

Consultation Paper

July 2012

Comments due: October 31, 2012

Consultation on IPSASB Work Program 2013-2014

IPSASB

International Public
Sector Accounting
Standards Board

This Consultation Paper was prepared by the International Public Sector Accounting Standards Board (IPSASB).

The IPSASB sets International Public Sector Accounting Standards (IPSASs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening transparency and accountability of public sector finances.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants (IFAC).

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REQUEST FOR COMMENTS

This Consultation Paper, *Consultation on the IPSASB Work Program 2013-2014*, was developed and approved by the International Public Sector Accounting Standards Board (IPSASB).

Comments are requested by October 31, 2012.

Respondents are asked to submit their comments electronically through the IPSASB website, using the "Submit a Comment" link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. Although IPSASB prefers that comments are submitted via its website, comments can also be sent to Stephenie Fox, IPSASB Technical Director at stepheniefox@ipsasb.org.

This publication may be downloaded free of charge from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

Letter from Andreas Bergmann

Chair of the International Public Sector Accounting Standards Board (IPSASB)

The current sovereign debt crisis in certain parts of the world has demonstrated the need for radical transformation in public finance management, of which a key element is governments providing clear comparable and comprehensive information regarding the financial consequences of their economic political and social decisions. Such information can only be provided through high-quality, robust and effective accrual-based financial reporting systems, such as those based on International Public Sector Accounting Standards (IPSASs). This increased focus on the need for enhanced accountability and transparency in governmental financial reporting has resulted in greater demands on the IPSASB and an increased focus on prioritizing the IPSASB's limited resources to suit stakeholder needs in the short term.


The IPSASB is pleased to provide this Consultation Paper on its work program for 2013-2014. This is the first public consultation by the IPSASB on any aspect on its work program—we intend that it will not be the last. In fact we see this as a first step to a broader and even more fundamental public consultation of our broad strategic direction in the future.

The IPSASB is currently in a period of significant activity but also one of transition. The IPSASB's most important project for the next two years is the development of the public sector conceptual framework. Work on this project has been prioritized since 2010 with significant resources being allocated to it; at this stage we anticipate its completion in 2014.

The IPSASB is also in the midst of various consultations and activities surrounding public interest oversight and governance structures. These consultations and activities are of fundamental significance to the IPSASB. It will be important that we move forward in a way that complements and reinforces the endorsement and implementation mechanisms that are necessary for broad IPSAS adoption globally. Current plans are that a public interest oversight regime and related governance changes will be implemented in 2014-2015.

This consultation on our work program is therefore focused on the period 2013-2014. We need your views on how the IPSASB should allocate its limited time and financial resources over the next two years in order to create a short term work program that meets stakeholders' needs. The input we receive will help us develop a short-term plan to carry us through to 2014. I encourage you to provide your comments as we work towards shaping the future.

Sincerely,



Andreas Bergmann

1. Objective of this Consultation on the 2013-2104 Work Program

This consultation is focused solely on the IPSASB's work program for the period 2013-2014. Under the IPSASB's current approved work program there are a number of projects in progress as well as some that are approved but not yet commenced. As part of the IPSASB's deliberations on work planning to date, the board has renewed its commitment to all projects in progress as well as to those that have been approved but not yet started.

A number of existing projects are expected to be completed during 2012 and early 2013; therefore the IPSASB will have the capacity to initiate additional projects for 2013-2014.

This consultation on our work program for 2013-2014 seeks your views on how the IPSASB should allocate its limited time and resources over this period in order to create a short term work program that meets stakeholders' needs. The input we receive will help us develop that program for 2013-2014. We will then undertake a broader and more fundamental public consultation of our broad strategic direction in 2014.

2. Setting the Stage

The IPSASB was established to set internationally accepted financial reporting and accounting standards, known as IPSASs. The IPSASB functions as an independent standard-setting body. The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants (IFAC) which took the initiative to set up this standard setter (originally the Public Sector Committee) in 1996. IPSASs are financial reporting standards set specifically for the public sector for application by governments of all levels and other international governmental organizations, for example the United Nations, the OECD, the European Commission, NATO and others.

The IPSASB's mission is:

To serve the public interest by developing high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial reports.

Using IPSASs will enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards and the convergence of public sector accounting and statistical bases of financial reporting where appropriate.

Environment Facing the Public Sector & IPSASB

As leaders in the international accounting standard-setting community, the IPSASB plays a key role related to government financial reporting as well as to the financial reporting of intergovernmental organizations. There are three major aspects of the IPSASB's current environment that are important over the next two years:

The Sovereign Debt Crisis

The sovereign debt crisis is a cause for major concern. These unfolding events emphasize the seriousness of the results of poor financial management and financial reporting in the public sector.

The lack of reliable information about government finances is an area of major concern leading to a growing emphasis internationally on improved governmental financial reporting and increased demand for government accountability, as well as increasing concerns about sustainability of key government programs. There is also a greater awareness of the quantitative and qualitative relevance of public sector borrowers for the global financial markets. As a result, the IPSASB is facing increasing demands for high quality standards and adoption and implementation guidance to address these issues and support for the global adoption and implementation of IPSASs is building.

Increase in adoption

IPSASs are developed to apply across countries and jurisdictions with different political systems, different forms of government and different institutional and administrative arrangements for the delivery of services to constituents. The IPSASB recognizes the diversity of forms of government, social and cultural traditions, and service delivery mechanisms that exist in the many jurisdictions that may adopt IPSASs. In developing its standards the IPSASB aims to respond to and embrace that diversity.

Over the past 3 to 5 years there has been an increasing interest in the IPSASs and a strong trend towards their adoption - this trend is anticipated to continue. Currently over 80 countries have either adopted or have processes in place to adopt IPSASs including New Zealand, South Asian countries like Thailand, Indonesia and Malaysia, African countries such as Kenya and South Africa, Latin and South American countries such as Peru and Brazil and some European countries, Switzerland, Austria and Estonia among them. Other countries like Russia, India and China have also signaled their intention to adopt, though specific deadlines have not been set.

That a number of governments and public sector entities around the world are already adopting the accrual IPSASs highlights their relevance and acceptance across jurisdictions. The standards are being adopted and applied, or are in the process of being applied, by nations that are very diverse geographically, economically and culturally.

In addition, a large number of international organizations use the IPSASs in preparing their financial statements. These include the United Nations Systems, North Atlantic Treaty Organization (NATO), Organization for Economic Co-Operation and Development (OECD), International Criminal Police Organization (INTERPOL), European Commission (EC) and the Organization of American States (OAS).

Public interest oversight and related governance changes

To sustain the IPSASB's growing credibility as the international standard setter for the public sector it is necessary to implement public interest oversight of the IPSASB. Acknowledging the need for an appropriate public interest oversight regime for the IPSASB, IFAC and the IPSASB are committed to instituting such a regime as soon as possible. It is important that the IPSASB has public interest oversight in order that those adopting the standards are assured that the IPSASB is acting in the public interest and that its standards result from widespread and carefully considered comment from interested stakeholders around the world. Creating an oversight regime will also help provide assurance that the IPSASB can independently and rigorously address public sector financial reporting issues. Public interest oversight of the IPSASB is needed to add credibility to the IPSASB's processes and to provide protection against undue influence on these processes.

Related to the implementation of public interest oversight, whether by the Public Interest Oversight Board (PIOB)¹ or another body, is the need for a number of governance changes for the IPSASB. Re-

¹ Appendix A provides an overview of the PIOB.

establishment of an IPSAS Consultative Advisory Group (CAG) will be a crucial part of the new arrangements. We envisage that the CAG will meet twice per annum and will provide important 'real-time' feedback on current projects and future priorities. In terms of the composition of the CAG, this is to be determined at a future time. Other changes include considering a full-time compensated Chair as well as additional staff resources.

The Monitoring Group (MG) is currently undertaking a public consultation on the governance of the MG, the PIOB and the standard setting boards and Compliance Advisory Panel operating under the auspices of IFAC. This consultation discusses possible oversight of the IPSASB by the PIOB and asks for feedback on this issue. If the feedback from this consultation (expected by third quarter 2012) is supportive of the PIOB undertaking oversight of the IPSASB, the necessary processes could be implemented reasonably quickly. If oversight by the PIOB is not supported in the MG consultation, IFAC and the IPSASB will move to institute a different structure to conduct public interest oversight of the IPSASB.

Once a public interest oversight structure is in place for the IPSASB, and related governance changes are implemented, as noted, the IPSASB anticipates conducting a comprehensive review of its broad strategic direction including public consultation on its strategies and work program beyond 2014. Included in this is the need to consider expansion of capacity and financial resources provided by external parties since these will impact the IPSASB's long-term direction.

The IPSASB's Strategic Priorities

Since the completion of the International Financial Reporting Standards (IFRS) convergence project in late 2009, three strategic themes have been guiding the IPSASB's activities and it is intended that this will continue to be the case for 2013-2014. These are:

Developing a public sector conceptual framework

This is the IPSASB's most important project until its completion. The objective of the IPSASB's project is to develop a public sector conceptual framework that makes explicit the concepts, definitions, and principles that underpin the development of IPSASs. While the work on the International Accounting Standards Board (IASB) Framework is being closely monitored the IPSASB's project is not a convergence project but rather is focused on having a well developed public sector conceptual framework. This is seen by many national standard setters and others as critical in establishing credibility as the international standard setter for the public sector.

Public sector critical projects

In 2009 the IPSASB completed its project to substantially converge IPSASs with IFRSs issued at December 31, 2008. While it was already dedicating significant resources to addressing public sector specific issues, the IPSASB decided to focus even more resources on projects that are public sector specific and for this reason the IPSASB's current work program is heavily weighted towards such projects.

The IPSASB will continue to develop standards and guidance on projects it assesses as critical for the public sector. These projects may include public sector specific projects - projects that are specific to the public sector, where there is no equivalent accounting standard in the private sector due to the lack of relevance of the topic, e.g. Reporting on the Long-Term Sustainability of Public Finances. Some public sector specific projects might also address convergence with statistical bases where appropriate.

Public sector critical projects may also be IFRS convergence projects where IFRSs, for which there is no related IPSAS, are assessed using the “rules of the road” analysis to determine whether any public sector specific issues exist.

Finally with a robust body of standards now in place the IPSASB’s work program must include ongoing resources to maintain all existing IPSASs (whether based on underlying IFRSs or public sector specific). This ensures that the quality of the existing suite of standards is maintained.

Communications and promoting adoption & implementation

In recent years there has been a significant increase in the adoption of IPSASs and, as a consequence, the IPSASB has dedicated significant resources to its outreach activities to support this. There is a strong program of communications and outreach activities undertaken by members and staff. In addition, early in 2011 a third edition of IPSASB’s Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*, was issued. This study has proven to be a strong resource for adopters of IPSASs.

IPSASB members will continue with their ambitious outreach program and focus on global regions of strategic significance in order to enhance awareness of IPSASB and adoption efforts. Strategic partnerships with a number of international organizations will continue to be fostered.

3. Current Work program

The IPSASB’s current work program is very heavily focused on public sector specific projects. As previously highlighted, in 2009 the IPSASB completed its project to substantially converge IPSASs with IFRSs issued at December 31, 2008. While it was already dedicating significant resources to addressing public sector specific issues, including most notably developing a public sector conceptual framework, the IPSASB decided at that time to focus even more resources on projects that are public sector specific.

The following table provides a summary of the IPSASB’s current projects.

Current Projects
<i>Public Sector Conceptual Framework</i>
<i>Reporting on the Long-Term Sustainability of Public Finances</i>
<i>Financial Statement Discussion and Analysis</i>
<i>Reporting Service Performance</i>
<i>Public Sector Combinations</i>
<i>IPSASs and Government Finance Statistics Reporting Guidelines</i>
<i>Revision of IPSASs 6-8</i>
<i>First Time Adoption of Accrual IPSASs</i>
<i>Government Business Enterprises</i>
<i>Public Sector Financial Instruments</i>
<i>Improvements</i>
<i>Amendments to IPSASs 28-30</i>
<i>Review of Cash Basis IPSAS</i>

Appendix B to this paper includes an overview of the IPSASB's current work program for 2012-2104 as well as brief descriptions of each of the current projects listed above.

4. Additional Potential Projects

This table provides a summary of potential projects that the IPSASB has developed based on its deliberations. The listing has been developed based on:

- Discussions of the IPSASB during work planning sessions;
- Analysis of existing IPSASs and work necessary for maintenance;
- Analysis of the current IASB work program; and
- Analysis of existing IPSASs and their alignment with Government Finance Statistics (GFS).

Potential Projects
<i>Borrowing Costs</i> (Update of IPSAS 5 - underlying standard IAS 23)
<i>Emissions Trading Schemes</i>
<i>Extractive Industries</i> (IFRS 6 interim standard but no comparable IPSAS)
<i>Heritage Assets</i> (Public sector specific)
<i>Improvements to IPSAS 23 – Non-Exchange Revenues</i>
<i>Insurance Contracts</i> (IFRS 4 interim standard but no comparable IPSAS)
<i>Leases</i>
<i>Non-current Assets Held for Sale and Discontinued Operations</i> (IFRS 5 but no comparable IPSAS)
<i>Presentation of Financial Statements</i> (Update of IPSAS 1 - underlying standard IAS 1)
<i>Related Party Transactions</i> (Update of IPSAS 20, underlying standard IAS 24)
<i>Revenue Recognition</i>
<i>Segment Reporting</i> (Update of IPSAS 18, underlying standard IAS 14, superseded by IFRS 8)
<i>Small and Medium Enterprises</i> (SMEs)
<i>Social Benefits</i>
<i>Sovereign Powers and their Impact on Financial Reporting</i>

A brief summary of each of the potential projects is included in Appendix C.

5. Assessing Priorities for 2013-2014 & Specific Questions to Consider

The IPSASB is seeking public input on its work program for 2013-2014 until October 31, 2012. Responses will be discussed in December 2012 and March 2013 with a view to approving additional project priorities by the end of Q1 2013. At this stage it is anticipated that two to four new projects can be initiated for 2013-2014.

In selecting projects for the work program it is necessary for the IPSASB to balance the needs of stakeholders with resources available and to consider these in the context of the IPSASB's strategic

themes. Prioritizing projects always requires a balance between many factors, including the urgency of need for a specific standard, the complexity of the issues, the expected length of the project, and the ability of stakeholders to respond to the due process. All of these factors must also be considered in the context of resource constraints that exist in terms of meeting time as well as staff resources. The IPSASB will also need to consider the impact that the completion of the public sector conceptual framework will have on the work program as well as any items that may arise from IFAC's Memorandum of Understanding (MOU) with the IASB.

When selecting projects the IPSASB will consider proposals in the context of balancing the board's objectives and strategic priorities with other factors, including those set out above. Projects not initiated in 2013-2014 will be considered for inclusion in the program for 2015 and subsequent years. Therefore, comments made on these projects during this consultation will be further considered by the IPSASB in developing its broader work program consultation in 2014 for the subsequent period.

The IPSASB asks that in assessing priorities and providing input you consider the following questions:

1. Considering the additional potential projects identified above and described in Appendix C, are there any other projects that you think need to be added to the list of potential projects?
2. Which projects do you think the IPSASB should prioritize for 2013-2014? In your response you could consider providing your assessment of the 3 most important projects or a ranking of all projects on the list. Please explain the reasons for your answers.
3. Please provide any further comments you have on the IPSASB's Work Program for 2013-2014.

Appendix A: Overview of the PIOB

The PIOB was formally established in February 2005. The establishment of the PIOB was the result of a collaborative effort by the international financial regulatory community, working with IFAC, to ensure that auditing and assurance, ethics, and educational standards for the accounting profession are set in a transparent manner that reflects the public interest. It was mutually recognized that high-quality, transparent standard-setting processes with public and regulatory input, together with regulatory monitoring and public interest oversight, are necessary to enhance the quality of external audits of entities. For this reason, the PIOB also maintains active liaison with both the Monitoring Group (MG) and independent audit regulators around the world.

The objective of the PIOB is to increase investor and other stakeholder confidence that IFAC's public interest activities – including standard setting by IFAC's independent boards –properly respond to the public interest. The PIOB oversees IFAC's Public Interest Activity Committees (PIACs): the International Auditing and Assurance Standards Board (IAASB), the International Accounting Education Standards Board (IAESB), the International Ethics Standards Board for Accountants (IESBA), their respective Consultative Advisory Groups (CAGs), and the Compliance Advisory Panel (CAP).

The PIOB provides oversight of due process only. It does not oversee the technical content of the standard-setting process. As such, members of the PIOB are not technical specialists or experts in the subject matter. The PIOB:

- Reviews and approves Terms of Reference;
- Evaluates the boards' due process procedures;
- Oversees the work of IFAC's Nominating Committee and approves the Committee's nominations to the standard-setting boards and the CAP; and
- Suggests projects to be added to the boards' work programs.

Further information can be found at www.ipiob.org.

Appendix B: IPSASB Agenda Schedule 2012-2014 and Project Descriptions

	Sept 2012	Dec 2012	Mar 2013	June 2013	Sept 2013	Dec 2013	Mar 2014	June 2014	Sept 2014	Dec 2014	2015
Public Sector Conceptual Framework											
Phase 1		Final									
Elements	ED			RR	RR	DI	Final				
Measurement	ED			RR	RR	DI	Final				
Presentation	RR	RR/ED	ED			RR	Final				
Key Characteristics		Final									
Public Sector Critical											
Review Cash Basis IPSAS	Currently deferred; See discussion in description below										
Reporting on the Long-Term Sustainability of Public Finances	RR	DI/ RPG	RPG								
Financial Statement Discussion and Analysis	RR	Final									
Reporting Service Performance	RR	DI/ED	ED		RR	RR	DI/ Final	Final			
Public Sector Combinations		RR	RR	DI	DI/ED	ED		RR	RR	IPSAS	
IPSASs and Government Finance Statistics Reporting Guidelines	CP		RR	DI/ED	ED		RR	RR/DI	Final		
Revision of IPSASs 6-8	DI	DI	DI/ED	ED		RR	RR/DI	IPSAS			
First Time Adoption of Accrual IPSASs	DI	ED			RR	RR/DI	DI/ IPSAS	IPSAS			
GBEs		DI	DI	ED		RR	RR	DI	IPSAS		
Public Sector Financial Instruments		DI	DI	DI/CP	CP			RR	RR/DI	DI/ED	ED
Improvements (biennially)			ED		IPSAS						ED
Amendments to IPSASs 28-30			DI	DI	DI/ED	ED			RR	RR/DI	IPSAS
New project 1				PB		DI	DI	DI	CP/ED		RR
New project 2				PB		DI	DI	DI	CP/ED		RR
New project 3 ²				PB		DI	DI	DI	CP/ED		RR
Other											
Work Planning		RR	Plan			DI	DI	CP		RR	Plan
Oversight and Governance		DI		Final							

Key: IPSAS Final Standard/Guidance, RPG Recommended Practice Guideline ED Exposure Draft, PB Project Brief, DI Discussion of Issues. RR Review of Responses, CP Consultation Paper

² The number of new projects for 2013-2014 is estimated to be two to four. For these purposes this schedule has been prepared on the basis of three new projects.

Project Descriptions: In Progress and Committed

- **Public Sector Conceptual Framework** – This project is developing a conceptual framework that considers the unique characteristics of the public sector, including objectives and users. The project is currently the IPSASB's highest priority and is being developed in phases with final completion expected in 2014.
- **Reporting on the Long-Term Sustainability of Public Finances** – This project will produce a framework for the reporting and disclosure of information related to the long-term fiscal sustainability of public sector entities. An Exposure Draft was issued in 2011 with responses due in February 2012. The project will develop a Recommended Practice Guideline (RPG) which is planned for the first half of 2013.
- **Financial Statement Discussion and Analysis** – This project is proposing to develop mandatory guidance on financial statement discussion and analysis that accompanies financial statements. An Exposure Draft was issued April 2, 2012 with responses due by July 30, 2012.
- **Reporting Service Performance** – This project uses a principles-based approach to develop a consistent framework for reporting service performance information of public sector programs and services that focuses on meeting the needs of users. An Exposure Draft is planned for the first half of 2013.
- **Public Sector Combinations** - This project will prescribe the accounting treatment for public sector combinations. A Consultation Paper was approved and issued in June 2012. The CP defines a public sector combination as “the bringing together of separate operations into one entity, either as an acquisition or an amalgamation.” The CP distinguishes between PSCs that are acquisitions and PSCs that are amalgamations. The CP then distinguishes between PSCs that are “not under common control” (NUCC) and “under common control” (UCC). Depending on feedback received, an ED is planned for 2013.
- **IPSASs and Government Finance Statistics Reporting Guidelines** – This project will involve an analysis of the differences between the revised *Government Finance Statistics Manual 2008* (GFSM 2008) and pronouncements in the *IPSASB Handbook of International Public Sector Accounting Pronouncements* and an evaluation of the extent to which further harmonization between statistical reporting guidance and IPSASs might be feasible. Further issues identified will be addressed in other projects or possibly as part of an improvements project. A Consultation Paper was approved in-principle in June 2012. A final CP will be approved in September 2012 for publication.
- **Revision of IPSASs 6-8** – This project will consider potential changes to IPSASs 6-8 such as whether the term control should continue to be used or whether a revised definition of control is appropriate, as well as whether controlled entities should be consolidated. As a result of the IPSASs and GFS project it will also consider the updated (SNA 2008) national accounts tests of control. An Exposure Draft is being developed for approval in the first half of 2013.
- **First Time Adoption of Accrual IPSASs** – This project will develop a standard that provides requirements for the first-time adoption of accrual IPSASs. This project will consider issues related to public sector entities that are moving from an accrual basis of accounting to accrual IPSASs as well as public sector entities that are moving from a cash basis, modified cash basis or partial accrual basis of accounting, to accrual IPSASs.

- **Government Business Enterprises** – This project will consider the current definition of a government business enterprise in the IPSASB Handbook, as well as issues related to the accounting treatment. The project was only recently approved and will commence later in 2012.
- **Public Sector Financial Instruments** – This project will address public sector specific aspects of financial instruments. It has been delayed due to resource constraints but will commence later in 2012.
- **Improvements (biennial)** – This project is biennial and is next scheduled for 2013. The 2013 project is currently projected to include:
 - Update of IPSAS 25, *Employee Benefits*;
 - Inclusion of IFRIC 14, *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* in IPSAS 25; and
 - Update of IG of IPSAS 1 to reflect IPSASs 25–32.
- **Amendments to IPSASs 28-30** – The IPSASB committed to reviewing potential changes to IPSASs 28-30 once the IASB completed its work on IAS 39. The project has been deferred pending IASB completion of these amendments. Based on IASB timing, this is currently projected to start in 2013.
- **Review of Cash Basis IPSAS** – The objective of this project is to identify major issues that public sector entities have encountered in implementing the Cash Basis IPSAS *Financial Reporting under the Cash Basis of Accounting* and determine whether the IPSAS should be modified, or if further guidance should be provided, in light of these difficulties. A task force developed recommendations for amendments to the cash basis IPSAS and in 2010 the IPSASB acknowledged that proposals to action the Task Force Recommendations should be further developed. Although the project has been identified as a priority by some constituents, the IPSASB subsequently decided to defer further work on this project due to resource constraints. Efforts to obtain specific project funding are being undertaken.

Appendix C: Additional Potential Projects

Potential Projects
<i>Borrowing Costs</i> (Update of IPSAS 5 - underlying standard IAS 23)
<i>Emissions Trading Schemes</i>
<i>Extractive Industries</i> (IFRS 6 interim standard but no comparable IPSAS)
<i>Fair Value Measurement</i> (IFRS 13 but no comparable IPSAS)
<i>Heritage Assets</i> (Public sector specific)
<i>Improvements to IPSAS 23 – Non-Exchange Revenues</i>
<i>Insurance Contracts</i> (IFRS 4 interim standard but no comparable IPSAS)
<i>Leases</i>
<i>Non-current Assets Held for Sale and Discontinued Operations</i> (IFRS 5 but no comparable IPSAS)
<i>Presentation of Financial Statements</i> (Update of IPSAS 1 - underlying standard IAS 1)
<i>Related Party Transactions</i> (Update of IPSAS 20, underlying standard IAS 24)
<i>Revenue Recognition</i>
<i>Segment Reporting</i> (Update of IPSAS 18, underlying standard IAS 14, superseded by IFRS 8)
<i>Small and Medium Enterprises</i> (SMEs)
<i>Social Benefits</i>
<i>Sovereign Powers and their Impact on Financial Reporting</i>

Project Descriptions

Borrowing Costs (Update of IPSAS 5 - underlying standard IAS 23) – IPSAS 5 is based on the December 2003 version of IAS 23. The IASB issued a revised version of IAS 23 in March 2007 which is now different from IPSAS 5. The main difference is that IAS 23 does not allow an option to immediately expense borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset. The IPSASB started a project to review IPSAS 5 and ultimately issued an Exposure Draft that allowed the expensing option to be maintained on the basis that there are public sector reasons to depart from the provisions of IAS 23. The ED concluded that capitalization should be allowed in respect of all cash generating assets, but that expensing of borrowing costs should be required in all other cases. Responses to the ED were polarized and the IPSASB decided to defer this project until completion of the Public Sector Conceptual Framework project because of the potential implications the development of a definition of an asset may have on the capitalization of borrowing costs to qualifying assets. Because the project is assessing guidance that already exists, this is likely to be less resource intensive than some other projects.

Emissions Trading Schemes (ETS) – Emissions trading schemes are designed to achieve a reduction of greenhouse gases through the use of tradable emission permits. The objective of the project would be to develop an IPSAS to provide comprehensive guidance on the accounting for emissions trading schemes. The project would need to consider the grantor perspective in addition to the recipient perspective and is therefore likely to have a strong public sector specific focus for a portion of the project.

The IASB added the Emissions Trading Scheme to its agenda in October 2005 and re-activated work on the project in December 2007. The IASB noted the increasing international use (or planned use) of schemes designed to achieve reduction of greenhouse gases through the use of tradable permits. It also noted that there was a risk of diverse accounting practices for such schemes following the withdrawal of IFRIC 3 Emission Rights and that this would impair the comparability and usefulness of financial statement information.

The IPSASB discussed the possibility of initiating a project during 2011 but deferred any decision at that time until completion of the Public Sector Conceptual Framework project because of the potential implications of the development of definitions of assets and liabilities. In March 2012 staff of the IASB provided a presentation to the IPSASB on ETS so that members could further understand the issues and consider these in a public sector context.

This is likely to be a research intensive project to fully understand current practices and issues.

Extractive Industries – The IASB developed IFRS 6 as an interim standard until it develops a comprehensive standard for exploration for and evaluation of mineral resources. Extractive industries are the exploration for and discovery of minerals, oil and natural gas deposits, developing those deposits and extracting the minerals, oil and natural gas. The IASB now intends to include this project in its research agenda. The IPSASB previously deferred its consideration of the applicability of IFRS 6 to public sector entities until the IASB issues a comprehensive standard on this topic. However indications are that this could be an important project in the public sector and that there is a desire for better guidance on the issues in public sector accounting. This is likely to be a research intensive project to fully understand current practices and issues.

Heritage Assets – This is a public sector specific project that would develop accounting and disclosure requirements for heritage assets. While IPSAS 17 identifies the characteristics of heritage assets, neither IPSAS 17, *Property, Plant and Equipment* nor IPSAS 31, *Intangible Assets*, define heritage assets or require recognition of heritage assets. If heritage assets are recognized by a public sector entity, the IPSASs require applying disclosure requirements and allow but do not require applying the measurement requirements. The IPSASB decided to defer this project until completion of the Public Sector Conceptual Framework project because of the potential implications the development of a definition of an asset may have on heritage assets. Existing national practices may be able to be built upon for research purposes. This is likely to be a research intensive project given the lack of international guidance and the challenges in garnering consensus.

Improvements to IPSAS 23, Non-Exchange Revenues – IPSAS 23 was approved in December 2006. A number of examples have been identified where the interaction between IPSAS 23 and other IPSASs has resulted in inconsistencies in dealing with non-exchange issues. Certain accounting treatments in IPSAS 23 have also been identified for further review. The IPSASB considered this project in March 2011 and decided to defer this project until completion of the Public Sector Conceptual Framework project because of the potential implications the development of a definition of revenues may have.

Insurance Contracts (IFRS 4 interim standard but no comparable IPSAS) – The IASB developed IFRS 4 as an interim standard that allows insurers to continue using various existing accounting practices that have developed in a piecemeal fashion over many years. The Insurance Contracts project aims to providing a single source of principle-based guidance to account for all types of insurance contracts.

The IASB expects to issue a review draft or revised ED of a proposed comprehensive standard in late 2012. There is a sense that this is a topic with applicability in the public sector but to date there has been little call for a comparable project. The IPSASB has deferred its consideration of insurance until the IASB issues a comprehensive standard on this topic.

Leases – The objective of the project would be to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying IFRS. The project would result in a new IPSAS that would replace IPSAS 13.

The aim of the IASB's leases project is to develop a new single approach to lease accounting that would ensure that all assets and liabilities arising under lease contracts are recognized in the statement of financial position. In August 2010 the IASB and the FASB published an Exposure Draft (ED), *Leases*. The main problem that the project addresses is the position under the current IAS 17, where, if a lease is classified as a finance lease, assets and liabilities are shown on the lessee's statement of financial position, whereas for an operating lease the lessee does not show any assets or liabilities on the statement of financial position. For an operating lease the lessee simply accounts for the lease payments as an expense over the lease term. The IASB plans to issue a revised ED in late 2012. Because this project is assessing an existing IPSAS it may be less resource intensive than other projects.

Non-current Assets Held for Sale and Discontinued Operations (IFRS 5 but no comparable IPSAS) – IFRS 5 was issued in 2004 to replace IAS 35, *Discontinuing Operations*. IFRS 5 sets out requirements for measurement and presentation on non-current assets held for sale. The IPSASB considers that this topic has relevance in the public sector. The IPSASB briefly considered adding this project to its Work Plan as part of consideration of the project *Revision to IPSASs 6–8* at its September 2011 meeting. However, there was no clear indication of how to proceed. The completion of the Public Sector Conceptual Framework project may have implications for the presentation of non-current assets held for sale and discontinued operations. On that basis the IPSASB previously decided to defer this project until completion of the Public Sector Conceptual Framework project. At the June IPSASB meeting the IPSASB tentatively agreed that IFRS 5, *Non-current Assets Held-for-sale and Discontinued Operations*, should remain outside the scope of the project to revise IPSASs 6-8. However, the IPSASB noted that the temporary control exemptions in existing standards would be re-examined as part of that project.

Presentation of Financial Statements (Update of IPSAS 1 - underlying standard IAS 1) – IPSAS 1 is based on the December 2003 version of IAS 1. The IASB issued a revised version of IAS 1 in September 2007 which includes the notion of comprehensive income. The IPSASB has not considered this notion. IAS 1 has undergone further amendment in June 2011 and the IASB is considering a project to improve guidance on the organization and presentation of information in the financial statements. The completion of the Public Sector Conceptual Framework project, specifically phase 4 on Presentation, may have implications for the presentation of financial statements so this project was previously deferred.

Related Party Transactions (Update of IPSAS 20, underlying standard IAS 24) – In 2009 the IASB issued a revised IAS 24 to simplify the definition of "related party" and to provide a partial exemption from the disclosure requirements for some government-related entities. The structure and substance of IPSAS 20 differs significantly from IAS 24. The IPSASB previously decided that updating this project was not a priority compared to other projects.

Revenue Recognition – The objective of the project would be to develop revised requirements for revenue from exchange transactions in order to maintain alignment with the underlying IFRS. The project would result in a new IPSAS that would replace IPSAS 9 and IPSAS 11.

The IASB issued a revised ED in November 2011. Changes from the initial ED include clarifying the proposals for identifying separate performance obligations, clarifying the definition of performance obligations, adding requirements for determining when a performance obligation is satisfied over time and adding the “risks and rewards of ownership” as an indicator of when control is transferred at a point in time.

Currently IPSAS 9 contains very few departures from IAS 18 and these departures primarily concern matters of general terminology rather than the substance of revenue recognition. IPSAS 11 contains departures relating to the inclusion of “binding arrangements” that are not legally enforceable contracts and cost-based and noncommercial contracts within its scope. It is likely that these adaptations from IAS 11 will still be necessary, but is unlikely to affect the accounting requirements. The usage of the term “performance obligations” may not be consistent with its usage in IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*. Because this project is assessing an existing IPSAS it may be less resource intensive than other projects.

Segment Reporting (Update of IPSAS 18, underlying standard IAS 14, superseded by IFRS 8) – The primary purpose of IFRS 8 was to reduce the differences from US GAAP. In considering this potential project in 2007 members expressed concern about whether the basis of the approach in IFRS 8 is readily transferable to the public sector. An example raised was the difficulty in identifying the chief operating decision maker in public sector entities. Further, some were of the view that segment reporting should be dealt with as a public sector specific project rather than IFRS convergence. At its July 2007 meeting, the IPSASB agreed to defer a proposed project to update IPSAS 18 because of other project priorities, including the development of the Public Sector Conceptual Framework.

Small and Medium Enterprises (SMEs) – Issued by the IASB in July 2009. The objective of the IASB project was to develop an IFRS expressly designed to meet the financial reporting needs of entities that (a) do not have public accountability and (b) publish general purpose financial statements for external users. Examples of such external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies. Users of the financial statements of SMEs do not have the same needs as equity investors in public capital markets, but rather are more focused on assessing shorter-term cash flows, liquidity and solvency. Also, many SMEs say that full IFRSs impose a burden on them — a burden that has been growing as IFRSs have become more detailed and more countries have begun to use them.

There has been some interest from constituents for IPSASB to consider this project in the context of governments, often positioning the issues based on the burden that smaller governments have in adopting full IPSASs. The IPSASB has previously discussed an SME-equivalent project for governments including in the context of the Public Sector Conceptual Framework around issues related to differential reporting. One of the major challenges to be considered relates to the definition of public accountability, which the IASB’s SME standard hinges on. It is difficult to argue that any public sector entity could be assessed as not having public accountability. So, to develop an SME-equivalent standard for governments would require significant effort to determine an appropriate way to delineate who this would apply to.

This project is likely to be resource intensive. On that basis the IPSASB previously decided to defer the project for future consideration once the Public Sector Conceptual Framework is complete.

Social Benefits – The IPSASB started work on this key public sector project in 2002. To date it has issued an Invitation to Comment, a Consultation Paper and an Exposure Draft. However it has proven impossible so far to achieve consensus on an appropriate accounting treatment. During the development of the project the IPSASB determined that work on the Elements phase of the Public Sector Conceptual Framework project would be important in further informing work on social benefits. In addition, work was initiated on the project on reporting on the long-term sustainability of public finance. Information about a government's long-term sustainability is important regardless of the approach to recognizing liabilities in the financial statements.

The IPSASB recognizes that this is a critical public sector project and discussed the possibility of re-initiating the project during 2011. As part of that process, the IPSASB had some presentations about current practices in some jurisdictions. A decision on re-initiating the project was previously deferred until completion of the Public Sector Conceptual Framework project because of the potential implications the development of the definition of liabilities could have.

Sovereign Powers and their Impact on Financial Reporting – This potential project has been identified as a result of the Public Sector Conceptual Framework project. Governments are unique in that they have a number of sovereign powers, for example, the power to issue permits or to impose taxation.

Some constituents have raised the question of whether a government's sovereign powers are assets that should be measured and reported in the financial statements. The IPSASB deferred any separate consideration of this issue until the Public Sector Conceptual Framework project is completed since the definition of an asset will be critical to determining whether sovereign powers are assets of the government.

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