

IPSASB

International Public
Sector Accounting
Standards Board®

2017-2018
BIENNIAL REVIEW

DELIVERING FOR THE FUTURE



Introducing the IPSASB



Back Row (left to right): Leonardo Nascimento, Christopher Nyong, Rod Monette, Stuart Barr, Do-Jin Jung, Todd Beardsworth, Michel Camoin, Bob Dacey
Front Row (left to right): Juan Zhang, Aracelly Mendez, Neema Kiure-Mssusa, Bernhard Schatz, Ian Carruthers, Mike Blake, Marc Wermuth, Sebastian Heintges, Lindy Bodewig
Missing from photo: Francesco Capalbo

The International Public Sector Accounting Standards Board (IPSASB) is the global accounting standard setter for the public sector. The structures and processes that support the IPSASB's operations are facilitated by the International Federation of Accountants (IFAC).

The IPSASB's mission is:

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

The IPSASB comprises a remunerated Chair and 17 volunteer members from around the world. IPSASB members are:

- Appointed by the IFAC Board following the recommendations of the IFAC Nominating Committee. The nominating process involves an intensive due process, including a public call for nominations; and
- Required to sign an annual statement declaring that they will act in the public interest and with integrity in discharging their responsibilities.

The IPSASB's meetings are open to the public. In 2017 and 2018 the IPSASB held eight meetings; four were in Toronto, which is the home base of IPSASB staff. Meetings were also held in Washington D.C., Luxembourg, New York, and Kuala Lumpur. The IPSASB live-streamed parts of a number of these meetings. Agenda papers and presentations are publicly available on the IPSASB website.

IFAC facilitates the work of the IPSASB, and the other independent standard-setting boards, by direct contributions to the IPSASB's budget and through support in areas such as communications, finance, human resources, and intellectual property management.

Other organizations that supported the IPSASB both financially and in-kind during 2017 and 2018 are:

- Asian Development Bank;
- Chartered Professional Accountants (CPA) Canada;
- Government of Canada;
- Government of New Zealand;
- Government of Switzerland;
- New Zealand External Reporting Board; and
- Public Sector Accounting Board of Canada.

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Message from IPSASB Chair Ian Carruthers



These are exciting times for the IPSASB, with significant increases in global adoption of accrual-basis reporting by governments projected in the short to medium term. The Public Sector Accountability Index, developed jointly by IFAC and the Chartered Institute of Public Finance and Accountancy (CIPFA), projects that in the five year period to 2023 that governments reporting on the accrual basis will increase from 25% to 65% (2018 Status Report). Most of the new implementers will be using IPSAS. Our standards and guidance will therefore increasingly need to meet the practical requirements of a significantly expanding user group.

This Biennial Review provides a high-level summary of the IPSASB's activities in 2017 and 2018, both in the context of its 2015 Forward Strategy, and the development of its new 2019-23 Strategy and Work Plan. During this period, the IPSASB made strong progress on the delivery of its 2015 work plan, including the completion of three major projects.

The year 2017 marked the twentieth anniversary of the IPSAS development program, which was celebrated with former IPSASB Chairs during the second Public Sector Standard Setters Forum in Winterthur, Switzerland. This celebration provided an important opportunity to reflect on the original aims of the program and achievements to date. Both influenced the IPSASB's proposals on how its work should evolve to meet the increasing demands it will faces.

The end of 2018 saw two major landmarks for the Board. Approval of [IPSAS 42, Social Benefits](#), filled one of the last major gaps in IPSASB's

suite of standards, and completed a project which started in 2002. Approval of the IPSASB's [Strategy and Work Plan 2019-2023 Delivering Global Standards. Inspiring Implementation](#), was the culmination of a comprehensive program of debate, consultation and outreach which achieved very high levels of stakeholder support for the IPSASB's future direction.

The hard work, dedication, and commitment of my fellow IPSASB members and their technical advisors, all of whom are volunteers, have been critical to the Board's notable achievements during 2017 and 2018. The maturing governance and advisory framework, comprising the Public Interest Committee and the Consultative Advisory Group, has enabled the IPSASB to consolidate its position as the global standard setter for public sector financial reporting. Additionally, the excellent support of the IPSASB staff has facilitated significant progress on the IPSASB's priorities over the period.

Thank you again to all our funders—whether direct financial contributors or those who have provided in-kind support by providing staff to develop or support our projects during the period. Without this generosity our highly ambitious work plan and strategy for the future would not be feasible.

IAN CARRUTHERS
IPSASB CHAIR

Delivering the 2015 Strategy

During 2017 and 2018 (the review period), the IPSASB's activities were guided by its [*Strategy for 2015 Forward: Leading through Change*](#), which contained the single strategic objective:

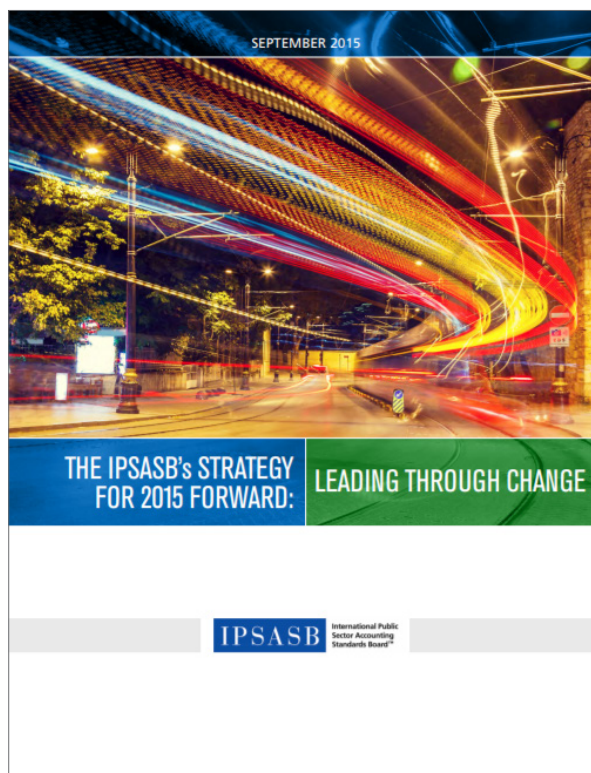
'Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSAS by:

- Developing high quality public sector financial reporting standards;
- Developing other publications for the public sector; and
- Raising awareness of the IPSAS and the benefits of their adoption.'

The adoption of this strategic objective followed the first full public consultation on the Strategy and Work Plan during 2014. The 2015 Forward Strategy explicitly positioned IPSASB's work in the context of broader global Public Financial Management (PFM) for the first time. In accordance with the views of respondents the majority of IPSASB's standards development and maintenance work during the review period focused on public sector issues.

Details of IPSASB members and Staff who served in 2017 and 2018 are provided in Appendix A. A summary of its financial information during the review period is provided in Appendix B.

Throughout the review period, IPSASB's work was increasingly influenced by the governance arrangements that were introduced in 2015 and 2016 – the establishment of the Public Interest Committee (PIC) and the Consultative Advisory Group (CAG).



Progress with the 2015 Work Plan

During the review period, the IPSASB made strong progress on delivering its 2015 work plan, in particular completing three major projects.

The majority of the Board's ongoing projects were public sector specific in nature and aimed at filling perceived gaps in the IPSASB's suite of standards, while maintaining alignment with IFRS Standards¹ issued by the International Accounting Standards Board (IASB), wherever appropriate. As a result, by December 31, 2018, the Board and its predecessor—the IFAC Public

Sector Committee—had developed 42 IPSASs, three Recommended Practice Guidelines, an IPSAS on Reporting under the Cash Basis of Accounting as well as *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*, (the Conceptual Framework). More than a third of IPSASB's pronouncements are wholly or mainly public sector specific as shown in the [IPSAS-IFRS Alignment Dashboard](#) that was developed during 2018 by IPSASB Staff, for the Board to use in future as a monitoring and planning tool.

IPSAS	IFRS	Status	IPSAS	IFRS	Status	IPSAS	IFRS	Status
1. Presentation of Financial Statements	IAS 1		20. Related Party Disclosures	IAS 24		36. Investments in Associates and Joint Ventures	IAS 28	
2. Cash Flow Statements	IAS 7		21. Impairment of Non-Cash-Generating Assets	IAS 36		37. Joint Arrangements	IFRS 11	
3. Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8		22. Disclosure of Financial Information about the General Government Sector	–		38. Disclosure of Interests in Other Entities	IFRS 12	
4. The Effects of Changes in Foreign Exchange Rates	IAS 21		23. Revenue from Non-Exchange Transactions (Taxes and Transfers)	–		39. Employee Benefits	IAS 19	
5. Borrowing Costs	IAS 23		24. Presentation of Budget Information in Financial Statements	–		40. Public Sector Combinations	IFRS 3	
9. Revenue from Exchange Transactions	IAS 18		26. Impairment of Cash-Generating Assets	IAS 36		41. Financial Instruments	IFRS 9, IFRIC 16	
10. Financial Reporting in Hyperinflationary Economies	IAS 29		27. Agriculture	IAS 41		42. Social Benefits	–	
11. Construction Contracts	IAS 11		28. Financial Instruments: Presentation	IAS 32, IFRIC 2		Financial Reporting under the Cash Basis of Accounting	–	
12. Inventories	IAS 2		29. Financial Instruments: Recognition and Measurement	IAS 39, IFRIC 16		RPG 1. Reporting on the Long-Term Sustainability of an Entity's Finances	–	
13. Leases	IAS 17		30. Financial Instruments: Disclosures	IFRS 7		RPG 2. Financial Statement Discussion and Analysis	PS 1 Management Commentary	
14. Events after the Reporting Date	IAS 10		31. Intangible Assets	IAS 38, SIC 32		RPG 3. Reporting Service Performance Information	–	
16. Investment Property	IAS 40		32. Service Concession Arrangements: Grantor	IFRIC 12, SIC 29				
17. Property, Plant, and Equipment	IAS 16		33. First-time Adoption of Accrual Basis IPSASs	IFRS 1				
18. Segment Reporting	IAS 14		34. Separate Financial Statements	IAS 27				
19. Provisions, Contingent Liabilities and Contingent Assets	IAS 37		35. Consolidated Financial Statements	IFRS 10				

1. IFRS is International Financial Reporting Standards

Projects completed during 2017 and 2018

During 2017 and 2018, the IPSASB approved and/or published three new or substantially revised IPSAS, as well as an updated version of its Cash-Basis IPSAS, and completed an annual improvements project:

Pronouncements	Publication Dates	Related Exposure Drafts (ED) published during 2017 or 2018
IPSAS 40, <i>Public Sector Combinations</i>	January 2017	–
IPSAS 41, <i>Financial Instruments</i>	August 2018	ED 62
IPSAS 42, <i>Social Benefits</i>	January 2019	ED 63
IPSAS, <i>Financial Reporting under the Cash Basis of Accounting</i>	November 2017	–
<i>Improvements to IPSAS, 2018</i>	October 2018	ED 65

- Details of these and IPSASB's other ongoing projects are provided in Appendix C.
- The IPSASB also published two pronouncements comprising amendments to existing IPSAS. [Improvements to IPSAS](#), 2018 deals with non-substantive changes to IPSAS and [Amendments to IPSAS 36, Investments in Associates and Joint Ventures](#), and [IPSAS 41, Financial Instruments](#) which arise from consideration of the annual improvements and narrow scope amendments projects of the IASB. The draft versions of these pronouncements were published as Exposure Draft (ED) 65 and ED 66 in April 2018 and October 2018 respectively.
- The [2017 Handbook of International Public Sector Accounting Pronouncements](#) was published electronically in February 2018. The [2018 Handbook of International Public Sector Accounting Pronouncements](#) was published electronically in September 2018.

Ongoing Projects During 2017 and 2018

During the review period, the IPSASB approved two further EDs on its major projects:

- [ED 64, Leases](#) proposed lessee financial reporting requirements that are converged with IFRS 16, *Leases*, and a single right of

use model for lessors, together with new reporting requirements for concessionary leases;

- [ED 67, Collective and Individual Services and Emergency Relief \(Amendments to IPSAS 19\)](#) addressed transactions for collective services, such as defense, and individual services, such as education and healthcare and emergency relief.

ED 64 was developed without a Consultation Paper (CP) phase, while ED 67 was developed following analysis of the responses to the CP, [Accounting for Revenue and Non-Exchange Expenses](#).

IPSASB also published three CPs on major topics during the review period:

- [Financial Reporting for Heritage in the Public Sector](#);
- [Accounting for Revenue and Non-Exchange Expenses](#); and
- [IPSASB Strategy and Work Plan 2019-2023; Delivering Global Standards. Inspiring Implementation](#).

The development of the draft 2019-23 *Strategy and Work Plan* is discussed in more detail in the next section, while details of the ongoing project work related to the two EDs and other two CPs is provided in Appendix C.



Developing the 2019-23 Strategy and Work Plan

During 2017 the IPSASB developed the CP for its Strategy and Work Plan for the period 2019-2023. It then undertook an extensive public consultation process during the first half of 2018, prior to finalizing the document during the second half of the year in the light of the feedback received.

2019-23 Strategy and Work Plan Consultation Paper

Development of the CP involved a transparent and inclusive process, with input from major regional and international organizations, and national standard setters, as well as extensive Board debate. It was also the first time that the IPSASB had developed a Strategy and Work Plan within its new Governance Framework. Both the CAG and the PIC provided input during the development of the CP and finalization of the 2019-23 Strategy and Work Plan. In addition, two other key inputs were:

- Washington Stakeholder Seminar
- Public Sector Standard Setters Forum 2017

Washington Seminar – Transparency and Beyond: Harnessing the Power of Accrual in Managing Public Finances

The one-day seminar, *Transparency and Beyond: Harnessing the Power of Accrual*, was co-hosted with the World Bank Group and the International Monetary Fund (IMF) on March 6 2017 in Washington DC. It provided important external PFM context for the IPSASB's initial

Strategy discussions, as well as launching the celebrations of the 20th anniversary of the IPSAS program.

Delegates emphasized the need to increase the availability and use of high-quality accrual information for transparency and decision making by public sector organizations themselves, as well as key stakeholders including parliamentarians, journalists, civil society, and capital market participants. Importantly, delegates concluded with commitments to continue to work toward influencing governments to pursue the necessary PFM reforms, building on recent successes and the growing evidence supporting the benefits of accrual-based information to PFM. In particular, the IMF announced the program of work that led to the Fiscal Monitor publication in October 2018, [*Managing Public Wealth*](#), which championed the use of balance sheet information in fiscal policy.

Public Sector Standard Setters Forum 2017

The Public Sector Standard Setters Forum (the Forum) has been an important development in the IPSASB's relationship with national standard setters and ministries of finance with standard-setting responsibilities. Following the success of the first Forum in Norwalk, Connecticut, USA in March 2016, the IPSASB partnered with the Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP), and the ZHAW School of Applied Sciences to co-host



a further Forum in Winterthur, Switzerland, on July 3 and 4, 2017.

Over 70 participants from 22 organizations in more than 30 countries participated in the Forum. The event created an environment for building a dialogue, exchanging ideas, and discussing critical issues in standard setting.

Following progress updates on IPSASB's current projects, Forum participants led small roundtable discussions of some of their projects including tax expenditures, natural resources, infrastructure assets, military assets, and consolidation. Other roundtable discussions considered the case for an IPSAS for small and medium-sized entities and the need for a mechanism by which to develop IPSAS interpretations, before all participants were given the chance to indicate their priorities for projects that IPSASB should add to its work plan. At the conclusion of the Forum, the Chair was interviewed for a [video Q&A session](#) with SRS-CSPCP Chair Nils Soguel.

Feedback on the event was highly positive, and the third Forum was hosted with Chartered Professional Accountants of Canada, on June 24 and 25, 2019 in Niagara-on-the-Lake, Ontario, Canada.

Public Consultation

The IPSASB published its [Strategy and Work Plan Consultation](#) in February 2018, with an exposure period until the end of June 2018. The Consultation requested comments on the proposed Strategic Objective and supporting Strategic Themes, and asked constituents specific questions on the Board's priorities for allocating its resources for the future work plan, including the detailed proposals on specific projects.

Broadening IPSASB's public consultation process through four regional roundtables was an important development in 2018. The roundtables were held in Africa, Asia, Europe and South America, and were co-hosted with key regional partners: Accountancy Europe, the National Treasury of Brazil, the African

Union Commission, and the Asian Development Bank. Over 380 individuals from more than 300 organizations in 108 countries attended these roundtables, as shown below:

Europe—Brussels, Belgium: March 28, 2018	Latin-America—Brasilia, Brazil: April 25, 2018	Africa—Addis Ababa, Ethiopia: May 3-4, 2018	Asia—Manila, Philippines: May 29-30, 2018
Co-Host: <i>Accountancy Europe</i>	Co-Hosts: <i>Federal Accounting Council, National Treasury and Brazilian Accounting Foundation</i>	Co-Host: <i>African Union – with funding provided from the World Bank</i>	Co-Host: <i>Asian Development Bank</i>
Number of: <ul style="list-style-type: none"> Attendees-59 Organizations-45 Countries-20 	Number of: <ul style="list-style-type: none"> Attendees-41 Organizations-19 Countries-6 	Number of: <ul style="list-style-type: none"> Attendees-130 Organizations-116 Countries-47 	Number of: <ul style="list-style-type: none"> Attendees-154 Organizations-130 Countries-48

Finalizing the 2019-23 Strategy and Work Plan

The IPSASB discussed the feedback to the Strategy Consultation, including the comment letters and the feedback obtained from the regional roundtables at its September 2018 meeting. More than 90% of both comment letters received and roundtable attendees expressed agreement with the proposed Strategic Objective and five Strategic Themes. After further discussion with the CAG and PIC, the IPSASB approved the final version of its [2019-23 Strategy and Work Plan: Delivering Global Standards. Inspiring Implementation.](#) at its December 2018 meeting in Kuala Lumpur, with publication in February 2019. The IPSASB also issued its first ever [Consultation Summary](#), which highlights the views provided by constituents, and explains how they shaped the final version of the 2019-23 Strategy and Work Plan.

The 2019-23 Strategy and Work Plan confirmed that the IPSASB would continue to focus on developing and maintaining IPSAS and other high-quality financial reporting guidance for the public sector. In addition, the IPSASB will continue raising awareness of IPSAS and the benefits of accrual adoption in strengthening PFM.

The IPSASB also responded to constituent feedback to be cautious in committing to new projects given its existing full and challenging work plan and to continue the important work on its ongoing public sector specific projects. As a result, the IPSASB decided to add only two further projects to its own Work Plan for 2019 and 2020 – *Natural Resources*, and a *Limited Scope Review of the Conceptual Framework*.

[Natural Resources](#)

The issue of accounting for natural resources in the public sector is highly relevant in many jurisdictions. Governments often have little idea of the monetary value of natural resources until after they are extracted. However, the rights to extract such resources are often granted to third parties who then profit from their extraction. From a public interest perspective, this is an important issue, particularly in resource-rich jurisdictions because the recognition and measurement of these assets impact their management and the benefits derived by citizens from their extraction. The scoping phase of this project will be especially important in assessing whether it should focus exclusively on extractive resources, or also



include broader natural resources, such as water, natural phenomena and living species.

Limited Scope Review of the Conceptual Framework

The IPSASB developed its own Conceptual Framework in order to underpin its future standard-setting activities and approved it in September 2014. In developing its Conceptual Framework, the IPSASB drew on relevant parts of the IASB's Conceptual Framework for Financial Reporting (IASB Conceptual Framework). A number of further revisions to the IASB Conceptual Framework followed the publication of IPSASB's Framework. This limited scope project will therefore evaluate the relevance of these revisions to the public sector. It will also consider issues arising from the practical application of IPSASB's Framework in its own standard-setting activities.

New public sector specific projects prioritized for initial research

As indicated above, a number of IPSASB constituents expressed concern about the number of projects proposed for addition to

the 2019-2023 Work Plan. In order to address this concern, the Board decided to develop an approach in which research groups, including national standard setters undertake initial research on important public sector accounting issues and make recommendations on scoping in advance of IPSASB decisions on whether to propose projects to constituents. This approach allows for continued development of important public sector topics, while enabling the IPSASB to focus on completing current major projects. The topics for which the approach will initially be adopted are:

- Differential Reporting;
- Discount Rates;
- Presentation of Financial Statements in the Public Sector; and
- Tax Expenditures.

The project proposals developed through this process will be included in the mid-period Work Plan consultation planned for the first half of 2021.

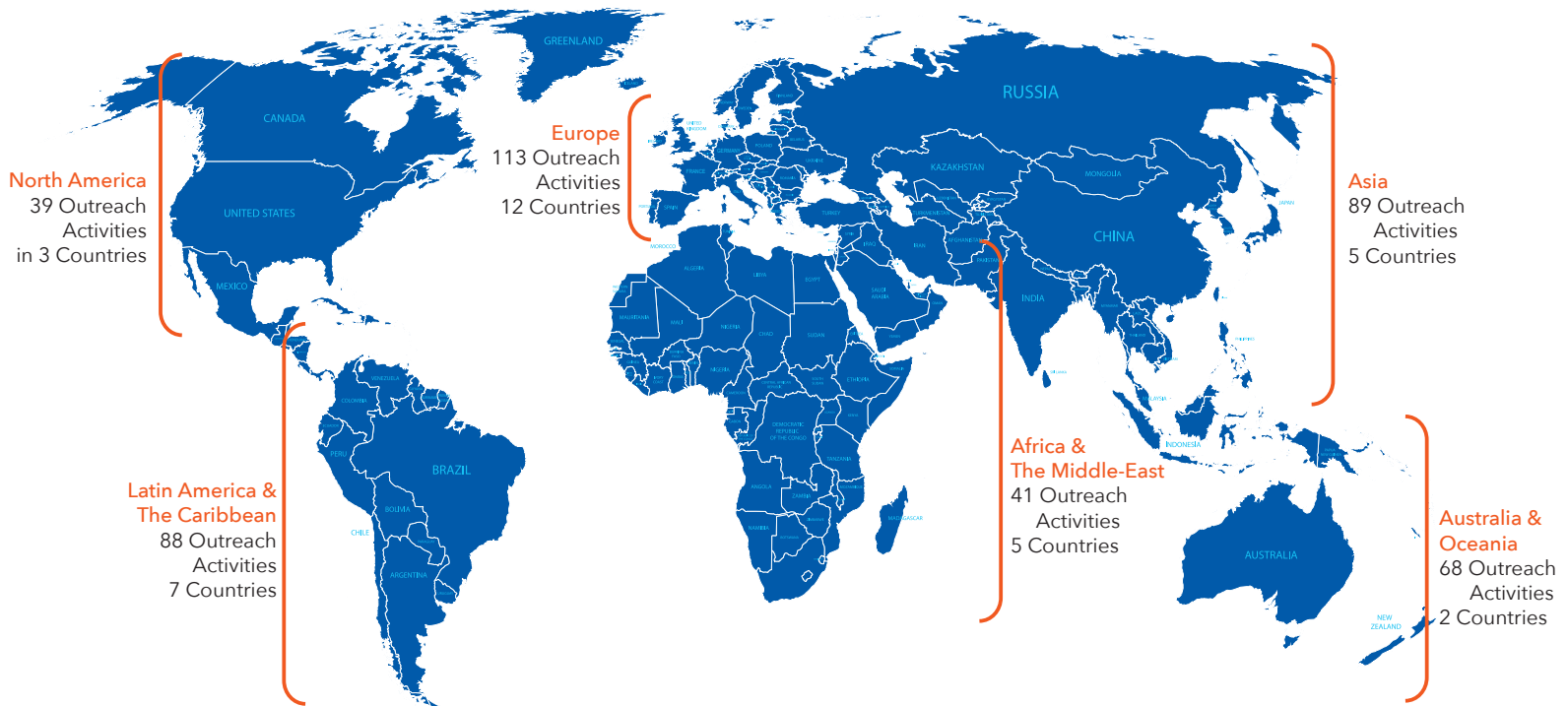
Outreach Activities

Outreach activities allow the IPSASB to promote the advantages of adopting accrual-based IPSAS financial reporting and provide updates on the IPSASB's standard-setting and other activities. Outreach is a two-way activity: in addition to sharing information, the IPSASB also receives information that influences its work from those who are implementing IPSAS, or other accrual-based approaches, on problems that have arisen, and/or gaps in the IPSAS literature.

Promoting IPSAS adoption and implementation

Over the last two years, members of the IPSASB, supported by staff, have sustained an ambitious outreach program aimed at a spectrum of stakeholders, including, preparers, auditors, national standard setters, ministries of finance, academics, actuaries, and development banks.

IPSASB Global Outreach Activities Summary 438 Outreach Activities in 34 Countries



Wherever possible, the IPSASB seeks to participate in planned conferences and other events advocating accrual adoption, particularly those promoted by IFAC member and regional organizations, national treasuries, national and global standard setters, and international organizations. During the review period, these events have included:

- The annual Organisation for Economic Cooperation and Development (OECD) Public Sector Accruals Symposium;
- Engagement with the Government Finance Statistics (GFS) community through participation in the IMF GFS Advisory Committee;¹
- World Bank Governance Forum;

- Activities and engagement with the International Organisation of Supreme Audit Institutions (INTOSAI); and
- Various on-going dialogues and discussions with national and regional standard setters and users contemplating the potential use of IPSAS in their reporting frameworks, including [FOCAL](#)², an increasingly influential grouping of Latin American accountants-general.

The IPSASB has also worked closely with AccountabilityNow, IFAC's global initiative to promote high-quality financial accounting and reporting by governments to improve transparency and help strengthen public financial management (PFM) and accountability.

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1. IMF GFS Advisory Committee is the International Monetary Fund Government Finance Statistics Advisory Committee
 2. FOCAL is the El Foro de Contadores Gubernamentales de América Latina (The Governmental Accounting Forum of Latin America)



IPSASB observers are appointed to represent organizations that have a strong interest in financial reporting in the public sector, to provide ongoing input into the work of IPSAS and to support the increasing adoption of IPSAS. Following the very successful IPSASB roundtable and public financial management events hosted by the African Union in May 2018, the Board was pleased that the African Union Commission accepted its official invitation to become an IPSASB Observer.

Supporting Implementation

The PFM reform landscape in individual jurisdictions is complex, and the transition to accrual requires a program of changes across a number of different areas, including professional skills and capacity, systems, internal controls and to processes and requirements for reporting transactions. This involves a number of different groups, with diverse skills and expertise, at various stages of the implementation process. As a global standard setter, IPSASB believes that it makes best use of its limited resources by keeping stakeholders updated on its activities, sharing the Board's experience, and providing material to support the implementation of new IPSAS.

The IPSASB produces an [eNews](#) and a podcast after each IPSASB meeting and has recently introduced live streaming of many IPSASB meetings with the recordings published post-meeting on its website. [Four CAG podcasts](#) were issued for the 2017 and 2018 meetings. The IPSASB has also developed a number of ["Closer Look" videos](#), which feature IPSASB members and technical advisors discussing accrual developments in their jurisdictions. Countries currently covered are: Austria, Australia, Brazil, Canada, China, Japan, New Zealand, Panama, South Africa, Switzerland and the federal level of the United States. In 2017, the IPSASB developed a [video](#) to commemorate 20 years of standard setting. A range of opinion

leaders from international organizations, national standard setters, the accountancy profession and IFAC member bodies highlight the benefits of IPSAS and accrual accounting more generally and how IPSAS has made a positive difference to citizens.

During this period, the IPSASB published the following webinars:

- [Webinar: Introduction to IPSAS 40, Public Sector Combinations;](#)
- [Webinar: Introduction to IPSAS 41, Financial Instruments;](#)
- [Webinar: Introduction to IPSAS 42, Social Benefits;](#)
- [Webinar: Introduction to ED 62, Financial Instruments;](#)
- [Webinar: Introduction to ED 63, Social Benefits;](#)
- [Webinar: Introduction to ED 64, Leases;](#)
- [Webinar: Introduction to ED 67, Collective and Individual Services and Emergency Relief;](#) and
- [Webinar, IPSASB Strategy and Work Plan Roundtables.](#)

Staff Papers and Other Resources

IPSASB staff issue papers and other resources to address issues raised by stakeholders or media. These papers and resources are non-authoritative and do not represent the IPSASB's views, but allow staff to respond nimbly to topical issues and technical matters raised by constituents. In 2017 and 2018, staff issued the following short papers:

- [An Updated Staff Questions and Answers on Sovereign Debt Restructurings under IPSAS](#) was published in August 2018. This Q & A summarized how IPSAS reflect the accounting consequences of sovereign debt restructuring transactions.

- [Staff Questions and Answers on State-Owned Enterprises](#) was published in May 2018. This Q & A discusses the compatibility for consolidation purposes of IPSAS and the accounting frameworks for commercial public sector entities. The Staff Q & A on State-Owned Entities was complemented by a webinar.
- [Staff Questions and Answers on Materiality](#) was published in June 2017. It summarizes existing guidance in IPSAS on materiality.

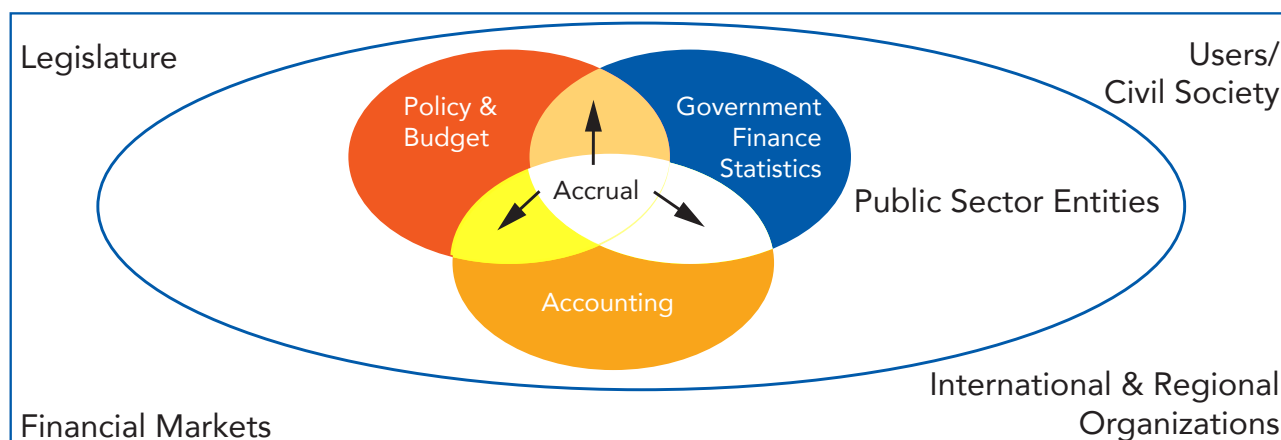
Advocating the benefits of accrual in strengthening PFM

Moving to IPSAS provides many benefits that strengthen PFM as well as contributing to the delivery of the United Nations Sustainable Development Goals. In order to maximize these benefits, the IPSASB believes that accrual-based information (ideally based on IPSAS) should be used for as many purposes as possible. Other international and regional organizations provide guidance and thought leadership, or otherwise influence the use of accrual information in these broader areas of PFM. The IPSASB believes it is important to build relationships with these organizations, by participating in their events, as outlined above, and also through

contributing to their working groups. In this way the alignment between the requirements of these different user groups can be increased, helping to expand the use of accrual information for PFM purposes. In turn their knowledge and expertise can influence the IPSASB's own work.

The emphasis on presenting a full picture of governmental resources and claims against those resources in order to complement the well-established metrics of gross and net debt has been one of the most exciting developments in fiscal analysis over the last two to three years, as embodied by the IMF's October 2018 Fiscal Monitor, [Managing Public Wealth](#). The IPSASB Chair and staff contributed to the development of this publication through participation in a number of working group meetings. In a similar way, in order to promote awareness and understanding of IPSAS among investors IPSASB staff have participated in meetings of the Emerging Markets Investors Alliance. This is a not-for-profit organization that enables institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest.

Uses/Users of accrual in PFM





Governance Arrangements

The IPSASB's work is strongly influenced by the PIC and CAG, both of which have a public interest focus. During 2017 and 2018 governance arrangements continued to mature.

Public Interest Committee

The PIC was created in 2015 and is comprised of individuals with public sector expertise from organizations (World Bank Group, International Monetary Fund, International Organization of Supreme Audit Institutions and the Organisation of Economic Cooperation and Development), which support the promotion of high-quality and internationally comparable financial information.

The PIC provides recommendations on:

- The IPSASB's terms of reference;
- Arrangements for the nomination and appointment of IPSAB members;
- Due process for the development of IPSAS; and
- Procedures and processes for formulation of the IPSASB's Strategy and Work Plan.

During the review period, the PIC met in March and October 2017 and March 2018. The PIC also held a videoconference in October 2018 to discuss the IPSASB's 2019-2023 Strategy & Work Plan following the formal consultation. Summaries of these meetings are available at: www.oecd.org/gov/budgeting/pic.htm.

IPSASB Nominations

The PIC continued to monitor the IPSASB nomination process during 2017 and 2018. Following two unforeseen changes that

adversely impacted the IPSASB's gender balance, the PIC expressed strong concerns and recommended building up a pipeline of candidates in order to improve both gender and regional diversity. The IPSASB has responded positively to this proposal and has adopted a number of initiatives to increase gender diversity, including targeted outreach and using Task Forces to identify potential IPSASB members. An initial result of these measures was the appointment of three new female members from January 2019. Further improvements in future years in both gender and regional balance are anticipated.

Due Process for development of IPSAS and the 2019-23 Strategy and Work Plan

In developing IPSASs, the IPSASB adopts [transparent due process and working procedures](#). These were reviewed by the PIC in 2016. As the development of a CP adds around 18 months to the development timeline of a project, the PIC asked the IPSASB to explain its criteria for including a CP phase. The IPSASB criteria include:

- The global variation in accounting policies;
- Existing requirements and guidance of global and national public sector standard setters; and
- Complexity.

These criteria will be applied to the two new projects that have been added to the 2019-2023 IPSASB Work Plan.

During 2017 and 2018, the PIC reviewed the way in which the IPSASB's due process and working procedures had been followed for the three



new pronouncements and two pronouncements with amendments completed in that period. The PIC concluded that there had been appropriate adherence to due process in all cases. The PIC also considered that the due process for the Strategy and Work Plan 2019-2023, was sound, and commended the enhanced consultation process undertaken by the IPSASB.

Consultative Advisory Group

The IPSASB CAG was established in 2016, and is an integral component of the IPSASB's governance arrangements. Rather than re-deliberate detailed technical matters, the CAG brings the IPSASB's attention to high level issues and perspectives that might be overlooked as the IPSASB grapples with complex standard-setting issues. CAG meetings are designed as a forum for identifying public interest issues in relation to the IPSASB's current projects, as well as the challenges that need to be addressed in the implementation of IPSAS.

At each CAG meeting the CAG discusses key issues on particular projects, implementation experiences and broader issues of relevance to PFM. The CAG also receives a detailed report back on how the IPSASB has addressed points raised previously by CAG members on projects.

The CAG met on four occasions in 2017 and 2018. Through these meetings, it progressively considered and advised on all the ongoing projects, as well as those that IPSASB completed during the review period. Minutes of its meetings are available via www.ipsasb.org/cag/meetings.

Appendix A

IPSASB Members and Staff

2017 and 2018

IPSASB Members 2017 and 2018

Name	Country	2017	2018
Ian Carruthers (Chair 2017 and 2018)	United Kingdom	✓	✓
Angela Ryan (Deputy Chair 2017)	New Zealand	✓	
Mike Blake (Deputy Chair 2018)	Australia	✓	✓
Stuart Barr	Canada	✓	✓
Todd Beardsworth	New Zealand		✓
Lindy Bodewig	South Africa	✓	✓
Michel Camoin	France	✓	✓
Francesco Capalbo	Italy	✓	✓
Bob Dacey	United States of America	✓	✓
Sebastian Heintges	Germany	✓	✓
Kenji Izawa	Japan	✓	
Do-Jin Jung	Korea, Republic of		✓
Neema Kiure-Mssusa	Tanzania		✓
Aracelly Mendez	Panama	✓	✓
Rod Monette	Canada	✓	✓
Leonardo Nascimento	Brazil	✓	✓
Christopher Nyong	Nigeria	✓	✓
Bernhard Schatz	Austria	✓	✓
Adriana Tiron Tudor	Romania	✓	
Marc Wermuth	Switzerland	✓	✓
Juan Zhang	China	✓	✓

IPSASB Staff 2017 and 2018

Name	2017	2018
James Gunn, Managing Director, Professional Standards	✓	✓
John Stanford, Technical Director	✓	✓
Ross Smith, Deputy Director	✓	✓
Amon Dhliwayo		✓
João Fonseca	✓	✓
Gwenda Jensen	✓	✓
Paul Mason	✓	✓
Joanna Spencer	✓	✓
Dave Warren		✓
Leah Weselowski	✓	✓
Vanessa Mello		✓



Back Row (left to right): Paul Mason, Gwenda Jensen, James Gunn, Amon Dhliwayo, João Fonseca, Ross Smith
 Front Row (left to right): John Stanford, Dave Warren, Leah Weselowski, Joanna Spencer
 Missing from photo: Vanessa Mello

Appendix B

IPSASB 2017 and 2018

Financial Information

The IPSASB financial information is from note 18 of the [IFAC 2018 Financial Statements](#).

All amounts in U.S. Dollars

Revenue

	2017	2018
External Funding	487,585	490,211
Allocated Revenue	3,170,199	3,573,979
Total Revenue	3,657,784	4,064,190

Expenses

	2017	2018
Employee Costs	2,114,837	2,362,096
Travel & Meeting Costs	602,343	716,826
Consultants	291,864	284,839
Other	648,740	700,429
Total Expenses	3,657,784	4,064,190

IPSASB Funding

The IPSASB is entirely funded by voluntary contributions (both financial and in-kind).

A significant portion of the financial support the IPSASB receives is provided by the International Federation of Accountants (IFAC) (2017-87%, 2018-88%).

Other organizations that supported the IPSASB both financially and in-kind during 2017 and 2018 are:

- Asian Development Bank;
- CPA Canada;
- Government of Canada;
- Government of New Zealand;
- Government of Switzerland;
- New Zealand External Reporting Board;
- Public Sector Accounting Board of Canada;

The IPSASB also receives in-kind support from its 17 volunteer members from around the world, its technical advisors and its official observers.

Appendix C

Detailed Work Plan Update

This section summarizes briefly the projects that the IPSASB finalized in 2017 and 2018 and ongoing projects that were introduced in the 2015 Strategy and Work Plan. The majority of the Board's projects during the review period were public sector specific in nature and aimed at closing perceived gaps in the IPSASB's suite of standards, while maintaining alignment with IFRS Standards issued by the IASB, wherever appropriate.

Completed Projects

During 2017 and 2018, the IPSASB approved and/or published three new or substantially revised accrual-basis IPSAS (IPSAS 40-42), an updated version of its Cash-Basis IPSAS, and an annual improvements IPSAS.

IPSAS 40, Public Sector Combinations

IPSAS 40 is the first international standard that specifically addresses the public sector context for accounting for combinations of entities and operations. It was informed by views expressed in response to earlier consultation documents that acquisition accounting is inappropriate for a large number of combinations in the public sector.

Under the control-based approach in IPSAS 40, if no party to the combination gains control of one or more operations as a result of the combination, the combination is classified as an amalgamation and modified pooling of interest accounting is applied. If one party to a public sector combination gains control of one or more operations as a result of the combination, an entity considers whether the economic substance of the combination rebuts the

presumption that it should be accounted for as an acquisition, and should instead be accounted for as an amalgamation. If classified as an acquisition, fair value accounting is applied. IPSAS 40 is supported by a webinar highlighting the main points, including changes from [ED 60, Public Sector Combinations](#).

IPSAS 41, Financial Instruments

IPSAS 41, establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, *Financial Instruments: Recognition and Measurement*.

IPSAS 41 is aligned with IFRS 9, *Financial Instruments*, and provides users of financial statements with more useful information than IPSAS 29, by:

- Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;
- Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and
- Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model links an entity's risk management strategy and the accounting treatment for instruments held in accordance with that strategy.

IPSAS 42, Social Benefits

IPSAS 42 provides guidance on accounting for social benefits, the delivery of which is a primary objective of most governments, and accounts for a large proportion of their expenditure. Previously, IPSAS did not provide guidance on accounting for social benefits as IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, excluded social benefit provisions and contingent liabilities in non-exchange transactions from its scope.

IPSAS 42 defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. It requires an entity to recognize an expense and a liability for the next social benefit payment. IPSAS 42 seeks to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. To accomplish this, IPSAS 42 establishes requirements and guidance for:

- Recognizing expenses and liabilities for social benefits;
- Measuring expenses and liabilities for social benefits;
- Presenting information about social benefits in the financial statements; and
- Determining what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the social benefits provided by the reporting entity.

Revised Cash Basis IPSAS

Financial Reporting under the Cash Basis of Accounting (the Cash Basis IPSAS) is the only IPSASB pronouncement dealing solely with the cash basis of accounting. The Cash Basis IPSAS was first issued in 2003 and updated in 2007. It is structured in two parts—Part 1

contains requirements and Part 2 discretionary encouragements. In 2017 the IPSASB approved and published a revised standard, *Financial Reporting under the Cash Basis of Accounting (the Cash Basis IPSAS)*. The revisions, which are intended to facilitate implementation of the Cash Basis IPSAS, recast as encouragements rather than requirements: the preparation of consolidated financial statements; disclosure of information about external assistance; and payments made by third parties. The revised Cash Basis IPSAS became applicable from January 1, 2019 with early adoption encouraged.

On publication of the Cash Basis IPSAS the IPSASB emphasized that implementation of the Cash Basis IPSAS is a stepping stone on the journey to full accrual adoption and implementation and that even high quality cash-based financial information cannot provide the richness of accrual-based information.

Amendments to IPSAS 36, Investments in Associates and Joint Ventures, and IPSAS 41, Financial Instruments

Amendments to IPSAS 36 and IPSAS 41, 2018 comprise: Part I: Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36); and Part II: Prepayment Features with Negative Compensation (Amendments to IPSAS 41). These arose from consideration of the annual improvements and narrow scope amendments projects of the IASB.

Improvements to IPSAS, 2018

Improvements to IPSAS, 2018 has two parts. Part I makes improvements to IPSAS in order to address issues raised by stakeholders. Amendments in Part II address the annual improvements and narrow scope amendments projects of the IASB, and Interpretations of the IFRS Interpretations Committee that were relevant in the public sector.

Current Projects

During the review period, IPSASB made strong progress with a number of key projects added to its Work Plan in 2015.

Leases

IPSASB's Leases project responds to the IASB's publication of IFRS 16, *Leases*, which was issued in January 2016, and started as an alignment project with IFRS 16. However, it subsequently developed into a 'hybrid' project with public sector specific approaches to lessor accounting and concessionary leases.

The IPSASB formed a view that the grant of a right-of-use model in IFRS 16 is appropriate for lessee accounting. The IPSASB decided to propose the right-of-use model for lessor accounting. Under the proposed approach the lessor continues to recognize the underlying asset in its entirety and to recognize a liability (unearned revenue). The IPSASB decided to adopt the term "concessionary leases," for leases at non-market rates, and proposed accounting requirements designed to show subsidies.

The IPSASB reviewed the consultation responses to ED 64 at its September and December meetings. There was strong support for adopting the right-of-use model for lessee accounting. Consultation responses identified lessor accounting and concessionary loans as the most controversial issues. Some respondents questioned the proposal in ED 64 to depart from IFRS 16 for lessor accounting, and adopt the same right of use model for lessor accounting as for lessee accounting. Some respondents have challenged the parallels between concessionary loans and concessionary leases and questioned the proposals for the recognition of day one gains and losses related to such leases. The IPSASB therefore decided to evaluate the issues raised by stakeholders in detail before deciding the approaches to be taken in moving this project forward.

Collective and Individual Services and Emergency Relief

While a number of IPSAS provide guidance on the recognition of specific expenses and liabilities arising from exchange transactions, there is very little guidance on the recognition of expenses and liabilities arising from non-exchange transactions, other than Social Benefits. As a consequence, there is ambiguity and inconsistency in developing accounting policies for highly significant areas of public expenditure, including the provision of major services to the community and transfers between different levels of government. The IPSASB provided an initial analysis of the types of transactions involved and its preliminary views on the way forward in its CP, *Accounting for Revenue and Non-Exchange Expenses*, published in August 2017.

Having analyzed the CP responses, IPSASB decided to take its work in this area forward in two parts. Its work on grants and transfer expense is being developed in conjunction with the Revenue project discussed below.

ED 67, Collective and Individual Services and Emergency Relief (Amendments to IPSAS 19)

ED 67 was approved in December 2018 and published in January 2019. ED 67 proposes application guidance for collective and individual services and emergency relief. It proposes that no provision is recognized for collective services, such as defense, and individual services, such as education and healthcare. Information about collective services and individual services is presented and disclosed in accordance with other IPSAS, particularly IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*. Proposed accounting requirements for emergency relief are dependent on whether the relief is in response to a particular emergency or is an ongoing activity of government.

Revenue and Grants and Transfers: Expense

These related projects comprise work streams on (a) commercial transactions from contracts with customers (b) accounting for grants and transfers with performance obligations of recipients from both the revenue and expense perspectives; and (c) an update of IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

The CP, *Accounting for Revenue and Non-Exchange Expenses*, discussed two approaches for the recognition of revenue transactions with performance obligations or stipulations. These are the Exchange/Non-Exchange Approach, which maintains the principles in IPSAS 23, and an alternative approach where revenue is recognized when specific performance obligations have been met.

The IPSASB has decided to replace IPSAS 9, *Revenue from Exchange Transactions* and IPSAS 11, *Construction Contracts*, with an IPSAS that is primarily based on IFRS 15, *Revenue from Contracts with Customers*. The IPSASB has also developed the Public Sector Performance Obligation Approach (PSPOA) which expands the approach in IFRS 15 for some transactions arising from binding arrangements, which contain sufficiently specific performance obligations, but are not covered by the guidance in IFRS 15. These transactions often involve third party beneficiaries receiving services, rather than the resource provider. The IPSASB is still determining the extent of application of the PSPOA, in particular whether, and, if so, how, it should be applied to capital grants.

For the large number of grants and transfers that do not have performance obligations as defined in the planned ED, the IPSASB is updating IPSAS 23. The key issue is the approach to transactions with time expectations of the resource provider, but no conditions or performance obligations, which has been a persistent and major problem for the preparers of financial statements.

In principle, the IPSASB has decided to adopt

a symmetrical approach to the accounting of resource providers, so it is developing guidance on Grants and Transfers: Expense to address the transferor side of such transactions.

Public Sector Specific Financial Instruments

With the completion of *IPSAS 41, Financial Instruments*, the IPSASB is now focusing on public sector specific financial instruments, in order to address public sector items and transactions that have many of the characteristics of financial instruments, but may not meet the definition of financial instruments in the IPSASB literature. These topics are monetary gold, currency in circulation, International Monetary Fund (IMF) special drawing rights and IMF quota subscriptions. The IPSASB approved an ED in June 2019.

Public Sector Measurement

Work on this project started in March 2017, and continued throughout 2017 and 2018. At the September 2018 meeting the Board clarified that the objective is to define the commonly used measurement bases in IPSAS, and provide generic application guidance on how to determine them. The project does not specify which measurement bases are to be used, which will be addressed in other IPSAS. The project is also addressing transaction costs, and the specific issue of the capitalizing or expensing of borrowing costs.

The IPSASB's work on financial instruments (see above) has demonstrated that the exit-based definition of 'fair value' in IFRS 13, *Fair Value Measurement*, is relevant for a number of transactions in the public sector. The Measurement project is therefore considering the best way to bring the guidance in IFRS 13 into IPSASB's literature, and to consolidate existing guidance on measurement in its literature, as a prelude to developing consequential amendments to address both consistency with the Conceptual Framework and the fact that the term 'fair value' in IPSASB literature is based on the pre-IFRS 13 definition of fair value.

The IPSASB approved a CP in March 2019, which for the first time includes an illustrative ED, so that constituents can get an early sense of the line of travel, with the intention of helping them frame their responses.

Heritage

Both heritage assets and infrastructure assets (see right) are complex classes of public sector assets. Currently IPSAS 17, *Property, Plant and Equipment*, includes a brief discussion of heritage assets. Noting the cultural, environmental, and historical significance of heritage assets, it provides examples and indicative characteristics. IPSAS 17 does not require an entity to recognize heritage assets that would otherwise meet the definition of, and recognition criteria for, property plant and equipment, but does include certain requirements if heritage assets are recognized.

This project has developed a description of heritage items, and considers whether heritage items meet the definition of an asset. The IPSASB's views are that:

- Heritage items' special characteristics do not preclude them from being assets for the purposes of financial reporting;
- Heritage items should be recognized in the statement of financial position if they meet the recognition criteria in the Conceptual Framework; and
- In many cases, it will be possible to assign a monetary value to heritage assets.

The project will develop application guidance on:

- Recognition and measurement;
- How depreciation and impairment testing should be applied to heritage assets; and
- The need for enhanced and additional disclosures.

A CP was issued in April 2017. Following an initial review of responses, the project was put on hold in 2018, to enable the IPSASB to focus on the related Measurement project. It was

restarted in early 2019 and is aligned with the Measurement project.

Committed Projects Not Started in 2017– 2018

Infrastructure Assets

Infrastructure assets are not specific to the public sector, but they are particularly significant to service delivery. IPSAS 17 discusses infrastructure assets and highlights some of their common characteristics, but does not provide further guidance on accounting for such assets. This project is being taken forward in 2019 in parallel with the Measurement and Heritage projects.

