Approved Minutes of the Meeting of the
IPSASB CONSULTATIVE ADVISORY GROUP
Held on June 17, 2019 in Toronto, Canada

1. Attendance, Opening Remarks and Approval of Minutes

1.1 Attendance

Members

Present: Thomas Müller-Marqués Berger (Chair)
         Daniel Boutin
         Rosa Aldea Busquets
         Anwaruddin Chowdhury
         Fabienne Colignon
         Paul Gisby
         Inge Grässle (joined via Skype)
         Chai Kim
         Hans-Christian Mangelsdorf
         Jeanette Makgolo
         Bill Matthews
         Firmansyah Nazaroedín
         Isabell Nehmeyer-Srocke
         Moustapha Ndiaye
         Kevin Page
         Karen Sanderson
         Frans van Schaik
         Agnieszka Stachniak
         Sheila Weinberg
         Samih Yousef
         Qi Zhang

Apologies: Patricio Bara
          Kathryn Cearns (submitted written comments in her absence)
          Pedro Guazo
          Luís Viana

IPSASB Staff

Present: Ian Carruthers, IPSASB Chair
         Mike Blake, IPSASB Deputy Chair
         Amon Dhliwayo, IPSASB
         João Fonseca, IPSASB
         Gwenda Jensen, IPSASB
The IPSASB CAG Chair, Mr. Müller-Marqués Berger, welcomed the members of the IPSASB Consultative Advisory Group (CAG) to Toronto, Canada for the June 2019 CAG meeting.

The Chair welcomed the seven new CAG members:
- Representing the United Nations, Mr. Pedro Guazo;
- Representing the Ministry of Finance and Economic Development of Botswana, Ms. Jeanette Makgolo;
- Representing the Federal Foreign Office of Germany, Mr. Hans-Christian Mangelsdorf;
- Representing the City of Cologne, Dr. Isabell Nehmeyer-Srocke;
- Representing the Ministry of Finance of Poland, Ms. Agnieszka Stachniak;
- Representing Truth in Accounting, Ms. Sheila Weinberg; and
- Representing the Zhongnan University of Economics and Law, Dr. Qi Zhang.

The CAG Chair thanked members for their input on topics for the Agenda. Additionally, the CAG Chair thanked those in attendance and highlighted the importance of regular attendance. The CAG Chair stressed attendance was one of the criteria considered when deciding to reappoint members and is a metric monitored by the Public Interest Committee (PIC).

The minutes of the December 3, 2018 IPSASB CAG minutes were reviewed.

The CAG members comments were as follows:
- Ms. Aldea Busquets indicated she understood the lease and the right of use are different economic phenomenon, but disagreed with the control assertion in all circumstances. Her view was that control might be transferred with the right of use to the lessee and in such cases the underlying asset should be derecognized from the lessor’s financial statements. Ms. Aldea Busquets’ view was that this issue requires further discussion by the IPSASB in terms of how it fits in the current definition of a “lease”.
- Mr. Ndiaye requested staff remove the sentence, “he does not support recognizing the full expenses in year 1” from the draft minutes.

The CAG approved the December 3, 2018, subject to the above changes being made.

The CAG Chair summarized his report to the Public Interest Committee (PIC) on the work carried out during 2018 that included:
- The technical advice to the IPSASB on projects;
- The implementation sessions; and
- Administrative matters, including expanding the size of the CAG to add additional perspectives.

The PIC was satisfied with the CAG’s progress and development. The PIC advised the CAG to consider diversity when appointing new members.
Ian Carruthers, the IPSASB Chair added that the CAG’s input was instrumental for the IPSASB in progressing its work, and in particularly the approvals of the IPSASB Strategy and Workplan 2019-2023, IPSAS 42, Social Benefits and progressing the measurement consultation paper.

2. Implementations Issues: Presentation on IPSAS Adoption and Implementation in the Kingdom of Saudi Arabia

Mr. Müller-Marqués Berger welcomed the representatives from the Kingdom of Saudi Arabia, Mr. Hamad Alkanhal, Deputy Minister of Accounts, and Mr. Abdullah Al Methil, Head of the Accrual Accounting Project, to share a presentation on the IPSAS adoption and implementation challenges via video conference.

Mr. Hamad Alkanhal and Mr. Abdullah Al Methil provided members with an overview of the Kingdom’s IPSAS adoption and implementation strategy that highlighted the process which is expected to be completed by mid-2021.

The CAG members commented as follows:

- Ms. Grässle asked what are the expected costs of the implementation, and what percentage of the budget this represented? She further asked who will benefit the most from the information provided by the accrual financial statements?
- Mr. Hamad Alkanhal and Mr. Abdullah Al Methil noted while they were unaware of the exact cost, 450 department entities are involved in the implementation process. The Kingdom of Saudi Arabia concluded that accrual accounting was key to the public interest and important to improve accountability and decision-making.
- Ms. Nehmeyer-Srocke asked whether the adoption required hiring additional personnel and whether a central information technology system existed for all entities?
- Mr. Hamad Alkanhal noted that support centers had been established. Forty individuals were expected to be employed at these centers and they will be allocated to various government agencies.
- Mr. Al Methil added an initiative exists to determine the optimal size of the finance department. He also noted there has been no decision on what information technology system will be applied, but highlighted that a centralized system was preferred.
- Mr. Page asked if the presenters could provide additional details on Vision 2030. Specifically whether the purpose is to enhance accountability or whether it is more linked to accrual accounting?
- Mr. Alkanhal clarified the purpose of Vision 2030 is to enhance the living conditions of all citizens of the Kingdom of Saudi Arabia. The program primarily subsidizes utilities. As such, there is no direct link between Vision 2030 and the IPSAS implementation project.
- Mr. Chowdhury noted that his jurisdiction had the same experience as the Kingdom of Saudi Arabia. His government started their implementation in 2003 and projected completion in 2008. His jurisdiction was unsuccessful in achieving its target and implementation was completed in 2015. With a target of 2030, he believes the timeline is more reasonable and therefore achievable.
- Ms. Weinberg highlighted the largest financial process in the United States is the budget setting process. The United States currently budgets on a cash basis and accruals are completed as an afterthought. Ms. Weinberg asks whether the Kingdom of Saudi Arabia expects to transition to accrual budgets.
- Mr. Alkanhal stated this is an issue currently being considered. At this time the Kingdom of Saudi Arabia is not using accrual information in the budget process.
Mr. Matthews asked how the Kingdom of Saudi Arabia ensures that all the committees involved in the process were communicating effectively.

Mr. Al Methil replied formal communication between the groups occurs during meetings of the technical committee. A member from each group attends the technical committee meeting where comments from all groups are shared between members.

Mr. Alkanhal added the finance committee has around 200 members. They meet every 3 or 4 months to share comments.

Mr. Yousef asked why the Kingdom of Saudi Arabia departed from IPSAS 35 and if the presenters could clarify the benchmarking process applied when comparing with other countries.

Mr. Al Methil noted departure from IPSAS 35 was based on a committee decision to apply the equity method. The committee concluded this was appropriate based on benchmarking with Australia, France and the UK, among others. While the committee also considered consolidation, or consolidating select entities, the equity method was determined to be the most practical.

Ms. Stachniak congratulated the Kingdom of Saudi Arabia on the design of the project. She noted introducing the Government Finance Statistics Manual (GFSM) was often a driver for financial accounting reforms. She asked whether the accounting system was integrated and used for both financial and GFSM reporting.

Ms. Colignon asked whether there was an expectation that the financial statements will be audited in the future?

Mr. Al Methil answered the Kingdom of Saudi Arabia established a chart of accounts that integrates financial reporting and GFSM. He also highlighted that the financial statements are audited by the government auditors.

Mr. Chowdhury asked whether the financial information was translated into Arabic?

Mr. Alkanhal indicated the financial information was prepared in Arabic and noted translation was not an issue.

Mr. Carruthers noted this was a tremendously interesting project and noted the IPSASB welcomed a more detailed discussion with the presenters. The learnings from the Kingdom of Saudi Arabia’s project are invaluable as the IPSASB endeavors to facilitate the sharing of implementation projects around the world. Mr. Carruthers asked whether there was one specific learning point identified that they could share with the IPSASB?

Mr. Al Methil noted implementation has been challenging across several IPSAS including issues with infrastructure assets, heritage assets, investments and property, plant, and equipment.

Mr. Ndiaye noted the Kingdom of Saudi Arabia is currently testing the implementation process in four entities. He asked what the plan for the remaining entities and whether a review was planned to evaluate if the timeline was appropriate.

Mr. Alkanhal agreed with the challenge identified and hoped to have clarity in three months. The Finance Department is in the process of estimating the resource requirements in order to complete the implementation project. The Finance Department has developed some estimates, which are still being revised as more information is obtained.

Mr. Zhang noted an implementation of accrual accounting of this magnitude requires significant professional judgement at all levels of employees within each organization. He asked whether some of this judgement had been incorporated into the information technology system.

Mr. Alkanhal agreed professional judgement was required and the accountants had been expected to provide their expertise during this process.
• Ms. Aldea Busquets advised that it is important to ensure the quality of the accrual data is high. This is possible by implementing a system with step by step quality control and engaging a strong external auditor.

• Ms. Sanderson asked whether spending time educating the agencies of the benefits of implementing accrual accounting was beneficial to the overall success of the project. Furthermore, she asked how the IT aspects for the four entities were managed without a final IT system.

• Mr. Alkanhal noted selling the change had been a success. They have been lucky the agencies were interested in doing the change.

• Mr. Al Methil noted in order to continue momentum for the implementation project a different IT system for the pilot project was used compared to what will be used on a larger scale.

• Ms. Makgolo asked if a scoping study was completed prior to the commencement of the project. She asked how an implementation period of six years was established. She noted the seven year implantation period in Botswana turned out to be ambitious.

• Mr. Al Methil noted that the Kingdom of Saudi Arabia was currently using its best estimate in projecting the implementation period and the associated costs. This timeline will be re-evaluated at the completion of the first phase of the project.

• Mr. Christopher Nyong, IPSASB Member, asked whether the Kingdom of Saudi Arabia has a national standard setting body.

• Mr. Alkanhal noted there is not a national standard setting body. However, the financial committee approves the financial reporting standards.

Mr. Müller-Marqués Berger thanked the presenters for an excellent presentation that highlighted the complexity of the project. He noted how positive it was to see how far the Kingdom of Saudi Arabia has progressed in a short period of time.

3. Implementation Issues: Reflection on Implementation Issues Discussions

Mr. Müller-Marqués Berger welcomed Ross Smith, IPSASB Deputy Director, and Dave Warren, IPSASB Principal, to share a presentation reflecting on the implementation issues discussions the CAG has held to date. Members were asked their views on areas for improvement and how to make sessions more relevant regarding practical implementation issues / challenges with IPSAS and accrual accounting.

The CAG members commented as follows:

• Mr. Boutin noted there was value in maintaining a standing item as the information was relevant and useful for the IPSASB. However, not all implementation challenges were standard setting issues. The sessions should go deeper into the technical challenges associated with specific IPSAS. Mr. Boutin suggested developing a central tracking system to maintain a single database of implementation issues relevant to the IPSASB which should be useful to the standard setting process.

• Ms. Sanderson noted it was important to summarize the key findings coming out of the sessions with perhaps a stock-take to understand consistent themes. This could be used to move away from considering only generic issues, with a focus on how to mitigate the common issues. Future topics should reflect feedback on significant issues and, perhaps, consider where IFRS implementation can provide learnings for IPSAS implementation.

• Mr. Matthews confirmed the sessions are valuable. As it relates to implementing specific standards, he noted it would be useful to discuss how a country can determine if they are ready to implement IPSAS. Some thought might be useful as to whether there are core IPSAS and that should always be adopted, and if there are some that are “nice to have”.

Ms. Kim noted implementation sessions were beneficial in understanding challenges jurisdictions face when adopting IPSAS. This provided the CAG with a good foundation on how to move forward. The Asian Development Bank performs outreach regarding the challenges of resource allocation, policy decisions, and timing. Many countries were unable to fully adopt IPSAS and it was important to understand why.

Ms. Colignon agreed it was useful understanding implementation issues. In France, topics that are at very early exploration stage include the definition of a reporting entity in the public sector to ground a conceptual basis for grouping public sector individual accounts when control may not be the most relevant factor. Then, once the basis for grouping accounts has been conceptually delineated in the public sector, the question remains of what the relevant financial information is at that level of aggregation, including sustainability and reconciliation with budget accounting. The role of auditors is also being considered, especially as to whether it should be limited to auditing financial statements, or enlarged to auditing budgetary figures.

Mr. Gisby commented the sessions are useful, but it would be good to break down the challenges to capacity issues and standards implementation issues. For example, is extra guidance needed? Should the IPSASB have an interpretation function, similar to the IFRIC?

Mr. Chowdhury noted this has been a valuable discussion. He commented that in India, the railway commission adopted accrual accounting and due to its success, the postal services decided to follow with accrual adoption. Success stories highlighting the challenges and how they were overcome are useful in inspiring others to apply IPSAS.

Mr. Ndiaye noted the sessions were a useful feedback mechanism. However, the CAG needs to process this feedback and determine whether the same issues arose in different countries. The CAG needs to determine whether there are common trends and how adopters can be supported to help ensure the same mistakes are not repeated.

Ms. Aldea Busquets commented to concentrate on important issues of IPSAS implementation to give advice to the IPSASB. The current discussion is interesting, but questions whether the CAG was the correct forum to address some of the concerns raised, given it is an advisory group with limited time.

Ms. Sanderson noted it was important to continue to obtain the perspective of users, including users like World Bank on sector issues.

Mr. Smith indicated that Ms. Cearns views submitted in writing in her absence were that it would have been interesting to hear from entities that use both private and public standards, for example, the IMF. Their use of information would have been valuable to determine whether improvements existed that could have been made to existing IPSAS.

Ms. Grässle said the CAG needs to consider the stakeholders. The stakeholders being those that use the financial information. Their interests, how to implement accrual accounting and how to use of accrual accounting for decision making purposes, are important discussions for future sessions.

Mr. Carruthers commented that this was a good time to have this discussion. With the CAG in existence for 3 years now there have been a mix of issues that need consideration. Mr. Carruthers considered it extremely positive that the CAG was able to have this type of discussion because 20 years ago, it was impossible.

Mr. Mangelsdorf noted these were important issues because the preparation of financial statements ties into the development of budgets, which impacts decision making.

Mr. Gunn highlighted the need to contextualize the advice and decision making around operability of the standards. Using the CAG as an advisor supports the IPSASB in scoping its projects, setting principles as opposed to rules. This was an important discussion as standard setters continually need to consider the amount of guidance to include in each standard and additional supporting material outside the standard.
Ms. Weinberg commented that the public was a user and the complexity of financial statements makes them difficult to understand. Sessions considering complexity are extremely important for the public interest.

Mr. Yousef noted that some countries cannot apply certain standards and this leads to departures from full IPSAS adoption.

Mr. Müller-Marqués Berger noted this was an extremely useful discussion. Although some members found these useful, it was highlighted that future sessions should be more implementing specific standards and specific technical challenges encountered.


Mr. Stanford, IPSASB Technical Director, updated the CAG on the current progress of ongoing projects and provided an overview of significant changes since the December 2018 CAG meeting. Mr. Stanford highlighted a standing item has been added to the IPSASB to complete an intensive work plan review each December. This review resulted in the IPSASB agreeing to add the Heritage back to the agenda starting March 2019.

Mr. Stanford also highlighted that the IPSASB has planned to consult on a mid-period review of the work plan during the first half of 2021.

The CAG members commented as follows:

- Ms. Sanderson noted initiative H was missing from the chart in the work plan.
- Mr. Smith indicated that Ms. Cearns views submitted in writing in her absence suggested clarifying aspects of the work plan to enhance understandability. For example, whether the Measurement ED illustrates the Measurement CP or the other way around. Ms. Cearns also noted the points on the report back should be more detailed in explaining how their points had been considered and actioned.
- Mr. Müller-Marqués Berger noted that there was room for improvement.

5. Capital Grants (Revenue / Non-Exchange Expenses)

IPSASB Principal, Edwin Ng introduced the Agenda Item noting this topic had received significant interest from IPSASB members and constituents alike. Mr. Ng summarized the accounting options and highlighted capital grants do not satisfy the requirements to be a performance obligation, as defined in ED 70, Revenue with Performance Obligations because there is no transfer of an asset to the transferor or a third-party beneficiary. Options for revenue recognition of capital grants presented were:

- Recognize immediately because there is no present obligation;
- Recognition over the construction period as there is a potential return of funds if the obligation is not satisfied. Since performance is difficult to measure based on the terms of the arrangement over the construction period is used as a proxy; and
- Recognition in accordance with the obligations in the arrangement as the arrangement provides sufficient information to identify obligations.

The CAG members commented as follows:

- Mr. van Schaik commented that central governments provide grants for University, which he considers to be clearly IPSAS 23 transactions.
- Mr. Ng responded that because there was no specific reference to capital grants in IPSAS 23, respondents to the Consultation Paper, Accounting for Revenue and Non-Exchange Transactions, requested more explicit guidance be developed.
• Mr. van Schaik suggested one issue in practice was many grant agreements were in place prior to the effective date of IPSAS 23. Newer agreements considered the requirements of IPSAS 23 and included more explicit in terms.
• Ms. Stachniak noted there were different underlying assumptions to each transaction provided in the examples. Since the case facts were not applied consistently, it was challenging for her to take a view.
• Mr. Ng agreed inconsistency existed, however noted that the underlying concept under consideration was whether a liability existed.
• Ms. Nehmeyer-Srocke provided the view that revenue recognition for capital grants should be associated with the depreciation of the asset.
• Ms. Colignon questioned what staff proposed was the obligation. She asked whether it was to construct the capital asset or whether it was to refund the transfer. She noted at the inception of the agreement there was a requirement to construct an asset, possibly a present obligation; however, there was no requirement to refund the transfer until the beneficiary of the grant fails to fulfill its obligation to construct. She would therefore vouch for revenue recognition at inception and a liability for the present obligation to construct or acquire an asset.
• Mr. Ng agreed and noted the debate focused on whether the obligation to refund the transfer, if the terms of the arrangement were not met, satisfied the definition of a liability.
• Mr. Yousef asked whether the guidance addressed contributions from owners.
• Mr. Ng responded contributions from owners were not within the scope when accounting for a capital grant.
• Mr. Zhang noted there were other issues to consider such as how transfers made in installments should be accounted for.
• Mr. Smith indicated that Ms. Cearns views submitted in writing in her absence noted that these arrangements were similar to service concessions. She believed more consideration was necessary. She was not convinced by option 2 and thought that option 3 was too simplistic. Based on the analysis provided by staff she supported option 1.
• Mr. Matthews commented that in the public sector there is a desire to match revenue and expenses. He asked whether obligations that will never be enforced had been considered.
• Mr. Ng responded that enforceability was addressed in ED 70. Obligations that are not enforced would result in the immediate recognition of revenue.
• Mr. Müller-Marqués Berger noted that enforceability was also addressed in IPSAS 23.
• Ms. Aldea Busquets supported option 3, as it supports better resource management and transparency. She was hesitant to support option 1 and was of the view option 2 was broadly consistent with option 3.
• Ms. Weinberg noted where public sector entities have historically not enforced a transaction, they may have been circumventing the law in her view.
• Mr. Ndiaye asked whether obligations that may have created contingent liabilities had been considered in the context of these transactions.
• Mr. Gisby suggested if a binding arrangement existed, he supported option 3. When the terms were not explicit, option 2 seemed more appropriate.
• Ms. Kim commented she found it difficult to choose an option as each example has different case facts. She suggested the guidance consider the underlying transaction.
• Mr. Carruthers noted capital transfers presented a challenging issue. Ultimately the IPSASB was considering when to recognize revenue for transactions where cash was transferred in relation to an asset, prior to the construction period.
• Ms. Colignon suggested considering also how a capital grant transaction was different from a transaction with owners that would affect equity rather than profit or loss. Based on the
examples provided she questioned whether a receivable even existed when an agreement was not enforceable.

- Ms. Nehmeyer-Srocke found it helpful how Mr. Carruthers brought it back to the question the IPSASB was trying to address. She supported matching the revenue to the amortization of the asset because for budget purposes, revenue is required to equal expenses. Therefore, in her view matching between the asset and the liability was necessary.
- Mr. Nazaroedin was in favor of option 3 and questioned whether the restriction under option 2 met the definition of a liability in the conceptual framework.
- Mr. Ng responded it depended on whether you viewed the refund terms as a present obligation.
- Ms. Sanderson noted it was complicated and there is a need consider the issue from the user perspective; as they receive the most value from financial information. If a recipient received funds with no refund requirements, immediate recognition seemed appropriate. Option 3 was valid when a substantive requirement existed to refund the transfer. She was not supportive of Option 2 as she was of the view straight-line recognition did not provide adequate transparency.
- Mr. Mangelsdorf supported recognizing the capital grant over the term of the arrangement if an obligation existed to refund the grant if the entity did not comply with the agreement.
- Ms. Stachniak concurred with Ms. Nehmeyer-Srocke and Ms. Sanderson. The public was primarily concerned with the performance of the constructed asset. Revenue recognized on day one, often results in future losses which are concerning to the public.
- Ms. Kim supported Option 3 because it links to obligations and provides more transparency. She questioned whether Option 2 was appropriate if the timeline changes.
- Mr. Matthews believed Option 3 was the best option in terms of public interest. He noted in Canada, jurisdictions have turned down transfers as a result of the accounting requirements.
- Mr. van Schaik asked whether the expenses project mirrored the accounting.
- Mr. Stanford responded there was no decision on mirroring revenue and expenses related to capital grants. In theory this is acceptable, but the IPSASB continued to consider all circumstances.
- Ms. Aldea Busquets noted that her jurisdiction applies option 3.

Mr. Müller-Marqués Berger thanked members for their comments and summarized 3 questions to be considered:

- If no performance obligation is identified, is the experience that transfers occur that include no present obligations?
- From a public interest perspective does one option address all arrangements?
- What are the relevant clauses in the arrangements and what is the accounting relationships to those clauses?

6. Natural Resources

IPSASB Principal, Edwin Ng, introduced the Agenda Item and provided an overview of the project. He noted the primary issue members were asked to address was the project scope and asked members to consider the following questions:

Question 1 – Do you agree with project scope?

Question 2 – Do you agree with how to incorporate IFRS 6?

Question 3 – Do you agree with the communication plan?
The CAG members commented on Question 1 as follows:

- Mr. Matthews supported the development of a standard on this topic. He suggested the primary considerations include the cost of extracting minerals and the costs associated with greenhouse gases.
- Mr. Gisby noted the importance of limiting the project scope. When focused on a specific item, consider the recognition and measurement for each item. He advised breaking down the different scope areas and identifying the different problems for each, rather than trying to scope the project to cover all items.
- Ms. Colignon noted items that belonged to the public domain should be scoped in. Whether these items should be recognized in the statement of financial position should be addressed, especially in the current context of creating value.
- Mr. van Schaik suggested a need to consider assets associated with generating energy from renewable energy sources such as wind and solar.
- Mr. Zhang noted it was extremely difficult to distinguish the intangible right from the natural resource. She noted that public sector natural resources confuse users as it creates an expectation that there are more assets than are actually available.
- Mr. Ndiaye noted from a transparency and accountability perspective, natural resources play an important role. He identified subsoil resources and forests as critical items to consider within the scope of the project.
- Mr. Mangelsdorf proposed avoiding the philosophical issues of what was a natural resource and instead urged that the focus should be recognition and measurement issues.
- Ms. Weinberg suggested that caution was required as some jurisdiction argue natural resources do not have value because they were held for environmental purposes. However, when a significant liability requires settlement, for example, a pension liability, the jurisdiction disposed of natural resources to generate revenues from these unrecognized assets.
- Ms. Sanderson cautioned about ensuring that the scope of the objectives of this project are clear and serve the public interest. Ms. Sanderson also cautioned about reinventing the wheel as principles exist that provide a strong base for accounting for assets. Control should continue to be the key indicator as to whether an asset exists. For example, in Australia, water is a key issue for citizens. Once water is in a reservoir, citizens have significant interest in how it was managed. Recognizing water in advance of acquiring control might not serve the public interest.
- Mr. Carruthers raised the question whether the IPSASB should also consider sovereign powers. If the government genuinely had powers at its disposal, was there a stewardship issue that should be addressed to help users understand.
- Mr. Blake, IPSASB Member, noted that based on water shortages in Australia in the past, specialists were assembled to measure and manage water.
- Mr. Müller-Marqués Berger noted this was consistent with the stewardship discussions related to heritage assets and whether the financial statements were the appropriate location for them to be addressed.

The CAG members commented on Question 2 as follows:

- Mr. Gisby provided the view that extractive activities impacts a small number of public sector organizations. He suggested reference to IFRS 6 may be an appropriate solution.
- Ms. Makgolo stated the complexity of IPSAS resulted in challenges in convincing their legislator to adopt IPSAS. Developing more complicated standards impacts compliance. Mirroring the requirements of IFRS 6 may reduce complexity as users are already familiar with the requirements.
- Mr. Chowdhury noted because requirements exists in many jurisdictions for items such as electro-magnetic spectrum rights, they should be addressed at a later stage.
Mr. van Schaik supports the project because governments do not disclose the volume of minerals in the ground while their counterparts in the private sector entities do.

The CAG members commented on Question 3 as follows:

- Mr. Smith indicated that Ms. Cearns views submitted in writing in her absence noted that the communications plan was not evident in the paper developed.
- Mr. Smith clarified the communications plan had not yet been developed. However, the CAG was asked whether a plan was necessary.
- Ms. Sanderson noted active involvement was required. IPSASB members and could hold roundtables in order to hear stakeholder feedback particularly in parts of the world with high interest.
- Ms. Colignon agreed a communications plan was necessary. She suggested not setting a limit on the scope of financial information when constituents were initially engaged.
- Mr. Gisby noted outreach and expectation management was important.
- Mr. Müller-Marqués Berger noted this was a complex project. However, while risks existed, the benefit of increasing the relevance of the IPSASB was worth it.
- Mr. Mangelsdorf encouraged the project to be relevant, but also to take stock of what has already happened.
- Ms. Weinberg suggested that the project currently addressed liabilities. She noted that her view was that more focus was required on the assets. When assets were not recognized, users discounted the liabilities.

7. Heritage

IPSASB Principal, Gwenda Jensen, provided an overview of the Heritage Project, which covered progress since its inception. She noted the IPSASB’s preliminary views supported heritage asset recognition. Constituent responses to the Heritage CP also supported recognition of heritage assets. Ms. Jensen outlined the two issues for members consideration (1) relevance of the operational/non-operational distinction applied to heritage assets, and (2) use of symbolic value.

CAG members commented on issue 1 as follows:

- Ms. Sanderson noted the operational and non-operational distinction was useful initially in the United Kingdom when moving to accruals in the public sector. However, she noted that the approach, was not conceptually strong and had changed over time. If there was an asset, with reference to the Conceptual Framework’s asset criteria, then an asset should be recognized. She suggested considering how the private sector accounts for heritage assets.
- Ms. Nehmeyer-Srocke noted operational assets should be on the balance sheet. Non-operational heritage assets may not be recognized in order to simplify heritage accounting to meet public sector needs.
- Ms. Colignon was of the view an operational/non-operational distinction should not impact recognition. Any impact on measurement needed to tie back to the Conceptual Framework and its meaning of “operational capacity”.
- Mr. Gisby explained that Accountancy Europe proposed the IPSASB consider distinguishing between the operational and non-operational heritage items. However, he was open to moving away from this approach to a more nuanced focus on the usage of heritage assets. He further stated, this distinction should not be used for recognition as heritage items that are assets should all be recognized.
- Ms. Weinberg expressed doubt about using the operational/non-operational distinction. The IPSASB could lock itself into an unwanted result in applying this distinction. For example, there could be different views on whether the Eiffel Tower was non-operational or operational. The
Eiffel Tower could be viewed as operational, because it provided educational services, viewing value, and revenue to the municipality.

- Ms. Aldea Busquets agreed the operational/non-operational distinction was complicated to apply in practice. She was not convinced this distinction is useful.
- Mr. Yousef stated heritage items that meet the definition of an asset should be recognized. The operational/non-operational distinction was only useful for measurement. A museum building cannot operate as a museum without its collections. Therefore, a collection of paintings in a museum, for example, was essential to operations and should not be considered non-operational.
- Mr. Stanford said that heritage assets did contribute to operational capacity and had service potential. The distinction was for heritage assets used for heritage purposes and those used for non-heritage purposes. There were potential recognition and measurement consequences.
- Mr. Mangelsdorf noted an asset is an asset. The operational/non-operational distinction was not relevant to recognition of heritage assets.
- Ms. Stachniak agreed heritage items that were assets should be on the balance sheet. This relates to the integrity of the IPSAS accounting framework, which should treat assets and their recognition consistently. The operational/non-operational distinction was only potentially helpful for measurement.
- Mr. Schatz, IPSASB Member and Chair of the Heritage Task Force, informed the CAG that the Task Force views have shifted towards following a normal procedure for asset recognition and measurement for heritage. There continued to be measurement challenges with heritage assets. Therefore, measurement guidance was needed, particularly where entities revalue their heritage assets.
- Mr. Smith indicated that Ms. Cearns views submitted in writing in her absence noted some support for the operational/non-operational distinction, which could be useful to address the measurement of heritage assets.

Mr. Müller-Marquès Berger summarized CAG members’ views that the operational/non-operational distinction was not relevant to recognition of heritage assets. If a heritage item fulfils the asset definition, then it should be recognized on the balance sheet. CAG members were unconvinced with the usefulness of an operational/non-operational distinction for the measurement of heritage assets. While acknowledging how an entity uses a heritage asset could impact its measurement, CAG members provided views that indicated consideration of asset usage does not require classifying heritage assets as either operational or non-operational.

The CAG members commented on issue 2 as follows:

- Ms. Sanderson indicated she struggled to see the benefits of using symbolic value to measure heritage assets. She recommended remaining consistent with the Conceptual Framework.
- Mr. Zhang did not support use of symbolic value, which could confuse the users of financial statements and would reduce comparability. He suggested the Conceptual Framework be applied to operational and non-operational heritage assets, with disclosure in the notes. Heritage items that were property, plant and equipment (PP&E) could be recognized by applying the normal accounting requirements, with disclosure of those items that were pure heritage.
- Mr. Gisby did not support using symbolic value, since it was not consistent with the IPSASB Conceptual Framework. However, symbolic value could be useful when the benefits of measuring heritage items exceed the costs using another measurement basis.
- Ms. Nehmeyer-Srocke commented conceptually that symbolic value was not appropriate, but it could reduce the burden of IPSAS adoption.
Ms. Colignon stated where there are other ways to account for heritage assets, symbolic value was not needed. Symbolic value could be used as a practical expedient, if other approaches to measurement cannot be used. She added that reflecting the significance of a measurable asset as unsaleable heritage could be achieved through freezing its gross carrying amount, except for one-off impairment, and providing qualitative information in the notes.

Mr. Mangelsdorf explained that he was skeptical about use of symbolic value because you were able to find a value for everything. There were ways to simplify the measurement of museum collections by valuing, for example, the collection as a whole rather than individual items in the collection.

Ms. Stachniak commented that transparency should be the main concern. She asked if symbolic value was used, then how can users rely on information in the financial statements? Using symbolic value meant you are not measuring the asset, and the choice was really between measuring or not measuring, rather than choosing an appropriate measurement basis.

Mr. Yousef explained symbolic value was used because some jurisdictions did not know how to measure heritage assets. Symbolic value was used because they wanted to recognize heritage assets, even when the assets could not be measured.

Ms. Kim agreed the issue was whether heritage assets were recognized. She noted it was often the case assets were fully depreciated and valued at zero. She supported scope for an entity to have “1” in the asset register if they needed to do that, because the information system needed an entry. This was an implementation issue and important during first time adoption of recognition of heritage assets. She encouraged the IPSASB to be flexible and allow use of “1,” if a zero value caused data entry problems.

Ms. Weinberg emphasized the importance of accountability to future generations. Public sector entities should be preserving heritage assets. If an entity cannot measure heritage assets, it cannot manage that asset. She asked why an entity should protect/guard/maintain the asset if it was valued at only 1 currency unit? Connect the value of the heritage asset to the need for its preservation. What would happen if that asset was made available for sale, which can happen if an entity has financial difficulties?

Mr. Boutin stated stewardship was the key to public interest related to heritage assets. Symbolic value looked unusual and the information was not useful. Disclosure of the existence of an unvalued/zero value heritage assets could achieve stewardship benefits.

Mr. van Schaik stated he was in favor of treating heritage assets like any other asset. He questioned why it would be appropriate to use symbolic value only for heritage assets, since other types of assets were difficult to measure or can also be depreciated down to a zero.

Mr. Smith indicated that Ms. Cearns views submitted in writing in her absence argued there was no public interest support for using symbolic value. Using symbolic value would be a dangerous precedent. If the IPSASB departs from the Conceptual Framework for heritage assets, then this could support departures with respect to other types of assets.

Mr. Müller-Marqués Berger summarized that CAG members did not support use of symbolic value as a measurement basis and noted recognition and measurement of heritage assets should be consistent with the Conceptual Framework.

8. **Closing Remarks**

Mr. Müller-Marqués Berger summarized the day’s discussions. He thanked the members in attendance for their great contributions and he noted that the discussions were focused and allowed the CAG to engage at the appropriate level.