentation approach: segmentation based on missions, which corresponds to major policies

Germany

- Germany does not apply segmental reporting
- In Germany, segment reporting is only required at state or federal government level if a public sector entity prepares its budget based on outputs (products)
- Example; City of Hamburg reports segment information only in terms of the statement of financial performance and in accordance to the budget structure

EY

Country Analysis

3. Prepared Financial Statements

- What financial statements do central government's general budget institutions of selected countries prepare?

UK

- HM Treasury publishes the following financial statements:
  - Statement of Revenue and Expenditure
  - Statement of Comprehensive Income and Expenditure
  - Statement of Financial Position
  - Statement of Changes in Taxpayers' Equity
  - Statement of Cash Flows

France

- Balance Sheet is presented as a statement of net assets/equity
- Surplus/deficit statement presented in three parts:
  - A net expenses statement
  - A net sovereign revenues statement
  - A net operating surplus or deficit statement for the period
- Cash flow statement that distinguishes between flows from:
  - Operating activity
  - Investing activity
  - Financing activity

Germany

- They do not prepare separate financial statements. They all fall under the scope of the Central Government
- The Central Government as a whole publishes
  - Property Account (Balance Sheet)
  - Budget execution report on the cash basis

EY

Country Analysis

3. Prepared Financial Statements

- Which financial tables included in IPSAS 1 are published in selected countries?

UK

- HM Treasury prepare the following financial statements:
  - Statement of Comprehensive Income and Expenditure
  - Statement of Revenue and Expenditure
  - Statement of Financial Position
  - Statement of Changes in Taxpayers' Equity
  - Statement of Cash Flows

France

- Balance sheet in the form of a statement of net assets / equity
- Surplus/deficit statement (Income Statement)
- Cash flow statement
- France publishes budget execution statement. However, it is not included in financial statements according to public accounting standards

Germany

- Balance sheet
- Budget execution report «Haushaltsrechnung» which is similar to the statement of budget and actual results under IPSAS

IPSAS

- A statement of financial position
- A statement of financial performance
- A statement of changes in assets/equity
- A cash flow statement
- Comparison of budgeted and actual amounts
- Explanatory Notes

EY

Country Analysis

4. ESA Based and GFS Based Financial Statistics

- Who is responsible within selected countries' central government for the preparation of ESA-based and GFS-based financial statistics?

UK

- Office of National Statistics prepared **ESA based financial statistics** according to the National Accounts prepared under the European System of Accounts (ESA 10)
- **HM Treasury prepared GFS based financial statistics.** Whole of Government Accounts (WGA) consolidates the audited accounts of over 6,000 organizations across the public sector in order to produce a comprehensive and accounts-based picture of the financial position of the UK public sector. Whole of Government Account by HM Treasury is based on International Financial Reporting Standards (IFRS), the system of accounts used internationally by the private sector

France

- The French National Central Bank (Banque de France) prepares **ESA based financial statistics**
- The French National Institute of Statistics and Economic Studies which is a Directorate-General of the Ministry for the Economy and Finance prepares **GFS based financial statistics**

Germany

- Federal Statistical Office prepares **ESA based financial statistics**
- The German Bundesbank is in charge of reporting against the IMF

EY

IPSAS 1

5. Financial statistical tables that are not included in IPSAS 1

- Which financial statistical tables are not included in IPSAS 1?

Financial Statistics prepared by MoF	GFS Financial Statistics
Balance Sheet	Balance Sheet
Cash Flow Table	Statement of Sources and Uses of Cash
The Statement of Contingent Assets and Liabilities	The Summary Statement of Explicit Contingent Liabilities and Net Implicit Obligations for Future Social Security Benefits
Net Financial Balance Sheet	The Statement of Total Changes in Net Worth
The Statement of Net Balance	Statements of Operations
Budget Balance Table	Statement of Other Economic Flows
The Statement of Functional Classification of Expenditures (COFOG)	

Discussion

Questions or comments?



Harmonization of IPSASs and General Government Accounting Legislation

Closing Workshop

29-30 November 2017

EY
Building a better working world

Objectives of the Workshop and Facilitators

Objectives of the workshop are:

- Close the project with the last round of discussions on the analyzed subject topics
- Reflect on the new questions of the MoF and future prospects for further harmonization with IPSAS

Facilitators: Thomas Müller-Marqués Berger, Dr. Jens Heiling and Özgür Avcuoğlu, with the contribution of MoF experts



Workshop Agenda
Day 1

Time	Subject
10.00 - 10.20	Structure, Functions and Work Plan of DMSK – Presentation of Harun Mengüloğul
10.20 - 11.00	Structure, Functions and Work Plan of IPSASB – Presentation of Thomas Müller-Marqués Berger
11.00 - 11.10	Break
11.10 - 12.00	Discussion of particular topics with DMSK Members
12.30 - 14.00	Lunch Break
14.00 - 14.30	Video Track - IPSASB "A Closer Look at: Canada" and IPSASB "A Closer Look at: Brazil"
14.30 - 15.15	Discussion Part 1 – New Questions
15.15 - 15.30	Break
15.30 - 17.00	Discussion Part 2 – New Questions

Workshop Agenda
Day 2

Time	Subject
10.00 - 11.15	Overview and discussion of accounting for PPPs
11.15 - 11.30	Break
11.30 - 12.30	Overview and discussion of public immovables
12.30 - 14.00	Lunch Break
14.00 - 14.45	Overview and discussion of contingent liabilities
14.45 - 15.15	Overview and discussion of financial statements
15.15 - 15.30	Break
15.30 - 16.00	Overview and discussion of tax and budget practices
16.00 - 17.00	Future Prospects

Workshop Participant List

TR Ministry of Finance Directorate General of Public Accounts

Name-Surname	Job Title	Department
Harun Yalçın Mengüloğul	Head of Department	The Department of the Directorate and Management of Public Accounts
Gönül Öztürk	Head of Department	The Department of External Audit Monitoring
Hüseyin Avcı	Expert	The Department of the Directorate and Management of Public Accounts
Ali Topakkaya	Expert	The Department of the Directorate and Management of Public Accounts
Burhanettin Ünal	Expert	The Department of the Directorate and Management of Public Accounts
Hakan Kara	Expert	The Department of the Directorate and Management of Public Accounts
Metin Coşkun	Expert	The Department of External Audit Monitoring
Engin Kaya	Expert	The Department of the Directorate and Management of Public Accounts
Emel Bıçak	Expert	The Department of the Directorate and Management of Public Accounts
Bahtiyar Yüksel	Expert	The Department of External Audit Monitoring
Zeynep Ufku Kanbay	Expert	The Department of External Audit Monitoring
Nazire Kont	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Hasan Acılar	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Volkan Atar	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Salih İslam Kaya	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Erhan Emeksiz	Assistant Expert	The Department of Financial Statistics
Gökhan Manap	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Ahmet Seviniş	Assistant Expert	The Department of the Directorate and Management of Public Accounts
Aslı Aysel Türkmenoğlu	Assistant Expert	The Department of Financial Statistics

GOVERNMENT ACCOUNTING STANDARDS BOARD (DMSK)

TURKEY MINISTRY of FINANCE
GENERAL DIRECTORATE of PUBLIC ACCOUNTS

OUTLINE

- BACKGROUND
- GOVERNMET ACCOUNTING STANDARDS BOARD
- GOVERNMENT ACCOUNTING STANDARDS COMMISSION
- PROCESS of WORK

BACKGROUND

2004
Accrual basis accounting was introduced

2006
The Public Financial Management and Control Law was published

2006
Government Accounting Standards Board was established under MoF

2008-2017
29 National Standards were published based on IPSASs

The First Meeting: 23 June 2006

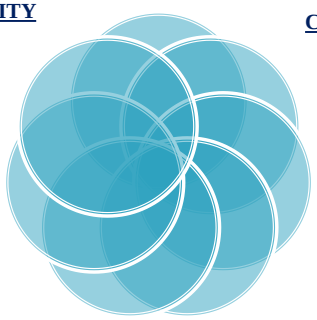


MEMBERS-I

MINISTRY of FINANCE
- Ertan ERÜZ
- Yıldırım BOZBIYIK
- Hakan AY

HACETTEPE UNIVERSITY
- Prof. Dr. Necmiddin BAĞDADİOĞLU

COURT of ACCOUNTS
- Sadettin KAYACI



UNDERSECRETARIAT of TREASURY
- Atila TUNCER

SOCIAL SECURITY INSTITUTION
- Dr. Muhiddin ŞAHİN

MINISTRY of DEVELOPMENT
- Mehmet Kağan SAYGILI

MINISTRY of INTERIOR
- Dr. Selim ÇAPAR

MEMBERS-II

MEMBERS	INSTITUTION	CERTIFICATE	AUDITOR (IFRS)	MASTER DEGREE	DOCTORATE
Ertan ERÜZ	Ministry of Finance	CPA	✓	USA	-
Yıldırım BOZBIYIK	Ministry of Finance	CPA	✓	USA	-
Hakan AY	Ministry of Finance	CPA	✓	USA	-
Saadettin KAYACI	Court of Accounts	CPA	-	-	-
Muhiddin ŞAHİN	Social Security Institution	-	-	TURKEY (UK pre-master)	TURKEY
Selim ÇAPAR	Ministry of Interior	-	-	UK	TURKEY
Mehmet KAĞAN SAYGILI	Ministry of Development	-	-	USA	-
Atila TUNCER	Treasury	-	-	USA	-
Necmiddin BAĞDADİOĞLU	Hacettepe University	-	-	UK	UK

Functions of the BOARD

- To determine the accounting and reporting standards,
- To hold meetings, conferences etc. in order to raise accounting consciousness,
- To inform Public Administrations,
- To conduct research and analysis on the issues related to the standards,
- To resolve hesitations about standards.

ACCOUNTABILITY

TRANSPARENCY

COMPARABILITY

CONSISTENCY

The COMMISSION

MINISTRY of FINANCE:

- Harun YALÇIN MENGÜLOĞUL - Head of Department
- Ali TOPAKKAYA - Finance Expert
- Emel BIÇAK - Finance Expert
- Nazire KONT - Finance Expert Assistant

TREASURY:

- Zeki Tuğrul GÖVER – Treasury Expert

COURT of ACCOUNTS:

- Filiz KÖROĞLU AYDINLI - Auditor

MINISTRY of INTERIOR:

- Çiğdem DALBOYUN - Financial Services Expert

For IPSAS 39:

SOCIAL SECURITY INSTITUTION:

- Pınar ÖZTÜRK - Social Security Expert
- Büşra ÇAVUŞOĞLU - Social Security Expert
- İrfan ÜSTBOĞA - Social Security Expert
- Uğur HAYKIR – Financial Services Assistant

PROCESS of WORK

IPSASs

IPSASs are translated to Turkish

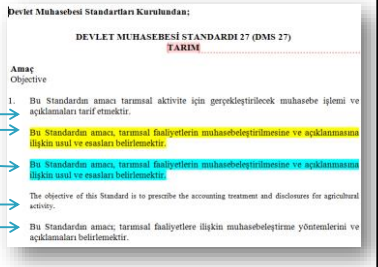
Examination of IFRS and IAS

Preparation of Exposure Draft by The Commission

Exposure Drafts are converted to Final Standard by The Board

DMS

Published in The Official Gazette


Devlet Muhasebesi Standartları Kurulundan;

DEVLET MUHASEBESİ STANDARDI 27 (DMS 27)

TARIM

Amaç
Objective

1. Bu Standardın amacı tarımsal aktivite için gerçekleştirilecek muhasebe işlemi ve açıklamaları tarif etmektir.

Bu Standardın amacı, tarımsal faaliyetlerin muhasebeleştirilmesine ve açıklanmasına ilişkin usul ve esasları belirlemektir.

Bu Standardın amacı, tarımsal faaliyetlerin muhasebeleştirilmesine ve açıklanmasına ilişkin usul ve esasları belirlemektir.

The objective of this Standard is to prescribe the accounting treatment and disclosures for agricultural activity.

Bu Standardın amacı; tarımsal faaliyetlere ilişkin muhasebeleştirme yöntemlerini ve açıklamaları belirlemektir.

On GOING WORK

On The Board

IPSAS 27-Agriculture



On The Commission

IPSAS 39-Employee Benefits

The Conceptual Framework For General Purpose Financial Reporting By Public Sector Entities

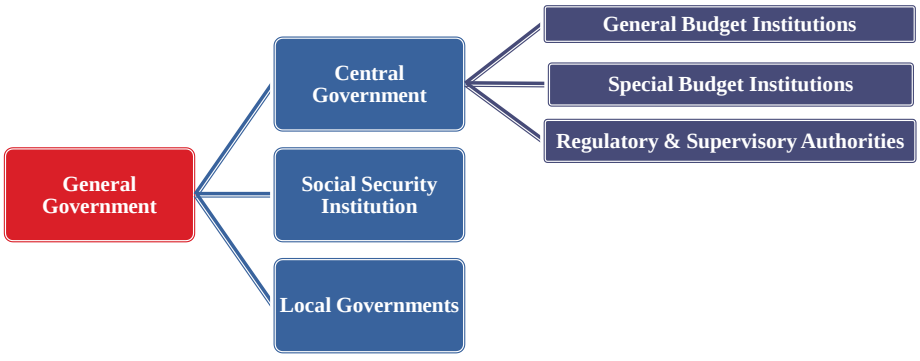
IPSAS 40-Public Sector Combinations

*DMS 26 -Impairment of Cash-Generating Assets was published in The Official Gazette, in 2017.

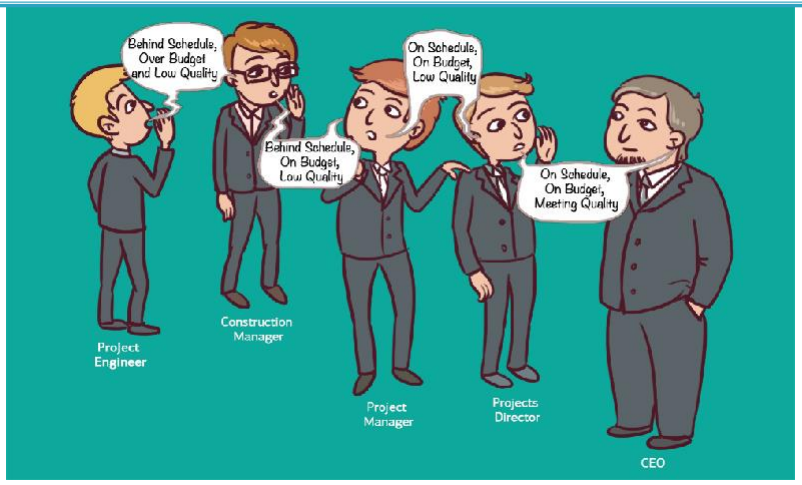
NATIONAL STANDARDS PUBLISHED BASED on IPSASs

IPSAS	STANDARD	TİTLE OF THE STANDARDS
IPSAS 1	DMS 1	Presentation of Financial Statements
IPSAS 2	DMS 2	Cash Flow Statements
IPSAS 3	DMS 3	Accounting Policies, Changes in Accounting Estimates and Errors
IPSAS 4	DMS 4	The Effects of Changes in Foreign Exchange Rates
IPSAS 5	DMS 5	Borrowing Costs
IPSAS 6	DMS 6	Consolidated and Separate Financial Statements
IPSAS 7	DMS 7	Investments in Associates
IPSAS 8	DMS 8	Interests in Joint Ventures
IPSAS 9	DMS 9	Revenue from Exchange Transactions
IPSAS 10	DMS 10	Financial Reporting in Hyperinflationary Economies
IPSAS 11	DMS 11	Construction Contracts
IPSAS 12	DMS 12	Inventories
IPSAS 13	DMS 13	Leases
IPSAS 14	DMS 14	Events after the Reporting Date
IPSAS 16	DMS 16	Investment Property
IPSAS 17	DMS 17	Property, Plant and Equipment
IPSAS 18	DMS 18	Segment Reporting
IPSAS 19	DMS 19	Provisions, Contingent Liabilities, Contingent Assets
IPSAS 20	DMS 20	Related Party Disclosures
IPSAS 21	DMS 21	Impairment of Noncash-generating Assets
IPSAS 22	DMS 22	Disclosure of Financial Information about the General Government Sector
IPSAS 23	DMS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
IPSAS 24	DMS 24	Presentation of Budget Information in Financial Statements
IPSAS 26	DMS 26	Impairment of Cash-Generating Assets
IPSAS 28	DMS 28	Financial Instruments: Presentation
IPSAS 29	DMS 29	Financial Instruments: Recognition and Measurement
IPSAS 30	DMS 30	Financial Instruments: Disclosures
IPSAS 31	DMS 31	Intangible Assets
IPSAS 32	DMS 32	Service Concession Arrangements: Grantor

SCOPE of GOVERNMENT ACCOUNTING STANDARDS



READ STH into STH



- https://www.youtube.com/watch?v=ytUcPinU73Q

THANK YOU FOR YOUR ATTENTION!

IPSASB: Overview

Thomas Müller-Marqués Berger
IPSASB CAG Chair

Ankara, 29 November 2017

Agenda

1. Structure of the IPSASB
2. Functioning of the IPSASB
3. Current projects and forward looking work plan of IPSASB

Structure of the IPSAS Board (1)

- Independent Standard Setting Board for Public Sector entities
- Remunerated Chair (75% WTE)
- 17 other volunteer board members from around world
- Toronto-based – Secretariat of 8
- Independent governance (PIC) and advisory arrangements (CAG)
- 35 IPSASs (accrual basis) covering main areas of government activity, 1 cash basis standard as 'stepping stone' to accrual
- 3 Recommended Practice Guidelines (RPGs)
- Public Sector Conceptual Framework

Structure of the IPSAS Board (2)

18 members (including public members):

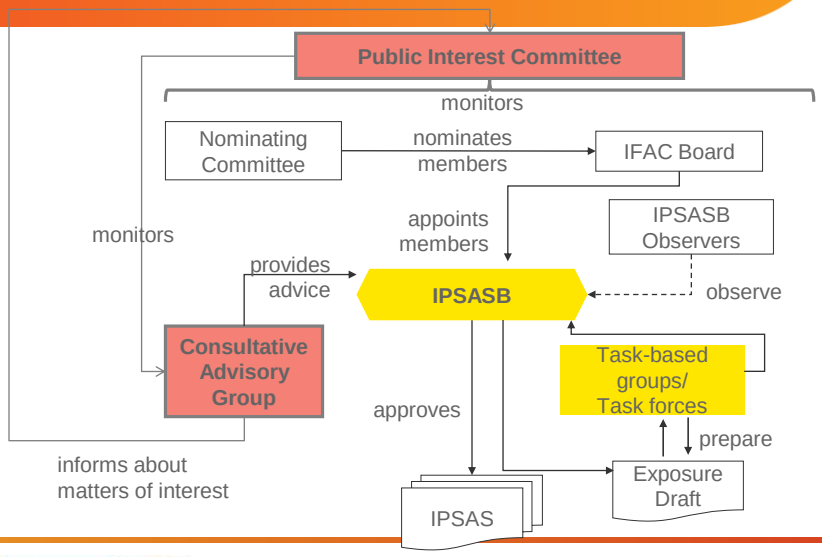
- Australia (PA)
- Austria (PA)
- Brazil (PA)
- Canada (2, Assoc + PA)
- China (PA)
- France (PA)
- Germany (pAud)
- Italy (Aca)
- Japan (pAud)
- Nigeria (PA)
- Panama (PA)
- Panama (PA)
- New Zealand (PA)
- Romania (Aca)
- South Africa (PA)
- United Kingdom (Assoc)
- United States (PA)

PA = Public Administration
StS = Standard Setter
Aca = Academic

pAud = private Auditor
Assoc = Association

- Current IPSASB Chair is **Ian Carruthers**
- Members are appointed by the IFAC Board

Functioning of the IPSASB (1)



Functioning of the IPSASB (2)

- Public Interest Committee (PIC):
  - Oversees the governance and standard-setting activities of the IPSASB to ensure that the due process is followed and public interest reflected.
  - Comprised of individuals with expertise in public sector /financial reporting
- Consultative Advisory Group (CAG)
  - The CAG advises the IPSASB on:
    - (a) The IPSASB's strategy, work program and agenda, including project priorities;
    - (b) Projects, including views on key technical issues or matters that may impede the adoption or effective implementation of IPSASs; and
    - (c) Other matters of relevance to the standard-setting activities of the IPSASB.

Functioning of the IPSASB (3)

Preface - Characteristics of the Public Sector that influence Public Sector Accounting



Functioning of the IPSASB (4)
Convergence with IFRSs

IFRS (Private Sector)

- **Terminology**
- **Public sector examples**
- **Public sector issues**
- **Public sector guidance**

IPSASs (Public Sector)

Functioning of the IPSASB (5)
IPSASs development - Phases to date

1997 - 2001
- IFAC PSC starts IPSAS development programme
- First 21 IPSASs based on IASB equivalents, interpreted as necessary

2002 - 2009
- Development of first public sector specific IPSASs (22 - 24)
- IFRS convergence (IPSASs 25 – 32)
- Start of Conceptual Framework project

2010 - 2015
- Conceptual Framework completed 2014
- First Time Adoption & IFRS convergence maintained (IPSASs 33-38)
- First public work plan consultation

Current projects of the IPSASB

Project	Public sector specific	IFRS convergence
Social Benefits	✓	
Revenue & Non-Exchange Expenditure	✓	✓
Financial Instruments	✓	✓
Leases	✓	✓
Public Sector Measurement	✓	
Heritage	✓	
Infrastructure Assets (started September 2017)	✓	

Work Plan IPSASB 2017-2020 (1)

Project/ Initiative	Links	Dec 2017 (CAG)	Mar 2018	Jun 2018 (CAG)	Sep 2018	Dec 2018 (CAG)	Mar 2019	Jun 2019 (CAG)	Sep 2019	Dec 2019 (CAG)	H1 2020	H2 2020	H1 2021	H2 2021
A Update to IPSASs 28–30, Financial Instruments	B		DI/RR	DI **CAG**	IP									
B Public Sector Specific Financial Instruments	A, E, F		DI/RR	DI	DI	DI/ED	DI/ED	DI/ED **CAG**			DI/RR	DI/IP		
C Leases	E	DI/ED			DI/RR	DI/RR **CAG**	DI/IP	IP **CAG**						
D Social Benefits	E, F			DI/RR **CAG**	DI	IP **CAG**								
E Revenue														
(i) Revenue from Contracts with Customers (IFRS 15)	B, C, D, F		DI/RR	DI **CAG**	DI/ED	DI/ED	ED			RR	DI/IP			
(ii) Limited Update of IPSAS 23				DI **CAG**	DI/ED	DI/ED	ED			RR	DI/IP			
(iii) Grants and Other Transfers (Category B Transactions)				DI **CAG**	DI	DI	DI/ED	DI/ED **CAG**	ED		RR	DI/IP	IP	
F Non-Exchange Expenses														
(i) Collective and Individual Services	B, C, D, E		DI/RR	DI **CAG**	DI/ED	DI/ED	ED			RR	DI/IP			
(ii) Grants and Other Transfers				DI **CAG**	DI	DI	DI/ED	DI/ED **CAG**	ED		RR	DI/IP	IP	
G Public Sector Measurement														
(i) Principles of Measurement	H, I	DI	DI	DI/ED **CAG**	DI/ED	ED			DI/RR	DI/IP	IP			
(ii) Consequential Amendments				DI/CP **CAG**	DI/CP	CP			DI/RR	DI/ED	DI/ED		RR/IP	
H Infrastructure Assets	G, I	DI **CAG**				DI	DI	DI/ED **CAG**	DI/ED	DI/ED	ED		RR/IP	
I Heritage	G, H	RR **CAG**				DI	DI	DI/ED **CAG**	DI/ED	DI/ED	ED		RR/DI	IP

Prepared by: John Stanford (November 2017)

Page 7 of 10

Work Plan IPSASB 2017-2020 (2)

Project/ Initiative	Links	Dec 2017 (CAG)	Mar 2018	Jun 2018 (CAG)	Sep 2018	Dec 2018 (CAG)	Mar 2019	Jun 2019 (CAG)	Sep 2019	Dec 2019 (CAG)	H1 2020	H2 2020	H1 2021	H2 2021
J Improvements			DI/ED		RR/IP						DI/ED	RR/IP		
K Strategy and Work Plan Consultation		CP **CAG**		**CAG**	PI/RR	ST								
L IPSASB Handbook				Publish				Publish			Publish		Publish	

Key:

IP = Final Standard or Amendments to IPSAS(s); RP = Final Recommended Practice Guidance; ED = Approval of Exposure Draft; PB = Project Brief; DI = Discussion of Issues; RR = Review Responses; CP = Consultation Paper; **CAG = Consultative Advisory Group Meeting**; PI = Public Interest Committee Meeting; SB = Staff Background Paper; ST = Final Strategy and Work Plan

2023: The Vision

Majority of central governments on accrual

- IPSASB as key advocate and facilitator
- Strong global and regional adoption coordination

Accrual information seen as essential for strong PFM

- International organisations promoting IPSAS – guidance on usage
- Ratings agencies increasingly demanding IPSAS-based information

'Complete', up-to-date and relevant IPSASs suite

- Major public sector gaps filled
- Fully converged with latest relevant IFRSs
- Effective stakeholder communication tool



IPSASB's Proposed Strategic Objective

Strengthening Public Financial Management globally through increasing adoption of accrual-based IPSAS

- *Delivered through two main areas of activity, both of which have a public interest focus:*
  - Developing high-quality IPSAS and other reporting guidance for the public sector
  - Raising awareness of the IPSAS and the benefits of accrual adoption

IPSASB 20 YEARS of standard setting

Proposed Strategic Themes

A) Setting standards on public sector specific issues:

- **Natural resources**
- **Differential reporting** ('IPSAS-lite')
- **Discount rates**
- **Conceptual Framework (CF) limited scope review**

B) Maintaining IFRS convergence:

- **Segment Reporting**
- Ongoing work on narrow-scope projects / minor improvements (potential to collaborate with national standard setters)

C) Developing guidance to meet users' broader reporting needs

D) Promoting IPSAS adoption and implementation:

- **Study 14 update**

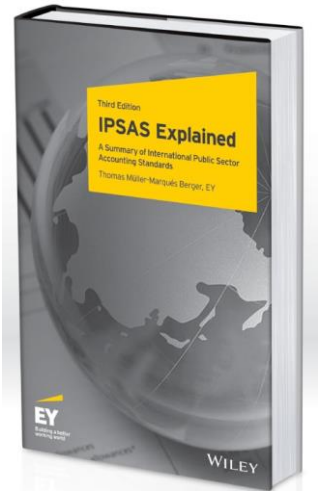
E) Advocating benefits of accrual in strengthening PFM

Delivering the Vision:
New Strategy and Work Plan for 2019 onwards….



IPSAS Explained

A Summary of International Public Sector Accounting Standards
3rd Edition



Providing a concise summary of the International Public Sector Accounting Standards for practitioners needing to maintain compliance with ever-changing practices, this must-have book is comprehensively updated to align with newly-accepted standards in key subject areas. Whilst including the latest iteration of the framework and improvement projects, this guide distills each standard into a useful and accessible format.

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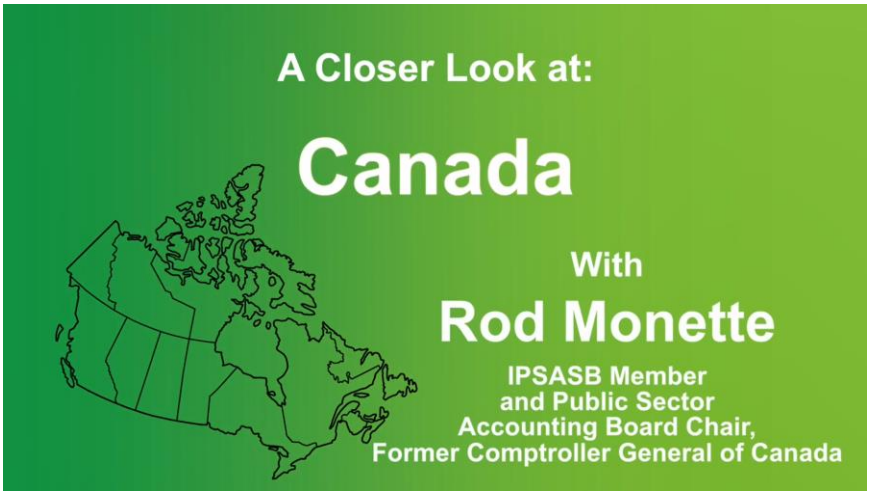
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Questions, discussion & further information



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Video Track
IPSASB "A Closer Look at: Canada"



Video Track
IPSASB "A Closer Look at: Brazil"



Questions & Answers- Session

November 29, 2017 (corrected slides)

Building a better working world

1. A country analysis for segmental reporting

Country Analysis

Segmental Reporting

- Do selected countries apply segmental reporting according to the IPSAS 18 divisional reporting standard? If yes, what is the methodology by doing that?

UK

- Entities should provide an analysis of its operating segments, products and services, the geographical areas in which they operate, and their major customers in accordance with the requirements of IFRS 8

France

- France central government applies segmental reporting
- Central Government Accounting Standard 16 - (Segment Reporting) is based on existing international standard; namely IPSAS 18 Segment Reporting and also IFRS 8
- Segmentation approach: segmentation based on missions, which corresponds to major policies

Germany

- Germany does not apply segmental reporting
- In Germany, segment reporting is only required at state or federal government level if a public sector entity prepares its budget based on outputs (products)
- Example; City of Hamburg reports segment information only in terms of the statement of financial performance and in accordance to the budget structure

Segment Reporting in UK (1)

Note 3. Segmental reporting

Segmental reporting 2015-16

	Central Government £bn	Local Government £bn	Public Corporations £bn	Whole of Government £bn
Taxation revenue	(539.7)	(52.7)	(0.2)	(592.6)
Other revenue	(51.9)	(39.4)	(10.0)	(101.3)
Total public services revenue	(591.6)	(92.1)	(10.2)	(693.9)
Social security benefits	194.4	27.4	0.7	222.5
Staff costs	123.9	64.5	4.9	193.3
Purchase of goods and services	114.0	70.3	7.8	192.1
Interest cost on government borrowing	28.3	-	-	28.3
Increase in provisions	8.1	0.5	0.6	9.2
Other expenditure	81.6	13.3	1.9	96.8
Total expenditure on public services	550.3	176.0	15.9	742.2
Net expenditure on public services	(41.3)	83.9	5.7	48.3
Financing costs of long-term liabilities, including discounting	174.5	11.0	1.9	187.4
Net loss on revaluations and disposals of assets and liabilities	8.8	(0.8)	0.1	8.1
Net expenditure/(revenue) for the year	**142.0**	**94.1**	**7.7**	**243.8**

Segment Reporting in UK (2)

Note 3. Segmental reporting

Segmental reporting 2015-16

	Central Government £bn	Local Government £bn	Public Corporations £bn	Whole of Government £bn
Property, plant and equipment	713.2	336.5	70.5	1,120.2
Other non-current assets	221.5	23.1	27.4	272.0
Current assets	260.2	40.0	50.0	350.2
Total assets	1,194.9	399.6	147.9	1,742.4
Current government borrowings	(274.2)	-	-	(274.2)
Other current liabilities	(144.3)	(26.2)	(411.4)	(581.9)
Non-current government borrowings	(986.4)	-	-	(986.4)
Provisions non-current	(270.0)	(2.2)	(18.6)	(290.8)
Net public sector pension liability	(1,188.3)	(235.8)	(0.6)	(1,424.7)
Other non-current liabilities	(107.0)	(40.9)	(22.5)	(170.4)
Total liabilities	(2,970.2)	(305.1)	(453.1)	(3,728.4)
Net assets/(liabilities)	**(1,775.3)**	**94.5**	**(305.2)**	**(1,986.0)**

Segment Reporting in France (1)

		Collectivités territoriales	Défense	Dettes financières	Développement durable	Éducation et culture	Finances	Justice, sécurité et autres missions régaliennes	Non affectés	Total
ÉLÉMENTS DE L'ACTIF	Immobilisations incorporelles	7	17 153	-	142	195	8 744	277	473	**26 991**
	Parc immobilier	-	266	-	41	1	52 272	6 733	13	**59 327**
	Immobilisations corporelles (hors parc immobilier)	1	63 025	-	337 335	1 358	1 561	3 779	406	**407 465**
	Immobilisations financières	-	4 130	-	75 786	60 533	177 578	6 755	72	**324 854**
	Stocks	-	27 152	-	0	-	0	68	6 334	**33 555**
	Total 31/12/2015	**8**	**111 726**	**-**	**413 303**	**62 087**	**240 156**	**17 613**	**7 298**	**852 191**
	Total 31/12/2014 retraité	8	111 228	-	435 018	61 313	231 653	16 546	7 404	**863 168**
	Total 31/12/2013 retraité	8	116 674	-	431 964	57 903	227 885	16 373	7 679	**858 487**
ÉLÉMENTS DU PASSIF	Dettes financières	-	-	1 601 614	-	-	-	-	-	**1 601 614**
	Dettes non financières	64	1 924	159	4 418	2 602	318	717	127 434	**137 636**
	Provisions pour risques et charges	7 017	9 027	4 355	9 719	16 923	2 345	14 972	70 510	**134 868**
	Total 31/12/2015	**7 081**	**10 951**	**1 606 129**	**14 137**	**19 525**	**2 663**	**15 689**	**197 944**	**1 874 119**
	Total 31/12/2014 retraité	8 019	11 402	1 555 801	15 716	16 475	2 478	15 635	184 417	**1 809 942**
	Total 31/12/2013 retraité	8 313	12 323	1 485 910	16 135	8 958	2 227	11 332	181 301	**1 726 498**

Segment Reporting in France (2)

3.2 COMPTE DE RÉSULTAT SECTORIEL

		Collectivités territoriales	Défense	Dettes financières	Développement durable	Education et culture	Finances	Justice, sécurité et autres missions régaliennes	Non affectés	Total
CHARGES	Charges de personnel	20	11 308	-	3 638	43 421	6 650	16 794	55 863	**137 694**
	Autres charges de fonctionnement	135	29 083	3	9 849	23 706	4 283	7 759	39 481	**114 299**
	Charges d'intervention	21 059	944	767	53 977	12 728	1 935	5 660	81 742	**178 811**
	Charges financières	-	4	45 178	-	26	194	216	14 322	**59 940**
	Total 31/12/2015	**21 213**	**41 339**	**45 948**	**67 463**	**79 882**	**13 062**	**30 429**	**191 408**	**490 744**
	Total 31/12/2014 retraité	22 243	39 573	46 000	60 760	77 968	15 248	34 166	181 160	**477 118**
	Total 31/12/2013 retraité	22 838	39 861	46 879	65 202	76 544	14 826	30 442	189 983	**486 575**
PRODUITS	Produits de fonctionnement	51	8 511	-	1 744	162	178	394	52 036	**63 074**
	Produits d'intervention	8 216	421	378	1 346	2 110	630	1 991	26 967	**42 059**
	Produits financiers	-	-	6 173	-	224	438	13	14 425	**21 273**
	Total 31/12/2015	**8 267**	**8 932**	**6 551**	**3 090**	**2 495**	**1 246**	**2 398**	**93 427**	**126 406**
	Total 31/12/2014 retraité	7 119	8 177	5 328	3 502	2 082	3 093	2 476	92 352	**124 129**
	Total 31/12/2013 retraité	7 758	7 333	5 944	3 050	1 965	990	3 244	115 883	**146 167**

EY

2. Country examples on the accounting records for research and development activities such as 3G-4G .

Related Institution: Ministry of Transportation, Navigation and Communication, General Directorate of Communication
Duration of Ownership: Right of usage of both technology will be terminated at the end of the contract (2029)
License Ownership: Operators (Turkcell, Vodafone, Turk Telekom)

MoF demands to know accounting practices (examples) of 3G and 4G applications in the selected countries.

EY

Accounting for mobile licences

IPSAS	France	UK	Germany
IPSAS 31.3 **excludes** powers and rights conferred by legislation, a constitution, or by equivalent means from the scope of IPSAS 31.	○ France recognizes mobile licences as intangible assets in its annual accounts. ○ But: France in general excludes intangible assets linked to the exercise of sovereign powers from the scope of its accounting standard on intangible assets.	○ UK does not recognize mobile licences as intangible assets in its Whole-of-Government accounts despite the fact that the government has issued those licences.	Does not account for mobile licences in its financial statements as intangible assets, despite the fact that the government has issued those licences.

3. Consideration of the accrual in the case of biological transformation of livestock, such as calf, cow or bull, within the framework of agricultural activities.

IPSAS 27: Definitions

- According to IPSAS 27, cattle livestock are **biological assets** as these are living animals.
- **Biological transformation** comprises the process of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset: Calf => cow/bull
- IPSAS 27.11: Biological transformation results in the following types of outcomes:
  - Asset changes through
    - Growth (an increase in quantity or improvement in quality of an animal or plant),
    - Degeneration (a decrease in quantity or deterioration in quality of an animal or plant), or
    - Procreation (creation of additional living animals or plants).

IPSAS 27: Accounting requirements

- **1. Calf is born**
  => recognize gain (DR calf CR gain on initial recognition of a biological asset)
- **2. Calf gets to a cow/bull**
  According to IPSAS 27.16 it is required that cattle livestock is annually measured at its fair value less costs to sell and IPSAS 27.30 requires, that a gain or loss from a change in fair value less costs to sell of a biological asset shall be included in surplus or deficit for the period in which it arises.
  => this means that biological transformation is considered automatically through fair value measurement. Changes in market prices would also be reflected through that approach.
  - Gain: DR cattle livestock CR Gain on subsequent measurement of a biological asset (statement of financial performance)
  - Loss: DR Loss on subsequent measurement of a biological asset (statement of fin. performance) CR cattle livestock

4. Addressing the indicators of the control concept that is used as the criterion to determine the scope of the consolidated financial statements.

Indicators of control according to IPSAS 6

- IPSAS 6 defines a **controlled entity** as an entity, including an unincorporated entity such as a partnership, which is under the control of another entity (controlling entity).
- **Scope of consolidated financial statements**:
  - Consolidated financial statements shall include all controlled entities of the controlling entity, except when there is evidence that (a) control is intended to be temporary because the controlled entity is acquired and held exclusively with a view to its disposal within twelve months from acquisition, and (b) management is actively seeking a buyer (see IPSAS 6.21)
    [please note that this exception is no longer available under IPSAS 35]

Indicators of control according to IPSAS 6

- Control of another entity for financial reporting purposes
  - Whether an entity controls another entity for financial reporting purposes is a matter of judgment, based on the definition of control and the particular circumstances of each case.
  - Control = “The power to govern the financial and operating policies of another entity so as to benefit from its activities.”
    => The power and the benefit element would need to be considered.

Indicators of control according to IPSAS 6

Benefits element	Power element
• **Financial benefits:** Distribution of surpluses (such as a dividend), and exposure to the risk of a potential loss. • **Non-financial benefits:** Benefit from ability to direct the other entity to work with it to achieve its objectives. => But also financial and non-financial benefits at the same time possible.	• Generally: majority shareholding or other equity interest in the other entity. => not necessarily the case • The power to control must be presently exercisable (e.g. to appoint and remove a majority of the members of the governing body) • Potential voting rights

Indicators of control according to IPSAS 6

- In examining the relationship between two entities, control is presumed to exist when at least one of the following power conditions and one of the following benefit conditions exists, unless there is clear evidence of control being held by another entity.
- When one or more of the circumstances listed in the table below does not exist, the then following factors ("indicators") are likely, either individually or collectively, to be indicative of the existence of control.

Indicators of control according to IPSAS 6

Power conditions	Benefit conditions
(a) The entity has, directly or indirectly through controlled entities, ownership of a majority voting interest in the other entity.	(a) The entity has the power to dissolve the other entity and obtain a significant level of the residual economic benefits or bear significant obligations. For example the benefit condition may be met if an entity had responsibility for the residual liabilities of another entity.
(b) The entity has the power, either granted by or exercised within existing legislation, to appoint or remove a majority of the members of the board of directors or equivalent governing body, and control of the other entity is by that board or by that body.	(b) The entity has the power to extract distributions of assets from the other entity, and/or may be liable for certain obligations of the other entity.
(c) The entity has the power to cast, or regulate the casting of, a majority of the votes that are likely to be cast at a general meeting of the other entity.	
(d) The entity has the power to cast the majority of votes at meetings of the board of directors or equivalent governing body, and control of the other entity is by that board or by that body.	

Power Indicators

- (a) The entity has the ability to veto operating and capital budgets of the other entity.
- (b) The entity has the ability to veto, overrule, or modify governing body decisions of the other entity.
- (c) The entity has the ability to approve the hiring, reassignment, and removal of key personnel of the other entity.
- (d) The mandate of the other entity is established and limited by legislation.
- (e) The entity holds a golden share (or equivalent) in the other entity that confers rights to govern the financial and operating policies of that other entity.

Benefit Indicators

- (a) The entity holds direct or indirect title to the net assets/equity of the other entity, with an ongoing right to access these.
- (b) The entity has a right to a significant level of the net assets/equity of the other entity in the event of a liquidation, or in a distribution other than a liquidation.
- (c) The entity is able to direct the other entity to cooperate with it in achieving its objectives.
- (d) The entity is exposed to the residual liabilities of the other entity.

Indicators of control according to IPSAS 6

- Existence of separate statutory or legislative powers, e.g. Constitutional Court, Court of Auditors, Parliament
  - Have statutory or legislative powers to operate independently of the government.

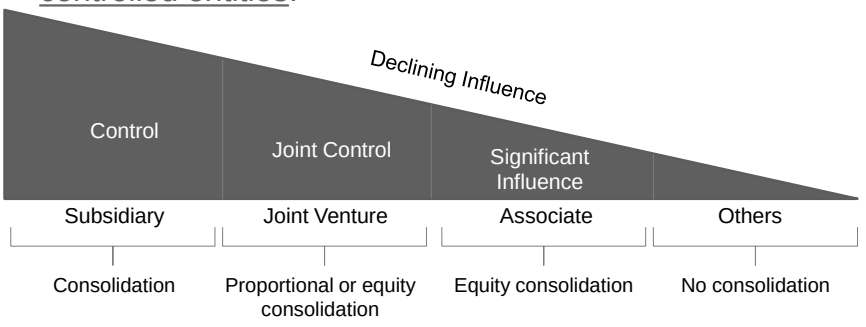
Reporting entity and the 'control-concept'
The General Government Sector (GGS)

- The GGS consists of resident institutional units that fulfill the functions of government as their primary activity.
- The 'control-concept' is used to split the economy between the private sector and the public sector

General Government Sector	Non-financial Corporations Sector	Financial Corporations Sector	Households	Nonprofit Institutions serving Households
Public	Public	Public	Private	Private
	Private	Private		

Reporting entity and the 'control-concept'
The economic entity in IPSASs

- IPSASs are designed to apply to the financial statements of all public sector entities.
- The term economic entity is used to define a group of entities comprising the controlling entity and any controlled entities.

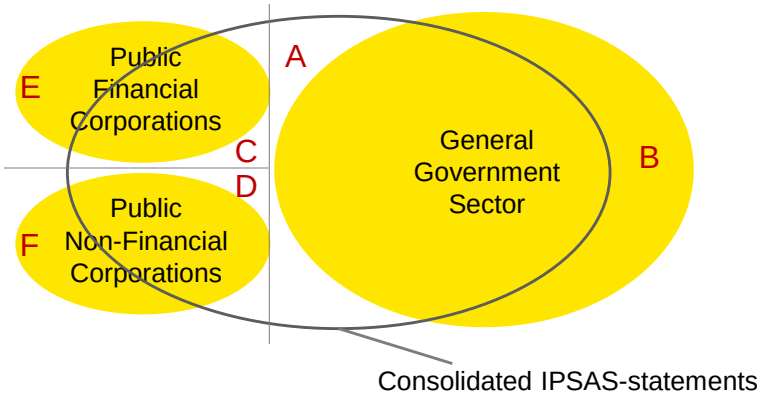


Reporting entity and the 'control-concept'
Technical approaches

- While statistical accounting is top down the financial reporting is bottom up starting with individual entities.
  - In statistical accounting the government is seen as being a single unit. By contrast, in establishing the boundaries of the reporting entity for financial reporting purposes, the concept of control is applied to each possible controlled entity.
  - In statistical accounting information is collated by sectors rather than for a consolidated economic entity (e.g. corporations are treated as a separate institutional sector, with public financial corporations and public non-financial corporations being subsectors).

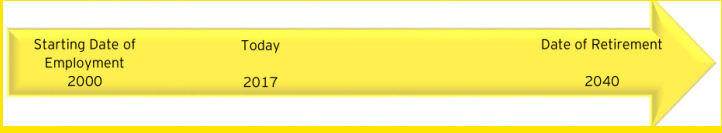
Reporting entity and the 'control-concept'
Interim conclusion

- Overlap between IPSASs and the GGS for a specific level of government



5. Severance allowance (1)

Step by step explanation of the given below example on severance allowances:



The severance allowance is calculated based on 1000 TL annual payment for this employee. According to this scenario,

a) Is the overall severance allowance, to be paid in 2040, will be calculated by considering the period between the start date of employment (2000) and today (2017), which makes the severance allowance 17.000 TL?
b) Should there be any accounting records of 23.000 TL for the period between today (2017) and date of retirement (2040)?

Based on the fact pattern provided in the workshop it was told by the MoF to EY that the severance allowance is paid when an employee finishes service but also when an employee leaves an institution.

5. Severance allowance (2)

- **Applicable standard according to IPSAS:**
  IPSAS 25 (IPSAS 39 from 1 January 2018)
- Employee has provided service in exchange for employee benefits to be paid in the future.
- In our understanding => severance allowance would have to be classified as post-employment benefit as they are payable after the employment (i.e. providing service) and are no termination benefits.
- Next question would be whether the severance allowance would have to classified as a defined contribution or a defined benefit plan.

5. Severance allowance (3)

- IPSAS 25.27 ff. provides an explanation of the distinction between a defined benefit plan and a defined contribution plan => For this distinction it is decisive whether the employee carries the actuarial and the investment risk (see IPSAS 25.28 ff).
- Based on the fact pattern provided and the fact that the government has an obligation to pay future benefits (see IPSAS 25.45), we assume that the severance allowances would qualify as a defined benefit plan.
- For the accounting of defined benefit plans see IPSAS 25.54.

5. Severance allowance (4)

- Accounting for defined benefits plans (see IPSAS 25.59):
  - For the accounting of defined benefits plans actuarial assumptions would have to be made to measure the obligation and the related expenses.
  - In the case of the severance allowance also assumptions would have to be made about how long an employee stays in service.
  - The obligations are generally measured on a discounted basis as they may be settled many years after the employee renders service.

=> Provisions for defined benefit plans should only be made for the provided service by the employee in exchange for employee benefits to be paid in the future

5. Severance allowance (5)

- Accounting for defined benefit plans:
  - Therefore, the provision for severance allowance will be calculated by considering the period between the start date of employment (2000) and the reporting date
  - Contributions in between the reporting date and the date of retirement (future service costs) should not be considered in the accounting records.

6. Discussion on the disclosure of a contingent liability and a contingent asset generated as a result of a PPP project, based on the below question

In the first years of operation, it is estimated that a PPP project with a demand guarantee will have less realization than the demand guarantee so that there will be a payment made to the operator. This is considered as a conditional liability.

In the remaining operating years, however, it is foreseen that there will be more demand given in the demand guarantee and the income obtained will be shared between the operator and the grantor. In this case, it is considered as a conditional asset.

6. Discussion on the disclosure of a contingent liability and a contingent asset generated as a result of a PPP project, based on the below question

Years	Given Demand Guarantee (Vehicle)	Estimation of Realization (Vehicle)	Amount to be Paid (Contingent Liability) (TL)	Possible Revenue (Contingent Asset) (TL)
2018	10.000	5.000	1.000.000	-
2019	10.000	7.000	1.500.000	-
2020	10.000	9.000	2.000.000	-
2021	10.000	11.000	-	500.000
2022	10.000	12.000	-	1.000.000
2023	10.000	13.000	-	1.500.000

Based on the information given in above table,
a) For the years between 2017 and 2022, should there be disclosures both for the contingent asset and contingent liabilities in the notes of financial statements? Or
b) only conditional liabilities should be disclosed in the notes of the balance sheet between 2017 and 2019, and only contingent assets should be disclosed in the notes of the balance sheet between 2020 and 2022?

IPSAS Analysis

Definition of a contingent liability according to IPSAS 19

IPSAS

- At each reporting date it would have to be assessed whether a provision would have to be recognized and/or a contingent liability/contingent asset to be disclosed.
- Definition of a contingent liability:

(a) **A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or**

(b) **A present obligation that arises from past events, but is not recognized because:**

(i) **It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or**

(ii) **The amount of the obligation cannot be measured with sufficient reliability.**

IPSAS Analysis

Definition of a contingent asset according to IPSAS 19

IPSAS

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

IPSAS Analysis

Probabilities for contingent liabilities and contingent assets and related presentation requirements.

IPSAS

Likelihood of outcome	*Accounting treatment: contingent liability*	*Accounting treatment: contingent asset*
Virtually certain (say, >95% probable)	Not a contingent liability, therefore recognise	Not a contingent asset, therefore recognise
Probable (say, 50-95% probable)	Not a contingent liability, therefore recognise	Disclose
Possible but not probable (say, 5-50% probable)	Disclose	No disclosure permitted
Remote (say, <5% probable)	No disclosure required	No disclosure permitted

- To determine the likelihood of the outcome professional judgement is required.
- Generally, the same measurement principles apply than for provisions.

Answers (1)

- In each of the years it would have to be assessed whether a provision would have to be recognized and/or a contingent liability/contingent asset would have to be disclosed. For that purpose the likelihoods of the outcomes have to be assessed.
  - For example, as of 31.12.2017 it can be that a provision would have to be recognized for the demand guarantee in 2018 given the likelihood of the outcome (> 50%). But this depends on the individual assessment of the probability.
- Generally it can be said, that the more remote the event, the less probable is the outcome.
  - For example, as of 31.12.2017 it could be that based on the individual assessment a contingent liability would have to be disclosed for 2019 and no contingent liability disclosed for 2020 given that the event is remote.

Answers (2)

- For the disclosure of a contingent asset it has to be considered that the probability requirements are higher than for a contingent liability. For the assement of the probabilities of each year, the same logic than for contingent liabilities applies.
  - For example, if it has been assessed that the probability of the outcome in 2019 is less than 50%, it could be assumed that the probability of the outcome in 2021 can‘t be higher than 50%. Therefore, as of 31.12.2017 probably no contingent asset can be disclosed. This situation might change in later periods.

Discussion

Questions or comments?



Public Private Partnerships

Building a better working world

Public Private Partnerships
Key aspects based on IPSAS 32

Scope:

- IPSAS 32 applies to all public sector entities
- Arrangements within the scope of IPSAS 32 must involve the operator providing public services related to the service concession asset on behalf of the grantor
- Examples of arrangements that are outside the scope of IPSAS 32 are those
  - that do not involve the delivery of public services;
  - where arrangements that involve service and management components where the asset is not controlled by the grantor;
  - include outsourcing, service contracts or privatization: **service concession arrangement, grantor, operator, service concession asset**

Service concession asset:

Recognition:

- A government recognizes an asset in its financial statements when (IPSAS 32.9):
  - The grantor controls or regulates the services to be provided by the operator and
  - The grantor controls any significant residual interest in the asset at the end of the arrangement

Measurement:

- Initial measurement of the asset is at fair value → does not constitute revaluation under IPSAS 17 *Property, Plant and Equipment* / IPSAS 31 *Intangible Assets* (IPSAS 32.11)
- After initial recognition, the asset shall be accounted for in accordance with IPSAS 17 or IPSAS 31, as appropriate; historical cost method and revaluation method
- In cases where an existing asset is subject to a SCA, the grantor shall reclassify the asset
  - the requirement of IPSAS 32.11 does not apply to reclassifications, i.e. no re-measurement at fair value in this case (AG24)!

Public Private Partnerships
Key aspects based on IPSAS 32

Liabilities:

Recognition – key principle:

- Where the grantor recognizes an asset in accordance with IPSAS 32.9, he should also recognize a liability (IPSAS 32.14).
  - but: do not recognize liability when an existing asset is reclassified!
- Nature of the liability – depending on the nature of the consideration exchanged between grantor and operator
  - payments to the operator → financial liability model
  - compensating the operator by other means:
    - granting the right to earn revenue from users; or
    - granting access to another revenue-generating asset → grant of a right to the operator model

Measurement:

- The liability recognized shall be initially measured at the same amount as the service concession asset (IPSAS 32.15)
  - It is likely that the government's gross debt increases by the amount of the liability, while net worth remains unchanged
- Subsequent measurement is depending on the nature of the liability
  - Financial liability model: measurement according to IPSAS 29 (IPSAS 32.20)
  - Grant of a right model: the grantor shall account for the liability as the unearned portion of the revenue arising from the exchange of assets with the operator (IPSAS 32.24).
  - For mixed arrangements: it is necessary to account separately for each part of the total liability recognized (IPSAS 32.27)

Public Private Partnerships
Current situation in Turkey

Statutory Framework

1. Regulation on General Government Accounting (No: 2014/7052)
2. Regulation on Central Government Accounting (No: 2014/20357)
3. General Directorate of Public Accounts General Communiqué (No: 45) Accounting Transactions of Public Private Partnership Practices (2015/29410)

The categories specified under the regulation are:

- Build-operate-transfer: Mostly road transportation investments such as tunnels, motorways, bridges or custom gates.
- Build-rent-transfer: Mostly sizable investments such as city hospitals

Current regulations on PPPs are mostly in line with IPSAS 13 and 32; with one divergence: intangible assets are not recognized in the regulations

Public Private Partnerships
Current situation in Turkey

BOT MODEL

- After the signature of the contract, the contract amount is recorded on the memorandum accounts and construction period is monitored by the Grantor.
- Grantor recognizes and records the asset after the construction at its service guarantee value.
- Operator records the monthly expected revenues at the beginning of each financial year for every contract year.
- Operator monitors monthly proportions of the accrues revenues at the end of each month.
- Most actively used accounts for the BOT PPPs;

Account Number	Account Name
256/257	Service Concession Assets Account/Accumulated Depreciation Account (-)
380/480	Account of Income Relating to Future Months/Account of Income Relating to Future Years
922/923	PPP Commitments Account/PPP Commitments Provision Account
930/931	Given Guarantees Account/Given Guarantees Provision Account
934/935	Liability Undertaking Commitments Account/Liability Undertaking Commitments Provision Account

Public Private Partnerships
Current situation in Turkey

BRT MODEL

- After the signature of the contract, the contract amount is recorded on the memorandum accounts and construction period is monitored by the Grantor.
- When a certain amount of construction is complete, Grantor will recognize the constructed amount at the end of first quarter
- Grantor makes the recognition of the asset, when the construction is complete.
- Grantor records the current year portion of the rent payment and leasing cost.
- Most actively used accounts for the BRT PPPs

Account Number	Account Name
252	Buildings Account
257	Accumulated Depreciation Account (-)
307/308	Financial Leasing Undertakings Account (short term)/Deferred Financial Leasing Borrowing Cost Account (-)
407/408	Financial Leasing Undertakings Account (long term)/Deferred Financial Leasing Borrowing Cost Account (-)
922/923	PPP Commitments Account/PPP Commitments Provision Account

Public Private Partnerships
Standards for PPPs

- For accounting for PPPs, the UK applies IAS 16. In the UK, the grantor accounts for a service concession asset and a liability or deferred revenue balance if the two IFRIC 12 control tests apply to the arrangement. The only difference between standards is on the measurement of the financial liability through the use of the interest rate
- On the other hand, IAS 17 which is equivalent to IPSAS 13 is applicable if the first IFRIC 12 control test apply to the arrangement and the second IFRIC 12 control test does not apply to the arrangement. In these circumstances, United Kingdom applies IFRIC 4 and IAS 17. No differences were found between these practices and IPSAS
- In New Zealand, PBE IPSAS 32 has been applied by PBEs. There is no difference in accounting for service concession arrangement to IPSAS 32. If the arrangement involves leases, PBE IPSAS 13 is used for accounting tasks completed by the grantor. PBE IPSAS 13 is the combination of IPSAS 13, NZ SIC 15, NZ SIC-27, and NZ IFRIC 4. PBE IPSAS 13 has no significant differences to IPSAS 13




Public Private Partnerships
Reporting of PPPs

- The UK records PPP assets and liabilities on balance sheet if the two IFRIC 12 control criteria are fulfilled. Although in some cases PPPs can be presented off-balance sheet, there is no available off-balance sheet recording of PPPs. In the UK, there is no separate report on PPPs. However, HM Treasury publishes, publicly available, annual reports which include some information of PPPs. Also, within the WGA, detailed information about PPPs is shared
- In New Zealand, based on the financial statements published by Treasury, service concession arrangements are not indicated separately in the balance sheet. However, some public entities present PPPs in their separate financial statements. According to standard, PBEs are required to recognize all PPP arrangements in accordance with PBE IPSAS 32. Thus, off-balance sheet reporting of PPPs only apply when a PPP does not qualify as a service concession arrangement in accordance with PBE IPSAS 13. In some cases, relevant information are published publically on a specific websites in New Zealand




Public Private Partnerships
Recognition and Disclosure of PPPs

- In terms of recognition and disclosure of PPPs, the service concession assets are typically not recorded in the construction phase in the UK contrary to the case in New Zealand. Furthermore, demand guarantees are usually not accounted for in New Zealand and the UK. Therefore, provisions and contingent liabilities are not accounted for in the context of demand guarantees in both of the countries




Public Private Partnerships
Demand Guarantees

- If the demand guarantees would be used, then the grantor would recognize a financial guarantee according to IAS 39 in the UK. In New Zealand, PBE IPSAS 32 would apply for the recording of demand guarantees and IPSAS 19 would be used for the accounting of contingent liabilities and provisions if demand guarantees were used




Public Private Partnerships
Measurement of PPPs

- The data for initial recognition of fair value is already available for service concession assets in the UK. Subsequent measurement of the assets is done as it is done for any other PPE. Similarly, the data for the initial recognition of fair value for the service concession assets is also available in the financial liability model in New Zealand. The subsequent measurement of these assets is done in the scope of PBE IPSAS 17




Public Private Partnerships
Responsibilities of Operator and Grantor

- In analyzing the operator side of accounting for PPPs, operators either use IFRIC 12 or FRS 102 in the UK. The control criteria are explained under IFRIC 12 and the accounting treatment varies whether the financial liability model or the grant of a right to the operator model is used
- The public benefit entities in New Zealand use the PBE FRS 45 and the profit entities apply NZ IFRIC 12. The standards that are used in both of the countries are similar to IFRIC 12. Last but not the least, operators in New Zealand need to abide by the requirements specified by the Treasury




Public Private Partnerships
Risk and Return Approach

- In terms of the risk and return approach that the countries take for the service concession arrangements that they become parties to, the UK chooses to follow ESA 2010, as a result of its commitments to the EU. Based on the rules of the ESA 2010, the grantor assesses three risk points; construction risk, availability risk and demand risk. Sharing of these risks are determined during the signature of the contract by determining which party will bear which risk
- As for New Zealand, Treasury declares that service concession arrangements are to transfer risks entirely to the operator and returns should be shared during the contractual phase of the arrangement. Further assessment of the risks are under the grantors control by looking at the terms and conditions of the contract




Public Private Partnerships
PPPs and Financial Statistical Tables

- For statistical purposes, service concession arrangements have a place in the following statements in the UK: statement of revenue and expenditure, statement of comprehensive income and expenditure, balance sheet, statement of changes in taxpayers' equity, and statement of cash flows
- In New Zealand, on the other hand, statement of financial position, GFS-equivalent of the income statement, and contingent liabilities statement use financial statistical information on service concession arrangements




Public Private Partnerships
Discussion and next steps

Previous issues for discussion

- Measurement of fair value of service concession assets
- Point in time of recognition of the service concession asset and the related liability.
- Measuring the fair value of the service concession assets during the operation period
- Accounting/Disclosures for demand guarantees
- Recognition of revenue generating parts in the service concession assets



EY

Public Immovables

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Public Immovables
Key aspects based on IPSAS 17

Definition:

- Needs to fulfill the asset definition: „A resource presently controlled by the entity as a result of a past event."

Recognition criteria for property, plant and equipment

- The cost or fair value of the item can be **measured reliably** (cf. IPSAS 17.14(b)).
- The future **economic benefits or service potential** associated with the item will flow to the entity (cf. IPSAS 17.14(a)).

Examples for PPEs:

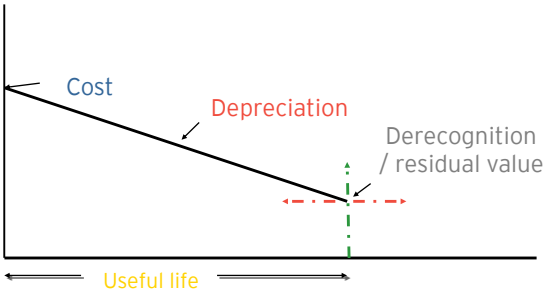
- Land
- Buildings
- Infrastructure assets (bridges, tunnels, roads, electricity/gas/water networks)
- Fixtures and fittings
- Machinery
- Military equipment
- Motor vehicles
- Computer hardware
- Furniture and office equipment

Scope:

- The following items are not within the scope of IPSAS 17:
  - Tangible fixed assets that qualify as investment property
  - Heritage assets

Public Immovables
Key aspects based on IPSAS 17

Life cycle of an asset:



The residual value is often considered insignificant in public sector accounting

Recognition:

Initial and subsequent expenditure

The cost of an item of PPE only recognised if:

- Probable benefits / service potential
- Cost / fair value can be reliably measured

Framework adds: Expense if improbable that economic benefits or service potential will flow from expenditure beyond current accounting period

Public Immovables
Current situation in Turkey

1. Regulation on Registration of Public Administrations' Immovable (RPAI) (2006/10970)
2. Regulation on General Government Accounting (2014/7052)
3. Regulation on Central Government Accounting (2014/20357)
4. General Directorate of Public Accounts General Communiqué (No: 47) of Amortization and Depletion Expenses (2015/21208)

Depreciation period:

Account Code	Name of Account Group, Account and Auxiliary Account	Depreciation Time (Year)
25	Tangible Assets	
251	Underground and Overland Layouts Account	40
252	Buildings Account	50
253	Plants, Machinery and Equipment Account	5-20
254	Vehicles Account	10
255	Inventories Account	1-5
256	Service Concession Assets Account	40-50

Public Immovables
Current situation in Turkey

- The public immovables are recorded with the measurement bases listed below:
  - Cost value (*maliyet bedeli*)
  - Fair value (*rayiç bedel*)
  - Property tax value (*emlak v.d.*)
  - Token value (*iz bedel*)

The 4 immovable categories and their respective recognition under RPAI:

- '**Public Immovables registered in the land titles** *(Tapuda kayıtlı olan taşınmazlar)*' are recorded based on their cost value and for the ones that the cost value cannot be determined the record is made under fair value.
- However, the public immovable categories listed below:
  - 'Public Immovables registered in the land titles' for which the cost or fair value cannot be determined,
  - '**Public immovables that are not registered in the land titles** *(Tapuda kayıtlı olmayan taşınmazlar)*' which are subject to economic evaluation or which are only used for public necessities,
  - '**Collective goods** *(Orta Malları)*' (pasturage, etc.)
  - '**General Service Areas** *(Ortak Hizmet Alanları)*' listed in the Appendix 1 of the RPAI

are recorded based on their token value.

Chart of Accounts of Public Immovables

Account Number	Account Name
250	Lands and Parcels Account
250 (01)	Owned by the public administration
250 (02)	Allocated by the public administration
250 (03)	Used as allocated
251	Underground and Overland Layouts Account
251 (01)	Owned by the public administration
251 (02)	Allocated by the public administration
251 (03)	Used as allocated
252	Buildings Account
252 (01)	Owned by the public administration
252 (02)	Allocated by the public administration
252 (03)	Used as allocated
256	Service Concession Assets Account
256 (01)	In the scope of 'Build-Operate-Transfer' Model
256 (02)	In the scope of 'Transfer of Operational Rights' Model

One of the key objectives of General Directorate of National Real Estate is to update the records of the public immovables with fair value until 2017 which were previously recorded with property tax value

Public Immovables
Accounting for Underground Resources

- No accounting record or financial statistics is made for such underground resources in the current situation

How are the accounting records made in other countries for underground resources such as minerals, petroleum, natural gas and similar underground reserves?



- The analysis of the country practices has confirmed that overall no accounting record for underground resources such as mineral, petroleum and natural gas is currently being made

Public Immovables
Recognition and Disclosure of Public Immovables

- The public immovables such as forest-park are currently being accounted for and monitored based on token value. The highways-roads are monitored based on token value under the Regulation on Registration of Public Administrations' Immovable. The immovables that are recorded with token value by the General Directorate of National Real Estate are included in the balance sheet

Which public immovables should be excluded from the records and balance sheet (taking into account of highway-road, forest-park, and lake-pond)?



- The analysis of country practices demonstrates that France and the UK account for assets such as highway-road, forest-park and lake-pond in their balance sheet. The only exception here is that the Federal Government in Germany does not account for these assets in their property accounts in the current situation

Public Immovables
Depreciation Practices

- If the cost of site dismantlement, removal and restoration is included in the cost of the land, that portion of the land is not being depreciated in the current situation in Turkey

IPSAS 17.75 states that "If the cost of land includes the cost of site dismantlement, removal, and restoration, that portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs". What is the scope of this IPSAS based rule?



- The country analysis has shown that France and the UK are including the cost of site dismantlement, removal and restoration to the cost of land and that portion of the land is depreciated accordingly. There is currently no such requirement in Germany

- This IPSAS rule carries differences in practice in the case of Turkey. The parts of an item are typically not depreciated separately under the regulations and thus the component approach is not applied

IPSAS 17.59 states that "Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately". How is this IPSAS based rule implemented? How is the significance criteria determined?



- The country analysis has shown that France and Germany are not implementing the component approach. UK is also not fully implementing the component approach for all the assets due to the complexity

Public Immovables
Recording of Public Immovables with Token Value

- The public immovables recorded based on token value by the General Directorate of National Real Estate are presented in the balance sheet. Currently, historical and cultural heritage assets as well as forests-parks are monitored based on token value

What are the examples of immovables that can be recorded with token value? Should immovables recorded with token value be disclosed in the balance sheet or notes?



- The country analysis regarding public immovables with token value has shown that France, Germany and the UK are measuring some of their assets based on token value and the assets are reflected in the balance sheet similar to what is being implemented in Turkey. France is measuring assets such as natural sites, cemeteries and some of the Ministry of Defense property assets based on token value. In Germany, waste disposal sites (landfills), uncultivated land (fallow land), heritable building right, works of art and collections as well as other cultural goods and monuments (but only in the case when other values are not available) are measured based on token value. In the UK, community assets such as parks and open spaces, historic buildings and works of art are measured based on cost or token value

Public Immovables
Directly Attributable Costs



- The directly attributable costs such as the costs of employee benefits and professional fees for workers that are specified under IPSAS 17.31 are currently not accounted in the public sector of Turkey

Are there countries that include the directly attributable costs, such as the costs of employee benefits and professional fees for workers, to the cost value? How is the implementation done?





- To conclude, the directly attributable costs are included in the cost value in France, Germany (in terms of the Standards of Accrual Accounting) and the UK

Public Immovables
Recording of Land and Building



- The building and the land which it is built on are not recorded separately. When there is a building on the land, the respective accounting record is made as building in the current situation which includes the land and the building. However, it is foreseen that the land and the building will be accounted separately with a change in the regulation

Are buildings/property on a land separately accounted for?





- All in all, the analysis of country practices demonstrate that the building and the land on which they are built on are accounted for separately in France and Germany. The land and the building are valued separately in the UK

Public Immovables
Recording Entity



- When there is more than one public administration serving in the same building, it is not specified of whom should be making the records of the land or building

If more than one public administration is located in the same building or on the same land, which of those public administrations is keeping the accounting records of the land/building?





- All in all, when there are more than one public administration serving in the same building/land, countries typically refer to the entity controlling, owning or safeguarding the land or building

Public Immovables
Recognition and Depreciation Threshold of Public Immovables



- Even if the value of the asset is 0.01 TL, all of the tangible assets are recognized in Turkey. One reason of this is that the final account is presented to the parliament. The inventory needs to be matched with the accounting records. Furthermore, a depreciation threshold has been set for public immovables. A limit of 14.000 TL for movables and 34.000 TL for the immovables has been put for the cost value. The public immovables that are not above this limit has a depreciation rate of 100%

Does your central government has a recognition and/or depreciation threshold for the items of property, plant and equipment? What amount is taken for the threshold?





- The country analysis has shown that recognition thresholds are in place in all countries examined and the amounts differ from one country to the other. The depreciation threshold implemented in Turkey is not known in other countries

Public Immovables
Discussion and next steps

Previous issues for discussion	▶ The issue of recording the land and building separately ▶ Should accounting records be kept for underground resources such as minerals or natural gas? ▶ What are the examples of immovables that can be recorded with token value? ▶ Alignment level with IPSAS-based rules (especially rules about depreciation)



EY

Contingent Liabilities and Provisions

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Contingent Liabilities
Key aspects based on IPSAS 19

Objective

- IPSAS 19 defines
  - Provisions
  - Contingent liabilities
  - Contingent assets
- Recognition, measurement and disclosures of provisions
- Disclosure of contingent liabilities and contingent assets

Scope

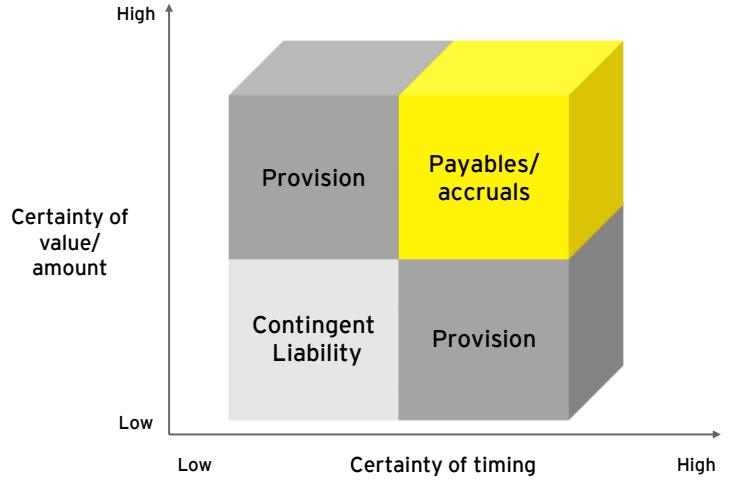
- Applies to provisions, contingent liabilities and contingent assets except for:
  - Provisions and contingent liabilities from an entity arising from social benefits
  - Those resulting from executory or insurance contracts
  - Those arising from income taxes or equivalents
  - Those addressed by another IPSAS
  - Those arising from employee benefits
  - Financial instruments (including guarantees) that are within the scope of IPSAS 29.

Contingent liability

- A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity; or
- A present obligation that arises from past events, but is not recognized because:
  1. It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  2. The amount of the obligation cannot be measured with sufficient reliability

Contingent Liabilities
Key aspects based on IPSAS 19

Contingent liabilities vs. provisions vs. payables/accruals



Contingent Liabilities
Current situation in Turkey

1. Regulation on General Government Accounting (RGGA) (No. 2014/7052)
2. Regulation on Central Government Accounting (RCGA) (No. 2014/29218)

- *Categories considered as contingent liabilities by MoF:*
  - Lawsuits,
  - Demand guarantees,
  - Treasury debt guarantees,
  - Debt undertakings related to PPPs
- *Categories considered as social security provisions by MoF:*
  - Severance allowances for government workers

- Current regulations on contingent liabilities are partially in line with IPSAS 19; as the way of disclosure of these liabilities and the accounts in which these liabilities should be recorded are explained in the regulations
- Adoption of the related standard on social security provisions (IPSAS 39) is currently in progress and planned to be effective by 2018. RGGA is already declaring the ways of disclosure methods for severance allowances for workers

Contingent Liabilities
Current situation in Turkey

- *Contingent Liabilities;*
  - Contingent liabilities are disclosed in memorandum accounts.
  - They are reported as footnotes in financial tables.
  - Some of the used accounts in recording the contingent liabilities;

Account Number	Account Name
914/915	Given Letters of Guarantee Account/Given Letters of Guarantee Provision Account
930/931	Given Guarantees Account/Given Guarantees Provision Account
934/935	Debt Undertaking Commitments Account/Debt Undertaking Commitments Provision Account

- *Social Security Provisions;*
  - Social security provisions are only made for severance allowances of workers. This practice has begun in 2015 and payments occurred in previous years were also taken into consideration and recorded.
  - At the end of each year, these amounts are revised and reentered.

Account Number	Account Name
372	Severance Allowance Provision Account (short term)
472	Severance Allowance Provision Account (long term)

Contingent Liabilities
Differentiation of Contingent Liabilities - 1

- In order to differentiate contingent liabilities from provisions, MoF relies on IPSAS 19, *Provisions, Contingent Liabilities and Contingent Asset*. Instructions in the standard imply that a provision is a liability in which the outflow of resources is inevitable yet the timing and amount of it are uncertain; whereas a contingent liability is "a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity as well as a present obligation that arises from past events, but is not recognized because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability "

How does your central government differentiate contingent liabilities from provisions?



- The review on the standards that each country uses revealed that even though each of them uses different standards, the perception on contingent liabilities and provision is compatible with one another. All of them differentiate contingent liabilities from provisions based on its uncertain nature of payment amount and date.

Contingent Liabilities
Differentiation of Contingent Liabilities - 2

- For the determination of the probability of obligation, MoF depends on the percentage method given in IPSAS 19. Based on this, if there is a probability of obligation chance between 5% and 50%; then this transaction must be classified as a contingent liability. If the probability is higher than 50%, then it must be considered as a provision. However, the complexity and lack of clarity of the instructions stated in the standard cause difficulties in implementation. Furthermore, lack of a guideline on the issue worsens the implementation problems.

How does your central government determine the probability of an obligation?



- None of the three countries has specific manuals or guidelines on the determination of the probability of an obligation. Instead, in all of them, the assessment lies in the hands of the management of the undertaking entity.

Contingent Liabilities

Differentiation of Contingent Liabilities - 3

- The following are considered as contingent liabilities;
  - Lawsuits,
  - Demand guarantees,
  - Treasury debt guarantees,
  - Debt undertakings related to PPPs

What are considered as contingent liabilities by your central government?



- The analysis on three countries brings out different considerations on the contingent liabilities. France separates contingent liabilities under four categories as guarantees, transfers, lawsuits and pensions; whereas Germany has only two contingent liability categories including debt and export guarantees. Among the three, the UK is the most elaborative by gathering contingent liabilities under two main categories as quantifiable and non-quantifiable and expands each and every one of them further for better coverage.

Contingent Liabilities

Differentiation of Contingent Liabilities - 4

- Demand guarantees and debt undertakings related to PPPs given by the Undersecretariat of Treasury are recorded and followed in memorandum accounts for the information of the entity and the MoF. There is no disclosure of these contingent liabilities.

In the case of contracts with demand guarantees: How does your central government account for contingent liabilities there?



- In terms of accounting for demand guarantee sourced contingent liabilities, the practices differ between countries. While France uses directly the amount written on the contract, the UK considers it as a financial guarantee and practices the instruction given in the appropriate standard, IAS 32 and IAS 39. Germany, on the other hand, uses the proximity rule for the amount and assesses the probability of an obligation to account demand guarantee related contingent liabilities.

- In the current situation, there is no accounting for contingent liabilities in court cases.

How does your central government account for contingent liabilities in court cases?



- In case of the contingent liabilities originated from legal proceedings, all three countries have the similar approach for their accounting. All of them measures the amount to be disclosed separately based on the dynamics of the lawsuit by getting assistance from experts of the field. Furthermore, their measurement provides an estimate falling with a range of the maximum amount of risk.

Contingent Liabilities
Measurement of Contingent Liabilities



- MoF follows the instructions of the IPSAS 19 regarding the measurement of contingent liabilities. According to the standard, there is no measurement difference between contingent liabilities and provisions. All given methods for the measurement of the provisions; best estimate, risk estimation, present value, the impact of future events in the standard can also be used for the contingent liabilities as well. However, the complexity of the instructions stated in the standard cause difficulties in implementation.

How does your central government measure contingent liabilities?





- For the measurement of contingent liabilities for disclosure, each analysed country uses a different approach. France follows a very structured method and displays measurement criteria for each contingent liability category; whereas the UK sets a threshold and differentiates quantifiable and non-quantifiable contingent liabilities based on this numerical ceiling. Germany, on the other hand, similar to the practices in Turkey, follows similar instructions like IPSAS 19.

Contingent Liabilities
Disclosure of Contingent Liabilities



- Contingent liabilities are disclosed in the footnotes of the statement of financial situation.

How does your central government disclose contingent liabilities?





- In all three countries, contingent liabilities are disclosed in the notes of financial statements.

Contingent Liabilities
Reporting of Contingent Liabilities

- Reporting of contingent liabilities is made annually.

How often does your country report contingent liabilities (monthly, quarterly or annual)?



- In all three countries, reporting of contingent liabilities is made annually.

- Since 2015, a Contingent Assets and Liabilities Table is annually published by the MoF. It presents assets and liabilities that may arise for a public institution due to certain conditions in the future.

Does your country publish a financial statistics showing contingent assets and liabilities?



- The three analysed countries differ from one another in terms of reporting contingent liabilities on financial statistical tables. While France has no such practice, Germany has a limited approach by reporting debt guarantees and non-performing loans. The UK, on the other hand, does not prepare a separate financial statistical table; but the data for the quantifiable contingent liabilities is developed by the Office of National Statistics.

Contingent Liabilities
Provisions - 1

- Currently, only severance allowances to Central Government workers are considered as provisions.

What does your central government consider as provisions?



- In all three countries, different items are considered as provisions. France divides provisions under two headings; provisions for non-financial expenses and provisions for risks. Germany makes provisions for pensions and similar obligations, assumed guarantees, final payments for index-linked federal bonds and rehabilitation of old ecological burdens. Finally, the UK has a broader understanding for provisions as making them from nuclear decommissioning to medical costs.

Contingent Liabilities
Provisions - 2

- Currently, the central government does not account for provisions and contingent liabilities from social benefits in Turkey.

Does your central government account for provisions and contingent liabilities from social benefits?



- Country practices for making provisions for social benefits differ from one another. Germany does not make any provisions in this regard. France makes in a limited fashion by only considering short-term social benefits and cut-off purposes among social benefits and the UK makes provisions for social benefits under a consolidated name: other provisions.

- In the current situation, Central Government does pay termination benefits to its workers; but not to civil servants.

Does your central government pay termination benefits to workers and civil servants?



- When the answers from each country are reviewed, it becomes clear that only one out of three countries, the UK, pays termination benefits for its workers and civil servants. Yet, no such practice exists in either in Germany or in France.

Contingent Liabilities
Discussion and next steps

Previous issues for discussion

- What has to be considered as contingent liabilities/provisions in other countries?
- Is there a severance allowance payment for the central government workers in other countries?
- How is the probability of an obligation determined?
- When is the most appropriate time for the disclosure of contingent liabilities?
- How do other countries account for contingent liabilities in court cases (e.g. is the probability of each case determined separately)?



Financial Statements

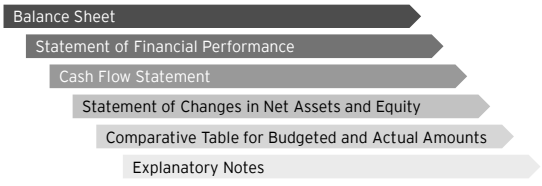
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Financial Statements
Key aspects based on IPSAS 1

IPSAS 1 – Preparation of Financial Statements

- Aims at preparing financial tables to ensure comparability both with the financial tables of previous periods and with the financial tables of other entities

- To achieve this objective, this standard sets out overall considerations for the presentation of financial statements and minimum requirements for the content of financial statements prepared under the accrual basis of accounting
- IPSAS 1 shall be applied to all general purpose financial statements prepared and presented under the accrual basis of accounting in accordance with IPSASs
- Main components of financial statements according to IPSAS 1;



Financial Statements
Current situation in Turkey

1 Regulation on General Government Accounting (No. 2014/7052; Part 13)

2 Regulation on Central Government Accounting (No. 2014/7052; Part 5)

- According to Regulations on General Government Accounting;
  - Main components of financial reporting; main financial statements and other financial statements
  - Financial statistics consist of 7 different tables and prepared GFS based

Final Account
Main Financial Statements
Balance Sheet
Statement of Operation Results
Cash Flow Statement
Financial Statistics
The Statement of Net Balance
The Statement of Net Financial Balance
The Statement of Functional Classification of Expenditures (COFOG)
The Statement of Contingent Assets and Liabilities
Cash Flow Statement
Balance Sheet
Budget Balance Table

Other Financial Statements
Table of Budget Implementation Results
Table of Economic Classification of Income
Table of Institutional Classification of Expenditure
Table of Economic Classification of Expenditure
Table of Economic Classification of Budget Income
Table of Institutional Classification of Budget Expenditures
Table of Functional Classification of Budget Expenditure
Table of Financial Classification of Budget Expenditures
Table of Economic Classification of Budget Expenditures
Table of Budget Expenditures and Appropriations

Financial Statements
Current situation in Turkey

Turkish Court of Accounts demands all general budget institutions prepare their own financial statements

Balance Sheet | Statement of Operation Results | Cash Flow Statement

Prepared separately by all general budget institutions

Prepared on a consolidated basis

ESA-based financial statistics are prepared by **TURKSTAT**

Financial Statistics

GFS-based financial statistics are prepared by **MoF**

- In the current situation, most of institutions have not been sufficiently qualified to present footnote disclosures to the balance sheet and statement of financial performance
- There is an article about what needs to be disclosed in Regulation on General Government Accounting, but there is no application by institutions
- Institutions do not provide additional information as a footnote. However, they can indicate accounting records on memorandum accounts that may be disclosed in the footnote as a support
- Contrary to the current situation, institutions should provide notes to their financial statements as required by the Turkish Accounting Standards

Financial Statements

Consolidation of financial statements



- Balance sheet, cash flow statement, net balance sheet, net financial balance sheet, functional classification table of expenditures, budget balance table and contingent assets and liabilities table are prepared by MoF on a consolidated basis
- Public banks and public enterprises are not included in the scope of consolidation

What entities do central governments of selected countries include in the scope of consolidation? For example, are public banks or public enterprises included in the scope of consolidation? If public banks are included in the scope of consolidation, are they included according to the share of capital?





- Neither Germany nor France does prepare consolidated financial statements
- Only the UK prepares consolidated financial statements on a central level
- In the so-called "Whole-of-Government" accounts in the UK, some of public banks, public entities and local governments are included in the scope of consolidation
- The main criteria used for determining the scope of consolidation is control

Financial Statements

Institutions that are not incorporated as a separate legal entities and segment reporting



- Institutions that are not incorporated as a separate legal entities are accepted as reporting units.
- They have to prepare a balance sheet and statement of operation results annually.
- Furthermore, these institutions publish other financial statements (according to regulations) on a monthly basis.

Are institutions that are not incorporated as a separate legal entities accepted as reporting units? If yes, what financial statements these institutions prepare?





- In Germany, institutions that are not incorporated as a separate legal entities are not accepted as reporting units. No separate financial statements are prepared for them
- On the other hand, these institutions are accepted as reporting units in the UK: statement of financial position, statement of comprehensive net expenditure, statement of cash flows, statement of changes in equity, the performance report, the accountability report
- Prerequisite for a reporting unit in France is the existence of a legal entity. Public institutions that are incorporated as separate legal entities prepare separate financial statements: balance sheet, surplus/deficit statement, cash flow statement

Financial Statements

Institutions that are not incorporated as a separate legal entities and segment reporting



- Segment reporting is applied in Turkey
- Regulation on general government accounting complies with IPSAS 18

Do selected countries apply segment reporting according to IPSAS 18? If yes, what is the methodology by doing that?





- UK presents segment information based on IFRS 8. In the UK Whole of Government Accounts, it is differed between Central Government, Local Government and Public Corporations as segments
- France provides segment information based on IPSAS 18, Segment Reporting and also IFRS 8. In France, segmentation is based on missions, which corresponds to major policies
- Germany does currently not apply segment reporting. In Germany, segment reporting is only required at state or federal government level if a public sector entity prepares its budget based on outputs (products), which is currently the case for some state governments

Financial Statements

Prepared financial statements



- Main Financial Statements:
  - Balance sheet
  - Cash flow statement
  - Statement of operation results
- «Other financial statements» are also prepared on a monthly basis
- Final account

What financial statements do central government's general budget institutions of selected countries prepare? Which financial statements included in IPSAS 1 are published in selected countries?





- The French Central Government as a whole publishes balance sheet, surplus/deficit statement, and cash flow statement. The Central Government does not prepare a statement of changes in net assets/equity. A comparison of budget and actual amounts are not included in the financial statements. However, France publishes a separate budget execution report.
- In Germany central government's general budget institutions do not prepare separate financial statements. Germany is the country which is the least in compliance with the requirements in IPSAS 1. Only a balance sheet is prepared. No cash flow statement, no statement of financial performance and no statement of changes in net assets/equity are presented. As in France, a budget execution report is issued separately to the financial statement.
- In the UK, central government's general budget institutions prepare the financial statements in accordance with IAS 1. Therefore, other than under IPSAS 1 a Statement of Comprehensive Income and Expenditure is prepared in the UK. IAS 1 does not require a comparison of budget and actual amounts

Financial Statements
ESA based and GFS based financial statistics



- While the Turkish Statistical Institute prepares ESA-based financial statistics, GFS-based financial statistics are prepared by MoF

Who is responsible within selected countries' central government for the preparation of ESA-based and GFS-based financial statistics?





- In the UK and in Germany the statistical offices are in charge of the preparation of the ESA financial statistics, whereas in France the National central bank, Banque de France is responsible.
- Responsibilities for the GFS-based financial statistics are with different institutions in all three countries (UK: HM Treasury, France: The French National Institute of Statistics and Economic Studies, INSEE, and Germany: Deutsche Bundesbank)

Financial Statements
Discussion and next steps

Previous issues for discussion	- Discussion of reporting entity - Scope of consolidation - How to achieve that entities report also a statement of changes in net assets/equity and a comparative table for budgeted and actual Amounts? - How can IPSAS disclosure requirements ("notes") be fulfilled?



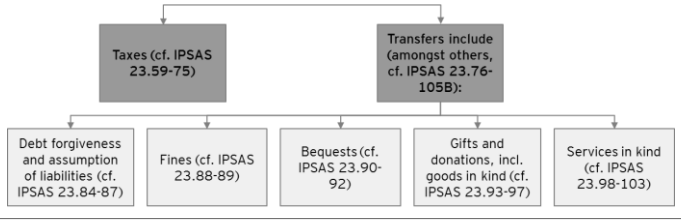
Tax and Budget Practices

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Tax and Budget Practices
Key aspects based on IPSAS 23

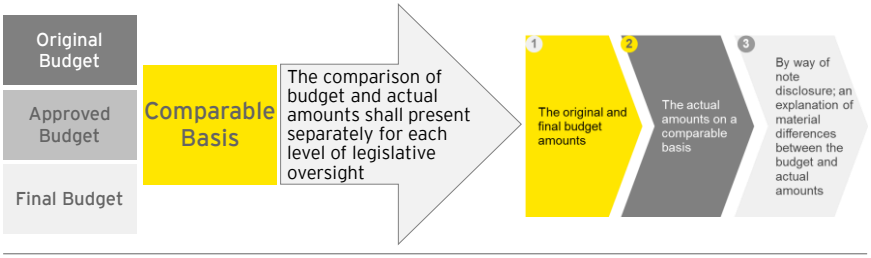
- **Objective and Scope:** Revenue from non-exchange transactions other than those giving rise to a public sector combination

Exchange-Transactions	Non-Exchange Transactions
"Transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange."	„An entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange."
E.g. • sales of goods or services • lease of PPE at market rates.	E.g. • taxes, duties, fines • grants, donations.



Tax and Budget Practices
Key aspects based on IPSAS 24

- Budget reflects ;
  - financial characteristics of the governments plans for the forthcoming period
  - Is a key benchmark for financial management and control
  - Is the central component of the process that provides for government and parliamentary oversight of the financial dimensions of operations.
- Aim of IPSAS 24 is to improve **accountability** and **transparency**
- IPSAS 24 applies to public sector entities that are required or elect to make publicly available their approved budget (cf. IPSAS 24.3)
- This standard does not require approved budgets to be made publicly available => no enforcement by IPSAS 24 to publish budget



Tax and Budget Practices
Current situation in Turkey - Tax

Turkish regulations related with IPSAS 23

1. Regulation on General Government Accounting (No. 2014/7052; Part 4; Article 65)
2. Regulation on Central Government Accounting (No. 2014/7052; Part 3; Article 50)

Recognition

- Recognition of revenue from different type of taxes (indirect or corporate tax) follows the same course.
- Overall, most of the taxes are accounted within the accounting period in which the taxable event occurs.

Tax and Budget Practices
Current situation in Turkey - Budget

Turkish regulations related with IPSAS 24

1. Regulation on General Government Accounting (No. 2014/7052; Part 2; Article 317, 321, 322, 323, 324, 325, 326, 338)
2. Regulation on Central Government Accounting (No. 2014/7052; Part 5)

- Related parts in regulations; budget revenue accounts, reflection of revenue accounts, refusal and refund of budget revenue account, budget expense accounts, expenses to be deducted from the account, last year budget deductions, reflection of expense account, and budget execution results
- Two tables to present budget information;
  - There is a budget execution table that is extracted as a result of allowances and is related to the final account
  - There is a budget expense and allowance table that shows the comparison of allowances and realizations
- The tables are presented as consolidated
- The final account is the detailed version of these tables and is presented to the parliament.
- For the preparation of the government budget, cash basis is applied

Tax and Budget Practices
IPSAS 23



- Since taxes are accounted within the accounting period when the taxable event occurs and most of the taxes are collected within that period, it would be appropriate to state that the Central Government of Turkey substantially applies IPSAS 23

Do selected countries' central government apply IPSAS 23? Do selected countries have an application for collecting taxes in the form of prepayment under IPSAS 23? If yes, how do they account?





- Neither the French nor the German government applies IPSAS 23
- Also, the UK has stated that they do not apply IPSAS 23. However, given the fact that the UK uses statistical methods for the revenue recognition for some of the accrued revenue receivables and applies the taxable event approach, UK is very close to what IPSAS 23 requires
- For the correction of actual tax revenue in subsequent periods UK uses IAS 8. Under IPSAS the equivalent standard would be IPSAS 3

Tax and Budget Practices
Accounting for tax revenues

- Most of the tax revenues are accounted within the accounting period in which the taxable event occurs.

At what point in time do selected countries' central government account for corporate tax, personal income tax and VAT?



- In France, gross revenues and the Central Government's liabilities arising from **corporate income tax** are recognized in the financial statements for the year in which returns reporting taxable income and deductions are filed. Instalment payments received for corporate income tax are recognized in the balance sheet until the final assessment of the tax owed is made. Gross revenues and the Central Government's liabilities arising from **personal income tax** are recognized in the financial statements for the year in which the taxpayers file returns reporting taxable income. Instalment payments received for personal income tax are recognized in the balance sheet until the final assessment of the tax owed is made. Gross **VAT** revenues and credits are recorded in the year in which the VAT becomes due.
- German central government accounts all of tax types when cash is received
- All kinds of taxes (corporate tax, personal income tax and VAT) and duties are measured at the fair value of the consideration received or receivable net of repayments. Revenue is recognized when: a taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to HMRC

Tax and Budget Practices
Statistical methods

- Statistical methods for the revenue recognition of taxes are not used

Do selected countries' central governments use statistical methods for the revenue recognition of taxes? In case they are using statistical methods for the revenue recognition of taxes: How do they account for corrections of actual tax revenue in subsequent periods?



- In France, statistical methods for the revenue recognition of taxes are not used
- In Germany, statistical methods for the revenue recognition of taxes are not used
- Statistical methods for the revenue recognition of taxes are used in the UK. Some of the accrued revenue receivables figures and other items are subject to statistical estimation of the forecast. Corrections of actual tax revenue are made according to IAS 8

Tax and Budget Practices

Comparison of budget and actual results and basis of budget preparation and comparison



- There is a budget execution table that is extracted as a result of allowances and is related to the final account
- Also, there is a budget expense and allowance table that shows the comparison of allowances and actual results
- Those tables present consolidated data at the central government level (not at institutional level)

Do central governments of selected countries provide a comparison of budget and actual results in their financial statements? If yes, on what accounting basis is that comparison made? On what basis of budget do selected countries' central governments prepare their budget?





- UK central government provides a comparison between budgeted and actual amounts. Comparison of budgeted and actual amounts is applied, either as separate additional schedule in the financial statements or as a budget column in the financial statements within individual government departments. No comparison of budget and actual results is included in the Whole-of-Government accounts
- France central government provides a comparison of budget and actual amounts according to budgetary accounting
- German central government provides a comparison of budget and actual amounts in a separate document to the financial statements
- Among selected countries, the UK is the only country that prepares its budget on an accrual basis. Germany and France uses the cash basis for budgetary purposes
- Based on these, the UK central government is the only one that provides a comparison between budgeted and actual amounts on an accrual basis.

Tax and Budget Practices

Discussion and next steps

Previous issues for discussion	- Use of statistical methods for estimation of tax revenue - How to decide the factors that constitute tax expenses and tax expenditures? - Legislative arrangements to add comparison of budgeted and actual results table to the main financial tables



Way Forward
Topics for Further Harmonization

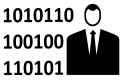
Public Private Partnerships
- Organizational structure
- Contract stock taking
- Analysis of contracts
- Development of accounting policies



Public Immovables
- Develop approaches to be able to separately account for land and buildings
- Develop a consistent accounting policy for measurement of immovable



Financial statements
- Definition of a reporting entity
- Impact assessment of IPSAS 35



Way Forward
Topics for Further Harmonization

Contingent Liabilities and Provisions
- Stock taking of provisions and contingent liabilities
- Impact analysis of IPSAS 39
- Process for accounting of provisions and contingent liabilities
- Accounting guidelines (including reporting) for provisions and contingent liabilities



Tax and Budget
- Accounting for taxes in compliance with IPSAS 23
- Monitoring of current IPSASB project on revenues





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7.7. Project Feedback Forms

Annex:7 Project Feedback Forms

Harmonization of IPSASs and General Government Accounting Legislation



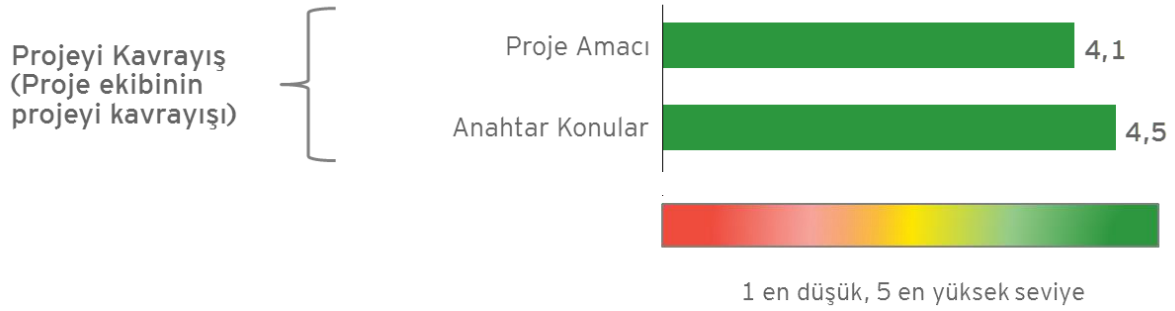
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Maliye Bakanlığı'nın EY Proje Ekibi için Sağladığı Geribildirim

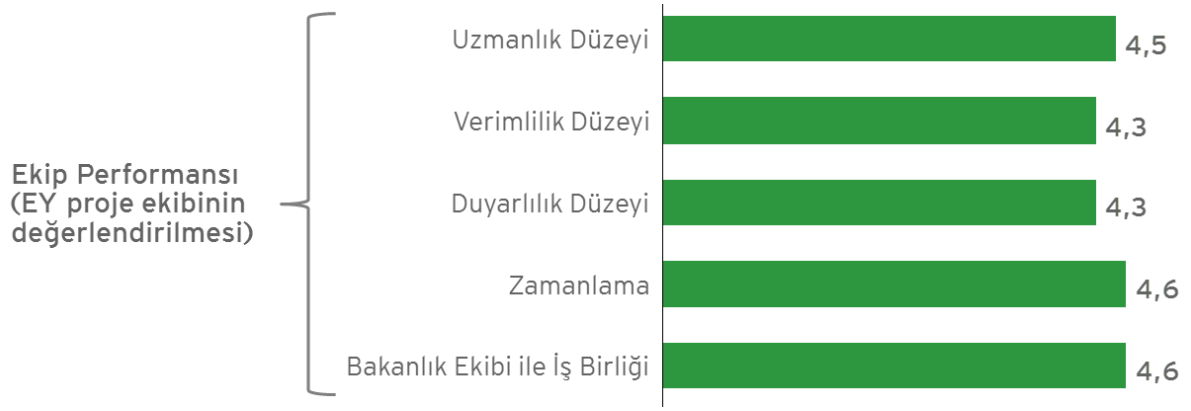
EY Proje Ekibi tarafından (i) EY ekibinin projeyi kavrayışı, (ii) genel performansı ve (iii) projenin genel değerlendirmesi için Geribildirim Formu tasarlanmış ve projenin son faaliyeti olan Üçüncü Çalıştay'ın bitiminde Maliye Bakanlığı Ekibi ile paylaşılarak geribildirimleri alınmıştır.

Her bir kriter 5 puanlık bir ölçek üzerinden değerlendirmek üzere tasarlanmış olup, projeye yönelik genel geri bildirim, doldurulan 14 formda yer alan puanların her bir kriter için ortalaması hesaplanarak gösterilmektedir.

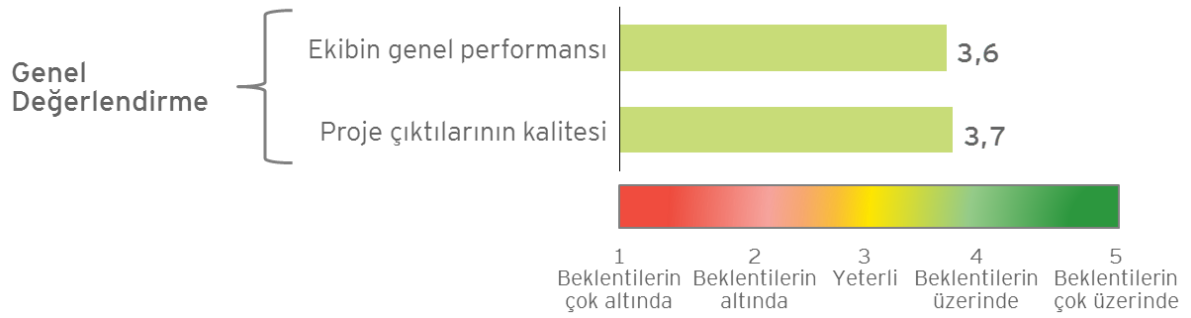
EY Proje ekibinin projeyi kavrayış düzeyi genel olarak yüksek bulunmuştur (bkz. Aşağıdaki şekil).



EY Proje Ekibinin performansını Maliye Bakanlığı Ekibince aşağıda belirlenen kriterler üzerinden değerlendirilmiş ve her bir kriter için performans düzeyi yüksek bulunmuştur.



Yapılan diğer değerlendirmelerde ekibin genel performansı ve proje çıktılarının kalitesi de Maliye Bakanlığı proje ekibi tarafından "beklentilerin üzerinde" olarak değerlendirilmiştir.



Projede nelerin daha iyi yapılabileceği sorusuna yanıt olarak genellikle aşağıdaki hususlar belirtilmiştir:

- Ülke incelemelerinin detay düzeyi artırılabilirdi
- İncelenen soruları sayıca artırılabilir ve daha da detaylandırılabilirdi
- Çalışma ziyareti düzenlenebilirdi
- Türkiye'de KÖİ'lere ilişkin uygulamalar adım adım standarda uygunluk açısından değerlendirilebilirdi
- Çalıştay süreleri artırılabilirdi

Bu projeden yola çıkarak, gelecekte benzer çalışmalar yapılması durumunda ela alınabilecek konulara yönelik aşağıdaki öneriler ön plana çıkmıştır:

- Mali araçlar standartları (IPSAS 28, 29, 30)
- Çalışanlara sağlanan faydalar standardı (IPSAS 39).
- Konsolide mali tablolar (IPSAS 35)

Proje geribildirim formlarının tarayıcı kopyasına aşağıda yer verilmiştir.

30.11.2017

Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	(5)	4	3	2	1
Key Issues (*Anahtar konular*)	(5)	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	(5)	4	3	2	1
Work efficiency (*Verimlilik düzeyi*)	(5)	4	3	2	1
Responsiveness (*Duyarlılık düzeyi*)	(5)	4	3	2	1
Timeliness (*Zamanlama*)	(5)	4	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	(5)	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

X High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli)	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

X High Above Expectations *(Beklentinin üzerinde)*	Above Expectations *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)*	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

Ülke uygulamaları hakkında daha detaylı veriler sunulabilir ve Ülke ziyaretleri gerçekleştirilebirdi

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

Mali Araçlar (IPSAS 28,29,30)
Konsolide Mali Tablolar (IPSAS 35)
IPSAS Kavramsal Çerçeve

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

—

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	5	4	3	2	1
Key Issues (*Anahtar konular*)	5	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	5	4	3	2	1
Work efficiency (*Verimlilik düzeyi*)	5	4	3	2	1
Responsiveness (*Duyarlılık düzeyi*)	5	4	3	2	1
Timeliness (*Zamanlama*)	5	4	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	5	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli)	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

High Above Expectations *(Beklentinin üzerinde)*	Above Expectations *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)*	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

- Projenin TOR'una belki ülke ziyaretleri eklenseydi. Uygulamaları yerinde görmek bizleri daha da motive edebilirdi. Ancak yabancı uzmanların katılımıyla gerçekleştirilen workshoplarda eğitimlerde çok faydalı oldu.

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

- Mali Araçlar Standartları (IPSAS 28, 29, 30)
- Çalışanlara Sağlanan Faydalar Standardı (IPSAS 39)
- Mali raporlama (IPSAS temelli)

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

Projenin başlangıç aşamasından sonuna kadar EBY Eğitimin işbirliğinde dolaylı teşekkürler. Ayrıca ekibim bizimle ortak bir amaç (mezuniyet tezi) üzerinde çalıştığına tanıklık oldu. Bundan dolayıda ayrıca teşekkür ederim.

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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30.11.2017

Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	5	4	3	2	1
Key Issues (*Anahtar konular*)	5	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	5	4	3	2	1
Work efficiency (*Verimlilik düzeyi*)	5	4	3	2	1
Responsiveness (*Duyarlılık düzeyi*)	5	4	3	2	1
Timeliness (*Zamanlama*)	5	4	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	5	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli)	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

High Above Expectations *(Beklentinin üzerinde)*	Above Expectations *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)*	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

En iyi uygulama örneklerinin sağlanmasında daha fazla ülkeye yer verilebilirdi ve örnek açıklamalara daha geniş ve detaylı bakılabilirdi. Süreçler mangraki daha da derinleştirilebilirdi.

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

Mali Araçlar Sosyal ~~Bond~~ Bondlar (Çalışmalar)

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	(5)	4	3	2	1
Key Issues (*Anahtar konular*)	(5)	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	(5)	4	3	2	1
Work efficiency (*Verimlilik düzeyi*)	(5)	4	3	2	1
Responsiveness (*Duyarlılık düzeyi*)	(5)	4	3	2	1
Timeliness (*Zamanlama*)	(5)	4	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	(5)	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

	✓			
High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli)	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

	✓			
High Above Expectations *(Beklentinin üzerinde)*	Above Expectations *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)*	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

Ülkemiz uygulaması (özellikle KÖİ) adım adım 5 kıstasda uygunluk açısından değerlendirilebilirdi.

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

Mali oranlar
Çalışanlara sağlanan faydalar

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	5	(4)	3	2	1
Key Issues (*Anahtar konular*)	5	(4)	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	5	(4)	3	2	1
Work efficiency (*Verimlilik düzeyi*)	5	(4)	3	2	1
Responsiveness (*Duyarlılık düzeyi*)	5	(4)	3	2	1
Timeliness (*Zamanlama*)	(5)	4	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	5	(4)	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

	X			
High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli)	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

		X		
High Above Expectations *(Beklentinin üzerinde)*	Above Expectations *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)*	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

Genel olarak iyiydi ama teorik olarak hepsi daha iyi yapılabilirdi.

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

Mali araçlar standardı

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

Katkısı olan herkese TEŞEKKÜRLER

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	5	(4)	3	2	1
Key Issues (*Anahtar konular*)	5	(4)	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	5	(4)	3	2	1
Work efficiency (*Verimlilik düzeyi*)	5	(4)	3	2	1
Responsiveness (*Duyarlılık düzeyi*)	5	(4)	3	2	1
Timeliness (*Zamanlama*)	5	(4)	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	(5)	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

	X			
High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli)	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

X				
High Above Expectations *(Beklentinin üzerinde)*	Above Expectations *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)*	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

Hepsi daha iyi olabilir di.

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

Mali araçlar

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

Projede görev alan bütün paydaşlara teşekkürler.

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	5	4	3	2	1
Key Issues (*Anahtar konular*)	5	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	5	4	3	2	1
Work efficiency (*Verimlilik düzeyi*)	5	4	3	2	1
Responsiveness (*Duyarlılık düzeyi*)	5	4	3	2	1
Timeliness (*Zamanlama*)	5	4	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	5	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

		✓		
High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli)	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

	✓			
High Above Expectations *(Beklentinin üzerinde)*	Above Expectations *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)*	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	5	4	3	2	1
Key Issues (*Anahtar konular*)	5	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	5	4	3	2	1
Work efficiency (*Verimlilik düzeyi*)	5	4	3	2	1
Responsiveness (*Duyarlılık düzeyi*)	5	4	3	2	1
Timeliness (*Zamanlama*)	5	4	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	5	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli) X	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

High Above Expectations *(Beklentinin üzerinde)*	Above Expectations X *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)*	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	5	(4)	3	2	1
Key Issues (*Anahtar konular*)	5	(4)	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	5	(4)	3	2	1
Work efficiency (*Verimlilik düzeyi*)	5	4	(3)	2	1
Responsiveness (*Duyarlılık düzeyi*)	5	(4)	3	2	1
Timeliness (*Zamanlama*)	5	(4)	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	5	4	(3)	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli) X	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

High Above Expectations *(Beklentinin üzerinde)*	Above Expectations *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)* X	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	5	(4)	3	2	1
Key Issues (*Anahtar konular*)	5	(4)	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	5	(4)	3	2	1
Work efficiency (*Verimlilik düzeyi*)	5	(4)	3	2	1
Responsiveness (*Duyarlılık düzeyi*)	(5)	4	3	2	1
Timeliness (*Zamanlama*)	(5)	4	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	(5)	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli) X	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

High Above Expectations *(Beklentinin üzerinde)*	Above Expectations *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)* X	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

Daha yetkili düzeyde yapılması gerekenler yapıldı.

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

Bütçe ve veriyi Standartlar ile mali cezalar konusunda olabilir.

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

-

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	5	(4)	3	2	1
Key Issues (*Anahtar konular*)	5	(4)	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	5	(4)	3	2	1
Work efficiency (*Verimlilik düzeyi*)	5	(4)	3	2	1
Responsiveness (*Duyarlılık düzeyi*)	5	(4)	3	2	1
Timeliness (*Zamanlama*)	(5)	4	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	(5)	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli)	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

High Above Expectations *(Beklentinin üzerinde)*	Above Expectations *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)*	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

- Mali araçlar

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	5	4	3	2	1
Key Issues (*Anahtar konular*)	5	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	5	4	3	2	1
Work efficiency (*Verimlilik düzeyi*)	5	4	3	2	1
Responsiveness (*Duyarlılık düzeyi*)	5	4	3	2	1
Timeliness (*Zamanlama*)	5	4	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	5	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

		X		
High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli)	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

		X		
High Above Expectations *(Beklentinin üzerinde)*	Above Expectations *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)*	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

Genel olarak proje başarılıydı. Çalıştay süreleri daha uzun olabilirdi, sorular daha spesifik hale getirilip sayıları artırılabilirdi. Böylelikle genel konuşmalar yerine somut alanlarda çözümler üretilebilirdi.

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

Proje kapsamında ele alınan konuların herbiri kendi başına proje konusu olabilecek mevzulardı. Belki bu başlıklar ayrı ayrı tek projeler olabilir. Mevcut proje sanki bu açıdan bakılınca biraz sathi kaldı gibi.

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	5	4	3	2	1
Key Issues (*Anahtar konular*)	5	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	5	4	3	2	1
Work efficiency (*Verimlilik düzeyi*)	5	4	3	2	1
Responsiveness (*Duyarlılık düzeyi*)	5	4	3	2	1
Timeliness (*Zamanlama*)	5	4	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	5	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli)	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

High Above Expectations *(Beklentinin üzerinde)*	Above Expectations *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)*	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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Feedback Form for the Harmonization of IPSAS and Central Government Accounting Standards Project

(IPSAS ile Genel Yönetim Muhasebe Mevzuatının Uyumlaştırılması Projesi Geribildirim Formu)

Understanding of the Project (Projeyi Kavrayış)

1. Please rate our team's understanding with respect to the project (*Lütfen proje ekibinin aşağıdaki başlıklarda projeyi kavrayışını değerlendirin*):

Project Objective (*Proje Amacı*)	5	(4)	3	2	1
Key Issues (*Anahtar konular*)	5	(4)	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Team's Performance:

2. Please evaluate the EY Project Team's performance based on the below criteria (*Lütfen EY Proje Ekibin performansını aşağıdaki kriterlerde değerlendirin*):

Level of expertise (*Uzmanlık düzeyi*)	(5)	4	3	2	1
Work efficiency (*Verimlilik düzeyi*)	5	(4)	3	2	1
Responsiveness (*Duyarlılık düzeyi*)	5	(4)	3	2	1
Timeliness (*Zamanlama*)	5	(4)	3	2	1
Cooperation (*Bakanlık ekibi ile işbirliği*)	(5)	4	3	2	1

5 highest 1 lowest level (5 en yüksek, 1 en düşük seviye)

Overall Assessment

3. How would you rate the overall work performance of our team? (Ekibin genel performansını nasıl değerlendirirsiniz?

		X		
High Above Expectations (Beklentinin üzerinde)	Above Expectations (Beklentilerin üzerinde)	Satisfactory (Yeterli)	Below Expectations (Beklentinin altında)	Not Acceptable (Kabul edilebilir düzeyde değil)

4. How would you rate the overall quality of the work products? *(Projedeki çıktıların kalitesini genel olarak nasıl değerlendirirsiniz?)*

		X		
High Above Expectations *(Beklentinin üzerinde)*	Above Expectations *(Beklentilerin üzerinde)*	Satisfactory *(Yeterli)*	Below Expectations *(Beklentinin altında)*	Not Acceptable *(Kabul edilebilir düzeyde değil)*

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5. What could have been made better during the Project? (*Projede neler daha iyi yapılabilirdi?*)

Ülke uygulamaları daha farklı örnekle yapılabilirdi. Uygulamalar detaylı olarak örneklendirilebilirdi.

6. Which topics should be elaborated further following this project? (*Gelecekte bu projeden yola çıkılarak benzer çalışmalar yapılması durumunda, hangi konuların kapsanmasını önerirsiniz?*)

Mali Araçlar Standardı.

7. Please provide if you have any other remarks? (*Proje ile ilgili paylaşmak istediğiniz başka düşünceler varsa lütfen paylaşın?*)

Teşekkürler.

Thank you for taking the time to fill up this feedback! (Ayrıdığınız vakit ve sağladığınız geri bildirimler için teşekkürler.)

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