

## MEETING HIGHLIGHTS

September 2012

Contact: Annette Davis ([annettedavis@ifac.org](mailto:annettedavis@ifac.org))

This Meeting Highlights from the International Public Sector Accounting Standards Board (IPSASB) has been prepared for information purposes only. Except for approval of documents for public exposure and issue of final Standards or Statements, decisions reported are tentative, reflect only the current status of discussions on projects, and may change after further deliberation by the IPSASB.

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

---

### Conceptual Framework

#### **Phase 1—Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity**

The IPSASB tentatively agreed that the Phase 1 chapters should be brought to the December 2012 meeting for approval, with a view to publication in late 2012 or early 2013. The main factor in this decision is that the objectives of financial reporting and qualitative characteristics (QCs) that have been established in Phase 1 are becoming increasingly important in the development of a number of the IPSASB's current projects, such as reporting service performance information and reporting on the long-term sustainability of a public sector entity's finances. The IPSASB considered it inappropriate to develop these projects by reference to the current QCs, if these QCs are likely to be replaced in the next 18–24 months. The IPSASB acknowledged that issues might arise in the other phases of the project that would lead to these objectives and QCs being reopened, but considers this is unlikely. The IPSASB also acknowledged that there will need to be amendments to IPSAS 1, *Presentation of Financial Statements*, and will discuss the timing of this at a subsequent meeting. The ED, *Key Characteristics of the Public Sector with Potential Implications for Financial Reporting*, will also be reconsidered at the December meeting.

#### **Phase 2—Elements and Recognition in Financial Statements**

The IPSASB considered a further version of Conceptual Framework Exposure Draft 2 (CF–ED2), *Elements and Recognition in Financial Statements*. For the definition of a liability, in the context of a present obligation, the IPSASB agreed to use the term “non-legal binding obligation” rather than the term “constructive obligation.” The IPSASB agreed to continue to propose deferred inflows and deferred outflows as elements. These elements are limited to non-exchange transactions where the resources are to be used over specified future reporting periods. As a result, the residual amount will be net financial position rather than net assets. The definitions of revenue and expenses were modified to deal appropriately with their relationship with deferred inflows and deferred outflows.

The IPSASB approved the ED. The ED and the At a Glance document, which provides a summary of the ED, will be published shortly. The ED has a response date of April 30, 2013.

### **Phase 3—Measurement of Assets and Liabilities in Financial Statements**

The IPSASB considered a further version of Conceptual Framework Exposure Draft 3 (CF–ED3), *Measurement of Assets and Liabilities in Financial Statements*. The IPSASB agreed not to propose both market value and fair value as measurement bases. Section 3 of the ED deals with current measurement bases: market value, replacement cost, net selling price and value in use. A new Section 4 addresses the fair value model as a way of estimating a market value where an active market does not exist. This section also discusses the use of a measurement basis or a valuation methodology as surrogates for the most appropriate measurement bases and valuation methodologies. It also discusses the deprival value model as a method of guiding the selection of a current measurement basis for assets primarily held for their operating capacity, where further analysis is required after an initial assessment of an appropriate measurement basis based on the objectives of financial reporting and the QCs.

The IPSASB approved the ED. The ED and the At a Glance document, which provides a summary of the ED, will be published shortly. The ED has a response date of April 30, 2013.

### **Phase 4—Presentation in General Purpose Financial Reports**

The IPSASB reviewed responses to Consultation Paper (CP), *Presentation in General Purpose Financial Reports* and provided direction to Staff for development of an Exposure Draft (ED).

The CP was issued in January 2012 with comments requested by May 31, 2012. The IPSASB received 39 responses.

The IPSASB agreed to continue developing an ED covering presentation concepts for the more comprehensive scope of general purpose financial reports (GPFRs). In response to comments received, the ED should also provide more coverage with respect to general purpose financial statements (GPFs). The descriptions of “presentation,” “display” and “disclosure” will be further developed for inclusion in the ED. The IPSASB tentatively agreed that the descriptions of “core information” and “supporting information” will not be included in the ED. Instead they will be replaced with descriptions of the types of information that should be considered either for display or for disclosure, emphasizing both understandability and the idea that the location of information should not mislead.

The IPSASB also tentatively agreed to continue with the conceptual approach proposed in the CP, which involves (a) focusing on user needs to identify presentation objectives, (b) application of the qualitative characteristics (QCs) to presentation decisions, and (c) separate presentation concepts. The IPSASB tentatively agreed that presentation objectives should be included in the ED. The Task Based Group (TBG) will review respondents’ views on the three presentation concepts and provide recommendations to the IPSASB on any changes arising.

A draft ED will be considered at the December 2012 meeting.

IPSASB staff member contact – John Stanford: [johnstanford@ifac.org](mailto:johnstanford@ifac.org)

---

### **IPSASs and Government Finance Statistics Reporting Guidelines**

The IPSASB approved the Consultation Paper (CP), *IPSASs and Government Finance Statistics Reporting Guidelines*. The CP reviews progress since the IPSASB’s last GFS harmonization initiative, and identifies possible further opportunities to reduce the differences. It was noted that the contribution from the project’s Task Force had been instrumental in progressing the CP.

The IPSASB agreed that the CP should have a deadline for responses of March 31, 2013, which will reduce timing overlap with the Conceptual Framework Exposure Drafts (see above) and also allow time for constituents to apply both IPSAS and GFS perspectives when considering the CP.

The CP and the At a Glance document, which provides a summary of the CP, will be published shortly.

IPSASB staff member contact – Gwenda Jensen: [gwendajensen@ifac.org](mailto:gwendajensen@ifac.org)

---

## **Update of IPSASs 6–8**

The IPSASB considered an analysis of differences between the definitions of control in relevant financial reporting standards and the definitions of control and indicators of control in the Government Finance Statistics Manual (GFSM). The IPSASB agreed that there were opportunities for aligning the definitions of control and to clarify the nature of differences.

The IPSASB also provided feedback on an Exposure Draft (ED) based on IFRS 10, *Consolidated Financial Statements*. The draft ED incorporates guidance from (a) IPSAS 6, *Consolidated and Separate Financial Statements*, (b) additional examples based on those being developed by a jurisdiction applying IFRS 10, and (c) additional material to increase alignment with the definitions and indicators of control in the GFSM.

The IPSASB indicated that it considers some of the terminology and the emphasis on voting rights in IFRS 10 to be inappropriate for the public sector. Although there was support for many of the ideas in IFRS 10 and the proposed additional public sector examples, the IPSASB agreed that the draft ED should place more emphasis on common public sector scenarios.

A revised draft of this ED, together with EDs based on IFRS 11, *Joint Arrangements* and IFRS 12, *Disclosure of Interests in Other Entities* will be considered at the December 2012 meeting.

IPSASB staff member contact – Technical Director, Stephenie Fox: [stepheniefox@ifac.org](mailto:stepheniefox@ifac.org)

---

## **Long-Term Fiscal Sustainability**

The IPSASB discussed a detailed review of responses to Exposure Draft (ED) 46, Proposed Recommended Practice Guideline (RPG), *Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances* prepared by the Staff.

ED 46 was issued in October 2011 with comments requested by February 29, 2012. The IPSASB received 38 responses.

The IPSASB tentatively agreed that the proposed guidance should be clarified to include only projections within its scope and that a definition of projections should be developed. The relationship between projections and budgets or forecasts should also be clarified. In addition, long-term fiscal sustainability (LTFS) information should reflect the objectives of financial reporting and user needs and an explanation should be included that LTFS information is more likely to be useful if it is complete and includes a narrative explanation.

The IPSASB agreed to consider a number of issues further including (a) the definition of vulnerability, (b) whether certain examples should be developed, (c) whether the calculation of indicators should be in accordance with IPSAS requirements or statistical requirements, and (d) whether the proposed guidance is an RPG or a standard.

The IPSASB will further consider the project at its December 2012 meeting, including a draft RPG (acknowledging that the status of the guidance will be considered separately). The IPSASB also agreed that the Task Force should be re-activated.

IPSASB staff member contact – John Stanford: [johnstanford@ifac.org](mailto:johnstanford@ifac.org) or Annette Davis: [annettedavis@ifac.org](mailto:annettedavis@ifac.org)

---

## **Financial Statement Discussion and Analysis**

The IPSASB discussed a detailed review of responses to Exposure Draft (ED) 47, *Financial Statement Discussion and Analysis* (FSDA) prepared by the Staff.

ED 47 was issued in March 2012 with comments requested by July 31, 2012. The IPSASB received 37 responses.

ED 47 proposed that it should be issued as a mandatory International Public Sector Accounting Standard (IPSAS) that an entity who complies with IPSASs will be required to apply. Although there was strong support to continue to develop the material, respondents to the ED were approximately equally split on whether it is appropriate to issue mandatory guidance. The IPSASB tentatively agreed to continue to develop the ED into an IPSAS and will consider this issue further at a future meeting. Because the IPSASB proposes to continue to develop a mandatory IPSAS, it did not agree with respondents' suggestions to clarify that prospective information should be provided.

The IPSASB tentatively agreed to add precision to the proposed required content to allay concerns with the ability of FSDA to be subject to audit or other assurance.

A draft IPSAS revised for the decisions made above will be considered at the December 2012 meeting.

IPSASB staff member contact – Annette Davis: [annettedavis@ifac.org](mailto:annettedavis@ifac.org)

---

## **Service Performance Reporting**

The IPSASB began discussions of the responses received to the Consultation Paper (CP), *Reporting Service Performance Information*.

The CP was issued in October 2011 with comments requested by April 15, 2012. The IPSASB received 34 responses.

The IPSASB confirmed Preliminary View 1, that the reporting of service performance information is necessary to meet the objectives of financial reporting (accountability and decision-making) as proposed in the Conceptual Framework Exposure Draft 1, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity*. The IPSASB tentatively agreed that any future due process document should define service performance reporting in a manner that incorporates both the objectives of accountability and decision-making. The IPSASB also tentatively agreed that service performance information is necessary for public sector entities to fulfill their duty to be publicly accountable for non-financial as well as financial resources and that this should be clarified in any future due process document.

The IPSASB confirmed Preliminary View 2, that developing a standardized service performance information terminology for the reporting of service performance information is appropriate, and should

include the seven terms included in Table A of the CP—objective, performance indicators, inputs, outputs, outcomes, efficiency indicators and effectiveness indicators. They also reviewed the terms and tentatively agreed on the definitions with some amendments and that no additional terms should be included.

The IPSASB will continue their discussion of the responses received to the CP at its December 2012 meeting.

IPSASB staff member contact – Technical Director, Stephenie Fox: [stepheniefox@ifac.org](mailto:stepheniefox@ifac.org)

---

## **First-Time Adoption of Accrual Basis IPSASs**

The IPSASB considered the approach adopted for the assessment of transitional provisions for the first-time adoption of accrual basis IPSASs by an entity.

The Board tentatively agreed that the following minimum information should be included in an entity's first IPSAS financial statements and outlines the scope for the evaluation of transitional provisions, as follows:

- An opening statement of financial position;
- A statement of financial position;
- A statement of financial performance;
- A statement of changes in net assets/equity;
- A cash flow statement;
- A comparison of budget and actual information (when the entity makes publicly available its approved budget); and
- Notes disclosures that enhance, complement and supplement the financial statements.

The IPSASB will consider whether an entity that makes its approved budget publicly available should be required to present a comparison of budget and actual information on first-time adoption of accrual basis IPSASs at its December 2012 meeting.

The IPSASB also tentatively agreed the proposed set of criteria for the assessment of transitional provisions, including an additional criterion for complexity and practical difficulties, as well as the use of the qualitative characteristics outlined in CF–ED1. Furthermore, it was recommended to distinguish between transitional provisions which allow for fair presentation and transitional provisions where an entity will likely not be able to assert fair presentation on first-time adoption.

The IPSASB also considered (a) the assessment of proposed transitional provisions of a number of the IPSASs from IPSAS 1 to IPSAS 18 based on the predefined set of criteria and (b) the relief proposed in the draft ED. The IPSASB provided staff with directions for refinement of the proposed transitional provisions and identified additional transitional accounting issues for consideration by staff.

The IPSASB will consider an analysis of the transitional accounting issues for those IPSASs not already considered and a revised draft ED at its December 2012 meeting. The aim is to approve the ED at its March 2013 meeting.

IPSASB staff member contact – Jens Heiling: [jensheiling@ifac.org](mailto:jensheiling@ifac.org)

---

## **Next Meeting**

The next IPSASB meeting will be held in New York, USA on December 3–6, 2012.