

**Meeting:** International Public Sector Accounting Standards Board  
**Meeting Location:** Lisbon, Portugal  
**Meeting Date:** September 24–27, 2019

# Agenda Item 5

**For:**  
 Approval  
 Discussion  
 Information

## COLLECTIVE AND INDIVIDUAL SERVICES AND EMERGENCY RELIEF

<b>Project summary</b>	The aim of the project is to develop a standard(s) that provides recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits.	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	Collective and Individual Services and Emergency Relief Road Map	5.1.1
	Instructions up to June 2019 Meeting	5.1.2
	Decisions up to June 2019 Meeting	5.1.3
<b>Decisions required at this meeting</b>	Definitions	5.2.1
	Collective Services	5.2.2
	Individual Services	5.2.3
	Emergency Relief	5.2.4
	Other Issues Raised	5.2.5
<b>Other supporting items</b>	Analysis of Respondents by Region, Function, and Language	5.3.1
	List of Respondents	5.3.2
	Draft Final Pronouncement	5.3.3
	Responses to ED 67	5.3.4
	Late Response from United Nations System	5.3.5

# Agenda Item 5.1.1

## COLLECTIVE AND INDIVIDUAL SERVICES AND EMERGENCY RELIEF ROAD MAP

Meeting	Objective: IPSASB to consider:
September 2019	<ol style="list-style-type: none"> <li>1. Review of responses</li> <li>2. Initial discussion on issues raised</li> <li>3. Review first draft of proposed IPSAS</li> </ol>
December 2019	<ol style="list-style-type: none"> <li>1. Review of draft IPSAS</li> <li>2. Approval of IPSAS</li> </ol>

# Agenda Item 5.1.2

## INSTRUCTIONS UP TO JUNE 2019 MEETING

Meeting	Instruction	Actioned
December 2018	All instructions up to the December 2018 meeting were reflected in <a href="#">ED 67, <i>Collective and Individual Services and Disaster Relief</i></a> .	

# Agenda Item 5.1.3

## DECISIONS UP TO JUNE 2019 MEETING

Date of Decision	Decision
December 2018	All decisions up to the December 2018 meeting were reflected in <a href="#">ED 67, <i>Collective and Individual Services and Disaster Relief</i></a> .

# Agenda Item 5.2.1

## Definitions

### Questions

1. The IPSASB is asked to note the issues raised by respondents to [Exposure Draft \(ED\) 67, Collective and Individual Services and Emergency Relief](#), about the proposed definitions of collective services and individual services; and to provide direction to staff about how to address these issues in the final pronouncement.

### Detail

2. ED 67 included the following Specific Matter for Comment:

**Specific Matter for Comment 1:**

Do you agree with the definitions of collective services and individual services that are included in this Exposure Draft?

If not, what changes would you make to the definitions?

3. ED 67 defined collective services and individual services as follows:

Collective services are services provided by a public sector entity simultaneously to all members of the community that are intended to address the needs of society as a whole.

Individual services are goods and services provided to individuals and/or households by a public sector entity that are intended to address the needs of society as a whole.

4. Respondents gave qualified support to the definitions, with few respondents disagreeing with them. However, a significant number of respondents identified issues that prevented them fully supporting the definitions.

Response	Number of Respondents
Agree	13
Partially Agree	12
Disagree	4
<b>Total</b>	<b>29</b>

5. The issues raised by respondents are discussed below.

#### *Need for Two Definitions*

6. Respondents 02, 03, 05, 09, 28 and 29 noted that the accounting for collective services and individual services was identical, and questioned the need for two definitions. These respondents considered that simplifying the requirements by having a single group of transactions would facilitate implementation.

7. The definitions were developed to be consistent with Government Finance Statistics (GFS). Staff therefore recommends that the IPSAS retain both definitions even if the accounting treatment is the same, in order to maintain this consistency.
8. Staff also note that the principles underlying the treatment of collective services and individual services are different, which further strengthens the argument for maintaining both definitions, even if the accounting treatment is the same.
9. For the purposes of the review of responses to ED 67 in this and subsequent Agenda Items, staff have assumed that the IPSASB will support the staff recommendation to maintain two definitions.

#### *Non-Cash Transactions*

10. Respondents 02, 03, 06, 07, 10, 12 and 29 commented that the table presented in paragraph AG6 of ED 67 highlights a major difference with social benefits: collective and individual services do not involve cash transfers to eligible beneficiaries. However, this distinction is not referred to in the definitions. These respondents proposed including a reference in the definitions of collective services and individual services to the fact that these transactions do not include cash transfers. Staff support the proposal to include an explicit reference to the fact that collective services and individual services do not include cash transfers, but consider this is best located in the Application Guidance.

#### *Goods and Services*

11. Respondents 03, 08, 09, 10, 16, 21, 23, 27 and 28 commented that the definition of individual services in ED 67 refers to goods, but the definition of collective services does not. These respondents proposed including a reference to goods in the definition of collective services, or, alternatively, to explain why collective services do not include goods.
12. Collective services are provided simultaneously to all members of the community, and are non-rivalrous. Staff consider that this precludes goods, which would be provided to individuals or households and which would be rivalrous. In this context, it should be noted that respondents 10, 14 and 21 propose including additional application guidance regarding the non-rivalrous nature, and non-excludability, of collective services.
13. Staff note that some of the examples of collective goods suggested by respondents refer to assets (such as lamp posts) that an entity uses to provide collective services, and which remain under the entity's control. In such circumstances, staff consider that the assets are being used by the entity to provide collective services, but that the entity is not providing goods to the community.
14. Staff therefore recommend that, assuming the IPSASB supports the staff recommendation to retain separate definitions of collective services and individual services, the definition of collective services should refer to services but not goods. Staff also recommend explaining the rationale for this in the Basis for Conclusions.
15. In addition, respondents 09, 18, 19 and 24 considered that additional examples of the goods and services covered by collective and individual services would be helpful, with respondent 18 noting that none of the examples of individual services included in ED 67 refer to goods.
16. Staff recommend including examples of goods provided through individual services. Staff have included such examples in the draft final pronouncement (see paragraph AG16).

### *Society as a Whole*

17. Respondents 03, 05, 06, 07, 09, 21, and 28 commented on the reference to “society as a whole” in the definitions of collective services and individual services. These respondents considered that this reference would be difficult to interpret, and most of these respondents considered that further guidance (or a definition of “society as a whole”) is required.
18. Respondent 03 proposed removing the reference to “society as a whole”, noting that “although we understand the need for the distinction between social benefits and insurance contracts, we do not think this distinction is necessary for collective and individual services.” This respondent considered that a reference to social risks would be more helpful. Staff note that the diagram presented at IG2 of IPSAS 42, *Social Benefits*, indicates that collective services do not address social risks, and that individual services only sometimes address social risks.
19. Respondents noted that ED 67 relies on “society as a whole” to distinguish between collective and individual services and emergency relief. Collective and individual services address the needs of society as a whole; emergency relief does not. Not all of these respondents supported this distinction, arguing that some emergency relief addresses the needs of society as a whole.
20. Respondents also noted that individual services provided specific benefits to individuals and households, as well as wider benefits to society as a whole. Staff consider that this is the nature of benefits that are provided to society as a whole, as was acknowledged in IPSAS 42, *Social Benefits*.
21. Staff recommend retaining the reference to “society as a whole” but do not consider that additional guidance is required.

### *Eligibility Criteria*

22. Respondents 03 and 18 noted that the satisfaction of eligibility criteria might be relevant to individual services. These respondents noted that the eligibility criteria for some individual services might relate to social risks (“in-kind social benefits”) while the eligibility criteria for other individual services might not relate to social risks but to other factors (such as residence). These respondents questioned whether the classifications adopted should reflect this.
23. Staff do not recommend including eligibility criteria in the definition of individual services. If the IPSASB decides to adopt different accounting treatments for individual services with eligibility criteria and individual services without eligibility criteria, as some respondents have proposed, the IPSASB may need to consider whether additional definitions are required. Accounting for individual services, and respondents’ proposals, are discussed in [Agenda Item 5.2.3](#).

### *Consistency with IPSAS 42*

24. Respondents 02, 06, 07, 10, 18 and 29 commented that the definitions should be consistent with IPSAS 42. The main issue raised was that collective and individual services exclude cash transfers, although other comments were also made. Staff have taken these comments into account in drafting this Agenda Item.
25. Respondent 26 raised concerns that the amendments in the body of IPSAS 19 do not explain how social benefits are defined in IPSAS 42, particularly with reference to social risks. They were concerned that this lack of explanation could result in confusion. Staff note that all guidance on collective and individual services is included in the Application Guidance, and do not consider that it

is necessary to include details in the core body of the text. Staff consider that a reference to social risk in the Basis for Conclusions could be included. However, staff note that social risks is not a distinguishing feature of collective or individual services. Health care is generally seen as addressing social risks, whereas education is generally not seen as addressing social risks. Staff therefore do not recommend referring to social risks in the Basis for Conclusions with regards to collective and individual services. The question of whether to extend the table to include emergency relief is discussed in [Agenda Item 5.2.5](#).

#### *Continuous Provision*

26. Respondent 13 noted that collective and individual services only consist of a public sector entity's ongoing services. They proposed amending the definitions to refer to "services continually provided..." (rather than to "services provided..."). Staff consider that this meaning is implicit in the description of collective and individual services as ongoing activities of public sector entities. Staff propose to address this comment by including additional commentary in the Basis for Conclusions.

#### *Simultaneous Provision*

27. Respondent 03 commented that the reference to collective services being provided "simultaneously to all members of the community" could cause difficulties in some jurisdictions. They cited the case where a government provides free services to certain communities or community members but not to others. For example, free services could be provided exclusively to indigenous people or communities and not to expatriates.
28. Staff note that collective services are non-rivalrous and non-excludable. This might suggest that the services referred to by Respondent 03 are individual services, not collective services. Alternatively, it might be that there are multiple communities, with services being provided to one community only. Staff consider that these determinations would be a matter for each jurisdiction, depending on their local circumstances.
29. Staff note that the reference to "simultaneous" is consistent with the approach in GFS. Consequently, staff recommend retaining this reference.

#### *Alignment with Government Finance Statistics (GFS)*

30. Respondents 06 and 14 supported the alignment with GFS, with Respondent 14 suggesting additional guidance regarding the non-rivalrous nature, and non-excludability, of collective services, based on GFS (see paragraph 12 above).
31. Respondent 03, however, questions the need to distinguish between the two in the financial statements, noting that GFS discusses the two types of transaction to assist with the functional classification of expenditure. This respondent does not think the classification is relevant to determining whether a provision should be recognized.
32. On the basis that staff have assumed that the IPSASB will wish to retain both definitions (see paragraph 9), the IPSASB is asked whether it wishes to include additional guidance regarding the non-rivalrous nature, and non-excludability, of collective services. If the IPSASB wishes to include such guidance, staff recommend basing the additional guidance on the wording in GFSM 2014:

Other characteristics of these collective services may be summarized as follows:

- The use of such services is usually passive and does not require the explicit agreement or active participation of all the individuals concerned.
- The provision of a collective service to one individual does not reduce the amount available to others in the same community or section of the community. There is no rivalry in consuming these services. [from GFSM 2014, paragraph 6.134]

#### *Reference to Non-Exchange Expenses*

33. Respondents 02 and 29 noted that ED 67 proposes adding paragraph 6A to IPSAS 19, *Provisions, Contingent Assets and Contingent Liabilities*, and question whether, in light of the IPSASB's discussions on revenue and grants and transfers, this should be to transactions without performance obligations.
34. Staff note that the issue discussed in ED 67, whether a provision should be recognized for a government's promise to provide collective and individual services, could be described as both non-exchange and without a performance obligation. ED 67 is currently expected to be issued as a final pronouncement prior to the proposed new IPSAS on revenue and on transfer expenses (currently being developed as EDs 70–72). For this reason, staff do not recommend referring to performance obligations. Staff recommends rephrasing paragraph 6A to refer to providing guidance on whether provisions should be recognized; this would avoid any terminology difficulties.

#### *Reimbursements*

35. Paragraph AG8 of ED 67 states that "In some jurisdictions, individuals may pay for services, for example healthcare, and subsequently be reimbursed by a public sector entity. The substance of these reimbursements is that the public sector entity is paying for the services, and the transaction is an individual service rather than a social benefit."
36. Respondents 02 and 29 consider that this statement should be relocated to the core text of IPSAS 19 rather than the Application Guidance. More wide-ranging proposals for the relocation of material are discussed in [Agenda Item 5.2.5](#).
37. Respondents 02 and 29 also suggest that additional guidance or examples should be added to address those cases where the reimbursement covers some, but not all, of the cost of the services.
38. Staff recommend that the question of the location of guidance is considered as a whole (see [Agenda Item 5.2.5](#)),

#### **Decisions Required**

39. The IPSASB is asked whether it:
  - (a) Reaffirms retaining the separate definitions for collective services and individual services;
  - (b) Supports the staff recommendation to include Application Guidance that confirms that collective services and individual services exclude cash transfers;
  - (c) Supports the staff recommendation that the definition of collective services should refer to services but not goods, and that this should be explained in the Basis for Conclusions;

- (d) Supports the staff recommendation to include examples of goods provided through individual services;
- (e) Supports the staff recommendation to retain the reference to society as a whole;
- (f) Supports the staff recommendation not to provide additional guidance on society as a whole;
- (g) Supports the staff recommendation not to include eligibility criteria in the definition of individual services;
- (h) Supports the staff recommendation not to include a reference to social risks in relation to collective and individual services in the Basis for Conclusions;
- (i) Supports the staff proposal to include additional discussion in the Basis for Conclusions regarding the continuous nature of provision of collective services and individual services;
- (j) Supports the staff recommendation to retain the reference to simultaneous provision in the definition of collective services;
- (k) Wishes to include additional guidance regarding the simultaneous nature of provision of collective services, and the non-rivalrous nature, and non-excludability, of collective services;  
and
- (l) Supports the staff proposal to redraft additional paragraph 6A of IPSAS 19.

## Collective Services

### Questions

1. The IPSASB is asked to note the issues raised by respondents to [Exposure Draft \(ED\) 67, \*Collective and Individual Services and Emergency Relief\*](#), about whether a provision should be recognized for collective services; and to provide direction to staff about how to address these issues in the final pronouncement.

### Detail

2. ED 67 included the following Specific Matter for Comment:

**Specific Matter for Comment 2:**

Do you agree that no provision should be recognized for collective services?  
If not, under what circumstances do you think a provision would arise?

3. Most respondents supported the proposal that no provision should be recognized for collective services, with only three respondents fully disagreeing:

Response	Number of Respondents
Agree	23
Partially Agree	1
Agree with Outcome not Rationale	2
Disagree	3
<b>Total</b>	<b>29</b>

4. The issues raised by respondents are discussed below; in most (but not all) cases, the comments relate to the rationale for not recognizing a provision, rather than the accounting outcome.

### *Independent of the Entity's Future Actions*

5. Respondents 05 and 23 commented that the statement in the proposed paragraph AG10 that the delivery of collective services should not trigger the recognition of provisions in accordance with the paragraph 26 of IPSAS 19, *Provisions, Contingent Assets and Contingent Liabilities*, because those services are ongoing activities of government could be misleading. These respondents considered that, as well as the services being ongoing services, any obligation is not independent of the entity's future actions.
6. These respondents noted that the significant amount of discretion for the public sector entity to make adjustments to the amounts, timing and method of delivery of future services may mean that no present obligation arises. Alternatively, even if a present obligation does arise, the discretion will give rise to significant measurement difficulties such that a reliable estimate may not be possible. These

respondents recommended including these arguments in the rationale for not recognizing a provision for collective services.

7. Staff note that in many jurisdictions, there is a legal requirement for a government or other public sector entity to provide collective services. While there may be elements of discretion in how the services are delivered, the obligation to provide services remains. Staff therefore do not recommend including these arguments in the rationale for not recognizing a provision for collective services.

#### *Present Obligation*

8. By contrast, Respondents 04 and 16 consider that a provision should be recognized. They consider that, in the words of Respondent 16, “firstly, there is a constructive obligation in the whole process of providing collective services to the community in such a way that, the government have created a valid expectation that it will continue providing such kind of a service it has been providing, secondly we believe the requirement for recognizing a provision will create a sense of accountability on the party of the government for serving the community.”
9. Staff note that most respondents do not hold this view, and that the view of the IPSASB in issuing ED 67 was that no such provision arises. Staff consider that the rationale provided by respondents 05 and 23 in paragraphs 5–6 above further strengthen the argument for not recognizing a provision for collective services.
10. In this context, it is worth noting that Respondent 05, who also discusses whether a present obligation should be recognized, concludes that recognizing a present obligation would result in “an entity having to recognise large liabilities for services to be delivered in the future without the recognition of future taxes to pay for those services. We consider that such an outcome is unlikely to meet the objectives of financial reporting and satisfy the qualitative characteristics.” This argument was persuasive for some stakeholders and IPSASB members in the development of IPSAS 42, *Social Benefits*, and staff consider it would be appropriate to include this argument in the Basis for Conclusions.

#### *No Provision for Non-Exchange Transactions*

11. Respondent, 20 noted that no provision arises in respect of the obligation to provide collective services to the public (a non-exchange obligation). They note that a provision might arise in respect of the exchange transactions that are involved in the actual delivery of those collective services, for example where a contract with a supplier becomes onerous. Respondent 20 considers that this possibility should be explained in the guidance, and staff concur.
12. Respondents 02 and 29 considered that “there is no measurable substance to what is transferred to the community, other than what is already reflected in the accounts through the cost to acquire the resources necessary to provide the service.” Staff do not consider that any changes are required as a result of these comments.

#### *Consistency with IPSAS 42*

13. Respondent 05 acknowledges “that determining the relevant past event for all forms of social benefits (whether provided in the form of cash or services) is difficult and has been the subject of much debate over the years. Nevertheless, having reached a conclusion in IPSAS 42, we would have expected to

see in the basis for conclusions (BC) the IPSASB's considerations on how that conclusion might apply to individual and collective services and emergency relief.”

14. Respondent 05 then discussed whether eligibility criteria should be considered when determining whether a provision should be recognized for collective and individual services.
15. Staff do not consider that eligibility criteria are relevant for collective services, which are non-rivalrous and non-excludable. Eligibility criteria in respect of individual services are discussed in [Agenda Item 5.2.3](#), paragraphs 9–11.

#### *Executory Contract Analogy*

16. Respondent 05 suggests that the IPSASB consider an analogy with executory contracts as the rationale for not recognizing a provision for collective and individual services. They comment “we think that analogising to executory contracts helps to provide a rationale that no provision should be recognised for collective and individual services prior to the delivery of the services. Collective and individual services have characteristics similar to executory contracts in that the community will, collectively, provide funds to the government in the future under tax legislation, and the government will, in return, provide goods and services to the community in the future – essentially, there are rights (to future taxes) and obligations (to provide goods and services to beneficiaries) already established under legislation, and there is an interdependency between those rights and obligations.”
17. Staff consider that this approach is effectively the same as the Social Contract Approach which the IPSASB consulted on in its Consultation Paper (CP), *Recognition and Measurement of Social Benefits*.
18. The approach attracted very little support (see [Agenda Item 6 of the June 2016 IPSASB meeting](#)), and the IPSASB concluded that the approach was not consistent with the *Conceptual Framework*. Staff does not consider that the approach should be redeliberated.

#### *Commitments*

19. Respondent 14 disagreed with the proposal not to recognize a provision for collective services because the proposals do not address commitments. They state:

“Commitments are not recognised under IPSAS but are of great importance for the financial management of government since such commitments pre-empt resources available for other purposes. Collective and individual services as defined are likely to represent government commitments and need to be recognised and recorded so as to inform the budgetary process. Commitments are liquidated when (i) there is a change of policy resulting in the cancellation of the commitment, or (ii) the commitment becomes either a provision (accrual accounting) or is paid (cash accounting)

We regard commitments as an important issue for the future programme of the IPSAS Board and in the meantime should be defined in relation to the services as defined in this ED.”

20. Staff accept that commitments are important for good financial management. However, they are not recognized as a liability because, as the comment implicitly recognizes, the entity has a realistic alternative to settling any obligation, that of changing policy.

21. Staff therefore do not recommend recognizing a provision in respect of commitments. Nor do staff recommend a requirement to disclose commitments, as such a disclosure would go beyond the figures presented in the financial statements.

#### *Location of Guidance*

22. Respondents 02 and 29 note that, “as far as presentation and disclosure of collective and individual services are concerned, and because those transactions do not give rise to liabilities, IPSAS 19 disclosure requirements are not applicable. Rather, in accordance with paragraph AG14, application of more generic standards is recommended, for instance IPSAS 1, *Presentation of Financial Statements*. This underlines that IPSAS 19 may not be the most relevant standard to host the proposed guidance on collective and individual services.”
23. Conversely, Respondents 05 and 20 consider that because of the significance of collective and individual services to the public sector, the guidance on these transactions should be included in the body of IPSAS 19.
24. Issues on the location of guidance are discussed in [Agenda Item 5.2.5](#).

#### **Decisions Required**

25. The IPSASB is asked whether it supports the staff recommendations:
  - (a) Not to refer to the view that the obligations are not independent of the entity’s future actions in the rationale for not recognizing a provision for collective services;
  - (b) That the arguments regarding the objectives of financial reporting and the qualitative characteristics be included in the Basis for Conclusions;
  - (c) That the guidance includes an explanation that no provision arises in respect of the obligation to provide collective services to the public (a non-exchange obligation), but might arise in respect of the exchange transactions that are involved in the actual delivery of those collective services;
  - (d) That eligibility criteria are not relevant for collective services;
  - (e) Not to include the executory contract analogy in the guidance; and
  - (f) Not to include commitments in the guidance.
26. The IPSASB is asked to note that the issues raised on the location of guidance, which will be discussed at [Agenda Item 5.2.5](#).

# Agenda Item 5.2.3

## Individual Services

### Questions

1. The IPSASB is asked to note the issues raised by respondents to [Exposure Draft \(ED\) 67, Collective and Individual Services and Emergency Relief](#), about whether a provision should be recognized for individual services; and to provide direction to staff about how to address these issues in the final pronouncement.

### Detail

2. ED 67 included the following Specific Matter for Comment:

**Specific Matter for Comment 3:**

Do you agree that no provision should be recognized for individual services?  
If not, under what circumstances do you think a provision would arise?

3. Most respondents supported the proposal that no provision be recognized for individual services, albeit that there were more concerns than with collective services.

Response	Number of Respondents
Agree	17
Partially Agree	4
Agree with Outcome not Rationale	2
Disagree	6
<b>Total</b>	<b>29</b>

4. The issues raised by respondents are discussed below; in most (but not all) cases, the comments relate to the rationale for not recognizing a provision, rather than the accounting outcome. Several issues raised were also raised in respect of collective services. Where this is the case, this Agenda Item refers to the relevant paragraphs in [Agenda Item 5.2.2](#) rather than repeating the discussion.

#### *Independent of the Entity's Future Actions*

5. Respondents 05 and 23 commented that, as well as individual services being ongoing services, any obligation is not independent of the entity's future actions. See the discussion in [Agenda Item 5.2.2](#), paragraphs 5–7. In this context, respondent 23 proposes amendments to paragraphs AG 11 and AG 12 in ED 67. For the reasons given in [Agenda Item 5.2.2](#), staff do not recommend making these changes.

#### *Present Obligation*

6. By contrast, Respondents 04 and 16 consider that a present obligation exists. See [Agenda Item 5.2.2](#), paragraphs 8–9, and paragraph 10 for the comment from Respondent 05 regarding the objectives of financial reporting and the qualitative characteristics.

7. Respondent 03 comments that the “accounting guidance proposed in the ED focuses on how government extinguishes its commitments to citizens (through ongoing activities of government). The guidance may be more useful if it focuses on whether government has a present obligation for those commitments in the first place, and what would constitute an obligating event. For example, an approved budget does not in itself mean an entity has an obligation to provide certain goods or services, neither would a general “promise” to provide goods and services in the future be an obligating event.”
8. Staff agree with the comments from Respondent 03, and consider that some redrafting of the guidance to focus on whether an entity has a present obligation would be helpful.

#### *Eligibility Criteria*

9. Respondents 03, 05, 09 and 10 noted that a future beneficiary of an individual service might satisfy all the eligibility criteria in respect of the service prior to accessing the service. These respondents considered that this could give rise to a present obligation, noting that this would be consistent with the approach in IPSAS 42, *Social Benefits*.
10. Respondent 03 raised the question of whether such transactions, referred to as “in-kind” social benefits, should be recognized and measured in accordance with the principles in IPSAS 42.
11. Respondent 05 commented that a comparison with IPSAS 42 should be included in the Basis for Conclusions.
12. Staff do not consider it necessary to further sub-divide individual services, and considers that the approach taken in ED 67, to only recognize an expense when services are provided, is appropriate. The IPSASB is asked for its views on whether any additional guidance is required. Such guidance would simply state that the satisfaction of eligibility criteria in respect of individual services does not give rise to a provision prior to those services being delivered.

#### *Vouchers*

13. Paragraph AG9 of ED 67 states that where an entity provides vouchers to individuals and households that can be subsequently exchanged for specific goods or services, the transaction is an individual service not a social benefit.
14. Respondents 06 and 21 considered that a provision should be recognized for vouchers, as they considered that the past event that gives rise to a liability is the issuing of the vouchers, and it would normally be possible to produce a reliable estimate of the value of the vouchers that will be redeemed. This would be before the point at which beneficiaries access the services. In this context, Respondent 21 drew a parallel with airlines’ frequent flier schemes.
15. Respondent 06 also noted that an alternative interpretation would be that vouchers were a form of cash equivalent, and could be accommodated within the scope of IPSAS 42.
16. Respondent 10 commented that the emphasis should be on the economic substance, not the payment method. They too questioned whether the principles in IPSAS 42 should be applied to some groups of individual services, including where vouchers are issued.
17. Staff consider that the treatment of vouchers is likely to depend on jurisdictional factors. Consequently, staff consider that providing generic guidance is likely to be unhelpful, and recommend deleting paragraph AG9, with an explanation provided in the Basis for Conclusions.

### *Exchange Transactions*

18. Respondent 28 commented that public sector entities can sometimes embark on fundraising initiatives to finance the provision of specific individual services. For example, in their jurisdiction, a government's "Youth Connect Social Benefit Bond" seeks to address youth homelessness. Such initiatives could give rise to exchange transactions that may fall outside the scope of these proposals. They suggested the IPSASB considers how services arising from such initiatives should be accounted for, and whether and how they may, or may not, be scoped out of these proposals.
19. Staff notes that ED 67 addresses the question of whether a government has a liability to the public to deliver individual services. It does not address the question of when an expense should be recognized for the exchange transaction through which the government pays the service provider, whether that payment is a traditional procurement contract or something more complex, such as a social bond. These exchange transactions are accounted for in accordance with other IPSAS.
20. Respondent 13 notes that paragraph AG11 in ED 67, referring to collective services, provides examples for expenses incurred and resources acquired. However, AG12, referring to individual services, does not provide any examples. This respondent proposes including examples for individual services. Staff note that examples have been added (paragraph AG16) in response to comments discussed in [Agenda Item 5.2.1](#), and considers that no further examples are required.

### *No Provision for Non-Exchange Transactions*

21. Respondent 20 noted that no provision arises in respect of the obligation to provide individual services to the public (a non-exchange obligation), but that obligations may arise from the exchange transactions involved in delivering individual services (see [Agenda Item 5.2.2](#), paragraph 11).

### *Executory Contract Analogy*

22. Respondent 05 suggested that the IPSASB consider an analogy with executory contracts as the rationale for not recognizing a provision for collective and individual services. See the discussion in [Agenda Item 5.2.2](#), paragraphs 16–18.

### *Past Event Based on Legislation*

23. Respondent 21 commented that "in the case of reimbursements, the past event that gives rise to the obligation is the issue of a regulation or an agreement that creates the expectation in the individual/family that, when paying for the service, they will be reimbursed."
24. Staff consider that this approach would contradict the approach taken in IPSAS 42, where the fact that legislation gives an entitlement to future social benefits is insufficient to give rise to a liability in and of itself. A liability only arises when individuals satisfy the eligibility criteria for the next benefit. Staff consider that the equivalent for reimbursements would be the payment to the individual/household following receipt of the services. Staff recommend that no changes are made in respect of these comments.

### *Purchased Goods and Services*

25. Respondent 21 commented that, for individual services, a government may be purchasing finished goods or services to be delivered to beneficiaries, unlike collective services where the government is purchasing inputs to the services it will deliver. The respondent considered that the argument that the

event that gives rise the obligation is the acquisition of the necessary inputs to the production does not apply to all individual services.

26. Staff consider that no liability to the supplier will arise until they have delivered the finished goods or services have been delivered. A contract with a supplier does not imply a present obligation to a beneficiary.

#### *Commitments*

27. Respondent 14 disagreed with the proposal not to recognize a provision for individual services because the proposals do not address commitments. See the discussion in [Agenda Item 5.2.2](#), paragraphs 19–21.

#### *Location of Guidance*

28. Respondents 02 and 29 suggested that IPSAS 19, *Provisions, Contingent Assets and Contingent Liabilities*, may not be the most appropriate location for the guidance. Conversely, Respondents 05 and 20 considered that the guidance should be included in the body of IPSAS 19. See the discussion in [Agenda Item 5.2.2](#), paragraphs 22–23. Issues on the location of guidance are discussed in [Agenda Item 5.2.5](#).

#### **Decisions Required**

29. The IPSASB is asked whether it:
- (a) Supports the staff recommendation not to refer to the view that the obligations are not independent of the entity's future actions in the rationale for not recognizing a provision for collective services;
  - (b) Supports the staff recommendation that the guidance on individual services should focus more on whether an entity has a present obligation;
  - (c) Supports the staff recommendation that the arguments regarding the objectives of financial reporting and the qualitative characteristics be included in the Basis for Conclusions;
  - (d) Wishes to include any reference to eligibility criteria in the guidance on individual services;
  - (e) Supports the staff recommendation to delete paragraph AG9 addressing vouchers;
  - (f) Supports the staff conclusion that the guidance is not designed to address the question of when an expense should be recognized for the exchange transaction through which the government pays the service provider, whether that payment is a traditional procurement contract or something more complex, such as a social bond;
  - (g) Supports the staff recommendation that the guidance includes an explanation that no provision arises in respect of the obligation to provide individual services to the public (a non-exchange obligation), but might arise in respect of the exchange transactions that are involved in the actual delivery of those individual services;
  - (h) Supports the staff recommendation not to include the executory contract analogy in the guidance;
  - (i) Supports the staff recommendation not to treat the enactment of legislation as a past event for individual services;

- (j) Supports the staff recommendation not to amend the guidance regarding purchased goods and services; and
  - (k) Supports the staff recommendation not to include commitments in the guidance.
30. The IPSASB is asked to note that the issues raised on the location of guidance, which will be discussed at [Agenda Item 5.2.5](#).

## Emergency Relief

### Questions

- The IPSASB is asked to note the issues raised by respondents to [Exposure Draft \(ED\) 67, Collective and Individual Services and Emergency Relief](#), about the proposed accounting for emergency relief; and to provide directions to staff about how to address these issues in the final pronouncement.

### Detail

- ED 67 included the following Specific Matter for Comment:

**Specific Matter for Comment 4:**

Do you agree with the proposed accounting for emergency relief?

If not, how do you think emergency relief should be accounted for?

- While respondents were generally supportive of the proposals in ED 67, significant concerns were raised:

Response	Number of Respondents
Agree	14
Partially Agree	9
Agree with Outcome not Rationale	1
Disagree	4
<i>Subtotal</i>	<b>28</b>
No Comment	1
<b>Total</b>	<b>29</b>

- The issues identified by respondents are discussed below:

#### *Definition or Description of Emergency Relief*

- The need for a definition or better description of emergency relief was raised by Respondents 03, 06, 15, 20, 23, 25, 26 and 27. In particular, Respondents 23, 25 and 27 considered it important to include a definition of emergency relief in the final pronouncement, as emergency relief is the only area where the guidance suggests it may be appropriate to recognize a provision.
- Respondent 03 noted that the term “emergency relief” could have a different meaning in different jurisdictions which may result in variations in the types of transactions considered to be “emergency relief”. The respondent commented that in their jurisdiction, the term “disaster” has a broader meaning than “emergency”; the IPSASB had adopted the term “emergency” in ED 67 as a broader term than “disaster”.

7. Respondents 03 and 06 noted that there can be different stages of emergency relief, for example immediate relief which involves items such as the provision of food, clean water and shelter for those affected by disasters; emergency repairs; and temporary infrastructure provision. A second stage may involve items such as the repair and replacement of infrastructure and other assets that have been damaged during the emergency. Respondents were seeking greater clarity as to whether emergency relief was intended to cover both stages, or only the first, immediate response, stage.
8. Several respondents commented that the distinction between social benefits and emergency relief provided in cash was unclear as it could be difficult to assess whether the relief addresses social risk and the needs of society as a whole. Respondent 03 commented that “there could be a clear link to social risk when emergency relief is provided in cash, for example, a living allowance, relief for temporary unemployment or temporary inability to work due to ill health, or the non-exchange component of a concessionary loan to rebuild houses, etc. In the same way as “addressing the needs of society as a whole” is indirect with social benefits, it could also apply to emergency relief.”
9. Respondent 20 identified a list of possible groups of emergency relief, which also included emergency relief provided in cash:
  - (a) Search and rescue services and military personnel to support relief and recovery;
  - (b) Emergency welfare centers providing food and shelter;
  - (c) Emergency cash benefits to support households;
  - (d) Grants to non-government organizations;
  - (e) Payments from central government to local government following a natural disaster to recompense for costs incurred in:
    - (i) Emergency response costs (e.g., caring for displaced people, initial repairs to key infrastructure, such as water supply); and
    - (ii) Recovery costs (repair and reinstatement of damaged infrastructure assets, e.g. water, electrical, sewers).

This respondent commented that it was not fully clear which transactions would be covered by the emergency relief guidance, and that greater clarity is required. Many other respondents also requested further guidance on the scope and types of emergency relief.

10. Respondent 26 commented that some of their stakeholders found the description of ‘ongoing’ emergency relief confusing, and proposed additional guidance to distinguish between emergency relief within the scope of ED 67 and other response services such as emergency services (for example, fire services) or emergency prevention (for example, flood defense).
11. Respondent 06 commented that “ED 67 appears to limit its consideration to natural events that trigger emergency relief. The Board should consider whether other types of events, such as financial crises, should be included in the scope of emergency relief as these have triggered even larger government interventions in recent years in many jurisdictions.”
12. Staff note that paragraph AG17(b) of ED 67 refers to the “displacement of individuals and/or households as a result of war, civil commotion or economic failure” and Respondent 03 commented that it is unclear what “economic failure” as an example of emergency relief would include. They noted that the term could be interpreted broadly, and that, for example, unemployment benefits may

be provided by government as a result of economic failure and could be seen as in the scope of either ED 67 or IPSAS 42, *Social Benefits*.

13. Respondent 20 noted that in their jurisdiction, emergency relief is often provided to local communities rather than to individuals or households, and recommend that the scope be widened, with references to “individuals and/or households” being widened to also refer to “local communities” or “local government”.
14. Respondents 03 and 06 also raised the question of aid provided by international organizations, and whether the guidance applied to goods and services provided to individuals or households through other organizations.
15. The overall view of Respondents 03, 06, 15, 20 and 26 can be summarized in this comment from Respondent 03:  
  
*We suggest that the IPSASB provides guidance on the order in which transactions should be assessed against the scope of each Standard. As noted in the examples above, it could be unclear whether a transaction is within the scope of IPSAS 42, this ED, or the guidance still to be developed on grants, transfers and other contributions. A flow chart or similar may assist users of IPSASs to understand which IPSASs apply to transactions.*
16. Staff conclude that additional guidance on the transactions within the scope of emergency relief, or a definition of emergency relief, is required. The IPSASB is asked to provide guidance to staff on the transactions to be included in the scope of emergency relief in the light of the comments received.
17. In this context, Respondent 20 proposed the deletion of the guidance on emergency relief if the IPSASB cannot achieve the necessary clarity. Comments from other respondents about the need for the guidance more widely are discussed in [Agenda Item 5.2.5](#).

#### *Distinction Between Ongoing Activities and Specific Emergencies*

18. Respondents 05, 07 and 20 commented that distinguishing between emergency relief that is an ongoing activity of government from emergency relief provided in response to specific emergencies is difficult, and that further guidance is required.
19. Respondent 23 also considered that the distinction would be difficult and that it would be better to distinguish between emergency relief provided in cash and other emergency relief.
20. Respondent 03 considered that the distinction was not needed, and that the key issue is whether a government has a present obligation. This respondent commented that each jurisdiction will have a different way in which it responds to emergencies, and it is likely that most governments will have a combination of ways in which they respond. The respondent considered that providing explicit guidance on different scenarios could lead to uncertainty about how to account for the transactions, and who should account for it where different levels of government work together.
21. The IPSASB is asked to provide guidance to staff on whether this distinction should be retained, replaced by the distinction between emergency relief in cash and other emergency relief, or removed.

#### *Present Obligation*

22. Respondents 02, 03, 05, 09, 11 and 29 expressed concern over the guidance on when a present obligation might arise in ED 67. Respondents considered that the reference to government

announcements could be misleading, as in many jurisdictions a government announcement on its own would be insufficient to give rise to a present obligation. Respondents considered that further guidance on what was meant by “explicit policy decision” might be helpful.

23. Respondent 05 referred to national guidance that the IPSASB may wish to refer to in developing additional guidance on when a present obligation arises.
24. Respondent 03 noted that explicit policy decisions may not give rise to a provision under IPSAS 19, *Provisions, Contingent Assets and Contingent Liabilities*, in all circumstances; they provided two examples.
  - (a) An explicit policy decision may not give rise to a present obligation where decisions are taken and announced by a ruling government before elections, but subsequently reversed; and
  - (b) A government committed to provide cross-border emergency relief through an explicit policy decision, but the terms and conditions of the agreement are not specific and result in there being no present obligation.
25. Staff concur that the reference to a government announcement should be removed, as whether an announcement is sufficient to give rise to a present obligation will depend on a variety of factors, some of which will be dependent on the jurisdiction. The IPSASB is asked whether it wishes to provide additional guidance on an explicit policy decision.
26. Respondent 21 commented that entities should consider whether they need to recognize a provision or disclose a contingent liability where they have a responsibility for preventative work. Staff consider that, while legislation may impose a duty on the entity to undertake preventative work, unless another party can enforce this requirement, it is unlikely that a provision or contingent liability would arise.

#### *Relationship Between Emergency Relief and Social Benefits*

27. Respondents 03, 10 and 23 discussed the relationship between emergency relief and social benefits. Two issues were identified:
  - (a) Emergency relief provided in cash; and
  - (b) Emergency relief with eligibility criteria.
28. Regarding emergency relief provided in cash, these respondents noted that there could be a clear link to social risk when emergency relief is provided in cash. Examples include a living allowance and relief for temporary unemployment or temporary inability to work due to ill health. In the same way as “addressing the needs of society as a whole” is indirect with social benefits, it could also apply to emergency relief.
29. Regarding emergency relief with eligibility criteria, these respondents noted that if the relief met the definition of a social benefit, the liability would arise when beneficiaries met the eligibility criteria, and would be limited to the next payment. If the relief did not meet the definition of a social benefit and was assessed under IPSAS 19, a provision might be recognized prior to all eligibility criteria being satisfied, and would not necessarily be limited to the next benefit.
30. Respondent 10 proposed that ED 67 should consider the primacy of IPSAS 19 and 42 in such circumstances.

31. Staff note that these concerns may be eliminated or mitigated by clarifying the definition and/or description of emergency relief.

*Other Assistance*

32. On a similar issue, Respondent 03 commented that there may be an overlap with the guidance being developed on expenses from grants and transfers. Respondent 05 commented that more guidance is required on the distinction between:
  - (a) Other forms of government assistance that are not part of the ongoing activities of the government and are not emergency relief provided in response to specific events; and
  - (b) Individual and collective services.
33. Staff note that, again, this issue might be resolved by clarifying the definition and/or description of emergency relief.

*Related Revenue and Funds*

34. Respondents 03 and 06 noted that emergency relief may be provided by international organizations as well as governments.
35. Respondent 03 questioned whether a government should account for the goods or services provided by an international organization. Staff consider that this will depend on whether the government is acting as a principal or an agent. A government would only account for the goods or services that it controlled.
36. Respondent 06 commented that where an international organization provided funding to a government, there may be a difference in the recognition of revenue and the recognition of an expense for emergency relief. They considered that recognizing the revenue ahead of the expense could be misleading for users of the financial statements, and suggested that it might be appropriate to allow governments to defer the revenue recognition. Staff note that the issue of revenue recognition will be addressed in the revenue projects, and will depend on any terms and conditions associated with the funding provided by the international organization.
37. Respondent 28 noted that some emergency relief may be funded from levies, and provided examples in their jurisdiction. Staff note that revenue from such levies will be addressed in ED 71.
38. Respondent 06 commented that some governments may establish earmarked funds for dealing with emergencies. They noted that the effectiveness of such special purpose funding may be reduced if it is controlled directly by government and there are no restrictions to prevent the use of the funds to cover other costs not anticipated when the fund was set up. The respondent recommended that that disclosure of the governance arrangements for such entities should be made. Staff do not consider that such detailed disclosure requirements are necessary, and recommend they are not included.

*Other Issues Raised*

39. Respondents 06 and 21 consider that ED 67 should be more explicit that a contingent liability should be disclosed concerning the estimated additional costs of those emergency relief plans which a government has indicated it will undertake.
40. Respondent 06 noted that a government is not automatically responsible for the consequences of a disaster and its relief, and that the guidance in ED 67 should be extended to emphasize this point.

41. Respondent 20 recommended that the IPSASB provide specific guidance for an entity that provides support in response to natural disasters under legislation in a manner that is analogous with an insurance contract. The respondent noted that similar provisions had been included in IPSAS 42.
42. Respondent 01 questioned whether the proposed guidance should address emergency relief provided as a result of past events caused by entity assets, such as dam failures, nuclear accidents, or weapons accidents.
43. Respondent 06 commented that it would be helpful to preparers and users if the Application Guidance was extended to provide a clearer indication of the categories of cost to be included (or excluded) from the determination of the costs of emergency relief. Staff consider that the guidance simply applies the principles of IPSAS 19, and as such could apply to any costs. Staff do not consider that providing a list of costs within scope would be helpful as such a list would not be exhaustive.
44. Staff do not consider that any of the other issues identified are fundamental, and recommend that no changes are made based on these comments. The IPSASB is asked to consider the staff recommendation, and decide whether any of the other issues raised need to be addressed in the final pronouncement; and if so, how.

*Way forward*

45. Staff consider that there is merit in the concerns raised by respondents, especially regarding the definition or description of emergency relief, and the distinction between ongoing emergency relief and emergency relief provided in response to a specific emergency.
46. Staff consider that, given these concerns, there are two ways of proceeding at this stage:
  - (a) Seek to resolve the concerns in a final pronouncement based on ED 67. Staff consider that this is likely to require more resources, and take more time, than originally anticipated, given the range of activities that could be considered to be emergency relief that has been identified by respondents. Depending on how the issues are identified are resolved, re-exposure may be necessary.
  - (b) Accept the recommendation of Respondent 20 (see paragraph 17) to remove the guidance on emergency relief and issue a final pronouncement addressing collective services and individual services.
47. Staff recommend the second option, removing the guidance on emergency relief and issuing a final pronouncement addressing collective services and individual services. This would allow the IPSASB to issue the guidance on collective services and individual services in time to have the same effective date as IPSAS 42, *Social Benefits*. The time that is likely to be required to resolve all the issues, especially if re-exposure is required, means that this is improbable under the first option.
48. Given the likely complexity of developing a definition of emergency relief that can be applied in all circumstances, staff also consider that an alternative approach may be preferable. ED 67 did not propose any new principles, but merely directed preparers to the relevant guidance in IPSAS 19. Staff consider that this approach could be applied more generically, and recommend that guidance be developed stating that where entities provide benefits to individuals and households under arrangements that are not explicitly addressed by other IPSAS, they should develop an accounting policy appropriate for their circumstances that is consistent with the requirements of other IPSAS. In most circumstances, such accounting policies would be based on IPSAS 19, including the guidance

on collective and individual services. However, in other circumstances it may be more appropriate to base an accounting policy on IPSAS 42 or on insurance accounting. Such guidance need not be limited to emergency relief, removing the need to develop a definition that works for all jurisdictions.

49. If the IPSASB supports the staff recommendations to remove the guidance on emergency relief in this final pronouncement and develop guidance on the development of appropriate accounting policies, staff consider that this will need to be explained in the Basis for Conclusions. The existing paragraphs relating to emergency relief (BC20–BC28) would need to be deleted. Staff propose the following text be included in the Basis for Conclusions:

The IPSASB included proposals for accounting for emergency relief in ED 67. While respondents were, on the whole, supportive of providing such guidance, several issues were raised. Respondents considered that a definition of emergency relief would be required. The IPSASB accepted that a definition would be helpful, but considered that developing such a definition would be difficult given the variety of practices worldwide. Respondents also questioned whether the proposed distinction between emergency relief that is an ongoing activity of government from emergency relief provided in response to specific emergencies was always appropriate, and whether it could be applied consistently. Respondents also questioned how other assistance that did not fall within the scope of emergency relief should be accounted for.

In light of these concerns, the IPSASB agreed not to proceed with the guidance on emergency relief proposed in ED 67. The IPSASB agreed to consider developing more generic guidance on selecting an appropriate accounting policy where entities provide benefits to individuals and households under arrangements that are not explicitly addressed by other IPSAS. Any such guidance would be the subject of a further consultation process.

### **Decisions Required**

50. The IPSASB is asked whether it supports the staff recommendation to remove the guidance on emergency relief and issue a final pronouncement addressing collective services and individual services.
51. If so, the IPSASB is asked whether it supports the alternative approach of replacing specific guidance on emergency relief with more generic guidance as proposed by staff, and explaining the rationale in the Basis for Conclusions.
52. If the IPSASB does not support the recommendation to remove the guidance on emergency relief and issue a final pronouncement addressing collective services and individual services, or does not support the alternative proposal, the IPSASB will need to provide guidance to staff on how to develop the emergency relief proposals.

### *Decisions Required if the IPSASB Decides to Develop the Emergency Relief Proposals*

53. The IPSASB is asked:
- (a) To provide guidance to staff on the transactions to be included in the scope of emergency relief in the light of the comments received; or
  - (b) To consider whether to remove the section on emergency relief from ED 67 if the IPSASB does not reach consensus on the scope of emergency relief.

54. Assuming a consensus on the scope of emergency relief is reached, the IPSASB is asked:
- (a) To provide guidance to staff on whether the distinction between emergency relief provided as an ongoing activity of government, and emergency relief provided in response to a specific emergency should be:
    - (i) Retained;
    - (ii) Replaced by the distinction between emergency relief in cash and other emergency relief; or
    - (iii) Removed.
55. The IPSASB is asked whether it:
- (a) Supports the staff recommendation to remove the reference to “government announcement” in the context of a present obligation;
  - (b) Wishes to provide additional guidance on an explicit policy decision;
  - (c) Supports the staff conclusion that while legislation may impose a duty on the entity to undertake preventative work, unless another party can enforce this requirement, no provision or contingent liability arises;
  - (d) Wishes to include additional guidance on the relationship between emergency relief and social benefits, taking into account the decisions the IPSASB has already made on emergency relief;
  - (e) Wishes to include additional guidance on the relationship between emergency relief and other assistance accounted for under the proposed ED 72, *Transfer Expenses*, taking into account the decisions the IPSASB has already made on emergency relief;
  - (f) Supports the staff recommendation that no additional guidance is provided on accounting for revenue related to emergency relief, as this will be addressed in the two revenue EDs;
  - (g) Supports the staff recommendation not to include disclosures regarding the governance of special purpose funds established to address emergency relief; and
  - (h) Supports the staff recommendation not to include additional guidance to address any of the other issues raised by respondents; or to identify in which areas guidance is required.

**Other Issues Raised****Questions**

1. The IPSASB is asked to note the additional issues raised by respondents, and provide guidance to staff on what actions, if any, should be taken to address these issues.

**Detail**

2. The following paragraphs discuss suggestions made by respondents to [ED 67, \*Collective and Individual Services and Emergency Relief\*](#), which have not been considered elsewhere on this Agenda.

*Need for Guidance and Location of Guidance*

3. Respondent 03 questioned the need for the guidance in ED 67. They commented that as “no new requirements have been introduced in the additional guidance proposed in this ED, we question the need for guidance. Without knowing the full project history, it would also be unclear to stakeholders why the guidance was added.” They acknowledged that an illustrative example on emergency relief might be helpful.
4. Respondent 03 also considered that “aiming to categorise all types of non-exchange expenses and provide specific guidance for each type may overly complicate the application of the IPSAS with no benefit to the users of the financial statements.”
5. Respondent 03 proposed that an explanation of the issue and the IPSASB’s conclusions on whether liabilities exist for collective and individual services should be included in the Basis for Conclusions of IPSAS 42, *Social Benefits*. They proposed that the discussion in the Basis for Conclusions in IPSAS 42 should be based on whether the definition of a liability and the recognition criteria are met in the *Conceptual Framework*,
6. Respondent 03 also commented that, if the IPSASB decides to continue providing this guidance, the placement of the presentation and disclosure guidance in IPSAS 19, *Provisions, Contingent Assets and Contingent Liabilities*, may not be appropriate. This guidance mostly relates to presenting an analysis of expenses by nature or function, which is relevant to IPSAS 1, *Presentation of Financial Statements*.
7. Similarly, Respondents 02 and 29 proposed that the guidance would be better located in IPSAS 1.
8. Respondents 05, 20 and 25 disagreed with the IPSASB’s proposal to include the guidance in Application Guidance to IPSAS 19. These respondents considered that the guidance would be better located in the body of IPSAS 19 under a separate section in *Application of the Recognition and Measurement Rules*.
9. Respondent 10 considered that IPSAS 19 was not the appropriate location for the guidance, as the proposed accounting treatment is not to recognize a provision. They proposed locating the guidance in an appendix to IPSAS 42, *Social Benefits*. They also suggested that an alternative would be to include the guidance in the non-exchange expenses standard that is under development by the IPSASB (ED 72).

10. Staff note that the range of proposals from stakeholders illustrates the fact that the guidance potentially relates to several IPSAS, and also illustrates the interpretative nature of the guidance being provided. While this means that the ideal vehicle might be an interpretation, the IPSASB currently has no interpretations capability. Staff do not consider that any of the proposals are sufficiently persuasive for the location of the guidance to be changed, and therefore recommend that the guidance is provided as Application Guidance to IPSAS 19 as proposed in ED 67.

#### *Presentation and Disclosure*

11. Respondent 03 questioned the benefit of providing the accounting guidance in ED 67 if no additional information is required to be presented or disclosed to the users as an outcome of the guidance. This respondent identified a number of issues to be considered:
  - (a) Information on individual and collective services may be presented in a performance report, although this is not necessarily linked to the financial statements.
  - (b) Depending on the circumstances, the disclosure requirements in IPSAS 14, *Events After the Reporting Date*, may also be relevant for emergency relief.
  - (c) A concern was raised about insufficient information being available to users on the goods and services a government provides to individuals, households and communities where they make use of a non-government organization to provide the goods or services on their behalf. In this case, the only information available is that a government has paid a grant or transfer. This may be relevant to consider in the transfer expenses project (ED 72).
12. Staff support the suggestion to include a reference to IPSAS 14 in the presentation and disclosure discussion.
13. Staff do not recommend that any further guidance be included at this stage.
14. Respondent 05 commented that "paragraph AG16 of the ED seems to suggest that if expenses are classified based on their function then collective and individual services could be presented separately. For some entities there is no separation between the provision of collective and individual services, so it would require system changes to collate this information. We are of the view that this separate presentation of information provides no benefit to the users of the financial statements."
15. Staff note that paragraph AG16 already states that collective services and individual services may be amalgamated with similar items depending upon their materiality. Staff therefore considers that the guidance does not require entities to present collective services and individual services separately.

#### *Classification Table*

16. Respondents 07 and 13 proposed adding emergency relief to the table included in ED 67 at paragraph AG6. Respondent 25 considered it would be helpful to reference the guidance to reimbursements in the table.
17. Staff notes that this would not be necessary if the IPSASB supports the staff recommendation regarding emergency relief.

#### *Post-Implementation Review of IPSAS 42*

18. Respondent 18 commented that the only differentiating factor between social benefits and individual services is whether the benefit is paid in cash (or equivalent) or not. They consider that using cash

as a relatively crude differentiating factor seems too simplistic and arbitrary in some instances. They recommend that the IPSASB should review this as part of a post-implementation review of IPSAS 42.

19. Respondent 22 noted that the proposals in ED 67 are consistent with the accounting required by IPSAS 42. They recommended that, should a post-implementation review of IPSAS 42 result in a change to the accounting for social benefits, the proposals in ED 67, particularly in respect of individual services, should also be reviewed to ensure they remained consistent.
20. Staff note that these conclusions are logical. However, at this stage there is no firm commitment to a post-implementation review as it will be for the Board at that time to decide.

#### *Editorial Change*

21. Respondents 05 and 25 noted that the proposed effective date paragraph 35A in the Amendments to IPSAS 42 referred to paragraph 5A, when it should refer to paragraph 4A. The reference has been amended.

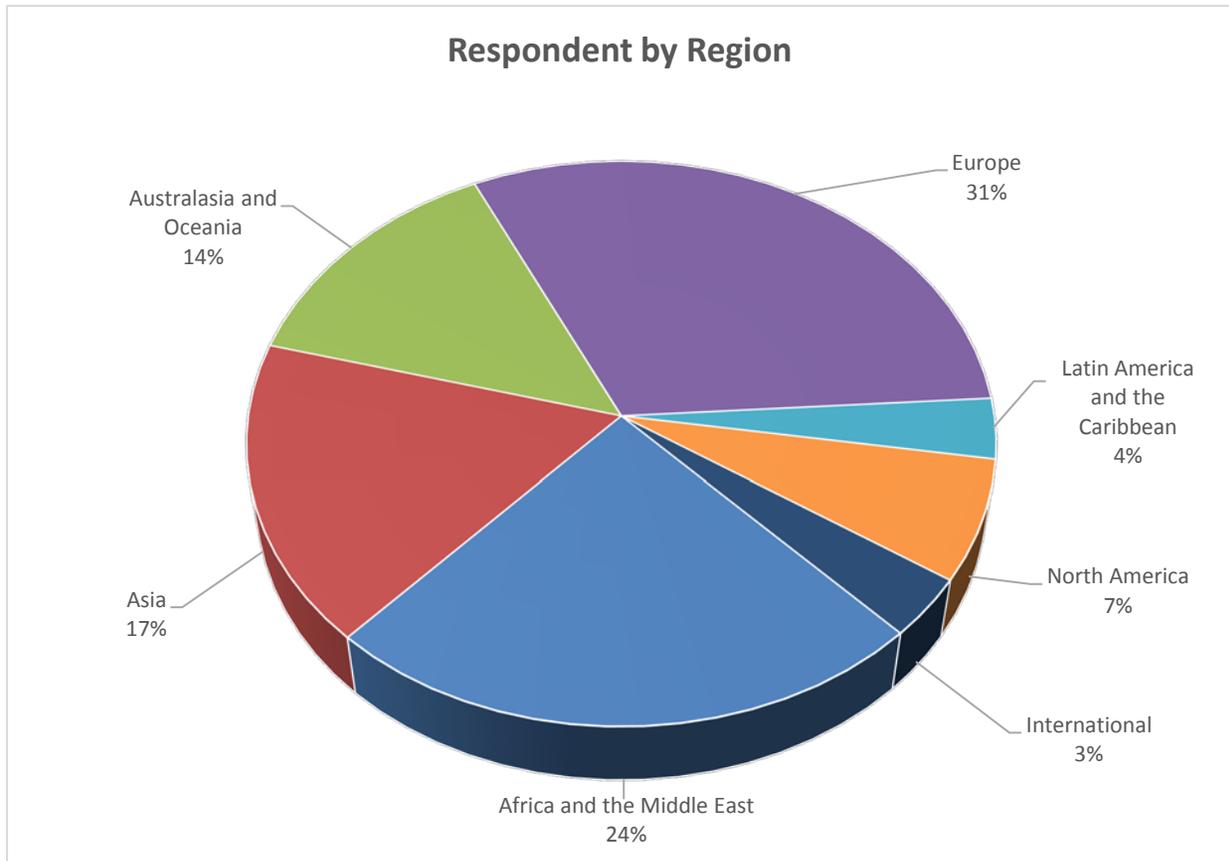
#### **Decisions Required**

22. The IPSASB is asked: whether it
  - (a) Wishes to relocate the guidance from the Application Guidance to IPSAS 19;
  - (b) Supports the staff recommendation to include a reference to IPSAS 14, *Events After the Reporting Date*, in the guidance on the presentation and disclosure of emergency relief;
  - (c) Supports the staff recommendation not to include any additional presentation and disclosure guidance;
23. The IPSASB is asked to note:
  - (a) The comments made in respect of a post-implementation review of IPSAS 42; and
  - (b) The editorial change that has been made.

## Analysis of Respondents by Region, Function, and Language

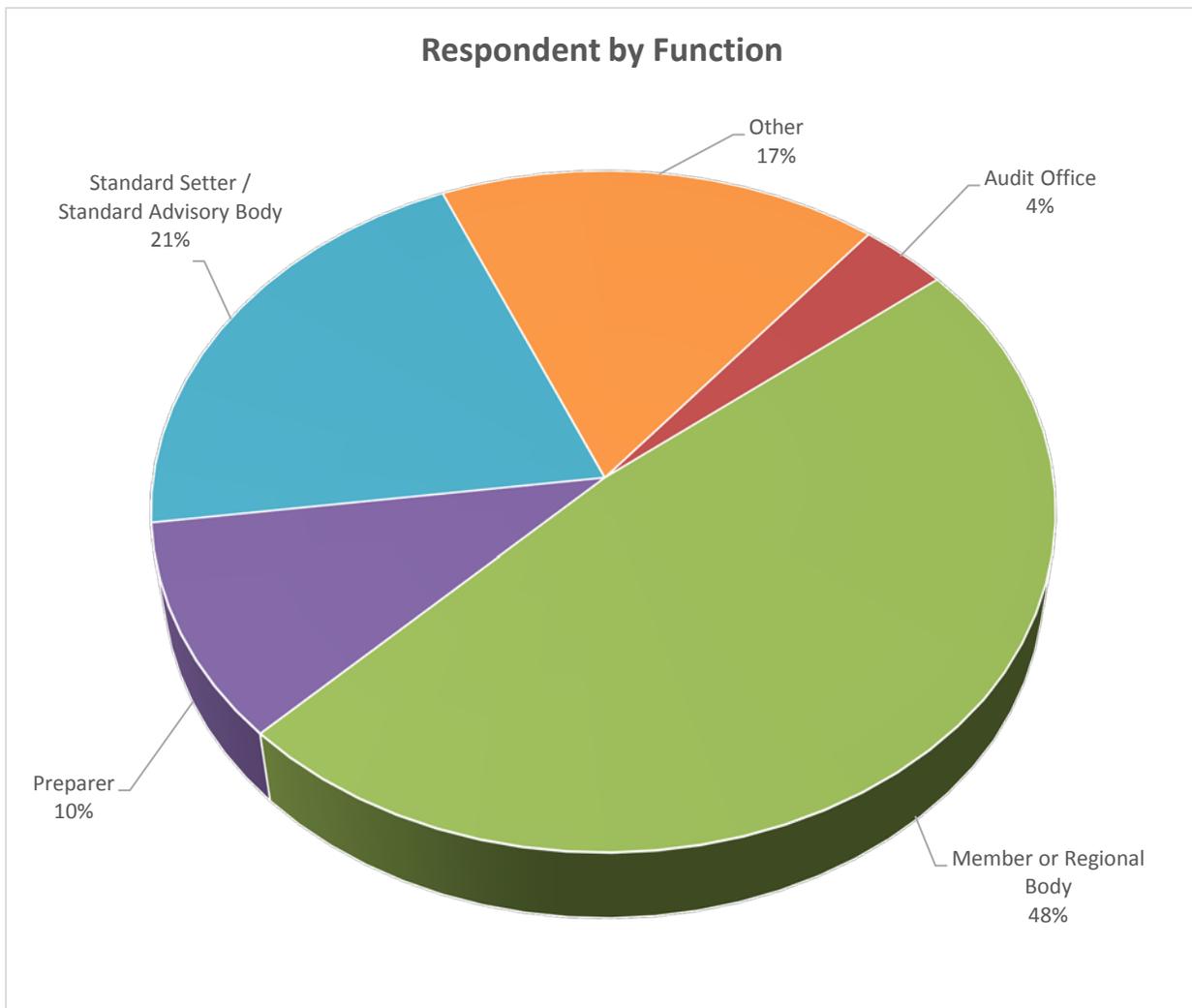
### Geographic Breakdown

Region	Respondents	Total
Africa and the Middle East	03, 08, 09, 16, 17, 19, 24	7
Asia	04, 13, 15, 23, 25	5
Australasia and Oceania	05, 11, 20, 28	4
Europe	02, 06, 07, 10, 12, 18, 22, 26, 29	9
Latin America and the Caribbean	21	1
North America	01, 27	2
International	14	1
<b>Total</b>		<b>29</b>



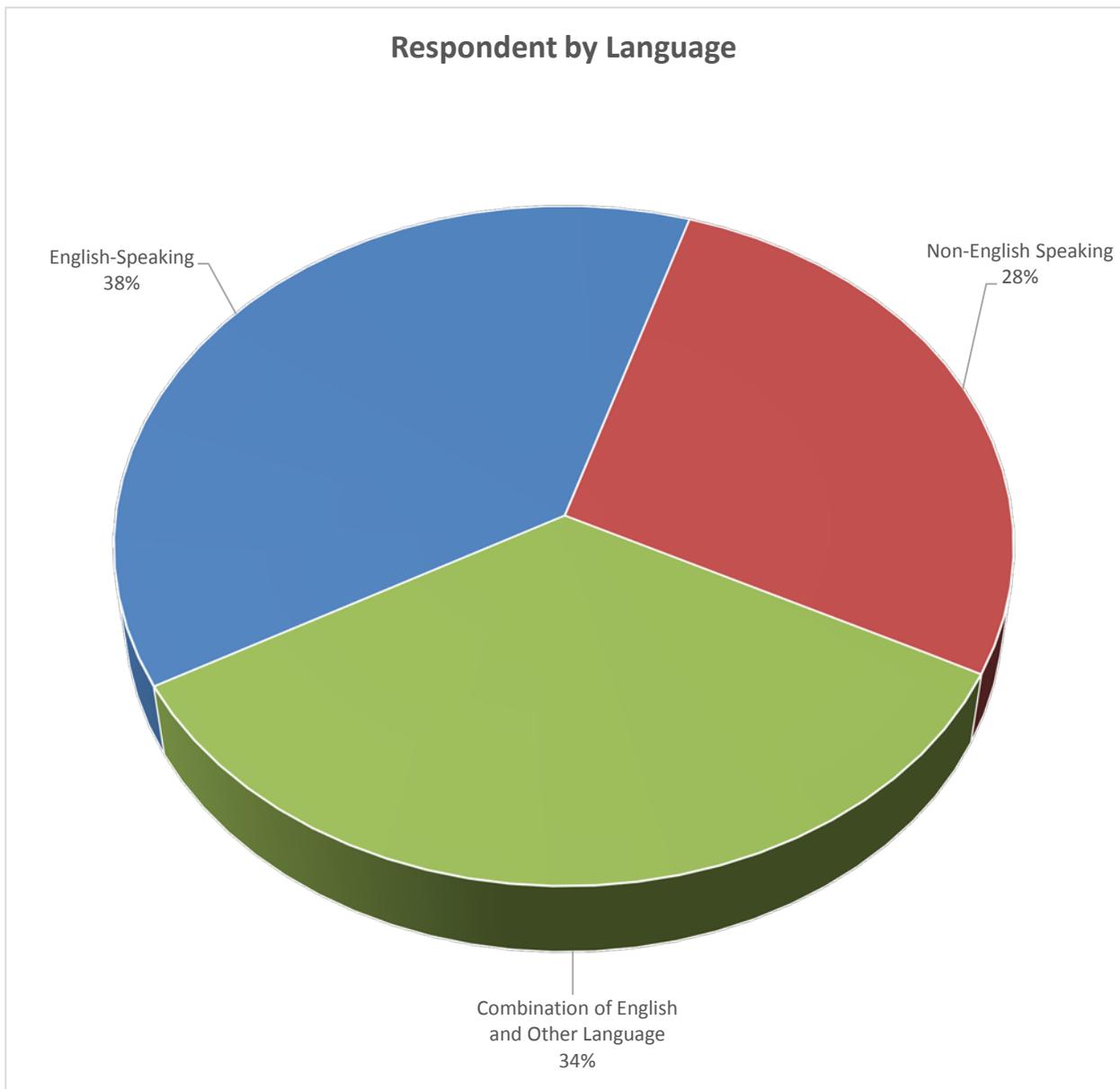
**Functional Breakdown**

Function	Respondents	Total
Accountancy Firm	-	0
Audit Office	20	1
Member or Regional Body	08, 09, 10, 13, 15, 16, 18, 19, 21, 23, 24, 25, 26, 28	14
Preparer	11, 12, 29	3
Standard Setter / Standard Advisory Body	02, 03, 05, 07, 17, 27	6
Other	01, 04, 06, 14, 22	5
<b>Total</b>		<b>29</b>



### Linguistic Breakdown

Language	Respondents	Total
English-Speaking	01, 03, 05, 11, 14, 17, 18, 20, 22, 26, 28	11
Non-English Speaking	02, 07, 12, 13, 15, 21, 23, 29	8
Combination of English and Other Language	04, 06, 08, 09, 10, 16, 19, 24, 25, 27	10
<b>Total</b>		<b>29</b>



### LIST OF RESPONDENTS

Response #	Respondent	Country	Function
01	Rick Perry	United States of America	Other
02	Conseil de Normalisation des Comptes Publics (CNoCP)	France	Standard Setter / Standard Advisory Body
03	Staff of the Accounting Standards Board (SA)	South Africa	Standard Setter / Standard Advisory Body
04	Govindarajulu Ramachandiron	India	Other
05	New Zealand Accounting Standards Board (NZASB) of the External Reporting Board (XRB)	New Zealand	Standard Setter / Standard Advisory Body
06	Task Force IRSPM A&A SIG, CIGAR Network, EGPA PSG XII	Regional / International	Other
07	Schweizerisches Rechnungslegungsgremium für den öffentlichen Sektor (SRS)	Switzerland	Standard Setter / Standard Advisory Body
08	Institute of Chartered Accountants (Ghana) (ICAG)	Ghana	Member or Regional Body
09	Institute of Certified Public Accountants of Uganda (ICPAU)	Uganda	Member or Regional Body
10	Accountancy Europe	Regional / International	Member or Regional Body
11	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)	Australia	Preparer
12	Federal Social Insurance Office (Switzerland)	Switzerland	Preparer
13	Japanese Institute of Certified Public Accountants (JICPA)	Japan	Member or Regional Body
14	International Consortium on Governmental Financial Management (ICGFM)	Regional / International	Other
15	Malaysian Institute of Accounting	Malaysia	Member or Regional Body
16	The National Board of Accountants and Auditors (NBAA)	Tanzania, United Republic of	Member or Regional Body

Collective and Individual Services and Emergency Relief (List of Respondents)  
*IPSASB Meeting (September 2019)*

<b>Response #</b>	<b>Respondent</b>	<b>Country</b>	<b>Function</b>
17	Public Sector Accounting Standards Board (PSASB)	Kenya	Standard Setter / Standard Advisory Body
18	Institute of Chartered Accountants in England and Wales (ICAEW)	United Kingdom	Member or Regional Body
19	Pan African Federation of Accountants (PAFA)	Regional / International	Member or Regional Body
20	Audit New Zealand	New Zealand	Audit Office
21	Conselho Federal de Contabilidade (CFC)	Brazil	Member or Regional Body
22	Kalar Consulting	United Kingdom	Other
23	Korea Institute of Public Finance	Korea	Member or Regional Body
24	Institute of Certified Public Accountants of Kenya (ICPAK)	Kenya	Member or Regional Body
25	Institute of Chartered Accountants of India (ICAI)	India	Member or Regional Body
26	Chartered Institute of Public Finance and Accountancy (CIPFA)	United Kingdom	Member or Regional Body
27	Staff of the Public Sector Accounting Board (PSAB)	Canada	Standard Setter / Standard Advisory Body
28	CPA Australia	Australia	Member or Regional Body
29	Direction Générale des Finances Publiques (DGFIP)	France	Preparer

A further response from the United Nations System was received on August 7, 2019. This response was received too late for consideration in developing the Agenda Papers, but is included at Agenda Item 5.3.5 for information.

~~Exposure Draft 67~~ Final Pronouncement  
January 202019  
~~Comments due: May 31, 2019~~

IPSAS®

*~~Proposed~~ International Public Sector Accounting  
Standard®*

---

# Collective and Individual Services and Emergency Relief (Amendments to IPSAS 19)

IPSASB

International Public  
Sector Accounting  
Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective the IPSASB sets IPSAS® and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants® (IFAC®).

Copyright © January 2020~~19~~ by the International Federation of Accountants (IFAC). For copyright, trademark, and permissions information, please see [page 16](#).

## REQUEST FOR COMMENTS

This Exposure Draft, *Collective and Individual Services and Emergency Relief (Amendments to IPSAS 19)*, was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by May 31, 2019.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the **"Submit a Comment"** link. Please submit comments in both a PDF and Word file. Also, please note that first-time users of the website must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: [www.ipsasb.org](http://www.ipsasb.org). The approved text is published in the English language.

**This Exposure Draft forms part of the IPSASB's project on Non-Exchange Expenses.**

### Objective of the Exposure Draft

The objective of this Exposure Draft is to propose improvements to the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about collective services, individual services and emergency relief.

### Guide for Respondents

The IPSASB would welcome comments on all of the matters discussed in this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

The Specific Matters for Comment requested for the Exposure Draft are provided below.

#### Specific Matter for Comment 1:

Do you agree with the definitions of collective services and individual services that are included in this Exposure Draft?

If not, what changes would you make to the definitions?

#### Specific Matter for Comment 2:

Do you agree that no provision should be recognized for collective services?

If not, under what circumstances do you think a provision would arise?

#### Specific Matter for Comment 3:

Do you agree that no provision should be recognized for individual services?

If not, under what circumstances do you think a provision would arise?

#### Specific Matter for Comment 4:

Do you agree with the proposed accounting for emergency relief?

If not, how do you think emergency relief should be accounted for?

# COLLECTIVE AND INDIVIDUAL SERVICES AND EMERGENCY RELIEF (AMENDMENTS TO IPSAS 19)

## CONTENTS

---

	Page
<del>Amendments to IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets</del> <del>IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets</del> .....	6
<del>Amendments to IPSAS 42, Social Benefits</del> <del>Amendments to IPSAS 42, Social Benefits</del> .....	16

---

## Objective Purpose

1. The ~~objective purpose of this Exposure Draft (ED) is to propose these~~ amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, ~~is~~ to provide guidance on accounting for collective and individual services and emergency relief. These transactions may have been previously encompassed in the wide description of social benefits in the IPSAS 19 scope exclusion. Following the publication of IPSAS 42, *Social Benefits*, the IPSASB has adopted a narrower definition of social benefits that excludes collective and individual services and emergency relief. Subsequently, the IPSASB decided to provide guidance for these transactions through the amendments proposed in this ED.
2. ~~This ED forms part of the IPSASB's project to provide guidance on accounting for non-exchange expenses.~~

## Request for Comments

3. ~~The IPSASB would welcome comments on all the matters proposed in the ED. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.~~

## IPSAS Addressed

<b>IPSAS</b>	<b>Summary of Proposed Change</b>
IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Provide guidance on accounting for collective and individual services and emergency relief.
IPSAS 42, <i>Social Benefits</i>	Consequential amendment to provide a cross reference to the additional guidance included in IPSAS 19 for certain transactions outside the scope of IPSAS 42.

## Amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*

Paragraphs 6A and 111J are added and paragraph 18 is amended. New text is underlined.

...

### Scope

6A. This Standard provides guidance on accounting for non-exchange transactions arising determining whether, and if so, when, a provision arises from:

- (a) Collective and individual services (paragraphs AG2–AG16); and
- (b) Emergency relief (paragraphs AG17–AG25).

...

### Definitions

18. The following terms are used in this Standard with the meanings specified:

**Collective services are services provided by a public sector entity simultaneously to all members of the community that are intended to address the needs of society as a whole.**

...

**Individual services are goods and services provided to individuals and/or households by a public sector entity that are intended to address the needs of society as a whole.**

...

### Effective Date

...

111J. Paragraphs 6A, and AG1–AG25 were added and paragraph 18 was amended by [draft] IPSAS [X] (ED 67), *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19), issued in [Month YYYY]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [MM-DD, YYYY] **January 1, 2022**. Earlier application is encouraged. If an entity applies the amendments for a period beginning before [MM-DD, YYYY] **January 1, 2022** it shall disclose that fact and apply IPSAS 42, *Social Benefits*, at the same time.

...

The Application Guidance in Appendix A (paragraphs AG1–AG25) and the section of the Basis for Conclusions discussing *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19) (paragraphs BC6–BC24) are added. Because these are new sections, no mark-up has been used.

## Application Guidance

*This Appendix is an integral part of IPSAS 19*

### Introduction

AG1. This Appendix provides guidance on accounting for collective and individual services, and emergency relief. These transactions are non-exchange transactions that do not meet the definition of social benefits in IPSAS 42, *Social Benefits* (and are therefore outside the scope of that Standard). This Appendix addresses the question of whether a provision needs to be recognized for these transactions before the services are delivered.

### Collective and Individual Services

#### *Scope of Collective and Individual Services*

AG2. This Standard defines collective services as services provided by a public sector entity simultaneously to all members of the community that are intended to address the needs of society as a whole. The provision of a collective service to one individual does not reduce the amount available to other individuals; there is no rivalry in the consumption of collective services. Consumption of collective services is usually passive and does not require the explicit agreement or active participation of those benefiting from the service.

AG3. This Standard defines individual services as goods and services provided to individuals and households by a public sector entity that are intended to address the needs of society as a whole. The provision of an individual service to one individual may reduce the amount available to other individuals, or may delay the receipt of those services by some individuals. Consumption of individual services requires the explicit agreement or active participation of those benefiting from the service.

AG4. Collective services and individual services involve the provision of services by or on behalf of a public sector entity. Consequently, cash transfers are not collective or individual services.

AG4-AG5. Public sector entities provide collective and individual services through the labor of their employees or by purchasing goods and services from third party providers.

AG5-AG6. Examples of collective services include street lighting and defense. Examples of individual services include ~~public sector~~ healthcare services and education services.

AG6-AG7. The following table illustrates the distinction between social benefits, individual services and collective services.

	Social Benefits	Individual Services	Collective Services
Involves a cash transfer to eligible beneficiaries?	✓	x	x
Provided to individuals and/or households rather than to a community?	✓	✓	x
Intended to address the needs of society as a whole?	✓	✓	✓

~~AG7-AG8.~~ Social benefits, individual services and collective services all address the needs of society as a whole. Collective services are provided to a community rather than to individuals, which distinguishes them from individual services and social benefits. Individual services involve the delivery of services to individuals and/or households, which distinguishes them from social benefits that involve cash transfers (including cash equivalents such as pre-paid debit cards). Conversely, emergency services (as outlined in paragraphs AG17–AG25) address the needs of specific individuals or households, when emergency events arise.

~~AG8-AG9.~~ In some jurisdictions, individuals may pay for services, for example healthcare, and subsequently be reimbursed by a public sector entity. The substance of these reimbursements is that the public sector entity is paying for the services, and the transaction is an individual service rather than a social benefit.

~~AG9.~~ ~~In some jurisdictions, a public sector entity may provide vouchers to individuals and households that can be subsequently exchanged for specific goods or services. The provider of the goods or services will be reimbursed by the public sector entity. The substance of these transactions is that the public sector entity is paying for the goods or services, and the transaction is an individual service rather than a social benefit.~~

#### *No Provision Recognized for Collective Services before the Services are Delivered*

~~AG10.~~ Collective services are ongoing activities of the public sector entity that delivers the services. Paragraph 26 of this Standard states that “no provision is recognized for costs that need to be incurred to continue an entity’s ongoing activities in the future”. Consequently, any obligations that may arise for collective services are not independent of the entity’s future actions, and in accordance with the principles of this Standard, no provision is recognized for the intention to deliver such services.

~~AG10-AG11.~~ ~~An intention to deliver collective services, budget approval to deliver those services, or the existence of legislation in respect of those services are not, in themselves, sufficient to give rise to a present obligation.~~

~~AG11-AG12.~~ In delivering collective services, a public sector entity incurs expenses and acquires resources through exchange transactions. Examples include the electricity used in delivering street lighting, the salaries paid to acquire the services of defense staff, the acquisition of non-current assets used in delivering those services, and the purchase of collective services from a third-party provider. These exchange transactions are accounted for in accordance with other IPSAS. ~~In some circumstances, these arrangements, which will usually be in the form of contracts or other binding~~

arrangements, may give rise to provisions. However, any such provisions relate to the binding arrangement and not to the intention to deliver collective services to the public.

#### *No Provision Recognized for Individual Services before the Services are Delivered*

~~AG12-AG13.~~ Similarly, the delivery of individual services represents ongoing activities of the public sector entity that provides the services. The delivery of individual services results in the public sector entity incurring expenses and acquiring resources through exchange transactions.

~~AG14.~~ The public sector entity uses these resources to deliver services to specific individuals and/or households in non-exchange transactions. Where individuals and/or households access individual services, the entity may have a number of future obligations relating to the delivery of these individual services. Such obligations are an aspect of the ongoing activities of the public sector entity. Similar to collective services, any obligations that may arise for individual services are not independent of the entity's future actions, and in accordance with the principles of this Standard, no provision is recognized for the intention to deliver such services prior to individuals and/or households accessing the services.

~~AG15.~~ An intention to deliver individual services, budget approval to deliver those services, or the existence of legislation in respect of those services are not, in themselves, sufficient to give rise to a present obligation. The past event that gives rise to a present obligation is the delivery of those individual services.

~~AG13-AG16.~~ In delivering individual services, a public sector entity incurs expenses and acquires resources through exchange transactions. Examples include the pharmaceuticals or medical supplies used in delivering healthcare, the salaries paid to acquire the services of teachers, the acquisition of non-current assets used in delivering those services, and the purchase of individual services from a third-party provider. These exchange transactions are accounted for in accordance with other IPSAS. In some circumstances, these arrangements, which will usually be in the form of contracts or other binding arrangements, may give rise to provisions. However, any such provisions relate to the binding arrangement and not to the intention to deliver individual services to the public.

#### *Presentation and Disclosure of Collective Services and Individual Services*

~~AG14-AG17.~~ An entity shall present and disclose information about collective services and individual services in accordance with other IPSAS, including IPSAS 1, *Presentation of Financial Statements*, and IPSAS 2, *Cash Flow Statements*.

~~AG15-AG18.~~ IPSAS 1 requires an entity to "present, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is faithfully representative and more relevant."

~~AG16-AG19.~~ Where information is presented based on the nature of expenses, collective services and individual services will be included in items such as employee benefit costs. Where information is presented based on their function within the entity, collective services and individual services may be presented as individual line items, or amalgamated with similar items depending upon their materiality.

## Emergency Relief

### *Scope of Emergency Relief*

~~AG17-AG20.~~ Governments and other public sector entities (which includes international organizations) may deliver emergency relief to individuals and/or households who have been adversely affected by circumstances that are not related to social risks (as defined in IPSAS 42), for example:

- (a) Natural disasters such as flooding, earthquakes, food shortages and volcanic eruptions; and
- (b) The displacement of individuals and/or households as a result of war, civil commotion or economic failure.

~~AG18-AG21.~~ Goods and services delivered through emergency relief do not address the needs of society as a whole. This distinguishes emergency relief from collective services and individual services. Emergency relief may be provided in response to specific emergencies. Alternatively, emergency relief may be delivered as an ongoing activity of government (or other public sector entity). An example would be where a government has established an agency with a remit to deliver ongoing emergency relief activities, and where the agency staff is engaged either in delivering emergency relief or in undertaking planning and preparation activities.

~~AG19-AG22.~~ Governments and other public sector entities deliver emergency relief to individuals and/or households through the following types of transactions:

- (a) The provision of services;
- (b) The provision of goods;
- (c) The replacement of assets; and
- (d) Cash transfers.

### *Accounting for Emergency Relief in Response to Specific Emergencies*

~~AG20-AG23.~~ The delivery of emergency relief in response to specific emergencies requires an explicit policy decision to be made by a government or other public sector entity. This decision could give rise to a present obligation, requiring the recognition of a provision when the criteria in paragraphs 22–34 of this Standard are satisfied. For example, in these circumstances a present obligation could arise as a result of government announcements, the passing of legislation and other government actions.

~~AG21-AG24.~~ Where an event does not give rise to a present obligation that satisfies the criteria for the recognition of a provision, an entity shall consider whether paragraphs 35–38 of this Standard require the disclosure of a contingent liability. The nature of the obligation may change as a result of later announcements or actions, such as the enactment of legislation. An entity will need to reassess at each reporting date whether the cumulative effect of the decisions and announcements is sufficient to require the recognition of a provision.

### *Accounting for Emergency Relief Delivered as an Ongoing Activity*

~~AG22-AG25.~~ An entity considers the specific circumstances in which emergency relief is being delivered. Where such delivery of emergency relief is an ongoing activity of government (or other public sector entity) and is analogous to the delivery of collective services and/or individual services as set out in paragraphs AG2-AG16, no provision is recognized before the relief is delivered. In other

circumstances, an entity considers the requirements of this Standard in determining whether to recognize a provision or disclose a contingent liability.

#### *Presentation and Disclosure of Emergency Relief*

~~AG23-AG26.~~ An entity shall present and disclose information about emergency relief in accordance with other IPSAS, including IPSAS 1 and IPSAS 2.

~~AG24-AG27.~~ IPSAS 1 requires an entity to “present, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is faithfully representative and more relevant.”

~~AG25-AG28.~~ Where information is presented based on the nature of expenses, emergency relief will be included in items such as employee benefit costs or inventory expenses (for example, donated goods). Where information is presented based on its function within the entity, emergency relief may be presented as an individual line item, or amalgamated with similar items depending upon materiality.

...

## **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 19.*

...

### **Revision of IPSAS 19 as a result of ~~[draft] [ED 67]~~ *Collective and Individual Services and Emergency Relief (Amendments to IPSAS 19)* issued in [Month and Year]**

#### *Collective and Individual Services*

BC6. When IPSAS 19 was first issued, “provisions and contingent liabilities arising from social benefits provided by an entity for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits” were excluded from the scope of the Standard. IPSAS 19 described social benefits in wide terms as “goods, services, and other benefits provided in the pursuit of the social policy objectives of a government. These benefits may include:

- (a) The delivery of health, education, housing, transport, and other social services to the community. In many cases, there is no requirement for the beneficiaries of these services to pay an amount equivalent to the value of these services; and
- (b) Payment of benefits to families, the aged, the disabled, the unemployed, veterans, and others. That is, governments at all levels may provide financial assistance to individuals and groups in the community to access services to meet their particular needs, or to supplement their income.”

BC7. IPSAS 42, *Social Benefits*, was issued in January 2019. IPSAS 42 amended IPSAS 19, which now excludes from its scope social benefits “within the scope of IPSAS 42” (i.e., cash transfers (including cash equivalents) provided to mitigate the effect of social risks, rather than the wider range of transactions previously referred to as social benefits). A consequence of this amendment was to bring within the scope of IPSAS 19 any provisions and contingent liabilities arising from

- transactions that were previously excluded from the scope of IPSAS 19, but which are not within the scope of IPSAS 42. The IPSASB therefore agreed to provide guidance on accounting for these transactions. As was previously noted in IPSAS 19, a key issue for stakeholders was whether a provision arose in respect of those transactions.
- BC8. Such transactions were referred to in the IPSASB's Consultation Paper (CP), *Accounting for Revenue and Non-Exchange Expenses* (issued in August 2017), as "collective services" and "universally accessible services." (As explained in paragraph BC14, the IPSASB later decided to replace the term "universally accessible services" with the term "individual services.") In that CP, the IPSASB expressed a preliminary view that "non-exchange transactions related to universally accessible services and collective services impose no performance obligations on the resource recipient." As a result, a performance obligation approach to recognizing a non-exchange expense for these transactions would not be appropriate. Respondents to the CP generally supported that preliminary view.
- BC9. In the CP, the IPSASB noted that "a public sector entity may have a number of future obligations relating to the provision of universally accessible services and collective services. Such obligations are an aspect of the ongoing activities of governments and other public sector entities; however, only present obligations give rise to liabilities. The expected future sacrifice of resources does not of itself mean that there is a present obligation. ... Therefore, the IPSASB is of the view that universally accessible services and collective services do not give rise to obligating events and therefore liabilities or expenses do not arise prior to the delivery of those services to beneficiaries."
- BC10. Respondents to the CP also generally supported this view, and the IPSASB agreed to provide Application Guidance on accounting for these transactions in line with the approach set out in the CP. The IPSASB agreed that, because liabilities or expenses for the delivery of universally accessible services and collective services do not arise prior to the delivery of those services to beneficiaries, it is appropriate to account for the delivery of these services in accordance with other IPSAS. For example, IPSAS 39, *Employee Benefits*, covers the expenses incurred in employing staff to deliver these services, IPSAS 12, *Inventories*, covers the expenses incurred in delivering goods to individuals and households, and IPSAS 41, *Financial Instruments*, covers the financial liability that may be incurred in acquiring goods or services.
- BC11. In agreeing that liabilities or expenses for the delivery of these services do not arise prior to the delivery of the services to beneficiaries, the IPSASB noted that the reasons a provision did not arise for collective services and universally accessible services were not identical. The IPSASB agreed that the guidance should reflect this.
- BC12. The IPSASB noted that collective services are ongoing activities of government. Paragraph 26 of IPSAS 19 states that "no provision is recognized for costs that need to be incurred to continue an entity's ongoing activities in the future". It follows that any obligations that may arise for collective services are not independent of the entity's future actions. Consequently, the IPSASB agreed that recognizing a provision for collective services would be contrary to the requirements of paragraph 26 of IPSAS 19.
- BC13. The IPSASB therefore agreed that no provision should be recognized for universally accessible services. The IPSASB also noted that universally accessible services are ongoing activities of government, in the same way as collective services, and that recognizing a provision for such services would be contrary to the requirements of paragraph 26 of IPSAS 19.

BC14. In agreeing to provide guidance in line with the approach set out in the CP, the IPSASB noted that some respondents considered that the term “universally accessible services” was confusing. The IPSASB agreed to avoid this term, and instead adopted the term “individual services”, which is consistent with the term used in Government Finance Statistics (GFS) and with the term used in the IPSASB’s earlier work on social benefits.

[BC15.](#) The IPSASB considered whether specific disclosures for collective and individual services were required, and concluded that the existing requirements in IPSAS 1, *Presentation of Financial Statements*, IPSAS 18, *Segment Reporting*, and the various IPSAS dealing with the specific transactions would provide sufficient information to meet users’ needs. Consequently, the IPSASB agreed not to require any specific disclosures for collective and individual services.

[Responses to ED 67, \*Collective and Individual Services and Emergency Relief \(Amendments to IPSAS 19\)\*](#)

[BC16.](#) [The IPSASB issued its proposals in ED 67, \*Collective and Individual Services and Emergency Relief \(Amendments to IPSAS 19\)\* in January 2019.](#)

[BC17.](#) [Respondents generally supported the proposals in respect of collective and emergency relief, but raised a number of issues for the IPSASB to consider in finalizing the amendments.](#)

[BC18.](#) [A number of issues raised related to the definitions of collective services and individual services. In deciding not to make any changes to the definitions, the IPSASB came to the following conclusions:](#)

- [\(a\) Some respondents questioned whether two definitions were required when the accounting treatment was the same. The IPSASB considered that the fact the rationale for the accounting treatments were different meant that retaining separate definitions was appropriate. The IPSASB also noted that this would be consistent with the approach in GFS.](#)
- [\(b\) Respondents commented that collective and individual services are non-cash transactions and that this should be reflected in the definitions. The IPSASB decided to make specific reference to the non-cash nature of collective and individual services in the Application Guidance.](#)
- [\(c\) Some respondents questioned why the definition of collective services did not refer to goods, unlike the definition of individual services. The IPSASB noted that collective services are provided simultaneously to all members of the community, and are non-rivalrous. The IPSASB considered that this precludes goods, which would be provided to individuals or households and which would be rivalrous. The IPSASB also noted that some of the examples of collective goods suggested by respondents refer to assets \(such as lamp posts\) that an entity uses to provide collective services, and which remain under the entity’s control. In such circumstances, the IPSASB considered that the assets are being used by the entity to provide collective services, but that the entity is not providing goods to the community. Consequently, the IPSASB decided that it was appropriate that the definition of collective services did not refer to goods.](#)
- [\(d\) A respondent proposed amending the definitions of collective services and individual services to refer to services that are continually provided. The IPSASB considered that this was already implicitly addressed in the description of collective services and individual services as ongoing activities of public sector entities, and agreed that no change to the definitions was needed.](#)

BC19. Further issues raised related to the accounting for collective and individual services. There was strong support for the proposals that a provision should not be recognized for these transactions, but some respondents considered that the rationale needed to be strengthened. In considering these comments, the IPSASB came to the following conclusions:

- (a) Some respondents commented that as well as being ongoing activities of a public sector entity, collective and individual services were not independent of an entity's future actions, as described in paragraph 27 of IPSAS 19. These respondents considered that this should be discussed in the final pronouncement. The IPSASB accepted that this would be true in some cases, but noted that in many jurisdictions, there is a legal requirement for a government or other public sector entity to provide collective services. While there may be elements of discretion in how the services are delivered, the obligation to provide services remains. Consequently, the IPSASB agreed not to include this reference.
- (b) Respondents noted that IPSAS 42 had acknowledged that an entity having to recognize large liabilities for services to be delivered in the future without the recognition of future taxes to pay for those services is unlikely to meet the objectives of financial reporting and satisfy the qualitative characteristics. Respondents considered that this rationale applied equally to collective and individual services. The IPSASB concurred, and agreed that this rationale should be included in the Basis for Conclusions.
- (c) Some respondents commented that while no provision arises from an entity's intentions to deliver collective and individual services to the public, a provision might arise from the contractual arrangements through which those services are provided. The IPSASB concurred and agreed to include additional guidance to this effect.
- (d) Some respondents commented that the guidance in ED 67 may be more useful if it focuses on whether government has a present obligation, what would constitute an obligating event.
- (a)(e) Some respondents raised concerns regarding the proposed treatment of vouchers in ED 67, and questioned whether they should be treated in same way as loyalty programs such as airlines' frequent flier programs. The IPSASB accepted these concerns, and noted that the appropriate treatment may vary from jurisdiction to jurisdiction. The IPSASB agreed to remove this guidance.

#### *Emergency Relief*

BC15-BC20. Emergency relief may have been included in that wide range of social benefits excluded from the scope of IPSAS 19. In developing IPSAS 42 and the CP, the IPSASB identified disaster relief as a type of non-exchange transaction that is outside the scope of IPSAS 42. (As explained in paragraph BC17, the IPSASB later decided to replace the term "disaster relief" with the term "emergency relief.") This is because disaster relief does not address social risks, as explained in IPSAS 42, and addresses the needs of specific individuals and households rather than the needs of society as a whole. Following the amendments to IPSAS 19 made by IPSAS 42 (described in paragraph BC7 above), the IPSASB agreed to provide guidance on accounting for these transactions.

BC16-BC21. In developing *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19), the IPSASB noted that some governments and other public sector entities provide relief in circumstances other than natural disasters. For example, some governments provide food and shelter to those displaced as a result of civil commotion. The IPSASB considered that the

accounting for such relief would be the same as for relief provided following natural disasters. The IPSASB therefore agreed to extend the scope of this guidance to include all emergency relief that does not satisfy the definition of a social benefit in IPSAS 42.

~~BC17-BC22.~~ The IPSASB noted that, in general, emergency relief is not an ongoing activity of government (or other public sector entity) and that paragraph 26 of IPSAS 19 does not apply. However, depending on the circumstances, a provision may need to be recognized or a contingent liability disclosed.

~~BC18-BC23.~~ The IPSASB noted that the delivery of such emergency relief requires a specific policy decision to be made by a government or other public sector entity. The communication of this decision, which may be when legislation is enacted, may (individually or in combination with other actions) give rise to a present legal or constructive obligation whereby it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

~~BC19-BC24.~~ The IPSASB reviewed the requirements of IPSAS 19 regarding the recognition and measurement of provisions, to determine whether these requirements provided sufficient guidance for entities to assess whether a provision should be recognized for emergency relief that is not an ongoing activity of government (or other public sector entity). The IPSASB concluded that the requirements of IPSAS 19, including the additional guidance provided in paragraphs AG17–AG25, were sufficient for entities to assess whether a provision should be recognized for emergency relief that is not an ongoing activity of government (or other public sector entity). The IPSASB therefore agreed not to develop any further requirements.

~~BC20-BC25.~~ The IPSASB noted, however, that in some jurisdictions, emergency relief is delivered as an ongoing activity of government (or other public sector entity). An example would be where a government has established an agency with a remit to deliver emergency relief, and where the agency staff is engaged either in delivering the emergency relief or in undertaking planning and preparation activities.

~~BC24-BC26.~~ In such circumstances, the IPSASB concluded that an entity should consider whether the delivery of the emergency relief is analogous to delivering collective services or individual services. Where the entity concludes that the emergency relief is analogous to delivering collective services or individual services, the IPSASB agreed that the entity should account for the use of the resources as it delivers emergency relief. No provision need be recognized for emergency relief delivered as part of the ongoing activities of government (or other public sector entity).

~~BC22-BC27.~~ Conversely, where the entity concludes that the emergency relief is not analogous to delivering collective services or individual services, a provision may need to be recognized or a contingent liability disclosed.

~~BC23-BC28.~~ The IPSASB also considered whether specific disclosures for emergency relief were required. The IPSASB noted that in many cases, emergency relief will be material either because of the amounts involved or because of its nature. The IPSASB therefore concluded that the existing requirements in IPSAS 1, IPSAS 18 and IPSAS 19 would provide sufficient information to meet users' needs. Consequently, the IPSASB agreed not to require any specific disclosures for emergency relief.

## Amendments to IPSAS 42, *Social Benefits*

Paragraphs 4A and 35A are added. New text is underlined

...

### Scope

...

4A. Collective services and individual services (as defined in IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*) and emergency relief are not social benefits. Guidance on accounting for these transactions is provided in IPSAS 19.

...

### Effective Date

...

35A. Paragraph 54A was added by [draft] IPSAS [X] (ED 67), *Collective and Individual Services and Emergency Relief (Amendments to IPSAS 19)*. An entity shall apply this amendment at the same time as it applies *Collective and Individual Services and Emergency Relief*.

International Public Sector Accounting Standards, Exposure Drafts, Consultation Papers, Recommended Practice Guidelines, and other IPSASB publications are published by, and copyright of, IFAC.

The IPSASB and IFAC do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

The 'International Public Sector Accounting Standards Board', 'International Public Sector Accounting Standards', 'Recommended Practice Guidelines', 'International Federation of Accountants', 'IPSASB', 'IPSAS', 'RPG', 'IFAC', the IPSASB logo, and IFAC logo are trademarks of IFAC, or registered trademarks and service marks of IFAC in the US and other countries.

Copyright © **January 2020**~~19~~ by the International Federation of Accountants (IFAC). All rights reserved. Written permission from IFAC is required to reproduce, store or transmit, or to make other similar uses of, this document. Contact [permissions@ifac.org](mailto:permissions@ifac.org). Permission is granted to make copies of this work to achieve maximum exposure and feedback provided that each copy bears the following credit line: "Copyright © January 2019 by the International Federation of Accountants (IFAC). All rights reserved. Used with permission of IFAC. Permission is granted to make copies of this work to achieve maximum exposure and feedback."



**IPSASB**

**International Public  
Sector Accounting  
Standards Board®**

529 Fifth Avenue, New York, NY 10017  
T + 1 (212) 286-9344 F +1 (212) 286-9570  
[www.ipsasb.org](http://www.ipsasb.org)