**PROPERTY, PLANT, AND EQUIPMENT UPDATE**

<table>
<thead>
<tr>
<th>Project summary</th>
<th>To update guidance in IPSAS 17, <em>Property, Plant and Equipment</em>, to reflect changes resulting from the measurement, heritage assets and infrastructure assets projects.</th>
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<tr>
<td><strong>Meeting objectives</strong></td>
<td><strong>Topic</strong></td>
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<tr>
<td>Discussion items</td>
<td>Property, Plant, and Equipment Update</td>
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<td>Other supporting items</td>
<td>IPSASB Due Process Checklist</td>
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Property, Plant, and Equipment Update

Background

1. During its March 2020 meeting, the IPSASB performed a detailed review of its ongoing projects. The review performed a stock-take of the current status of each project and ensured a plan was in place on how these projects would be completed.

2. The timing of the detailed review of its ongoing projects was driven by three considerations:
   (a) **Pervasiveness of the Conceptual Framework – Limited Scope Update Project and Measurement Project.** Both projects impact several other projects. Considering all projects holistically at this point eliminates duplication of work, or worse issuing public documents in isolation of other projects.
   (b) **Change in Staff approach.** While staff continue to be responsible for a project, staff roles have been updated to facilitate oversight roles of multiple projects.
   (c) **Advice from the CAG.** The CAG has previously discussed the need for project coordination because of the complexity of projects and cautioned the IPSASB to consider consequences on other projects when working on a certain project. CAG members have expressed views that it is helpful to consider the landscape and not to look at projects in silos.

3. As result of the detailed review, the IPSASB noted that projects are increasingly inter-related with cross-cutting issues. The IPSASB highlighted the need for an integrated staff approach to managing projects. This is a natural development, reflecting the evolution of the IPSASB and the complex nature of several projects.

4. The IPSASB identified five inter-related projects with cross-cutting issues:
   (a) Conceptual Framework – Limited Scope Update;
   (b) Measurement;
   (c) Infrastructure Assets;
   (d) Heritage Assets; and
   (e) Non-Current Assets Held for Sale.

5. The IPSASB agreed this connectivity presented an opportunity for the Board to pursue an innovative approach and proposed these projects be completed in contemplation of one another by issuing common Exposure Draft (ED) outputs:
   (a) **ED 74—Conceptual Framework-Limited Scope Update.** To propose changes to the Conceptual Framework related to measurement.
   (b) **ED 75—Measurement.** To propose the principles to be included in the future Measurement standard.
   (c) **ED 76—IPSAS 17 update.** To include the proposed changes to IPSAS 17, *Property, Plant, and Equipment* arising from Measurement, Heritage Assets and Infrastructure Assets projects (see explanation below).
   (d) **ED 77—Non-Current Assets Held for Sale.** To fill a gap in existing IPSAS by aligning with guidance in IFRS.
6. The diagram below shows the connectivity between the projects.

7. In developing this approach, the IPSASB identified several advantages for stakeholders:

(a) **Time to market.** Issuing all of the above noted EDs as a package may reduce the time required to complete the suite of projects. This is because staff work together on cross-cutting issues, instead of independently and on different timelines. Further, it should be easier for constituents to review and provide input on inter-related projects as a package.

(b) **Clear and transparent.** Issuing all documents together means issues are dealt with at the same time and on a consistent basis. This allows stakeholders to consider all the proposals at once.

(c) **Coordinated approach.** Cross-cutting issues can be addressed congruently across all projects, instead of being revisited on a project by project basis.

8. The IPSASB concluded these advantages outweighed the disadvantage of stakeholders being asked to comment on a large package of EDs. In the near term, issuing a package of EDs creates a capacity issue related to the volume of material and ability of stakeholders to respond. However, there is a significant benefit in delivering a clear and transparent suite of inter-related EDs which allows respondents to see all proposals and their linkages holistically.

Question to CAG Members

Do CAG Members think this coordinated project approach addresses stakeholder concerns?

**Characteristics of Infrastructure Assets**

9. One of the issues the IPSASB is addressing in ED 76 (IPSAS 17 Update), *Property, Plant, and Equipment* relates to infrastructure assets. Specifically, identifying differences between infrastructure assets and property, plant, and equipment. In March 2020, the IPSASB decided that infrastructure assets should not be defined because they are a subset of property, plant, and equipment\(^1\). However, the IPSASB determined that it was important to develop the characteristics of infrastructure assets

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\(^1\) IPSAS 17 definition of property, plant, and equipment are *tangible items that, (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one reporting period.*
to articulate the specific attributes that distinguish them from general property, plant, and equipment, and presents complexities in the application and implementation of existing principles in IPSAS 17.

10. Paragraph 21 of IPSAS 17 states some assets are commonly described as infrastructure assets. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

(a) They are part of a system or network;
(b) They are specialized in nature and do not have alternative uses;
(c) They are immovable; and
(d) They may be subject to constraints on disposal.

11. Staff have noted some of these characteristics do not clearly distinguish infrastructure assets from general property, plant, and equipment. For example, the current characteristics do not support the analysis of whether a building is an item of property, plant, and equipment or infrastructure assets.

(a) Property, Plant, and Equipment. Some constituents conclude a building is not part of system or network, but a standalone asset.

(b) Infrastructure Assets. Some constituents conclude a building is made up of several components and represent a network servicing several different user needs.

Identifying the appropriate characteristics of infrastructure assets will enable the IPSASB to develop the appropriate Application Guidance (AGs), Illustrative Examples (IEs) and Implementation Guidance (IGs) to help constituents understand how to account for the complexities in the application and implementation of existing principles in IPSAS 17.

12. Therefore, when developing the characteristics of infrastructure assets, staff considered:

(a) Identifying characteristics that distinguish infrastructure assets from general property, plant, and equipment; and

(b) Identifying characteristics that present complexities in the application and implementation of existing principles in IPSAS 17.

13. For example, infrastructure assets are characterized as “a network of assets” and “as specialized assets”. Based on the approach followed by staff, it is recommended:

(a) A network of assets be included in the Standard as a characteristic because:
   (i) This characteristic distinguishes infrastructure assets from general property, plant, and equipment; and
   (ii) Presents complexities in the application and implementation of existing principles in IPSAS 17. For example, a road network is effectively one large asset, but IPSAS 17 requires components be accounted for as separate assets, because they have different useful lives and significant costs (componentization). This is more challenging than just accounting for a single asset such as a truck.

(b) Specialization not be included in the Standard as a characteristic because this characteristic does not distinguish infrastructure assets from general property, plant, and equipment (for example, a specialized building), and does not really present complexities in the application
and implementation of existing principles in IPSAS 17. It may be difficult to measure a specialized asset, but this is an issue to be addressed in the Measurement project, not IPSAS 17.

14. The IPSASB instructed staff to keep building on the characteristics as they analyze infrastructure assets issues, and to keep testing these characteristics. The IPSASB will discuss the characteristics of infrastructure assets at the June meeting.

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<tr>
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<tr>
<td>Do CAG Members agree with the approach followed by the IPSASB when deciding which characteristics of infrastructure assets should be included in the Standard?</td>
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# Appendix A: IPSASB Due Process Checklist

**Project:** Infrastructure Assets

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<tr>
<th>#</th>
<th>Due Process Requirement</th>
<th>Yes/No</th>
<th>Comments</th>
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<tbody>
<tr>
<td>A1</td>
<td>A proposal for the project (project brief) has been prepared, that highlights key issues the project seeks to address.</td>
<td>Yes</td>
<td>The IPSASB approved the project brief at the June 2019 IPSASB meeting (see the June 2019 minutes).</td>
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<tr>
<td>A2</td>
<td>The IPSASB has approved the project in a public meeting.</td>
<td>Yes</td>
<td>The IPSASB approved the project brief at the June 2019 IPSASB meeting (see the June 2019 minutes).</td>
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<tr>
<td>A3</td>
<td>The IPSASB CAG has been consulted on the project brief.</td>
<td>-</td>
<td>CAG was consulted at the December 2017 CAG meeting.</td>
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**B. Development of Proposed International Standard**

| B1 | The IPSASB has considered whether to issue a consultation paper or undertake other outreach activities to solicit views on matters under consideration from constituents. | N/A    | This step has not been reached.                                                                    |
| B2 | If comments have been received through a consultation paper or other public forum, they have been considered in the same manner as comments received on an exposure draft. | N/A    | This step has not been reached.                                                                    |
| B3 | The IPSASB CAG has been consulted on significant issues during the development of the exposure draft. | N/A    | This step has not been reached.                                                                    |
| B4 | The IPSASB has approved the issue of the exposure draft.                                  | N/A    | This step has not been reached.                                                                    |