

2015-2016 BIENNIAL REVIEW  
SUSTAINING THE MOMENTUM

IPSASB<sup>®</sup>



International Public  
Sector Accounting  
Standards Board

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ISBN: 978-1-60815-333-6



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## INTRODUCING THE IPSASB

The International Public Sector Accounting Standards Board (IPSASB) is the only global accounting standard setter for the public sector. The structures and processes that support the IPSASB's operations are facilitated by the International Federation of Accountants (IFAC).

The IPSASB's mission is:

To serve the public interest by developing high-quality accounting standards and other publications for use by public sector entities around the world in the preparation of general purpose financial reports.

The IPSASB comprises a remunerated Chair and 17 other volunteer members from around the world. All members are required to sign an annual statement declaring that they will act in the public interest and with integrity in discharging their responsibilities as a member. IPSASB members

are appointed by the IFAC Board following the recommendation of the IFAC Nominating Committee, which involves an intensive due process.

The IPSASB's meetings are open to the public. In 2015 and 2016, the IPSASB held eight meetings, most of which were in Toronto, which is the home office for IPSASB staff. Meetings were also held in Santiago de Chile, New York, and Stellenbosch in South Africa. The IPSASB live-streamed parts of a number of these meetings. Agenda papers and presentations on specific agenda items are available on the [IPSASB website](#).

IFAC facilitates the work of the IPSASB, and the other independent standard-setting boards, both in direct contributions to the IPSASB's budget and by providing support in areas such as finance, human resources, and intellectual capital.

Other organizations that have supported the IPSASB both financially and in kind during 2015 and 2016 are:

- Asian Development Bank;
- CPA Canada;
- Government of Canada;
- Government of New Zealand;
- Government of Switzerland;
- New Zealand External Reporting Board;
- South African Accounting Standards Board; and
- United States Governmental Accounting Standards Board.

### IPSASB 2016



**BACK ROW (LEFT TO RIGHT): BERNHARD SCHATZ, KENJI IZAWA, ABDULLAH YOUSEF, LEONARDO NASCIMENTO, ROD MONETTE, SEBASTIAN HEINTGES, MIKE BLAKE, BOB DACEY, MARC WERMUTH, MICHEL CAMOIN**

**FRONT ROW (LEFT TO RIGHT): ADRIANA TIRON TUDOR, JUAN ZHANG, ARACELLY MENDEZ, CHAIR IAN CARRUTHERS, DEPUTY CHAIR JEANINE POGGIOLINI, ANGELA RYAN, STUART BARR**

**MISSING FROM PHOTO: RACHID EL BEIJET**

## MESSAGE FROM IPSASB CHAIR IAN CARRUTHERS

The IPSASB's first-ever Strategy and Work Plan consultation during 2014, together with the completion of the Conceptual Framework in the second half of 2014, were landmark achievements for the board. Both have fundamentally shaped its activities during 2015 and 2016. Our work is also increasingly being influenced by the implementation during this period of our new governance and advisory framework, comprising the Public Interest Committee (PIC) and the Consultative Advisory Group (CAG).

The pace and scale of International Public Sector Accounting Standard (IPSAS) adoption have increased significantly in recent years, a trend that looks likely to continue over the next five years. My predecessor as Chair, Andreas Bergmann, played a key role in this, as well as the other significant developments during his six-year term, and I would like to pay tribute to his energy, commitment, and strong leadership during that period.

Both Andreas and I were lucky to be supported during 2015 and 2016 by Deputy Chair, Jeanine Poggiolini, whose knowledge of international standards and standard setting was invaluable. The hard work, dedication, and commitment of the IPSASB members and their technical advisors, all of whom are volunteers, together with the excellent support from IPSASB staff, have also been critical to the achievements of the last two years.

The year 2017 marks the twentieth anniversary of the IPSAS development program. During that period, the Board and its predecessor—the IFAC Public Sector Committee—have developed 40 IPSASs, as well as three Recommended Practice



Guidelines, an IPSAS on reporting under the cash basis of accounting and, of course, the Conceptual Framework. These, together with the recent governance developments and an immense amount of outreach work by members, and others associated with its activities, have progressively allowed the IPSASB to mature into the global standard setter for public sector financial reporting.

Thank you also to all our funders—whether direct financial contributors or those who have provided in-kind support, by providing staff to develop or support our projects. Without their generosity our very active work plan would not be feasible.

Ian Carruthers  
IPSASB Chair



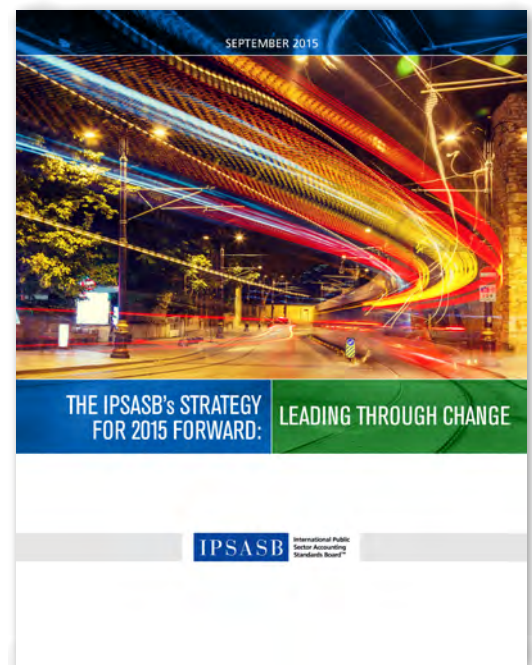
## STRATEGY AND WORK PLAN

In 2015, the IPSASB issued *Leading through Change: The IPSASB's Strategy for 2015 Forward*. Its publication was informed by the IPSASB's first full public strategy consultation in late 2014 and supported by webinars in early 2015. This full consultation further enhanced the board's responsiveness to its constituents and transparency, building on the board's more limited eighteen-month work plan consultation in 2013-2014.

The IPSASB's current forward strategy has a single strategic objective:

Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSAS by:

- Developing high-quality public sector financial reporting standards;
- Developing other publications for the public sector; and
- Raising awareness of IPSAS and the benefits of their adoption.



The strategy firmly positions the IPSASB's activities in the broader public financial management (PFM) landscape. Strong PFM leads to the efficient and effective delivery of public services. The IPSASB's high-quality accounting standards for the public sector facilitate credible and transparent financial reporting, which is in the public interest as it leads to improved public sector decision making and facilitates citizens' ability to hold governments to account.

The Strategy and Work Plan identified a number of factors to be considered in prioritizing IPSASB projects. These were:

- significance for the public sector;
- urgency of the issue;
- gaps in standards;
- International Financial Reporting Standard (IFRS) convergence; and
- alignment with Government Finance Statistics.

Using the views expressed by consultation respondents and these factors, the Strategy and Work Plan identified projects that the IPSASB would include in its Work Plan for the period from late 2015 through 2018. The Work Plan annex of this review discusses these projects in more detail.





## GOVERNANCE AND OVERSIGHT

The need for public interest oversight had been recognized as a gap in the IPSASB's institutional framework ever since it was identified in the 2003–2004 Likierman Review of the former Public Sector Committee that led to the establishment of the IPSASB with its enhanced focus on standard setting.

Responding to this gap, a number of the IPSASB's most important constituents established the Governance Review Group (GRG) in 2013.<sup>1</sup> Following a public consultation, the GRG published its recommendations in March 2015, which included the following:

- the IPSASB should continue to operate under the auspices of IFAC.
- a single governance body should be established independently from IFAC and distinct from the existing governance bodies overseeing IFAC's private sector standard-setting activities—that is the Public Interest Oversight Board and Monitoring Group.
- the governance body's objectives should be to review and advise IFAC and the IPSASB on the (i) terms of reference of the IPSASB; (ii) arrangements for nomination and appointment of IPSASB members; and (iii) procedures and processes for formulation of the IPSASB's strategy and work plan and development of IPSAS to ensure that all are consistent with the public interest.
- the governance body should receive reports from IFAC and the IPSASB regarding the procedures and processes followed in the appointment of IPSASB members, formulation of the IPSASB strategy and work plan, and development of individual accounting standards.
- a Consultative Advisory Group (CAG) should be established for the IPSASB.

<sup>1</sup> The GRG was chaired by representatives of the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD), and the World Bank Group. The Financial Stability Board, the International Organization of Securities Commissions (IOSCO), and the International Organization of Supreme Audit Institutions (INTOSAI) were members of the GRG.



Following the report, the Public Interest Committee (PIC) was formed as the single governance body—the World Bank Group, IMF, INTOSAI, and the OECD were founding members. The PIC met for the first time in March 2015, with further meetings in September 2015, March 2016 and March 2017. The PIC has approved the foundational documents of the IPSASB, PIC, and CAG under the new governance regime. These include the [IPSASB's revised Terms of Reference \(ToR\)](#), Due Process and Working Procedures, the [ToR of the PIC](#), and the [ToR of the CAG](#), final versions of which are all now in place. The PIC also oversees the CAG's work.

The CAG was established in the first quarter of 2016, and held its first meetings in June and December 2016. The CAG is an integral and important part of the IPSASB's formal consultation process. Representatives of CAG member organizations provide advice on:

- the IPSASB's strategy, work program, and agenda, including project priorities;
- the IPSASB's projects, including views on key technical issues or matters that may impede the adoption or effective implementation of IPSAS from a public interest perspective; and
- other matters of relevance to the IPSASB's standard-setting activities.

The CAG's objectives, scope of activities, membership and composition, and operating procedures are set out in its ToR. Thomas Müller-Marqués Berger is chairing the CAG for its first three meetings.

The IPSASB CAG's formation marks a highly important milestone in the strengthening of the IPSASB's governance arrangements. The CAG's public interest perspective is particularly important. Rather than deliberate or re-deliberate technical matters, the CAG brings to the IPSASB's attention issues that might be overlooked as the IPSASB grapples with complex technical issues, particularly key matters of principle, such as the public interest rationale for fair value accounting for financial instruments and whether the recognition of heritage items is justifiable.





## CONCEPTUAL FRAMEWORK

In September 2014, the IPSASB approved *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Framework). The IPSASB published the Framework the following month. The approval and publication of the Framework was a milestone for the IPSASB and brought to a culmination the IPSASB's longest and most strategically important project. The Framework established the first global set of concepts that underpin general purpose financial reporting by public sector entities under the accrual basis of accounting.

Although the Framework is non-authoritative and does not supersede existing IPSAS, it plays a key role in the development of accrual-based IPSAS and Recommended Practice Guidelines (RPGs) by setting out the concepts that are to be applied in their development.<sup>2</sup> The Framework identifies the



<sup>2</sup> RPGs provide guidance on the more comprehensive areas of financial reporting outside the core financial statements. Currently there are three RPGs:

- RPG 1, *Reporting on the Long-Term Sustainability of An Entity's Finances*
- RPG 2, *Financial Statement Discussion and Analysis*
- RPG 3, *Reporting on Service Performance Information*



objectives and users of general purpose financial reports (GPFs), and the attributes that make information in general purpose financial reports useful—the qualitative characteristics—while acknowledging the constraints on information included in GPFs. It provides the definitions of six elements and recognition criteria; identifies measurement bases, acknowledging both current value measures and historical cost; and provides some high-level principles on display and disclosure.

The Framework includes a Preface that highlights characteristics of the public sector that the IPSASB considered in the Framework’s development and takes account of in IPSAS and RPG development, including the:

- volume and financial significance of non-exchange transactions;
- importance of the approved budget;
- nature of public sector programs and the longevity of the public sector;
- nature and purpose of assets and liabilities in the public sector;
- regulatory role of public sector entities; and
- relationship to statistical accounting.

The IPSASB supported the Framework with a [webinar](#), which has been one of the IPSASB’s most popular resources and is still available on its website. In late 2016, the IPSASB published versions of this webinar in [Portuguese](#) and [Mandarin](#).

In the little more than two years since its approval, the Framework has assumed a central role in the IPSASB’s standards development work, as discussed in the next section.



## WORK PLAN PROGRESS

During 2015 and 2016, the IPSASB approved and/or published eight new or substantially revised IPSAS. These included *IPSAS 33, First Time Adoption of Accrual Basis IPSAS*, which provides requirements and guidance for entities in the process of implementing IPSAS and is an important addition to the IPSASB's toolkit for those in the final stages of transitioning to IPSAS; a new suite of *five IPSAS (34–38) on Accounting for Interests in Other Entities*, based on IASB's IFRS 10–12;<sup>3</sup> and a revised standard, *IPSAS 39, Employee Benefits*. All these projects involved a thorough due process with Exposure Drafts (ED) being issued as an intermediate step.

The IPSASB also approved and published amendments that modify how the IPSASB communicates the entities for which it develops IPSAS. The revised approach, communicated in *The Applicability of IPSAS*, is high level and principles based, and acknowledges the role of regulators. It replaces the much more detailed approach that revolved around the definition of a “government

business enterprise,” which some preparers found ambiguous and costly to apply.

In addition, the IPSASB has completed more minor projects, which include: bringing assets on the revaluation model within the scope of IPSASB's two standards on impairment;<sup>4</sup> clarifying how impairments relate to broader revaluations within asset classes; and publishing improvements to IPSAS drawn from a more diverse range of sources, such as statistical accounting and the Conceptual Framework, rather than solely from the IASB's improvements projects.

The IPSASB approved *IPSAS 40, Public Sector Combinations* in December 2016. IPSAS 40 complements IPSAS 34–38 by providing requirements and guidance on the classification of combinations of public sector operations. It had a long development period starting as a convergence project with IFRS 3, *Business Combinations*. Its development responded to the views of many of those who commented on the Consultation

<sup>3</sup> IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements and IFRS 12, Disclosures of Interests in Other Entities*

<sup>4</sup> IPSAS 21, *Impairment of Non-Cash-Generating Assets* and IPSAS 26, *Impairment of Cash-Generating Assets*

Paper and ED that acquisition accounting does not provide useful information for many combinations of operations in the public sector, imposes unnecessary costs on preparers and that there are a number of circumstances in which a form of merger accounting is appropriate.

The current work program includes a number of complex projects. During 2014 and 2015, the IPSASB developed and issued a Consultation Paper on its key project—Social Benefits. The IPSASB has now analyzed responses to the Consultation Paper and is currently developing an ED. The IPSASB is making final refinements to the definition and scope of the project and has decided to adopt two approaches for recognition and measurement—the Obligating Event Approach and, for a minority of programs with the characteristics of insurance schemes, an approach based on insurance accounting. The IPSASB is in the process of identifying obligating events which should be reflected in the ED for the former approach.

The IPSASB will issue a Consultation Paper on Heritage in April 2017 and a Consultation Paper on Revenue and Non-Exchange Expenses later in 2017. For revenue, the main issues are (i) how implementation issues encountered by preparers with IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, in particular grants and other funding arrangements with time requirements, might be addressed; and

(ii) the extent to which a performance obligation approach drawn from IFRS 15, *Revenue from Contracts with Customers*, might be applied to a broader range of non-commercial public sector transactions. Currently, there is no IPSAS that specifically deals with non-exchange expenses. This leads to inconsistent reporting on highly material transactions and ambiguity among preparers as to the appropriate accounting treatment.

The IPSASB's commitment to maintaining convergence with IFRS is reflected by its projects on Leases and the updating of IPSAS 28–30 on Financial Instruments. The Leases project responds to the IASB's publication of IFRS 16, *Leases*. The IPSASB has decided to adopt the grant of right-of-use model for lessee accounting as in IFRS 16, but has also decided to adopt a variant of that model for lessor accounting, rather than following IFRS 16. The update of IPSAS 28–30 considers the changes made by the IASB in IFRS 9, *Financial Instruments*, notably the introduction of an expected loss model for impairment and a revised hedge accounting approach. The IPSASB also published a Consultation Paper, *Public Sector Specific Financial Instruments*, which addresses a number of monetary authority accounting issues, including monetary gold, currency in circulation, and IMF transactions—quota subscriptions and special drawing rights. This is the IPSASB's first initiative for this sector and there has been a positive response.



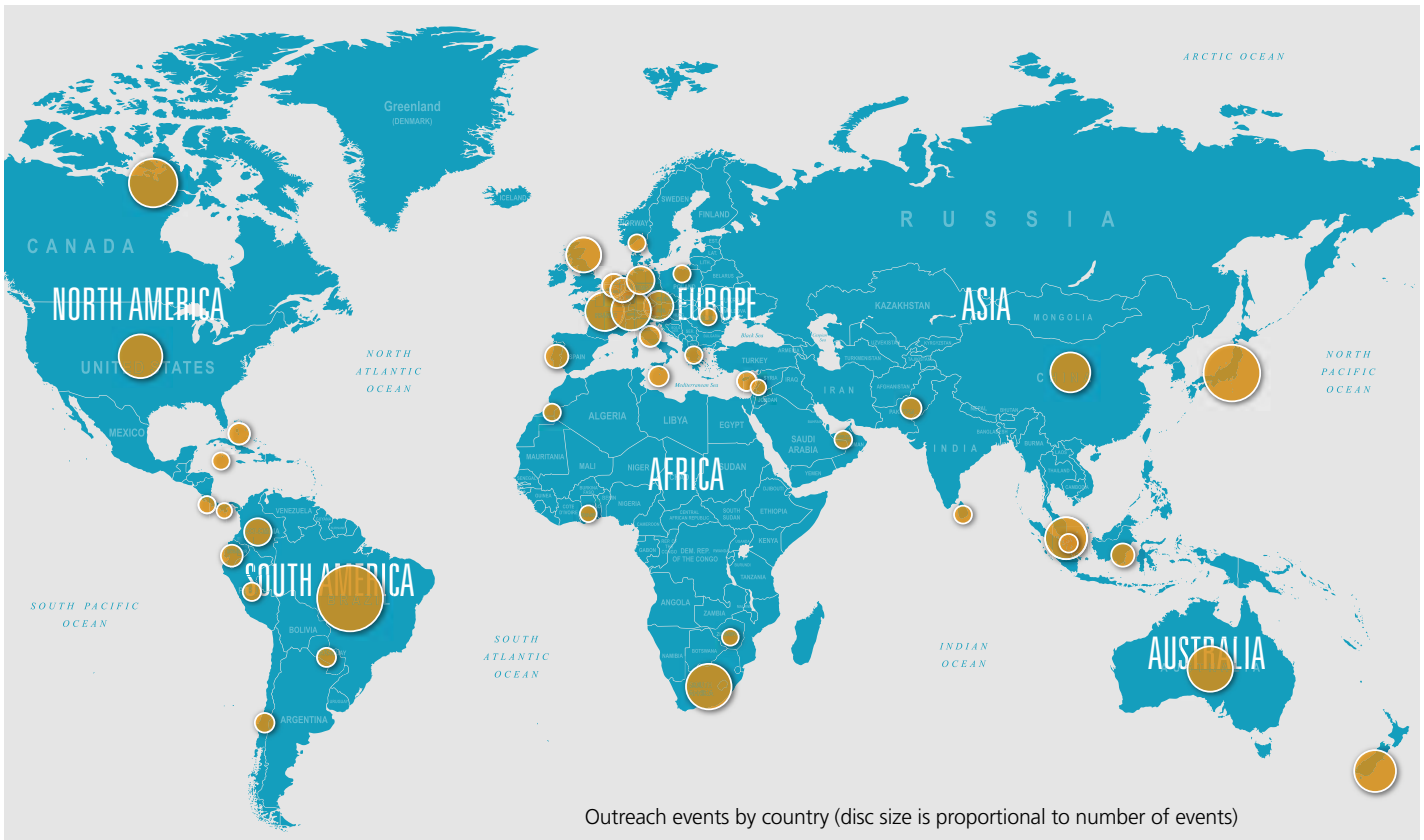


## OUTREACH ACTIVITIES

### GENERAL

Raising awareness of IPSAS and the benefits of their adoption is one of the principal ways in which the IPSASB implements its strategic objective. Over the last two years, members of the IPSASB, supported by staff, have sustained an ambitious outreach program aimed at a spectrum of stakeholders, including preparers, auditors, national standard setters, ministries of finance, academics, actuaries, and development banks. The issue of sovereign debt measurement has led to engagement with investors. As indicated above, the publication of a Consultation Paper on public sector specific financial instruments has led to the early stages of a new and promising interaction with monetary authorities, principally, but not always, central banks.

Outreach activities allow the board to emphasize the advantages of adopting accrual-based financial reporting based on IPSAS and provide updates on the IPSASB's standard-setting and other activities. Outreach is a two-way activity: in addition to sharing information, the IPSASB also receives information, such as from those who are implementing IPSAS or other accrual-based approaches on problems that have arisen and gaps in the IPSASB literature. A number of IPSASB members are also involved in the European Union's project to develop a suite of European Public Sector Accounting Standards for which IPSAS are a primary reference point.



Wherever possible, the IPSASB seeks to participate in planned conferences, particularly those promoted by IFAC member and regional organizations, national treasuries, national and global standard setters, and international organizations.

The IPSASB also works closely with Accountability. Now, IFAC's global initiative to promote high-quality financial accounting and reporting by governments to improve transparency and help strengthen public sector financial management and accountability.

The IPSASB produces an [eNews](#) and a podcast after each IPSASB meeting and has recently introduced live streaming of many IPSASB meetings with the recordings published post-meeting on its website. A [CAG podcast](#) was issued for the first time in December 2016. The IPSASB has also

developed a number of ["Closer Look" videos](#), which feature IPSASB members and Technical Advisors discussing accrual developments in their jurisdictions. Countries currently covered are: Austria, Australia, Brazil, Canada, China, Japan, New Zealand, Panama, South Africa, Switzerland and the federal level of the United States.

During this period, webinars were published on key projects, such as the ED on [Public Sector Combinations](#), and on [Financial Instruments](#). Additionally, the IPSASB Chair discussed the board and the importance of IPSAS for transparency and accountability in public sector financial management in a [series of videos](#).

The IPSASB was also joined by a visiting scholar, Demi Chung, from the University of New South Wales for a four-month period in the second half of 2016.

## THE PUBLIC SECTOR STANDARD SETTERS FORUM

The Public Sector Standard Setters Forum (the Forum) has taken the IPSASB's outreach to a new level. The IPSASB and the US Governmental Accounting Standards Board (GASB) co-hosted the inaugural Forum in Norwalk, Connecticut, USA, on March 14 and 15, 2016.

The Forum was the first-ever global event for public sector standard setters and involved over 70 participants from 22 organizations with standard-setting responsibilities in more than 30 countries. Such organizations included specific standard setters and ministries of finance with standard-setting responsibilities. The event created an environment for building a dialogue, exchanging ideas, and discussing critical issues in standard setting.

IPSASB Chair Ian Carruthers, and retired Chair Andreas Bergmann, profiled the IPSASB and its recent achievements. IPSASB members and staff discussed high-profile projects—Social Benefits, Non-Exchange Expenses, Revenue, and Heritage Assets. Forum participants led small roundtable discussions of some of their projects including tax expenditures, natural resources, reporting service performance, and consolidation. Other roundtable

discussions considered the case for an IPSAS for small- and medium-sized entities and the need for a mechanism by which to develop IPSAS interpretations. These mini-roundtable events were the most successful part of the event and will be replicated on a larger scale at the next Forum.

At the conclusion of the Forum, the Chair was interviewed for a [video Q&A session](#) with GASB Chair David Vaudt.

Feedback on the event was highly positive and the next Forum is being planned for July 2017 in Winterthur, Switzerland, jointly with the SRS, the Swiss standard setter. The third Forum is likely to be in Canada in the first half of 2019.

## IMPLEMENTATION

IPSASB staff contributed to successful training initiatives in Lebanon, the Bahamas, and the Cayman Islands in 2015 and 2016. The need to focus on delivery of the work plan inevitably means that the staff resources that can be devoted to implementation are highly limited. Therefore, the IPSASB is dependent upon partner organizations, including international organizations, IFAC member organizations, audit offices, and audit firms to play a role in IPSAS implementation.



# APPENDIX A

## IPSASB MEMBERS AND STAFF 2015 AND 2016

NAME	COUNTRY	2015	2016
Andreas Bergman (Chair 2015)	Switzerland	●	
Ian Carruthers (Chair 2016)	United Kingdom	●	●
Jeanine Poggiolini (Deputy Chair 2015 and 2016)	South Africa	●	●
Stuart Barr	Canada	●	●
Mike Blake	Australia		●
Michel Camoin	France	●	●
Bob Dacey	United States of America	●	●
Mariano D'Amore	Italy	●	
Rachid El Bejjet	Morocco	●	●
Guohua Huang	China	●	
Sebastian Heintges	Germany		●
Kenji Izawa	Japan	●	●
Aracelly Méndez	Panama	●	●
Rod Monette	Canada	●	●
Leonardo Nascimento	Brazil	●	●
Angela Ryan	New Zealand	●	●
Bernhard Schatz	Austria		●
Adriana Tiron Tudor	Romania	●	●
Wan Selamah Wan Sulaimain	Malaysia	●	
Marc Wermuth	Switzerland		●
Tim Youngberry	Australia	●	
Abdullah Yousef	Pakistan	●	●
Juan Zhang	China		●



**(LEFT)**  
**THOMAS MÜLLER-**  
**MARQUÉS BERGER**  
**(CAG CHAIR)**

**(RIGHT)**  
**IAN CARRUTHERS**  
**(CHAIR)**

## IPSASB STAFF 2015 AND 2016

The following were IPSASB staff members in 2015 and 2016.

NAME	2015	2016
James Gunn, Managing Director, Professional Standards, IFAC	●	●
Stephanie Fox, Technical Director (until March 31, 2015)	●	
John Stanford, Technical Director (from April 1, 2015)	●	●
João Fonseca	●	●
Gwenda Jensen	●	●
Paul Mason	●	●
Ross Smith	●	●
Lucy Qi		●
Jo Spencer		●
Leah Weselowski	●	●



**BACK ROW (LEFT TO RIGHT): ROSS SMITH, JOHN STANFORD (TECHNICAL DIRECTOR), JAMES GUNN (MANAGING DIRECTOR, PROFESSIONAL STANDARDS, IFAC), JOÃO FONSECA, JO SPENCER (INSET)**

**FRONT ROW (LEFT TO RIGHT): LEAH WESELOWSKI, GWENDA JENSEN, PAUL MASON**

**MISSING FROM PHOTO: LUCY QI**

# APPENDIX B

## DETAILED WORK PLAN UPDATE

This section highlights briefly the projects that the IPSASB finalized in 2015 and 2016 and ongoing projects that were introduced in the 2015 Strategy and Work Plan.

### COMPLETED PROJECTS

The following projects have been completed since the work plan consultation in late 2014.

#### IPSAS 33, *First Time Adoption of Accrual Basis IPSAS*

IPSAS 33 provides transitional exemptions to entities adopting accrual-basis IPSAS for the first time, providing a major tool to help entities along their implementation journey. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. IPSAS 33 also distinguishes those exemptions that affect fair presentation and a first-time adopter's ability to assert compliance with accrual-basis IPSAS, from those exemptions that do not affect the ability to assert compliance with accrual-basis IPSAS during the transition period.

#### IPSAS 34–38, *Interests in Other Entities*

IPSAS 34–38 are drawn from IFRS 10-12:

#### *IPSAS 34, Separate Financial Statements*

#### *IPSAS 35, Consolidated Financial Statements*

#### *IPSAS 36, Investments in Associates and Joint Ventures;*

#### *IPSAS 37, Joint Arrangements;* and

#### *IPSAS 38, Disclosure of Interests in Other Entities.*



These five standards will replace current requirements in:

- IPSAS 6, *Consolidated and Separate Financial Statements*;
- IPSAS 7, *Investments in Associates*; and
- IPSAS 8, *Interests in Joint Ventures*.

IPSAS 34–38 reflect a public sector context. For example, requirements in respect of investment entities have been modified from those in IFRS 10. In contrast with IPSAS 6, *Consolidated and Separate Financial Statements*, IPSAS 35 no longer permits an exemption from consolidation for temporarily controlled entities.

The amendments had an effective date of January 1, 2017.



### IPSAS 39, Employee Benefits

IPSAS 39 replaces IPSAS 25, *Employee Benefits*. It reflects a number of changes to IAS 19, *Employee Benefits*, since IPSAS 25 was approved in 2008.

The main differences between IPSAS 39 and IPSAS 25 are:

- removal of an option that allowed an entity to defer the recognition of changes in the net defined benefit liability (the “corridor approach”);
- introduction of the net interest approach for defined benefit plans;
- amendment of certain disclosure requirements for defined benefit plans and multi-employer plans;
- simplification of the requirements for contributions from employees or third parties to a defined benefit plan when those contributions are applied to a simple contributory plan that is linked to service; and
- removal of the requirements for Composite Social Security Programs.

### IPSAS 40, Public Sector Combinations

The IPSASB approved IPSAS 40, *Public Sector Combinations*, in December 2016. IPSAS 40 was informed by views expressed in response to earlier consultation documents that acquisition accounting is not appropriate for a large number of combinations in the public sector.

Under the control-based approach in IPSAS 40, if no party to the combination gains control of one or more operations as a result of the combination, the combination is classified as an amalgamation and the modified pooling of interest accounting is applied. If one party to a public sector combination gains control of one or more operations as a result of the combination, an entity considers the economic substance of the combination and classifies the combination as either an amalgamation or an acquisition. If classified as an acquisition, fair value accounting is applied. IPSAS 40 was published in January 2017 and has an effective date of January 1, 2019. IPSAS 40 is supported by a webinar highlighting the main points, including changes from [ED 60, Public Sector Combinations](#).

### The Applicability of IPSAS

*The Applicability of IPSAS* changes how the IPSASB communicates the type of public sector entities that it considers when developing an IPSAS or RPG.

Previously, IPSAS and RPGs have included a definition of a Government Business Enterprise (GBE) and a statement that GBEs apply International Financial Reporting Standards. The definition of a GBE had proven ambiguous in places and difficult for preparers to interpret.

The main amendments are:

- a revised Preface that delineates the characteristics of public sector entities for which IPSAS are designed;
- replacement of the term “GBEs” with the term “commercial public sector entities”;
- deletion of the definition of a GBE in IPSAS 1, *Presentation of Financial Statements*; and
- removal of the paragraph in the scope section of IPSAS and RPGs stating that these pronouncements do not apply to GBEs.

This new principles-based approach acknowledges the role of regulators as the decision makers on financial reporting requirements in their jurisdictions.

### Impairment of Revalued Assets

This project responded to constituent views about the scope of the IPSASB’s impairment standards. *Impairment of Revalued Assets (Amendments to IPSAS 21, Impairment of Non-Cash-Generating Assets, and IPSAS 26, Impairment of Cash-Generating Assets)* brings property, plant and equipment, and intangible assets on the revaluation model within the scope of IPSAS 21 and IPSAS 26. It also clarifies that an impairment loss for an asset, or group of assets, does not necessarily require a revaluation of the entire class of assets to which an impaired asset or group of assets belongs.

### Improvements to IPSAS 2014 and 2015

The ongoing Improvements project makes narrow scope amendments to IPSAS that do not involve significant matters of principle. Improvements as relevant have been drawn from IASB’s



Improvements project. In 2015, the project was expanded to consider consequential amendments arising from the first four chapters of the Conceptual Framework, general improvements to IPSAS, and improvements to increase consistency with Government Finance Statistics.

### Reporting Service Performance Information

Recommended Practice Guidelines address financial reporting issues outside the financial statements. As part of its work on Social Benefits prior to the acceleration of the Conceptual Framework, the IPSASB formed a view that, while they are at the heart of financial reporting, the financial statements do not provide all the information that users need for decision making and accountability purposes. Following the publication in 2013 of the initial two RPGs—*Reporting on the Long-Term Sustainability of an Entity’s Finances* and *Financial Statement Discussion and Analysis*—the IPSASB issued RPG 3, *Reporting Service Performance Information*, in March 2015. RPG 3 provides a principles-based approach to reporting service performance.



### *Handbook*

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The IPSASB also publishes the *Handbook of International Public Sector Pronouncements* annually. This provides a single compendium of IPSASB pronouncements and includes the Conceptual Framework, RPGs, and the Cash Basis IPSAS, as well as IPSAS. The 2016 Handbook was issued in July 2016.

### *Staff Papers and Other Resources*

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Occasionally IPSASB staff issue papers and other resources to address issues raised by stakeholders or media. These papers and resources do not represent the IPSASB's views, but allow staff to respond to topical issues and technical matters raised by constituents. In 2015 and 2016, staff issued short papers [on the treatment of sovereign debt restructurings](#) under IPSAS and [aspects of the grant of a right to the operator model](#) in IPSAS 32, *Service Concession Arrangements: Grantor*. Staff also issued a [background paper on Emissions Trading Schemes](#), following the decision to deactivate the project in light of IASB decisions on their related project on Pollutant Pricing Mechanisms. This provides background to some of the main emission trading schemes in operation and other mechanisms to reduce greenhouse gases.

## CURRENT PROJECTS

The IPSASB's current work program reflects a need to address public sector-specific issues and also to maintain alignment with IFRS.

### *Social Benefits*

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A Consultation Paper, [Recognition and Measurement of Social Benefits](#), was issued in 2015. Having reviewed responses to it, the IPSASB is currently developing an ED. The IPSASB progressed the project scope and key definitions in 2016 and made further progress in March 2017. It also narrowed the approaches to recognition and measurement by deciding not to further develop the Social Contract Approach, which would treat the provision of social benefits like an executory contract and only result in the recognition of legal obligations as expenses and liabilities of the resource provider. Recognition and measurement will generally be in accordance with the Obligating Event Approach. For a small number of programs with the characteristics of insurance programs, insurance accounting might be appropriate. The IPSASB is therefore closely monitoring the finalization of the IASB's standard on insurance. The IPSASB is also considering the key issue of the the obligating events to be included in a future ED in 2017.

### *Revenue and Non-Exchange Expenses*

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The projects on revenue and non-exchange expenses have been combined until the Consultation Paper (CP) stage in order to reduce the amount of duplicate material. The projects acknowledge that, in the public sector, funding arrangements are often tripartite with services provided to a third-party beneficiary.

The IPSASB modified the structure of the combined CP at the September 2016 meeting and tentatively approved the first three draft chapters in December 2016. These chapters deal with the drivers for the projects, the IPSASB and IASB literature on revenue recognition, and the categorization of public sector transactions in order to explore the extent to which a performance obligation approach might be applied to both revenue and non-exchange expense transactions. The IPSASB agreed that, under a broadened performance obligation approach, there are a range of remedies available to a resource provider in the event of non-fulfillment of a performance obligation by a resource recipient and that these remedies are not limited to a return of funds. The IPSASB has also adopted a preliminary view that it should replace IPSAS 9, *Revenue from Exchange Transactions*, and IPSAS 11, *Construction Contracts*, with an IPSAS drawn from IFRS 15, *Revenue from Contracts with Customers*. The CP will be issued in 2017.

### Heritage

Both heritage assets and infrastructure assets (see below) are complex classes of public sector assets. Currently IPSAS 17, *Property, Plant and Equipment*, includes a discussion of heritage assets. Noting the cultural, environmental, and historical significance of heritage assets, it provides examples and indicative characteristics. IPSAS 17 does not require an entity to recognize heritage assets that would otherwise meet the definition of, and recognition criteria for, property plant and equipment.

This project has developed a description of heritage items, and considers whether heritage items meet the definition of an asset. It will develop recognition and measurement requirements,

evaluate how depreciation and impairment testing should be applied to heritage assets, and consider the need for enhanced and additional disclosures. A CP has been approved for publication in April 2017.

### Limited Scope Review of Cash Basis IPSAS

The IPSAS, *Financial Reporting under the Cash Basis of Accounting (the Cash Basis IPSAS)*, was issued in January 2003. The Cash Basis IPSAS was subsequently updated with additional requirements and encouragements about the presentation of budget information in 2006 and external assistance in 2007.

This is a limited scope project that has reviewed the requirements and guidance in the Cash Basis IPSAS on consolidation, external assistance, and payments by resource providers to third parties. In 2016, the IPSASB issued ED 61, *Amendments to Financial Reporting under the Cash Basis of Accounting (the Cash Basis IPSAS)*. ED 61 proposed that requirements in these areas should be recast as discretionary disclosures. The IPSASB commenced the review of responses at its March 2017 meeting.

### Public Sector Specific Financial Instruments

This project considers a number of monetary authority accounting issues—monetary gold, currency in circulation, and accounting for transactions with the IMF. These items have many of the characteristics of financial instruments as defined in IPSAS 28, *Financial Instruments: Presentation*. In some cases, they are non-contractual. A Consultation Paper was issued in July 2016. The IPSASB will initially review responses in June 2017.



### Update to IPSAS 28–30, Financial Instruments

This project has the objective of updating IPSASB's current suite of standards on financial instruments, IPSAS 28–30<sup>5</sup> to reflect, as appropriate for the public sector, the changes to IFRS 9, *Financial Instruments*. The IPSASB has made good progress in the development of an ED. At the September 2016 meeting, the IPSASB discussed overarching issues, such as terminology and interaction with other standards, as well as the specific issues of classification, measurement, and impairment. The replacement of the incurred loss model for impairment by the expected loss model is one of the main changes in IFRS 9. At the December 2016 meeting, the IPSASB considered accounting for embedded derivatives, hedge accounting, and transitional provisions. The IPSASB agreed to remain consistent with IFRS 9 for authoritative guidance in these areas and to develop public sector-specific illustrative examples and implementation guidance. An ED will be issued in the second half of 2017.

### Leases

The objective of this project is to develop a new IPSAS on Leases which will replace IPSAS 13, *Leases*, and be converged with IFRS 16, *Leases*, to the extent appropriate for the public sector. The IPSASB has formed a view that the grant of a right-of-use model in IFRS 16 is appropriate for lessee accounting. For lessor accounting, the IPSASB does not consider that the retention of the lessor accounting model in IPSAS 13 (reflecting IAS 17, *Leases*) best meets the needs of the users of financial statements. The IPSASB has decided to adopt the right-of-use model for lessor accounting. Under the proposed approach the lessor continues to recognize the underlying asset in its entirety and to recognize a liability (unearned revenue). The IPSASB has decided to adopt the term "concessionary leases," rather than "peppercorn leases" and is considering accounting requirements. An ED will be issued in the second half of 2017.

<sup>5</sup> IPSAS 28, *Financial Instruments: Presentation*; IPSAS 29, *Financial Instruments: Recognition and Measurement*; and IPSAS 30, *Financial Instruments: Disclosure*.



## COMMITTED PROJECTS NOT YET STARTED

### *Public Sector Measurement*

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The project will inventorize measurement requirements in existing IPSAS. It will evaluate the extent to which there is a dislocation between measurement requirements in the current literature and the Conceptual Framework. The second phase is also likely to consider the need for, and extent of, implementation guidance and to involve the valuation profession and consider requirements in Government Finance Statistics.

### *Infrastructure Assets*

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Infrastructure assets are particularly significant to service delivery in the public sector. IPSAS 17 discusses infrastructure assets and highlights some of their common characteristics. However, IPSAS 17 does not provide specific requirements related to such assets. This project will develop a definition of infrastructure assets, measurement, depreciation and impairment requirements, and consider the need for additional disclosures, reflecting the interdependency of many infrastructure assets.

## DEACTIVATED PROJECT

### *Emissions Trading Schemes*

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The aim of the project was to develop a standard(s) that provides requirements applicable to both administrators and participants in Emissions Trading Schemes (ETS). The project had a particular emphasis on the administrators of ETS, which are often governments or other public sector entities. Because the IASB's project on Pollutant Pricing Mechanisms is now in the IASB's Research Pipeline and is not an active project, the IPSASB decided to deactivate the ETS project, because it did not consider it appropriate to develop accounting requirements for ETS in isolation. IPSASB staff issued a [Background Paper](#) in December 2016. The Background Paper provides high-level information on ETS and other government interventions designed to reduce emissions of greenhouse gases.



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