



Project:	IPSASB Update	Meeting	AASB November 2020 (M178)
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		Decision-Making:	Low
		Project Status:	Report

Introduction

The third meeting for 2020 of the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) was held via teleconference. Six sessions were held, on 14-18 and 22 September 2020.

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 December 2020. The IPSASB will also hold a single-session teleconference meeting on 27 October 2020 to advance the measurement project.

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 – at the September 2020 meeting, the IPSASB approved amendments to add non-authoritative guidance to IPSAS 41 *Financial Instruments* to address monetary gold, currency in issue 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 will now be an IFRS 16 *Leases* alignment project. This phase will include, as a separate project, 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 this second phase is expected to address concessionary leases, with a second ED providing the opportunity for the AASB to comment.

- Infrastructure – the IPSASB is developing an exposure draft of an “updated” IPSAS 17 *Property, Plant and Equipment*. General measurement aspects are expected to be removed from the 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, condition-based depreciation, and costs to dismantle infrastructure assets are being considered. 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 will also address issues relating to heritage assets. The current scope exclusion for heritage assets will be removed. 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 consider measurement issues, including measurement models and bases (techniques will be covered in IPSAS). Fair value will be proposed to be added 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 include historical cost, current cost and cost of fulfillment. Measurement techniques for current value measurement bases will be proposed as comprising market, income and cost approaches. Replacement cost would be included under the cost approach. The IPSASB project could lead to changes in the measurement techniques specified in IPSAS, which the AASB should consider ultimately in terms of updating the measurement requirements in AASB Standards for not-for-profit entities.
- Non-Current Assets Held for Sale and Discontinued Operations – at the September meeting, the IPSASB approved an ED based on IFRS 5, for issue with the measurement EDs. For accountability purposes, the ED will propose an additional disclosure of the fair value of

assets held for sale where they are measured at a lower carrying amount. Assets to be transferred to other public sector entities would not be covered as the assets are not held for sale. If this project identifies any issues with public sector application of IFRS 5, it could result in amendments relevant to AASB 5.

- Natural Resources – this project will be conducted in phases. The initial focus will be 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 reached the preliminary view that sovereign powers are not recognisable as assets.

IPSASB Work Program

Standards

The IPSASB approved at the September meeting a Standard *COVID-19: Deferral of Effective Dates*, following a review of the responses to the short-term Exposure Draft ED 73 (of the same name). As proposed, the Standard provides a one-year deferral to 1 January 2023 for new Standards and requirements with a 1 January 2022 application date. The Standards affected are IPSAS 41 *Financial Instruments* and IPSAS 42 *Social Benefits*, the amending Standards *Long-term Interests in Associates and Joint Ventures*, *Prepayment Features with Negative Compensation*, and *Collective and Individual Services*, and some of the 2019 Improvements.

Exposure Drafts

At the September meeting, the IPSASB approved the issue of ED 74 *IPSAS 5, Borrowing Costs – Non-Authoritative Amendments*, which will be 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 AASB has previously decided not to prepare a submission in response to this ED.

An ED on non-current assets held for sale and discontinued operations (to be ED 79) was also approved at the September meeting. It will be published with the four EDs expected to be approved at the December 2020 meeting. 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.

The IPSASB anticipates approving four significant Exposure Drafts at the December 2020 meeting, on the following topics:

- Leases (aligned with IFRS 16) (to be ED 75);
- Conceptual Framework – limited-scope update (re measurement) (ED 76);
- Measurement (ED 77); and
- property, plant and equipment (IPSAS 17 update – covering measurement, infrastructure assets and heritage assets) (ED 78).

The IPSASB deferred to the December 2020 meeting its initial consideration of potential projects to propose in the mid-period Work Program Consultation.

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 will relinquish the Deputy Chair's role at the end of 2020, to be succeeded by Lindy Bodewig (South Africa).

The membership terms of seven of the eighteen IPSASB members conclude 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);
- James Jung (South Korea); and
- Rod Monette (Canada).

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

- Dr Mari Kobayashi (Japan) – academic;
- Herve-Adrien Metzger (France) – national audit office; and
- Renee 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.