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Recognition and Measurement of Social Benefits

I am Denise Juvenal this is pleased to have the opportunity to comment on this consultation. This is my individual commentary for IFAC-IPSAS about Recognition and Measurement of Social Benefits.

Guide for Respondents - The IPSASB welcomes comments on all of the matters discussed in this Consultation Paper. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate and contain a clear rationale.

The Preliminary Views and Specific Matters for Comment in this Consultation Paper are provided below. Paragraph numbers identify the location of the Preliminary View or Specific Matter for Comment in the text.

Chapter 2 – Scope and Definitions

Preliminary View 1 (following paragraph 2.50)

Social Benefits are benefits provided to individuals and households, in cash or in kind, to mitigate the effect of social risks.

The other key definitions are as follows:

(a) Social risks are events or circumstances that may adversely affect the welfare of individuals and households either by imposing additional demands on their resources or by reducing their income. Social benefits are provided to mitigate social risks in the following circumstances:

- Households could receive benefits when they meet certain eligibility criteria that originate from a social risk without making any contributions;**

- Households could make contributions and receive benefits in the event of the occurrence of the specified social risks; and
- Households could make contributions to a scheme to accumulate entitlements to future benefits, with the benefits being provided following the occurrence of the specified social risk.

(b) Social Benefits in Cash are social benefits paid in cash, by or on behalf of a public sector entity, that allow individuals and households to use this cash indistinguishably from income from other sources. Social benefits in cash do not include reimbursements.

(c) Social Benefits in Kind are goods and services provided as social benefits to individuals and households by or on behalf of a public sector entity, and all reimbursements for the costs incurred by individuals and households in obtaining such goods and services.

(d) Reimbursements are cash payments made as a social benefit by or on behalf of a public sector entity to compensate a service provider or an individual or household for all or part of the expense incurred or to be incurred by that individual or household in accessing specific services.

(e) Social Insurance is the provision of social benefits where the benefits received are conditional on participation in a scheme, evidenced by way of actual or imputed contributions made by or on behalf of the recipient. Social insurance may form part of an employer-employee relationship (employment-related social insurance) or may arise outside an employer-employee relationship (social security).

(f) Social Security is social insurance that arises outside of an employer-employee relationship, and provides benefits to the community as a whole, or large sections of the community. Social security is imposed and controlled by a government entity.

(g) Social Assistance is the provision of social benefits to all persons who are in need without any formal requirement to participate as evidenced by the payment of contributions.

Specific Matter for Comment 1 (following paragraph 2.50)

In your view:

(a) Is the scope of this CP (i.e., excluding other transfers in kind, collective goods and services, and transactions covered in other IPSASs) appropriate?

Yes. The scope of this CP (i.e., excluding other transfers in kind, collective goods and services, and transactions covered in other IPSASs) is appropriate.

(b) Do the definitions in Preliminary View 1 provide an appropriate basis for an IPSAS on social benefits? Please explain the reasons for your views.

Yes. The definitions in Preliminary View 1 provide an appropriate basis for an IPSAS on social benefits. However, I understand that Social Benefits depends of Government Programs by citizens, independent if federal, state or local government.

Although, I observe complexity to integrate internationally, so, I suggest for the Board's if agrees, that consults in the Key International Regulators and International Organizations, to know which is percentage of national budget the countries spend with social benefits in each area by region, for this, can be option to mitigate impact of social risks in the Financial Statements for public sector and to attend IPSASs.

Chapter 3 – Identification of Approaches

Specific Matter for Comment 2 (following paragraph 3.4)

(a) Based on your review of Chapters 4 to 6, which approach or approaches do you support?

(i) The obligating event approach;

(ii) The social contract approach; and

(iii) The insurance approach. Please provide reasons for your views, including the conceptual merits and weaknesses of each option; the extent to which each option addresses the objectives of financial reporting; and how the different options might provide useful information about the different types of social benefit.

I support points (i) The obligating event approach and (ii) The social contract approach because I agree with arguments of Discussion Paper elaborated by IPSASB, so I understand that evaluate social risk is complex considering the clarification in the Financial Statements of Public Sector.

I believe that these points are prominent for Economies, for example the Organization for Economic Co-operation and Development - OECD in 2001, elaborated the "Human and Social Capital are Keys to Well-Being and Economic Growth"¹, as in October 2015 the OECD published "Country Risk Classification"², is unclear for me if includes social risks, so, can be an option for mitigate risks for application the IPSAS for social benefits. I do not know in relation option (iii) The insurance approach considering intricacy of application in country, because this point can be useful in some countries.

I agree with points discussed by IPSASB-IFAC, as follows:

¹ <http://www.oecd.org/social/humanandsocialcapitalarekeystowell-beingandeconomicgrowth.htm>

² <http://www.oecd.org/trade/xcred/crc.htm>

3.2 The CP considers the options in this order because options 1 and 2 could be applicable to all social benefits, whereas option 3 is limited to contributory social benefits.

3.3 The IPSASB has not identified any other approaches to accounting for social benefits.

(b) Are you aware of any additional approaches to accounting for social benefits that the IPSASB should consider in developing an IPSAS? If yes, please describe such approach(es) and explain the strengths and weaknesses of each.

No. I do not have other additional approaches to accounting for social benefits that the IPSASB should consider in developing an IPSAS.

Specific Matter for Comment 3 (following paragraph 3.4)

Having reviewed the three options in Chapters 4 to 6, are you aware of any social benefits transactions that have not been discussed in the CP, and which could not be addressed by one or more of the options set out in the CP? If so, please provide details of the social benefit transactions you have identified and explain why the options set out in the CP do not adequately cover these transactions.

I believe do not have one or more options for social benefits transactions that have not been discussed in the CP.

Preliminary View 2 (following paragraph 3.4)

The IPSASB considers that a combination of option 1 (obligating event approach) and (for some or all contributory schemes) option 3 (insurance approach) may be required to reflect the different economic circumstances arising in respect of social benefits. The IPSASB does not consider that option 2 (social contract approach) is consistent with the Conceptual Framework. For this reason, the IPSASB has taken the preliminary view that the social contract approach is unlikely to meet the objectives of financial reporting.

I agree with arguments of IPSASB for option 1 (obligating event approach) and (for some or all contributory schemes), and option 2 (social contract approach), so, I have doubt in relation option 3 (insurance approach) because, in my opinion, is unclear clarification net present value with this point cited - page 31 - "The insurance approach **recognizes a present obligation to pay benefits at the point that coverage begins.** The approach also recognizes a **right to future receipts resulting from the provision of that coverage.**"

However, I suggest for the Board's consults Key International Regulators about what is method of net present value that countries have to consider present obligation in each region, for me, this point impact internal control and internal audit for systems of public sector.

Chapter 4 – Option 1: Obligating Event Approach

Specific Matter for Comment 4 (following paragraph 4.69)

In your view, at what point should a future IPSAS specify that an obligating event arises under the obligating event approach?

Is this when:

- (a) Key participatory events have occurred ;**
- (b) Threshold eligibility criteria have been satisfied ;**
- (c) The eligibility criteria to receive the next benefit have been satisfied;**
- (d) A claim has been approved;**
- (e) A claim is enforceable; or**
- (f) At some other point.**

In coming to this conclusion, please explain what you consider to be the relative strengths and weaknesses of each view discussed in this chapter. If, in your view, a future IPSAS should consider that an obligating event can arise at different points depending on the nature of the social benefit or the legal framework under which the benefit arises, please provide details. Please explain the reasons for your views.

In my opinion, I described my observations, as follows:

Description	Strengths and Weaknesses	Important Points of Exposure Draft	Comments about future IPSAS specify that an obligating event
(a) Key participatory events have occurred	Strengths	4.33 - ... “However, it is difficult to identify the point at which the government has little or no realistic alternative to providing those benefits. In some cases, there may have been a series of points at which expectations arose, leading to an increasing expectation over time (which may mean that there are intergenerational differences in expectations).”	I think that is important because which options the government will choose for this expectation. I think that all procedures has been elaborated by government can impact his point, considering uncertainty.
(b) Threshold eligibility criteria have been satisfied ;	Strengths	4.38 - ...” Under the eligibility criteria to receive the next benefit sub-option, continuing eligibility requirements (including revalidation) affect the recognition of a liability. Under the threshold	I think that is important because which options the government will choose for this expectation. I think that all procedures has been elaborated by government can

Description	Strengths and Weaknesses	Important Points of Exposure Draft	Comments about future IPSAS specify that an obligating event
		eligibility criteria sub-option, these only affect the measurement of the liability”	impact his point, considering uncertainty.
(c) The eligibility criteria to receive the next benefit have been satisfied;	Weaknesses	4.43 -... “Under this suboption, the present obligation is for future benefits to be provided until the next point in time at which eligibility criteria are required to be met. Typically, this will be at the time that the next social benefit will be provided and the beneficiary must meet the eligibility criteria in order to receive the benefit.”	I understand that this point depends of fact can be occur, a probability. In positive results be determined by law to explain more implementation for this point.
(d) A claim has been approved;	Weaknesses	4.50 – “A liability would be recognized if a claim in respect of the benefits relating to the period has been approved, even if the recipient could not enforce the provision of the benefits at the reporting date because the due date has not arrived.”	I understand that this point depends of fact can be occur, a probability. In positive results be determined by law to explain more implementation for this point.
(e) A claim is enforceable; or	Strengths	4.53 - ... “A government always has the ability to avoid settling such an obligation, for example by modifying eligibility criteria or amending legislation.”	I think that is important because which options the government will choose for this expectation. I think that all procedures has been elaborated by government can impact his point, considering uncertainty
(f) At some other point.	Weaknesses	4.56 - ... “. Where a recipient of a social benefit has satisfied all eligibility criteria and the claim has been approved, but the transferring entity is not yet legally obliged to provide the benefits the term “approved claim” is used.”	I understand that this point depends of fact can be occur, a probability. In positive results be determined by law to explain more implementation for this point.

Specific Matter for Comment 5 (following paragraph 4.76)

In your view, does an obligating event occur earlier for contributory benefits than non-contributory benefits under the obligating event approach? Please explain the reasons for your views.

I do not know, because an obligating event occur earlier for contributory benefits than non-contributory benefits under the obligating event approach depends of laws that probability the government elaborate to attend this point 4.76, I suggest for the Board’s,

if agrees, consults Regional and National Regulators for this, with agreement of Key International Regulators, this subject is complex.

Specific Matter for Comment 6 (following paragraph 4.80) accounted for:

- (a) In accordance with a future IPSAS on social benefits; or**
- (b) In accordance with other IPSASs?**

Please provide any examples you may have of social benefits arising from exchange transactions. Please explain the reasons for your views.

I do not know, because I cannot consider if IFAC-IPSASB has information or clarification to attend letters “a” and “b” with aspect from exchange transactions. However, I suggest for the Board’s consults Key International Regulators about what is method of net present value that countries have to consider present obligation in each region, for me, this point impact internal control and internal audit for systems of public sector, this subject is complex.

Preliminary View 3 (following paragraph 4.91)

Under the obligating event approach, liabilities in respect of social benefits should be measured using the cost of fulfillment. The cost of fulfillment should reflect the estimated value of the required benefits.

Specific Matter for Comment 7 (following paragraph 4.91)

In your view, under the obligating event approach, when should scheme assets be included in the presentation of a social benefit scheme:

- (a) In all cases;**
- (b) For contributory schemes;**
- (c) Never; or**
- (d) Another approach (please specify)? Please explain the reasons for your views.**

I understand that under the obligating event approach, should scheme assets be included in the presentation of a social benefit scheme in all cases, letter “a”, because in relation measured using the cost of fulfillment – value in liabilities requires for all.

Chapter 5 – Option 2: Social Contract Approach

Specific Matter for Comment 8 (following paragraph 5.38)

In your view, under the social contract approach, should a public sector entity:

- (a) Recognize an obligation in respect of social benefits at the point at which:**
 - (i) A claim becomes enforceable; or**
 - (ii) A claim is approved?**

b) Measure this liability at the cost of fulfillment? Please explain the reasons for your views.

I agree with arguments in relation Social Contract Approach in relation recognize an obligation in respect of social benefits at the point, so, if I consider (i) A claim becomes enforceable, I believe that exist law for regulamentation the obligation, in other fact point (ii) A claim is approved, I understand could exist law or legislation to provide contract enforcement to new rules.

Chapter 6 – Option 3: Insurance Approach

Specific Matter for Comment 9 (following paragraph 6.24)

Do you agree with the IPSASB’s conclusions about the applicability of the insurance approach? Please explain the reasons for your views.

Yes, I agree with the IPSASB’s conclusions about the applicability of the insurance approach. I suggest for the Board’s consults Key International Regulators about what is method of net present value that countries have to consider present obligation in each region, for me, this point impact internal control and internal audit for systems of public sector, this subject is complex.

Specific Matter for Comment 10 (following paragraph 6.35)

Under the insurance approach, do you agree that where a social security benefit is designed to be fully funded from contributions:

(a) Any expected surplus should be recognized over the coverage period of the benefit; and

(b) Any expected deficit should be recognized as an expense on initial recognition? Please explain the reasons for your views.

Yes, I agree that where a social security benefit is designed to be fully funded from contributions for letter a any expect surplus should be recognized over the coverage period of the benefit, so I suggest for the Board’s consults Key International Regulators about what is method of net present value that countries have to consider present obligation in each region, for me, this point impact internal control and internal audit for systems of public sector, this subject is complex.

Specific Matter for Comment 11 (following paragraph 6.37)

In your view, under the insurance approach, what is the appropriate accounting treatment for the expected deficit of a social security benefit that is not designed to be fully funded from contributions:

(a) Recognize an expense on initial recognition;

- (b) Recognize the deficit as an expense over the coverage period of the benefit;**
- (c) Offset the planned subsidy and the liability only where this is to be received as a transfer from another public sector entity;**
- (d) Offset the planned subsidy and the liability irrespective of whether this is to be received as a transfer from another public sector entity or as an earmarked portion of general taxation; or**
- (e) Another approach? Please explain the reasons for your views.**

In my view letter d is appropriate accounting treatment for the expected deficit of a social security benefit that is not designed to be fully funded from contributions, because in the government general taxation there is restrict for some activities to develop, is important specific law or rules of each activities and taxation.

I suggest for the Board's consults Key International Regulators about what is method of net present value that countries have to consider present obligation in each region, for me, this point impact internal control and internal audit for systems of public sector, this subject is complex.

Specific Matter for Comment 12 (following paragraph 6.43)

In your view, under the insurance approach, should an entity use the cost of fulfillment measurement basis or the assumption price measurement basis for measuring liabilities? Please explain the reasons for your views.

I think that this point need to clarify in relation method use for measurement basis or the assumption price measurement basis for measuring liabilities, because in this case the government can be regulator of laws for organizations and companies or elaborate application of this procedures in it.

I suggest for the Board's consults Key International Regulators about what is method of net present value that countries have to consider present obligation in each region, for me, this point impact internal control and internal audit for systems of public sector, this subject is complex.

Specific Matter for Comment 13 (following paragraph 6.63)

Do you agree that, in those cases where the link between contributions and benefits is not straightforward, the criteria for determining whether the insurance approach is appropriate are:

- The substance of the scheme is that of a social insurance scheme; and**
- There is a clear link between the benefits paid by a social security scheme and the revenue that finances the scheme.**

If you disagree, please specify the criteria that you consider should be used. Please explain the reasons for your views.

Yes, I agree in those case where the link between contributions and benefits is not straightforward, the criteria for determining whether the insurance approach is appropriate are: the substance of the scheme is that of a social insurance scheme and there is a clear link between the benefits paid by a social security scheme and the revenue that finances the scheme.

Specific Matter for Comment 14 (following paragraph 6.72)

Do you support the proposal that, under the insurance approach, the discount rate used to reflect the time value of money should be determined in the same way as for IPSAS 25? Please explain the reasons for your views.

Yes, I support the proposal that under the insurance approach, the discount rate used to reflect the time value of money should be determined in the same way as for IPSAS 25.

I suggest for the Board's consults Key International Regulators about what is method of net present value that countries have to consider present obligation in each region, for me, this point impact internal control and internal audit for systems of public sector, this subject is complex.

Specific Matter for Comment 15 (following paragraph 6.76)

Under the insurance approach, do you support the proposals for subsequent measurement set out in paragraphs 6.73–6.76? Please explain the reasons for your views.

Yes, I support the proposals for subsequent measurement set out in paragraphs 6.73 – 6.76.

I suggest for the Board's consults Key International Regulators about what is method of net present value that countries have to consider present obligation in each region, for me, this point impact internal control and internal audit for systems of public sector, this subject is complex.

Thank you for opportunity for comments this proposal, if you have questions do not hesitate contact to me, rio1042370@terra.com.br.

Best Regards,

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