

**Approved Minutes of the Meeting of the
INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
Virtual Meeting
Held on March 16-19, and 23, 2021¹**

A. Administrative Items

Attendance

	Voting Members	Technical Advisors
Present:	Ian Carruthers (Chair) Lindy Bodewig (Deputy Chair) Todd Beardsworth Mike Blake Luzvi Chatto Adrienne Cheasty Neema Kiure-Mssusa Mari Kobayashi Hervé-Adrien Metzger Kamira Sanchez Nicosia Chris Nyong Lynn Pamment Renée Pichard Ajith Ratnayake Bernhard Schatz Scott Showalter Patrícia Siqueira Varela Marc Wermuth	Clark Anstis (Mr. Blake) Kelly Ayamba (Mr. Nyong) (March 17, 18 and 23) Sayja Barton (Ms. Pichard) (March 16 - 18 and 23) Claudia Beier (Mr. Wermuth) Henning Diederichs (Ms. Pamment) Takeo Fukiya (Ms. Kobayashi) Baudouin Griton (Mr. Metzger) Anthony Heffernan (Mr. Beardsworth) Williard Kalulu (Ms. Kiure-Mssusa) Fabrizio Mocavini (Ms. Sanchez Nicosia) Ayres Moura (Ms. Varela) Jakob Prammer (Mr. Schatz) (March 16, 17, 19 and 23) Annabelle Puserio (Ms. Chatto) (March 17 - 23) Tsholofelo Tshoke (Ms. Bodewig) David Watkins (Mr. Carruthers)

¹ For those interested in additional details on this meeting, please see the IPSASB webpage for additional information. All IPSASB agenda papers, presentations and recordings of this meeting are available here: <https://www.ipsasb.org/meetings/ipsasb-virtual-meeting>.

	Non-Voting Observers
Present:	<p>David Bailey (IMF)</p> <p>Adnan Chughtai (United Nations) (March 23)</p> <p>Fabienne Colignon (CNoCP)</p> <p>Jerry Gutu (United Nations)</p> <p>Chai Kim (ADB) (March 16 - 19)</p> <p>Thomas Müller-Marqués Berger (CAG Chair)</p> <p>Angela Peasah (IFAC Nominating Committee)</p> <p>Gemma Preston (IMF) (March 16)</p> <p>Lars Ruberg² (European Commission)</p> <p>John Verrinder (Eurostat) (March 17 - 19 and 23)</p>
Apologies:	<p>Biodun Adeyemo (African Union)</p> <p>Guohua Huang (IMF)</p> <p>Martin Koehler (European Commission)</p> <p>Fily Sissoko (World Bank Group)</p>
	IPSASB/IFAC Staff
Present:	<p>Amon Dhliwayo, IPSASB</p> <p>João Fonseca, IPSASB</p> <p>James Gunn, Managing Director, Professional Standards (March 16, 18, 19 and 23)</p> <p>Gwenda Jensen, IPSASB</p> <p>Edwin Ng, IPSASB</p> <p>Ross Smith, IPSASB</p> <p>Joanna Spencer, IPSASB</p> <p>John Stanford, IPSASB</p> <p>Dave Warren, IPSASB</p> <p>Eileen Zhou, IPSASB</p>

² Lars Ruberg attended the meeting on behalf of Martin Koehler from the European Commission.

- A.1 The Chair welcomed members, technical advisors, and observers to the March 2021 meeting.
- A.2 The Chair also welcomed Angela Peasah, a member of the IFAC Nominating Committee who was observing the meeting for the first time.³
- A.3 The Chair thanked staff, members, and technical advisors for their continued efforts and engagement with constituents despite the challenges presented by the pandemic and virtual outreach.

1. Minutes and Communications Activities (Agenda Item 1)

December 2020 and February 2021 minutes

- 1.1 Members approved the minutes of the December 2020 meeting and the February 2021 check-in meeting after the:
 - December 2020 minutes were updated to capture a point noting the alternative views on Exposure Draft (ED) 76, *Conceptual Framework Chapter 7, Measurement Update* and ED 77, *Measurement*⁴; and
 - February 2021 minutes were updated to capture other editorial changes proposed by members.

2. Program and Technical Director's Report (Agenda Item 2)

- 2.1 Ross Smith, IPSASB Program and Technical Director, discussed the work program and proposed:
 - **Changes to the work program since the December 2020 meeting.** The proposed changes to the work program were as follows:
 - Delay the expected completion date of the Revenue and Transfer Expenses projects by one quarter to December 2021 because of the extension of the comment periods of EDs 70-72⁵ during 2020 as a result of the COVID-19 pandemic;
 - Delay the completion of the work related to ED 76, ED 77 and ED 78, *Property, Plant, and Equipment* and ED 79, *Non-Current Assets Held for Sale and Discontinued Operations* by one quarter because of the planned publication date of mid-April 2021 and the agreement that this package of EDs will have a six-month exposure period;
 - Delay the completion of ED 76, *Conceptual Framework—Limited Scope Update-Next Stage* by one quarter to December 2021; and
 - Adjust the Mid-Period Work Program Consultation timeline following the discussions on that topic during Agenda Item 7 at the March 2021 meeting.

The IPSASB **approved** the proposed changes to the Work Program.

³ Angela Peasah joined the IFAC Nominating Committee on January 1, 2020. Ms. Peasah is currently the Head of Payroll Processing Directorate of the Controller and Accountant General's Department in Ghana. The IFAC Nominating Committee is the independent group that assesses IPSASB member nominations and makes recommendations on appointments and re-appointments to the IPSASB for review and approval by the IFAC Board.

⁴ In December 2020, IPSASB member, Mr. Beardsworth voted against Exposure Draft (ED) 76, *Conceptual Framework Chapter 7, Measurement Update* and IPSASB members Mr. Beardsworth and Mr. Blake voted against ED 77, *Measurement*. The IPSASB Due Process allows for members that vote against an exposure draft to express an alternative view to be communicated in the Basis for Conclusions of that exposure draft.

⁵ The IPSASB published three EDs, ED 70, *Revenue with Performance Obligations*; ED 71, *Revenue without Performance Obligations*; and ED 72, *Transfer Expenses* in February 2020.

- **Additional 2021 meeting dates to ensure sufficient agenda time for work program delivery should meetings be virtual.**⁶ Since the COVID-19 pandemic continues to have an impact on the ability to deliver the IPSASB's planned work program, IPSASB members agreed to add the following additional virtual meeting dates to the planned quarterly meetings for the balance of the year:
 - Tuesday, June 22, 2021;
 - September 17, 21 or 22, 2021; and
 - December 1, 14 or 15, 2021.

2.2 The IPSASB discussed how to use the limited additional staff and board resources available during 2021 created by the large package of EDs 75-79 out for comment from Q1-Q4 2021. The IPSASB considered specific proposed narrow scope projects under Agenda Item 3 and Agenda Item 4. See those items for decisions by the IPSASB.

3. IAS 26, Accounting and Reporting by Retirement Benefit Plans (Agenda Item 3)

- 3.1 Staff introduced the agenda papers for Agenda Item 3 and provided the IPSASB with an overview of:
- The purpose of IAS 26, *Accounting and Reporting by Retirement Benefit Plans*;
 - Initial research into which jurisdictions use IAS 26, the issues faced, and how they have addressed these; and
 - Potential issues which may need to be addressed when developing an IPSAS adapted from IAS 26.

Decisions

3.2 The IPSASB **decided** to approve a revised project brief (with updates included to reflect member comments) to develop an IPSAS adapted from IAS 26.

4. IFRS 8, Operating Segments (Agenda Item 4)

- 4.1 Staff provided an education session on a proposed limited-scope project to develop an IPSAS aligned with IFRS 8, *Operating Segments*. The session provided an overview of the requirements of IPSAS 18, *Segment Reporting*, and IFRS 8. Staff identified public sector specific issues evident from:
- The original development of IPSAS 18;
 - A comparison of IPSAS 18 with IFRS 8; and
 - A sample of segment reporting practices in national jurisdictions.
- 4.2 IPSASB members shared some of the segment reporting practices that apply in their national jurisdictions. Some members expressed concern as to whether this was, in fact a limited scope project and whether an IFRS 8 alignment project is appropriate.

⁶ The IPSASB agreed in December 2020 to continuing virtual check-in meetings each quarter during 2021. The agreed dates are, Thursday, February 25, 2021; Thursday April 29, 2021; Thursday July 22, 2021; and Thursday October 28, 2021. Should these check-in meetings not be required for board programming needs, they will be cancelled.

- 4.3 The IPSASB instructed staff to undertake more research before bringing back revised proposals related to this project.

Decisions

- 4.4 No decisions.

Instructions

- 4.5 The IPSASB **instructed** staff to:
- Consider the nature of the current problems with IPSAS 18, based on information from members, technical advisors and observers' national experiences;
 - Consider South Africa's experience with moving from IPSAS 18 to an IFRS 8-based standard; and
 - Consider the work undertaken in relation to the conflicts between segment reporting approaches (IFRS 8 and IPSAS 18) and New Zealand's public sector reporting legislation and its reporting of service performance information.

5 Revenue (Agenda Item 5)

- 5.1 Staff introduced the agenda papers for Agenda Item 5 and:
- Provided an overview of the revenue project;
 - Presented staff's analysis of constituent comments on the revenue EDs related to the specific accounting principles proposed in the draft revenue standards; and
 - Recommended a plan for the next phase of this project.

Decisions

- 5.2 The IPSASB **decided** to:
- Revise the title(s) of the proposed revenue standard(s) to reflect the nature of revenue transactions in the public sector;
 - For the time being, continue to present revenue guidance as two separate standards with the standard based on ED 71, *Revenue without Performance Obligations* first (i.e., Option 1);
 - Retain the concept of a binding arrangement as a fundamental concept for revenue accounting, and that the existence of rights and obligations within, and enforceability of, a binding arrangement mean that it contains at least one present obligation;
 - Adopt the principle from paragraph 12(a)(i), that enforceability of a binding arrangement can arise from various mechanisms, so long as the mechanism(s) provide the entity with the ability to enforce the binding arrangement and hold the parties accountable to the satisfaction of stipulated obligations;
 - Highlight that an entity should assess all relevant factors at the transaction date to determine whether an arrangement is enforceable;
 - Retain revenue from performance obligations as a separate type of revenue;
 - Highlight that performance obligations are a subset of present obligations that embody a specific transfer of a distinct good or service to a purchaser or third-party beneficiary;

- Revise existing Application Guidance to state that, where there is objective evidence that a portion of consideration relates to the transfer of distinct goods or services to the purchaser/transfer provider or a third-party beneficiary, disaggregate the transaction price and account for the component(s) relating to the transfer of distinct goods or services in accordance with ED 70, *Revenue with Performance Obligations* then use ED 71 to account for any remaining component(s). If the portion is unclear, account for the entire transaction in accordance with ED 71;
- Highlight that enforceability in a binding arrangement gives rise to a liability (deferred revenue) for the transfer recipient to the extent that the terms of the arrangement are not yet satisfied; and
- Proceed with the proposed revenue project plan, use in-period review sessions as needed, and revisit the need, role, and composition of a Task Force in Q2 2021.

Instructions

5.3 The IPSASB **instructed** staff to:

- Recommend amended title(s) for the proposed revenue standard(s) when all key decisions have been addressed in the revenue project;
- Develop the two standalone [draft] revenue IPSAS based on Option 1, subject to a final review after development on whether to maintain the split based on existence of a performance obligation, or to combine them based on the degree of duplication;
- Determine whether the use of the term binding arrangement, as currently defined in [draft] IPSAS, *Revenue with Performance Obligations*, is conceptually consistent with the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) and existing IPSAS, and whether the current definition and term is still appropriate at standards-level. Consider source material of definitions in IPSAS, and whether there is an issue with consistency from sourced literature;
- Revise and relocate existing guidance related to binding arrangements and enforceability to better communicate the agreed upon principles and examples of indicators to help an entity assess whether enforceability can be demonstrated;
- Revise guidance in accordance with all other proposed changes outlined in Appendix 4;
- Draft guidance to better articulate that performance obligations also entail a greater specificity, and provide more objective and specific identification, recognition, and measurement of revenue;
- Draft additional Basis for Conclusions paragraphs to address concerns from specific constituents to explain why the IPSASB decided to move away from using exchange and non-exchange as defined terms to classify revenue and to explain that it remains an appropriate concept used to describe the economic substance of such transactions in the public sector;
- Draft guidance to clarify how an entity should account for transactions with components within the scope of the two standards, where it is unclear to appropriately allocate transaction price to components under different standards;
- Refine existing guidance on what gives rise to a liability (deferred revenue);
- Present detailed analysis on recognition of revenue as a liability is satisfied, including what constitutes an outflow; and

- Clarify the guidance for situations where the satisfaction of a present or performance obligation occurs prior to the receipt of cash and incorporate this guidance in an example on multi-year arrangements.

6 Natural Resources (Agenda Item 6)

6.1 Staff introduced the agenda papers for Agenda Item 6 and presented revisions to previously presented sections of the Natural Resources Consultation Paper (CP) as well as chapter 3 on Living Resources. The decisions and instructions below only reflect papers 6.2.1 to 6.2.3, as Staff only presented these papers at the meeting.

Decisions

Costs of Related Activities

6.2 The IPSASB **decided** to:

- Discuss exploration and evaluation expenditures as well as development and production costs in the Consultation Paper (CP); and
- Include a Preliminary View (PV) proposing to provide guidance on this, based on IFRS 6, *Exploration for and Evaluation of Mineral Resources* and IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, subject to any specific IASB plans to revise these.

Subsoil Resources

6.3 The IPSASB **decided** that unextracted subsoil resources are a resource as defined in the Conceptual Framework.

Instructions

Cost of Related Activities

6.4 The IPSASB **instructed** staff to draft a PV in the Subsoil Resources chapter of the CP on the decision to provide guidance on the cost of exploration, evaluation, development and production activities. The PV will include the decision to provide guidance, potential options on how the guidance should be incorporated into IPSAS (subject to any specific IASB plans to revisit its current guidance), and a Specific Matter for Comment (SMC) asking constituents for views on these options.

General Instructions

6.5 The IPSASB **instructed** staff to:

- Work with the Task Force to amend the draft CP to be more succinct;
- Discuss the generic issue of exploited vs unexploited natural resources in the early section of the document and include proposals on this issue;
- Revise wording in the introduction regarding Public Financial Management (PFM) issues to be less specific about the potential structures used by entities. Also remind readers that the IPSASB's overall objective is to strengthen PFM via adoption of IPSAS; and

- Include forward references to the later section on narrative General Purpose Financial Reports information (i.e., disclosures) as an alternative to balance sheet recognition throughout the earlier chapters of the CP.

Subsoil Resources

6.6 The IPSASB **instructed** staff to:

- Amend the subsoil resources roadmap diagram and incorporate unexploited resources into the logic flow of the lifecycle. Also include a disclaimer that there are some aspects, such as jurisdictional differences, which may not have been explained, as the diagram is intended to only provide a general view. Integrate this better within the section to improve the narrative flow;
- Consider if certain sections, such as the background material on IFRS and GFS guidance and discussion on geological modelling, can be moved to an appendix in order to have a better flow in the core text of the CP;
- Clarify the drafting to note that for subsoil resources, “exploitation” refers to the extraction of the resources from the earth, which includes extraction during production as well as extraction for testing purposes; and
- Strengthen the text on the potential to recognize unexploited resources under the Conceptual Framework, in terms of what would be required for them to be sufficiently reliably measured to solicit constituent feedback on whether they are aware of reasons to be more open to the recognition of unexploited subsoil resources.

Living Resources

6.7 The IPSASB **instructed** staff to:

- Consider and provide proposals on how conservation activities should be accounted for;
- Revise the Living Resources chapter to clarify and provide examples of what, if any, unexploited living resources might be capitalized under a Natural Resources IPSAS, instead of falling to be accounted for under another IPSAS; and
- Revise the structure of the chapter on living resources to be consistent with subsoil resources.

7 Mid-Period Work Program Consultation (Agenda Item 7)

7.1 Andreas Bergmann (Chair, IPSASB’s Academic Advisory Group (AAG)) presented the academic outreach initiatives during 2019-2020; including several research papers. The IPSASB discussed the academic outreach initiatives and research results. Members indicated support for these developments and thanked the AAG and the specific researchers for their work developing the research papers.

7.2 Staff then provided an overview of the Mid-Period Work Program Consultation which focuses on adding projects to the IPSASB’s Work Program. The members, technical advisors and observers then split into four breakout groups to consider the projects and provide an initial view on the top priorities in each region. The output of these breakout groups will be used as an input to develop the Work Program Consultation in Q2 2021.

Decisions

7.3 The IPSASB **decided** to:

- Propose no specific Theme C projects in the Mid-Period Consultation;
- Engage in discussions around future sustainability reporting arrangements; and
- Provide information about sustainability reporting on the IPSASB website, along with regular updates to stakeholders and the IPSASB.

Instructions

7.4 The IPSASB **instructed** staff to:

- Engage with the Task Force to develop the Mid-Period Work Program Consultation proposals. The draft Consultation should take into consideration the discussions held at the Breakout Sessions and feedback from roundtables held as part of the Strategy and Work Plan implementation in 2019. The Breakout Groups established at this March 2021 meeting (refer agenda item 7.2 above) should be reconvened prior to the June IPSASB meeting to review the proposals in the draft Consultation Paper.

8 Conceptual Framework-Limited Scope Update-Next Stage (Agenda Item 8)

8.1 Staff introduced the agenda papers for Agenda Item 8 and proposed the process for the next stage of the Conceptual Framework-Limited Scope Update.

Decisions

8.2 The IPSASB **decided** to:

- Group the topics in the next stage of the Limited Scope Update according to whether they relate to Chapters 3 or 5 of the Conceptual Framework;
- Consider service potential in addition to the issues identified in the project brief approved in March 2020; and
- Further work on capital maintenance and concepts of capital separately on a longer timeframe.

Instructions

- No instructions.

9 Closing Remarks and Conclusion of the Meeting

9.1 The Chair noted the approval of the project brief on Accounting and Reporting by Retirement Benefit Plans which will address an important public sector issue, as well as the extensive progress on the Mid Period Work Program Consultation, revenue and natural resources projects as substantial achievements at this meeting.

Appendix 1: Vote – Approve Accounting and Reporting by Retirement Benefit Plans Project Brief

Agenda Item 3	Minutes Item 3	Date Vote Taken	March 16, 2021
Description	<i>Project Brief</i>	<i>Accounting and Reporting by Retirement Benefit Plans</i>	Approved at meeting

Final Standard <input type="checkbox"/>	ED <input type="checkbox"/>	CP <input type="checkbox"/>	Other <input checked="" type="checkbox"/>	ABSENT	TOTAL
IPSASB MEMBER	FOR	AGAINST	ABSTAIN		
Ian Carruthers, Chair	√				
Lindy Bodewig, Deputy Chair	√				
Todd Beardsworth	√				
Mike Blake	√				
Luzvi Chatto	√				
Adrienne Cheasty	√				
Neema Kiure-Mssusa	√				
Mari Kobayashi	√				
Hervé-Adrien Metzger	√				
Chris Nyong	√				
Lynn Pamment	√				
Renée Pichard	√				
Ajith Ratnayake	√				
Kamira Sanchez Nicosia	√				
Bernhard Schatz	√				
Scott Showalter	√				
Patrícia Siqueira Varela	√				
Marc Wermuth	√				
TOTAL	18	0	0	0	18