

To: IAESB
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Chair, International Public Sector Accounting Standards Board (IPSASB)

International Public Sector Accounting Standards Board (IPSASB) –2017Q4 Activity Report

Current Work Program Initiatives

Strategy and Work Plan Consultation

The IPSASB approved a Consultation Paper on its proposed Strategy and Work Plan 2019-2023 in December 2017. The Consultation Paper was published in February 2018, with a comment period until June 15, 2018. The Consultation Paper proposes strategic priorities and additional projects for the period. The IPSASB will undertake a number of outreach activities to obtain input from constituents in the February-June 2018 period, including Regional Roundtables in Africa, Asia and Europe.

The proposed Strategy emphasizes the importance of IPSAS to public financial management reforms and proposes the following strategic objective:

- *Strengthening Public Financial Management (PFM) globally through increasing adoption of accrual-based IPSAS.*
 - *Delivered through two main areas of activity, both of which have a public interest focus:*
- *Developing IPSAS and other high-quality financial reporting guidance for the public sector; and*
- *Raising awareness of IPSAS and the benefits of accrual adoption.*

The IPSASB proposes five strategic themes to drive its work in the coming years:

- A. Setting standards on public sector-specific issues
- B. Maintaining IFRS convergence
- C. Developing guidance to meet users' broader financial reporting needs
- D. Promoting IPSAS adoption and implementation; and
- E. Advocating the benefits of accrual in strengthening PFM.

The IPSASB proposes to initiate three new major public sector specific projects, which provide the greatest public interest benefits to a wide range of constituents – accounting for natural resources, discount rates and differential reporting. The IPSASB also proposes to undertake a project to converge its requirements and guidance on segment reporting with IFRS 8, *Segment Reporting*, and some more minor projects maintain IFRS convergence.

Leases

The IPSASB approved ED 64, *Leases* at its December meeting. ED 64 was issued in January 2018 with a consultation period until June 30, 2018. ED 64 proposes a single right-of-use model for lease accounting specifically designed for public sector financial reporting. Its proposed requirements for lessor accounting depart from those in IFRS 16, *Leases* for both operational and conceptual reasons. ED 64 also proposes requirements and guidance on leases at below market terms (concessionary leases) for both lessors and lessees, in which the financial impact of concessionary leases for both lessors and lessees are presented on the face of the financial statements.

Public Sector Measurement

The IPSASB agreed on outline for the Public Sector Measurement hybrid ED and Consultation Paper, which will address the measurement of assets and liabilities, including non-current assets held for sale and discontinued operations. This is the first time that the IPSASB has developed such a document, which responds to the PIC's challenge on the value of a Consultation Paper phase. The Board took a tentative view that fair value, as defined in IFRS 13, *Fair Value Measurement*, can be applied in the public sector where a non-entity specific exit value is appropriate.

Heritage

The IPSASB reviewed responses to its Consultation Paper, *Financial Reporting for Heritage in the Public Sector*. There was considerable support for many of the preliminary views in the Consultation Paper, including that the special characteristics of heritage items do not preclude them meeting the definition of an asset, and that these characteristics, in particular an intention to preserve them for present and future generations, do not, of themselves, result in liabilities.

The most contentious issues raised by constituents relate to the measurement of heritage assets. The IPSASB agreed that the Task Force on Public Sector Measurement should develop measurement principles. The Heritage Task Force will then consider the development of application guidance for the measurement of heritage assets. The IPSASB will next consider *Heritage* at its December 2018 meeting.

Infrastructure Assets

The Board received an update on the CAG's discussion of the *Infrastructure Assets* project, which raised several issues that had not previously been identified, including the accounting treatment of land under water (e.g., dams and reservoirs) and asset retirement obligations.

The IPSASB will next consider *Infrastructure Assets* at its December 2018 meeting. Staff will continue with research and will develop and issue a survey to gain constituent views on the main areas of concern in accounting for infrastructure assets.