



Project:	IPSASB Update	Meeting	AASB February 2021 (M179)
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		Decision-Making:	Low
		Project Status:	Report

Introduction

The fourth and final meeting for 2020 of the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) was held via tele-conference. Seven sessions were held, on 1-2, 8-11 and 15 December 2020. The IPSASB's Consultative Advisory Group also met, on 7 December.

Mike Blake (Australian member, and also Deputy Chair) and Clark Anstis (Technical Advisor) attended all sessions of the meetings by video link.

This report summarises possible implications for the AASB arising out of the key technical matters and outcomes from the IPSASB meeting and agenda, as well as highlighting new and forthcoming pronouncements or proposal documents.

The next principal meeting of the IPSASB will be held via teleconference, in March 2021. The IPSASB will also hold a single-session teleconference meeting on 25 February 2021 for final approval of a number of exposure drafts.

1 Possible Risks and Opportunities for the AASB

The AASB should monitor the following IPSASB developments. Divergence with Australian Accounting Standards as applicable to public sector entities might arise, if different requirements in International Public Sector Accounting Standards (IPSAS) are not considered appropriate for incorporation into Australian Accounting Standards. Alternatively, IPSASB developments may complement AASB work underway or provide opportunities the AASB may wish to take on board.

- Public Sector Specific Financial Instruments – in December 2020, the IPSASB issued amendments to add non-authoritative guidance to IPSAS 41 *Financial Instruments* to address monetary gold, currency in circulation and IMF special drawing rights. The guidance would be relevant to central banks and governments, and potentially could be added to AASB 9 *Financial Instruments*.

- Leases – phase 1 of the IPSASB’s leases project is now an IFRS 16 *Leases* alignment project. ED 75 was approved at the December 2020 meeting. This phase includes, as a separate process, issuing a Request for Information to seek details of public sector-specific matters that should be addressed in Phase 2. Of relevance to the AASB is that Phase 2 is expected to address concessionary leases and similar public sector arrangements through a second ED process, providing the opportunity for the AASB to comment on matters that could be relevant to public sector application of AASB 16.
- Infrastructure – the IPSASB is developing an exposure draft (ED 78) of an “updated” IPSAS 17 *Property, Plant and Equipment* (PPE). General measurement aspects are to be removed from the PPE Standard and relocated in the IPSAS on measurement. Issues relating to infrastructure, such as the distinguishing characteristics of infrastructure assets that give rise to particular accounting issues, land under or over infrastructure assets, impairment of land and the use of condition-based asset management information are covered. Some issues will not be subject to more specific guidance where the IPSASB considers that the general guidance in IPSAS 17 should be applied, such as dismantling costs. The infrastructure-related guidance and illustrative examples should be monitored to assess whether they might be proposed by the AASB as useful additions to AASB 116.
- Heritage – the IPSAS 17 update ED (ED 78) will also address issues relating to heritage assets. The ED will propose removing the current scope exclusion for heritage assets in IPSAS 17. The ED will also propose that IPSAS 17’s depreciation requirements apply to heritage assets, although in certain circumstances depreciation could be zero, and that heritage assets can be impaired and should be subject to normal impairment reviews. The heritage-related guidance and illustrative examples should be monitored to assess whether they might be proposed by the AASB as useful additions to AASB 116, even though heritage assets are already subject to AASB 116.

- Limited-Scope Update of the IPSASB’s Conceptual Framework – Measurement

Phase 1 of this project will address measurement issues through ED 76, including measurement models and bases (leaving techniques to be covered in IPSAS). The ED will propose adding fair value to the CF as a measurement basis. The selection of measurement bases is to be linked to the measurement objective (usually financial capacity or operational capacity) rather than to entry or exit values. The AASB should assess the IPSASB outcomes for potential not-for-profit entity modifications to the AASB Conceptual Framework (2019).

Phase 2 (to start in 2021) will address additional topics: asset and liability definitions, unit of account, executory contracts, prudence, materiality and capital maintenance. This could provide a basis for reconsidering the exemption for not-for-profit entities from the disclosures regarding an entity’s management of its capital in AASB 101 *Presentation of Financial Statements* (paragraphs 134-136).

- Public Sector Measurement – this project could inform the AASB’s current Public Sector Fair Value Measurement project as it is addressing fair value as one of the measurement bases relevant to general purpose financial reports. Other measurement bases to be addressed in ED 77 include historical cost, current operational value and (for liabilities) cost of fulfillment. Measurement techniques for current value measurement bases will be proposed as generally comprising market, income and cost approaches. The ED will propose removing replacement cost as a measurement basis or technique. The IPSASB project could lead to changes in the measurement techniques specified in IPSAS, which the

AASB should consider ultimately in terms of whether to update the measurement requirements in AASB Standards for not-for-profit public sector entities (and potentially for NFP private sector entities too).

- Non-Current Assets Held for Sale and Discontinued Operations – the IPSASB has approved ED 79, based on IFRS 5, for issue in 2021 with the measurement and PPE EDs. For accountability purposes, the ED will propose an additional disclosure of the fair value of assets held for sale where they are recognised in the financial statements at a lower carrying amount. Assets to be transferred to other public sector entities will not be covered by the ED as the assets are not held for sale. If this project identifies any issues with public sector application of IFRS 5, the AASB should consider proposing amendments to AASB 5.
- Natural Resources – this project will be conducted in phases. Phase 1 focusses on developing a consultation paper to address subsoil resources, living resources and water. Phase 2 might develop an exposure draft on subsoil resources. Further phases may be undertaken after that. This work potentially could establish recognition or disclosure requirements for resources that currently are ignored in financial statements. The IPSASB has reached the preliminary view that sovereign powers to issue exploration licences are not recognisable as assets.

2 IPSASB Work Program

Exposure Drafts

Exposure Draft ED 74 *IPSAS 5, Borrowing Costs – Non-Authoritative Amendments* is open for comment until 1 March 2021. This ED proposes clarifying the distinction between borrowing costs and transaction costs, and guidance on capitalising borrowing costs (which is to be retained as an option – the option is not subject to any proposals in this ED).

At the December 2020 meeting, the IPSASB approved for issue the following four significant Exposure Drafts:

- ED 75 *Leases* (aligned with IFRS 16);
- ED 76 *Conceptual Framework – Limited-Scope Update* (re measurement aspects only);
- ED 77 *Measurement* (a new Standard); and
- ED 78 *Property, Plant and Equipment* (IPSAS 17 update – covering measurement, infrastructure assets and heritage assets).

ED 75 has now been issued, in January 2021, for a four-month comment period ending 17 May 2021.

EDs 76–78 were given in-principle approval at the IPSASB’s December meeting. However, they are expected to be published in March, following final approval at the IPSASB’s single-session check-in meeting on 25 February 2021.

ED 79 *Non-current Assets Held for Sale and Discontinued Operations*, which was approved at the September 2020 meeting, will be published in 2021 alongside EDs 76–78 as a “package” of EDs, addressing measurement issues. This will place a heavy burden on stakeholders who typically respond to the IPSASB EDs, with so many open for comment at the same time. Acknowledging this, the IPSASB in December decided that these four EDs should all have a six-month comment period.

New Projects

The IPSASB deferred to the March 2021 meeting its detailed consideration of potential projects to propose in the mid-period Work Program Consultation.

The IPSASB decided to consider at the March 2021 meeting whether to adopt two narrow-scope, short-term projects in the meantime: an update of IPSAS 18 *Segment Reporting* and a new IPSAS on reporting by retirement benefit plans. These projects would be based on the current IFRS Standards (IFRS 8 and IAS 26 respectively). [The AASB did not adopt IAS 26 in 2005, preferring its domestic Standard AAS 25 *Financial Reporting by Superannuation Plans*, since replaced by AASB 1056 *Superannuation Entities*.]

3 Board Member Appointments from 2021

Ian Carruthers (UK) has been reappointed as Chair of the IPSASB for a further three-year term covering 2022–2024, his current appointment concluding at the end of 2021. This early confirmation should ensure continuity and stability at a critical time for the application of accrual accounting in the public sector given the COVID-19 pandemic.

Mike Blake relinquished the Deputy Chair's role at the end of 2020, being succeeded by Lindy Bodewig (South Africa). Mike's second three-year term as a member will conclude at the end of 2021. A new-member nomination is being prepared by Chartered Accountants Australia and New Zealand and CPA Australia.

The membership terms of seven of the eighteen IPSASB members concluded at the end of 2020. Four members have been reappointed:

- Todd Beardsworth (New Zealand) – for three years;
- Neema Kiure-Mssusa (Tanzania) – for three years;
- Bernhard Schatz (Austria) – for one year; and
- Marc Wermuth (Switzerland) – for one year.

Three members are retiring from the IPSASB:

- Michel Camoin (France) – national audit office;
- James Jung (South Korea) – academic, central government accounting; and
- Rod Monette (Canada) – consultant, former public sector standard-setter.

The three new members from the start of 2021, appointed for three years, are:

- Dr Mari Kobayashi (Japan) – academic;
- Hervé -Adrien Metzger (France) – national audit office; and
- Renée Pichard (Canada) – Office of the Auditor General of Canada.

As a result of these appointments, the IPSASB will be the first of the IFAC Boards to achieve gender equality for its membership.