Approved Minutes of the Meeting of the

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

Held on March 10-13, 2015 in Santiago, Chile

1. Attendance, Opening Remarks, and Approval of Minutes

1.1 Attendance

	Voting Members	Technical Advisors
Present:	Andreas Bergmann (Chair)	Marc Wermuth (Mr. Bergmann)
	Jeannine Poggiolini (Deputy Chair)	Lindy Bodewig (Ms. Poggiolini)
	Stuart Barr	Todd Beardsworth (Ms. Ryan)
	Michel Camoin	Takeo Fukiya (Mr. Izawa)
	Ian Carruthers	Baudouin Griton (Mr. Camoin)
	Robert Dacey[1] (Wednesday and Friday)	Yangchun Lu (Mr. Huang)
	Mariano D'Amore	Riaz Rehman (Mr. Yusuf)
	Guohua Huang	Renée Pichard (Mr. Barr)
	Kenji Izawa	Fabrizio Mocavini (Mr. D'Amore)
	Aracelly Méndez	Joanna Spencer (Mr. Youngberry)
	Rod Monette	Rasmimi Ramli (Wan Sulaiman)
	Leonardo Nascimento	Juan Moreno Real (Ms. Mendez)
	Angela Ryan	David Watkins (Mr. Carruthers)
	Adriana Tiron Tudor	
	Wan Selamah Wan Sulaiman	
	Tim Youngberry	
	Abdullah Yusuf	
Apologies:	Rachid El Bejjet	
	Non-Voting Observers	
Present:	Dinara Alieva (UNDP)	
	Rosa Aldea Busquets[2] (European Commission)	
	Jón Blöndal (OECD)	
	Jani Laakso (World Bank)	
	Anabela Rodrigues[3] (Eurostat)	
	Brian Quinn (World Bank) (Tuesday-Thursday)	

[1] Robert Dacey attended the meeting via Skype

[2] Rosa Aldea Busquets attended this meeting in place of Martin Koehler

[3] Anabela Rodrigues attended this meeting in place of John Verrinder

Apologies:	Sagé de Clerck (IMF)
	Martin Koehler (European Commission)
	Ian Mackintosh (IASB)
	Delphine Moretti (IMF)
	Chandramouli Ramanathan (UN)
	Darshak Shah (UNDP)
	John Verrinder (Eurostat)

	IFAC Staff
Present:	Gwenda Jensen, IPSASB
	James Gunn, Managing Director, Professional Standards (Tuesday-Thursday)
	João Fonseca, IPSASB
	John Stanford, IPSASB
	Leah Weselowski, IPSASB
	Paul Mason, IPSASB
	Ross Smith, IPSASB
	Stephenie Fox, IPSASB
Apologies:	Paul Sutcliffe, IFAC

The Chair, Andreas Bergmann, welcomed members to Santiago de Chile and commented on the success of the outreach event that was held the day before the meeting. He introduced new members, Michel Camoin, Rod Monette and Angela Ryan, each of whom introduced themselves. Mr. Bergmann also welcomed Ana Maria Elorieta an IFAC Board member who sits on the nominating committee. The aim is that by attending meetings at least annually nominating committee members will develop a better understanding of the specific needs of the standards-setting boards and therefore be able to better serve the boards.

Mr. Bergmann highlighted agenda changes to the most recently circulated agenda and noted that these were due to plans to attend the meeting of the Government Finance Statistics Advisory Committee in Washington DC remotely.

The IPSASB approved the minutes of the December 2014 meeting unanimously.

The observer from Eurostat provided an update on the EPSAS project, noting that the technical work continues.

2. Governance Update (Agenda Item 2)

Brian Quinn, the World Bank observer provided a brief update on the IPSASB Governance Review Group (the Review Group) including group activities and resulting recommendations. Mr. Quinn highlighted the Review Group's objectives as:

- To assess the current governance and oversight arrangements for the IPSASB's standard-setting and other pronouncements;
- To make recommendations to strengthen these structures and processes, and
- To thereby enhance the perceived relevance, quality and legitimacy of those standards and promote their adoption.

After consulting with stakeholders and conducting a full analysis of responses, the Review Group determined that a single body, the Public Interest Committee (PIC) should be established to ensure that the public interest is served by the standard-setting activities of the IPSASB. In addition, the Review Group is recommending that the IPSASB should continue to operate under the auspices of the International Federation of Accountants (IFAC).The PIC should be independent from IFAC and distinct from the existing governance bodies overseeing the IFAC's private sector standard-setting activities – that is the Public Interest Oversight Board and Monitoring Group.

In terms of membership of the PIC, the Review Group is recommending individuals with expertise in public sector or financial reporting, and professional engagement in organizations that have an interest in promoting high-quality and internationally comparable financial information. This includes, but is not limited to individuals from the:

- International Monetary Fund;
- Organisation for Economic Cooperation and Development; (OECD)
- World Bank Group;
- International Organization of Supreme Audit Institutions (INTOSAI)

Additional members may be admitted with the consensus of all existing Committee members.

The role of the PIC will be to:

- Review the terms of reference of the IPSASB and advise its members on any proposed changes;
- Review the IFAC Nominating Committee's reports on procedures and processes for nomination and appointment of the IPSASB members and advise the IFAC on any proposed changes; and
- Review the IPSASB's reports on procedures and processes for formulating its strategy and work plan and developing individual accounting standards to ensure due process, and advise IPSASB members on any proposed changes
- Periodically review progress against its advice and provide further recommendations where necessary and

The PIC should not have a direct role in the development, adoption, and implementation of accounting standards.

The Chair noted that related to these changes, it is planned that a Consultative Advisory Group will be established by the IPSASB.

The first meeting of the PIC will take place in Paris on March 26, 2015. At that meeting future methods of operations will be reviewed. A first review of the IPSASB terms of reference, nomination procedures and standard-setting arrangements will be completed in 2015.

The Chair thanked Mr. Quinn on behalf of the IPSASB for the culmination of the process and expressed his gratitude for a positive outcome.

3. Social Benefits (Agenda Item 3)

The Chair introduced the session by reporting that the Deputy Director had given a presentation on the project to the OECD Accruals Symposium at the end of February. The OECD operate under "Chatham House rules"; this allows issues raised to be discussed without views being attributed to any particular participant. The Chair noted that Staff had prepared a supplementary paper proposing additional wording to address issues raised at the Symposium.

Staff presented an Issues Paper and a draft Consultation Paper (CP) on Social Benefits, noting that the intention was to seek approval of the CP.

Matter for Consideration 1 – Structure of the CP

Staff sought the IPSASB views on the structure of the CP, which had been revised in line with the directions given by the IPSASB at the December meeting.

A new member commented that the CP was clear and easy to follow.

A member proposed reversing the order of Chapters 5 and 6, as this provided a better flow. Whilst this view received some support, other members considered that the original order should be retained, as options 1 and 2 (the obligating event approach and the social contract approach) could be applied to all schemes, whereas option 3 (the insurance approach) could only apply to a limited number of schemes. After some discussion, the IPSASB agreed to retain the original chapter order.

A member suggested that the CP should highlight previous thinking, existing thinking and new thinking. Other members supported this view. The IPSASB considered that it was important to communicate to constituents what developments had taken place since the previous consultations. The CP should be much more explicit about what developments had influenced the drafting of the CP. This included the Conceptual Framework, Recommended Practice Guideline (RPG) 1, *Reporting on the Long-Term Sustainability of an Entity's Finances,* and the link with Government Finance Statistics. These developments have influenced the discussion of the options that have been aired before, as well as leading to the development of option 3 (insurance approach). Members acknowledged that there was some sign-posting in the CP (particularly chapter 3) but that this needed to be made more robust.

The IPSASB agreed that the CP should include reference to the public interest in the introduction. The IPSASB discussed asking a specific question about the capacity of stakeholders to make accounting changes relating to social benefits, but agreed that this was not appropriate as it could be seen as a leading question. The IPSASB took the view that constituents would raise any capacity issues when responding to the different options.

Matter for Consideration 2 – Specific Matter for Comment (SMC) 2 (composite social security programs)

The IPSAS agreed to replace SMC 2 with a more generic SMC asking if there were any social benefits transactions that the CP had not discussed. The IPSASB agreed it would be appropriate to locate this revised SMC towards the end of the CP once all the options had been discussed.

Matter for Consideration 3 - Paragraphs 2.41 (administrative arrangements) and 2.42 (funding mechanisms)

The IPSASB discussed whether to retain or delete the paragraphs describing administrative arrangements and funding mechanisms. Some members considered that the paragraphs provided useful background information, especially when subsequently reading the examples in Appendix A. The IPSASB agreed that the purpose of the paragraphs could be achieved by including a shorter version of the text at paragraph 2.33.

Matter for Consideration 4 – Clarification of Option 1

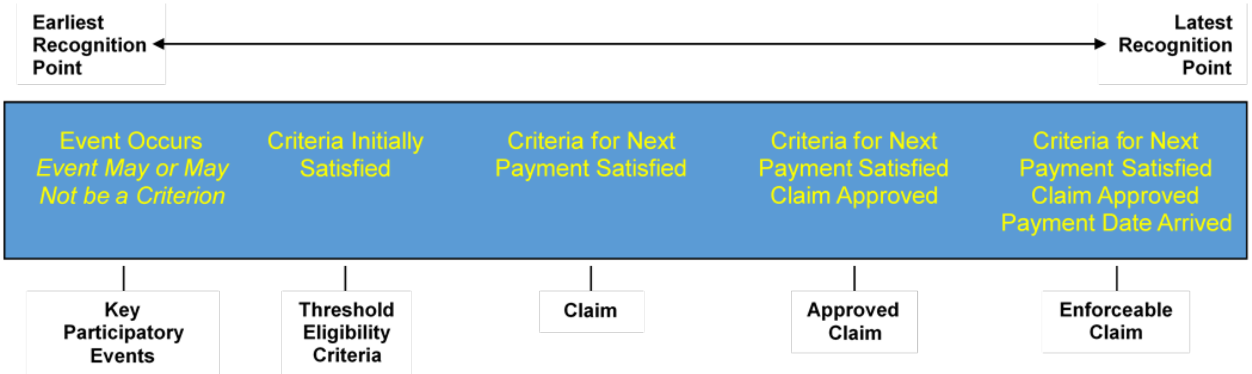
The IPSASB supported the inclusion of the diagram showing the differences between the first three sub-options (legal obligation sub-option, all eligibility criteria met sub-option and the due and payable sub-option). The Chair noted that it had been presented to the OECD meeting where the participants had found it useful.

The IPSASB debated whether including all five sub-options under option 1 would make the diagram more useful for constituents. Other detailed issues regarding the diagram, and the related text describing the sub-options, were also debated. The IPSASB agreed that the diagram would need to be revised and brought back to the session later in the meeting.

An IPSASB member noted that the terminology “due and payable” (in both the diagram and the text) was causing difficulties as the “due and payable” approach recognized a liability that was payable but not due. The IPSASB noted that “due and payable” has been used with different meanings in previous publications, and agreed that it would avoid confusion if the CP used alternative terminology. The IPSASB also noted that the term might be confusing for non-native speakers as “due” could imply “enforceable”. The IPSASB agreed to rename the sub-options referred to in the chapter to avoid confusion and provide greater clarity.

The IPSASB noted that it would be helpful for the diagram to build the arguments. The IPSASB agreed that the descriptions of the sub-options would need to be revised to make them clearer. The IPSASB also agreed that these descriptions should refer to the payment date where appropriate. In these discussions, the IPSASB agreed that the sub-option previously referred to as the “due and payable” approach should be retained.

Discussion on this topic continued at the session later in the meeting. At this session, the IPSASB agreed to replace the diagram with the following diagram.



This diagram will be included before any discussion of the sub-options, and the order of the sub-options will be amended to match the diagram. A further version of the diagram will also be included in the discussion of the revalidation of eligibility criteria.

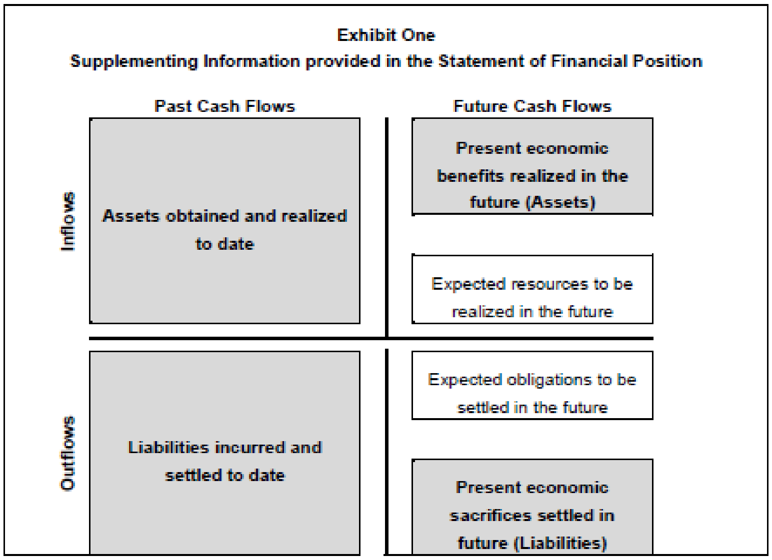
The IPSASB agreed that the shorter version of the text regarding exchange transactions, provided in Appendix A to the Issues Paper, should replace the text in the CP.

Matter for Consideration 5 – Page-by-Page Review

The IPSASB undertook a page-by-page review of the CP. The main issues raised by the IPSASB are listed below:

- The second paragraph on page 3 (guide for respondents) will be deleted.
- A reference to "the public interest" should be added to paragraph 1.2. The second half of the paragraph should be amended to give a more positive message.
- The explanation of the new thinking in the CP (referred to under Matter for Consideration 1 above) should be added to paragraph 1.3.

- The CP should be clearer about the IPSASB's intentions regarding presentation and disclosure issues. This could be brought into paragraph 1.23. There should also be a link to RPG 1. RPG 1 gives the "big picture" view. The CP should ask which subset of the information provided in RPG 1 should be recognized. The diagram (see below) included in RPG 1 showing the link between RPG 1 and the financial statements should be included in the CP (before paragraph 1.23). The SMC proposed in the additional paper presented at the session should be amended to reflect this discussion. The proposed objective should not include references to administration and sustainability.
- An additional bullet point on measurement should be included as the second bullet point in paragraph



1.14.

- The cross reference to Appendix A (paragraph 2.2) should be moved to Chapter 3.
- The reference to the IPSASB policy on aligning with GFS should be redrafted, either by using a quote from the policy or by including a footnote.
- The second sentence of the first bullet of paragraph 2.30 sends a mixed signal and should be deleted.
- The heading above paragraph 2.38 should be amended to "Issues related to social benefits dealt with in other IPSASs" as not all the issues discussed are transactions.
- Figure 1 will be amended to refer to social benefits in cash. The reference to IPSAS 25*, Employee Benefits,* in the figure should make it clear that only part of IPSAS 25 relates to social insurance.
- The definition of social risks should include the examples referred to in paragraph 2.15. The SMC may need to ask if the examples should remain in the definition or be included as guidance in a future IPSAS.
- Some members found the distinction between social insurance and social security difficult to understand. The IPSASB directed Staff to expand on these definitions, drawing on the wording in GFS.
- The New Zealand member confirmed that one entity is using an insurance approach in its financial statements for one scheme. The IPSASB agreed to update the third bullet point in paragraph 3.1 accordingly.

- The IPSASB agreed that the bullet points in paragraph 4.12 should be reordered, and that the drafting should be reviewed. Members noted that in some cases, governments could assume liabilities without legislation being enacted; the example given was the Canterbury earthquake in New Zealand.
- Some members considered that paragraph 4.19 could be taken to mean that only the legal framework should be considered. The IPSASB agreed to include references to past practices in the discussion.
- The IPSASB debated the title above paragraph 4.53a (included in the additional paper tabled at the meeting). The IPSASB tentatively agreed to use the title "Presentational considerations and measurement consequences". This change will also be made in Chapter 6.
- The IPSASB agreed that the additional paragraphs 4.53a – 4.53c should also reflect the potential impact of the volatility of actuarial assumptions on the financial statements and hence accountability.
- The IPSASB agreed that "measurement" should be replaced by "presentation" in SMC 7.
- The IPSASB agreed that the discussion of a government's role as agent in paragraphs 5.16 to 5.19 should be shortened.
- The IPSASB agreed to take out the reference to the IPSASB having taken a view in paragraph 5.32.
- The IPSASB agreed that the decision to change the terms used when discussing Option 1 (Chapter 4) will result in consequential amendments for Option 2 (Chapter 5).
- The IPSASB agreed that the discussion of the accounting requirements under the insurance approach could be made more understandable. Members agreed to adopt a "building block" approach. As a result, the CP will address fully funded schemes prior to moving on to partially funded schemes.
- The IPSASB agreed to remove the reference to borrowing provided at a subsidized rate in paragraph 6.32.
- Staff noted that revised wording was required for the insurance approach example and that this would be provided for the next meeting.
- The IPSASB agreed that the French example in Appendix A should retain the sentence describing the potential impact of the CP on the example.
- There was some concern that some SMCs, in particular SMCs 3 and 4 might be too open and onerous for constituents. Staff was directed to review the wording of the SMCs, and to consider developing one or more preliminary views (PVs) to provide a framework to which constituents could respond. The IPSASB also agreed that it would be helpful to present the SMCs in groups, related to each chapter, in the "Guide for Respondents" section of the CP. The IPSASB noted that it may be appropriate for a future IPSAS to permit or require more than one approach where this reflected the economic substance of the transactions.

The IPSASB agreed that there would not be sufficient time for Staff to prepare, and the Board to review, a revised draft at this meeting, due to the volume of issues raised. The IPSASB agreed that a revised draft of the CP should be brought to the June 2015 meeting for approval.

4. Sovereign Debt Restructuring Under IPSAS (Agenda Item 4)

Staff noted that as a result of the Global Financial Crisis (GFC) there is an ongoing discussion of the sustainability of sovereign debt levels. Recent media reports had speculated on the presentation of sovereign debt restructuring transactions under IPSASs. IPSASB Staff expressed a view that application of IPSASs captures the full economic consequences of sovereign debt restructurings in a transparent method for public sector entities. The IPSASB considered and discussed IPSAS requirements for presentation, recognition, derecognition and measurement, as well as requirements under statistical accounting guidelines.

Presentation

The IPSASB discussed the presentation of sovereign debt restructurings. Terms such as “debt”, “sovereign debt” and “net debt”, are not defined in IPSAS. Further, the use of non-IPSAS measures is prohibited in IPSAS. The IPSASB questioned the appropriateness of such a firm prohibition, and decided that any future projects to update IPSAS 1, *Presentation of Financial Statements,* should consider the use of non-IPSAS measures in general purpose financial statements. In this context it was noted that RPG 2, *Financial Statement Discussion and Analysis,* includes requirements for using non-IPSAS measures in general purpose financial reports.

Recognition, Derecognition and Measurement

Upon initial recognition financial liabilities, including sovereign debt obligations, are measured at fair value, with subsequent measurement at amortized cost in accordance with IPSAS 29, *Financial Instruments: Recognition and Measurement.*

The IPSASB discussed how to account for modifications of the terms of financial liabilities under IPSAS 29*.*

The IPSASB noted that the accounting is determined by the magnitude of the restructuring. Larger restructurings are likely to result in a substantial modification of the financial liability under IPSAS 29 which results in derecognition of the original financial liability and recognition of a new financial liability, based on the new terms.

IPSAS 29 includes public sector specific application guidance on, concessionary loans, which are loans that have been made at non-market terms. The application guidance in IPSAS 29 considers how to identify such concessionary loans and provides examples of how to account for such transactions including references to IPSAS 23, *Revenue From Non-Exchange Transactions (Taxes and Transfers),* which provides requirements for accounting for the concessionary portion of the loan. While the position depends upon the specific circumstances of each transaction, Staff expressed a view that significant sovereign debt restructurings, are likely to give rise to financial liabilities that are concessionary.

Statistical Accounting

The IPSASB discussed differences between statistical accounting guidelines and IPSAS requirements. Differences also exist between different statistical bases of accounting. For example, under the Excessive Deficit Procedure (EDP), which governs reporting on debt and deficits for EU member states, debt is measured at face value, whereas other statistical bases usually measure debt at market value. Another important difference relates to defined terms under statistical accounting bases and IPSAS. Statistical bases of accounting have definitions of debt and net debt, whereas IPSASs have a broader definition of liabilities, which include debts and loans, but, do not specifically define them. The IPSASB directed that it was important to continue to liaise and work together with the statistical accounting community on such differences.

Next Steps

The IPSASB agreed that a Staff document should be developed to highlight some of the key technical accounting considerations under IPSAS, when accounting for sovereign debt restructurings.

5. Reporting Service Performance (Agenda Item 5)

The IPSASB considered three issues related to the draft Recommended Practice Guideline (RPG), *Reporting Service Performance Information*.

Location of "Reporting Boundary" and "Annual Reporting and Reporting Period"

The first issue considered was the location of the RPG's sections on "Reporting Boundary" and "Annual Reporting and Reporting Period". This issue was raised at the December 2014 IPSASB meeting in the context of revising the RPG's structure to align it with Chapter 8 of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework), where presentation decisions are addressed as follows: (1) selection of information, (2) location of information, and (3) organization of information. Because the sections on "Reporting Boundary" and "Annual Reporting and Reporting Period" identified information for presentation, one option was to move them into "Selection of Service Performance Information".

The IPSASB agreed with the recommendation that the location of these two sections should remain after the "Definitions" section, but that specific paragraphs that identify information to be presented should be moved into "Selection of Service Performance Information". This ordering reflects the potential for these two topics—"Reporting Boundary" and "Annual Reporting and Reporting Period"— to impact on all three presentation decisions. The IPSASB decision also reflects the relationships between these two topics and earlier chapters in the Conceptual Framework. For example Chapter 4, *Reporting Entity*, discusses the reporting boundary.

Information for Disclosure

The second issue was the RPG's specification of information for disclosure. At its December 2014 meeting the IPSASB had considered a Staff proposal that attempted to address disclosure overload concerns and took more of a principles-based approach to presentation of information. The IPSASB directed Staff to revise the approach, because it was unclear and provided too much discretion to preparers. Since December the main revisions were to: (a) include new text on the overarching aims of the two different types of disclosures (basis disclosures and narrative discussion and analysis) and users' needs related to disclosures; (b) reclassify specific basis disclosures as information that "should" be disclosed, when previously those were information that should be "considered for disclosure" and move disclosures from other sections of the RPG into that subsection; and (c) move most of the narrative discussion and analysis disclosures into an "Implementation Examples" appendix, while leaving only a small set of disclosures as information that "should" be disclosed.

These revisions were to provide clarity on what should be provided as disclosures, without causing disclosure overload. The movement of narrative discussion and analysis disclosures into the appendix was on the basis that these items illustrated what is meant by narrative discussion and analysis, and were not items of information that all entities should be required to disclose.

The IPSASB agreed with these changes, which addressed the concerns raised at the previous meeting.

Definitions, Appendix with Examples and Repetition of Conceptual Framework

The last issue for consideration highlighted further revisions to the RPG, made since December. These revisions related to the RPG's defined terms, an appendix with illustrative examples and removal of text from the Conceptual Framework.

Economy—Basis for Conclusions

The IPSASB reviewed draft Basis for Conclusions paragraphs, which described the IPSASB's views on "assessment of economy" and its reasons for not including "economy" as a defined term in the RPG. The IPSASB agreed with the paragraphs' description of the basis for the RPG's treatment of "economy" and "the assessment of economy". Revisions to improve the conciseness and flow of the two paragraphs were identified.

Definition of Effectiveness

In December the IPSASB had noted a possible circularity arising from the draft RPG's definitions of "effectiveness" and "service performance objective". Staff were asked to consider and, if necessary, address this issue. The IPSASB discussed a Staff recommendation that the word "effectiveness" be removed from the definition of "service performance objective". The basis for this proposal was that effectiveness should not be a target at the stage of setting objectives, because this becomes circular. Effectiveness focuses on actual results relative to planned results, while service performance objectives express planned results. The IPSASB noted that removing "effectiveness" from the definition of service performance objectives should not affect the availability of information for users' assessment of effectiveness at the end of the reporting period. IPSASB members decided that effectiveness should be removed from the definition of service performance objective.

Appendix A, Examples, and Removal of Repetition with Conceptual Framework

In December 2014 the IPSASB directed that examples in the RPG and its appendix of examples should be revised to ensure comprehensive coverage. Staff was also directed to review the format and location of the appendix for consistency with similar appendices in recent IPSASB pronouncements. Staff had expanded the set of examples in the appendix to provide more comprehensive coverage and moved the appendix to follow the Basis for Conclusions, which reflects the location in recent IPSASs when an appendix is non-authoritative.

IPSASB members agreed with the proposed new location of the implementation guidance appendix. They also broadly agreed with the new examples. Revisions to particular examples and their style of expression were identified during the IPSASB's subsequent page-by-page review of the draft RPG.

The IPSASB had directed Staff to review the draft RPG for any text that repeated Conceptual Framework coverage, delete that coverage and replace it, where appropriate, with a reference to the Conceptual Framework. The main impact of this review was the deletion of some of the paragraphs on application of the qualitative characteristics to service performance information. The IPSASB decided that the deletions improved the RPG and adequately addressed their December direction.

The IPSASB then carried out a page–by–page review of the RPG, which identified a number of further revisions, after which the document was put to the vote. The IPSASB voted to approve the RPG. Seventeen members voted in favor with one absentee.

The IPSASB noted that next steps were for Staff to make the final revisions directed at the March meeting. These would be reviewed by relevant IPSASB members where additional assurance was needed on the precise wording. The RPG is planned for issuance by the end of March, 2015.

6. Government Finance Statistics Update (Agenda Item 6)

Ian Carruthers, the Chair of the Task Force, introduced the Issues Paper. The Issues Paper considered the approach that the Task Force has taken to issues management, in particular allocation of issues to the three tables on *IPSASs and GFS Reporting Guidelines: Comparison of Recognition and Measurement Requirements* and Task Force recommendations to IPSASB.

The three tables are:

(a) Table 1 – Potential differences that can be resolved now through adopting a GFS-aligned IPSAS option

(b) Table 2 – Differences currently needing to be managed that could be resolved in future through an existing IPSASB work-plan project

(c) Table 3 – Differences currently needing to be managed that:

   (i) Could potentially be resolved through a future IPSASB project

   (ii) Could potentially be resolved through a future SNA/GFS revision project

   (iii) Do not currently appear capable of resolution.

The IPSASB decided to include the three tables as a standing agenda item for future IPSASB meetings as *GFS Tracking Tables*. The IPSASB considered the tables an important and practical approach to the management of issues related to GFS alignment. The IPSASB also considered the tables a powerful and useful instrument from both standard-setting and academic perspectives.

The IPSASB questioned why the reporting entity issue is in Table 1 if this is considered a fundamental difference between IPSAS and GFS. The Task Force Chair clarified that this must be seen from a practical perspective where general purpose financial reports are used to build GFS accounts.

The IPSASB agreed with the Task Force's allocation of the issues to the three tables. The IPSASB decided to include in the *GFS Tracking Tables* additional issues related to:

(a) GFS definitions of relevant balances, such as the operating balance;

(b) Other GFS definitions, such as gross debt and net debt; and,

(c) The objectives of GFS and IPSASs;

The IPSASB was of the view that an assessment must be made whether the changes to IPSASs can be achieved through an improvements project or a stand-alone project. The IPSASB noted that until now the improvements project did not deal with GFS-related amendments.

The Task Force chair noted that the final version of the *GFS Tracking Tables* will be brought to the June 2015 meeting in order to reflect decisions made by the IPSASB at the March 2015 meeting on its work plan for the next few years and other issues that are still being examined by the Task Force.

7. Public Sector Financial Instruments (Agenda Item 7)

Introduction and Project Objective

At its September 2014 meeting, the IPSASB requested revisions to explain to constituents why the IPSASB is addressing the issues related to monetary authorities, where IPSAS are not generally adopted. Staff had drafted amendments to communicate the importance of monetary authorities to the public sector, their service delivery objectives and the public interest implications. The IPSASB agreed with the revisions in the updated Consultation Paper (CP).

Monetary Gold – Definitions

The IPSASB discussed the proposed definitions of monetary gold, gold bullion, monetary authority and reserve assets.

At the December 2014 meeting the IPSASB had directed that further development of the definition of monetary gold should be considered together with supporting discussion and explanation for all definitions. The changes requested were incorporated into the updated CP. Specifically, the definition of gold bullion was changed to physical gold to make it more clear and remove any confusion created by using the term bullion. The IPSASB was generally satisfied with the proposed changes. However, the IPSASB directed staff to consider using the term "tangible gold" rather than "physical gold" and proposed some further minor amendments.

Scope

The IPSASB had provided feedback on the scope of monetary gold guidance at the December 2014 meeting and directed that the discussion should be revised to consider the purity of gold assets and the purpose for which they are held by monetary authorities.

Based on this feedback Staff revised the scope of the monetary gold guidance to include only those items which satisfy the definition of monetary gold and which are used by monetary authorities to achieve their objectives. The IPSASB agreed with the revisions in the CP and the proposal that the following gold assets should be in scope:

(a) Physical gold (including gold held directly, in allocated and unallocated gold accounts);

(b) Commemorative gold coins and gold coins that are legal tender; and

(c) Some financial instruments which allow for physical settlement in gold on demand without restriction and for which monetary authorities have the intention of taking physical delivery of the gold.

Measurement

The IPSASB had directed Staff at the December 2014 meeting to develop additional options for the measurement of monetary gold.

Reflecting the measurement bases in the Conceptual Framework (CF), Staff added an additional option of measuring monetary gold at historical cost. The IPSASB was not convinced that the arguments provided were compelling. Specific reservations were raised whether historical cost provides information on the operational capacity of monetary gold.

The IPSASB directed Staff to revise the discussion of the historical cost of monetary gold and the relationship to information on the cost of services. Further, Staff should consider the restrictions on selling monetary gold that apply to many monetary authorities in further developing the CP.

The IPSASB discussed operational capacity and the cost of services, when measuring monetary gold using historical cost. A member indicated that historical cost information of monetary gold is useful when considering the cost of acquiring the asset and the link that monetary authorities are acquiring or holding the asset for the confidence it creates in the monetary authority's financial strength. Further, the IPSASB recommended that a discussion using an analogy of how other assets are accounted for under IPSASs is useful. For example, comparing monetary gold to other tangible assets and their requirements in IPSAS versus monetary gold to financial assets.

The IPSASB also recommended that the arguments for both monetary gold measurement options should consider the monetary authority's reason for holding such assets. The IPSASB noted that consideration of existing literature is important, specifically the financial instruments standards that are intent driven. In current IPSAS financial instruments standards the classification of financial assets and financial liabilities impacts the accounting requirements.

Recognition and accounting for transaction costs and changes in value of monetary gold

The IPSASB noted that the historical cost option presented in the CP also needs to discuss how to account for changes in value, due to impairments.

The IPSASB considered whether transaction costs give rise to an element or should be considered as part of initial measurement. If seen as an element in their own right, transaction costs seem to satisfy the definition of an expense rather than the definition of an asset in the Conceptual Framework. However, while several IPSASs require the capitalization of transaction costs, other IPSASs require the expensing of transaction costs. The IPSASB noted that this issue relates to the discussion on the intention of holding the assets. For assets accounted for under historical cost, transaction costs are an intrinsic component of the cost of acquisition and therefore, part of the historical cost measure. When assets are measured using a current value basis because of their contribution to financial capacity, transaction costs are expensed, because these are costs which are unlikely to be recovered by selling the assets. Therefore, the IPSASB concluded that linking the measurement model to the intention of holding assets is more appropriate than a direct reliance on the Conceptual Framework.

Disclosures

The IPSASB agreed with the proposal on the revisions to the presentation and disclosure section of the monetary gold chapter. Further, the IPSASB decided that consideration of presentation and disclosure should be revisited after all the chapters have been developed in the CP.

Next chapters in the CP

Staff requested the IPSASB to consider if all reserve assets should be in scope as standalone chapters in the CP. Currently chapters on monetary gold and IMF special drawing rights (SDRs) are included in the scope of the project, whereas other reserve assets, such as foreign currency reserves and highly liquid investments, are not in scope, because there are already requirements and guidance for such transactions in IPSASs. The IPSASB reaffirmed that only monetary gold and SDRs should be included in scope. However, the IPSASB determined that the CP should include a brief discussion on these other reserve assets and an explanation for their non-inclusion in the CP.

Currency & Coin in Circulation

The IPSASB considered some initial issues identified by Staff related to the currency and coin in circulation chapter.

The IPSASB noted that accounting for bank notes and coins may vary by jurisdiction. Although the IPSASB considered that, in most cases, the accounting considerations are likely to be the same for both types of currency, it is appropriate to consider each separately on a step by step basis, to ensure all aspects of the transaction are considered and the resulting accounting implications. The IPSASB agreed that a key question for both notes and coins is the nature of the liability for the entity that issues the currency and the appropriate measurement bases for measuring such a liability.

Scope of the project

The IPSASB discussed the scope of the project and acknowledged that currently it addresses a large number of distinct topics, which all have unique issues. This has an impact on the time it will take to develop a CP. It was noted that there may be scope to address certain issues through other projects which might lead to quicker overall progress. However, the IPSASB concluded that this is a project management issue and did not make any decision on moving topics to other projects at this time. The IPSASB will revisit this issue as the project progresses.

8. Government Business Enterprises (Agenda Item 8)

The Issues Paper considered the responses to the Consultation Paper (CP), *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities,* and staff's recommendations to IPSASB.

Approach 1 or Approach 2

The IPSASB noted the strong support from respondents for describing the characteristics of public sector entities for which IPSASs are intended (Approach 1). The IPSASB decided that this is the way forward. Therefore, the IPSASB will propose the deletion of the current definition of a Government Business Enterprise (GBE) from the IPSASB literature, rather than modifying the definition in accordance with Approach 2. The IPSASB acknowledged the need to, discuss (a) the role of regulators in considering the characteristics of public sector entities when deciding about the applicability of IPSASs in their jurisdictions and (b) how alignment between IPSASs and Government Finance Statistics reporting guidelines (GFS) had been considered in the project in the Basis for Conclusions of IPSAS 1, *Presentation of Financial Statements*.

Option 1a or Option 1b

The IPSASB noted the strong support from respondents for using IPSASB's current and developing literature to provide the characteristics of entities for which the IPSASB is developing standards and guidance (Option 1a). The IPSASB also noted that some respondents presented additional reasons to those in the CP. These points reinforced IPSASB's view that Option 1a is appropriate, rather than relying on characteristics drawn from GFS (Option 1b). Nevertheless, the IPSASB acknowledged that regulators can interpret the characteristics quite differently in specific cases, which reduces comparability between jurisdictions. The IPSASB considered that this can be partially mitigated by emphasizing the Conceptual Framework, especially its Preface, which provides further guidance for constituents on the characteristics of public sector entities for which IPSASs are intended.

The IPSASB also acknowledged that Option 1a allows enough flexibility to regulators and other relevant authorities to address the relationship between IPSASs and GFS in each jurisdiction.

The IPSASB directed that the advantages and disadvantages of each option should be explained in the Basis for Conclusions in IPSAS 1.

Description of the characteristics of public sector entities

Staff put forward a description of the characteristics of public sector entities drawn from that proposed in the Issues Paper, but also reflecting amendments proposed by respondents. A member was of the view that the two part description of the characteristics is complementary and, therefore, proposed to delete the word "or" between the two parts as follows:

IPSASs are designed to apply to entities that:

(a) Are responsible for the delivery of services[1] to the public with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth; and~~/or~~,

(b) Finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have a primary objective to make profits and generate a return on equity to investors.

Another member favored deleting the reference to "a return on equity to investors" because a primary objective to make profits might encompass situations where there is not a return to investors, especially in the early years of a public sector entity. A further member supported retaining the notion of a return to investors because it reflects the Preface to the Conceptual Framework. The IPSASB decided to delete the reference to return to investors in the description but to include text in the Basis for Conclusions explaining the issue.

The IPSASB was of the view that "transfer payments" are just an instrument to redistribute income and wealth and, therefore, that the reference to them should be deleted.

An IPSASB member expressed reservations that the proposed characteristics might also apply to private not-for-profit entities, and stressed that IPSASs are intended for public sector entities.

The IPSASB tentatively agreed the following description of the characteristics of public sector entities:

IPSASs are designed to apply to public sector entities that:

(a) Are responsible for the delivery of services[4] to the public and/or to redistribute income and wealth;

(b) Finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of the investment; and,

(c) Do not have a primary objective to make profits.

Stand-alone ED or ED on Improvements

The IPSASB considered whether to include the proposed changes in a stand-alone ED or as part of an Improvements ED. The IPSASB decided to develop a single ED on *The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities*, because the proposed changes follow a CP and represent a significant change in the existing IPSASB literature.

Directions to Staff

The IPSASB directed Staff to revise the Basis for Conclusions in IPSAS 1, to explain the IPSASB's reasons for proposing to delete the definition of a GBE and the IPSASB's consideration of the risks and benefits of such an approach. The Basis for Conclusions will also address:

- The role of regulators in determining detailed accounting requirements for entities in their jurisdictions;
- The alignment between IPSASs and GFS;

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[4] *Services encompasses goods and services.*

- The meaning of the term "public sector", with a reference to the Preface to the Conceptual Framework; and
- A reference to assets held for service potential instead of assets held to generate cash.

9. Public Sector Combinations (Agenda Item 9)

Staff presented an Issues Paper and sections of a draft Exposure Draft (ED) on public sector combinations.

Objective and Scope

Staff and the Task Based Group proposed that, contrary to the direction given at the December 2014 meeting, donated operations should be within the scope of the project. The IPSASB noted that these transactions were included in the Consultation Paper (CP). The IPSASB tentatively supported the inclusion of donated operations within the scope of the project, but noted that a final decision would only be made once the accounting consequences of this proposal had been clarified. The IPSASB considered that the decision tree discussed at the last meeting and included in the Issues Paper would need to be revised to encompass donated operations. The IPSASB also noted that including donated operations was consistent with the approach taken in the draft ED of scoping out donated assets that were not operations. This led on to a discussion on the decision tree and the definitions.

Definitions

The IPSASB debated the proposed definition of an acquisition, in particular whether acquisitions could arise under common control. This debate encompassed the decision tree presented in the Issues Paper.

The IPSASB did not come to a firm conclusion regarding acquisitions under common control, and consequently did not consider the other definitions, which followed on from the definition of an acquisition.

In debating the definition of an acquisition and the decision tree, the IPSASB made the following points:

- The approach should focus on mainstream transactions (but should be principles-based, not rules-based).
- The most common combinations within the public sector are amalgamations and reorganizations.
- Many constituents considered that acquisitions under common control either would not arise or would be rare, and that the acquisition method should not be applied to combinations under common control.
- The accounting treatment for each type of combination should support accountability.
- In the context of interests in other entities, control is a commonly understood term.
- Control is a key factor and reflects the economic substance of a transaction.
- There is a difference between regulation and control, which needs to be borne in mind when considering whether control exists in a combination.
- The IPSASB has struggled more with "common" than with "control".
- The economic substance of the transaction should determine whether it is an acquisition or not.
- The economic substance of a combination can be summarized as "are you getting something additional or reorganizing what you already have?"
- An increase in the size of the public sector is an acquisition.

- The identification of an exchange of value is important in defining an acquisition. There was some debate about whether the exchange should be at fair value or wider. The IPSASB noted that emphasizing an exchange of value would have implications for the treatment of transactions such as forced seizures where there is no exchange of value.
- Acquisition is a commonly understood accounting term.
- An important question relates to who is making the decision to undertake a combination (as opposed to negotiating details once that decision has been made).
- Legislation may determine whether one party is gaining control or not; however, there are circumstances in which legislation merely gives effect to previous negotiations.
- The substance of an agreement may provide sufficient information to allow professional judgment to determine whether a combination is an acquisition or not.

The IPSASB directed Staff to reconsider this issue, using the indicators of control in IPSAS 35, *Consolidated Financial Statements* as the starting point.

The Acquisition Method

Staff proposed basing the acquisition method requirements on those in IFRS 3, *Business Combinations*. The IPSASB supported this in principle, but were sensitive to some of the comments received to the Consultation Paper. The IPSASB confirmed that the project is not an IFRS convergence project and need not apply the "rules of the road" process, although the IPSASB agreed that IFRS 3 provided a suitable basis for developing the concepts for the acquisition method.

Staff proposed the following terminology changes, which were agreed by the IPSASB:

- "Acquired operation" replaces the IFRS 3 term "acquiree".
- "Acquisition" replaces the IFRS 3 term "business combination".
- "Operation" replaces the IFRS 3 term "business".
- Refer to amounts being recognized in net assets/equity whereas IFRS refers to gains or losses being recognized in other comprehensive income.

Staff raised further possible terminology changes. The IPSASB agreed to retain the term "bargain purchase" as this is an understood term and may include exchange as well as non-exchange transactions. The IPSASB considered changing the titles of the accounting methods to refer to accounting for particular types of combination. The IPSASB directed Staff to consider how to combine these two ideas.

The IPSASB tentatively agreed that a contingent liability should be recognized in the statement of financial position only where an acquisition involved a transfer of consideration, and hence goodwill could arise. The IPSASB noted that in the case of a nationalization, not recognizing contingent liabilities might overstate the gain recognized.

The IPSASB agreed that the provisions relating to the subsequent measurement of a contingent liability recognized as part of an acquisition should not include a reference to IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

The IPSASB agreed to adopt the shortened wording regarding income tax provided in the Issues Paper, omitting specific references to deferred tax assets, liabilities and timing differences. The IPSASB noted that additional provisions may need to be included to cover those situations where an acquisition included tax forgiveness, which may be the case where a government is undertaking the acquisition. The ED should be amended to refer to any tax assets or liabilities that remain after the acquisition.

The IPSASB agreed to delete the paragraph in the ED (paragraph 61) referring to non-current assets held for sale. The IPSASB noted that different IPSASs currently deal with non-current assets held for sale differently, and directed Staff to note the inconsistencies for a future improvements project.

The IPSASB agreed to retain the additional paragraphs in the ED (paragraphs 62 and 63) providing guidance on goodwill. The IPSASB agreed it would need to review the wording in the light of any decisions taken on the exchange of value for an acquisition.

The IPSASB directed Staff to review whether to replace the term “equity interest” with “quantifiable ownership interests” where the context would not automatically require a share-based approach in the public sector.

The IPSASB agreed to defer the decision on retaining the paragraphs concerning acquisitions achieved without the transfer of consideration.

The Modified Pooling of Interests Method

The IPSASB agreed that, where the larger of the parties combining had not previously adopted IPSAS, it would be more appropriate for the acquisition to be accounted for using IPSAS 33*, First-time Adoption of Accrual Basis IPSASs*). However, the IPSASB considered that this need not be addressed in a future IPSAS. It would be appropriate to reflect this thinking in the basis for conclusions.

The IPSASB agreed not to restructure the ED at this stage but agreed it would review this at a later date.

The IPSASB agreed not to include guidance on accounting for non-controlling interests (paragraph 118 of the draft ED) and share-based payments (paragraph 124 of the draft ED) as these are unlikely to occur in the modified pooling of interests method.

The IPSASB directed Staff to reorder the provisions regarding gains and losses so that gains and losses arising from conforming accounting policies are addressed prior to the discussion of any residual gain or loss. The IPSASB agreed to review whether different treatments were required for amalgamations and reorganizations at a later date.

The IPSASB agreed to permit a one-year measurement period during which adjustments to initial estimates could be made.

10. Work Plan (Agenda Item 10)

The IPSASB considered project briefs for eight projects with a view for initiation in 2015 or 2016

- Revenue (Exchange and Non-exchange);
- Non-exchange Expenses;
- Review of Cash-Basis IPSAS;
- Public Sector Measurement;
- Public Sector Assets (Heritage and Infrastructure)
- Limited scope review of *Financial Reporting Under the Cash Basis of Accounting (the Cash Basis IPSAS)*;
- Limited scope review of IPSAS 25, *Employee Benefits*;

- Consequential amendments arising from Chapters 1-4 of the Conceptual Framework ; and
- Leases

Revenue

The Chair thanked the New Zealand External Reporting Board (NZXRB) and New Zealand Accounting Standards Board (NZASB) for taking on this project. Andreas conveyed his thanks to Tony Dale, Chief Executive of the NZXRB. Todd Beardsworth of the NZ ASB introduced the project brief. Todd was supported by Aimy Luu Huynh of the Staff of the New Zealand External Reporting Board, who attended the meeting

There was a general view that the project brief was clear, concise and well-articulated. It had been drafted in an open way and had picked up the right drivers for change. One member expressed a reservation that it looked like a convergence project and was too driven by IFRS 15, *Revenue* from *Contracts with Customers*, but overall there was a view that the project brief was broad enough to allow for various outcomes. It was agreed that the project brief should be amended slightly to reduce the emphasis on IFRS 15 and give more emphasis to the Conceptual Framework.

The Chair considered that it is appropriate not to come to a view whether a Consultation Paper is necessary until the project is further advanced.

The IPSASB considered whether the project should include statutory receivables in its scope. There was an acknowledgement that there may be advantages of dealing with both initial recognition and subsequent measurement of statutory receivables in the same IPSAS. However, it was decided that the issues in subsequent measurement are closely related to financial instruments. The IPSASAB therefore decided that initial recognition and initial measurement should be within the scope of the Revenue project and that subsequent measurement should continue to be in the scope of the Public Sector Financial Instruments project.

Members suggested that the project start with a consideration of the impact of a performance obligation approach, rather than one based on present obligations on revenue recognition in the public sector.

The IPSASB approved the project brief by 16 votes to 0 with two members absent.

Non-Exchange Expenses

The project brief had been developed by David Bean and Staff of the Governmental Accounting Standards Board (GASB). The Chair thanked David Bean and GASB for the project brief and for offering Staff resources to undertake this project.

The IPSASB sought clarification that the scope was limited to non-exchange expense transactions, rather than all non-exchange transactions, as stated in the project brief. The Deputy Director confirmed that the scope was for non-exchange expense transactions other than social benefits as currently defined in the social benefits project.

The IPSASB was generally content with the project brief. It was agreed that the brief should be amended to give more emphasis to the Conceptual Framework and to Government Finance Statistics. The interface with social benefits, should be clarified, noting that “other transfers in kind” as defined in the social benefits project defined as would be within the scope of the non-exchange expenses project.

The IPSASB approved the project brief by 16 votes to 0 with two members absent.

Review of the Cash Basis IPSAS.

The project brief proposed a limited scope review focusing on consolidation, external assistance and third party settlements in accordance with directions at the December 2014 meeting. The Chair indicated that he had been a member of the Review Group that had considered and made recommendations to the IPSASB in 2010. He expressed a view that the Review Group's recommendations on consolidation and donor assistance reflected the importance of consolidation and information on donor assistance to the World Bank and other donors. The Chair considered that the mandatory nature of requirements related to consolidation and donor assistance might be an impediment to preparers and users. Consequently, the low adoption rate for the Cash Basis IPSAS means that it is not providing the World Bank and other donors with the information that they need.

The Deputy Director noted that the International Consortium on Governmental Financial Management (ICGFM), which has been a strong supporter of the *Cash Basis IPSAS*, had submitted a detailed set of proposals on amending the *Cash Basis IPSAS.* These include moving the provisions on Consolidation to Part II (discretionary part of the *Cash Basis IPSAS)* and reducing disclosure requirements, applying a principle that disclosure requirements in the Cash Basis IPSAS should not be more extensive or onerous than those in accrual-basis IPSASs. The Deputy Director suggested that these proposals should be considered in the project. This proposal was accepted.

A number of members noted the limited extent of adoption of the *Cash Basis IPSAS* and capacity issues in some jurisdictions, and questioned whether a dilution of the consolidation requirement would be in the public interest. One member expressed disagreement with the project on the grounds that it would be based on Review Group recommendations that were around five years old. Since then more jurisdictions had moved to the accrual basis and, more recently, IFAC had launched Accountability. Now!, which does not address accounting on the cash basis. Cash accounting is not a strategic priority of IFAC. This member questioned the benefits of the proposed project, suggested that it sends inappropriate signals, that it is not an effective use of Staff resources and might actually encourage delays to the adoption of the accrual basis. While it was agreed not to reopen the debate about whether the project should be initiated, a number of members indicated that a communication strategy is important in conveying the IPSASB's reason for launching the project, the role of the Cash Basis IPSAS in its overall strategy and that accounting in accordance with the *Cash Basis IPSAS* is an intermediate step on the road to accruals based accounting, not an end in itself.

Staff mentioned that the Review Group had proposed that there be some "housekeeping" and that IPSAS that had been issued since the last revision of the *Cash Basis IPSAS* should be reflected. As well as IPSAS 31, *Intangible Assets* and IPSAS 32, *Service Concession Arrangements: Grantor*, Staff noted that the brief should have included:

- IPSAS 27, *Agriculture;*
- IPSAS 28, *Financial Instruments: Presentation*;
- IPSAS 29, *Financial Instruments, Recognition and Measurement*; and
- IPSAS 30 *Financial Instruments: Presentation.*

The Chair emphasized that changes should be limited to housekeeping. Because of the limited scope nature of the project the Chair also expressed reservations about a proposal that the project should consider making all the provisions of the *Cash Basis IPSAS* mandatory.

The IPSASB approved the project brief. 13 members voted in favor, three against and two were absent.

Public Sector Measurement

Members continued to support this project strongly, but expressed reservations about aspects of the project brief. There was a general view that the project brief understated the scope, size, and complexity of the project and that the indicative staff resources were insufficient. It was suggested that the project brief was over-focused on initial recognition, rather than subsequent measurement and related topics. One member noted that there had been considerable debate about borrowing costs in their jurisdiction and that addressing this issue might be within the scope. It was also suggested that the project needs to go much deeper than just relating measurement requirements to the measurement bases in the Conceptual Framework. Staff acknowledged that the scope out of assets on the revaluation model in IPSAS 17*, Property, Plant and Equipment*, from IPSAS 21, *Impairment of Non-Cash Generating Assets*, and IPSAS 26, *Impairment of Non-Cash Generating Assets,* is considered flawed by some.

Staff suggested that one of the key issues is whether fair value should continue to be used at standards level, given that it was not one of the current value measurement bases in the Measurement chapter of the Conceptual Framework. Staff noted that the Basis for Conclusions of the Conceptual Framework had suggested that fair value might continue to be used at standards level. One member commented that he was regularly questioned about the absence of fair value from the Conceptual Framework in his jurisdiction, but that using fair value at standards level would create an inconsistency that he did not support.

The Chair and a number of members expressed surprise that the project brief did not envisage a Consultation Paper (CP). However, some members considered that the question of whether there should be a CP should be deferred. The Deputy Director questioned the purpose of a Consultation Paper, as there had been full consultation and discussion of measurement bases in the Conceptual Framework. It was acknowledged that a conventional CP might not be appropriate, but a CP might lead readers through the reasons for the projects and the key issues.

It was decided not to vote on the project brief. Staff was directed to bring an amended version to the June meeting.

Public Sector Assets (Heritage and Infrastructure)

The discussion of public sector measurement overlapped the consideration of the public sector assets project brief, which considered heritage assets and infrastructure assets. The Deputy Director explained that there is guidance on both these classes of assets in IPSAS 17, but that it is either provisional or inadequate. The Chair indicated that he did not intend to bring this project brief to a vote.

The main issue was timing. One member had suggested that the Public Sector Assets project should be initiated before the Public Sector Measurement project. A number of members expressed dissatisfaction with the outline timetable in the project brief indicating that the project would not start until 2017, by which time the Public Sector Measurement project might be well progressed. Some members emphasized the importance of the heritage assets component of the project in their jurisdictions and did not think that the start date should be deferred to 2017. Staff indicated that the heritage assets component would initially focus on definitions and classification. However, Staff had strong reservations about bringing forward the start date of the infrastructure assets component, as many of the most difficult issues with infrastructure assets are measurement-related. Members generally supported the Staff view.

The Deputy Chair indicated that the South African Accounting Standards Board had recently carried out some work on infrastructure and that this could be made available.

Staff was directed to amend the project brief and bring it back to the June meeting.

Limited scope review of IPSAS 25, Employee Benefits

The project brief proposed a limited scope review of IPSAS 25, *Employee Benefits*, which would consider changes effected to IAS 19, *Employee Benefits*, by the International Accounting Standards Board's (IASB) 2011 revision, principally elimination of the "corridor" whereby actuarial gains and losses within specified parameters do not have to be recognized in surplus or deficit. The project would also review the existing requirements and guidance in IPSAS 25 on composite social security schemes. It had been suggested that these provisions did not reflect the economic reality of social security schemes. It was noted that there had recently been considerable discussion of "shared risk" or "hybrid" employee pension plans that incorporated aspects of both defined benefit and defined contribution plans. The Deputy Chair reported that there had been discussion of such plans at the recent International Forum of Accounting Standards Setters meeting and that comments had been made that in some jurisdictions such schemes had been introduced in the public sector had been prominent in such schemes, The IPSASB acknowledged that the prevalence of shared risk schemes is likely to increase, but that it would be premature to consider them in a limited scope project.

The IPSASB approved the project brief by 16 votes to 0 with two members absent.

Consequential amendments arising from Chapters 1-4 of the Conceptual Framework.

The project brief proposed updating requirements and guidance in IPSASs for consequential amendments arising from Chapters 1-4 of the Conceptual Framework. Staff noted that, when it was decided to issue the first four Chapters of the Conceptual Framework, consideration had been given to amending the literature on the basis that the changes were editorial in nature. The IPSASB had rejected this approach on grounds of due process and transparency and agreed not to amend IPSASs until the Conceptual Framework had been completed. An explanatory sentence had been added to Appendix A in IPSAS 1, *Presentation of Financial Statements,* indicating that the qualitative characteristics (QCs) in IPSAS 1 were being superseded by those in Chapter 3 of the Conceptual Framework and would be replaced following publication of the full Conceptual Framework.

The IPSASB approved the project brief by 16 votes to 0 with two members absent.

Leases

The IPSASB decided to defer consideration of the project brief on *Leases,* until the IASB has issued a standard to replace its IAS 17 *Leases*.

11. Emissions Trading Schemes (Agenda Item 11)

Collaboration between the IPSASB and the IASB

The IPSASB's Emissions Trading Schemes (ETSs) project is envisaged as a collaborative initiative with the IASB. The session began with the IPSASB asking about how collaboration is working. Staff noted that this is at an early stage and a work-in-progress. The IASB has discussed its ETS project twice, most recently in January. IPSASB Staff propose to provide a summary of IASB ETS deliberations, with links to their meeting papers, in each set of IPSASB meeting papers, for information. Collaboration is expected to provide benefits in terms of information sharing, discussion of issues, and support for consistent accounting by ETS participants, whether they are in the private sector or the public sector. The IASB project focuses on participants. The IPSASB's project considers both participants and administrators. Administrators are, in almost all cases, public sector entities.

Presently there is no decision to collaborate beyond the project's first phase, i.e. the IASB project's research phase, equivalent to the IPSASB's consultation paper phase. The IASB research phase results in a "discussion paper" which is similar in concept to the IPSASB's "consultation paper". However the two papers will not be identical, and their proposals may be different.

IPSASB members raised concerns about how best to deal with different proposals. If differences emerge between the IPSASB and the IASB views, then constituents' ability to review and compare the different views would be facilitated by having both views in one paper. In January the IASB indicated that the name of its ETS project should change. The IPSASB issues paper recommends no change to the IPSASB project's name.

The IPSASB decided that the ETS project's collaboration should be discussed during the next IASB-IPSASB liaison meeting, with a view to further clarifying how this should work.

Draft Structure for Consultation Paper

Staff introduced a proposed draft structure for the ETS consultation paper (CP), noting that the structure may need to change as the project proceeds. IPSASB members broadly agreed with the draft structure as a useful basis for developing the CP. Further comments were that:

(a) The section on scope needs clarification; and

(b) The evaluation of approaches should be in the main body of the CP.

ETS Project Scope

The IPSASB considered whether the project's scope should include traders. "Traders" are entities that buy and sell emission allowances, while not being emitters covered by an ETS. The project's scope does not mention traders, but there was no decision to exclude them. Staff recommended that traders be included on the basis that accounting for emission allowances should generally be independent of the type of entity. Staff were not aware of any public sector entities that are pure traders.

IPSASB members had different views on this topic. One perspective was that traders should be included to allow for the possibility that there are examples of public sector entities focused exclusively on trading emission allowances. Another member suggested that "participant" in an ETS should include those that participate by trading emission allowances. An IPSASB member indicated that he had encountered public sector entities with a trader-only ETS involvement. On balance the IPSASB directed Staff to include consideration of traders during drafting of the CP.

The ETS project brief proposed that both cap–and–trade and baseline–and–credit ETSs should be addressed, and asked whether other types of ETSs should be addressed. The project brief identified "command and control schemes" as another type of scheme. The IPSASB considered a Staff proposal that all types of ETSs should be considered by the project, using a generic approach which would attempt to identify the common, fundamental characteristics of ETSs for financial reporting purposes. However "command and control" schemes should not be included, because they are not trading schemes. "Command and control" means government regulation that directly addresses pollution, without the involvement of a market mechanism. For example, governments can pass legislation that requires coal powered electricity generators to install filters to reduce the amount of pollutants emitted, set limits on emissions and use fines to enforce the limits. Command and control does not involve the issuance and trading of emission allowances or emission allowance equivalents. Staff noted that one criticism of the IASB's past work on accounting for ETSs was that it only considered cap–and–trade schemes.

The IPSASB directed Staff to take a generic approach to ETSs, but noted that this approach needs to be applied to different types of ETSs before its worth can be assessed. The project should focus on schemes that involve creation of tradable allowances and emission allowance equivalents.

The IPSASB then considered the wider set of emission reduction activities, financial impacts arising from an ETS, and environmental reporting. These areas included entity policies to restrict Staff air travel, commitments to clean up polluted sites, with implications for recognition of provisions, impairment of polluting operational assets due to introduction of an ETS, and narrative discussion of environmentally friendly policies and their results, including measurement of carbon emissions or financial information about investments in pollution reduction technology. The IPSASB decided that this wider set of emission reduction activities and ETS impacts should be excluded from the project's scope. However, the CP should note these items and explain why they are not within the project's scope. The CP should include a discussion of how ETSs differ from command and control schemes and other forms of government regulation such as carbon taxes that have the same aim of reducing polluting emissions.

The IPSASB decided that the ETS project's name should remain unchanged, consistent with the focus on schemes that involve creation of tradable allowances and emission allowance equivalents. A possible alternative name was "pollutant pricing mechanisms", but this appeared to allow for a widening of the project's scope.

Generic Approach to account for different ETSs and key factors

The IPSASB noted that, while there is wide variation in ETSs in terms of factors such as application to particular industries, emission limits and timing, they all involve limits on allowable emissions, tradable emission allowances or their equivalents, negative economic consequences for entities that exceed limits allowable under the ETS and/or exceed the amount of emissions for which they hold emission allowances. Staff proposed to develop accounting treatments that focus on the ETS characteristics, common to all ETSs. To be viable, this approach will need to adequately address differences between cap–and–trade and baseline–and–credit schemes, which create emission allowances in different ways.

The IPSASB indicated support for this approach, noting that, given the relatively small number of ETSs world-wide, gaining a useful overview of different types of ETSs should not be too resource-intensive.

Staff proposed that development of an accounting treatment should focus on accounting for financial elements (or a financial element resulting from the net result) arising from emissions (or production of emissions) and emission allowances, including emission allowance equivalents. "Emission allowance equivalents" are rights used in similar fashion to an emissions allowance, to cover an entity's emissions, but generated through different activities, which may have an earning aspect to them (rather than transfer or purchase). For example, the European Unions' ETS allows entities to remit "project based certificates" in lieu of emission allowances for a limited percentage of an entity's emissions obligation.

The IPSASB indicated support for exploring this approach, noting that its feasibility will emerge through further work.

Next steps

Next steps are to draft the first chapters of the ETS consultation paper and develop a second issues paper for the IPSASB's June 2015 meeting.

12. IFRS 15: Education Session (Agenda Item 12)

Further to the project brief on Revenue that he had presented to the IPSASB earlier in the meeting, Todd Beardsworth, the Director of Accounting Standards at the New Zealand External Reporting Board (NZXRB) presented an education session on IFRS 15, Revenue from Contracts with Customers. The objectives of the session were to:

- Consider the revenue model in IFRS 15; and
- Instigate some initial thinking on the implications of IFRS 15 for the Revenue project.

The session considered:

- The history of IFRS 15;
- The scope of IFRS 15;
- The core principle of IFRS 15: *Recognizing revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services;*
- The Five Step Revenue Model
    - Identify the contract with the customer;
    - Identify distinct performance obligations;
    - Determine transaction price (including variable consideration)
    - Allocate price to performance obligations
    - Recognize revenue when transfer control of asset to customer (at a point in time, or over time)
- Application Guidance in IFRS 15 on licenses
- Impact of IFRS 15 on standard retail sales and contracts;
- Transactions and industries most affected by IFRS 15; and
- Differences from current standards.

Todd noted the creation of the IASB and Financial Accounting Standards Advisory Board Joint Transition Resource Group, which had been set up to discuss common implementation issues, rather than to issue authoritative guidance.

Todd expressed a view that IFRS 15 should work well in the public sector for transactions that are the same or similar to those in its scope. He raised the issue of whether an approach based on performance obligations might be useful for non-exchange transactions that had associated obligations. Currently the recognition of revenue in accordance with IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers), is based on the satisfaction of present obligations. The Deputy Chair informed the IPSASB that the South African Accounting Standards Board (SAASB) had commissioned some research on this issue and that SAASB would make this available to the IPSASB and NZXRB Staff. An issue paper is to be brought to the June meeting focusing on this issue.

The IPSASB had a number of questions and comments that will need to be considered in the Revenue project. Questions included how public sector specific revenue such as multi-year research grants, fees, fines, spectrum license, patents, and exchange and non-exchange components of subsidized services are accounted for under the five step revenue model.

The Chair thanked Todd for a most informative and stimulating education session.

13. Closing Remarks and Conclusion of Meeting

The Chair thanked members for their engagement during the week and once again expressed his gratitude to the Controloría General de la República de Chile for their hospitality. Mr. Bergmann also noted that this is the last meeting of the Technical Director, Stephenie Fox. Mr. Bergmann thanked Ms. Fox for her years of service to the IPSASB highlighting the breadth of changes that have occurred during that time. Ms. Fox thanked Mr. Bergmann noting that the IPSASB is making a difference and that contributing to the work of the IPSASB has been a privilege. Ms. Fox thanked IFAC and Managing Director James Gunn for their strong support as well as the IPSASB members, technical advisors and observers for their dedication and commitment to the work of the IPSASB. She also thanked the Staff team for their exceptional support of the IPSASB's work and congratulated John Stanford on his appointment as her successor. Ms. Fox expressed her sincere appreciation to Ms. Leah Weselowski for her strong administrative support of the IPSASB. Lastly, Ms. Fox thanked the Chair, Andreas Bergmann for his leadership.

14. Appendix 1 – March 2015 Action List

Action Required	Person(s) Responsible	Date to be Completed
1. Reporting Service Performance Information • Issue the approved RPG	Gwenda Jensen	March 31
2. Government Business Enterprises • Develop first draft of Issues Paper and Exposure Draft and circulate to TBG • Revised Issues Paper and Exposure Draft and circulate as agenda item for June meeting	João Fonseca	April 30 May 29
3. Government Finance Statistics Update • Circulate Issues Paper and complete GFS Tracking Table for June Meeting	Ian Carruthers/ João Fonseca	May 22
4. Social Benefits • Develop first draft of Issues Paper and revised Consultation Paper and circulate to TBG • Revise Issues Paper and Consultation Paper and circulate to TBG • Revise Issues Paper and Consultation Paper and circulate as agenda item for June meeting	Paul Mason	April 10 May 15 May 29
5. Public Sector Financial Instruments • Follow up on IPSASB discussions on chapter on monetary gold • Develop drafts of chapters of Consultation Paper and circulate to TBG • Revise agenda items and circulate as agenda item for the June meeting	Ross Smith	April 17 May 6 June 5
6. Public Sector Combinations • TBG conference call • Develop first draft of next Issues Paper and circulate to TBG • Revise Issues Paper and circulate as agenda item for June meeting	Paul Mason/ João Fonseca	March 25 May 1 June 5

7. Work Plan • Revise project briefs for Public Sector Measurement and Public Sector Assets (Heritage and Infrastructure) for IPSASB to consider at June meeting • Develop work plan that includes new projects on Revenue, Non-exchange Expenses, Review of Cash Basis IPSAS, Consequential Changes from the CFW and Employee Benefits	John Stanford	May 31 April 30
11. Emissions Trading Schemes • Develop Issues Paper and draft CP chapters for June 2015 meeting	Gwenda Jensen	June 5
10. Communications • Action List posted to IPSASB Extranet • Draft minutes posted to IPSASB Extranet • Update IPSASB Summary of IASB Work Plan and Tracking Table • Meeting Highlights posted to IPSASB webpage	 Leah Weselowski Leah Weselowski Ross Smith Leah Weselowski	 March 31 April 20 June 5 March 31

15. Appendix 2 – Voting Record

Vote #1– Approve ***Reporting Service Performance***

Agenda Item 5	Minutes Item 5	**Date Vote Taken**	March 11, 2015
Description	Final Pronouncement	Reporting Service Performance Information	Approved at meeting
Final Standard □	**ED** □	**CP** □	**Other** ■

IPSASB MEMBER	FOR	AGAINST	ABSTAIN	ABSENT	TOTAL
Andreas Bergmann, Chair	√				
Jeannine Poggiolini, Deputy Chair	√				
Stuart Barr	√				
Michel Camoin	√				
Ian Carruthers	√				
Robert Dacey	√				
Mariano D’Amore	√				
Rachid El Bejjet				√	
Guohua Huang	√				
Kenji Izawa	√				
Aracelly Méndez	√				
Rod Monette	√				
Leonardo Nascimento	√				
Angela Ryan	√				
Adriana Tiron Tudor	√				
Wan Selamah Wan Sulaiman	√				
Tim Youngberry	√				
Abdullah Yusuf	√				
TOTAL	**17**	**0**	**0**	**1**	**18**

Vote #2– Approve Work Plan - *Revenue*

Agenda Item 10	Minutes Item 10	**Date Vote Taken**	March 12, 2015
Description	Project Brief	Revenue	Approved at meeting
Final Standard □	**ED** □	**CP** □	**Other** ■

IPSASB MEMBER	FOR	AGAINST	ABSTAIN	ABSENT	TOTAL
Andreas Bergmann, Chair	√				
Jeannine Poggiolini, Deputy Chair	√				
Stuart Barr	√				
Michel Camoin	√				
Ian Carruthers	√				
Robert Dacey				√	
Mariano D'Amore	√				
Rachid El Bejjet				√	
Guohua Huang	√				
Kenji Izawa	√				
Aracelly Méndez	√				
Rod Monette	√				
Leonardo Nascimento	√				
Angela Ryan	√				
Adriana Tiron Tudor	√				
Wan Selamah Wan Sulaiman	√				
Tim Youngberry	√				
Abdullah Yusuf	√				
TOTAL	**16**	**0**	**0**	**2**	**18**

Vote #3– Approve Work Plan – *Non-Exchange Expenses*

Agenda Item 10	Minutes Item 10	**Date Vote Taken**	March 12, 2015
Description	Project Brief	Non-Exchange Expenses	Approved at meeting
Final Standard □	**ED** □	**CP** □	**Other** ■

IPSASB MEMBER	FOR	AGAINST	ABSTAIN	ABSENT	TOTAL
Andreas Bergmann, Chair	√				
Jeannine Poggiolini, Deputy Chair	√				
Stuart Barr	√				
Michel Camoin	√				
Ian Carruthers	√				
Robert Dacey				√	
Mariano D'Amore	√				
Rachid El Bejjet				√	
Guohua Huang	√				
Kenji Izawa	√				
Aracelly Méndez	√				
Rod Monette	√				
Leonardo Nascimento	√				
Angela Ryan	√				
Adriana Tiron Tudor	√				
Wan Selamah Wan Sulaiman	√				
Tim Youngberry	√				
Abdullah Yusuf	√				
TOTAL	**16**	**0**	**0**	**2**	**18**

Vote #4– Approve Work Plan – *Review of the Cash Basis IPSAS*

Agenda Item 10	Minutes Item 10	**Date Vote Taken**	March 12, 2015
Description	Project Brief	Review of the Cash Basis IPSAS	Approved at meeting
Final Standard □	**ED** □	**CP** □	**Other** ■

IPSASB MEMBER	FOR	AGAINST	ABSTAIN	ABSENT	TOTAL
Andreas Bergmann, Chair	√				
Jeannine Poggiolini, Deputy Chair	√				
Stuart Barr	√				
Michel Camoin	√				
Ian Carruthers	√				
Robert Dacey				√	
Mariano D’Amore		√			
Rachid El Bejjet				√	
Guohua Huang	√				
Kenji Izawa		√			
Aracelly Méndez	√				
Rod Monette	√				
Leonardo Nascimento	√				
Angela Ryan	√				
Adriana Tiron Tudor		√			
Wan Selamah Wan Sulaiman	√				
Tim Youngberry	√				
Abdullah Yusuf	√				
TOTAL	**13**	**3**	**0**	**2**	**18**

Vote #5– Approve Work Plan – L*imited Scope Review of IPSAS 25, Employee Benefits*

Agenda Item 10	Minutes Item 10	**Date Vote Taken**	March 12, 2015
Description	Project Brief	Limited scope review of IPSAS 25, *Employee Benefits*	Approved at meeting
Final Standard □	**ED** □	**CP** □	**Other** ■

IPSASB MEMBER	FOR	AGAINST	ABSTAIN	ABSENT	TOTAL
Andreas Bergmann, Chair	√				
Jeannine Poggiolini, Deputy Chair	√				
Stuart Barr	√				
Michel Camoin	√				
Ian Carruthers	√				
Robert Dacey				√	
Mariano D'Amore	√				
Rachid El Bejjet				√	
Guohua Huang	√				
Kenji Izawa	√				
Aracelly Méndez	√				
Rod Monette	√				
Leonardo Nascimento	√				
Angela Ryan	√				
Adriana Tiron Tudor	√				
Wan Selamah Wan Sulaiman	√				
Tim Youngberry	√				
Abdullah Yusuf	√				
TOTAL	**16**	**0**	**0**	**2**	**18**

Vote #6– Approve Work Plan – *Consequential Amendments arising from Chapters 1-4 of the Conceptual Framework*

Agenda Item 10	Minutes Item 10	**Date Vote Taken**	March 12, 2015
Description	Project Brief	Consequential Amendments arising from Chapters 1-4 of the Conceptual Framework	Approved at meeting
Final Standard □	**ED** □	**CP** □	**Other** ■

IPSASB MEMBER	FOR	AGAINST	ABSTAIN	ABSENT	TOTAL
Andreas Bergmann, Chair	√				
Jeannine Poggiolini, Deputy Chair	√				
Stuart Barr	√				
Michel Camoin	√				
Ian Carruthers	√				
Robert Dacey				√	
Mariano D'Amore	√				
Rachid El Bejjet				√	
Guohua Huang	√				
Kenji Izawa	√				
Aracelly Méndez	√				
Rod Monette	√				
Leonardo Nascimento	√				
Angela Ryan	√				
Adriana Tiron Tudor	√				
Wan Selamah Wan Sulaiman	√				
Tim Youngberry	√				
Abdullah Yusuf	√				
TOTAL	**16**	**0**	**0**	**2**	**18**