

**Approved Minutes of the Meeting of the
INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
Virtual Meeting
Held on September 13-17, 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 (September 13-14 and 16-17) Kamira Sanchez Nicosia Chris Nyong Lynn Pamment (September 14-16) Renée Pichard Ajith Ratnayake Bernhard Schatz Scott Showalter Patrícia Siqueira Varela Marc Wermuth (September 14-17)	Clark Anstis (Mr. Blake) Claudia Beier (Mr. Wermuth) Henning Diederichs (Ms. Pamment) Takeo Fukiya (Ms. Kobayashi) Baudouin Griton (Mr. Metzger) (September 13-14 and 16) Anthony Heffernan (Mr. Beardsworth) (September 13-15 and 17) Williard Kalulu (Ms. Kiure-Mssusa) (September 13-14 and 16-17) Fabrizio Mocavini (Ms. Sanchez Nicosia) (September 13-14) Ayres Moura (Ms. Varela) Jakob Prammer (Mr. Schatz) Annabelle Puserio (Ms. Chatto) (September 14-16) Tsholofelo Tshoke (Ms. Bodewig) David Watkins (Mr. Carruthers) Technical Advisor Apologies: Kelly Ayamba (Mr. Nyong) Sayja Barton (Ms. Pichard)

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>Adnan Chughtai (United Nations) (September 13-16)</p> <p>Fabienne Colignon (CNoCP)</p> <p>Jerry Gutu (United Nations) (September 13-16)</p> <p>Chai Kim (ADB) (September 13-14)</p> <p>Thomas Müller-Marqués Berger (CAG Chair)</p> <p>Lars Ruberg² (European Commission)</p> <p>John Verrinder (Eurostat) (September 13 and 15-17)</p>
Apologies:	<p>Biodun Adeyemo (African Union)</p> <p>David Bailey (IMF)</p> <p>Guohua Huang (IMF)</p> <p>Martin Koehler (European Commission)</p> <p>Fily Sissoko (World Bank Group)</p> <p>Nicole Smith (European Commission)</p>
	IPSASB/IFAC Staff
Present:	<p>Amon Dhliwayo, IPSASB</p> <p>João Fonseca, IPSASB</p> <p>James Gunn, Managing Director, Professional Standards (September 13)</p> <p>Paul Mason, Senior Advisor (September 13-15)</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 September 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)

1.1 Members approved the minutes of the June 2021 meeting and the July 2021 check-in meeting.

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

2.1 Ross Smith, IPSASB Program and Technical Director, discussed the work program, including the upcoming regional virtual roundtables to support the ongoing Mid Period Work Program Consultation. Further, an update was provided on the progress of key ongoing projects on the work program and on the call for academic research papers issued by the IPSASB Academic Advisory Group (AAG). An update was provided to the IPSASB on additional due process reporting enhancements added to the quarterly work program as part of the response to the Public Interest Committee recommendations following the 2020 governance survey.

2.2 The IPSASB agreed that an IPSAS based on ED 75, *Leases* should be brought for approval at the December 2021 meeting, rather than March 2022, as a result of strong progress made in working through comments received on the ED 75.

3. Conceptual Framework-Limited Scope Update-Next Stage (Agenda Item 3)

3.1 Staff introduced the agenda papers for Agenda Item 3 on issues related to proposed updates to the Conceptual Framework related to Chapter 3: *Qualitative Characteristics* and Chapter 5: *Elements in Financial Statements*.

Decisions

3.2 The IPSASB **decided** that:

- Obscuring information' should be added to the factors influencing materiality;
- The threshold for determining whether information is material should be softened;
- Additional paragraphs 3.14A and 3.14B should be adopted on prudence;
- A section on Unit of Account should be included in a proposed revised Chapter 5;
- The change from 'capacity to provide services' to 'capability to provide services' in paragraph 5.8 and conforming changes to 5.7 and 5.8 should be adopted; and
- The revised definition of an asset should be:
 - o A resource presently controlled by the entity as a result of past events (plural rather than singular as in current definition).
- Additional guidance was necessary for:
 - o The immediate receipt and consumption of a resource;
 - o The use of a resource to extinguish or reduce a liability; and
 - o The principal-agent relationship.
- Subject to consideration of any potential adverse impacts, the phrase 'as a result of past events' as part of a revised definition of a liability should be used;

- o A present obligation of the entity ~~for a~~ to transfer resources ~~that results from a~~ as a result of past events.
- Guidance on the transfer of resources in paragraphs 5.16A-5.16E should be included; and
- The term 'transfer revenue' in the draft IPSAS under development from ED 71, *Revenue from Transactions without Performance Obligations*, should be adopted to remove the potential for confusion with the proposed use of 'transfers' in the Conceptual Framework, unless and until superior alternative term is identified.

Instructions

3.3 The IPSASB **instructed** staff to:

- Add an explanation in the Basis for Conclusions (BC) that materiality impacts various Qualitative Characteristics (QCs), including understandability;
- Review drafting of the sentence inserted in paragraph 3.32, replacing 'discretely' with a more understandable word, and linking more clearly with materiality;
- Specify uniform characteristics when a particular information item becomes material in context of qualitative and quantitative materiality;
- Split paragraph 3.32 into two paragraphs;
- Update the wording on regularity assertions/statements to note transactions, rather than just expenditures;
- Carry out a separate analysis on the use of 'item' in the description of a resource in paragraph 5.7 and consider the adoption of an approach wholly focused on rights, drawing on analysis in the IASB 2018 Framework;
- Review consistency and appropriate use of terminology, in particular the use of 'present obligations', 'obligations', 'items' and 'rights';
- Ensure that the difference between 'unit of account' and 'offsetting' is clearly explained;
- Review paragraph 5.26D (a) (iii) and 5.26 (a) (iv) to ensure that they fit the public sector context;
- Remove paragraph 5.26E discussing QCs other than relevance and faithful representation and add a paragraph to the BCs;
- Replace the term 'binding arrangement' with a more neutral term such as 'arrangement';
- Consider deletion of paragraph 5.26I listing possible units of account;
- Consider the extent to which the relevant circumstances of executory contracts are, or can be, reflected in the Unit of Account section prior to a decision on whether to include a section on Executory Contracts;
- Ensure that the change from 'capacity to provide services' to 'capability to provide services' is explained appropriately in BCs;
- Update the first sentence of paragraph 5.7 to reflect that a resource may have both service potential and the capability to generate economic benefits;
- Update the first sentence of paragraph 5.8 to link 'service potential' to 'a resource';

- Acknowledge that in the context of a principal-agent relationship an obligation to transfer to a third party a resource controlled by a principal, that obligation is not a liability of the agent; and
- Consider the potential implications of:
 - o Adopting the definition:
 - A present obligation of the entity ~~for a~~ to transfer resources ~~that results from a~~ as a result of past events.
 - o Clarifying or shortening the reference to 'through fulfillment of an obligation or because of non-fulfillment of that obligation' in the context of no realistic alternative to avoid a transfer of resources in paragraph 5.15; and
 - o Specifically linking 'taking an action' to 'a non-legally binding obligation' in paragraph 5.17A and, dependent on this analysis, the clarity of paragraph 5.17A(b).

4. Revenue and Transfer Expenses (Agenda Item 4)

- 4.1. Staff introduced the agenda papers for Agenda Item 4 and clarified when a transfer recipient may recognize a liability in a binding arrangement (Revenue), and when a transfer provider may have an asset in a binding arrangement (Transfer Expenses). The IPSASB considered other proposals for the Transfer Expenses project, including removal of the distinction between transfer expenses with and without performance obligations, and clarifying the scope of the standard. Staff also updated the IPSASB on the Drafting Group and its role in supporting the development of the standards related to this project.

Decisions

- 4.2. The IPSASB **decided** that:
- A transfer recipient recognizes a liability (deferred revenue) in its binding arrangement when it has received resources prior to fulfilling its present obligation(s), and the enforceable terms of the binding arrangement require the entity (i.e., the transfer recipient) to transfer resources to another party if it does not fulfill its present obligations;
 - A liability (deferred revenue) is extinguished as the transfer recipient fulfills its present obligations to earn revenue;
 - Where the transfer provider in a binding arrangement transfers cash or other resources prior to the transfer recipient fulfilling its obligations, the transfer provider's enforceable right to have the transfer recipient fulfill its obligations (or face consequences outlined in the binding arrangement) meets the definition of an asset;
 - As an asset may exist where the transfer provider transfers cash or other resources prior to the transfer recipient fulfilling its obligations, the accounting model adopted in ED 72, *Transfer Expenses* for transfer expenses where the transfer recipient has a present obligation should not be retained;
 - Revisions, proposed in the Appendices, to address constituent concerns should be incorporated into the draft IPSAS based on ED 72 (except for Recommendation 3 on binding arrangements and onerous contracts);

- The distinction between transfer expenses with performance obligations and transfer expenses without performance obligations previously proposed in ED 72 should be removed, as it is not useful from a transfer provider perspective;
- The detailed review of guidance in the draft pronouncements, based on Board decisions for the Revenue and Transfer Expenses projects, be delegated to the Drafting Group; and
- The guidance in the draft IPSAS based on ED 71, *Revenue without Performance Obligations* and ED 72 be reordered to require the entity to consider up front whether the transaction arises without or with a binding arrangement.

Instructions

4.3. The IPSASB **instructed** staff to:

- Revise authoritative guidance to articulate the principle related to the recognition of a liability (deferred revenue) associated with an entity's (i.e., transfer recipient's) present obligation(s) in a binding arrangement, and ensure non-authoritative guidance clarifies how other liabilities that may arise in a binding arrangement should be accounted for using other IPSAS;
- Consider the identified principle in the context of existing Capital Transfers examples (proposed in ED 71) to confirm that the principle is appropriate, and incorporate additional drafting if necessary;
- Consider how to distinguish the individual present obligations (transaction components) within a binding arrangement;
- Revise the accounting model for transfer expenses with binding arrangements to reflect the possible existence of an asset where the transfer provider transfers cash or other resources prior to the transfer recipient fulfilling its obligations;
- Propose revised or additional guidance to articulate the principle related to the existence and recognition of an asset associated with an entity's (i.e., transfer provider's) right(s) in a binding arrangement, and what justifies a deferral of expense;
- Consider the need for additional illustrative examples to demonstrate how service potential is generated when the transfer recipient fulfills certain present obligations;
- Draft a Basis for Conclusions that highlights how the proposed change in principle from what was proposed in ED 72 responds to constituent concerns about the practicality and implementation of proposed guidance;
- Consider the implications of monitoring on the ability to reliably measure the asset;
- Propose revised or additional guidance on the subsequent measurement of the transfer provider's asset, including guidance on when the asset should be impaired;
- Draft additional guidance on the initial measurement of transfer expenses to cover items to be included in their cost, such as the transfer recipient's irrecoverable VAT;
- Propose a revised accounting model for transfer expenses with binding arrangements to better capture the nature and substance of the transaction from a transfer provider perspective;

- Update the existing analysis to determine whether presentation of revenue guidance as two separate standards is still appropriate, based on the Board's decision to first require an entity to consider whether there is a binding arrangement; and
- Ensure the draft IPSAS include clear structure and signposting for ease of use.

5. Natural Resources (Agenda Item 5)

- 5.1 Staff introduced the agenda papers for Agenda Item 5 and presented the proposals on the presentation of information on natural resources. In addition, staff walked the IPSASB through the revised chapters on living resources and water, as well as other miscellaneous changes to the Consultation Paper.

Decisions

- 5.2 The IPSASB **decided** to adopt the proposed clarifications to the draft Consultation Paper related to the asset recognition analysis and uncertainties over subsoil resources, as well the changes to the appendices are appropriate.

Instructions

- 5.3 The IPSASB **instructed** staff to:
- Provide context on where the proposed information to be presented conventionally sits within the general purpose financial statements (GPFS) or general purpose financial reports (GPFs) and clarify which disclosures relate to recognized or unrecognized natural resources. Draft the related Specific Matter for Comment (SMC) in a way that does not constrain constituents' input on what information should be disclosed and where it should be presented;
 - Discuss audit implications of proposed disclosures with the IAASB staff;
 - Clarify the distinction between human intervention and control. Linked to this, propose drafting changes to chapter 1 to clarify the project context and approach;
 - Work with the Task Force to reconsider the preliminary views on the measurement of living resources, specifically whether living resources with financial capacity are the more exceptional circumstance and whether the measurement of operational capacity is possible. Include the revised discussion in chapter 2;
 - Elaborate the delineation of water in its natural state and water not in its natural state by clarifying the extent of human intervention that changes the natural state of water;
 - Replace the general use of term "extracted" with the term "processed", as it is a broader term that encompasses water that is pumped from natural groundwater and water that is treated, filtered and purified;
 - Consider if other factors such as legislation and access rights impact whether water in its natural state is controlled;
 - Consistent with the chapter on living resources, consider the measurement of water in dams, reservoirs, and canals when it is held for operational or financial capacity, and draft an SMC to gather constituents' input;

- Broaden the proposed presentation of information on water in dams, reservoirs, and canals by referring to relevant physical information rather than just volumes; and
- Work with the Natural Resources Task Force to address drafting comments from the IPSASB.

6. Leases (Agenda Item 6)

6.1 Staff introduced the agenda papers for Agenda Item 6, which included the remaining substantive issues raised by respondents to Exposure Draft (ED) 75 that need IPSASB consideration to proceed with the finalization of [draft] IPSAS [X], *Leases*.

Decisions

- 6.2 The IPSASB **decided** that the following ED 75 proposals should be included in [draft] IPSAS [X], *Leases*:
- COVID-19 requirements with limit date of June 30, 2022;
 - Definition of a lease;
 - Lessee's discount rate and to not provide additional guidance on this topic; and
 - Retention of the IFRS 16, *Leases* and IPSAS 13, *Leases* fair value definition.

Instructions

- 6.3 The IPSASB **instructed** staff to:
- Delete the last sentence in paragraph BC 40 of [draft] IPSAS [X], *Leases*;
 - Remove paragraph BC 60(c) of [draft] IPSAS [X], *Leases*;
 - Engage with IASB staff to understand the reasons to retain the IAS 17 fair value definition in IFRS 16 and consider this information in the Measurement project as a possible consequential amendment to IPSAS [X], *Leases*;
 - Remove the references to materiality in respect of leases of low-value assets in BC 70;
 - Confirm that the changes that have been made to illustrative examples reflect BC 65 and engage with Board members who had specific comments on the illustrative examples; and
 - Review the amendments to Other Standards in so far as they relate to amendments to Exposure Drafts rather than Standards.

7. Accounting and Reporting by Retirement Benefit Plans (Agenda Item 7)

7.1 Staff introduced the agenda papers for Agenda Item 7 which address issues related to:

- The measurement of:
 - The actuarial present value of promised retirement benefits; and
 - Plan assets;
- The presentation of the actuarial present value of promised retirement benefits;
- Classification of contributions and benefits; and

- Whether the definitions used in IAS 26 are appropriate to include in the draft guidance in the developing Exposure Draft.

Decisions

7.2 The IPSASB **decided** that:

- The project should be named *Retirement Benefit Plans* rather than *Accounting and Reporting by Retirement Benefit Plans* reflecting its status as an adaptation of IAS 26 rather than an alignment project.
- Specific Matters for Comment on all key differences from IAS 26, *Accounting and Reporting by Retirement Benefit Plans* should be included.
- The actuarial present value of promised retirement benefits shall be calculated using projected salaries;
- Plan assets shall be measured at fair value;
- The actuarial present value of promised retirement benefits shall be presented on the face of the statement of financial position;
- Classification of Contributions and Benefits will not be specified, but rather guidance will be included to illustrate different approaches that could be taken; and
- The definitions in IPSAS 39 for defined benefit plan, defined contribution plan, and present value of defined benefit obligation should not be used but the similar IAS 26 definitions may need amending.

Instructions

7.3 The IPSASB **instructed** staff to:

- Include fact patterns to the illustrative example which shows the different approaches to financial statement presentation and propose any revisions as necessary in the draft ED, or possibly to those in IPSAS 39;
- Liaise with IASB staff to discuss the different definitions of defined benefit plans and defined contribution plans;
- Explain the differences between the 'actuarial present value of promised retirement benefits' and 'present value of defined benefit obligations'; and
- Check whether the arrangements in France have any potential impacts on the project.

8. Closing Remarks and Conclusion of the Meeting

8.1 The IPSASB covered all of the Agenda Items for the meeting by end of September session. The Chair highlighted the overall success of the meeting and continued progress on several important projects at the meeting, including the development of the Natural Resources draft Consultation Paper and the continued progress in developing the draft pronouncements related to Revenue and Transfer Expenses. The excellent preparation beforehand and the agenda papers for this meeting

facilitated the right IPSASB debates and enabled the IPSASB to move projects forward successfully.

8.2 The Chair also informed that the IFAC Board approved the IPSASB membership for 2022 with the following new appointments:

- Mr. Abdullah Al-Mehthil, Saudi Arabia;
- Ms. Claudia Beier, Switzerland;
- Mr. Maik Esser-Müllenbach, Germany; and
- Ms. Liang Yang, China.

8.3 The Chair further noted that Ms. Luzvi Chatto and Ms. Lynn Pamment had been reappointed. Additionally, Ms. Lindy Bodewig has been reappointed as Deputy Chair for 2022. As a result of these appointments, the IPSASB membership will for the first time be a female-majority board in 2022.