

MEETING HIGHLIGHTS

March 2013

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For more detailed information about IPSASB projects, please refer to the project summaries under [Current Projects](#).

Conceptual Framework

Phase 4—Presentation in General Purpose Financial Reports

Following further discussion the IPSASB approved the Conceptual Framework Exposure Draft 4 (CF–ED4), *Presentation in General Purpose Financial Reports*. CF–ED4 describes presentation, display and disclosure. The ED proposes an approach to presentation that involves a two-level application of the concepts developed in Chapters 1–4 of the *Conceptual Framework (Framework)*¹, to presentation decisions.

In finalizing CF–ED4 the IPSASB confirmed (a) the description of key terminology (presentation, display and disclosure) and (b) the decision-focused approach to presentation, involving decisions on information selection, location and organization. The IPSASB also confirmed application of both the qualitative characteristics and constraints on information included in general purpose financial reports (GPFRs), when making presentation decisions. The IPSASB decided not to include specific presentation objectives, relying on the direct application of the objectives of financial reporting identified in Chapter 2 of the *Framework*. The IPSASB decided that the three presentation concepts previously proposed in the 2012 Consultation Paper should not be included in the ED.

The ED will have a four month exposure period. The ED and the At a Glance document, which provides a summary of the ED, will be published shortly.

The Preface to the *Conceptual Framework*

The IPSASB discussed the approach to incorporation of the Preface in the *Framework*. While the IPSASB confirmed that the Preface should be included in the *Framework*, it was decided to defer approval and publication until the *Framework* is being finalized. This will allow the linkages with the concepts in the *Framework* to be made more explicit. The IPSASB reviewed the draft presented by staff and gave

¹ Chapters 1–4 of the *Framework* cover the Role and Authority of the Conceptual Framework, Objectives and Users of General Purpose Financial Reporting, Qualitative Characteristics and Reporting Entity.

directions for amendments to some of the sections, particularly those dealing with involuntary transfers and non-exchange transactions and the longevity of the public sector.

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Criteria for Determining the Status of a Pronouncement

At its December 2012 meeting, the IPSASB directed staff to develop a set of criteria for determining the types of documents the IPSASB might develop and whether these would be authoritative or non-authoritative pronouncements.

At this meeting, the IPSASB agreed that pronouncements relating to general purpose financial statements (GPFs) should be authoritative International Public Sector Accounting Standards (IPSASs). However, there were contrasting views as to the status of pronouncements relating to general purpose financial report (GPFRs). Some members consider that pronouncements relating to GPFRs should be capable of being authoritative pronouncements while other members consider that all pronouncements relating to GPFRs should be non-authoritative pronouncements.

The IPSASB agreed that, in the short-term, pronouncements relating to GPFRs should be non-authoritative, i.e., Recommended Practice Guidelines (RPGs). The IPSASB also agreed that this decision should be reviewed in the future to consider further whether pronouncements relating to GPFRs could be authoritative.

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Financial Statement Discussion and Analysis

Consistent with the IPSASB's decision to issue non-authoritative guidance for pronouncements relating to GPFRs, the IPSASB confirmed that the draft IPSAS XX, *Financial Statement Discussion and Analysis*, which has been developed from ED 47, should be revised to become a RPG.

The IPSASB reviewed the current draft, acknowledging that specific wording may change due to the decision to change its status, and gave directions for amendments.

The IPSASB agreed that a draft RPG with a Basis for Conclusions will be considered at its June 2013 meeting.

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Reporting on the Long-Term Sustainability of an Entity's Finances

The IPSASB reviewed a draft Recommended Practice Guideline (RPG) 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*, which has been developed from ED 46 and gave directions for amendments. In particular, it directed staff to revise the section relating to the dimensions of long-term fiscal sustainability to directly refer to the dimensions of service, revenue and debt and to explain that there are two aspects to each dimension: capacity and vulnerability. Capacity is the ability of the entity to influence or change the service, revenue or debt dimensions and vulnerability is the extent of the entity's dependence on factors outside its control or influence.

The IPSASB directed that the draft RPG be revised and presented at its June 2013 meeting for approval.

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Update of IPSASs 6–8

The IPSASB provided feedback on issues arising from the development of two Exposure Drafts (EDs):

- ED X, *Separate Financial Statements* (based on IAS 27 as amended in 2011); and
- ED X, *Investments in Associates and Joint Ventures* (based on IAS 28 as amended in 2011).

This included considering how to deal with possible amendments to the equivalent IFRSs currently being reviewed by the International Accounting Standards Board (IASB).

The IPSASB also considered unresolved issues arising from other EDs within this project at previous meetings. The key issues were (i) possible exemptions from the consolidation requirements in ED X, *Consolidated Financial Statements* and alternative accounting methods for any such entities, (ii) in the event that consolidation is required, alternative ways of presenting information on certain controlled entities in consolidated financial statements, and (iii) possible ways of limiting the structured entity disclosures within ED X, *Disclosure of Interests in Other Entities* to ensure appropriate disclosures in the public sector context.

The IPSASB did not make decisions on (i) and (ii). The IPSASB agreed to give these matters further consideration at its June 2013 meeting, with an emphasis on the concept of investment entities, full line by line consolidation with additional note disclosure and separate presentation of information on the general government sector. With regard to (iii) the IPSASB agreed to proceed on the basis of limiting the structured entity disclosures in ED X, *Disclosure of Interests in Other Entities* to “entities that have been designed so that voting or similar rights, including administrative arrangements or statutory provisions, are not the dominant factor in determining control of the entity.”

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Public Sector Combinations

The IPSASB had an initial discussion of the responses received to Consultation Paper (CP), *Public Sector Combinations* prepared by staff. The CP was issued in June 2012 with comments requested by October 31, 2012. The IPSASB has received 26 responses.

The IPSASB considered the responses to Specific Matter for Comment (SMC) 1 “Is the scope of the CP appropriate?” The IPSASB agreed that the project should continue with the scope proposed in the CP. The IPSASB also agreed that the draft ED should include guidance on (a) the derecognition and recognition of assets for the transferor, (b) the definition of an operation, (c) disclosure requirements for combining entities relating to the going concern basis, (d) subsequent measurement requirements similar to that included in IFRS 3, *Business Combinations*, and (e) distinguishing between asset acquisitions, entity and operation acquisitions and amalgamations using relevant text from IFRS 3.

The IPSASB had an initial discussion of the responses to SMC 2 which asked respondents whether the approach used in the CP of distinguishing between acquisitions and amalgamations, with a further distinction for public sector combinations not under common control and under common control, is

appropriate. The IPSASB directed staff to outline the possible consequences for the accounting treatment of the different suggestions that respondents made to this SMC for review at its June 2013 meeting.

The IPSASB will consider a detailed analysis of the responses to the other SMCs and Preliminary Views at its June 2013 meeting.

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Consultation on the IPSASB's Work Program 2013–2014

The IPSASB discussed a detailed analysis of the responses to the Consultation Paper (CP) on the work program for 2013–2014. Members agreed that a number of potential projects should remain inactive at this time but will be further considered when the IPSASB undertakes its broader strategic review for the period post-2014. The IPSASB considered the remaining eight potential projects that staff had identified for further review in the context of the criteria developed to assist with evaluating potential projects. Members proposed some revisions to the draft criteria and agreed that there is still a large element of judgment in assessing potential projects.

The IPSASB directed the Chair and staff to discuss with the IASB the possibility of a collaborative project on Emissions Trading Schemes. This will be done at the next liaison meeting with the IASB currently scheduled for May 2013. At its June 2013 meeting the IPSASB will further discuss this as well as considering other potential projects, with the view of selecting two to three projects for initiation over the next 12–18 months.

In terms of the broader strategic review for the period post-2014, the IPSASB agreed that this will be a public consultation process that the IPSASB will develop during the remainder of 2013 with the goal of approving and issuing a CP for comment in March 2014. A Task Based Group (TBG) will be formed to assist with developing the materials for the review. The IPSASB will further discuss elements of this broad strategic review over the next few months.

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First-Time Adoption of Accrual Basis IPSASs

The IPSASB discussed an analysis of the transitional provisions related to IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, IPSAS 25, *Employee Benefits* and IPSAS 32, *Service Concession Arrangements: Grantor* and provided direction to staff on various aspects including categorization. The IPSASB agreed to have a general guideline for a default period for transition of three years, acknowledging that this could be changed at the standards level if determined appropriate.

At the June 2013 meeting an analysis of the transitional provisions for the financial instruments standards will be considered. In addition a number of overarching issues will be further discussed.

The IPSASB thank Ernst & Young for providing staff support up to this point of the project. The South African Accounting Standards Board are now providing staff resources for the project and will be developing an Exposure Draft for review, with a view to approval in September 2013.

IPSASB staff member contact – Technical Director, Stephenie Fox: stepheniefox@ifac.org

Government Business Enterprises (GBEs)

The IPSASB had an initial discussion of the new project on GBEs. Currently GBEs are directed to apply IFRSs. The project is in the early stages and significant research is still to be undertaken. The IPSASB discussed the current definition of a GBE, considering issues identified with the components of the definition and directing staff to do further work on these issues. The IPSASB also discussed generally the broad range of practices and national definitions globally and whether there is in fact a need to define GBEs. The alternative would be not to define GBEs but rather allow governments to determine those entities that are profit-oriented and that therefore may apply IFRSs.

The IPSASB discussed the fact that the current definition is transaction focused and directed staff to explore the possibility of defining GBEs based on objectives or services or perhaps nature of activities.

The IPSASB acknowledged that the current requirement that GBEs apply IFRSs may need to be revisited if the definition of a GBE changes but agreed that these issues need further exploration in the context of any changes to the definition.

The IPSASB agreed that the project to amend IPSAS 6, *Consolidated and Separate Financial Statements*, should address the issue of how GBEs are included in the government reporting entity, i.e., whether line by line consolidation (the current requirement) is appropriate or whether equity accounting should be considered.

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Eurostat Study

The IPSASB received an update from the observer from Eurostat about the recently released Report “Towards implementing harmonised public sector accounting standards in Member States: The suitability of IPSAS for the Member States”. A fundamental aspect of the report is the endorsement of harmonized full accrual accounting for the EU Member States since this enhances transparency, accountability and comparability of financial reporting in the public sector.

The Report recommends the development of European Public Sector Accounting Standards (EPSASs) that would use the IPSASs as the key reference source, including adopting almost half of the IPSASs without amendment.

A number of related activities are being undertaken with the goal of getting the recommendations in the Report implemented including a conference to be held on May 29–30, 2013 in Brussels entitled “Towards Implementing European Public Sector Accounting Standards”.

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Next Meeting

The next IPSASB meeting will be held in Toronto, Canada on June 17–20, 2013.