



IPSASB Meeting Highlights

November 2008

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This Meeting Highlights from the International Public Sector Accounting Standards Board (IPSASB) meeting in Zurich, Switzerland on October 28-31, 2008 has been prepared for information purposes only.

For more detailed information on individual projects beyond that provided below, please refer to the IPSASB's project history pages:
<http://www.ifac.org/PublicSector/Projects.php#InProgress>.

Conceptual Framework Group 2 Definition and Recognition of Elements

The IPSASB considered developments on the Consultation Paper for the Group 2 components of the project - definition and recognition of elements.

The IPSASB noted that the paper needs to discuss the elements and their role in terms of meeting the overarching objectives of accountability and decision-making, from both a financial statement and non-financial reporting perspective. Members also commented that there needs to be discussion of what is meant by "elements" in order to limit discussion to those things that are fundamental to the Framework.

Specific aspects of the definitions were discussed including whether net assets is an element, sovereign rights and whether moral and economic obligations should be encompassed in the definition of a liability. Many of these issues will be explored further in the paper.

The IPSASB is scheduled to consider a further draft of a Consultation Paper for Phase 2 at its next meeting in February 2009.

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Performance Reporting

The IPSASB considered a project brief for a new project on performance reporting in the public sector. The IPSASB noted the importance of waiting until the responses to the Phase 1 Consultation Paper (CP) on the Conceptual Framework to make a final determination on the project to ensure that constituents support the IPSASB being

involved in this type of reporting. Members highlighted that staying focused at a principles level will be important. The IPSASB will reconsider the project brief in May 2009 once the responses to the CP are reviewed.

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Process for Reviewing and Modifying IASB Documents

The IPSASB's policy is to converge accruals basis IPSASs with IFRSs to the extent that these are appropriate for the public sector. The IPSASB developed internal guidance for modifying IASB documents for the public sector, that establishes rules applied by staff for identifying when a public sector issue warrants a departure from IFRS. Over the past year the staff have been applying these "rules of the road" and the IPSASB has been using the analysis to focus debate to those issues which are truly public sector specific.

The IPSASB reviewed the experiences in applying the "rules of the road" over the past year and, as a result, made some amendments to the guidance to enhance its application. The final document, titled *Process for Reviewing and Modifying IASB Documents*, will be posted publicly on the IPSASB website.

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Financial Instruments

The IPSASB considered the Financial Instruments (FIs) project in the context of the developing global economic crisis and decided that, as a matter of urgency, it should develop IPSASs based on IAS 32, *Financial Instruments: Presentation*, IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 7, *Financial Instruments: Disclosures*. Currently public sector constituents must rely on the hierarchy to account for FIs and the IPSASB considers this an unsatisfactory solution for the public sector. The IPSASB believes that developing standards for recognition and measurement of FIs and related disclosures is an important contribution to having a robust set of accrual based accounting standards for the public sector.

The IPSASB concluded that at this time the IPSASs would address contractual items only, and that non-contractual items such as taxes receivable, would be considered at a later date. Application guidance will be developed on financial guarantees provided in non-exchange transactions, concessional loans and, where contractually based, grants receivable/payable, debt forgiveness, gifts, donations and bequests. The IPSASB also anticipates withdrawing IPSAS 15, *Financial Instruments: Disclosure and Presentation* as part of this project, and will consider the appropriate timing and process.

At its next meeting in February 2009, the IPSASB will consider draft exposure drafts and the issues paper on the withdrawal of IPSAS 15.

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Social Benefits

The IPSASB considered the response to ED 34, “Social Benefits: Disclosure of Cash Transfers to Individuals or Households”. The IPSASB noted the support for its strategy for dealing with social benefits and long-term fiscal sustainability but also recognized that a majority of respondents did not support the development of a Standard based on ED 34. A Standard will therefore not be developed at this time.

The IPSASB reviewed the views of respondents to the Consultation Paper, “Social Benefits: Issues in Recognition and Measurement” on whether and when liabilities arise for a range of social benefits. The IPSASB agreed that proposals for recognition and measurement should now be closely linked to work in Phase 2 of the Conceptual Framework. The current working definition of a liability in Phase 2 is narrower than the existing definition in the IPSASB literature and the requirement that obligations be enforceable might avoid the difficulties that have arisen in applying the concept of a constructive obligation in the context of the provision of social benefits in the public sector.

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Long Term Fiscal Sustainability

The IPSASB considered the results of the public consultation on the project brief, as well as the work and preliminary conclusions of the Task Force to date. The IPSASB noted the overall support of the project and agreed that it should proceed further. The aim is to produce a high level principles-based framework. The form of the eventual output (guidance, standard, etc.) will be determined as the project progresses.

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Agriculture

The IPSASB considered a preliminary draft of an Exposure Draft, “Agriculture” drawn from IAS 41, “Agriculture”. The IPSASB made a number of decisions, including that the ED should be closely converged with IAS 41. The ED will not include provisions on accounting for government grants since IPSAS 23, “Revenue from Non-Exchange Transactions (Taxes

and Transfers)” provides requirements and guidance on accounting for revenue from government grants.

The ED is projected to be issued in the first quarter of 2009.

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Intangible Assets

The IPSASB considered a preliminary draft of an Exposure Draft (ED), “Intangible Assets,” which is intended to converge with IAS 38, “Intangible Assets.” The IPSASB agreed on the changes required to certain scope, terminology and examples before approving the ED for publication. In particular, the proposed IPSAS would specifically exclude powers to grant rights and to tax from the scope on the basis that such powers do not meet the definition of an asset under the existing conceptual framework.

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Service Concession Arrangements

The IPSASB considered responses to the Consultation Paper (CP), “Accounting and Financial Reporting for Service Concession Arrangements (SCA)” and noted that there was overall support for the proposals, with clarification or additional guidance required on certain issues.

The IPSASB agreed that control should be the basis for determining whether the entity should recognize an asset related to the SCA. The IPSASB directed staff to clarify and provide additional analysis and guidance on a number of issues. The IPSASB will discuss these issues further at the next meeting in February 2009 and plans to consider an Exposure Draft in May 2009

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Global Economic Issues

The IPSASB discussed the current global economic crisis, with particular focus on the effect on the public sector. The importance of transparency in the public sector was a prominent theme in the discussions and the need for strong accounting standards to contribute to this was raised. In this context the urgency to develop standards on financial instruments for the public sector was highlighted as noted above. The IPSASB will continue to monitor the situation and will consider future actions as necessary.

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Government Business Enterprises (GBEs)

The IPSASB discussed some concerns and issues that have been highlighted related to accounting for GBEs, including the definition of a GBE.

While there was some consensus that some problems may exist, the IPSASB generally agreed that the issues are not urgent to address in light of an intense workplan and in relation to other priorities.

The IPSASB agreed to keep the issues and potential project on record to carry forward but did not support initiating further work at this time.

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Next Meeting

The next IPSASB meeting will be held in Paris, France on February 23-26, 2009.