



To:	AASB members	Date:	12 April 2011
From:	Clark Anstis	Agenda Item:	8.1
Subject:	IPSASB Developments	File:	

Action

To receive a report on the 7 – 10 March 2011 meeting of the International Public Sector Accounting Standards Board and consider issues arising therefrom.

Attachments

8.2 Report on the IPSASB Meeting, March 2011.

Overview

This agenda item reports on the major discussions and outcomes from the IPSASB meeting and identifies a number of issues arising from the meeting for the information of and potential discussion by AASB members.

Background

The IPSASB met in Paris, France, hosted by the Organisation for Economic Co-operation and Development (OECD). Both Tim Youngberry (Australia) and Ken Warren (New Zealand) attended the meeting. Clark Anstis and Joanne Scott attended as Technical Advisors to Tim and Ken respectively.

The Conceptual Framework project discussions covered only about one day of the four days of the March meeting, reflecting that consultation documents are presently on issue for the three major phases of the CF project. Apart from the service concession arrangements project, which is at the stage of developing a final Standard, the other (non-Framework) substantive projects on the agenda were at the early stage of developing issues papers.

The attached report on the IPSASB meeting includes more detailed information about the discussions at the meeting.

Issues Arising from the March 2011 IPSASB Meeting

Governance Arrangements (also see section 1.2 of the Meeting Report)

The IPSASB is developing a Consultation Paper concerning its governance arrangements, considering not only due-process oversight but also other aspects such as the need for a full-time

Chairman, the relative numbers of public and regular members, a consultative advisory group, and resourcing and fundraising. The CP will address two oversight models – oversight by the Public Interest Oversight Board (PIOB), and oversight by a new, public sector specific body.

The PIOB presently oversees the due processes of the other Public Interest Activity Committees of IFAC – the International Auditing and Assurance Standards Board, the International Accounting Education Standards Board and the International Ethics Standards Board for Accountants and their consultative advisory groups – but not the IPSASB. The PIOB has no particular public sector experience, having been established in 2005 when the focus was on enhancing the quality of external audits of entities. The IFAC Board has expressed some support for oversight of IPSASB’s due process by the PIOB as a more efficient means to the end.

Do AASB members have views on this? The AASB will have the opportunity to respond formally to the Consultation Paper, once it is issued later in the year.

Work Program (section 1.3)

At the March meeting, the IPSASB held its initial discussion of issues arising under its project on narrative reporting. This project had been approved by the IPSASB in March 2008 but had been deferred in favour of projects considered to be more important – principally the project to converge IPSASB Standards with IASB Standards as at 31 December 2008.

The narrative reporting project appeared unexpectedly on the agenda for the meeting, while the IPSASB is in the process of considering which four new projects it might add to its active work program in the next two years. The list of committed but inactive projects is now limited to just heritage assets and financial instruments (public sector issues and IFRS 9).

At the meeting, IPSASB members expressed preferences for adding the following projects to the work program: the first-time adoption of IPSASB Standards, social benefits, non-exchange revenue (revision), government finance statistics (update for 2008 SNA), definition of government business enterprises (GBEs), emissions trading schemes, and the impact of natural disasters (e.g. insurance, impairment, contingencies). The IPSASB decided to defer projects closely related to the Conceptual Framework, such as social benefits, revenue and leases.

Do AASB members have any comments on the priority of new projects for the IPSASB? Suggestions for additional topics?

Conceptual Framework – Presentation and Disclosure (section 2.1)

The IPSASB is developing a Consultation Paper to address questions such as what information should be reported in GPFRs, and where and how it should be reported, but distinguishing ‘presentation’, ‘disclosure’ and ‘display’ is proving difficult. The principal view at present appears to be that presentation is the general term, encompassing both display (the showing of information on the face of a statement) and disclosure (showing information elsewhere in a GPFR). A traditional view held by some IPSASB members is that presentation refers to the display of information on the face of a statement and disclosure refers to information in notes to financial statements.

Do AASB members have any initial reactions to this issue?

Service Concession Arrangements (section 2.2)

The IPSASB is considering the submissions received on its ED 43, concerning the grantor accounting for service concession arrangements (SCAs).

Although a grantor appears to have a performance obligation (to provide the operator with access to the SCA assets) under any type of SCA, including those where the grantor has a financial liability to make agreed payments to the operator, ED 43 proposed its explicit recognition only to the extent that the grantor did not have a financial liability to the operator (e.g. where the operator received an intangible asset, such as the right to charge users of the infrastructure underlying the SCA). The proposal received a mixed response from constituents.

At the meeting, the members agreed not to pursue the performance obligation approach. Instead, they decided that the credit entry should be revenue received in advance, as the means by which revenue might be recognised by the grantor only over the life of the SCA, rather than at the inception of the SCA.

<p>In the experience of AASB members with accounting for existing SCAs, does the grantor always recognise revenue over the life of the arrangement, or are there some circumstances in which up-front revenue is recognised?</p>
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