

**Approved Minutes of the Meeting of the
INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
Held on June 21-24, 2022 in New York, USA**

A. Administrative Items**Attendance**

	Voting Members	Technical Advisors
Present:	Ian Carruthers (Chair) Lindy Bodewig (Deputy Chair) Abdullah Al-Menthil Todd Beardsworth Claudia Beier Luzvi Chatto Maik Esser-Müllenbach Neema Kiure-Mssusa Mari Kobayashi Hervé-Adrien Metzger Chris Nyong Lynn Pamment Renée Pichard Ajith Ratnayake Kamira Sanchez Nicosia Scott Showalter Patrícia Siqueira Varela Liang Yang	Iheanyi Anyahara (Mr. Nyong) Henning Diederichs (Ms. Pamment) Takeo Fukiya (Ms. Kobayashi) Baudouin Griton (Mr. Metzger) Giuseppe Grossi (Mr. Ratnayake) (June 23-24) Anthony Heffernan (Mr. Beardsworth) Williard Kalulu (Ms. Kiure-Mssusa) Timm Klare (Mr. Esser-Müllenbach) Fabrizio Mocavini (Ms. Sanchez Nicosia) (June 21 and 24) Ayres Moura (Ms. Varela) (June 21-22 and 24) Andrew van der Burgh (Ms. Bodewig) David Watkins (Mr. Carruthers) Marc Wermuth (Ms. Beier) Jie Zhao (Ms. Yang) (June 21 and 23-24) Technical Advisors apologies: Sayja Barton (Ms. Pichard)

	Non-Voting Observers
Present:	<p>Rosa Aldea Busquets (European Commission) (June 21-23)</p> <p>David Bailey (IMF) (June 21-23)</p> <p>Adnan Chughtai (United Nations) (June 22-24)</p> <p>Srinivas Gurazada (World Bank Group) (June 24)</p> <p>Jerry Gutu (United Nations)</p> <p>Thomas Müller-Marqués Berger (CAG Chair) (June 21-23)</p> <p>Lars Ruberg (European Commission) (June 21 and 23-24)</p> <p>John Verrinder (Eurostat) (June 21 and 24)</p>
Apologies:	<p>Azeb Gebremedhin Tesemma (African Union)</p> <p>Guohua Huang (IMF)</p> <p>Chai Kim (ADB)</p>
	IPSASB/IFAC Staff
Present:	<p>Tashriq Allie, IPSASB</p> <p>João Fonseca, IPSASB</p> <p>James Gunn, Managing Director, Professional Standards (June 21 and 24)</p> <p>Agustina Llambi, IPSASB</p> <p>Edwin Ng, IPSASB</p> <p>Ross Smith, IPSASB</p> <p>Joanna Spencer, IPSASB</p> <p>John Stanford, IPSASB</p> <p>Dave Warren, IPSASB</p> <p>Eileen Zhou, IPSASB</p>

- A.1 The Chair welcomed members, technical advisors, and observers to the June 2022 meeting held in New York, USA. He thanked those members, technical advisors and staff attending in person for their efforts in doing so. The Chair emphasized the transition back to normal in-person quarterly board meetings is an important step in delivering on the significant and challenging projects on the work program. He noted that the September 2022 meeting is also planned as an in-person meeting in Portugal and expressed the hope that even more members and technical advisors might be able to join in person.

1. Minutes and Communications Activities (Agenda Item 1)

Members approved the minutes of the March 2022 meeting.

2. Program and Technical Director's Report (Agenda Item 2)

- 2.1. Ross Smith, IPSASB Program and Technical Director, discussed the key items identified in Agenda Item 2.
- 2.2. The IPSASB agreed with the changes to the work program to reflect the March 2022 decisions to:
- (a) Add Reporting Sustainability Program Information, Presentation of Financial Statements, Differential Reporting, and Advancing Public Sector Sustainability Reporting projects; and
 - (b) Pre-commit to IPSAS 21, *Impairment of Non-Cash Generating Assets*, IPSAS 31, *Intangible Assets*, IPSAS 33, *First-Time Adoption of Accrual Basis IPSASs*, and Practice Statement, *Making Materiality Judgements* projects as resources become available in 2023.
- 2.3. The IPSASB decided that based on the support received in response to Exposure Draft (ED) 78, IPSAS [X], *Property, Plant, and Equipment*, and once the points raised by the Board had been addressed, the [draft] IPSAS could be approved in September 'subject to' the finalization of the Current Operational Value concepts being developed in the Measurement and Conceptual Framework update projects.

3. Revenue and Transfer Expenses (Agenda Item 3)

- 3.1. Staff introduced the agenda papers for Agenda Item 3, which included a snapshot of the source materials for the draft revenue and transfer expense standards, an overview of the transfer expense project landscape, proposals for the revised accounting model for transfer expenses, application of the proposed transfer expense model to appropriations, and clarifications on the interaction between impairment, onerous contracts and transfer expenses. The IPSASB also discussed subsequent measurement of non-contractual receivables, disclosure requirements for revenue transactions, and the accounting for revenue from capital transfers.

Decisions

- 3.2. The IPSASB decided that:

Agenda Item 3.2.2

- (a) Subject to drafting instructions as noted below, the key transfer expense accounting principle is determining whether the entity controls a transfer right;

Agenda Item 3.2.3

- (b) Subject to the drafting instructions as noted below, a liability should be recognized prior to the transfer if:
1. In transactions arising from a binding arrangement, the transfer recipient fulfilled its compliance obligations; or
 2. In transactions not involving a binding arrangement, the facts and circumstances results in:
 - a. A constructive obligation as described in IPSAS 19; or
 - b. A legal obligation which requires an outflow of resources;

Agenda Item 3.2.4

- (c) Subject to the instruction on drafting implementation guidance, appropriations are addressed by the general accounting model for transfer expenses and that no additional authoritative guidance is needed;

Agenda Item 3.2.5

- (d) Onerous contracts are not applicable to transfer expenses;

Agenda Item 3.2.6

- (e) IPSAS 41 accounting principles should be applied by analogy to subsequently measure non-contractual receivables, as proposed in the ED;

Agenda Item 3.2.7

- (f) Subject to drafting instructions as noted below, the disclosure requirements proposed in the ED remain appropriate and should be retained, in the revised order proposed; and

Agenda Item 3.2.8

- (g) The accounting for capital transfers is addressed by the general model on revenue arising from binding arrangements.

Instructions

- 3.3. The IPSASB instructed staff to:

Agenda Item 3.2.2

- (a) Explicitly state in the draft standard that the transfer provider needs to first consider if the transfer transaction arises from a binding arrangement that results in an asset upon initial recognition, then consider the subsequent derecognition of the asset and recognition of an expense;

Agenda Item 3.2.3

- (b) Explain the interaction between constructive obligations and executory contract principles in the draft standard;

Agenda Item 3.2.4

- (c) Draft non-authoritative implementation guidance for appropriations based on discussions with board members;

Agenda Item 3.2.5

- (d) Reconsider the interaction with the impairment standards to develop principles that can be applied to the transfers of cash and non-cash assets;

Agenda Item 3.2.6

- (e) Relocate authoritative guidance on non-contractual receivables to better communicate its application to receivables from any revenue transaction arising outside of a contract;
- (f) Work with members to consider further what additional non-authoritative guidance (in addition to those proposed in paragraphs 7(b)-(c)) will help entities apply IPSAS 41 principles to the subsequent measurement of non-contractual receivables;

Agenda Item 3.2.7

- (g) Work with the Drafting Group to ensure disclosures guidance is succinct and effectively presented, and consider if disclosures on significant judgments could apply to all revenues;
- (h) Draft Basis for Conclusions reflecting how the Board addresses comments about disclosure overload and that entity will need to consider which disclosures apply to their specific transaction;

Agenda Item 3.2.8

- (i) Ensure that the definition of capital transfer appropriately describes the transaction;
- (j) Draft application guidance, implementation guidance and illustrative examples on capital transfers. Explicitly note in the drafting that revenue recognition in a capital transfer is considered independently from how the funding is structured in the binding arrangement;
- (k) Draft basis for conclusions to explain that capital transfers are expected to arise from a binding arrangement; and
- (l) Rework the examples to change one variable at a time. Reflect how each change would impact the accounting outcomes. Present the revised examples to the board at the July check-in.

4. Measurement (Agenda Item 4)

- 4.1. Staff presented Agenda Item 4 by summarizing the responses to the ED 77 Current Operational Value proposals. The IPSASB discussed the core concepts and principles necessary to support a public sector measurement and how those concepts should be incorporated into Current Operational Value.

Decisions

- 4.2. The IPSASB decided that:

Agenda Item 4.2.2

- (a) Fair Value guidance in the final standard should be aligned with IFRS 13, and so a separate public sector measurement basis is required.

- (b) The public sector measurement basis will value the asset based on the physical, or underlying, items that comprise the asset, rather than the services or benefits derived from the asset;

Agenda Item 4.2.3

- (c) The development of a public sector measurement basis should be based on the Current Operational Value principles proposed in ED 77. Each principle will be reviewed for applicability in the public sector context;
- (d) Fair value should not be required to measure assets held for their operational capacity as it may not provide users with the most useful information;

Agenda Item 4.2.4

- (e) The 'current asset' and 'existing use' principles are core to Current Operational Value and should be retained;

Agenda Item 4.2.6

- (f) The wording proposed by staff to clarify that the income approach is the only technique available to estimate the Cost of Fulfillment in paragraph D22, is appropriate;
- (g) The insertion of the new paragraphs 54, 55, and BC72 to indicate the Board's decision to maintain the disclosure requirements in the individual IPSAS, is appropriate; and
- (h) The updates made to BC23A–BC23D and IGB2, to clarify the selection of the accounting policy, were appropriate.

Instructions

- 4.3. The IPSASB instructed staff to:

Agenda Item 4.2.2

- (a) Communicate in the Basis of Conclusions, why the IPSASB decided that the asset should be valued based on the physical, or underlying, items that comprise the asset;

Agenda Item 4.2.3

- (b) Review the Basis of Conclusions to ensure that it clearly explains why Fair Value is not applicable for assets held for their operational capacity, and why a public sector measurement basis is required;

Agenda Item 4.2.4

- (c) Analyze how 'surplus capacity' (in relation to the 'impairment' of the asset) and 'current location' should be applied in the context of Current Operational Value;
- (d) Compare 'Fair Value' principles with 'Current Operational Value' principles, clarifying their impact on the respective measurement bases, in tabular format;
- (e) Develop examples illustrating the application of the core principles of the 'Current Operational Value' basis;

Agenda Item 4.2.5

- (f) Develop analysis to foster a shared understanding of the 'income approach' across the IPSASB for September 2022;

Agenda Item 4.2.6

- (g) Convey the cost approach approximates Fair Value in paragraph BC65; and
- (h) Work with members to enhance the consistency of the 'historical cost' and 'transaction price' definitions proposed.

5. Conceptual Framework – Phase I (Agenda Item 5)

- 5.1. Staff introduced the agenda papers for Agenda Item 5 outlining the measurement bases that ED 77 proposed should not be retained in the conceptual framework because there were not applied in IPSAS, and provided an overview of key themes identified in the responses to Current Operational Value.

Decisions

- 5.2. The IPSASB decided that:

Agenda Item 5.2.1

- (a) Assumption price should not be included as a measurement basis for liabilities in the revised Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*;

Agenda Item 5.2.2

- (b) Cost of release should not be included as a measurement basis for liabilities in the revised Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*;

Agenda Item 5.2.3

- (c) Net selling price should not be included as a measurement basis for assets in the revised Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*; and

Agenda Item 5.2.4

- (d) Fair value is inappropriate for assets primarily held for operational capacity, so the IPSASB should continue to develop a public sector specific measurement basis.

Instructions

- 5.3. The IPSASB instructed staff to:

Agenda Item 5.2.1-5.2.3

- (a) Explain in the Basis for Conclusions that the Conceptual Framework is adopting an approach of including guidance on the most commonly used measurement bases rather than a large number of measurement bases that might be rarely applied or never applied;
- (b) Explain in the Basis of Conclusions that measurement bases not included in Chapter 7 might be adopted at the standards level; and
- (c) Include the appropriate material on the exclusion of assumption price, cost of release and net selling price from Agenda Items 5.2.1-5.2.3 in the Basis for Conclusions in revised Chapter 7.

6. Other Lease–Type Arrangements (Agenda Item 6)

- 6.1. Staff presented Agenda Item 6 and walked through several topics related to concessionary leases including the accounting for those transactions from the perspective of the lessor and lessee.

Decisions

- 6.2. The IPSASB decided that:

Agenda Item 6.2.1

- (a) IPSAS 23, *Revenue from Non-Exchange Transaction (Taxes and Transfers)*, should include the amendments on the right-of-use asset and concession component of concessionary leases for lessees;
- (b) IPSAS 43, *Leases*, should include the amendments related to the guidance to account for concessionary leases for lessors;

Agenda Item 6.2.2

- (c) Subject to terminology changes and maintaining definitional consistency throughout IPSAS, IPSAS 43, *Leases*, should include the amendments on identification, classification and scope of concessionary leases;
- (d) The general accounting guidance on leases should not be extended for concessionary leases for lessees' recognition exemptions;
- (e) IPSAS 43 should not include additional specific guidance on lease incentives, lease modifications, and variable lease payments for concessionary leases;

Agenda Item 6.2.3

- (f) The right-of-use assets in a concessionary lease should be measured at Fair Value on initial recognition for arrangements that meet the definition of a lease (i.e., contractual arrangements), subject to assessment of the links with the Measurement project on Fair Value and Current Operational Value, and with the Revenue project on binding arrangements;
- (g) On initial recognition, the concession component should be recognized as revenue, except if a present obligation exists (where it is recognized as a liability), in accordance with IPSAS 23;

Agenda Item 6.2.4

- (h) The transferred asset should be measured at its carrying amount in a concessionary finance lease;
- (i) The cost of the transferred asset on disposal should be recognized in accordance with the relevant IPSAS in a concessionary finance lease;
- (j) The lease payments should be measured in accordance with IPSAS 43 in a concessionary operating lease;
- (k) The terms and conditions in a concessionary operating lease can be taken into consideration when assessing whether an underlying asset is impaired in accordance with IPSAS 21, *Impairment from Non-Cash Generating Assets*, or IPSAS 26, *Impairment from Cash Generating Assets*; and

Agenda Item 6.2.5

- (l) The additional disclosures on concessionary leases in IPSAS 23 and IPSAS 43 for lessees and IPSAS 43 for lessors should be included.

Instructions

- 6.3. The IPSASB instructed staff to:

Agenda Item 6.2.2

- (a) Assess whether a definition of a “concessionary lease” is required;
- (b) Include further guidance to clarify that concessionary lease accounting is not applicable to lessee’s recognition exemptions;
- (c) Reassess the terminology in IPSAS 43.18B; and

Agenda Item 6.2.3

- (d) Assess the links with the Measurement project on Fair Value and Current Operational Value, and with the Revenue project on binding arrangements.

7. ED 78, Property, Plant and Equipment (Agenda Item 7)

- 7.1. Staff introduced and presented the agenda papers for Agenda Item 7. These papers discussed the detailed analysis of constituents’ responses to specific matters for comments included in ED 78.

Decisions

- 7.2. The IPSASB decided that:

Agenda Item 7.2.1

- (a) The structure of [Draft] IPSAS [X], *Property, Plant, and Equipment* (ED 78), should be retained;

Agenda Item 7.2.2

- (b) The choice over whether to select the Current Operational Value or Fair Value basis when measuring property, plant, and equipment, should be retained;

Agenda Item 7.2.3

- (c) A paragraph to clarify that the choice between Current Operational Value and Fair Value basis is an accounting policy choice, should be added;

Agenda Item 7.2.5

- (d) The infrastructure assets characteristics proposed in ED 78 should be retained;

Agenda Item 7.2.6

- (e) The scope of the new disclosure for unrecognized heritage assets proposed in ED 78 should be retained;

Agenda Item 7.2.7

- (f) The non-authoritative guidance developed for heritage assets proposed in ED 78 should be retained);

Agenda Item 7.2.8

- (g) The non-authoritative guidance developed for infrastructure assets proposed in ED 78 should be retained;

Instructions

- 7.3. The IPSASB instructed staff to:

Agenda Item 7.2.1

- (a) Revise the drafting to enhance the clarity of the text and remove circularity between ED 77, *Measurement*, and ED 78 on initial measurement;
- (b) Revise the drafting to enhance the clarity on what standard (ED 77 or ED 78) should be applied on the initial measurement of property, plant, and equipment;

Agenda Item 7.2.2

- (c) Revise the drafting to enhance the clarity of how the choice between measurement basis should be made;
- (d) Re-evaluate cross-references between ED 77 and ED 78 on the selection of measurement basis;
- (e) Reconsider the location and wording of paragraphs 26A and 29, as both paragraphs discuss the choice of measurement basis;

Agenda Item 7.2.3

- (f) Revise the drafting to enhance the clarity of the text on the possibility of having more than one class of property, plant, and equipment for the same type of property, plant, and equipment item;

Agenda Item 7.2.4

- (g) Revise the drafting of BC16 to enhance clarity and reflect that AG3 does not include all the characteristics of heritage assets;
- (h) Consider adding “and disposal” to AG3(a);
- (i) Consider the development of non-authoritative guidance for the valuation of heritage assets by involving the Measurement Taskforce;

Agenda Item 7.2.5

- (j) Revise the drafting to explicitly acknowledge comments received from several constituents and why these were not taken forward by the IPSASB, in the Basis for Conclusions;
- (k) Communicate the purpose of the guidance issued and set a clear expectation that the IPSASB will not be reopening it;

Agenda Item 7.2.7

- (l) Revise the drafting to shorten the authoritative guidance on the definition of an asset, AG8-AG15, in ED 78 or add a cross-reference to the definition of an asset in the Conceptual Framework;

Agenda Item 7.2.9

- (m) Bring forward a paper in September, working with the Measurement Taskforce, on how constituents look for specific guidance on initial and subsequent measurement; and
- (n) Revise the drafting to reconcile terminology between paragraphs 37(e), AG6(a) and BC59(b) on electricity transmission networks.

8. IFAC Update (Agenda Item 8)

- 8.1. IFAC CEO Kevin Dancey presented IFAC's vision and purpose to the IPSASB, highlighting the three areas of impact – a strong and sustainable accountancy profession, strong and sustainable private and public sector organizations, and strong and sustainable financial markets and economies – and how the public sector played an important role in each. Mr. Dancey also shared the experiences with the International Auditing and Assurance Board and the Monitoring Group.
- 8.2. Following Mr. Dancey's presentation, the IPSASB asked questions and provided feedback for the CEO's consideration.

9. Public Sector Standard Setters Forum (Agenda Item 9)

- 9.1. Staff introduced Agenda Item 9 and presented:
 - An overview of the 2022 Public Sector Standards Setters Forum, including the overall theme, location, and dates. Staff also encouraged IPSASB Members and Technical Advisors to register as soon as possible in order to secure attendance; and
 - A walkthrough of the draft two-day agenda and key topics to be covered.
- 9.2. Staff addressed a number of questions from members regarding registration, managing expectations on certain topics, and logistics.

10. Closing Remarks and Conclusion of the Meeting

- 10.1. The Chair highlighted that it had been a highly successful meeting, and emphasized the strong progress achieved at the second in-person meeting since March 2020.
- 10.2. The Chair thanked members, technical advisors, observers, and staff for their contributions. The IPSASB plans for its next meeting to be in Portugal in September 2022.