

Meeting: IPSASB Consultative Advisory Group

Agenda Item 2

Meeting Location: Virtual Meeting

Meeting Date: December 7, 2020

PROGRAM AND TECHNICAL DIRECTOR’S REPORT

Project summary	The purpose of this session is to receive updates on changes on the work program.	
Meeting objectives	Topic	Agenda Item
Discussion items	Update on IPSASB Work Program	2.1
Other supporting items	IPSASB Work Program: December 2020	2.2.1
	Non-Current Assets Held for Sale and Discontinued Operations—Report Back	2.2.2
	Property, Plant, and Equipment Update Project—Report Back	2.2.3

Update on IPSASB Work Program

Purpose

1. To receive the Program and Technical Director's report on the work program, including key changes since June 2020.

Program and Technical Director's Report

Work Program Updates

2. Staff highlights that [Appendix 2.2.1](#) includes the IPSASB work program as of December 2020.
3. Since the June 2020 CAG meeting the IPSASB has approved the following new pronouncements:
 - (a) *COVID-19: Deferral of Effective Dates*¹. Responding to the global COVID-19 pandemic and the challenges it has created, the IPSASB provided stakeholders with additional implementation time, when it approved a new pronouncement that was published in November 2020, that defers the effective dates of recently published IPSAS and amendments to IPSAS, by one year to January 1, 2023, including:
 - (i) IPSAS 41, *Financial Instruments*;
 - (ii) IPSAS 42, *Social Benefits*;
 - (iii) *Long-term Interests in Associates and Joint Ventures* (Amendments to IPSAS 36) and *Prepayment Features with Negative Compensation* (Amendments to IPSAS 41);
 - (iv) *Collective and Individual Services* (Amendments to IPSAS 19); and
 - (v) *Improvements to IPSAS, 2019*.
 - (b) *Non-Authoritative Amendments to IPSAS 41, Financial Instruments*. The IPSASB reviewed and approved these changes to IPSAS 41 at the September 2020 meeting, completing the Public Sector Specific Financial Instruments project. The guidance is expected to be published in December 2020.
4. Since the June 2020 CAG meeting the IPSASB has approved the following EDs:
 - (a) ED 74, *Amendments to IPSAS 5, Borrowing Costs* (Published October 2020).
 - (b) ED 79, *Non-Current Assets Held for Sale and Discontinued Operations* (approved by IPSASB September 2020 – To be published as a package of interrelated EDs that also includes EDs 76-78).

December 2020 Approvals

5. The IPSASB agenda for the December 2020 is focused the approval of the following items:
 - (a) ED 75, *Leases* and the related request for information are planned for approval during the December 2020 meeting;

¹ The IPSASB approved ED 73, *COVID-19: Deferral of Effective Dates* in June 2020. The IPSASB has subsequently reviewed the responses to ED 73 and approved the pronouncement in September 2020.

- (b) ED 76, *Conceptual Framework-Limited Scope Update* is planned for approval in principle² during the December 2020 meeting;
- (c) ED 77, *Measurement* is planned for approval in principle² during the December 2020 meeting; and
- (d) ED 78, *Property, Plant, and Equipment* is planned for approval during the December 2020 meeting.

Work Program 2021—Theme B Projects

- 6. If the work program progresses as planned, a number of EDs are expected to be out for comment until Q3 2021. This presents an opportunity in terms of staff resources and agenda time to undertake projects that require limited resources.
- 7. When the IPSASB approved its Strategy and Work Plan 2019-2023, it identified under Theme B-*Maintaining IFRS Alignment*, a list of narrow scope projects that can enhance IFRS alignment when staff and board resources become available³. Given the staff and board resources that will be available, the Program and Technical Director recommends undertaking two limited scope projects:
 - (a) IPSAS 18, *Segment Reporting*, is based on IAS 14, *Segment Reporting*, which is an outdated standard that was replaced by IFRS 8, *Operating Segments*.⁴ IFRS 8 allows for a management centric, principle-based approach to disclosing operating segments.
 - (i) The benefits of undertaking this limited scope project are:
 - a. Principle-based approach that provides information useful to users as it requires entities to present information consistent with how management views the entity and makes decisions about its operations;
 - b. Addresses adverse stakeholder feedback;
 - c. Furthers IFRS alignment by updating IPSAS to include guidance in line with the most up to date equivalent IFRS; and
 - d. Opportunity for increasing GFS alignment, as staff believes that the IFRS 8 disclosure model provides an opportunity for entities to disclose operating segments consistent with the IMF's Classification of the Functions of Government (CoFoG) when the entity's operations are managed from that perspective.

² ED 76 and ED 77 are planned for approval in principle as the IPSASB will review and approve the EDs, however, the Amendments to Other IPSAS arising from ED 77 and the Basis for Conclusions for ED 76 will be finalized at the February 25, 2021 virtual check-in meeting, which will complete the ED approvals for both items.

³ Source: IPSASB Strategy and Work Plan 2019-2023, Page 13: Based on past experience, the IPSASB has evidenced that it can develop guidance aligned with IFRS with much less investment in terms of time and resources than compared to a pure public sector specific project. Therefore, the IPSASB believes it can work in some of the above selected topics in an efficient manner while public sector specific projects are out for consultation or as they are completed without a large impact on the Work Plan or timeline of the prioritized public sector specific projects.

⁴ IFRS 8 was approved in November 2006.

- (b) IAS 26, *Accounting and Reporting by Retirement Benefit Plans* sets out requirements for the preparation of financial statements of retirement plans. Currently, there is no IPSAS guidance provided for the accounting and reporting by retirement plans which are both important and prevalent throughout the public sector and international organizations. Constituents have identified this gap in IPSAS as an issue and encouraged the IPSASB to consider developing guidance.
 - (i) The benefits of undertaking this limited scope project are:
 - a. Provides guidance in an area where currently there is a gap in IPSAS;
 - b. Addresses a concern raised by some IPSAS constituents, through a resource efficient narrow scope project; and
 - c. Furthers IFRS alignment by using the private sector standard.
 - (c) Staff believe that if both projects are undertaken as narrow scope projects under Theme B and operated as alignment projects as committed in the Strategy and Work Plan 2019-2023, that EDs can be developed and approved by the IPSASB by the end of Q3 2021.
- 8. Staff caution that limited resources are available to undertake these projects and it will be important to follow the approach agreed in the Strategy and Work Program 2019-2023⁵ and undertake these projects as Theme B – narrow scope projects. Any larger projects or initiatives that expand the scope of the ad hoc projects under Theme B are beyond what has been agreed and those projects will need to be considered through the work program consultation.

Mid-Period Work Program Consultation

- 9. When the IPSASB approved its [Strategy and Work Plan 2019-2023](#), it agreed that it would undertake a consultation with stakeholders to identify additional projects to add to the work program when board and staff resources become available. The CAG will receive a presentation on the work program consultation process and an overview of the [list of potential projects](#) that the IPSASB will consider in developing its proposals during Agenda Item 5. The feedback and advice from the CAG will help inform the IPSASB's work in developing the consultation.

⁵ The IPSASB already agreed early in 2020 to pick up one limited resource project under Theme B, when it undertook work to develop ED 79, *Non-Current Assets Held for Sale and Discontinued Operations*. The IPSASB was able to efficiently develop ED 79 and approve it at its September 2020 meeting, by keep the scope of work narrow.

Agenda Item 2.2.1

IPSASB WORK PROGRAM THRU 2023: DECEMBER 2020

Project	Meetings													
	Dec 2020 (CAG)	Mar 2021	Jun 2021 (CAG)	Sep 2021	Dec 2021 (CAG)	Mar 2022	Jun 2022 (CAG)	Sep 2022	Dec 2022 (CAG)	Mar 2023	Jun 2023 (CAG)	Sep 2023	Dec 2023 (CAG)	
Revenue														
(i) Revenue with Performance Obligations	RR/DI	RR/DI	RR/DI CAG	IP										
(ii) Revenue without Performance Obligations [IPSAS 23 update]	RR/DI CAG	RR/DI	RR/D CAG I	IP										
Transfer Expenses	RR/DI CAG	RR/DI	RR/D CAG I	IP										
Conceptual Framework—Limited Scope Update-Phase 1	ED ¹			RR	RR/DI CAG	RR/DI	CF							
Conceptual Framework—Limited Scope Update-Phase 2		DI	DI/ED	ED			RR CAG	RR/DI CAG	RR/DI	CF				
Measurement	ED			RR	RR/DI CAG	RR/DI	IP							
Amendments to IPSAS 5, Borrowing Costs			RR/IP											
IPSAS 17, Update ²														
(i) Infrastructure Assets (additional IPSAS 17 guidance)	ED			RR	RR/DI CAG	RR/DI	IP							
(ii) Heritage Assets (additional IPSAS 17 guidance)				RR	RR/DI CAG	RR/DI	IP							
Non-Current Assets Held for Sale and Discontinued Operations ³				RR/DI	RR/IP	IP								
Leases [IFRS 16 alignment]	ED		RR CAG	RR/DI	RR/DI	IP								
Leases [Public sector specific]⁴	RFI		RR CAG	RR/DI	DI/ED	ED			RR	RR/DI	RR/DI	IP		
Natural Resources	DI CAG	DI/CP	DI/CP CAG	CP			RR	RR/DI	DI/ED	ED		RR	RR	
Improvements			ED		IP		ED		IP		ED		IP	
Mid-Period Work Program	DI CAG	DI	CP			RR/DI	RWP							

¹ The Conceptual Framework–Limited Scope Update project will move forward in phases. Phase 1 will address issues related to measurement. Phase 2 will address the additional in-scope issues to be addressed in this limited scope project.

² The amendments arising from Infrastructure Assets and Heritage Assets will be included in one ED to update IPSAS 17.

³ ED 79 was approved in September 2020 and will be published alongside EDs 76, 77 and 78, planned for publication as a package in early 2021.

⁴ This Public Sector Specific Leases project will be informed by the Request for Information which will be issued along with the Leases ED expected in December 2020.

Project	Meetings													
	Dec 2020 (CAG)	Mar 2021	Jun 2021 (CAG)	Sep 2021	Dec 2021 (CAG)	Mar 2022	Jun 2022 (CAG)	Sep 2022	Dec 2022 (CAG)	Mar 2023	Jun 2023 (CAG)	Sep 2023	Dec 2023 (CAG)	
IPSASB Handbook			Publish				Publish				Publish			

Legend:

DI = Discussion of Issues; RR = Review Responses; CAG = Discussion of Issue with CAG

RFI = Approval of Request for Information

PB = Approval of Project Brief

CP = Approval of Consultation Paper

ED = Approval of Exposure Draft

IP = Approval of Final Standard or Amendments to IPSAS

CF = Approval of Conceptual Framework or Amendments to Conceptual Framework

RP = Approval of Final Recommended Practice Guidance

RWP = Approval of Revised Work Program

ST = Approval of Final Strategy and Work Program

= Planned Consultation Period

Project Management—Outputs:

Expected 2020 Exposure Draft Outputs:

ED 74, *Amendments to IPSAS 5, Borrowing Costs* (Published October 2020)

ED 75, *Leases*

ED 76, *Conceptual Framework—Limited Scope Update*

ED 77, *Measurement*

ED 78, *Property, Plant, and Equipment* [replacement of IPSAS 17—bringing together changes from Measurement, Infrastructure Assets and Heritage Assets]

ED 79, *Non-Current Assets Held for Sale and Discontinued Operations* (Approved by IPSASB September 2020 – To be published with ED 76-78)

December 2020

PROJECTS COMPLETED AND/OR PUBLISHED DURING 2019-2023 STRATEGY AND WORK PROGRAM PERIOD

Project	Date Issued
<i>Collective and Individual Services, (Amendments to IPSAS 19)</i>	January 2020
<i>Improvements to IPSAS, 2019</i>	January 2020
<i>IPSAS 42, Social Benefits</i>	January 2019
<i>Amendments to IPSAS 36, Investments in Associates and Joint Ventures, and IPSAS 41, Financial Instruments</i>	January 2019
<i>COVID-19: Deferral of Effective Dates</i>	November 2020
<i>Non-Authoritative Amendments to IPSAS 41, Financial Instruments</i>	Planned - December 2020

**Non-Current Assets Held for Sale and Discontinued Operations—June 2020 Report
 Back**

June 2020 CAG Discussions

1. Extracts from the draft minutes of the June 2020 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 2020 CAG Meeting Comments	
<p>Joanna Spencer, Manager, Standards Development and Technical Projects, introduced Agenda Item 4 and presented the coordinated approach to develop ED, <i>Non-Current Assets Held for Sale and Discontinued Operations</i>; includes the project's scope; and measurement considerations. Ms. Spencer asked members to consider the following questions:</p> <ul style="list-style-type: none"> - Will constituents benefit from the coordinated approach to the development of ED, <i>Non-Current Assets Held for Sale and Discontinued Operations</i>? - Are there any public sector issues that require consideration as to whether to depart from the requirements in IFRS 5, <i>Non-Current Assets Held for Sale and Discontinued Operations</i>, related to the project scope and/or measurement? 	
The CAG members commented on Question 1 as follows:	
<p>1. Mr. Gisby agreed with the coordinated approach but cautioned this could be a burden on stakeholders if they are asked to comment on numerous documents EDs at the same time. Mr. Gisby noted a risk that the approach could decrease the project's time to market because cross cutting issues are dealt with concurrently.</p>	<p>While the IPSASB intends to issue EDs 76, 77, 78 and 79 simultaneously, the exposure period of these EDs will be staggered so as to alleviate some of the burden on stakeholders. ED 78 and 79 are expected to have a 4- month consultation period, while ED 76 and ED 77, which are more complex, are expected to be issued with a 6-month consultation period.</p>
<p>2. Mr. Müller-Marqués Berger clarified that ED, <i>Non-Current Assets Held for Sale and Discontinued Operations</i> would be approved at the September 2020 IPSASB meeting but issued alongside four other EDs⁶ after the December 2020 IPSASB meeting.</p>	<p>ED 79 was approved at the September 2020 IPSASB meeting. EDs 76, 77 and 78 are scheduled to be approved at the December 2020 meeting.</p>

⁶ The EDs planned for issuance as a package are: ED 79, *Non-Current Assets Held for Sale and Discontinued Operations*, ED 76, *Conceptual Framework—Limited Scope Update*; ED 77, *Measurement* and ED 78 (IPSAS 17 Update), *Property, Plant, and Equipment*.

Representatives' and Observers' Comments	IPSASB Response
3. Ms. Colignon agreed with the coordinated approach but warned of an increased workload on constituents when dealing with numerous EDs in a short period of time. Ms. Colignon added the IPSASB should consider extending the comment period when they issue the EDs.	See comment #1.
4. Mr. Smith explained it is counterproductive to issue interrelated EDs at different times because the stakeholders/constituents may give conflicting comments as they receive new information. Stakeholders prefer to comment on interrelated EDs at the same time. Mr. Smith noted the IPSASB may have to extend the comment period of the EDs approved in December 2020 to allow stakeholders enough time to comment.	No further action necessary.
5. Mr. Müller-Marqués Berger stressed it is important for the IPSASB to carefully communicate the linkages and relationships of the EDs to stakeholders when they are issued.	The IPSASB plans a coordinated communication strategy related to the EDs, followed by outreach during the consultation period. Based on CAG feedback from the December 2019 meeting, the IPSASB is investigating holding live virtual sessions to engage with constituents and receive direct input and feedback.
The CAG members commented on the project scope in Question 2 as follows:	
6. Ms. Cearns agreed with approach to align with IFRS 5 when developing the ED and advised further consideration of additional disclosure requirements for surplus assets as these are prevalent in the public sector.	The Board considered such a disclosure but decided not to add a specific disclosure for surplus assets in the public sector because ED 79 is an IFRS alignment project and the proposed disclosure does not arise from the proposed requirements from the ED. Additionally, IPSAS 17 already includes guidance on disclosures of property, plant, and equipment that are temporarily idle or retired from active use.
7. Mr. Müller-Marqués Berger also supported the approach and additional consideration of the need for additional disclosures on surplus assets.	See comment #6.

Representatives' and Observers' Comments	IPSASB Response
<p>8. Ms. Stachniak also agreed with the approach. She suggested consideration of disclosure requirements for non-current assets classified as held for sale that are transferred in a non-exchange transaction as they are also prevalent in the public sector. Ms. Stachniak asked whether surplus assets are different to non-current assets classified as held for sale, and recommended that staff consider discontinued operations in the context of the public sector.</p>	<p>Similar to the comment made at #6, the Board considered this but decided that because transferred assets are outside the scope of ED 79 and this is a limited-scope alignment project it would not consider this further.</p>
<p>9. Mr. Gisby enquired whether staff considered the issues identified when implementing IFRS 5 in the public sector. For example, classifying non-current assets as held for sale may be challenging when public sector restrictions, such as political ramifications, might stop the sale.</p>	<p>Staff and IPSASB considered that there may be certain legislative or public sector restrictions associated with selling public sector assets, however it is noted that until all these limitations are addressed, such assets would not meet the criteria to be recognized as non-current assets held for sale in ED 79.</p>
<p>10. Ms. Spencer responded that IFRS 5 requires disclosure of discontinued operations and the plan is to align the disclosure requirements in IFRS 5 while considering and addressing public sector specific disclosure requirements, as needed.</p>	<p>No further action necessary.</p>
<p>11. Ms. Sanderson advised there is a need to weigh the benefits of accountability and decision making and the costs to producing this information when considering the project scope because there are numerous non-exchange transactions transferred between governments.</p>	<p>The IPSASB considered several public sector issues to address in ED 79. However, the IPSASB ultimately decided to keep the scope aligned with IFRS 5, because when non-current assets meet the criteria to be classified as held for sale in IFRS 5 (ED 79), the transactions are the same in the public and private sector (sale for commercial purposes – rather than non-exchange transactions). Further, ED 79 is a narrow scope project and is meant to deal with the specific gap in IPSAS related to non-current assets held for sale.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>12. Ms. Colignon noted that the scope for IFRS 5 covers non-current assets classified as held for sale and discontinued operations. In the public sector, when developing the ED, the approach should consider and focus more on discontinued operations than non-current assets classified. The IPSASB should also consider the impact of the ED on separate financial statements as they are the basis for the consolidated statements.</p>	<p>This is an alignment project therefore the scope has remained the same as in IFRS 5. The IPSASB has approved amendments to Other IPSAS arising from ED 79 based on the proposals in the ED.</p>
<p>13. Ms. Nehmeyer-Srocke cautioned that the scope should not be expanded to include surplus assets because it is difficult to define surplus assets. Conversely, transfer assets should be included in the scope due to their prevalence in the public sector. Ms. Nehmeyer-Srocke noted it may be challenging to identify transfers because what constitutes public sector entities could be interpreted differently amongst jurisdictions.</p>	<p>Similar to comments at #6 and #8 – the IPSASB decided to keep the scope aligned with IFRS 5 (ED 79 is an alignment project). Surplus assets and transferred assets are not within scope and therefore no additional guidance has been proposed in ED 79.</p>
<p>14. Mr. Carruthers noted the IPSASB's view is the scope of the ED should only include non-current assets that are available for sale on a commercial basis. IPSAS 17, <i>Property, Plant, and Equipment</i> provides guidance on accounting for non-current assets before they are transferred within the public sector. IPSAS 40, <i>Public Sector Combinations</i> provides guidance for non-current assets transferred in a non-exchange transaction.</p>	<p>No further action necessary.</p>
<p>15. Mr. Page highlighted that the ED could become more important in the future. The COVID-19 pandemic has had a tremendous impact on public debt. Countries could be forced to dispose non-current assets to reduce debt loads. It would be important for governments, jurisdictions and rating agencies to know the non-current assets available for sale on a commercial basis.</p>	<p>No further action necessary.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>16. Mr. van Schaik wondered whether the IPSASB should consider whether to retain the IFRS 5 requirements to dispose non-current assets classified as held for sale within 12 months, in the ED, because it generally takes longer for non-current assets to be sold in the public sector.</p>	<p>The IPSASB considered that in the public sector assets may take longer than 12 months to sell and noted that IFRS 5 (and therefore ED 79) does provide an allowance for an extension of this time. The board also noted that that IFRS 5 (ED 79) has very strict requirements that must be met in order for an asset to be classified as held for sale (carrying amount will be recovered principally through a sale transaction, meaning it must be available for immediate sale in its present condition and subject only to terms and conditions that are usual and customary for sales of such assets and the sale must be highly probable). Until assets intended for sale meet those strict conditions, they remain outside the scope of ED 79 (see comment #9).</p>
<p>The CAG members commented on measurement in Question 2 as follows:</p>	
<p>17. Ms. Sanderson provided her view that the ED should align with IFRS 5 and exclude net selling price as a measurement basis, because it may be difficult to disclose the net selling price. The ED should apply to commercial transactions and disclosing the expected selling price could be harmful to governments in negotiating sale transactions.</p>	<p>ED 79 is aligned with IFRS 5 and the measurement requirements are aligned.</p>
<p>18. Ms. Cearns also agreed to align with IFRS 5 to measure non-current assets classified as held for sale at the lower of the carrying amount and fair value less cost to sell because she did not see any public sector reasons to depart from IFRS 5.</p>	<p>See comments #17.</p>
<p>19. Mr. Zhang noted in his view fair value and net selling price might both be appropriate measures for the ED depending on the circumstances:</p> <ul style="list-style-type: none"> o Lower of the carrying amount and fair value less cost to sell when assets can be sold to any external party; and o Lower of the carrying amount and net selling price when assets can only be sold to a specified party. 	<p>The IPSAS decided to align the measurement requirements in ED 79 with IFRS because it is an alignment project and there is no public sector reason to depart.</p>

Representatives' and Observers' Comments	IPSASB Response
20. Ms. Spencer responded when governments are instructed to sell the non-current assets to a specified party, such transactions are not in the scope of IFRS 5, as it would not meet the criterion that an active market needs to exist for non-current assets to be classified as held for sale.	No further action necessary.
21. Mr. Smith added the scope of the ED is being developed to ensure there is accountability and transparency when non-current assets are sold for commercial reasons.	No further action necessary.

Matters for CAG Consideration

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

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Property, Plant, and Equipment Update Project–June 2020 Report Back

June 2020 CAG Discussions

1. Extracts from the draft minutes of the June 2020 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 2020 CAG Meeting Comments	
<p>Amon Dhliwayo, Manager, Standards Development and Technical Projects, introduced Agenda Item 5 and presented the coordinated approach to develop ED (IPSAS 17 Update), <i>Property, Plant, and Equipment</i> and the approach to develop the characteristics of infrastructure assets that will be included in the ED. Mr. Dhliwayo asked members to consider the following questions:</p> <ul style="list-style-type: none"> • Is it in the public interest to use a coordinated approach to include changes arising from Heritage Assets and Infrastructure Assets projects with ED, <i>Conceptual Framework-Limited Scope Update</i>, ED, <i>Measurement</i> and ED, <i>Non-Current Assets Held for Sale and Discontinued Operations</i>? • Should the characteristics of infrastructure assets be based on aspects that distinguish infrastructure assets from general property, plant, and equipment, and present complexities when applying the PP&E principles in practice? 	
The CAG members commented on Question 1 as follows:	
<p>1. Ms. Sanderson agreed with the coordinated approach to develop the ED. She emphasized the importance of clearly communicating the coordinated approach and allowing stakeholders an appropriate amount of time to comment on the ED. Ms. Sanderson enquired to what extent will the ED address heritage and infrastructure issues identified by constituents and stakeholders?</p>	<p>The IPSASB plans to issue ED 76, <i>Conceptual Framework-Limited Scope Update</i>; ED 77, <i>Measurement</i>; ED 78, (IPSAS 17 Update), <i>Property, Plant, and Equipment</i> and ED 79, <i>Non-Current Assets Held for Sale</i> at the same time. To assist stakeholders in managing the volume of the EDs the IPSASB plans to:</p> <ul style="list-style-type: none"> • Stagger the exposure periods. For example, for some EDs the plan is for a normal four-month comment period (ED 78 and ED 79), while other EDs with greater complexity a longer than normal six-month comment period is planned (ED 76 and ED 77); • Follow an approach similar to EDs 70-72⁷, and provide an overarching At a Glance document, webinars and links to

⁷ The IPSASB published ED 70, *Revenue with Performance Obligations*, ED 71, *Revenue without Performance Obligations* and ED 72, *Transfer Expenses* in February 2020.

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Representatives' and Observers' Comments	IPSASB Response
	<p>associated documents across the package of EDs to be issued together.</p> <p>The IPSASB analyzed issues identified by constituents when accounting for heritage assets and infrastructure assets and decided that:</p> <ul style="list-style-type: none"> • Where guidance was needed, the IPSASB developed additional authoritative and/or non-authoritative guidance as appropriate. • Where no additional guidance was needed, Basis for Conclusions paragraphs were included to explain the IPSASB's rationale for not providing further guidance.
<p>2. Mr. Dhliwayo responded that the IPSASB reviewed the issues identified by constituents when accounting for heritage assets and infrastructure assets. The IPSASB also analyzed these issues in a systematic and consistent manner as follows:</p> <ul style="list-style-type: none"> ○ Where no additional guidance was needed, Basis for Conclusions paragraphs to be included to explain the IPSASB's rationale for not adding guidance; and ○ Where additional guidance was needed, the IPSASB to consider what additional authoritative and/or non-authoritative guidance should be added. 	<p>No further action necessary.</p>
<p>3. Mr. Gisby cautioned that "time to market" was not a clear advantage of the coordinated approach in his view, because the linkages could delay the outputs. Mr. Gisby suggested the IPSASB clearly communicate the linkages as a result of the coordinated approach.</p>	<p>See response to comment #1.</p>
<p>4. Mr. Mangelsdorf generally agreed with the coordinated approach but cautioned that the package or output could be a heavy package for constituents. Mr. Mangelsdorf advised the IPSASB to clearly communicate the overarching</p>	<p>See response to comment #1.</p>

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Representatives' and Observers' Comments	IPSASB Response
elements that capture the readers' attention and the linkages between the related projects.	
5. Mr. Smith responded that when issuing the ED, the IPSASB will follow an approach similar to EDs 70-72, including providing an overarching At a Glance document, webinars and links to associated documents across the package of EDs to be issued together.	No further action necessary.
6. Mr. Carruthers agreed that the IPSASB should clearly communicate the linkages when the EDs are issued. The IPSASB will communicate what has changed, what has not changed, and the material moved from IPSAS 17 to ED, <i>Measurement</i> . In response to Ms. Sanderson, Mr. Carruthers noted it is clear there are challenges when accounting for heritage assets and infrastructure assets. The IPSASB has analyzed these issues to decide the appropriate guidance (authoritative or non-authoritative guidance) to address the issues identified. General adoption challenges identified by constituents will be included in the update to Study 14, <i>Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities</i> .	See response to comment #1.
The CAG members commented on Question 2 as follows:	
7. Ms. Cearns cautioned additional guidance should only be provided to account for infrastructure assets if it results in different accounting. For example, FRS 15, <i>Tangible Fixed Assets</i> , an old UK Standard on property, plant, and equipment did not define infrastructure assets and had different accounting guidance (renewals accounting) for major networks that met a certain criteria such as the maturity of the asset in a "steady state".	<p>The IPSASB concluded there is no clear distinction between infrastructure assets and property, plant, and equipment and that infrastructure assets are a subset of property, plant, and equipment.</p> <p>Therefore, the IPSASB:</p> <ul style="list-style-type: none"> • Decided the principles for accounting for property, plant, and equipment are applicable to applicable to infrastructure assets; • Did not define what infrastructure assets, however, did set out characteristics of infrastructure assets that present complexities when applying the property, plant, and equipment principles in practice; and

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Representatives' and Observers' Comments	IPSASB Response
	<ul style="list-style-type: none"> • Provided additional guidance to explain these characteristics that present complexities.
8. Mr. Smith noted the IPSASB is still determining the characteristics that drive a specific accounting issue or challenge. He agreed if infrastructure assets and heritage assets are property, plant, and equipment, limited additional guidance should be necessary as the principles for accounting for property, plant, and equipment are applicable.	No further action necessary. The IPSASB has subsequently clarified the characteristics of infrastructure assets and included guidance in ED 78.
9. Mr. Carruthers responded the IPSASB will not define a separate category of infrastructure assets or heritage assets. The IPSASB intends to gather these characteristics that would drive different accounting and develop additional examples.	No further action necessary.
10. Mr. Mike Blake, IPSASB Deputy Chair, added the IPSASB is interested to understand what makes infrastructure assets uniquely different from the assets in the private sector to determine what needs to be done differently when accounting for these infrastructure assets.	No further action necessary.
11. Ms. Colignon cautioned against using the criterion of complexities or challenges of applying the accounting requirements when determining the characteristics of infrastructure assets. It may be better to consider the characteristics of property, plant, and equipment that infrastructure assets might not have.	See response to comment #7.
12. Ms. Stachniak enquired if it is necessary to draw a clear distinction between infrastructure assets and property, plant, and equipment. Some items of general property, plant, and equipment have characteristics similar to infrastructure assets. Ms. Stachniak advised it may be better to define those characteristics that are troublesome and provide additional guidance for those characteristics.	The IPSASB agreed the characteristics of infrastructure assets which are linked to the challenges in accounting for them, and developed related guidance to help in applying the principles. See response to comment #7.

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Representatives' and Observers' Comments	IPSASB Response
<p>13. Mr. Ndiaye noted a significant category of property, plant, and equipment in the public sector is a road network. Innovative approaches such as road asset management are being followed in the public sector to prolong the useful lives of road networks. The road engineers do not wait for the road to depreciate and build a new road. They maintain the road to prolong its useful life. That could impact the accounting of such infrastructure assets and they may be a need to consult engineers when accounting for these infrastructure assets.</p>	<p>The IPSASB is deliberating whether public sector entities that manage the condition of items of property, plant, and equipment such as infrastructure assets in accordance with detailed asset management plans should use the information for financial reporting purposes when applying the principles in ED 78.</p>
<p>14. Mr. Müller-Marqués Berger supported Mr. Ndiaye's comment and stressed that one goal of accounting is to support asset management. He indicated information is needed to provide support for those responsible for managing these assets.</p>	<p>No further action necessary.</p>
<p>15. Ms. Nehmeyer-Srocke commented from a user's perspective it would be helpful to have a clear definition of infrastructure assets for a better assessment of the balance sheet. It is not necessary to have special accounting for infrastructure assets, but it is important to present infrastructure assets separately from property, plant, and equipment.</p>	<p>The IPSASB decided that infrastructure assets are property, plant, and equipment and have developed specific characteristics that distinguish them from general types of property, plant, and equipment.</p>
<p>16. Mr. Mansilla cautioned that it could be challenging to identify the characteristics of infrastructure assets using the criteria proposed by staff. A better approach is to add examples of infrastructure assets in the Standard.</p>	<p>The IPSASB has revised and clarified the characteristics of infrastructure assets in ED 78 to help clarify.</p>
<p>17. Mr. Page supported the approach to distinguish infrastructure assets from property, plant, and equipment because non-accountants define infrastructure assets differently. Nowadays jurisdictions are taxing digital companies and data has become a critical infrastructure issue. Mr. Page advised the IPSASB to consider leaving the definition of infrastructure assets open to allow for the evolution of infrastructure assets.</p>	<p>See response to comments #7 and #13.</p>

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Representatives' and Observers' Comments	IPSASB Response
<p>18. Mr. Müller-Marqués Berger enquired whether it was correct to treat subsequent expenditure in the context of whether the infrastructure asset is a single asset, or a component as proposed by staff in the papers. Subsequent expenditure should be considered in the context of whether it improves the quality of the asset beyond its current state.</p>	<p>The IPSASB analyzed the issue of the treatment of subsequent expenditure further and clarified.</p> <p>Additional implementation guidance was developed to explain that the subsequent expenditure incurred on an unrecognized asset that meets IPSAS 17's recognition principle should be capitalized.</p>
<p>19. Mr. Smith responded that the IPSASB is still to discuss the appropriate accounting treatment of subsequent expenditure.</p>	<p>No further action necessary.</p>
<p>20. Mr. Simpson acknowledged it is difficult to define and distinguish infrastructure assets from property, plant, and equipment. Are road networks and traffic management systems, infrastructure assets? One could argue that all of government spending is infrastructure because the spending is incurred for service delivery. Mr. Simpson questioned whether heritage assets such as old bridges and old railway stations are also considered to be infrastructure assets.</p>	<p>See response to comment #7.</p> <p>The IPSASB also concluded that heritage assets are property, plant, and equipment and defined the characteristics of heritage assets that present complexities when applying the property, plant, and equipment principles in practice.</p>
<p>21. Ms. Cearns agreed this is challenging. The exercise of valuing road networks is also challenging. Highways England in the UK has answered some of these questions on how to account for infrastructure assets. Renewals that add value to the road network are capitalized. Expenditure that does not add value is expensed. Different methodologies are used to value the different types of roads. Other items that accompany the road such as bridges and traffic management assets are separately accounted for. The IPSASB should consider the guidance on infrastructure assets in other jurisdictions when developing principles for infrastructure assets than starting from scratch.</p>	<p>See response to comment #13. The IPSASB has considered national accounting guidance and manuals in its research and development of guidance for ED 78.</p>
<p>22. Mr. Chowdhury noted that the IPSASB is still in the exploratory stages of considering the characteristics of infrastructure assets and may</p>	<p>See response to comment #7. The IPSASB has considered further and has refined the characteristics of infrastructure assets in ED 78.</p>

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Representatives' and Observers' Comments	IPSASB Response
need to rethink the characteristics as the project develops.	

Matters for CAG Consideration

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