



Project:	IPSASB Update	Meeting	AASB April 2021 (M180)
Topic:	Report on March 2021 Meeting of the IPSASB	Agenda Item:	13.2
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Contact(s):	Clark Anstis canstis@asb.gov.au (03) 9617-7616	Project Priority:	n/a
		Decision-Making:	Low
		Project Status:	Report

Introduction

The first meeting for 2021 of the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) was held via teleconference. Five sessions were held, on 16-19 and 23 March 2021.

Mike Blake (Australian member) 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 June 2021, preceded by a meeting of the IPSASB's Consultative Advisory Group.

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.

- 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, 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 about to publish 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

Phase 1 of this project will address measurement issues in CF Chapter 7 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 will address additional topics: asset and liability definitions, unit of account, executory contracts, service potential, prudence and materiality. Capital maintenance has been deferred to a later phase. It 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 April 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. Phase 1 will now also cover exploration, evaluation, development and production costs, looking to IFRS 6 *Exploration for and Evaluation of Mineral Resources* as a starting point.
- **Revenue** – the IPSASB is starting its assessment of the submissions received in response to its EDs 70 and 71. The IPSASB has tentatively decided that all binding arrangements give rise to present obligations. This will put pressure on the definition of binding arrangements. Performance obligations are to be treated as a subset of present obligations.

When it is unclear what portion of consideration under a binding arrangement relates to performance obligations, the IPSASB decided that the transaction should be treated as wholly without performance obligations.

These decisions represent very different approaches to those in Australian Accounting Standards. Some illustrative examples are to be considered at the June meeting.

2 IPSASB Work Program

Exposure Drafts

Exposure Draft ED 74 *IPSAS 5, Borrowing Costs – Non-Authoritative Amendments* was open for comment until 1 March 2021. This ED proposed 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 was 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 April, following final approval at the IPSASB’s single-session check-in meeting on 25 February 2021 and an editorial review process.

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 commenced its detailed consideration of potential projects to propose in the mid-period Work Program Consultation, following presentations on its Strategy and Work Program 2019–2023. IPSASB members ranked a differential reporting project highly, along with projects regarding financial statement presentation and discounting, however no decisions have yet been made on projects to put forward in the consultation paper (CP). The discussion will continue at the June meeting, with a view to approving the CP then.

The IPSASB approved a Project Brief for a narrow-scope project to develop a new IPSAS on financial reporting by retirement benefit plans. This is to be based on IAS 26, but adapted with consideration given to alternative approaches adopted by national standard-setters who have Standards for such plans, including AASB 1056 *Superannuation Entities*, as it was noted that IAS 26 incorporates numerous options.

A narrow-scope, short-term project to update IPSAS 18 *Segment Reporting* based on IFRS 8 *Operating Segments* was also considered by the IPSASB. The IPSASB requested additional research into the issues with IPSAS 18 and the relevance of the approach in IFRS 8 to the public sector before making a decision on this project.

3 Board Members

All Board members attended the teleconference sessions of the meeting, including the three new members from the start of 2021 (all appointed for three years):

- 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 is the first of the IFAC Boards to achieve gender equality for its membership.
