

**Approved Minutes of the Meeting of the
INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
Virtual Meeting
Held on June 15-18 and 22, 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) Sayja Barton (Ms. Pichard) 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) (June 15–18) Fabrizio Mocavini (Ms. Sanchez Nicosia) (June 16-18) Ayres Moura (Ms. Siqueira Varela) (June 16) Annabelle Puserio (Ms. Chatto) (June 15-17) Tsholofelo Tshoke (Ms. Bodewig) David Watkins (Mr. Carruthers) Technical Advisor Apologies: Kelly Ayamba (Mr. Nyong) Jakob Prammer (Mr. Schatz)

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) (June 15-16 and 22)</p> <p>Fabienne Colignon (CNoCP)</p> <p>Jerry Gutu (United Nations)</p> <p>Chai Kim (ADB) (June 16)</p> <p>Thomas Müller-Marqués Berger (CAG Chair)</p> <p>Lars Ruberg² (European Commission)</p> <p>Nicole Smith (European Commission) (June 17)</p> <p>John Verrinder (Eurostat) (June 15 and 18)</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 (June 15 and 22)</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 (June 22)</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 June 2021 meeting. In particular, the Chair extended his thanks to members, technical advisors and staff for their continued efforts to deliver a strong program of outreach activities and engagement with constituents despite the challenges presented by the pandemic and virtual outreach.

1. Minutes and Communications Activities (Agenda Item 1)

Public Interest Committee (PIC) Governance Update

- 1.1 Jón Blöndal, Head of Budgeting and Public Expenditures, Organisation for Economic Cooperation and Development (OECD), Co-Chair of the Public Interest Committee (PIC), provided the IPSASB with an overview of actions taken by the PIC arising from the 2020 [Review of Oversight Arrangements for the International Public Sector Accounting Standards Board](#).

March 2021 and April 2021 minutes

- 1.2 Members approved the minutes of the March 2021 meeting and the April 2021 check-in meeting.

CAG Update

- 1.3 Thomas Müller-Marqués Berger, the Chair of the IPSASB Consultative Advisory Group (CAG), provided a summary of the June 14, 2021 CAG meeting.

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

- 2.1 Ross Smith, IPSASB Program and Technical Director, discussed the work program and ongoing COVID-19 impact. The IPSASB discussed and **approved** the following changes to the work program since the March 2021 meeting:

- **Revenue and Transfer Expenses.** Revise the timeline for the Revenue and Transfer Expenses projects by two quarters to June 2022. From a strategic perspective, the adjusted timeline and plan is intended to allow key issues to be resolved, so that the authoritative text (core text and application guidance) can be finalized by the end of 2021. Attention will then shift to finalizing the non-authoritative text (basis for conclusions, implementation guidance and illustrative examples), and consistency checks etc. by the revised completion date of the overall suite of pronouncements planned for June 2022.
- **Leases.** The first discussion of the responses to ED 75, *Leases* was planned for June 2021, however, this discussion was delayed because of the impact of COVID-19 on available agenda time and a delay in receiving some constituent responses. Therefore, the timeline has been adjusted and the first discussion of the ED 75 responses will occur at the July 2021 check-in meeting. Furthermore, because of the expected complexity of the public sector specific portion of the project, the IPSASB agreed to adjust the work program to extend this second phase of the project.
- **Natural Resources.** The work program timeline for Natural Resources was revisited, in the context of progress on the development of the Consultation Paper (CP). Considering progress at the June 2021 meeting and the remaining issues to be considered, the IPSASB agreed that March 2022 was the expected timing of the CP approval.

- 2.2 The Program and Technical Director added that the Chair, members and staff have been engaging in a number of discussions and outreach activities related to Sustainability³ and the International Statistical Standards Update Process. The [International Public Sector Accountability Index 2021 Status Report](#) was also published during the IPSASB's June meeting.⁴

3. Mid-Period Work Program Consultation (Agenda Item 3)

- 3.1 Staff introduced the agenda papers for Agenda Item 3 and recommended approval of the Mid- Period Work Program Consultation.

Decisions

- 3.2 The IPSASB **approved** the Mid-Period Work Program Consultation with a 4-month comment period.

Instructions

- 3.3 The IPSASB **instructed** staff to address the editorial and other comments on the Mid-Period Work Program Consultation. The Mid-Period Work Program Consultation Task Force will review changes and provide final sign off before publication.

4. Improvements to IPSAS 2021 (Agenda Item 4)

- 4.1. Staff introduced the agenda papers for Agenda Item 4 and:
- Highlighted the General Improvements to IPSAS and IFRS Alignment Improvements to IPSAS proposed for inclusion in Exposure Draft (ED) 80, *Improvements to IPSAS, 2021*; and
 - Recommended approval of ED 80.

Decisions

- 4.2. The IPSASB **approved** ED 80, with an exposure period of at least 60 days.

Instructions

- 4.3. The IPSASB **instructed** staff to:
- Remove the proposed amendments to ED 75, *Leases* (Part II-2d) from [draft] ED 80⁵;
 - Remove the proposed amendments to IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* (Part II-4c) from [draft] ED 80⁵;
 - Retain the proposed amendments to IPSAS 17, *Property, Plant, and Equipment* in [draft] ED 80;
 - Add Interest Rate Benchmark Reform—Phase 2 amendments into the currently effective version of IPSAS 29, *Financial Instruments: Recognition and Measurement*,

³ The Chair is an observer of the IFRS Foundation's Technical Readiness Working Group, which is considering the strategic and operational issues involved in the creation of an International Sustainability Standards Board.

⁴ The 2021 Index Status Report captures the status of accrual implementation as of 2020, the forecast for 2025 and long-term projection for 2030 for 165 jurisdictions.

⁵ The IPSASB noted improvements are proposed for existing IPSAS. Improvements to EDs are considered as part of the development of the final pronouncement or after an ED becomes an IPSAS.

- Develop staff communication materials to be published with ED 80 to communicate the nature and reason for the amendments related to the interest rate benchmark reform and liability classification included in ED 80;
- Log all the improvements deferred and not included in ED 80 so that these amendments are considered in future, identifying whether they will be addressed through the Conceptual Framework–Limited Scope Update, or a standards-level project; and
- Address editorial comments with the editorial review group for final sign off before publication of ED 80.

5. Natural Resources (Agenda Item 5)

5.1 Staff introduced the agenda papers for Agenda Item 5 and presented the:

- Description of Natural Resources, Living Resources, and Subsoil Resources; and
- Revisions to previously presented sections of the [draft] Natural Resources Consultation Paper [draft] (CP) as well as chapter 4 on Water.

Decisions

5.2 The IPSASB **decided** to:

- To give preliminary approval for the general description of natural resources, subject to minor wording amendments (noted in instructions below); and
- That (subject to instructions below), the analysis of the recognition, measurement and disclosure of natural resources should occur as follows:
 - Consider if an item meets the description of a natural resource and is within scope of the project. If the item does not meet the natural resource description at this point, include signposting to where applicable guidance for the item can be found;
 - If the natural resource meets the recognition criteria and can be reliably measured, recognize the resource as an asset within the general purpose financial statements; and
 - If the natural resource does not meet the recognition criteria and/or cannot be measured reliably, consider if information regarding the natural resource should be provided within the financial statements or in the broader general purpose financial reports.

Instructions

5.3 The IPSASB **instructed** staff to:

- Replace the word “Remains” with “Is” in the second attribute in the general description of natural resources;
- Clarify the boundary in terms of when an item is in its natural state, when an item becomes something other than a natural resource, and when the item falls within the scope of an existing IPSAS. The boundaries should take into account practicality and link back to the objectives of financial reporting (to provide information to users for accountability and decision-making purposes.);
- Revisit Living Resources at the September meeting, including conservation activities;

- Update the drafting of chapter 1 to reflect the stepped approach as noted in the decision and include a preliminary view to reflect this approach. Present the revised text at the July 2021 check-in session;
- Consider using a table to tie the above stepped approach to the issue of boundaries in the general description and show the consequences of each decision point;
- Clarify the description of water in its natural state by using a plain language description aligned to the general description of natural resources and:
 - Revisit whether specific examples of water such as lakes, water in dams, aquifers and groundwater are water in its natural state; and
 - Replace the word “Remains” with “Is” in the second attribute of the description of water to align with the change in the general description of natural resources;
- Provide additional guidance on human intervention in the context of water. For example, human intervention could involve extraction (e.g., water pumped up from a spring) or impounding (e.g., water captured and collected in a dam);
- Consider control of water in its natural state, when it is impounded, and when extracted. Consider whether existing IPSAS 12, *Inventories* adequately addresses the recognition, measurement, and presentation, including disclosure, of impounded or extracted water;
- Revise paragraph 4.12 of the [draft] CP and indicate other uses of water such as agriculture and hydroelectric power generation;
- Add a preliminary view on whether / how water in its natural state should be reported; and
- When developing guidance on disclosure on water, consider the reasons (why and how) information on water would be useful. Add a preliminary view on these considerations.

6. Revenue and Transfer Expenses (Agenda Item 6)

- 6.1 Staff introduced the agenda papers for Agenda Item 6 and presented proposed revisions to the definition of, and to guidance related to, binding arrangements for the Revenue and Transfer Expenses standards. To support ongoing discussions on the existence of a liability in the Revenue project, staff also presented analysis on how enforceability is exercised in a binding arrangement and revisited the definition of a liability in the Conceptual Framework.

Decisions

- 6.2 The IPSASB **decided** to:

- Retain the definition of a ‘binding arrangement’ in the Revenue standard(s), as it is conceptually consistent with the definitions elsewhere in IPSAS literature, with the following minor wording revisions: include “for the purposes of this Standard,” and “enforceability through legal or equivalent means”, and change “both parties” to “the parties”;
- Incorporate the definition of a ‘binding arrangement’ (as decided above for Revenue) into the final Transfer Expenses standard to ensure the standards are conceptually consistent and free-standing;

- Clarify in the Revenue and Transfer Expenses standards that enforceability is based on both the transfer provider and transfer recipient's ability to enforce the binding arrangement and uncertainty of enforcement is a measurement issue;
- Confirm that enforceability is the ability to impose consequences on both the transfer provider and transfer recipient that do not fulfill their agreed-upon obligations in the binding arrangement, and the guidance proposed in paragraph 21 should be added as Application Guidance;
- Confirm that the assessment of enforceability of a binding arrangement occurs at inception and when a significant external change indicates that there may be a change in the enforceability of that binding arrangement;
- Confirm that legal or equivalent means is consistent with 'legal obligation' as described in the Conceptual Framework Chapter 5 and is not 'non-legally binding obligation';
- Revise the definition of a liability in the IPSASB's Conceptual Framework by replacing 'outflow of resources' with 'transfer of resources' as the revised wording clarifies (i.e., does not substantially change) the underlying concepts; and
- Incorporate additional guidance and examples into the Conceptual Framework on 'transfer of resources', as outlined in the Agenda Item, to clarify the ambiguities associated with what entails a 'transfer of resources'.

Instructions

6.3 The IPSASB **instructed** staff to:

- Assess and propose guidance on how the uncertainty of enforcement impacts the measurement of revenue or transfer expenses;
- Provide non-authoritative guidance to clarify that an entity should consider both explicit and implicit consequences in its assessment of the mechanisms of enforceability in a binding arrangement;
- Propose revised and new draft guidance related to the change in the definition of a liability in the Conceptual Framework and additional guidance on 'transfer of resources';
- Consider the implications of the adoption of the term 'transfer' (as proposed in the change to 'transfer of resources' in the revised definition of a liability) at the standards-level; and
- Incorporate the additional clarity and guidance on the definition of a liability into the Revenue project discussion on the existence of a liability in September 2021.

7. **Amendments to IPSAS 5, *Borrowing Costs* (Non-Authoritative Guidance) (Agenda Item 7)**

7.1 Staff introduced the agenda papers for Agenda Item 7 and recommended the approval of IPSAS 5, *Borrowing Costs—Non-Authoritative Guidance*.

Decisions

- 7.2 The IPSASB **approved** the final pronouncement, IPSAS 5, *Borrowing Costs – Non-Authoritative Guidance*.

Instructions

- 7.3 The IPSASB **instructed** staff to address editorial comments to the final pronouncement prior to publication.

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:
- Address prudence as a reinforcement of neutrality in the context of the qualitative characteristic (QC) of faithful representation, rather than adopting it as a separate qualitative characteristic (QC); and
 - Amend the description of materiality in paragraph 3.32 of the IPSASB Conceptual Framework to reflect the amendments to the IASB Conceptual Framework in late 2018.

Instructions

- 8.3 The IPSASB **instructed** staff to:
- Consider further the description of 'service potential' in paragraph 5.8 of the IPSASB Conceptual Framework in the context of the development of proposals on whether to amend the definition of an asset, especially whether to replace the word 'capacity' with an alternative word other than 'ability' e.g.; 'capability';
 - Consider the need for changes due to the public sector context, starting from the drafting in the IASB Conceptual Framework and drawing on suggestions from Board members;
 - Develop a further sentence on materiality by nature rather than amount (qualitative and quantitative materiality); and
 - Ensure that the respective responsibilities of preparers and auditors relating to regularity assertions and statements are appropriately identified in the Basis for Conclusions.

9. Accounting and Reporting by Retirement Benefit Plans (Agenda Item 9)

- 9.1 Staff introduced the agenda papers for Agenda Item 9 which addressed issues related to:
- The scope of an IPSAS adapted from IAS 26, *Accounting and Reporting by Retirement Benefit Plans*;
 - The reporting entity; and
 - The financial statements to be prepared by a retirement benefit plan.

Decisions

9.2 The IPSASB **decided** to:

- Retain the same scope of retirement benefits as IAS 26. Therefore, not include other plans which provide benefits, and state that the requirements of this guidance may be applied by analogy to benefit plans with similar characteristics;
- Confirm that the reporting entity is the retirement benefit plan;
- Require a retirement benefit plan to prepare:
 - A statement of financial position;
 - A statement of changes in net assets available for benefits;
 - A cash flow statement;
 - Notes to the financial statements; and
 - Information on the changes in pension obligations; and
- Include a Specific Matter for Comment in the exposure draft for this project on whether retirement benefit plans should prepare a cash flow statement.

Instructions

9.3 The IPSASB **instructed** staff to:

- Remove the final part of the proposed Basis for Conclusions paragraph regarding scope, from “but provide benefits ...”;
- Clarify that the requirements of IPSAS 24, *Presentation of Budget Information in Financial Statements* can be applied in conjunction with this guidance when appropriate; and
- Consider how an IPSAS adapted from IAS 26 would supersede the requirements of IPSAS 1, *Presentation of Financial Statements*, and how IPSAS 2, *Cash Flow Statements* might be interpreted for preparing a Retirement Benefit Plan cash flow statement.

10. Closing Remarks and Conclusion of the Meeting

10.1 The Chair highlighted the highly successful meeting, which included several approvals: The Mid- Period Work Program Consultation, ED 80, *Improvements to IPSAS 2021*, and additional guidance included in the Amendments to IPSAS 5, *Borrowing Costs—Non-Authoritative Guidance* pronouncement. Further, the Chair noted the continued progress on several important projects at the meeting, including Natural Resources as well as the Revenue and Transfer Expenses projects as particularly important and substantial achievements at this meeting.

Appendix 1: Vote – Approve Mid-Period Work Program Consultation



Agenda Item 3	Minutes Item 3	Date Vote Taken	June 15, 2021
Description	<i>Consultation</i>	<i>Mid-Period Work Program Consultation</i>	Approved at meeting

Final Standard □	ED □	CP □	Other ■	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

Appendix 2: Vote – Approve Improvements to IPSAS 2021



Agenda Item 4	Minutes Item 4	Date Vote Taken	June 22, 2021
Description	<i>Exposure Draft</i>	<i>Improvements to IPSAS, 2021</i>	Approved at meeting

Final Standard <input type="checkbox"/>	ED <input checked="" type="checkbox"/>	CP <input type="checkbox"/>	Other <input 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

Appendix 3: Vote – Approve Amendments to IPSAS 5, Borrowing Costs (Non-Authoritative Guidance)

Final Standard <input type="checkbox"/>	ED <input checked="" type="checkbox"/>	CP <input type="checkbox"/>	Other <input 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