

Meeting: IPSASB Consultative Advisory Group

Meeting Location: Toronto, Canada

Meeting Date: December 4, 2017

Agenda Item 6

For:

- ☐ Approval
☒ Discussion
☒ Information

Infrastructure Assets

Project summary	This project will research existing literature and current practices related to infrastructure assets to determine any difficulties encountered with applying the principles of IPSAS 17 <i>Property, Plant and Equipment</i> . This research will inform what further guidance for applying the principles is necessary and if so in what form that guidance should take.	
Meeting objectives	Topic	Agenda Item
Discussion Items	CAG input into the Infrastructure Assets draft Project Brief. <ul style="list-style-type: none">• Key issues• Project process• Project output	6.1
Other supporting items	<u>Appendix A: IPSASB Due Process Checklist</u>	6.2

Background and rationale for the project

1. A project on Infrastructure Assets was added to the IPSASB's work program in June 2015 following responses to the IPSASB's Strategy Consultation in March 2014. Respondents highlighted the long-term nature of infrastructure assets and issues related to maintenance and renewals as some of the difficulties encountered when accounting for such assets.
2. Many attendees at the Public Sector Standard Setters Forum (PSSSF) in Winterthur, Switzerland in July 2017, confirmed the need for a project addressing infrastructure assets citing issues regarding lack of definition, characteristics of infrastructure assets, measurement, impairment and componentization. Conversely, some Forum attendees questioned the need for a project as the principles in IPSAS 17, *Property, Plant and Equipment* are already appropriate and despite there being little guidance within IPSAS 17, many jurisdictions have developed their own.
3. The original project brief (presented at the June 2015 IPSASB meeting) stated the objective of the project was to "issue a revised IPSAS 17 (or other IPSAS), with additional requirements and/or more detailed guidance on infrastructure assets". This project brief proposed that:
 - (a) A consultation paper (CP) would be developed for infrastructure assets:
 - (b) An exposure draft (ED) would then be developed for infrastructure assets; and
 - (c) IPSAS 17 would be revised with additional requirements and/or more detailed guidance on infrastructure assets.
4. Staff do not reject this approach but considered it was premature to assume that, without further research:
 - (a) A CP would be necessary; and/or
 - (b) The requirements of IPSAS 17 are deficient for application to infrastructure assets and additional requirements may be necessary.
5. Therefore, at the September 2017 IPSASB meeting, staff presented a revised draft project brief which questioned the need to develop a CP and recommended that, given the comments above, particularly from the PSSSF, the project should progress initially with a research phase, including a survey to preparers, aimed at identifying actual difficulties preparers' face when applying the principles of IPSAS 17 to infrastructure assets. The Board agreed with the staff suggestions and a further revised draft project brief has been developed incorporating Board member comments. This draft project brief is provided as the attached [Appendix](#).

Key Issues

6. In advance of the research referred to, and without anticipating any outcomes therefrom, a number of key issues have been identified as potentially problematic on which consideration could be given to providing guidance for preparers. The key issues likely to be investigated (these are dealt with in greater detail in the attached [Appendix](#)) are: Lack of a definition of infrastructure asset; control; recognition including distinguishing between capital and maintenance expenditure; measurement; depreciation; componentization; and disclosures
7. The project brief also notes other issues that may need to be considered:

- (a) Infrastructure assets held by for-profit entities which are consolidated at a whole of government level;
 - (b) Infrastructure assets within the scope of IPSAS 32 *Service Concession Arrangements: Grantor*;
 - (c) Impacts of changing technologies on optimized replacement costs; and
 - (d) Revaluation intervals.
8. Research and discussions to date have identified that the following areas appear to present the main challenges:
- (a) Depreciation – applying the depreciation models in IPSAS 17, especially when using a revaluation model, can be problematic for example which includes determining the useful life of an asset and some standard setters developing methods of depreciation that are not consistent with those in IPSAS 17;
 - (b) Componentization – this concept, which also impacts assessments of useful life, has been identified as difficult to apply because it is not easy to disaggregate networks into different parts with different useful lives and replacement costs. Diversity in practice has also been identified as to what constitutes a component (e.g., layers of roads); and
 - (c) Measurement – although measurement is likely to be addressed in the Public Sector Measurement Project, it has been identified as an infrastructure asset problem. Some issues include, the measurement of remaining service potential, application of depreciated replacement cost, and initial measurement when historical cost is not available.

Question to the CAG

Does the CAG agree that the issues identified in paragraph 8 are key problematic areas when accounting for infrastructure assets and the public interest is best served by focusing on these areas?

Project Process

- 9. As mentioned above, the original project brief proposed that a CP be developed and then an ED. While staff have not rejected this proposal entirely, and are of a view that a final decision should be made after further research is conducted, they consider there are advantages and disadvantages with both approaches.
- 10. If a CP is issued for comment it will give respondents an opportunity to have input into the areas that they consider need to be addressed when applying the principles of IPSAS 17 to infrastructure assets. However, staff are of the view that the principles in IPSAS 17 are sound and there is no evidence to date to suggest otherwise, therefore only guidance on how to apply these principles to infrastructure assets is required.
- 11. Despite the staff view, it is acknowledged that issuing a CP will give respondents a chance to comment on whether or not they consider these principles are appropriate for these types of assets. However, developing and issuing a CP will lengthen the infrastructure asset project by at least 12 months thus delaying any resolution to the problems faced by preparers.
- 12. Further, the Public Interest Committee (PIC) have commented that the general process to date has been to issue a CP and then an ED and they consider that a CP may not be necessary in all circumstances. Staff are cognizant of the PIC's comments.

13. Alternatively, if only an ED was issued, any end product would be issued faster but respondents would not have had the opportunity to provide feedback about the issues they face. It should be noted that the draft project brief does include a survey of preparers to provide such feedback, but this may be a targeted survey and as such not all respondents would have the opportunity to comment. In any event, as mentioned, staff do not consider that a decision about whether a CP should or should not be developed, be made following completion of the research phase.

Question to the CAG

Bearing in mind Staff have still to complete its research phase, does the CAG have any preliminary views on whether the public interest is best served by producing a Consultation Paper and then an Exposure Draft or just an Exposure Draft?

Project Output

14. Staff have identified several possible outputs from this project; moving from what could be considered the most extreme to the least extreme, these outputs are:
- (a) A new IPSAS on infrastructure assets;
 - (b) Guidance to be included as part of IPSAS 17;
 - (c) A Recommended Practice Guideline (RPG); or
 - (d) A staff paper.

New IPSAS on Infrastructure Assets

15. Staff consider that if a new IPSAS were developed for infrastructure assets, this could be setting a precedent for more 'specific asset' type standards to be issued. Admittedly there are already many 'specific asset' type standards – IPSAS 12, *Inventories*, IPSAS 16, *Investment Property*, IPSAS 17, *Agriculture*, IPSAS 28-29 on Financial Instruments, IPSAS 31, *Intangible Assets* and IPSAS 36, *Investments in Associates and Joint Ventures* – however, these assets have very different characteristics and purposes to those within the scope of IPSAS 17. Some may argue that the characteristics of infrastructure assets are very different from the other assets included in the scope of IPSAS 17 and therefore they should be addressed in a stand-alone IPSAS. However, staff consider that, if a separate IPSAS on infrastructure assets was developed, this could signal that the principles within IPSAS 17 are not appropriate for such assets – this is a point on which staff are not convinced.

Guidance to be included as part of IPSAS 17

16. At this point in this project, staff consider that general guidance on how to apply the principles of IPSAS 17 to infrastructure assets is the preferred output. Such guidance would be general in nature indicating how the principles can be applied, identifying different variations that need to be considered in response to the issues that constituents have identified (e.g., layers (components) of a road). Staff also anticipate that illustrative examples would be included. Whether such guidance is mandatory or non-mandatory is yet to be determined.

Recommended Practice Guideline

17. It is probable that any RPG developed would contain similar material to that identified in paragraph 16 above. However the main differences is that guidance within a RPG would be non-mandatory and

it is issued as a stand-alone document. A possible disadvantage of having guidance on accounting for infrastructure assets as a RPG, and therefore separate from IPSAS 17, is that preparers might not reference the guidance if it is not included as part of the standard.

Staff Paper

18. The least ubiquitous of the output options is for staff to develop a paper on how they consider the principles of IPSAS 17 should be applied to infrastructure assets. The major disadvantage of this approach is that a staff paper does not hold any authority from the Board and does not have the longevity of any of the options discussed above. To illustrate this problem, as any new information added to the IPSASB website, such a paper is likely to lose its prominence.

Initial view

19. Staff consider that because the principles in IPSAS 17 are not flawed, a new IPSAS on infrastructure assets is not warranted. An RPG or a staff paper would not provide authoritative guidance therefore staff consider that this may not be the most suitable output. As such staff consider that guidance attached to IPSAS 17 is the most appropriate output for the infrastructure asset project.

Question to the CAG

Does the CAG agree with the staff initial view that guidance attached to IPSAS 17 best serves the public interest in regards to accounting for infrastructure assets?

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

[DRAFT] PROJECT BRIEF AND OUTLINE

Subject—Public Sector Assets: Infrastructure Assets

1. Rationale for Project

- 1.1 In the public sector, infrastructure assets account for a large proportion of total assets. Although within the scope of IPSAS 17, *Property, Plant and Equipment*, this Standard only describes the characteristics of infrastructure assets but does not prescribe any specific guidance or accounting treatments.
- 1.2 The IPSASB Strategy Consultation issued in March 2014 listed Infrastructure Assets as a potential project to be added to the IPSASB's work program. Responses to this consultation document¹ highlighted the long-term nature of infrastructure assets and issues related to maintenance and renewal. One respondent also highlighted a post-implementation review done in their jurisdiction on IPSAS 17 that highlighted challenges in accounting for infrastructure assets. At the December 2014 IPSASB meeting the Board discussed the feedback from the strategy consultation and directed staff to add 'infrastructure assets' to the "must do" list². The IPSASB formally added this project on infrastructure to its work plan at its June 2015 meeting.
- 1.3 At the Public Sector Standard Setters Forum in Winterthur, Switzerland in July 2017 many attendees confirmed the need for a project addressing infrastructure assets citing issues regarding lack of definition, characteristics of infrastructure assets, measurement, impairment and componentization.
- 1.4 Conversely, some attendees questioned why there was a need for the project as the principles in IPSAS 17 are appropriate and although there is little guidance within IPSAS 17, many jurisdictions have developed their own².
- 1.5 Given the above comments the project will progress initially with a more in-depth research phase aimed at identifying the actual difficulties preparers face when applying the principles of IPSAS 17 to infrastructure assets and/or if there are in practice any issues with the principles. After this research a project proposal will be developed with a recommendation of appropriate output – new IPSAS, revise IPSAS 17 with additional guidance, standalone guides (e.g., Recommended Practice Guideline (RPG)) or staff paper.

2. Current Accounting Requirements

- 2.1 IPSAS 17, was initially issued in December 2001 and was primarily drawn from IAS 16, *Property, Plant and Equipment*. A revised version that reflected changes to IAS 16, resulting from the IASB's

¹ A collation of responses to the IPSASB Strategy Consultation from respondents who mentioned the infrastructure project is attached as an Appendix.

² As part of the research work proposed later in this Brief, Staff will explore guidance provided in these jurisdictions.

2002-2003 General Improvements Project, was issued in December 2006. The principal requirements of IPSAS 17 relate to:

- (a) Recognition;
- (b) Measurement (initially and subsequently);
- (c) Depreciation;
- (d) Derecognition; and
- (e) Disclosures

2.2 IPSAS 17 provides limited guidance on infrastructure assets but notes that there is no universally accepted definition³ of infrastructure assets and therefore provides examples of such assets – road networks, sewer systems, water and power supply systems and communication networks. IPSAS 17 notes that infrastructure assets display some or all of the following characteristics:

- (a) Are part of a system or network;
- (b) Are specialized in nature and do not have alternative users;
- (c) Are immovable; and
- (d) May be subject to constraints on disposal.

2.3 Regardless of this guidance, IPSAS 17 states that “infrastructure assets meet the definition of property, plant and equipment and should be accounted for in accordance with this Standard.”

2.4 Some standard setters⁴ have (or have had) specific requirements related to infrastructure assets for example, related to componentization and enhanced or additional disclosures. Other characteristics unique to ‘infrastructure assets’ may also need to be identified including that they are normally long-lived.

2.5 IPSAS 17 was issued prior to development of *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (The IPSASB Conceptual Framework)*, which, therefore, must be taken into account in this infrastructure assets project. Also, when accounting for public

³ Wikipedia defines ‘infrastructure’ as ‘fundamental facilities and systems serving a country, city or area including the services and facilities necessary for its economy to function. It typically characterises technical structures such as roads, bridges, tunnels, water supply, sewers, electrical grids, telecommunications, and so forth, and can be defined as “the physical components of interrelated systems providing commodities and services essential to enable, sustain, or enhance societal living conditions.” (<https://en.wikipedia.org/wiki/Infrastructure> sourced 14 August 2017)

<http://www.dictionary.com/browse/infrastructure>

1. the basic, underlying framework or features of a system or organization;

2. the fundamental facilities and systems serving a country, city, or area, as transportation and communication systems, power plants, and schools;

3. the military installations of a country.

⁴ France and Austria have limited additional guidance for infrastructure assets and Australia has a standard for Land under Roads.

sector assets, regard must also be had to IPSAS 21, *Impairment of Non-Cash-Generating Assets*, IPSAS 26, *Impairment of Cash-Generating Assets* and, where appropriate to IPSAS 32, *Service Concession Arrangements: Grantor*.

3. Project Objectives

Project Objective

- 3.1 The project objective is to continue research and determine the actual issues preparers have when applying IPSAS 17 to infrastructure assets and whether there are any problems with the principles in IPSAS 17. Once this research is completed a final project proposal will be developed with a recommendation of how to proceed (if necessary) and, if required, what output should be developed – either more detailed requirements and guidance on accounting for infrastructure assets as revisions to IPSAS 17, or other appropriate IPSAS standard(s), or an RPG. This does not preclude the possibility of a stand-alone standard dealing with infrastructure assets.

Objectives to be achieved

- 3.2 Conduct and analyze research into issues preparers have in applying IPSAS 17 to infrastructure assets.
- 3.3 Prepare a final project proposal with recommendations for required output.
- 3.4 If deemed necessary, the intermediate objectives are to produce a Consultation Paper (CP) of viable options for accounting and disclosure (if required) and an Exposure Draft (ED) of proposed revisions to IPSAS 17 related to infrastructure assets or of an IPSAS specific to infrastructure assets. However, if research determines that only additional guidance is required, a CP may not be warranted.
- 3.5 The ultimate objective is to issue a revised IPSAS 17 (or other IPSAS), with additional requirements and/or more detailed guidance on accounting for infrastructure assets, or a RPG or a new IPSAS.

Link to the IPSASB's Strategic Objective

- 3.6 The IPSASB's Strategy for 2015 Forward: *Leading through Change* cites 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 the IPSAS and the benefits of their adoption."
- 3.7 This project is consistent with the IPSASB's strategic objective because:
- Developing high-quality public sector financial reporting standards and/or developing other publications for the public sector will be achieved by addressing issues with infrastructure assets through either, a new IPSAS, improving IPSAS 17 with additional guidance or providing guidance via other means (RPG or staff paper); and
 - The project will raising awareness of IPSASs and the benefits of their adoption, because infrastructure assets are particularly significant in the public sector.

4. Outline of the Project

Project Scope

- 4.1 The scope of this project is to clearly identify/articulate what infrastructure assets are and then to provide more detailed requirements and guidance for accounting for them addressing the key issues below.

Key Issues

- 4.2 The key issues are listed below:

Key Issue #1—Definition

- 4.3 Paragraph 1.2 above gives the characteristics of infrastructure assets identified in IPSAS 17. The project will develop a definition of infrastructure assets that seeks a balance between being too broad, and therefore risks including inappropriate items, and one that is too restrictive.
- 4.4 The project will also seek to provide details of some of the most common categories of infrastructure assets and, at a high level, the data necessary for an inventory and to maintain valuations and assess maintenance needs and provide input to the estimation of depreciation and impairment. Such an inventory should be part of the overall stewardship, decision-making and management of infrastructure assets, rather than information maintained for purely accounting purposes.
- 4.5 Paragraph 2.2 lists the characteristics of infrastructure assets as cited in IPSAS 17. This project will review this list and determine whether there are other characteristics that are particular to infrastructure assets that should be included.

Key Issue #2—Control of Infrastructure Assets

- 4.6 At the September 2017 IPSASB meeting, Board members raised the issue of establishing control of infrastructure assets and in particular the difficulty with determining which entity has control of such assets, due, for example, to easements⁵ on land.
- 4.7 The project will consider this issue and determine if any guidance is required for entities to make this assessment in regards to infrastructure assets.

Key Issue #3—Recognition – distinguishing between capital and maintenance expenditure

- 4.8 Another issue raised at the September 2017 Board meeting was the difficulties preparers have in making the distinction between capital expenditure and maintenance. Although IPSAS 17 paragraphs 23-25 discusses subsequent costs, it provides little guidance on making the distinction between the two types of expenditure. Therefore this project should consider this issue and determine whether guidance particular to infrastructure assets is required.

⁵ A right to cross or otherwise use someone else's land for a specified purpose.

Key Issue #4— Measurement at initial recognition and subsequently

- 4.9 The project will consider measurement requirements and guidance for infrastructure assets taking into account the measurement bases identified in Chapter 7, Measurement of Assets and Liabilities in Financial Statements of the *IPSASB Conceptual Framework* and the Public Sector Measurement project
- 4.10 It has been suggested that the Infrastructure Assets project be subsumed into the Public Sector Measurement project. However, measurement is only one aspect of the issues to be addressed in this project. Therefore while there may be some cross-over between the two projects, they will remain separate, at least in this phase, but with appropriate liaison between staff, Task Force Chairs and Task Force members.
- 4.11 While the Public Sector Measurement project is broader than just infrastructure assets, feedback from a survey undertaken as part of that project has indicated that in respect of infrastructure assets, issues raised were:
- (a) Initial measurement where historical cost is not available, and, subsequent measurement where a measurement basis other than historical cost is used;
 - (b) The concepts of 'replacement cost' and 'optimized replacement cost' when measuring assets;
 - (c) Application of depreciated replacement cost; and
 - (d) Whether subsequent current value measurement should solely be depreciated replacement cost, or whether a commercial based valuation or another approach is more appropriate.
- 4.12 Given the nature of infrastructure, for jurisdictions adopting a current value accounting policy, depreciated replacement cost is expected to be the appropriate measurement basis. The project will seek to provide guidance on the application of depreciated replacement cost at initial recognition, when the historical cost is not known and for subsequent measurement.
- 4.13 In addition, the Board, at its September 2017 meeting, raised the issue of measuring the remaining service potential of an infrastructure asset. The Public Sector Measurement project is addressing measuring service potential, therefore, this infrastructure project will consider whether guidance can or should be provided on measuring remaining service potential or whether any guidance will be within the Public Sector Measurement project.

Key Issue #5 —Depreciation

- 4.14 Some argue that infrastructure assets should be subject to the same depreciation requirements as other assets. There is also a view that depreciation requirements should be aligned to asset management policies.

- 4.15 Some standard setters⁶ have developed approaches (or have previously had approaches in place) that permit entities not to depreciate infrastructure assets if they meet specified conditions. Such conditions typically relate to the maintenance of up-to-date inventories, the completion of regular condition assessments and financing the maintenance and preservation of such assets at a specified level in accordance with such condition assessments. Such depreciation requirements are not in accordance with the existing depreciation requirements of IPSAS 17. The project will examine whether there is a public sector rationale for differential depreciation requirements for infrastructure assets.

Key Issue#6—Componentization

- 4.16 Componentization is not an issue specific to infrastructure assets. However, because of their nature it has a particular significance for infrastructure assets and has major cost implications for preparers. Componentization involves the disaggregation of an overall network into different parts with different useful lives and replacement costs. There can be diversity of practice in what constitutes a component – for example how many layers there are in a road will vary depending on the jurisdiction and the road construction. Unnecessarily detailed disaggregation of a network can lead to increased costs, as each component has to be valued and has a separate useful life. The project will consider whether high-level guidance can be developed that is useful for preparers, while acknowledging that the development of detailed schedules of components for common infrastructure assets is likely to be inappropriate for a principles-based standard setter.
- 4.17 The Public Sector Measurement project survey also identified that the identification of components for depreciation as an issue for infrastructure assets.

Key Issue#7—Disclosures

- 4.18 There is a view that the disclosure requirements in IPSAS 17 are insufficient for infrastructure assets and that additional disclosures need to be developed. Such a view is based on the fact that infrastructure assets are often part of a network delivering essential services. Disclosures of condition assessments and maintenance backlogs are regarded as necessary for accountability purposes, so that users can assess whether the entity is able to provide essential services in the future. The need for additional disclosures is countered by the recent emphasis on “disclosure overload”.
- 4.19 Other issues we may need to explore include, but might not be limited to, the following:
- (a) Infrastructure assets managed by for-profit public sector entities bearing in mind IPSAS explicitly excludes for-profit government businesses but which are consolidated at the whole of government level.
 - (b) Infrastructure assets within the scope of IPSAS 32, Service Concession Arrangements: Grantor.
 - (c) Impacts of changing technologies on optimized replacement costs
 - (d) Revaluation intervals.

6 The UK's FRS 15 *Tangible Assets* (now superseded) allowed Renewals Accounting as an alternative to depreciation

5. Describe the Implications for any Specific Persons or Groups

Relationship to IASB

- 5.1 There are links to IAS 16, *Property, Plant and Equipment*, and IFRS 13, *Fair Value Measurement*. However, neither IPSAS 17 nor IFRS 13 address infrastructure assets separately from other items of property, plant and equipment.

Relationship to Other Standards, Projects in Process or Planned Projects

- 5.2 There are links to the Conceptual Framework and, in particular, to the project on Public Sector Measurement, particularly on the application of depreciated replacement cost and valuations for subsequent measurement. Because of the links to the Public Sector Measurement project, it was decided that this project on Infrastructure Assets should not start before the measurement project. The project on Public Sector Measurement has now commenced.

Other—Government Finance Statistics

- 5.3 The definition and measurement requirements in the Government Finance Statistics Manual and other sources of statistical accounting will be considered. The *Process for Considering GFS Reporting Guidelines during Development of IPSASs* (2014) will guide the approach to evaluating approaches in the GFSM.
- 5.4 In evaluating statistical accounting approaches the standing tracking table will be a useful source.

6. Development Process, Project Timetable and Project Output

Development Process

- 6.1 The development of any proposed outputs will be subject to the IPSASB's formal due process with input from the Consultative Advisory Group (CAG). The approval of any CP and/or ED will be subject to the usual IPSASB voting rules. As the project progresses, regular assessments will be made to confirm that the proposed path in the project timetable remains the most appropriate.

Project timetable

- 6.2 This project will be informed by the project on Public Sector Measurement, so it will be inappropriate to activate it until the Public Sector Measurement Project is well developed. Following is the proposed timeline for this project on Infrastructure Assets.

Major Project Milestones	Expected Completion
Present draft Project Brief	September 2017
Continue research into existing practices and identification of specific issues with identified areas of concern	October 2017-March 2018
Present updated draft Project Proposal (CAG)	December 2017
Present progress report on research to date (IPSASB)	December 2017
Present final Project Proposal informed by research (IPSASB)	March 2018

Development of Consultation Paper (CP)/Exposure Draft (ED) – whichever is deemed appropriate	March 2017-September 2018
Approve CP/ED (four month comment period)	September 2018
Review of responses to CP/ED	February 2019-June 2019
Develop Exposure Draft (ED)	July 2019-December 2019
Approve ED (four month comment period)	December 2019
Reviews of responses to ED	May-September 2020
Approve revisions to IPSAS 17 (or new IPSAS)	December 2020

Likely Project output

- 6.3 The initial output will be a CP or an ED. If a CP is issued, following analysis of responses to that CP, an ED will be developed. Revised requirements, if warranted, will be finalized following analysis of responses to the ED.

7. Resources Required

Task Force

- 7.1 It has not yet been decided whether a Task Force should oversee the project. Any such Task Force could include experts from the valuation and engineering professions and statistical accountants.

Board Working Group

- 7.2 Consideration could be given to development of a Board Working Group, however, staff consider that at the early stages of this project involvement should only be from a Task Force (if deemed necessary) and whether a Board Working Group should be established will be considered later in the project.

Staff

- 7.3 It is envisaged that 0.4 Full Time Equivalent (FTE) staff member will be required to resource the project.

Factors that might add to complexity and length

- 7.4 The range of infrastructure assets. The extra coordination and consultation related to a Task Force compared with a Task Based Group.
- 7.5 Developing a Consultation Paper will extend the length of this project by up to 12 months.

8. Important Sources of Information

8.1 The principal information sources of information will be the literature of public sector standard setters and statistical accountants. These include but are not means to:

- Conseil de Normalisation des Comptes Publics (CNOCP), Standard 6, *Tangible Assets* in particular paragraph 1.6
- Chartered Institute of Public Finance and Accountancy (CIPFA): *Code of Practice on Transport Infrastructure Assets (and also Guidance Notes)*
- CIPFA Local Authority Technical Bulletin 100, *Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17*
- South African Accounting Standards Board (SAASB), *Accounting for Infrastructure Assets - Facts and Fiction*
- SAASB, *Summary of Results of the Post-implementation Review of Selected Standards of GRAP*
- CPA Canada, *Accounting for Infrastructure Assets*
- CPA Australia, *Guide to Valuation and Depreciation under the International Accounting Standards for the Public Sector*
- Queensland Treasury, *Non-Current Asset Policies for the Queensland Public Sector*
- New South Wales Treasury, Policy and Guidelines Paper, *Valuation of Physical Non-Current Assets at Fair Value*
- International Monetary Fund, *Government Finance Statistics Manual 2014*
- AASB paper on impairment related matters resulting in its development of "Simplified impairment requirements bring cost savings to Australian NFPs+ - refer <http://www.aasb.gov.au/News/Simplified-impairment-requirements-bring-cost-savings-to-Australian-NFPs?newsID=213529>
- EPSAS Working Group, *EPSAS issue paper on the accounting treatment of infrastructure assets, April 2017*

9. Other matters

9.1 Examples of infrastructure assets – refer table below:

Storm-water systems
Roads and motorways – national, state, local government and some in national parks
Bridges
National parks
Tunnels
Prisons
Dams
Communications, telephone, other
Railways
Ports
Airports
Power generation, distribution, transmission and retail
Water and sewerage

For information

Responses to IPSASB Strategy Consultation 2014

The IPSASB Strategy Consultation 2014 provided a list of potential projects that could be undertaken. Infrastructure assets was one project listed under the heading “*Projects to Address Public Sector Specific Issues*”. The following information regarding Infrastructure Assets was provided in an appendix to the strategy consultation.

Infrastructure Assets In the public sector, the infrastructure assets account for a large part of the total assets. Infrastructure assets are included in the scope of IPSAS 17, Property, Plant and Equipment. However, some stakeholders have proposed a specific standard to deal with the recognition, measurement and disclosure of infrastructure assets on the basis that, given the nature of infrastructure assets they may require longer implementation periods. In addition, there is some question about whether there should also be more information for depreciation, tear and wear, revaluations and, the treatment of improvements, which in most cases result in maintenance expenses of service potential. There is some evidence of varying accounting treatments for infrastructure assets between countries. For example, some jurisdictions require revaluation at the replacement cost; others do not require such revaluations (or allow entities to measure assets at historical cost basis).

Since infrastructure assets are addressed in IPSAS 17, the project would need to start with research of the specific problems related to accounting for infrastructure assets in practice. This would assist in determining whether any issues could be handled through a revision of IPSAS 17.

Respondents were asked the following question:

Considering the various factors and constraints, which projects should the IPSAS prioritize and why? Where possible please explain your views on the description and scope of the project.

Below is the feedback received from the respondents that commented that a project on Infrastructure Assets should be added to the agenda.

No.	Respondent	Comments
4	Swedish National Audit Office	The list of potential project are all relevant and important. Indicates which projects should be given the highest priority: Projects to address public sector specific issues <ul style="list-style-type: none"> • Measurement – public sector specific • Non-exchange expenses • Infrastructure assets, heritage assets and other related asset related projects
8	FEE	FEE also believes that “infrastructure assets” and “military assets” are useful projects because, although other IPSASs and IFRSs can be adapted to deal with these issues, there is currently considerable divergence between jurisdictions as to how these are accounted for.
10	PwC - Belgium	Infrastructure and military assets are a major source of government spending with high transaction frequency. Additional guidance is desirable, whether in specific standards or supplementary implementation guidance provided as part of the existing standard on property, plant and equipment (that latter option might be sufficient).

No.	Respondent	Comments
11	Swiss Public Sector Financial Reporting Advisory Committee	<p>The Committee supports in each of the four categories mentioned the following projects:</p> <ul style="list-style-type: none"> • Infrastructure Assets: these assets are typical for public entities; they represent more or less what is called 'administrative assets' (or productive investment) in the Swiss entities; compared to 'non-administrative assets' (that include financial investments).
14	Accounting Standards Board – South Africa	<p>The issues identified by our constituents as priority projects are as follows:</p> <p>Public sector specific projects</p> <ul style="list-style-type: none"> • Infrastructure assets. <p><u>Infrastructure assets</u></p> <p>8.4 During discussions with our constituents on the application of our Standards (which are based on IPSASs), accounting for infrastructure assets is consistently raised as an issue. Issues are raised regarding the level of componentisation required, that the annual assessment of residual values and useful lives is onerous, that it is difficult to make clear decisions about whether subsequent expenditure on an asset is repairs and maintenance or of a capital nature, and a number of issues have been raised on the impairment of these assets. 8.5 We recently completed a post-implementation review of our equivalent Standards on Property, Plant and Equipment and Investment Property. The results of this review may be useful in identifying key issues to include in this project. These results can be accessed on our website. 8.6 Given that a number of issues exist in this area for which clear guidance is needed, we believe this is a high priority project.</p>
16	CIPFA	<p>All the projects listed have merit as future projects for IPSASB, but on balance we suggest that priority should be given to the following projects.</p> <p><u>Public Sector Specific Issues</u></p> <p>Non-exchange expenses</p> <p>Measurement – public sector specific</p> <p>Infrastructure assets</p>
22	Institute of Chartered Accountants India	<p>All projects mentioned under the '<i>Projects to address public sector specific issues</i>' are important. In this regard, it may be suggested that given below projects can be taken up on priority considering their importance and need for public sector in the following order:</p> <ul style="list-style-type: none"> • Infrastructure Assets • ... <p>It may also be mentioned that various projects under this head such as Infrastructure Assets, Intangible Assets-Public Sector Specific which are addressed in the relevant existing IPSAS. As per the Exposure Draft some research is required in regard to such subjects as to whether these can be handled through revision in the respective existing IPSAS. Such research may also be undertaken on priority basis so as to make the position clear. Subsequently, on the basis of the research findings the projects may be taken up for formulation of new IPSASs or revision of existing IPSAS as the case may be.</p>

No.	Respondent	Comments
23	The Japanese Institute of Certified Public Accountants	<p>We recommend that the following projects should be given priority.</p> <p>(1) Heritage Assets</p> <p>(2) Infrastructure assets Public sector entities hold many infrastructure assets, and compared to other assets they hold, many of these assets have more qualitative and quantitative materiality. Measuring the service potential of numerous infrastructure assets that do not directly generate revenue (e.g.: roads, river and sea banks, harbor facilities, bridges, and tunnels) is a critical challenge.</p> <p>Going forward, many issues related to aging and obsolete infrastructure built up during earlier decades of development are certain to emerge as conspicuous problems in many jurisdictions around the world. To address these problems, estimates for the renewal and reconstruction of this infrastructure will be essential. The recognition, measurement, and depreciation of these infrastructure assets may have significant effects on the accuracy of government estimates for renewal and reconstruction.</p> <p>We believe that there are a lot of other issues to be addressed, including the evaluation of gratis transfer and the adoption of the replacement approach for network assets such as railroads.</p> <p>As we stated in our comments on “Consultation on IPSASB Work Program 2013-2014,” the current status of accounting for infrastructure assets should be investigated and the needs of the users of financial information should be analyzed in order to assess whether an accounting treatment different from that for ordinary fixed assets will be required.</p>
26	EY - Global	<p>As noted previously, we believe that the IPSASB should focus on addressing public sector-specific financial reporting gaps where there is a lack of guidance in current IPSAS literature. In terms of priority, we believe non-exchange expenses and revenue recognition – including improvements to IPSAS 23 Revenue from Non-exchange Transactions - should be of top priority.</p> <p>The next group of topics that are of importance would be standards addressing the recognition and measurement of assets specific to public sector entities such as infrastructure and military assets and other intangible assets of public sector entities. In our view the project on intangible assets (public sector specific) is closely linked to the projects on sovereign powers and their impact on financial reporting. Therefore we recommend that the Board consider taking these projects on board collectively.</p>
27	CPA/ICAA	<p>We would like the IPSASB to give priority to public sector-specific measurement. Measurement of heritage, infrastructure and military assets would appear to warrant particular attention. We encourage the publication of a standard with an objective the same as that of IFRS 13 Fair Value Measurement in the for-profit sector. We would also like the IPSASB to address non-exchange expenses and revenue, the role of government as owner, employee benefits (IPSAS 25) and leases (IPSAS 13).</p>
29	Denise Silva Ferreria Juvenal	<p>Infrastructure assets - I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.</p>
30	Colegio de Contadores	<p>We think a guide would be a great help. However, we do not think a new standard would be needed. Priority - Medium</p>

No.	Respondent	Comments		
	Públicos de Costa Rica			
31	SAICA	We believe the potential projects should be prioritised in the following order: - +10 [ranked first]		
		Significance in the public sector / impact on financial reporting	In South Africa, there have been a number of enquiries raised regarding infrastructure assets. The ASB in South Africa issued a separate FAQ guide, Accounting for Infrastructure Assets - Facts and Fiction which is available on: http://www.asb.co.za/index.php?option=com_content&view=article&id=80&Itemid=109 Infrastructure assets usually carry high values and therefore its accounting treatment may consequently have significant impact on public sector financial reporting.	+2
		Urgency	The ASB already had to address uncertainties with a local publication. Moreover, the ASB's recent post-implementation review highlighted the issue. It would therefore be beneficial to South Africa if this is dealt with sooner.	+2
		Gaps in Standards	Infrastructure assets are dealt with to a very large extent in IPSAS 17. Some questions about infrastructure assets are contained in the abovementioned guide. Though some of the underlying issues might be a matter of training or competence, many of the issues or questions do indicate a standards-issue because IPSAS 17 does not provide sufficient guidance. We are therefore of the view that there are some gaps in existing standards	+1
		IFRS Convergence	On certain aspects (e.g. componentisation) there is a possibility of IFRS convergence.	+1
		Alignment with GFS	We believe this project may impact GFS alignment	+1
		Development	Our view is that this issue's significance and impact may develop, and may not be solved without guidance.	+1
		Constraints	The project deals with only certain aspects of financial reporting of a certain type of property, plant and equipment. The ASB in South Africa issued FAQ guidance on this topic already which the IPSASB may leverage off from.	+1

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1. IPSASB Due Process Checklist (condensed to included portions relevant to the CAG)

Project: Infrastructure Assets

#	Due Process Requirement	Yes/No	Comments
A. Project Brief			
A1.	A proposal for the project (project brief) has been prepared, that highlights key issues the project seeks to address.	Yes	The IPSASB considered the original project brief at its June 2015 meeting (see Agenda Item 10.3). Staff are revising this project brief and it is due for approval at the March 2018 IPSASB meeting.
A2.	The IPSASB has approved the project in a public meeting.	Yes	See the minutes of the June 2015 IPSASB meeting (section 10).
A3.	The IPSASB CAG has been consulted on the project brief.	No	The CAG is being consulted on this revised draft project brief at this meeting.
B. Development of Proposed International Standard			
B1.	The IPSASB has considered whether to issue a consultation paper, or undertake other outreach activities to solicit views on matters under consideration from constituents.	N/A	
B2.	If comments have been received through a consultation paper or other public forum, they have been considered in the same manner as comments received on an exposure draft.	N/A	
B3.	The IPSASB CAG has been consulted on significant issues during the development of the exposure draft.	N/A	
D. Consideration of Respondents' Comments on an Exposure Draft			
D4.	The IPSASB CAG has been consulted on significant issues raised by respondents to the exposure draft and the IPSASB's related responses.	N/A	
D5.	Significant comments received through consultation with the IPSASB CAG are brought to the IPSASB's attention. Staff have reported back to the IPSASB	N/A	

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#	Due Process Requirement	Yes/No	Comments
	CAG the results of the IPSASB's deliberations on those comments received from the CAG.		