



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

Mr John Stanford  
The Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY 10017  
United States of America

Dear Mr Stanford

**Exposure Draft 67 *Collective and Individual Services and Emergency Relief (Amendments to IPSAS 19)***

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on IPSASB Exposure Draft (ED) 67 *Collective and Individual Services and Emergency Relief (Amendments to IPSAS 19)*.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee comprises the senior accounting policy representatives from all Australian States, Territories and the Australian Government.

HoTARAC broadly agrees with the approach outlined in this ED, but recommends the example on emergency relief be reconsidered.

The attachment below sets out HoTARAC's response to the specific matters for comment. If you have any queries regarding our comments, please contact Peter Gibson from the Commonwealth Department of Finance on +61 2 6215 3551 or by email to [peter.gibson@finance.gov.au](mailto:peter.gibson@finance.gov.au).

Yours sincerely

David Nicol  
Chair  
Heads of Treasuries Accounting and Reporting Advisory Committee

28 May 2019

## Specific Matters for Comment

1. Do you agree with the definitions of collective services and individual services that are included in this Exposure Draft? If not, what changes would you make to the definitions?

HoTARAC agrees with the proposed definitions.

HoTARAC notes the similarity between the explanation of collective services in paragraph AG2 and the economic concept of a public good. The IPSASB may want to consider bringing this to users' attention.

2. Do you agree that no provision should be recognized for collective services? If not, under what circumstances do you think a provision would arise?

HoTARAC agrees.

3. Do you agree that no provision should be recognized for individual services? If not, under what circumstances do you think a provision would arise?

HoTARAC agrees

4. Do you agree with the proposed accounting for emergency relief? If not, how do you think emergency relief should be accounted for?

While HoTARAC agrees that determining when emergency relief gives rise to a present obligation should be subject to the normal criteria of IPSAS 19, HoTARAC notes that paragraph AG20 provides examples of present obligations that include a government announcement. The Australian experience, reflected in paragraph Aus 26.1 of AASB 137 the Australian equivalent to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is that announcements – in of themselves and without explicit policy authority - rarely give rise to unavoidable obligations:

This paragraph and paragraph Aus26.2 relate to the recognition by a local government, government department or government of a liability arising from a local government or government existing public policy, budget policy, election promise or statement of intent. The intention to make payments to other parties, whether advised in the form of a local government or government budget policy, election promise or statement of intent, does not of itself create a present obligation which is binding. A liability would be recognised only when the entity is committed in the sense that it has little or no discretion to avoid the sacrifice of future economic benefits.

To avoid confusion in the application of the guidance in respect to emergency relief, HoTARAC recommends removing or amending this example. One possible amendment is:

AG20. The delivery of emergency relief in response to specific emergencies requires an explicit policy decision to be made by a government or other public sector entity. This decision could give rise to a present obligation, requiring the recognition of a provision when the criteria in paragraphs 22–34 of this Standard are satisfied. For example, in these circumstances a present obligation could arise as a result of ~~government announcements~~, the passing of legislation and other government actions. AG21. Where an event does not give rise to a present obligation that satisfies the criteria for the recognition of a provision, an entity shall consider whether paragraphs 35–38 of this Standard require the disclosure of a contingent liability. The nature of the obligation may change as a result of later ~~announcements or~~ actions, such as the enactment of legislation. An entity will need to reassess at each reporting date whether the cumulative effect of the decisions ~~and announcements~~ is sufficient to require the recognition of a provision.

HoTARAC is also of the view that the section on emergency relief would be enhanced by mentioning the key features for recognition of a liability, as they are relevant to the creation of a provision under IPSAS 19, including:

- A liability results from a past event – and so a dedicated emergency relief agency would not make provision for events, such as disasters, that have not yet occurred and
- A liability, as with all financial statements elements, must be capable of reliable measurement – in some cases where an emergency event has very recently occurred, reliable measurement may not be possible.

