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IPSAS Outlook

IPSAS issues for public finance management executives

In this Issue ...

Update on the review of IPSASs 6–8

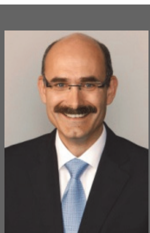
Read an update of IPSASB's[1] project on Review of IPSASs 6-8. In October, the IPSASB issued five exposure drafts (EDs) on accounting for interests in other entities. The five EDs are based on standards issued by the IASB[2] in May 2011 and would allow for substantial convergence with IFRS.[3]

Summary of ED on First-time Adoption of Accrual Basis IPSASs

ED 53, *First-time adoption of Accrual Basis International Public Sector Accounting Standards* proposes a comprehensive set of principles that would grant transitional exemptions to entities that adopt accrual basis IPSASs for the first time. This article gives you an overview of the proposal.

Latest developments in European Public Sector Accounting Standards

Read about recent developments in European Public Sector Accounting Standards (EPSAS). In October, the Task force, EPSAS Governance, held their first meeting to discuss the way forward.



A message from Thomas Müller-Marqués Berger

Welcome to this month's edition of *IPSAS Outlook*, which brings you insights into recent IPSAS developments and emerging issues. In addition, we bring you regular reports on IPSAS projects from around the world as we share some of the experiences of our Global IPSAS network. I hope you will find this of assistance to your organization.

We welcome your feedback on *IPSAS Outlook*. Please contact us at thomas.mueller-marques.berger@de.ey.com.

Thomas Müller-Marqués Berger, IPSAS Global Leader

1 International Public Sector Accounting Standards Board
2 International Accounting Standards Board
3 International Financial Reporting Standards

Building a better working world

Update on the review of IPSASs 6, 7 and 8

The Board is currently reviewing the accounting requirements in IPSASs 6, 7 and 8 (Consolidated and Separate Financial Statements, Investments in Associates and Interests in Joint Ventures, respectively). The Board has issued five exposure drafts which will replace the current requirements in IPSASs 6-8.

Background

In May 2011 the IASB issued IFRS 10 *Consolidated Financial Statements* IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (revised 2011) *Separate Financial Statements*; and IAS 28 (revised 2011) *Investments in Associates and Joint Ventures,* for which the IPSASB has equivalent standards. As one of the objectives of the IPSASB is to maintain alignment of its standards with IFRS, the IPSASB decided to replace the requirements in IPSASs 6-8.

This project is intended to update the reporting requirements for interests in other entities, specifically, controlled entities, associates and joint arrangements. This project considers the implications of differences between the private and public sectors, thereby ensuring that public sector arrangements that involve interests in other entities are accounted for appropriately. On 21 October 2013, the IPSASB published the following five Exposure Drafts (EDs):

IPSAS exposure draft	Corresponding IFRS/IAS
ED 48, *Separate Financial Statements*	IAS 27 (Revised 2011), *Separate Financial Statements*
ED 49, *Consolidated Financial Statements*	IFRS 10, *Consolidated Financial Statements*
ED 50, *Investments in Associates and Joint Ventures*	IAS 28 (Revised 2011), *Investments in Associates and Joint Ventures*
ED 51, *Joint Arrangements*	IFRS 11, *Joint Arrangements*
ED 52, *Disclosure of Interests in Other Entities*	IFRS 12, *Disclosure of Interests in Other Entities*

It is important to note that when the Board developed these EDs, it proposed some significant changes that would ensure that the final standards will be appropriate for application in the public sector. These changes refer to changes from existing IPSAS as well as to changes resulting from changes in IFRS. This project will result in IPSASs 6, 7 and 8 being updated and likely two new IPSASs to substantially converge with the requirements of IFRS. As a result, entities will need to reassess the existence of control, joint control and the nature of joint arrangements. This will require increased use of judgement. The more important changes and deviations from IFRS are, as follows:

- Entities preparing separate financial statements are still permitted to account for investments in controlled entities, joint ventures and associates using the equity method, the cost method, or, in accordance with IPSAS 29 *Financial Instruments: Recognition and Measurement*. These requirements are similar to the accounting methods permitted in IPSAS 6. However, IAS 27 (Revised 2011) does not permit the use of the equity method in separate financial statements.
- New definitions of control and joint control. The IPSASB has followed the IASB for the definition of control. ED 49.10 defines that an entity controls another entity when it is exposed to, or has rights to variable returns from its involvement with the other entity and it has the ability to affect those returns through its power over the other entity. Joint control also follows the IASB's definition. The only difference is that the agreed sharing of control of an arrangement does not explicitly refer to "contractually agreed sharing" as in the public sector the sharing of control may have been agreed by way of a binding arrangement or result from legislative or executive authority.

> *"Comprehensive and transparent reporting of interests in other entities is essential given the wide range of government interventions in the economy and the scale of those interventions" – Andreas Bergmann, Chairman IPSASB.*

- In IPSAS there is no longer an exemption from consolidating controlled entities that are under temporary control.
- Specific guidance for so-called 'investment entities' and 'structured entities' is provided. In order to be classified as an *investment entity*, an entity must meet all three of the following criteria, namely: (i) it must provide investment management services; (ii) returns must be derived solely from capital appreciation, investment revenue, or both; and (iii) substantially all of the entity's investments must be measured and evaluated on a fair value basis. Examples of investment entities in the public sector are sovereign wealth funds or certain pension funds. ED 49 proposes that a controlling entity of an investment entity (that is not itself an investment entity) must measure the investments of a controlled investment entity in its consolidated financial statements at fair value through surplus or deficit in accordance with IPSAS 29, and it must consolidate the other assets and liabilities of the controlled investment entity. This approach is consistent with the accounting by an investment entity for its investments, as an investment entity must not consolidate its controlled entities and must measure an investment in a controlled entity at fair value through surplus or deficit in accordance with IPSAS 29. The IPSASB believes that its proposal to account for investment entities reflects the fact that a controlling entity does not manage an investment entity itself on a fair value basis. Rather, it manages the investments of the investment entity on a fair value basis.

  A structured entity is defined as: (i) an entity designed so that administrative arrangements or legislation are not the dominant factors in deciding who controls the entity, (normally such factors are the dominant factors in deciding control); or, (ii) an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity (again, such factors are normally the dominant factors in deciding control).
- New classifications of joint arrangements. These are arrangements where two or more parties have joint control by way of a binding arrangement. ED 51 differs between two types of joint arrangements, namely, joint operations and joint ventures. A joint operation is defined as "a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement." In contrast, ED 51 defines a joint venture as "a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement." This proposed classification deviates from IPSAS 8, which referred to three types of arrangements, namely, jointly controlled assets, jointly controlled operations, and jointly controlled entities.
- Removal of the proportionate consolidation method. A joint venturer should account for its interest in a joint venture by using the equity method of accounting. Meanwhile, a joint operator recognises its share of assets, liabilities, revenue and expenses. These assets, liabilities, revenue and expenses are accounted for in accordance with the relevant IPSASs.
- All disclosure requirements included in one standard (ED 52). ED 52 requires information about assessments and judgements with regard to factors that an entity considered in: (i) forming an opinion on the existence of control, significant influence and joint control; (ii) classifying interests in joint arrangements; and (iii) identifying investment entities. It also requires disclosure of structured entities that are not consolidated.

The five EDs are open for public comment and feedback until 28 February, 2014. The IPSASB plans to issue the final standards based on these five EDs in the second half of 2014 or early 2015. The EDs do not propose an effective date.

Summary of ED on first-time adoption of accruals-based IPSAS

Many governments struggle with the implementation of accrual accounting. The first-time adoption of accruals-based IPSAS is a complex issue that often requires detailed guidance. The IPSASB has issued an ED that deals with the first-time adoption of accruals-based IPSAS.

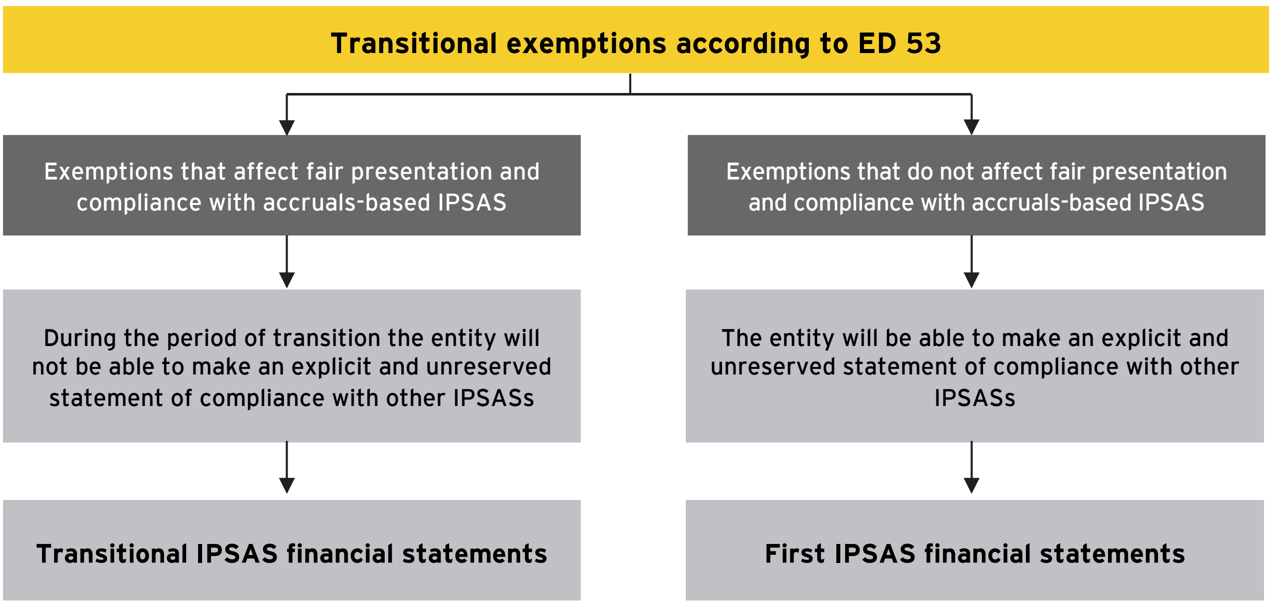
Entities that are transitioning from the cash to the accrual basis and entities that already apply the accrual basis and are considering adopting IPSAS usually use the IPSASB's Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities*, 3rd Edition, for guidance on implementing IPSAS/accrual accounting. What is missing, however, is explicit rules and principles for the first-time adoption of accrual-based IPSAS, similar to those in IFRS 1 *First-time Adoption of International Financial Reporting Standards*. On October 24, 2013, the IPSASB issued ED 53 *First-time Adoption of Accrual Basis International Public Sector Accounting Standards*.

The IPSASB used IFRS 1 as a point of reference for the development of the ED, but the ED is substantially different from IFRS 1. The ED proposes to grant transitional exemptions to entities that are adopting accruals-based IPSAS for the first time. The transitional exemptions aim to provide relief to entities where the cost of complying with IPSAS would likely exceed the benefits to users of financial statements.

The IPSASB envisages that the proposed standard would be applicable to entities that prepare and present their annual financial statements on the adoption of, and during the transition to, accruals-based IPSAS. Transition period refers to the period between the date of adoption of IPSAS and the point in time where an entity makes an explicit and unreserved statement of compliance with accruals-based IPSAS. The proposed standard would be applicable to a first-time adopter that: (a) applies cash-based accounting (e.g., the Cash Basis IPSAS), a modified version of either cash or accruals-based accounting (e.g., an entity that applies some IPSASs, but not the full set), or another accruals-based accounting (e.g., an entity that has applied accrual accounting based on national public sector accounting standards) prior to the adoption of accrual-based IPSAS.

The ED requires that an entity complies with each effective IPSAS on the date of adoption. However, it grants some exemptions from this requirement in specific areas. The ED distinguishes between two kinds of transitional exemptions: (1) transitional exemptions that do not affect fair presentation and compliance with accruals-based IPSAS; and (2) transitional exemptions that affect fair presentation and compliance. If an entity uses the second category of exemptions, the entity will not be able to make an explicit and unreserved statement of compliance with IPSAS.

The following chart summarizes the IPSASB's approach:



The transitional exemptions would affect fair presentation and compliance with accruals-based IPSAS until either: (a) the exemptions that provided the relief have expired; or (b) the relevant items are recognized, measured and/or the relevant information is presented and/or disclosed in the financial statements in accordance with the applicable IPSASs (whichever is earlier). As a consequence, the ED would require certain disclosures during the transition period.

In particular, entities that have used the cash or modified cash basis in their previous basis of accounting may not have complete information about the existence of all their assets and/or liabilities. ED 53 permits a first-time adopter a period of three years to recognize certain assets and liabilities (e.g., property, plant and equipment, defined benefit plans and other long-term employee benefits, intangible assets or service concession assets and related liabilities) if it has not previously recognized them. If an entity has recognized assets or liabilities already under its previous accounting, it has a grace period of three years following the adoption of accruals-based IPSAS to apply the IPSAS measurement rules.

The following list outlines selected further exemptions that affect fair presentation and compliance with accruals-based IPSAS:

- A first-time adopter is not required to change its accounting policy in respect of the recognition and measurement of non-exchange revenue for reporting periods beginning on a date within three years following the date of adoption of IPSAS.
- A first-time adopter may in its consolidated financial statements elect not to eliminate all balances, transactions, revenue and expenses between entities within the economic entity for reporting periods beginning on a date within three years following the date of adoption of IPSAS. Similar exemptions are also available to associates and joint ventures.
- In the case where an entity elects to not recognize and/or measure property, plant and equipment during a three year period, it is not required to recognize and/or measure the liability relating to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located until the exemption in IPSAS 17 has expired, and/or the relevant asset is recognized and/or measured in accordance with IPSAS 17 (whichever is earlier).
- A first-time adopter may elect not to disclose related party relationships, related party transactions and information about key management personnel for reporting periods beginning on a date within three years following the date of adoption of IPSASs.

One of the main exemptions that do not affect fair presentation and compliance with accruals-based IPSAS is the deemed cost approach. The deemed cost approach assumes that the entity had initially recognized the asset or liability at the given date (e.g. at the date of adoption of IPSAS). Subsequent depreciation or amortization is based on that deemed cost on the premise that the acquisition cost is equal to the deemed cost. For example, an entity may elect to apply the deemed cost approach for property, plant and equipment at the date of adoption of IPSAS as cost information for these assets was not available on that date. The entity applies fair value as its deemed cost at that date. ED 53 states that the deemed cost approach can only be used where the acquisition cost of an asset is not available. The deemed cost will represent the basis for subsequent depreciation. The use of the deemed cost approach does not imply that a revaluation or fair value measurement approach has been elected for subsequent measurement purposes in accordance with other IPSASs.

The following list gives an overview of other exemptions that do not affect fair presentation and compliance with accrual basis IPSAS:

- A first-time adopter may measure an asset acquired through a non-exchange transaction at its fair value when reliable cost information about the asset is not available, and it may use that fair value as its deemed cost.
- An entity may measure investments in a controlled entity, joint venture or associate, in in its separate opening statement of financial position at cost or deemed cost using fair value.
- A first-time adopter is required to classify existing leases as operating or finance leases on the basis of circumstances existing at the inception of the lease, only to the extent that these are known on the date of adoption of IPSAS.
- IPSAS 18 permits a first-time adopter a three-year relief period before it is required to present segment information following the date of adoption of IPSAS.
- A first-time adopter is not required to apply IPSAS 21 and IPSAS 26, retrospectively.

For the presentation of comparative information on first-time adoption, ED 53 encourages, but does not require, entities to provide comparative information in their transitional IPSAS financial statements or their first IPSAS financial statements. In case that an entity elects not to present comparative information, ED 53 sets out minimum requirements that applies to an entity's first/transitional IPSAS financial statements. Comparative information needs only to be adjusted during the period of transition when information is available about the items that were recognized and/or measured during the transitional period.

Disclosures should be made to assist users in tracking progress upon adoption and identifying possible deviations from IPSAS accounting policies during transition.

ED 53 includes implementation guidance illustrating the requirements in the ED. The transition provisions provided in the current suite of standards will be superseded by the transition exemptions in ED 53, except for those transition provisions that address changes to a standard that is already being applied by the entity.

ED 53 is open for public comment and feedback until 15 February, 2014. According to IPSASB's Work Plan 2013-2015, the board plans to approve the final IPSAS in September 2014. The ED does not propose an effective date.

Insights

EY develops illustrative IPSAS financial statements

A growing number of governments and international organizations around the world are recognizing the need for transparency in their finances and are, as a result, deciding to adopt International Public Sector Accounting Standards (IPSAS). Accurate, comprehensive and reliable financial information is fundamental to accountability and decision-making in the public sector. IPSASs are recognized by many authorities and standard-setters all over the world as the only internationally accepted set of public sector accounting standards that provides such information.

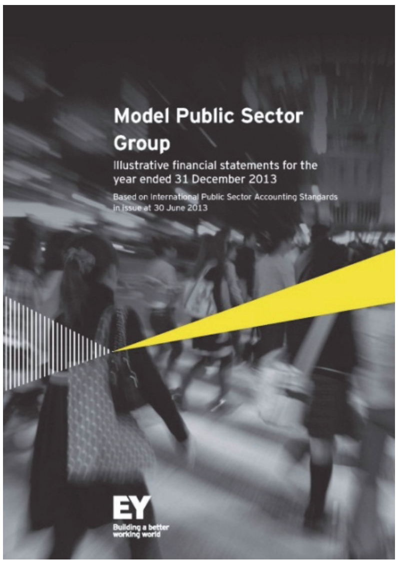
The standards aim to provide clear guidance for a variety of different types of public sector entities in a number of (sometimes complex) accounting situations, e.g. accounting for transfers. However, preparers often struggle to translate the underlying principle of a standard into a practical solution to a specific accounting issue. As advisors on IPSAS conversion projects, EY often provides guidance on acceptable accounting options in the practical application of IPSAS.

Against this background, EY is delighted to present the first edition of *Model Public Sector Group – Illustrative financial statements for the period ended 31 December 2013*. This set of illustrative consolidated financial statements for a model public sector entity ("Model Public Sector Group") aims to bridge the gap between the accounting theory, as outlined in the standards, and the presentation of such information in the financial statements.

This first edition of illustrative annual consolidated financial statements of Model Public Sector Group has been prepared by EY to assist governments in preparing their financial statements in accordance with IPSAS in issue at 30 June 2013 and effective for annual periods beginning on 1 January 2013.

We are sure that these illustrative financial statements will be of help to governments all over the world in preparing IPSAS-compliant financial statements.

The illustrative financial statements for Model Public Sector Group can be found at our IPSAS website: httP://www.ey.com/IPSAS.



Big Six and IFAC develop a global campaign to promote IPSAS

The Big Six (BDO, Deloitte, Grant Thornton, EY, KPMG and PwC) and the International Federation of Accountants (IFAC) are developing a global campaign under the working title "Transparency and Accountability in the Public Sector" to promote the adoption and implementation of accruals-based IPSAS.

The aim of the campaign is to encourage countries and public sector entities to adopt accruals-based IPSAS. The aim of the joint campaign is to follow a coordinated approach to convince governments of the importance of sound public sector accounting methodologies and practices. Next to governments, the campaign intends to target rating agencies.

The work program of the campaign includes three work streams. The first focuses on raising awareness of sound financial management in the public sector through publications and social media, the second on workshops that aim to share implementation experiences, and the third on capacity building and training.

Latest developments in European Public Sector Accounting Standards

Status quo

Article 16 Paragraph 3 of Council Directive 2011/85/EU on 8 November 2011 on requirements for budgetary frameworks of the Member States, tasked the European Commission to assess the suitability of the International Public Sector Accounting Standards (IPSAS) for the Member States of the European Union by 31 December 2012.

One of the main recommendations of the European Commission's Report[4] was the implementation of a single set of harmonized accrual-based accounting standards, consistent with the ESA, at all levels of government throughout the EU. However, the European Commission did not support the direct implementation of IPSASs by Member States.

Nevertheless, the Report considers IPSAS to be an "indisputable reference for potential EU harmonized accounts". With respect to accrual accounting, the Report concludes that "accrual accounting is the only generally accepted information system that provides a complete and reliable picture of the financial and economic position and performance of a government, by capturing in full the assets and liabilities as well as revenue and expenses of an entity [...]". The report also clarifies that accrual accounting is not intended to be a replacement for cash accounting. Indeed, accounting based on accruals should be considered as complementary, rather than an alternative, to pure cash/cameral accounting. In light of the European Commission's acknowledgement of the need for a harmonized accrual-based public sector accounting system within the European Union, the Report recommends the development of "European Public Sector Accounting Standards" (EPSAS).

Given that IPSAS could be a starting point for the development of EPSAS, the Commission Staff Working document classifies the 32 accruals IPSAS standards into three categories: (a) standards that may be implemented with minor or no adaptation; (b) standards that need adaptation, or for which a selective approach is needed; and (c) standards that are seen as needing to be amended for implementation. Annex 7.1 of the Staff Working Document provides the following table:

Table 1: Eurostat's proposed classification of the IPSAS standards

Standards that may be implemented with minor or no adaptation	Standards that need adaptation, or for which a selective approach would be needed	Standards that are seen as needing to be amended for implementation
IPSAS 1	IPSAS 7	IPSAS 6
IPSAS 2	IPSAS 8	IPSAS 28
IPSAS 3	IPSAS 13	IPSAS 29
IPSAS 4	IPSAS 17	IPSAS 30
IPSAS 5	IPSAS 18	
IPSAS 9	IPSAS 20	
IPSAS 10	IPSAS 21	
IPSAS 11	IPSAS 22	
IPSAS 12	IPSAS 23	
IPSAS 14	IPSAS 24	
IPSAS 16	IPSAS 25	
IPSAS 19	IPSAS 26	
IPSAS 27	IPSAS 31	
IPSAS 32		

Source: Appendix 7.1, Commission Staff Working Document, accompanying the "Report from the Commission to the Council and the European Parliament, Towards implementing harmonised public sector accounting standards in Member States, The suitability of IPSAS for the Member States, COM(2013) 114 final, Brussels, 06.03.2013

4 "Towards implementing harmonised public sector accounting standards in Member States, The suitability of IPSAS for the Member States", Brussels, 06.03.2013, COM(2013) 114 final, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0114:FIN:EN:PDF.

At the end of May 2013, Eurostat hosted a conference, *Towards implementing European Public Sector Accounting Standards*, at which Algirdas Šemeta, Commissioner for Taxation, Customs, Statistics, Audit and Anti-fraud, voiced strong political support for harmonized accrual-based accounting standards. Herman van Rompuy, President of the European Council, also underlined the need for harmonized public sector accounts in Europe. He indicated that the introduction of EPSAS would make a "significant contribution towards European integration" and that they would lay "the ground for fully effective surveillance of fiscal policies in Europe".

Currently, there are two main hurdles to overcome the development and implementation of EPSAS in the EU. The first hurdle is the implementation cost and the second is an appropriate governance model for EPSAS. In June 2013, Eurostat, the statistics office of the European Commission, issued an open call for tender on "Collection of information related to the potential impact, including costs, of implementing accruals accounting in the public sector and technical analysis of the suitability of individual IPSAS standards."

Way forward

Eurostat sees the way forward taking place in three stages. The following table gives an overview of each stage, including the time frame, the activities planned and the main goals for each phase.

Against this background, logical next steps for Eurostat/the European Commission are to launch a public consultation on the EPSAS governance and to prepare a Commission communication in the first half of 2014.

A crucial step in the development of EPSAS will be the adoption of the Framework Regulation by the European Parliament and the European Council. Eurostat envisages that the Framework Regulation will be based on Article 288 in combination with Article 338 of the Treaty on the Functioning of the European Union (TFEU). The EPSAS would be considered as legally binding acts, i.e. as either Implementing Acts or Delegated Acts.

Stage	Planned activities
Stage 1 (mid 2013 to mid 2014)	► Development of a roadmap ► Establishment of Task Force "EPSAS Governance" ► Launch of a public consultation on EPSAS governance ► Gaining further support from Commissioners and member states ► Collection of information for an impact assessment of EPSAS ► In January 2014, establishment of task force to work on technical issues **Main goal: Commission communication in first half of 2014**
Stage 2 (mid 2014 to end of 2015)	► Preparation and adoption of Framework Regulation ► Set up governance structures and standard-setting procedures for EPSAS ► Definition of the core principles of EPSAS ► Eurostat aims to put in place oversight and enforcement mechanisms **Main goals: Adoption of Framework Regulation and setting-up of governance structures and procedures**
Stage 3 (2014 to 2015)	► Adoption of legislation necessary to implement EPSAS ► Endorsement of EPSAS ► Implementation of EPSAS by EU member states (all levels of government, possibly with some exemptions for smaller entities) **Main goals: EPSAS endorsement and stepwise implementation**

EPSAS governance

As the governing body for EPSAS, Eurostat plans to establish an EPSAS Committee (EPSASC) that would comprise high-level representatives of member states. Chaired by the European Commission, the EPSASC would be responsible for the work program for the development of EPSAS and would approve the work program of the Working Groups.

Within the EPSAS governance structure, there would possibly be two working groups: the "EPSAS Standards Working Group" – this would have a technical focus and would support the technical development of standards; and the second working group – the "EPSAS Interpretation Working Group" – would provide detailed interpretations of EPSAS to ensure consistent application (similar to the IFRIC's role within the IASB governance).

By analogy to EU statistics, Eurostat envisages an EPSAS Governance Advisory Group and an EPSAS Advisory Group. The EPSAS Governance Advisory Group would act as an independent governance advisory body entrusted with specific EPSAS oversight tasks, in particular, oversight of the EPSAS standard setting process with respect to the implementation of the key principles and due process. EPSAS governance would, *per se*, be subject to oversight by the European Commission, the European Council, the European Parliament and the European Court of Auditors. The EPSAS Technical Advisory Group's aim would be to involve a wide and representative range of stakeholders in the preparatory phase of standard setting (supreme audit institutions, accountancy/ audit profession, IPSASB, preparers, government finance statisticians, academia, etc.). One of the main tasks of that group would be to serve as a channel for advice from stakeholders on the technical specificities of EPSAS standards. Another task would be to nominate delegates from its members to participate in the EPSAS working groups and task forces as observers.

Public consultation on future EPSAS governance

Both the European Commission's report from March 2013 and the conference organized by Eurostat in Brussels on 29-30 May 2013, assigned the issue of the governance for the future European Public Sector Accounting Standards (EPSAS) as a high priority for the way forward. Based on the outcomes of a Task Force meeting on governance in October, Eurostat (on behalf of the European Commission) launched a public consultation entitled, "Towards implementing European Public Sector Accounting Standards (EPSAS) for EU Member States – Public consultation on future EPSAS governance principles and structures" at the end of November 2013.

The public consultation consists of a Public Consultation Paper and a detailed questionnaire (please see the box below where you can find these documents). Responses to the consultation can be provided to Eurostat until 17 February 2013.

Preliminary conclusions

In our view, harmonized accruals-based public sector accounting standards at all government levels throughout the EU should be the way forward. The Commission's Report from March 2013 and the Conference in Brussels in May both show strong support for the development of accruals-based EPSAS.

As outlined in the Commission's Report, IPSAS is considered an "indisputable reference framework" for EPSAS. However, although it is clear that there will be a strong link between EPSAS and IPSAS, the exact role of IPSAS in the standard-setting process and its relationship to EPSAS still needs to be defined more clearly.

Finally, the different starting points for the reforms of the Member States, ranging from pure cash accounting to full accrual accounting, will have an impact on the EPSAS framework as well as on the EPSAS implementation roadmap.

Eurostat's public consultation on the future EPSAS governance principles and structures is accessible on the following website:
http://epp.eurostat.ec.europa.eu/portal/page/portal/public_consultations/consultations/epsas

(in English, French, and German).

IPSASB project update

What's new?

The following table shows new publications issued by the IPSASB and public consultations published for comment:

Projects	Publication
Revision of IPSASs 6-8	At the September 2013 IPSASB meeting, the Board approved for issuance ED 48, *Separate Financial Statements*, ED 49, *Consolidated Financial Statements*, ED 50, *Investments in Associates and Joint Ventures*, ED 51, *Joint Arrangements* and ED 52, *Disclosure of Interests in Other Entities* as a package. The EDs were issued on 21 October 2013 and are open for comment until 28 February 2014. See page 2 and 3 of this newsletter for further details of the IPSASB's project on Update of IPSAS 6 – 8.
First-time Adoption of Accrual Basis IPSASs	At the September 2013 IPSASB meeting, the Board approved for issuance ED 53, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards*. ED 53 was issued on 24 October 2013. The ED is open for comment until 15 February 2014. See page 4 and 5 of this newsletter for further details.

IPSASB Meeting September 2013 – current discussions

Projects	Publication
First-time Adoption of Accrual Basis IPSASs	The IPSASB discussed and approved ED 53, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards*. The ED was published end of October 2013. See page 4 and 5 of this newsletter for further details.
Update of IPSASs 6 - 8	The Board discussed and approved five EDs containing proposals to replace the current requirements in IPSASs 6 to 8. The five EDs that have been approved are: ► ED 48, *Separate Financial Statements* ► ED 49, *Consolidated Financial Statements* ► ED 50, *Investments in Associates and Joint Ventures* ► ED 51, *Joint Arrangements* ► ED 52, *Disclosure of Interests in Other Entities* See page 2 and 3 of this newsletter for further details of the IPSASB's project on Update of IPSAS 6 – 8.
Conceptual Framework	The IPSASB agreed to move the projected approval date for the final chapters from phases 2, 3 and 4 and the Preface of the Conceptual Framework project from March 2014 to June 2014. *IASB Conceptual Framework Discussion Paper* On 18 July 2013, the IASB issued the Discussion Paper (DP), *A Review of the Conceptual Framework for Financial Reporting*. Selected issues in this paper were discussed by the IPSASB, in particular, the proposed definitions for assets and liabilities, the approach to stand-ready obligations and obligations conditional on future events within the entity's control, and the measurement approach.

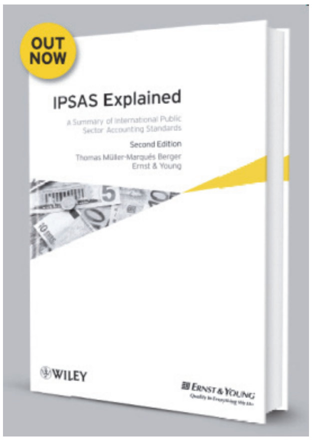
Projects	Publication
Conceptual Framework (continued)	*Phase 2 – Elements* The IPSASB did a further review of the responses to CF[5]-ED 2, *Elements and Recognition in Financial Statements*. Deferred inflows and deferred outflows were considered to be the most complex issue. Respondents queried whether deferred inflows and deferred outflows should be defined as separate elements. The majority of respondents did not support the identification of such elements as there are concerns about the measures of financial performance that would result from their application. The IPSASB discussed the following four approaches: ► 1. Define deferred inflows and deferred outflows as elements in a manner that does not predetermine presentation of the elements ► 2. Derive the definitions of revenues and expenses from the asset and liability definitions ► 3. Broaden the asset and liability definitions ► 4. Accept that certain economic phenomena do not meet the definition of any element The first approach would separate the identification and definition of the elements from issues related to their presentation, and refocuses this proposed chapter of the CF on only the identification and definitions of the elements. The second approach would include time-stipulated outflows and inflows in the definitions of revenues and expenses. Under this approach the recognition of revenues and expenses until they are used in the period stipulated by the transferor would not be delayed. As this approach may result in large surpluses or deficits in the statement of financial performance, this could be addressed by appropriate presentation and disclosure requirements at the standard level. Under the third approach, deferred inflows and deferred outflows would be addressed by the definitions of an asset and a liability. The fourth approach would not define deferred inflows and deferred outflows as elements. The Staff plans to elaborate more on these approaches and bring this issue back at the December meeting. Finally, the IPSASB approved a number of amendments to the definitions of the other elements identified in CF-ED2, such as refinements to the definition of an asset and clarifications on the relationship of a resource to an asset. *Phase 3 – Measurement* With respect to CF-ED3, *Measurement of Assets and Liabilities,* the IPSASB continued its review of responses. The Board acknowledged the view that the Framework should be aspirational and a measurement objective should be based on an ideal concept of capital. The IPSASB therefore discussed a measurement objective based on the Alternative View in CF-ED3. The IPSASB continued discussing the four current value measurement bases for assets proposed in CF-ED3, i.e., market value, replacement cost, net selling price and value in use. Some of the members argued that the omission of fair value would lead to a serious defect within IPSAS. Even though fair value has been developed over recent years and is used in several standards, the IPSASB decided to retain market value in the final chapter. The IPSASB gave directions that some of the material in the fair value model can be covered in other sections of the chapter. The other measurement bases will be kept in the final chapter. Finally, the IPSASB confirmed that the five measurement bases for liabilities (historical cost, market value, cost of fulfilment, cost of release and assumption price) proposed in CF-ED3 should be kept. *Phase 4 – Presentation* In September 2013, the IPSASB held its first high-level discussion of the 33 responses received in respect to the public consultation on the ED, *Presentation in General Purpose Financial Reports* (CF-ED4). The majority of the respondents supported the concepts in CF-ED4. The main issues raised by respondents relate to the proposed terminology, which differs from terminology used in IFRS, the question of whether location decisions should be a subset of organization decisions, and some fundamental issues related to the scope of coverage and the need for a disclosure framework.

[5] Conceptual Framework

Projects	Publication
Social Benefits	The IPSASB's consultation on its work program last year has shown that there is a strong demand from constituents for guidance on the accounting for social benefits. The IPSASB has therefore considered a project brief on accounting for social benefits. The project brief acknowledged the considerable amount of work that the IPSASB had carried out on social benefits prior to the deactivation of the project in 2008. The strong linkages of key areas of the social benefits project with the Elements and Recognition phase of the Conceptual Framework project (especially the assets and liabilities definition), resulted in the project being deactivated in 2008. One of the views the IPSASB discussed was whether the scope of the project should be narrow and exclude what had been termed collective goods and services (e.g., defence, policing and criminal justice). Even though the board acknowledged the rationale for a broader scope, it was decided to limit the scope of the project to social benefits. As a result, collective goods and services will not be within the definition of social benefits. The IPSASB decided to develop a new Consultation Paper before issuing an ED. This will allow the IPSASB to consider developments since early 2008 and to discuss complex issues such as social security systems, which operate as social assistance and social insurance schemes.
Reporting Service Performance Information	At the March Meeting, the IPSASB decided that the Reporting Service Performance Information project will be developed into a Recommended Practice Guideline (RPG). The IPSASB discussed whether the RPG should contain a recommendation for Government Business Enterprises to apply it and decided that the wording should remain consistent with that used in other RPGs, i.e., the RPG applies to entities other than GBEs. The IPSASB considered further revisions in the definitions section and added one additional definition ('services') for inclusion in the RPG. It is envisaged to approve the draft RPG at the next IPSASB meeting in December 2013.
Strategy	The IPSASB intends to undertake a broad review of its strategic priorities and its work plan for the period from 2015 forward. The aim is to issue a consultation paper in March 2014 indicating potential projects and to finalize the strategy and work plan project by the end of 2014. The IPSASB considered whether there should be a defined period for the strategy. The Board had a preliminary view that no fixed period should be defined for the strategy, but that the related work program should envisage a finite period for five years (i.e., 2015-2019). The Task Based Group for this project will present a draft document for further discussion and review at the December 2013 meeting.
Governance and oversight update	In February 2013, the Monitoring Group, a group of international regulatory bodies and related organizations, decided that the Public Interest Oversight Board (PIOB) will not assume oversight of the IPSASB. As a result, an IPSASB Governance Review Group, which is chaired by the International Monetary Fund (IMF), World Bank and the Organisation for Economic Cooperation and Development (OECD), has been established. The aim of the Review Group is to consider, consult and make proposals on appropriate governance for the IPSASB. At the September Meeting, the IPSASB received an update on the status of the governance review and on the status of the development of the consultation paper on the future governance and oversight structure of the IPSASB. It intends to issue the Consultation Paper in the last quarter of 2013 for comment. Final proposals to the consultation would be due mid-2014.

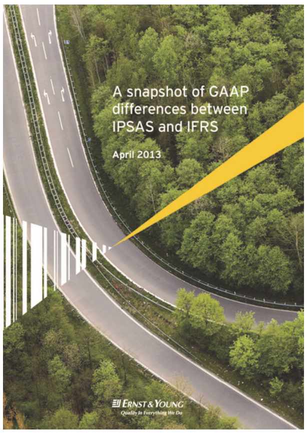
Resources

The publications below are available on ey.com/ipsas



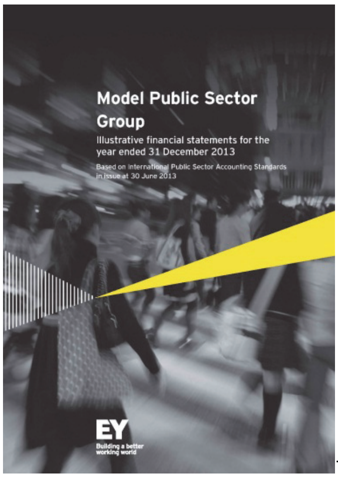
IPSAS Explained
We have published an updated second edition of our practical guide to IPSAS, *IPSAS Explained*. This guide provides decision-makers in the public sector with an overview of IPSAS and the International Public Sector Accounting Standards Board. This book is available for purchase from Wiley, at www.ey.com/ipsas.

Toward transparency
EY has undertaken a study to assess the current state of public sector accounting from a global perspective. This new research provides a better understanding of what governments are doing well, and where there is scope for improvement.



A snapshot of GAAP differences between IPSAS and IFRS
This publication summarizes the key differences between IPSAS and IFRS. It further explains the sources and reasons for differences between the two frameworks.

www.publicfinanceinternational.org
Visit Public Finance International, www.publicfinanceinternational.org, a website supported by EY and developed in conjunction with the Chartered Institute of Public Finance and Accountancy to provide informed news and comment on developments in public financial management internationally, raise awareness of the need for good governance and connect a global community of like-minded public financial management professionals.



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Model Public Sector Group

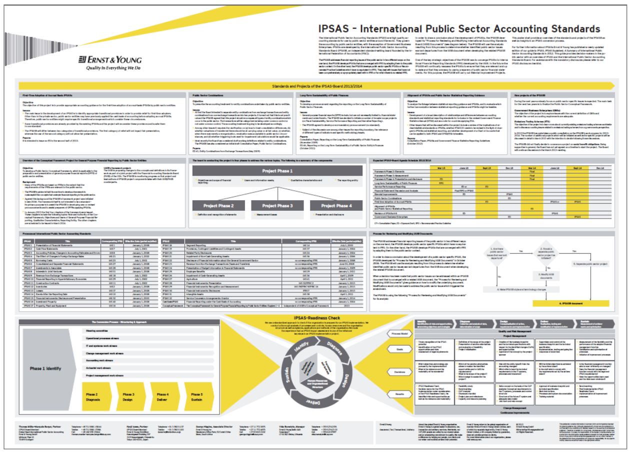
The aim of this set of financial statements is to bridge the gap between the 'theory', as outlined in the standards and the way such information needs to be presented in the financial statements.

This first edition of illustrative annual consolidated financial statements of Model Public Sector Group are prepared in accordance with International Public Sector Accounting Standards (IPSAS) in issue at 30 June 2013 and effective for annual periods beginning on 1 January 2013.

EY's Public Sector Accounting webcast: IPSAS Update 2013

In this webcast, our panel provides an overview on the background, structure and due process of the IPSASB. It also provides an update on key projects on the IPSASB's agenda, including the Conceptual Framework, and outlines some of the current developments on IPSAS adoption and implementation around the world.

This webcast aims to provide public sector finance managers with the latest developments on the IPSASB's projects and IPSAS implementation globally. This archived webcast can be accessed at http://www.ey.com/GL/en/Issues/webcast_2013-06-26-0700_public-sector-accounting-ipsas-update-2013-replay



IPSAS Poster

Since 2010 Ernst & Young publishes a poster on IPSAS with the most relevant facts about IPSASs and ongoing projects within the IPSAS Board.

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ED None

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