

Meeting: IPSASB Consultative Advisory Group
Meeting Location: Kuala Lumpur, Malaysia
Meeting Date: December 3, 2018

Agenda Item 4

For:
☐ Approval
☒ Discussion
☒ Information

Technical Director's Report on the Work Plan

Objective of Agenda Item

1. To receive the Technical Director's report on the work plan.
2. To note the work plan and key changes since the June 2018 meeting.
3. To note the IPSASB report backs on previously discussed technical projects.

Material(s) Presented

Agenda Item 4.1	IPSASB Work Plan: December 2018
Agenda Item 4.2	Social Benefits–June 2018 Report Back
Agenda Item 4.3	Revenue–June 2018 Report Back
Agenda Item 4.4	Non-Exchange Expenses–June 2018 Report Back
Agenda Item 4.5	Strategy and Work Plan 2019–2023–September 2018 CAG Teleconference Report Back

Annual Review of the Work Plan

4. In December 2017, the IPSASB carried out its first in-depth review of the work plan. The CAG was consulted prior to the review taking place, and supported the approach. The revised work plan that resulted from that review was reflected in the Consultation Paper, *Strategy and Work Plan 2019-2023*. The IPSASB agreed that an in-depth review of the work plan should take place at the final meeting of each year in order to ensure that, at the end of the year, the work plan is realistic.
5. The Technical Director, Chair and staff have reviewed the work plan, taking into account the issues expected to arise in each project. Where projects are dependent on decisions being made in other projects, the scheduling of projects reflects those dependencies.
6. With the exception of Leases the work plan adopts the assumption that IPSASB proposals and preliminary views (PVs) in consultation papers and proposals in Exposure Drafts (ED) are generally supported by respondents. Apart from Leases the work plan adopts a “best case” scenario, which assumes that there will be no re-exposure of EDs. Leases is discussed in more detail in paragraphs 17 and 18.

7. Similarly, the work plan adopts the assumption that there is a full staff complement (eight technical staff supported by Head of Administration and Events and an Administrative Assistant and consultancy support) for the remaining duration of the period covered by the work plan. Principal, Paul Mason, will be leaving the Toronto-based staff complement and returning to the United Kingdom at the end of December 2018. Paul has indicated that he wants to remain involved in standard-setting with IPSASB, on a contractual basis. Initially, Paul is likely to commit a fairly large amount of his available time to IPSASB, but this commitment is likely to reduce significantly from late in the second quarter of next year. Arrangements for recruiting a successor to Paul are well-advanced, and it is anticipated that a replacement will be in post early in 2019. Any delays in recruitment (or the departure of any other staff) are likely to result in delays to one or more projects.
8. Apart from Heritage and Infrastructure where it is proposed to defer work until June 2019, major agenda items are scheduled for all meetings unless the meeting is during a consultation period. It may be necessary to reduce the number of projects discussed at some meetings in order to manage both the agenda and staff resources.

Summary of key changes agreed since the June 2018 Meeting

9. Following the earlier than expected approval of IPSAS 41, *Financial Instruments* at the June 2018 meeting, the IPSASB decided to bring forward the Improvements project *Long-term Interests in Associates and Joint Ventures and Prepayment Features with Negative Compensation*.
10. At the June 2018 meeting, the IPSASB decided to bring forward the *Collective and Individual Services* stream of the *Non-Exchange Expenses* project by one quarter. An ED is expected to be approved in December 2018, with the final pronouncement scheduled for December 2019.
11. At the September 2018 meeting, it was agreed that the three streams of the *Revenue* project should be issued for consultation at the same time, to allow respondents to understand the overall impact of the proposed changes. The IPSASB also agreed that the IFRS 15 alignment stream and the Grants and Other Transfers stream should be issued in a single Exposure Draft (ED). Consequently, the IPSASB agreed to defer the approval of the EDs addressing the IFRS 15 alignment stream and the Limited Update of IPSAS 23, *Revenue from Non-Exchange Revenue (Taxes and Transfers)* Stream until June 2019 (see below paragraph 20 for further modifications to timeline).
12. The IPSASB agreed to extend the development of the combined Consultation Paper (CP) and ED on *Measurement* until March 2019, with consequential amendments to the finalization of the project. This reflected the IPSASB's view that the volume of work was too great to be completed by the December 2018 meeting.
13. Following the review of the responses to the *Strategy and Work Plan* consultation, the IPSASB agreed to consider *Improvements* on an annual basis, subject to the volume of issues identified justifying an annual consultation.

In-Depth Review of the Work Plan at the IPSASB December 2018 meeting

14. The Chair and the Technical Director, along with staff, have reviewed the work plan for the individual projects. The following section evaluates each of the projects. Following an initial review on Day One the IPSASB will undertake a detailed review of these projects on Day Four at its December 2018 meeting.

Public Sector Financial Instruments

15. The approval of IPSAS 41, *Financial Instruments*, in June 2018 in advance of the projected approval date, and subsequent publication in August 2018, allowed staff, Financial Instruments Task Force (FITF) and Board to focus on the Public Sector Specific Financial Instruments stream. The FITF held a successful meeting in Amsterdam in October 2018. The Chair and Technical Director consider that the project is on course for approval of an ED in September 2019 with a final pronouncement in December 2020.
16. However, it should be noted that both the FITF and lead staff member have had a considerable involvement in the Measurement project, principally, but not exclusively in making recommendations on the importation of IFRS 13, *Fair Value Measurement*, into the IPSASB literature. Any increase of this input may have an impact on the timelines for *Public Sector Financial Instruments*.

Leases

17. The work plan on the agenda for the IPSASB's September 2018 meeting showed discussions on the Leases project continuing until September 2019, but with no indication of when the project would conclude. Given the wide range of views expressed by respondents on the proposals for lessor accounting and concessionary leases in ED 64, *Leases*, and the complexity of the issues raised, the future development of this project is uncertain. There are a number of possible approaches and those that involve departures from the proposals in ED 64 are highly likely to require re-exposure.
18. Consequently the work plan at Appendix A includes two options – the approval of an IPSAS in March 2020, or the approval of a further ED in March 2020, and subsequent approval of an IPSAS in the first half of 2021.

Social Benefits and Non-Exchange Expenses

19. IPSAS 42, *Social Benefits*, is due for approval at the IPSASB's December meeting. The related ED 67, *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19), is also due for approval in December. If approved as planned, IPSAS 42 and ED 67 will be issued in late January 2019. Because of the linkages between these two projects it is important that IPSAS 42 and ED 67 are issued at the same time. A final pronouncement on *Collective and Individual Services and Emergency Relief* is projected for December 2019. As indicated above this assumes that the approach in ED 67 is largely supported and that no major issues arise.

Revenue project streams and Non-Exchange Expenses (Grants, Contributions and Other Transfers)

20. Because of the complex interactions between the various streams of the Revenue project, and the links with the *Grants, Contributions and Other Transfers* stream of the *Non-Exchange Expenses* project, the Technical Director proposes deferring the approval of the Revenue EDs and ED, *Grants, Contributions and Other Transfer Expenses*, until September 2019, with approval of the final IPSAS projected for March 2021. This would fully align the Revenue project and the *Grants, Contributions and Other Transfers* stream of the *Non-Exchange Expenses* project. It is also essential that the IPSAS dealing with transactions with appropriate performance obligations is issued at the same time as the updated IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.
21. The timeline in the work plan assumes that approval of final pronouncements will take four meetings, rather than the standard assumption of three meetings. This is because of the complex subject matter and the linkages between the different Revenue streams and the linkage with the *Grants, Contributions and Other Transfers* stream of the *Non-Exchange Expenses* project.

Measurement

22. Reasonable progress has been made on this project in the second half of 2018, particularly in clarifying the scope of the initial ED, and the structure of the CP and ED. However, the timelines remain challenging and the viability of March 2019 approval for the combined CP/ED is largely dependent on developments at the IPSASB's December meeting. This is the first time that the IPSASB has developed an outline ED for publication with a CP.
23. The Technical Director proposes that, following the approval of the combined CP/ED, a draft IPSAS covering the *Principles of Measurement* should be issued at the same time as an ED with *Consequential Amendments*. These would be approved in June 2020, with the final IPSAS being approved in June 2021.

Infrastructure Assets and Heritage

24. In order to prioritize staff resources on the *Measurement* and *Revenue* projects, and in response to the extended timeline for the *Measurement* project, the Technical Director proposes that the IPSASB recommence its deliberations on the *Infrastructure Assets* and *Heritage* projects in June 2019 rather than in March 2019 (as shown in the previous work plan).
25. The work plan indicates approval of EDs for both projects in September 2020, with approval of the final pronouncements, probably in the form of application guidance to IPSAS 17, *Property, Plant and Equipment*, in the second half of 2021.

Improvements

26. The work plan indicates that improvements will be issued annually. This remains viable, subject to the assumptions on staffing resources in paragraph 7 and volume of issues in paragraph 13. Amendments from the separate ED 66, *Long-term Interests in Associates and Joint Ventures and Prepayment Features with Negative Compensation*, are expected to be approved at the IPSASB's December meeting.

Strategy and Work Plan 2019-2023

27. The Strategy and Work Plan 2019-2023 and the associated Feedback Statement are on course for approval at the IPSASB's December meeting.

Natural Resources and Limited Scope Review of the Conceptual Framework

28. At its September meeting the IPSASB agreed to add a project on *Natural Resources* and *the Limited Scope Review of the Conceptual Framework* to the work plan. These projects will be included in the work plan following approval of the Strategy and Work Plan 2019-2023 at the December IPSASB meeting.

Questions for the CAG

29. The CAG is asked to note:
 - (a) The changes to the work plan;
 - (b) The proposed changes to the work plan being considered as part of the in-depth review; and
 - (c) The report backs on the Social Benefits, Revenue, Non-Exchange Expenses and Strategy (CAG teleconference) projects;

and to provide comments to the IPSASB on any of these issues.

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IPSASB WORK PLAN: DECEMBER 2018

Project/ Initiative	Links	Dec 2018 (CAG)	Mar 2019	Jun 2019 (CAG)	Sep 2019	Dec 2019 (CAG)	Mar 2020	Jun 2020	Sep 2020	Dec 2020	H1 2021	H2 2021
A Public Sector Specific Financial Instruments	D, E	DI/ED	DI/ED	DI/ED CAG	ED			DI/RR	DI/IP	IP		
B Leases	D	DI/RR ^a CAG	DI	DI	DI	DI	IP ED			DI/RR	DI/IP	
C Social Benefits	D, E	IP										
D Revenue												
(i) Revenue from Contracts with Customers (IFRS 15)	A, B, C, E	DI/ED ^b		ED	ED			RR	DI	DI/IP	IP	
(ii) Limited Update of IPSAS 23		DI/ED	DI/ED	ED	ED			RR	DI	DI/IP	IP	
(iii) Grants, Contributions and Other Transfers		CAG ^b	DI/ED	ED	ED			RR	DI	DI/IP	IP	
E Non-Exchange Expenses												
(i) Collective and Individual Services	A, B, C, D	ED			RR	DI/IP						
(ii) Grants, Contributions and Other Transfers		CAG	DI/ED	DI/ED	ED			RR	DI	DI/IP	IP	
F Public Sector Measurement												
(i) Measurement	G, H	DI/ED CAG	CP ED			DI/RR	DI/IP	Draft IPSAS			DI/IP	IP
(ii) Consequential Amendments						DI/RR	DI/ED	ED			DI/RR	IP
G Infrastructure Assets	F, H			DI CAG	DI/ED	DI/ED	DI/ED	DI/ED	ED		RR/IP	IP
H Heritage	F, G			DI CAG	DI/ED	DI/ED	DI/ED	DI/ED	ED		RR/DI	IP
I Improvements				ED		IP		ED		IP	ED	IP

Project/ Initiative	Links	Dec 2018 (CAG)	Mar 2019	Jun 2019 (CAG)	Sep 2019	Dec 2019 (CAG)	Mar 2020	Jun 2020	Sep 2020	Dec 2020	H1 2021	H2 2021
J Long-term Interests in Associates and Joint Ventures and Prepayment Features with Negative Compensation		RR/IP										
K Strategy and Work Plan Consultation		ST										
L IPSASB Handbook				Publish			Publish				Publish	

Key:

IP = Final Standard or Amendments to IPSAS(s); RP = Final Recommended Practice Guidance; ED = Approval of Exposure Draft; PB = Project Brief; DI = Discussion of Issues; RR = Review Responses; CP = Consultation Paper; **CAG = Consultative Advisory Group Meeting**; PI = Public Interest Committee Meeting; SB = Staff Background Paper; ST = Final Strategy and Work Plan

Approvals Key:

CP = Approval of Consultation Paper

ED = Approval of Exposure Draft

IP = Approval of Final Standard or Amendments to IPSAS(s)

RP = Approval of Final Recommended Practice Guidance

ST = Approval of Final Strategy and Work Plan

This Work Plan does not include projects that are currently the subject of the Strategy and Work Plan consultation. Projects will be added to the Work Plan once the IPSASB has considered responses to the consultation and formally agreed to add projects to the Work Plan.

^a At the December 2018 and subsequent meetings the IPSASB will consider the options for addressing issues raised by respondents to ED 64, *Leases*. There are two possible timelines for completing the project shown, depending on whether the IPSASB agrees to proceed directly to a final IPSAS or agrees to issue a further ED.

^b The IPSASB's current intention is to issue one IPSAS covering transactions that meet the definitions within IFRS 15, Revenue from Contracts with Customers, and other transactions with appropriate performance obligations. The Board will discuss this further in December 2018.

December 2018

EXPECTED CONSULTATIONS DURING THE NEXT YEAR

Project details	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019
Collective and Individual Services and Emergency Relief (Exposure Draft) Approval expected at the December 2018 meeting		◆	●						
Public Sector Measurement (Combined Consultation Paper and Exposure Draft) Approval expected at the March 2019 meeting					◆	●			
Improvements to IPSAS, 2019 (Exposure Draft) Approval expected at the June 2019 meeting								◆	●	
Public Sector Specific Financial Instruments (Exposure Draft) Approval expected at the June 2019 meeting								◆	●
Revenue from Contracts with Binding Arrangements / Performance Obligations (Exposure Draft) Approval expected at the September 2019 meeting											◆
Revenue: Update of IPSAS 23 (Exposure Draft) Approval expected at the September 2019 meeting											◆
Expenses: Grants, Contributions and Other Transfers (Exposure Draft) Approval expected at the September 2019 meeting											◆

Key: ◆ — ●

Consultation document published (dates confirmed)

◆ ●

Consultation document not yet approved (dates not known, consultation period indicative)

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December 2018

PROJECTS COMPLETED SINCE LAST WORK PLAN CONSULTATION

Project	Date Issued
<i>Improvements to IPSAS, 2018</i>	October 2018
2018 Handbook of International Public Sector Accounting Pronouncements	September 2018 (online)
IPSAS 41, <i>Financial Instruments</i>	August 2018
2017 Handbook of International Public Sector Accounting Pronouncements	February 2018 (online)
<i>Financial Reporting Under the Cash Basis of Accounting</i> (Revised 2017)	November 2017
IPSAS 40, <i>Public Sector Combinations</i>	January 2017
<i>Emissions Trading Schemes—Staff Background Paper</i>	December 2016
Narrow scope amendments: <i>Impairment of Revalued Assets</i> (Amendments to IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> , and IPSAS 26, <i>Impairment of Cash-Generating Assets</i>)	July 2016
IPSAS 39, <i>Employee Benefits</i>	July 2016
2016 Handbook of International Public Sector Accounting Pronouncements	July 2016 (online) September 2016 (print)
Narrow scope amendments: <i>The Applicability of IPSASs</i>	April 2016
<i>Improvements to IPSAS 2015</i>	April 2016
2015 Handbook of International Public Sector Accounting Pronouncements	December 2015
RPG 3, <i>Reporting Service Performance Information</i>	March 2015
IPSAS 38, <i>Disclosure of Interests in Other Entities</i>	January 2015
IPSAS 37, <i>Joint Arrangements</i>	January 2015
IPSAS 36, <i>Investments in Associates and Joint Ventures</i>	January 2015
IPSAS 35, <i>Consolidated Financial Statements</i>	January 2015
IPSAS 34, <i>Separate Financial Statements</i>	January 2015
IPSAS 33, <i>First-time Adoption of Accrual Basis IPSASs</i>	January 2015
<i>Improvements to IPSASs 2014</i>	January 2015
Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities	October 2014
2014 Handbook of International Public Sector Accounting Pronouncements	June 2014

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Social Benefits–June 2018 Report Back

June 2018 CAG Discussions

1. Extracts from the draft minutes of the June 2018 CAG and how the IPSASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
June 2018 CAG Meeting Comments	
<p>IPSASB Principal, Paul Mason introduced the Agenda Item and provided an overview of the staff analysis of constituents responses to key issues identified as part of the Social Benefits project.</p> <p>The first issue staff highlighted to the CAG was the mixed support for the primary view presented in ED 63, and similarly for the alternative view. Because of the mixed responses, staff was seeking the views of the CAG to ensure the complete consideration of public interest issues. Staff proposed developing a Social Benefits standard based on that proposed in ED 63. This standard would be followed by a Post Implementation Review (PIR) 3 to 5 years following the effective date of the standard. Staff supported this view as restarting the project was not expected to yield a different result and it was unlikely that a strong consensus on the way forward would emerge.</p> <p>The second issue related to the disclosure of future cash flows and the interrelation with RPG 1. Again staff indicated there were mixed views whether disclosure of the future cash flows was appropriate. Staff asks the CAG for their views as it relates to this issue.</p>	
1. Mr. Müller-Marqués Berger noted it is very easy to identify the public interest issue. Should the standard be issued now in order to develop consistency in practice, or delayed in order to attempt to find a perfect solution.	<i>No action required.</i>
2. Mr. Mathews noted you will never have the perfect standard. He stated the IPSASB should take solace in the fact that nothing new was raised. He supports proceeding with the development of a standard based on ED 63. He also supports the use of PIRs, but it should not be used as a tool to redeliberate old issues. For a PIR to be useful it should be as focused as possible and look to see if the standard influenced behaviors.	<p>Yes.</p> <p>The IPSASB has agreed to proceed with the development of a new IPSAS based on ED 63.</p> <p>The IPSASB has also indicated that it intends to carry out a PIR.</p>

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Representatives' and Observers' Comments	IPSASB Response
<p>3. Mr. Gisby noted he does not support the principles put forward on a conceptual basis. However, he noted that this is the third time this project has advanced to this stage and come up against this issue, and it would seem pointless to start again and expect a different result. He supports completing the standard based on ED 63 and committing to a future PIR.</p>	<p><i>Noted.</i> See comment #2.</p> <p>The different views of CAG members regarding the conceptual basis for ED 63 reflects the differing views of both stakeholders and the IPSASB itself.</p>
<p>4. Mr. Viana supports proceeding with a standard based on ED 63 and committing to a future PIR.</p>	<p>Yes. See comment #2.</p>
<p>5. Ms. Colignon also supports issuing a standard based on ED 63 and believes a PIR is a good way forward. She believes the IPSASB needs to make sure the standard has been applied by enough jurisdictions before proceeding with a PIR to ensure it is relevant and useful.</p>	<p>Yes. See comment #2.</p>
<p>6. Ms. Aldea Busquets was not surprised with consultation results. The system of social benefits is different from country to country. She is not convinced with the principles in the exposure draft and does not support proceeding on the basis of ED 63.</p>	<p><i>Noted.</i> See comment #3.</p>
<p>7. Mr. Van Schaik indicated he is not convinced the controversial standard will be applied by everyone. He expects only people it works well for will apply the standard. For that reason he worries that a future PIR may not yield the anticipated benefits.</p>	<p><i>Noted.</i> See comment #2.</p> <p>A PIR will also need to consider which jurisdictions have chosen not to follow the new IPSAS, and why. If these jurisdictions have developed alternative accounting approaches, these will also need to be considered in the PIR.</p>
<p>8. Ms. Kim believes something needs to be issued. Given the complexity of the topic a longer implementation period maybe appropriate. She also supports committing to a future PIR.</p>	<p>Yes. See comment #2.</p> <p>The IPSASB will consider the implementation period at its December 2018 meeting.</p>

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Representatives' and Observers' Comments	IPSASB Response
9. Mr. Müller-Marqués Berger indicated Ms. Sanderson agrees with the IPSASB to approve a standard and that a future PIR is a good idea, as noted in the written comments submitted in her absence.	Yes. See comment #2.
10. Mr. Smith indicated Ms. Cearns view supports the alternative view put forward in ED 63. However, if the IPSASB proceeds on the basis of ED 63, it should think about definitions because they are similar to IFRS definitions. For example, the one approach noted in ED 63 is called the obligating event approach, however, the accounting put forward is not consistent with accounting for an obligating event.	Yes. See comment #2. The IPSASB has agreed to change the term "obligating event approach" to the "general approach" in response to the different views as to when an obligating event arises.
11. Mr. Carruthers indicated Social Benefits is the most challenging issue facing the IPSASB. This is the third time IPSASB has arrived at this point. Stakeholders are telling the IPSASB to provide guidance on a major area of government expenditures, and nothing has happened for 20 years. The IPSASB tried a stylized approach in the ED to flush out the issues. Ultimately, there was no consensus, however, it is important that the IPSASB proceeds to approval and publication of standard.	<i>Noted.</i> See comment #2.
Mr. Mason moved the CAG on to the second issue related to disclosures of future cash flows and the interrelation with RPG 1.	
12. Ms. Aldea Busquets indicated she is not in favor of recognizing transactions based on cash flows in IPSASB financial statements.	Yes. The IPSASB has agreed to remove the requirement to disclose future cash flows.
13. Mr. Mathews suggests focusing on broader sustainability reporting. He does not support individual cash flows being disclosed for individual programs.	Yes. See comment #12. The IPSASB has agreed to retain the encouragement (not requirement) to produce wider sustainability reports.

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Representatives' and Observers' Comments	IPSASB Response
14. Mr. Gisby believes there should be disclosures related to future cash flows, but is unsure if 5 years is appropriate. He also believes sustainability reports are important, but that they should not be in the core statements.	<i>Noted. See comment #13.</i>
15. Ms. Colignon believes it is in the public interest to have this information. However, there is no reason to favor 5 years over longer term forward-looking information. In that sense, she would rather support focusing on the sustainability report than providing partial information in the financial statements.	<i>Noted. See comment #12.</i>
16. Mr. Van Schaik questioned whether constituents need to wait for the PIR for sustainability reporting. RPG 1 has been around for a while.	<i>No action required.</i>
17. Mr. Müller-Marqués Berger noted Ms. Sanderson believes more work should be performed in relation to sustainability reporting in advance of committing to a PIR, as noted in the written comments submitted in her absence.	<i>Noted. See comment #13.</i>
18. Mr. Carruthers noted this is a difficult area and noted there were discussions around making RPG 1 mandatory.	<i>No action required.</i>
19. Mr. Smith noted that Ms. Cearns written comments submitted in her absence noted that she believes the 5 year time horizon for cash flows seems arbitrary and does not reflect the long term nature of such cash flows. She suggests considering including qualitative requirements.	<i>Noted. See comment #13.</i>

Matters for CAG Consideration

- Representatives and Observers are asked to note the Report Back above.

Agenda Item 4.3

Revenue–June 2018 Report Back

June 2018 CAG Discussions

1. Extracts from the draft minutes of the June 2018 CAG and how the IPSASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
June 2018 CAG Meeting Comments	
IPSASB Manager, Standards Development & Technical Projects, Joanna Spencer introduced the Agenda Item and provided the CAG with an overview of the 39 responses received in January 2018 to the Revenue Consultation Paper. Ms. Spencer reminded the CAG the consultation paper separated revenue transactions into three categories. Category A, no performance obligations; Category B, performance obligations, but do not meet the requirements of IFRS 15; Category C performance obligations which meet the requirements of IFRS 15. The IPSASB agreed in March 2018 to use IFRS 15 for Category C transactions and update IPSAS 23 for Category A transactions.	
1. Mr. Van Schaik noted using a binding arrangement concept is common in IPSAS. However, noted that when we talk about consideration, specifically the allocation of consideration, this may imply it is an exchange transaction.	<i>Noted.</i> The Board discussed whether 'consideration' should be substituted with another term but decided to retain the term, with a view that consideration may be present in both exchange as well as non-exchange transactions.
2. Ms. Spencer responded the IPSASB is considering moving away from an exchange/non-exchange approach, because of the practical application challenges preparers and users have noted. The focus is intended to use performance and non-performance obligations to differentiate transactions and accounting models. The goal is to recognize revenue consistent with what you are actually supposed to do with it.	<i>No action required.</i>
3. Mr. Matthews indicated the concept of enforcement mechanisms in the public sector is challenging to interpret when it relates to the ability to withhold funding. This is because a government always has this right to withhold funding. He is not convinced that this is an enforcement mechanism.	<i>Noted.</i> This was discussed at the September 2018 IPSASB meeting and the Board decided that in some circumstances reductions in future funding may be a valid enforcement mechanism and will continue to explore this in the project.

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Representatives' and Observers' Comments	IPSASB Response
4. Ms. Spencer responded this is a contentious issue with the IPSASB. The current view is the transaction will have to be linked to binding arrangement.	<i>No action required.</i>
5. Mr. Carruthers indicated the challenge is to identify the line between a performance obligation/non-performance obligation. Evaluating enforceability by way of 'withholding of funds' is difficult.	<i>No action required.</i>
Ms. Spencer moved on to the preliminary view that Category B transactions should use a Public Sector Performance Obligation Approach (PSPOA) and asked the CAG for their views.	
6. Ms. Aldea Busquets was supportive of the PSPOA and believes it is superior to using exchange and non-exchange to make a distinction between transactions.	Yes. The Board has decided to proceed with the PSPOA.
7. Mr. Gisby supports applying PSPOA for Category B transaction as it provides more consistency and clarity in application.	Yes. See Comment #6
8. Mr. Viana supports applying PSPOA for Category B transaction and noted it is necessary to have clear guidance.	Yes. See Comment #6. Guidance is currently being developed in the revenue project.
9. Mr. Matthews was generally supportive as he believes it is clearer than the exchange/non-exchange distinction. He raised concerns about the concept of "rights".	Yes. See Comment #6
10. Ms. Colignon supports the proposed approach as it is becoming increasingly important to assess public finance management, and the PSPOA helps in this regard.	Yes. See Comment #6
11. Mr. Yousef supports the approach. He does not believe there should ever be an inter government transfer without an obligation attached. He suggests exploring further the difference resulting from transactions with commercial substance and those related to service potential and if the PSPOA can be applied to such transactions.	Yes. See Comment #6 Yes. The Board decided at the June 2018 meeting to replace 'commercial substance' with 'economic substance' which includes commercial substance but also takes into consideration service potential.

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Representatives' and Observers' Comments	IPSASB Response
12. Ms. Spencer responded the IPSASB will discuss the commercial substance at the June 2018 meeting, but the concept of commercial substance is required in IFRS 15.	<i>No action required.</i> See Comment #11 on commercial substance.
13. Mr. Müller-Marqués Berger noted Ms. Cearns and Ms. Sanderson both supported the application of PSPOA to Category B transactions in the written comments submitted in their absence.	Yes. See Comment #6
14. Mr. Van Schaik questioned how revenues would be allocated when there is no transfer of goods or services, and noted this should be considered further by the IPSASB. Mr. Müller-Marqués Berger noted this was an interesting question, but outside of the scope of this discussion.	<i>Noted.</i> The Board considered and has tentatively decided to retain the requirement to transfer goods and services for there to be a performance obligation. However, whether the definition of a performance obligation can be expanded beyond a transfer will be revisited at a future Board meeting.
15. Mr. Carruthers agreed with Mr. Yousef. When one government transfers funds to another government, there should be an obligation. If a government wants to get rid of money at the end of the year, the IPSASB cannot stop that. But if that happens, it is should be recognized as revenue as it represents a windfall if there are not any performance obligations included in the agreement related to the revenue transfer.	<i>No Action Required.</i>
16. Mr. Yousef observed IPSAS 23 includes taxes and transfers in the title. He noted taxes and transfers can be removed from the title when Category A-C transactions are clarified. Ms. Spencer thanked Mr. Yousef for the comment and noted that a new title was being considered.	Yes. The titles have yet to be decided upon, however, will be considered by the IPSASB when finalizing any new standards and revisions to existing standards.
Ms. Spencer discussed the definition of a performance obligation indicating it is related to the transfer of a good or service. This presents challenges in the public sector because goods and services are not always included in a transfer (capital grants for example). Staff is in the process of considering the options for expanding the definition of a performance obligation with the aim to include capital grants.	

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Representatives' and Observers' Comments	IPSASB Response
17. Mr. Müller-Marqués Berger confirmed with Ms. Spencer the issue in applying IPSAS 23 is the accounting for capital grants is unclear whether the grant is recognized immediately or over time.	<i>No action required.</i>
18. Ms. Kim sought clarification from staff as to whether capital grants are a Category A, B or C transaction. Ms. Spencer responded capital grants are Category A transactions when there is no performance obligation.	Yes. The Board will be discussing capital grants at a future meeting to determine the appropriate treating of capital grants.
19. Mr. Viana stated it is important to clearly define capital grants and include them in PSPOA. In Portugal capital grants are recognized as net assets/equity and later recycled through surplus/deficit. He supports additional information to clearly define accounting for capital grants and notes this is an important issue in Portugal.	Yes. See Comment #18
20. Mr. Yousef noted transactions should be split when they are separate transactions. If a grant is provided to construct a building and provide a subsequent service, child care for example, the grant can be split accordingly.	Yes. See Comment #18
21. Mr. Smith noted there may be some confusion in the issues. The first question is whether the IPSASB should expand the PSPOA to include grants. If yes, Mr. Yousef's issue is related to what should be in the grant agreement. Mr. Yousef agreed.	Yes. See Comment #18

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Representatives' and Observers' Comments	IPSASB Response
<p>22. Mr. Van Schaik questioned how the definition of PSOPA would be changed to include transfers. What do you do if the condition is so clear it is not included in the contract? Mr. Müller-Marqués Berger asked if expanding the PSPOA definition would solve the problem. Mr. Van Schaik indicated if the performance obligation relates to constructing the building, it would not fix the problem in his opinion. Mr. Müller-Marqués Berger responded the key is who is receiving the Performance Obligation. For example, a day care service is provided to the parents, not the government.</p>	<p>Yes. See Comment #18</p>
<p>23. Mr. Stanford noted the question is, can the IPSASB expand the current "transfer" definition to include grants with performance obligations.</p>	<p>Yes. See Comment #14 and #18</p>
<p>24. Ms. Colignon noted she generally supports PSPOA and expanding the definition would be a good path forward. It is important to move away from the exchange/non-exchange split. She also suggests considering whether there is a need to consider the benefit from the beneficiary perspective?</p>	<p>Yes. See Comment #14 and #18</p>
<p>25. Ms. Kim supports PSPOA as it seems like the best way to clarify the treatment and achieve consistent accounting.</p>	<p>Yes. See Comment #6</p>
<p>26. Mr. Müller-Marqués Berger noted Ms. Sanderson agrees with expanding the definition of performance obligation as it will support consistency, as noted in her written comments submitted in her absence.</p>	<p>Yes. See Comment #14</p>
<p>27. Ms. Aldea Busquets supported expanding the definition to include capital assets would also be helpful for consistency purposes.</p>	<p>Yes. See Comment #14 and #18</p>

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Representatives' and Observers' Comments	IPSASB Response
28. Mr. Heintges (IPSASB Member) noted that IFRS 15 requires costs incurred prior to transfer be expensed. His view is that the guidance for capital grants should be consistent.	<i>No action required.</i>
29. Mr. Gisby supports the extension of definition for consistency purposes.	Yes. See Comment #14
30. Mr. Smith indicated that Ms. Cearns views submitted in writing in her absence that she supports the PSPOA approach, but cautions whether this is the best way to deal with the issue.	Yes. See Comment #6
31. Mr. Carruthers noted the IPSASB is trying to provide clear criteria in terms of accounting. That should lead to better grant arrangements, and better PFM.	<i>No Action Required.</i>
Ms. Spencer moved on to services in-kind which are services provided by individuals to public sector entities in a non-exchange transaction. For example, a parent volunteering at a school.	
32. Mr. Matthews agrees with the direction proposed by staff. He cautioned that this area could create a lot of work when developing financial statements, for limited value.	<i>Noted. No Action Required.</i>
33. Mr. Gisby does not support a mandatory approach to accounting for services in-kind. While disclosures might be useful, it may be difficult to get information.	Yes. The Board had decided to strongly encourage disclosure of services in-kind received but does not mandate recognizing them on the face of the financial statements.
34. Ms. Colignon supports retaining the current requirements, which permit, but do not require recognition of service in-kind.	Yes. See comment #33
35. Ms. Kim also supports retaining the current requirements. She considers measurement to be the most challenging aspect of any changes as it is too subjective with too many assumptions. However, disclosure might be useful.	Yes. See comment #33

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Representatives' and Observers' Comments	IPSASB Response
36. Mr. Van Schaik believes that accounting for goods in-kind should be consistent with services in-kind. Just because a good is physical does not mean the accounting is different from a service. For example, peacekeeping provided by UN is paid for, as compared to donated services by NATO members.	<i>Noted.</i> The board considered making accounting for in-kind services mandatory. However, based on the feedback from constituents decided to strongly encourage disclosure of services in-kind received but does not mandate recognizing them on the face of the financial statements.
37. Mr. Viana supports retaining the current requirements.	Yes. See comment #33
38. Ms. Aldea Busquets supports recognition if the transaction is material and can be measured.	<i>Noted.</i> See comment #36
39. Mr. Ramkumar raised a concern that a gender dimension to the issue may exist. For example, women mainly volunteer time in schools.	<i>Noted.</i> See comments #33 and #36
40. Mr. Müller-Marqués Berger indicated Ms. Sanderson agreed with the ability to recognize, but it should not be mandatory, as noted in her written comments submitted in her absence.	Yes. See comment #33
41. Mr. Yousef supports, for consistency purposes, option (c) as presented in the staff paper.	Yes. See comment #33
42. Mr. Van Schaik reminded members just because it hard to recognize does not mean you should not recognize. He is not convinced there is any reason to exclude recognition for measurement reasons.	<i>Noted.</i> See comments #33 and #36

Matters for CAG Consideration

- Representatives and Observers are asked to note the Report Back above.

Agenda Item 4.4

Non-Exchange Expenses–June 2018 Report Back

June 2018 CAG Discussions

1. Extracts from the draft minutes of the June 2018 CAG and how the IPSASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
June 2018 CAG Meeting Comments	
IPSASB Principal, Paul Mason introduced the Agenda Item and provided an overview of the project. Mr. Mason noted constituents have indicated they want guidance. IPSAS does not currently have any. This Agenda Item focuses on the other side of the transaction that Ms. Spencer covered in an earlier session. Mr. Mason noted there was support for the use of the Public Sector Performance Obligation Approach (PSPOA) for non-exchange expenses, but not to the same extent as for use in revenue transactions.	
1. Mr. Müller-Marqués Berger asked the question of the CAG as to whether it is in the public interest for an accounting requirement to exist that an expense be recognized when a PSPOA is satisfied.	<i>No action required.</i>
2. Ms. Aldea Busquets agreed with applying the PSPOA approach to non-exchange expenses as it will be familiar to constituents.	Yes. The IPSASB has agreed to develop the PSPOA for those non-exchange expenses which include a performance obligation.
3. Mr. Viana indicated symmetrical accounting is very important. Without symmetrical accounting consolidation is difficult.	Yes. See comment #2. Proceeding with the PSPOA for non-exchange expenses will result in symmetrical accounting, although the IPSASB reached its decision on the conceptual arguments rather than a desire to have symmetry.
4. Mr. Van Schaik noted symmetrical accounting is appealing, but this is accounting, we look at the conceptual framework. There is no symmetrical accounting in the conceptual framework.	Yes. See comment #3.

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Representatives' and Observers' Comments	IPSASB Response
5. Mr. Müller-Marqués Berger noted that in Ms. Sanderson's written comments submitted in her absence, she understands the desire for symmetry, but the IPSASB should not pursue symmetry over practical or conceptual considerations. There may be differences in timing of recognition of revenue and expenses. However, she supports every effort be made to recognize revenue when goods/services delivered.	Yes. See comment #3.
6. Mr. Smith noted that Ms. Cearns written comments submitted in her absence indicated a desire for the symmetrical approach, but noted that accounting principles follow different rules based on the nature of the transaction and recognition of assets and liabilities.	Yes. See comment #3.
7. Mr. Mathews likes symmetry, but acknowledges it may not be possible. He does not think the Agenda Item makes a persuasive argument on why symmetry is important.	<i>Noted.</i> See comment #3.
8. Ms. Kim agrees symmetry may be a conceptually sound goal, but not always in practice.	<i>Noted.</i> See comment #3.
9. Ms. Colignon noted symmetry is a complex issue. From a practical point of view it appears appropriate, but it would require exploring further to justify for accounting.	<i>Noted.</i> See comment #4.
10. Mr. Yousef stated it is difficult to not have symmetrical accounting when two government entities transact with each other.	Yes. See comment #3.
11. Mr. Wermuth (IPSASB Member) stated without symmetry you may cause concerns among preparers.	Yes. See comment #3.
Mr. Mason moved discussed the development of guidance for collective services. A number of options have been explored, however none appear ideal. Input from the CAG on an appropriate form of guidance would be helpful.	

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Representatives' and Observers' Comments	IPSASB Response
12. Mr. Gisby struggled with including guidance in IPSAS 19. It is not intuitive for new users of IPSAS. However, he agreed other options are not ideal either. He suggested waiting until a wider non-exchange expenses standard is developed might be the best approach.	<p><i>Noted.</i> The IPSASB concluded that an Exposure Draft (now covering collective and individual services and emergency relief) should be issued at the same time as the <i>Social Benefits</i> IPSAS to allow stakeholders to see how the full range of transactions would be addressed. This precludes including the guidance in a wider non-exchange expenses standard.</p> <p>The IPSASB acknowledged the concerns regarding locating the guidance in IPSAS 19. The IPSASB has agreed to mitigate these concerns by framing the guidance in the context of considering whether a provision for these transactions arises prior to the services being provided.</p>
13. Mr. Carruthers indicated he would rather not have a debate on the guidance location. The IPSASB's constituents think this is important guidance so it is important that the IPSASB deal with it, even if the approach is pragmatic.	<i>No action required.</i>
14. Mr. Van Schaik noted the IPSASB has taken interpretations from IFRIC in the past, as such it seems appropriate to include an IPSASB interpretation.	<i>Noted.</i> The IPSASB does not currently have processes to issue interpretations. In the absence of these processes, the IPSASB has agreed to proceed with additional guidance in IPSAS 19 as noted in comment #12.
15. Mr. Viana believes the guidance should be included in a separate standard. IPSAS 19 is not the right standard to have this guidance. He suggests including the guidance in the wider standard of non-exchange standard.	<i>Noted.</i> See comment #12.
16. Ms. Colignon agrees IPSAS 19 is not the best option. She suggests that the requirements be incorporated in a standalone standard that would start as a work in progress document as the proposed accounting treatment is not controversial.	<i>Noted.</i> See comment #12.
17. Mr. Smith noted Ms. Cearns supports staff proposal in the written comments submitted in her absence.	Yes. See comment #12.

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Representatives' and Observers' Comments	IPSASB Response
18. Mr. Beardsworth (IPSASB Member) proposed another option is to add a BC on this in Social Benefits as this is where the related discussions arose.	<i>Noted.</i> See comment #21.
19. Mr. Müller-Marqués Berger noted Ms. Sanderson indicated in the written comments submitted in her absence that she supports the amendments to IPSAS 19. But only from a pragmatic approach because she believes the guidance would be helpful in the IPSAS as soon as possible.	Yes. See comment #12.
20. Ms. Aldea Busquets agreed with Ms. Colignon that IPSAS 19 is not the best option but understands the approach is meant to be practical.	<i>Noted.</i> See comment #12.
21. Mr. Mason responded to Mr. Beardsworth noting he is always worried about standard setting in the Basis for Conclusions and that normally the IPSASB avoids including guidance in Basis for Conclusions	<i>No action required.</i> See representatives' and observers' comment #18.

Matters for CAG Consideration

- Representatives and Observers are asked to note the Report Back above.

Agenda Item 4.5

Strategy and Work Plan 2019-2023–September 2018 CAG Teleconference Report Back

1. Summary points from the September 26, 2018 Teleconference on Strategy and how the IPSASB responded to Representatives' and Observers' are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
September 2018 CAG Meeting Comments	
<p>IPSASB Deputy Director Ross Smith presented provided the CAG with an overview of the current status of the Strategy and Work Plan project, highlighting:</p> <ul style="list-style-type: none">- The timeline and process for the project through to completion;- The feedback received by respondents to the Strategy and Work Plan consultation which closed in June 2018; and- The direction the IPSASB provided to staff in order to address issues raised by respondents. <p>Members of the CAG raised the following comments:</p>	
<p>1. Ms. Busquets commented that she supports the proposed strategy and work plan.</p> <p>Mrs. Busquets stressed the importance of focusing on the work of public sector specific projects while at the same time maintaining alignment with IFRS.</p> <p>Ms. Busquets supports a proposal of adding natural resources and a limited scope review of the conceptual framework as the current work plan has significant resources committed.</p> <p>In addition, the work on aligning with IFRS and the work on reducing unnecessary differences in the context of annual improvements is important.</p>	<p><i>Point Noted. No further action necessary.</i></p>

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Representatives' and Observers' Comments	IPSASB Response
<p>2. Ms. Cearns commented that she only disagrees with the proposal not to proceed with the project on discount rates. This is a difficult area and getting some rational consistency across standards would be beneficial. Users struggle to understand discounting, including both the underlying logic and how it affects financial reporting. This project provides the IPSASB with an opportunity to run ahead of the IASB on a topic that often has more impact in public sector reporting.</p>	<p><i>Point Noted.</i> In general the IPSASB views were consistent with those raised by Ms. Cearns. Discount rates is an important project and the IPSASB had originally proposed as one of four projects it would undertake in the 2019–2023 period.</p> <p>However, the IPSASB noted the comments from respondents that significant resources were already committed under the current work plan. Therefore the IPSASB agreed that only two projects should be added to the agenda at this time.</p> <p>Staff highlights that excluding discount rates from it's the current projects on the 2019–2023 work plan, does not preclude it from being added at a future date.</p>
<p>3. Mr. Boutin commented differential reporting is a high priority for his group. He is happy to see it is staying on the radar through the research by national standard setters.</p> <p>Updating Study 14 to make it more user friendly is important. This can be done by presenting the document in a way that is easier for entities to follow when they are first embarking on adoption IPSAS.</p>	<p><i>Point Noted. No further action necessary.</i></p>
<p>4. Mr. Gisby commented supports the revisions to the document and dropping two projects.</p> <p>Mr. Gisby suggested amending the document to reflect the current committed projects and those being added, showing the point raised by constituents more clearly, that the IPSASB show more clearly that the current work plan with the two additional projects provides an ambitious 2019-2023 work plan.</p>	<p>Yes. The document has been updated to reflect this suggestion.</p>
<p>5. Ms. Colignon commented she supported the document. Ms. Colignon suggested amending the document to emphasize a focus on a stable suite of IPSAS standards.</p>	<p>Yes. Changes have been proposed to the document to reflect this point.</p>

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Representatives' and Observers' Comments	IPSASB Response
<p>6. Mr. Ndiaye commented a process to better monitor adoption and implementation should be developed by the IPSASB. He suggested using the PEFA framework as it was rich in source information and it could strengthen diagnostics.</p>	<p>Yes. The IFAC and CIPFA initiative to create the Public Sector Accountability Index and the related Status Report which was recently issued, is a good start on better tracking and monitoring of the adoption and implementation of accrual accounting and use of IPSAS.</p>
<p>7. Ms. Sanderson commented her support for the overall document. Consistent with others, she expressed her disappointment that the discount rates project had fallen to the second tier.</p> <p>Ms. Sanderson suggested considering the range of jurisdictions adopting accrual accounting for constituents in future work plans to develop a more wide spread plan.</p>	<p>See comment 2.</p>
<p>8. Mr. van Schaik commented he continues to support the discount rate project and was disappointed it was no longer an active project. Comparability is jeopardized when different discount rates are used and this can have an enormous impact on liabilities.</p> <p>Mr. van Schaik questioned whether the project was a resource intensive as constituents indicated. In many cases amending a few paragraphs in each standard is sufficient.</p>	<p>See comment 2.</p> <p>Staff note that although the guidance in various standards related to discount rates was limited to a line or two. However, the issue related to addressing discount rates is a challenging one, that would require significant resources. If the IPSASB were to appropriately address the issue, it needs to consider the scope of the issue, how to address it and ensure it has the resources to do so. Constituents questioned if given the current projects on the work plan, if it should undertake a project on discount rates at this time. Based on respondents views, the IPSASB decided not to add the project at this time.</p>
<p>9. Mr. Yousef commented he supported the document. He suggested a further improvement by applying the four evaluation criteria to the list of proposed projects listed in the work plan (i.e., apply the criteria to discount rates so the evaluation goes beyond only constituent responses).</p>	<p>Yes. The IPSASB agreed this information should be included in the feedback statement that will accompany the final work plan.</p>

Matters for CAG Consideration

- Representatives and Observers are asked to note the Report Back above.