

**Meeting:** IPSASB Consultative Advisory Group  
**Meeting Location:** Toronto, Canada  
**Meeting Date:** June 17, 2019

## Agenda Item 4

For:  
☐ Approval  
☒ Discussion  
☒ Information

### Technical Director's Report on the Work Program

#### Objective of Agenda Item

1. To receive the Technical Director's report on the work program<sup>1</sup>.
2. To note the work program and key changes since the December 2019 meeting.
3. To note the IPSASB report backs on previously discussed technical projects.

#### Material(s) Presented

<a href="#">Agenda Item 4.1</a>	<a href="#">IPSASB Work Program: June 2019</a>
<a href="#">Agenda Item 4.2</a>	<a href="#">Revenue and Expenses—Grants and Other Transfers—December 2018 Report Back</a>
<a href="#">Agenda Item 4.3</a>	<a href="#">Leases—December 2018 Report Back</a>
<a href="#">Agenda Item 4.4</a>	<a href="#">Measurement—December 2018 Report Back</a>

#### Summary of Changes agreed at December 2018 Meeting

1. The IPSASB undertook its annual detailed review of the work plan at its December 2018 meeting. The IPSASB directed that Heritage should be brought back to the Board in March 2019, rather than June 2019. The Board also directed that the two committed projects in the Strategy and Work Plan, 2019-2023, *Natural Resources* and *Limited Scope Review of the Conceptual Framework*, should be included in the work plan (see below paragraph 2).

#### Summary of Changes since the December 2018 Meeting

2. In early January 2019, the Chair and Technical Director further discussed the work plan. They concluded that, optically, it would be better to add the committed projects to the work plan following discussion at the Public Sector Standard Setters' Forum in June 2019 when the scope, and likely project approaches and potential timelines should be clearer. The IPSASB agreed with this proposal at the March 2019 meeting.
3. The Chair, Technical Director and Deputy Director also discussed the timing of publication of the Mid-Period Work Program Consultation. They concluded that, in light of the current very demanding work

<sup>1</sup> In order to reflect the linkages between projects the term work program has been adopted and will be used from June 2019 onwards. References to times before June 2019 are to the work plan.

plan, and the timeframes for completion of the Board's current projects, publication should be put back until H1 2021, rather than H2 2020 as stated in the final draft *IPSASB Strategy and Work Plan 2019–2023* that the Board approved in December. This change also reflects a view that developing the review in H2 2020 for release in H1 2021 will give more time for the IPSASB to assess the views of the research groups that the IPSASB intends to set up to provide initial input to the four projects that have been identified for inclusion on the research agenda – *Differential Reporting*, *Discount Rates*, *The Presentation of Financial Statements in the Public Sector* and *Tax Expenditures*. The IPSASB agreed with this proposal at the March 2019 meeting.

4. The IPSASB decided in March 2019 that because there will be two Revenue EDs the work plan should be amended to show two project streams, rather than three as previously. The IPSASB also agreed that the two streams would be titled:
  - (a) Revenue with Performance Obligations for the stream of the project that is adapting IFRS 15, *Revenue from Contracts with Customers* to extend the principles for a public sector context; and
  - (b) Revenue without Performance Obligations for the stream of the project which is updating the guidance include in IPSAS 23, *Revenue from Non-Exchange Expenses (Taxes and Transfers)*.

Staff has allocated ED numbers to the two streams: ED 70, *Revenue with Performance Obligations* and ED 71, *Revenue without Performance Obligations*.

#### **June 2019 Meeting**

5. As a result of the progress made by staff and the Financial instruments Task Force, ED 69, *Amendments to IPSAS 41, Financial Instruments*, related to the Public Sector Specific Financial Instruments project is up for approval at the June 2019 meeting, ahead of the projected approval date of September 2019.
6. The work program for Revenue currently projects approval of ED 70 and ED 71 in September 2019. This will be assessed at the end of the June 2019 meeting.

#### **Actions for the CAG**

7. The CAG is asked to note:
  - (a) The changes to the work plan; and
  - (b) The report backs on the Revenue and Expenses, Leases and Measurement projects;and to provide comments to the IPSASB on any issues arising.

# Agenda Item

## 4.1

### IPSASB WORK PROGRAM: JUNE 2019

Project/ Initiative	Links	Jun 2019 (CAG)	Sep 2019	Dec 2019 (CAG)	Mar 2020	Jun 2020	Sep 2020	Dec 2020	H1 2021	H2 2021	H1 2022
A Public Sector Specific Financial Instruments	C, D	DI/ED	ED			DI/RR	DI/IP	IP			
B Leases	C	DI <sup>2</sup>	DI	DI	IP ED			DI/RR	DI/IP		
C Revenue											
(i) Revenue with Performance Obligations	A, B, D, H	ED	ED			RR	DI	DI/IP	IP		
(ii) Revenue without Performance Obligations [IPSAS 23 update]		ED CAG	ED			RR	DI	DI/IP	IP		
D Non-Exchange Expenses											
(i) Collective and Individual Services & Emergency Relief	A, B, C		RR	DI/IP							
(ii) Grants and Transfers: Expense		DI/ED	ED			RR	DI	DI/IP	IP		
E Public Sector Measurement											
(i) Measurement	F, G, H			DI/RR	DI/IP	Draft IPSAS			DI/IP		
(ii) Consequential Amendments				DI/RR	DI/ED	ED			RR/IP		
F Infrastructure Assets	E, G	DI	DI/ED	DI/ED	DI/ED	ED			RR/DI	IP	
G Heritage	E, F	DI/ED CAG	DI/ED	DI/ED	DI/ED	ED			RR/DI	IP	
I Natural Resources	E	CAG Project timeline to be discussed at Public Sector Standard Setters Forum June 2019									

<sup>2</sup> The IPSASB is currently considering 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.

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## 4.1

Project/ Initiative	Links	Jun 2019 (CAG)	Sep 2019	Dec 2019 (CAG)	Mar 2020	Jun 2020	Sep 2020	Dec 2020	H1 2021	H2 2021	H1 2022
J Limited Scope Review of the Conceptual Framework		Project timeline to be discussed at Public Sector Standard Setters Forum June 2019									
K Improvements		ED		IP		ED		IP	ED	IP	ED
L Mid-term Work Plan Consultation							DI	CP	WPC	RR Approve	
M IPSASB Handbook		Publish			Publish				Publish		Publish

Key:

IP = Final Standard or Amendments to IPSAS(s); RP = Final Recommended Practice Guidance; ED = Approval of Exposure Draft; RE = Research; 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:

PB = Approval of Project Brief

CP = Approval of Consultation Paper

ED = Approval of Exposure Draft

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

CF = Approval of Conceptual Framework

RP = Approval of Final Recommended Practice Guidance








ST = Approval of Final Strategy and Work Plan

WPC = Work Plan Consultation

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June 2019

## EXPECTED CONSULTATIONS DURING THE NEXT YEAR

Project details	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
<b>Collective and Individual Services and Emergency Relief (Exposure Draft)</b> Consultation closes 31 May 2019												
<b>Public Sector Measurement (Combined Consultation Paper and Exposure Draft)</b> Approval expected at the March 2019 meeting												
<b>Improvements to IPSAS, 2019 (Exposure Draft)</b> Approval expected at the June 2019 meeting												
<b>Public Sector Specific Financial Instruments (Exposure Draft)</b> Approval expected at the June 2019 meeting												
<b>Revenue with Performance Obligations (Exposure Draft)</b> Approval expected at the September 2019 meeting												
<b>Revenue without Performance Obligations (Update of IPSAS 23) (Exposure Draft)</b> Approval expected at the September 2019 meeting												
<b>Expenses: Grants, Contributions and Other Transfers (Exposure Draft)</b> Approval expected at the September 2019 meeting												

Key: 

Consultation document published (dates confirmed)



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

June 2019

**PROJECTS COMPLETED AND/OR PUBLISHED DURING 2019-23  
STRATEGY AND WORK PLAN PERIOD**

<b>Project</b>	<b>Date Issued</b>
IPSAS 42, <i>Social Benefits</i>	January 2019
<i>Amendments to IPSAS 36, Investments in Associates and Joint Ventures, and IPSAS 41, Financial Instruments</i>	January 2019

# Agenda Item

## 4.2

### Grants and Other Transfers (Revenue and Non-Exchange Expenses)–December 2018 Report Back

#### December 2018 CAG Discussions

1. Extracts from the draft minutes of the December 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
<b>December 2018 CAG Meeting Comments</b>	
<p>IPSASB Manager, Standards Development &amp; Technical Projects, Joanna Spencer introduced Agenda Item 7 Grants and Other Transfers (Revenue). IPSASB Principal, Paul Mason discussed Non-Exchange Expenses. Ms. Spencer noted the CP provided four approaches noted in her paper on the approach to accounting for transactions with time requirements:</p> <ul style="list-style-type: none"> <li>○ Option A: Require enhanced display and/or disclosure;</li> <li>○ Option B: Classify time requirements as a condition;</li> <li>○ Option C: Classify transfers with time requirements as 'Other Obligations'; or</li> <li>○ Option D: Recognize a transfer with time requirements in net assets/equity and recycle through the statement of financial performance.</li> </ul>	
1. Ms. Cearns was supportive of Option C or D. The United Kingdom prefers Option A.	<i>Noted.</i> The Board agreed in December 2018 that option A was conceptually sound for transactions that are not enforceable and instructed staff to proceed in developing guidance based on this decision. Further, the IPSASB agreed that for such transactions options for enhanced display and disclosure should be developed.
2. Mr. Viana mentioned that Portugal currently uses a recycle mechanism similar to Option C or D.	<i>Noted.</i> See comment #1.
3. Ms. Sanderson raised a question about how to measure the intention for the use of funding, and what this means for Options C and D.	<i>Noted.</i> See comment #1. This IPSASB shared this concern in evaluating the options.
4. Mr. Müller-Marqués Berger highlighted that there was a possibility that a higher-level government may transfer money to a lower level of government without stating any conditions in relation to how it is used.	<i>Noted.</i> No action required.
5. Mr. Gisby preferred Option C as it avoids large increases in revenue in the first period.	<i>Noted.</i> See comment #1. The Board found it challenging to support option C from a conceptual perspective.

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## 4.2

Representatives' and Observers' Comments	IPSASB Response
6. Ms. Colignon explained that in her experience governments rarely provide the full funding tranche upfront in year 1, because it would convey a need to raise taxes in one same period to fund the full subsidy amount. In that very specific public sector context, she wondered how the timing of cash receipts might impact revenue recognition if they were received in instalments.	<i>Noted. See comment #1.</i> This will be considered in the IPSASB's debates in developing and finalizing the principles for revenue recognition in line with the guidance in the IPSASB Conceptual Framework.
7. Ms. Busquets supported Option A because the credit entry for Option C was not likely to meet the definition of a liability in the Conceptual Framework.	<i>Noted. See comment #1.</i>
8. Mr. Matthews preferred Option C and D because the federal government in Canada struggled with this issue in practice. Accounting for transfers to lower levels government was an important issue in Canada as the federal government collects a large share of tax revenues which were then distributed to lower levels of government.	<i>Noted. See comment #1.</i>
9. Mr. Gutu (IPSASB Observer) mentioned that the United Nations (UN) system was grappling with this issue. There were inconsistencies in the view of what the appropriate accounting treatment should be for such transactions between preparers of the UN system organizations and the external auditors. He elaborated that Option A enhanced the information displayed, but did not add value in his opinion. The UN system prefers Option C or Option D.	<i>Noted. See comment #1.</i>
10. Mr. Müller-Marqués Berger summarized that he saw fewer CAG members supporting Option A than Option C or D.	<i>Noted. See comment #1.</i>
<p>IPSASB Principal, Paul Mason, introduced the issues regarding accounting for non-exchange expense transactions with time requirements and noted they are similar to those discussed for revenue. The three Options proposed include:</p> <ul style="list-style-type: none"> <li>○ Option A - Enhanced display and disclosure;</li> <li>○ Option B - Classify transfers with time requirements as other resources; or</li> <li>○ Option C - Recognize transfer with time requirements in net assets/equity and recycle through the statement of financial performance.</li> </ul>	



## Agenda Item 4.2

Representatives' and Observers' Comments	IPSASB Response
11. Ms. Sanderson was unsure whether symmetry of revenue and expenses was needed or appropriate. In her experience, often the decision has already been made when the higher level of government transfers money to a lower level (for example, when the commonwealth government provided transfers to state governments). Ms. Sanderson favored Option A.	<i>Noted.</i> The Board agreed in December 2018 that option A was conceptually sound for transactions that are not enforceable and instructed staff to proceed in developing guidance based on this decision. Further, the IPSASB agreed that for such transactions options for enhanced display and disclosure should be developed.
12. Ms. Cearns favored Option A and noted her view that the expense should be recognized immediately.	<i>Noted. See comment #11.</i>
13. Ms. Busquets favored Option A to recognize the expense immediately.	<i>Noted. See comment #11.</i>
14. Mr. Viana noted that expenses should be recognized immediately because there was no control over the resources.	<i>Noted. See comment #11.</i>
15. Mr. Gisby supported the symmetry and preferred Option B.	<i>Noted. See comment #11.</i>
16. Mr. Ndiaye favored Option B or C because accountability was important, and he did not support recognizing the full expenses in year 1.	<i>Noted. See comment #11.</i>

### Matters for CAG Consideration

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

# Agenda Item

## 4.3

### Leases–December 2018 Report Back

#### December 2018 CAG Discussions

1. Extracts from the draft minutes of the December 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
<b>December 2018 CAG Meeting Comments</b>	
<p>IPSASB Principal, João Fonseca introduced the Agenda Item noting this is the first time the project has come back to the CAG since the release of the Exposure Draft (ED).</p> <p>The first area the IPSASB sought CAG views is whether there are any other actions in developing the leases project the IPSASB should consider.</p>	
17. Ms. Cearns asked how the current issue the IPSASB was dealing with was different from what the IASB did. She asked if the IPSASB was debating the same items previously debated as part of the development of IFRS 16.	<p>Based on the responses to the ED the IPSASB agreed to consider the decisions and debates the IASB had as part of the development of IFRS 16, <i>Leases</i>. The IPSASB also agreed to extend the project timeline to evaluate:</p> <ul style="list-style-type: none"> <li>- Decisions made leading up to the release of the ED 64, <i>Leases</i>;</li> <li>- Concerns raised by constituents; and</li> <li>- Options available to move the project forward.</li> </ul>
18. Mr. Smith indicated that one of the reasons the IPSASB agreed to extend the timeline was to allow for time to review the IASB's considerations again.	<i>No action required.</i>
19. Ms. Colignon expressed that extending the project timeline was worthwhile and in the public interest. There seemed to be a need to provide support on how to report separately rights and obligations arising from separate economic phenomena that related to one same underlying asset. She indicated constituents get confused when reporting separately two transactions (i.e. the right of use and the physical asset) that related to one same asset, and this was where the question of double counting arises. Taking the extra time can be used for communication with the constituents on this.	<i>Yes. See comment #1.</i>

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Representatives' and Observers' Comments	IPSASB Response
<p>20. Ms. Sanderson indicated this was a challenging issue. The IASB took a long time to figure it out. Her view was that from a public interest perspective, there were two ways to proceed:</p> <ul style="list-style-type: none"> <li>○ Align with IFRS 16, and potentially consider this issue again in the future after the more important issues on the IPSASB work plan were dealt with; or</li> <li>○ Slow down the project as Ms. Colignon suggests.</li> </ul>	<p><i>Noted. See comment #1.</i></p>
<p>21. Mr. Stanford indicated it might be better to stick with existing IPSAS 13 rather than moving to IFRS 16, only to change it down the track. Ultimately, he suggested it was better to make one change rather than two.</p>	<p><i>No action required.</i></p>
<p>22. Ms. Sanderson noted the context needed to be considered as well as how long it will take.</p>	<p><i>Noted. See comment #1.</i></p>
<p>23. Mr. Smith indicated the IPSASB has made the decision to extend the timeline to review all options. The IPSASB did not want to make a snap decision and they were open to and were considering all options.</p>	<p><i>No action required.</i></p>
<p>24. Mr. Carruthers noted there was no easy answer to this. He agreed that the IPSASB should not spend years re-deliberating points already considered by the IASB, and that the IPSASB received criticism from some jurisdictions when it departs from IFRS. However, others criticized the Board for insufficient consideration of public sector specific issues occurs when the IPSASB aligns with IFRS.</p>	<p><i>No action required.</i></p>

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Representatives' and Observers' Comments	IPSASB Response
<p>25. Mr. Matthews understood the new plan but did not think that taking more time was going to change constituents' views. Instead he suggested the IPSASB focus on:</p> <ul style="list-style-type: none"> <li>○ Public sector differences; and</li> <li>○ Consistency with the IPSASB Conceptual Framework</li> </ul> <p>He suggested explaining and communicating the IPSASB's decision, rather than trying to get further buy in.</p>	<p>Yes. The IPSASB will continue to consider the public sector differences related to Leases in developing its project, and consistency with the Conceptual Framework. If the IPSASB proceeds with ED 64, it will communicate the reasons for the Board's decision.</p>
<p>26. Ms. Cearns updated the CAG on the implementation of IFRS 16 in the UK government. Some provisions were in place to make it easier to apply in practice. For example, there were discount rate changes to make it easier to get the internal rate of return. Furthermore, most departments have deferred for a year because of the adoption challenges. Only two departments have adopted on schedule, one of which was the department of transportation which applies IFRS.</p>	<p><i>Noted. See comment #1.</i></p>
<p>27. Mr. van Schaik asked if the lessee accounting guidance could be turned into a standard, while the lessor accounting work was continued. He noted the reason the IASB changed the leasing standard was because of all the off-balance sheet leasing, which in his view was not as big of an issue in the public sector.</p>	<p><i>Noted. See comment #1.</i></p>
<p>28. Mr. Stanford indicated it was not clear cut what to do on re-exposure if the IPSASB aligned only with the lessee accounting.</p>	<p><i>No action required.</i></p>
<p>29. Mr. Page indicated from a public interest perspective, governments spent a lot of money on infrastructure assets, often through leasing transactions. Therefore, time spent to appropriately account for leasing transactions seemed like time well spent.</p>	<p><i>Noted. See comment #1.</i></p>

# Agenda Item

## 4.3

Representatives' and Observers' Comments	IPSASB Response
<p>The second area where the IPSASB sought CAG views relates to double counting. The IPSASB had considered this issue when developing ED 64, and agreed that the asset and the lease receivable should be recognized by the lessor. Some respondents viewed this as double counting and have proposed offsetting the asset and liability or impairing the underlying the asset.</p>	
<p>30. Ms. Busquets indicated she understood the lease and the right of use were different economic phenomenon, but she disagreed with the control assertion. Her view was that control was transferred with the right of use.</p>	<p><i>Noted.</i> As part of the IPSASB extending the timeline for the project, it will consider the lessor accounting models and their application in the public sector, including the notion of control in the right of use model.</p>
<p>31. Mr. Yousef did not think it was double counting, but he did think assets and liabilities were overstated. He questioned whether recognizing a leased asset and then recognizing the right of use asset was appropriate. For example, what if a fully depreciated asset was leased. The asset was recognized at a value of zero, but now the right of use was recognized so should the asset now have a value?</p>	<p><i>Noted. No action required.</i></p>
<p>32. Mr. Boutin thought it was an interesting question. He wondered if, from an auditor's point of view, both assets existed. In his view, he believed both assets exist as there was a physical asset, and a separate lease contract for future cash flows. However, the next consideration was measurement. Measurement of the lease receivable by the value in use was straight forward as there were contractual cash flows, but valuing the asset was more challenging. His view was that the measurement of the asset may be impacted when you lease the asset because the same stream of cash flows would be used to value both assets.</p>	<p><i>Noted. See comment #1 and #33.</i></p>
<p>33. Mr. Smith agreed that the scenario presented by Mr. Boutin was plausible. However, the IPSAS on impairment would be the appropriate place to judge if there was an impairment of the asset triggered by the lease.</p>	<p><i>No action required.</i></p>

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Representatives' and Observers' Comments	IPSASB Response
<p>34. Ms. Cearns agrees with Mr. Boutin. She did not think the terms of double counting, etc. should be taken literally when used by the respondents. She struggled with increasing the value of the asset for its right of use and notes the arguments in the paper were open for debate and noted that she disagreed with several of them.</p>	<p><i>Noted. See comment #1 and #33.</i></p>
<p>35. Mr. Gisby agreed with most of the points made in the discussion. As an accountant he did not think it was double counting. But from a public interest perspective, it was difficult to explain, and he suggested avoiding the technical definitions of double counting, etc. and thinking about the issue from a public interest perspective.</p>	<p><i>Noted. See comment #1.</i></p>
<p>36. Ms. Colignon noted everything might be sound conceptually, but because several constituents continued to raise the double counting idea, there may be a practical issue that should be considered further. She suggested, the IPSASB may want to consider if it was useful to gross up the asset/liability, especially when the arrangement was between public sector entities. Some recently issued pronouncements departed from the right of use accounting treatment in some specific and well delimited cases, for instance, intragovernmental entities in FASAB SFFAS 54.</p>	<p><i>Noted. See comment #1.</i></p>
<p>37. Mr. Viana agreed there was no double counting from a conceptual perspective, however his view was there may be a valuation issue in relation to the leased asset.</p>	<p><i>Noted. See comment #1 and #33.</i></p>
<p>The third area where the IPSASB sought CAG views related to the recognition of a subsidy in a concessionary lease.</p>	
<p>38. Ms. Cearns agreed with the ED proposals. Her view was that it may not be contradictory for a respondent to have disliked the lessor accounting proposals and to have agreed with the proposed accounting for concessionary leases.</p>	<p><i>Noted. See comment #1.</i></p>

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Representatives' and Observers' Comments	IPSASB Response
39. Ms. Sanderson questioned if consideration had been given to whether accounting for the subsidy increased public accountability, especially when such transactions were within the public sector.	<i>Noted. See comment #1.</i>
40. Mr. Fonseca indicated that one view was that public accountability was improved through transparency, when subsidies were embedded in leases. This was still important when the transaction was within the scope of the government, as only a limited number of governments prepared consolidated financial statements at this time.	<i>No action required.</i>
41. Ms. Sanderson suggested that further consideration should be given to the practical challenge of valuing transactions in the public sector under the proposals.	<i>Noted. See comment #1.</i>
42. Ms. Busquets view was that this issue needs a complete re-think and further discussion by the IPSASB.	<i>Noted. See comment #1.</i>
43. Mr. Matthews agreed with recognizing and presenting the subsidies embedded in leases, as there was a large quantity of such transactions. However, he did recognize that there may be a practical issue from a cost-benefit perspective that should be considered. He further noted that it was challenging to value these transactions by preparers and saw scope for on-going issues related to their valuation from the auditors.	<i>Noted. See comment #1.</i>
44. Ms. Colignon noted there were issues between the conceptual thinking related to these transactions and practically applying the guidance, as Mr. Matthews and Ms. Sanderson have noted.	<i>Noted. See comment #1.</i>
45. Mr. Ndiaye noted when it comes to asset costing, there were more and more innovative financing initiatives occurring, which may have increased the practical challenges of applying these proposals. This may have also made the cost benefit analysis more challenging.	<i>Noted. See comment #1.</i>

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Representatives' and Observers' Comments	IPSASB Response
<p>46. Ms. Cearns asked what the IPSASB was going to do with regards to the IASB if the IPSASB ended up diverging from IFRS 16. She suggested if the IPSASB believed it has a good answer, this would apply as much to the private sector as the public sector. She suggested telling the IASB there was a good solution for them to consider.</p>	<p><i>Noted. The Technical Director will highlight the discussion to the IASB in February 2019.</i></p>
<p>47. Mr. Stanford noted that the IPSASB will raise this to the IASB in March 2019 at the next annual update meeting.</p>	<p><i>See comment #30. IPSASB staff will continue to provide the IASB with project updates.</i></p>

### Matters for CAG Consideration

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



# Agenda Item

## 4.4

### Measurement–December 2018 Report Back

#### December 2018 CAG Discussions

1. Extracts from the draft minutes of the December 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
<b>December 2018 CAG Meeting Comments</b>	
<p>IPSASB Principal, Gwenda Jensen, introduced the Agenda Item and highlighted that the IPSASB is pioneering a new approach with this project to improve its consultations with its constituents. The IPSASB sought CAG views on the following:</p> <ul style="list-style-type: none"> <li>• Question 1: What are the thoughts on the ED content and the integration of Fair Value guidance in the ED?</li> <li>• Question 2: Will the changes proposed support preparers and users of financial statements?</li> <li>• Question 3: Are there any public sector issues to be considered?</li> </ul>	
1. Ms. Cearns noted for question 2, she believed the answer was yes, assuming all goes as planned. She noted no other public sector issues for questions 3.	<i>Noted. No action required.</i>
2. Ms. Colignon suggested adding the conceptual framework to the diagram on page 5 and noted a point on market value seemed to be missing as it was specifically discussed in the conceptual framework. There was a Basis for Conclusion in the ED on why market value was not retained, but she did not believe it was clear. For question 3, she noted constituents in Europe liked to use symbolic value, so it would be a good idea to have considered this as well. In her jurisdiction constituents liked to see the asset recognized even if it was difficult to value.	<i>Noted. The Board approved the CP, Measurement, at its March meeting. The amended document addressed a number of concerns raised by the CAG.</i>
3. Ms. Jensen acknowledged the point on market value and fair value. She noted it has come through several national standard setters for the December IPSASB meeting. Symbolic value was not considered an appropriate measurement basis in the Conceptual Framework. However, it was an issue which was raised by constituents in relation to the heritage project.	<i>No action required.</i>

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Representatives' and Observers' Comments	IPSASB Response
4. Mr. Stanford stated there will need to be more analysis and discussion on market value and fair value in the measurement project. There also needed to be further consideration as to whether market value should be retained in the Conceptual Framework.	<i>Noted. No action required.</i>  The link between the conceptual framework and fair value in IPSAS will be assessed as part of the limited-scope review of the conceptual framework project.
5. Mr. Matthews thought the public interest issue was explaining to non-financial individuals which values were appropriate and when they should have been used. Regardless of what the outcome was for this project, some people believe fair value was appropriate in many circumstances, however, in his view this can lead to poor short-term decisions.	<i>Noted. See comment #2.</i>  Fair value was included as a measurement basis in the CP. Where fair value is applied will be determined by specific IPSAS.
6. Ms. Sanderson generally agreed, but for question 3 she noted the IPSASB should focus on consistency of language around measurement in the IPSAS.	<i>Noted. See comment #2.</i>  Changes to the CP were to enhance clarity and consistency of terms.
7. Ms. Cearns agreed with Ms. Sanderson and agreed with Mr. Matthews that the IPSASB needed to be cognizant of what was the appropriate measurement basis for different types of instruments and transactions.	<i>Noted. See comment #5.</i>
8. Mr. Page noted that as we move deeper into an information economy and a digital work, we needed to consider how intangibles related to that were valued. Was this to be explored in the scope of this project?	<i>Note.</i> The Board has intentionally maintained a narrow scope for the project to keep it manageable. This is not in scope of the project.
9. Ms. Jensen noted that this was not in scope of the measurement project specifically.	<i>No action required.</i>
10. Mr. Stanford, responded to Mr. Matthews, noted the IPSASB had acknowledged the importance of fair value for financial instruments. Further, he noted that fair value was the default measurement basis within current value. However, a range of measurement bases were used throughout IPSAS in addition to fair value.	<i>No action required.</i>

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Representatives' and Observers' Comments	IPSASB Response
11. Mr. Carruthers noted this was a complex area. He noted the IPSASB was trying to do more than the IASB did with its project to develop IFRS 13 by covering both this and the other commonly used measurement bases, as well as making the links to international valuation standards and GFS.	<i>No action required.</i>
12. Mr. Müller-Marqués Berger thought this discussion showed the benefit of including all measurement basis into one standard, as the IPSASB currently intends with this project.	<i>No action required.</i>
<p>The IPSASB was currently developing a CP on measurement which will incorporate the main principles that will form a future ED. After the CP stage, the IPSASB will publish an ED on measurement, including all the proposed consequential amendments.</p> <p>The IPSASB asked for feedback from the CAG on how this should be communicated, including whether there were any public interest issues that should be considered.</p>	
13. Ms. Sanderson thought it was great the IPSASB was trying to be innovative to get standards out more quickly.	<i>Noted. No action required.</i>
14. Ms. Cearns thought the approach was interesting, however, there was a tricky situation to navigate. When people see an ED embedded within the CP, they may take the view that the project was close to being final. There may also be confusion around a preliminary view being included within the CP and a preliminary view within the embedded ED. There was a risk that if the responses to the CP proposed changes in the project direction, there may be a lot of additional work required to also change the ED. She noted concern with only seeing the consequential amendments at the ED stage, as she believed these were important to judging the proposals related to the embedded ED.	<p><i>Noted. See comment #2.</i></p> <p>The Board considered this comment in updating its CP. The ED was approved as an appendix to the CP. The CP is used to illustrate principles outlined in the CP. The ED will be updated to reflect constituent responses to the CP.</p>

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Representatives' and Observers' Comments	IPSASB Response
<p>15. Ms. Colignon noted she agreed with comments made by Ms. Sanderson and Ms. Cearns. There may be a perception the IPSAB was trying to bypass the ED stage of due process. She asked for clarification on what would happen if the answers to the CP changed the direction of the ED.</p>	<p><i>Noted. See comment #14.</i></p>
<p>16. Mr. Gisby thought it was an interesting approach and agreed with Ms. Cearns that the consequential amendments were needed to appropriately judge the embedded ED proposals. He asked whether this approach was appropriate for other projects and whether the IPSASB was setting itself up to draft EDs which may go nowhere.</p>	<p><i>Noted. See comment #14.</i></p>
<p>17. Mr. Carruthers noted the Public Interest Committee (PIC) has challenged the IPSASB on timeliness of the standard setting process. This approach was a way for the IPSASB to try and move projects along in a more timely manner. This was a complex project where the IPSASB was trying to do several things. Ms. Colignon was right to highlight the risk that constituents take a view that due process was not being followed. Ms. Cearns point that there was a risk that an ED may be developed that does not end up being used, was a valid one. These risks highlight the importance of the IPSASB telling the story to move the project forward while still reviewing comments. At the end of the day, the aim of the CP with the embedded ED was to receive feedback earlier on the principle that may form the final ED, to help ensure constituents views were integrated sooner into the project, which should help with timeliness.</p>	<p><i>Noted. No action required.</i></p>
<p>18. Ms. Chai believed the approach works for this topic because it was definitional.</p>	<p><i>Noted. No action required.</i></p>
<p>19. Mr. Chowdhury thought it was good to embed the ED into the CP, to promote receiving feedback from constituents earlier in the project.</p>	<p><i>Noted. See comment #14.</i></p>

## Agenda Item 4.4

### **Matters for CAG Consideration**

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