



## Agenda Item 6: Infrastructure Assets

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IPSASB Meeting

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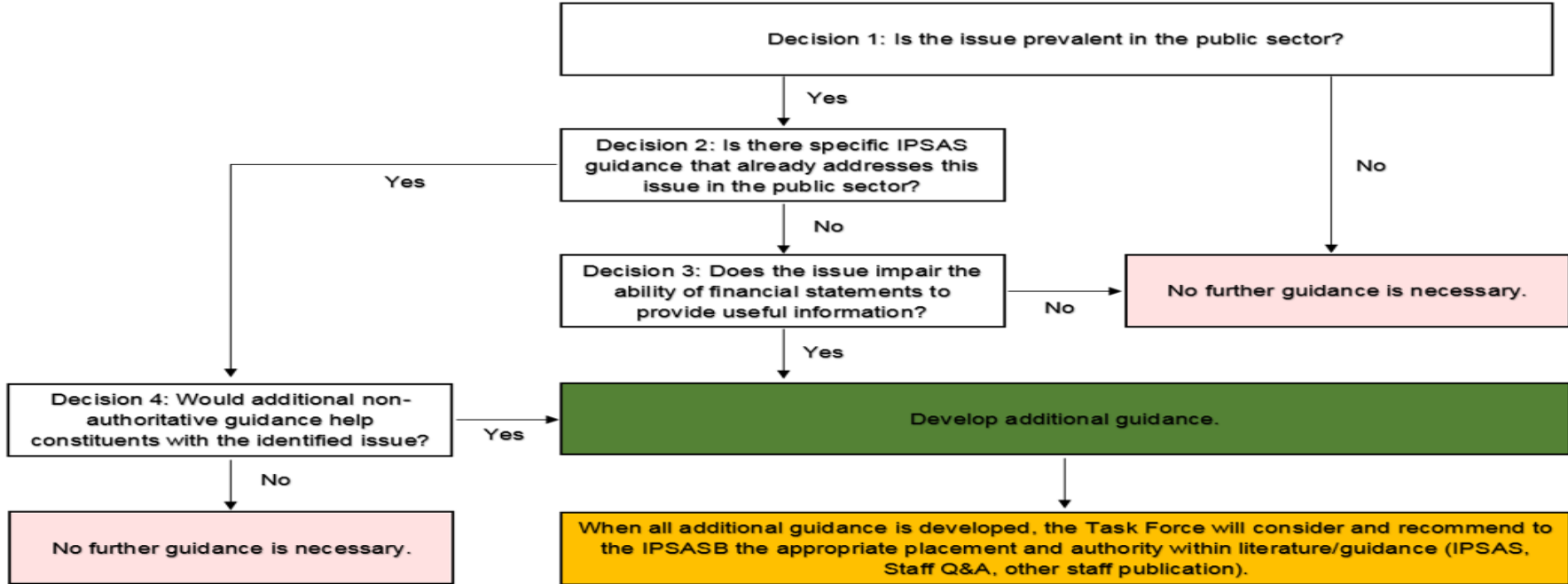
# Project management: Stocktake

- Road Map – progress to date and future meeting plans
- Board Decisions – previous decisions taken and key future issues
- Board Instructions – satisfied with actions taken?
- Other Issues?

# Session Outline (1/1)

Topic	Agenda Item
Framework to analyze Infrastructure Assets issues	6.2.2
Issues identified when accounting for Infrastructure Assets	6.2.1
Accounting for Land under Infrastructure Assets	6.2.3
Control requirements for Infrastructure Assets	6.2.4
Disclosure requirements for Infrastructure Assets	6.2.5
Project management plan	6.2.6

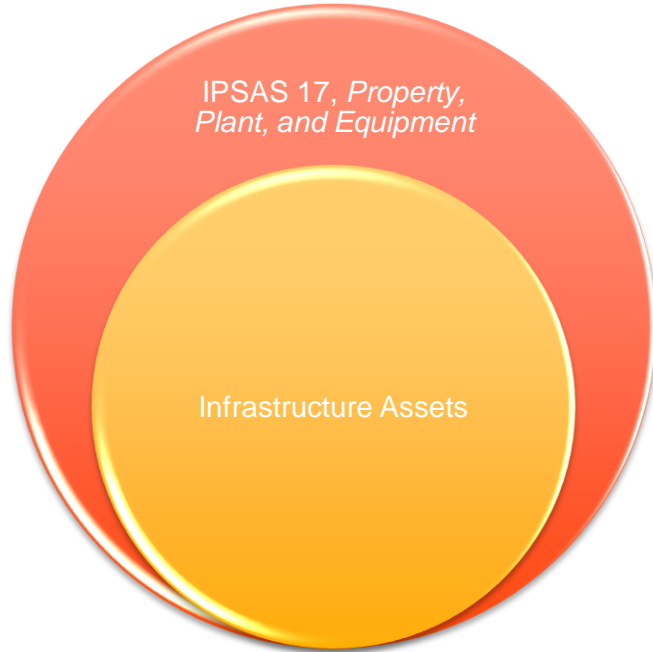
# Framework to analyze Infrastructure Assets issues (1/2) (Agenda Item 6.2.2)



# Framework to analyze Infrastructure Assets issues (2/2) (Agenda Item 6.2.2)

*Does the IPSASB agree with the Framework recommended by the Task Force?*

# Issues identified when accounting for Infrastructure Assets (1/6) (Agenda Item 6.2.1)



- Infrastructure assets are within the scope of IPSAS 17, *Property, Plant, and Equipment*.
- Challenges identified when accounting for infrastructure assets using IPSAS 17.
- Challenges grouped by Task Force (see next slides).

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# Issues identified when accounting for Infrastructure Assets (2/6) (Agenda Item 6.2.1)

## Infrastructure Assets issues

### 1. Scope and Definition

- 1(a). Insufficient guidance for definition of infrastructure assets.
- 1(b). Characteristics and examples not be relevant and not complete.
- 1(c). Accounting for land under infrastructure assets.
- 1(d). Spare parts of infrastructure assets - capital or expense?

### 2. Recognition

- 2(a). Complex control requirements for infrastructure assets - Which entity recognized the asset? (Legally owned, joint control, land under infrastructure assets, access rights and easements, central government).
- 2(b). Service concession arrangements (Cost information held by Operator).

# Issues identified when accounting for Infrastructure Assets (3/6) (Agenda Item 6.2.1)

## Infrastructure Assets issues

3. Measurement	3(a). Difficult to value infrastructure assets. 3(b). Insufficient guidance - land under infrastructure assets. 3(c). Complex accounting for Dismantling costs. 3(d). Determining threshold of initial costs to capitalize is complex. 3(e). Valuing highway networks is complex.
4. Subsequent measurement	4(a). Difficult to determine subsequent measurement bases. 4(b). Determining threshold of subsequent costs is complex. 4(c). Insufficient guidance to distinguish subsequent costs. 4(d). Insufficient guidance for planned / backlog / deferred maintenance costs.



# Issues identified when accounting for Infrastructure Assets (4/6) (Agenda Item 6.2.1)

## Infrastructure Assets issues

- |                 |   |
|-----------------|---|
| 5. Depreciation | <p>5(a). Insufficient guidance to determine appropriate depreciation method for infrastructure assets.</p> <ul style="list-style-type: none"><li>▪ Renewals accounting; and</li><li>▪ Condition Based Depreciation as <u>proxy for depreciation</u>.</li></ul> <p>5(b). Insufficient guidance to determine whether or not infrastructure assets should be depreciated (long useful lives).</p> <p>5(c). Insufficient guidance whether land under infrastructure assets should be depreciated.</p> |
|-----------------|---|

# Issues identified when accounting for Infrastructure Assets (5/6) (Agenda Item 6.2.1)

## Infrastructure Assets issues

6. Componentization	6(a). Componentization approach may not be suitable for infrastructure assets (complexity, single networks).
7. Impairment	7(a). Determining impairment of infrastructure assets is complex (components, indicators).
8. Derecognition	8(a). Insufficient guidance on derecognition of infrastructure assets.
9. Disclosure	9(a). Insufficient guidance on disclosure of infrastructure assets (physical condition, planned / deferred / backlog maintenance, long-term nature and valuation).

# Issues identified when accounting for Infrastructure Assets (6/6) (Agenda Item 6.2.1)

Does the IPSASB agree with the Task Force grouping?

# Accounting for Land under Infrastructure Assets (1/3) (Agenda Item 6.2.3)

## Insufficient accounting guidance for land under infrastructure assets

### Framework

### Task Force Analysis

Decision 1 Is the issue prevalent in the public sector?

**Yes.**

Decision 2 Is there specific IPSAS guidance that addresses this issue in the public sector?

**Yes.**

- IPSAS 17.74: *Land and buildings accounted separately.*

# Accounting for Land under Infrastructure Assets (2/3) (Agenda Item 6.2.3)

## Insufficient accounting guidance for land under infrastructure assets

### Framework

### Task Force Analysis

Decision 3 Does issue impair ability of financial statements to provide useful information?

**Not Applicable.**

Decision 4 Would additional non-authoritative guidance help constituents with the identified issue?

**No.**

- Specific guidance exists.

# Accounting for Land under Infrastructure Assets (3/3) (Agenda Item 6.2.3)

*Does the IPSASB agree with the Task Force recommendation?*

# Control requirements for Infrastructure Assets (1/4)

## (Agenda Item 6.2.4)

### Complex control requirements for infrastructure assets

#### Framework

#### Task Force Analysis

Decision 1 Is the issue prevalent in the public sector?

**Yes.**

Decision 2 Is there specific IPSAS guidance that addresses this issue in the public sector?

**No.**

- IPSAS 17.14: Generic control guidance.

# Control requirements for Infrastructure Assets (2/4)

## (Agenda Item 6.2.4)

### Complex control requirements for infrastructure assets

#### Framework

Decision 3 Does issue impair ability of financial statements to provide useful information?

#### Task Force Analysis

**Yes for 2 issues:**

- Access rights, Right of ways, Easements; and
- Infrastructure assets crossing jurisdictions/boarders.
- Develop additional guidance.



# Control requirements for Infrastructure Assets (3/4) (Agenda Item 6.2.4)

## Complex control requirements for infrastructure assets

### Framework

### Task Force Analysis

Decision 4

Would additional non-authoritative guidance help constituents with the identified issue?

**Not Applicable.**

# Control requirements for Infrastructure Assets (4/4) (Agenda Item 6.2.4)

*Does the IPSASB agree with the Task Force recommendation?*

# Disclosure requirements for Infrastructure Assets (1/4) (Agenda Item 6.2.5)

## Complex disclosure - Physical condition, planned / backlog maintenance and long-term nature and valuation of infrastructure assets

### Framework

### Task Force Analysis

Decision 1 Is the issue prevalent in the public sector?

**Yes.**

Decision 2 Is there specific IPSAS guidance that addresses this issue in the public sector?

**Yes.**

- IPSAS 17.23: Repairs and maintenance.
- IPSAS 17 par 88: Long term nature and valuation.

# Disclosure requirements for Infrastructure Assets (2/4) (Agenda Item 6.2.5)

**Complex disclosure - Physical condition, planned / backlog maintenance and long-term nature and valuation of infrastructure assets**

## Framework

## Task Force Analysis

Decision 2  
continued

Is there specific IPSAS guidance that addresses this issue in the public sector?

**Yes.**

- IPSAS 17.93 Disclose impairment information using IPSAS 21 and IPSAS 26.

Decision 3

Does issue impair ability of financial statements to provide useful information?

**Not Applicable.**

# Accounting for Land under Infrastructure Assets (3/4) (Agenda Item 6.2.3)

Complex disclosure - Physical condition, planned / backlog maintenance and long-term nature and valuation of infrastructure assets

## Framework

Decision 4 Would additional non-authoritative guidance help constituents with the identified issue?

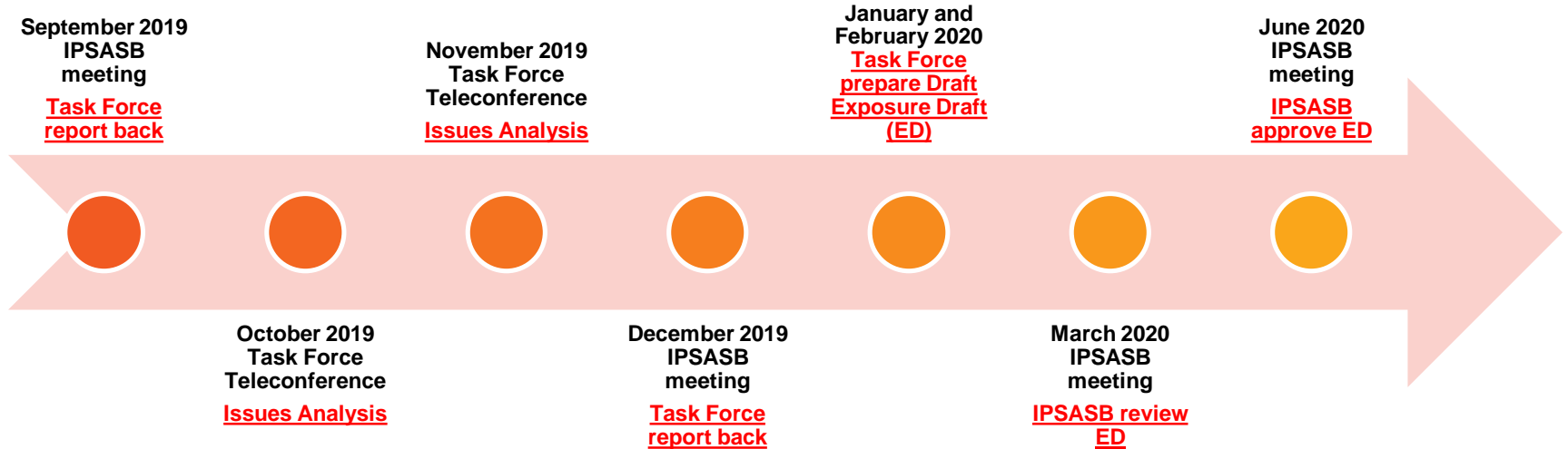
## Task Force Analysis

- No.**
- Specific guidance exists.

# Disclosure requirements for Infrastructure Assets (4/4) (Agenda Item 6.2.5)

*Does the IPSASB agree with the Task Force recommendation?*

# Project management plan (1/2) (Agenda Item 6.2.6)



## Project management plan (2/2) (Agenda Item 6.2.6)

*Does the IPSASB agree with the Task Force recommendation?*





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