

# IPSAS The current and future projects FY20

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# Agenda

- ▶ **History of Public Sector Accounting Standards' Development**
- ▶ Establishment of IPSAB
- ▶ IPSAS Development to date
- ▶ Current IPSAS Developments
- ▶ Improvements of IPSAS
- ▶ Questions



# History of Public Sector Accounting Standards' Development

1997

# History of Public Sector Accounting Standards' Development

In 1986, IFAC set out a public sector group, originally named the Public Sector Committee (PSC), with a mission to focus on the specific needs of this sector.

The mandate of the Committee:

- To develop programs for *the improvement of public sector financial management and accountability, including financial reporting, auditing, corporate governance, and management accounting.*

By 1996, following considerable background work, the PSC embarked on a standards program, directed at developing International Public Sector Accounting Standards (IPSASs) for financial reporting.

# History of Public Sector Accounting Standards' Development

The actual standards development work began in 1997.



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graph LR; A[The actual standards development work began in 1997.] --> B[INITIAL PHASE:  
• Converting several of the private sector standards to public sector equivalents.  
• The IPSAS technical working group reviewed the private sector standards and revised these standards to the extent appropriate for the public sector.]; B --> C[This phase of the public sector standards development program which completed in 2002 was funded by:  
• IFAC, the Asian Development Bank, the International Monetary Fund (IMF), the United Nations Development Programme (UNDP), and the World Bank.];
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## INITIAL PHASE:

- Converting several of the private sector standards to public sector equivalents.
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- IFAC, the Asian Development Bank, the International Monetary Fund (IMF), the United Nations Development Programme (UNDP), and the World Bank.

# Agenda


- ▶ History of Public Sector Accounting Standards' Development
- ▶ **Establishment of IPSASB**
- ▶ IPSAS Development to date
- ▶ Current IPSAS Developments
- ▶ Improvements to IPSAS
- ▶ Questions



# Establishment of IPSASB

In 2004, IFAC moved to establish an independent Board – the IPSAS Board – with revised terms of reference to reflect that the mandate of the Board would:

- Focus on issuing International Public Sector Accounting Standards (IPSASs).
- Akin to the model that had been established by the private sector accounting standards body.



The IPSASB  
functions as an  
independent  
standard-  
setting body  
under IFAC.

# Establishment of IPSASB

Independent Standard Setting Board under auspices of IFAC Executive Chair (75% WTE).

17 other volunteer board members from around the world.

Toronto-based – Secretariat of 8 Independent governance (Public Interest Committee) and advisory arrangements (CAG).

38 IPSASs (accrual basis) covering main areas of government activity, 1 cash basis standard as 'stepping stone' to accrual.

3 Recommended Practice Guidelines (RPGs).

Public Sector Conceptual Framework.

# Agenda

- ▶ History of Public Sector Accounting Standards' Development
- ▶ Establishment of IPSAB
- ▶ **IPSAS Development to-date**
- ▶ Current IPSAS Developments
- ▶ Improvements to IPSAS
- ▶ Questions



# IPSASs development to date

## 1997 - 2001

- IFAC Public Sector Committee (PSC) starts IPSAS development programme
- First 21 IPSASs based on IASB equivalents, interpreted as necessary

## 2002 - 2009

- Development of first public sector specific IPSASs (22 - 24)
- IFRS convergence (IPSASs 25 – 32)
- Start of Conceptual Framework project

## 2010 - 2015

- Conceptual Framework completed 2014
- First Time Adoption & IFRS convergence maintained (IPSASs 33-38)
- First public work plan consultation

# IPSASs development to date

## 2016 - 2017

- ❖ **Exposure Draft 61** issued in February 2016 to amend Financial Reporting under the Cash Basis IPSAS of Accounting.
- ❖ *The reason was to diffuse the major obstacles to adoption of the Cash Basis IPSAS:*
  - the requirements for the preparation of consolidated financial statements; and
  - the disclosure of information about external assistance and payments made by third parties.
- ❖ This culminated into a revised IPSAS, **Financial Reporting under the Cash Basis of Accounting**, which was issued in November 2017 addressing some of the main barriers to adoption of this standard.
- ❖ This became effective on 1 January 2019

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# Current IPSASs Development

Exposure Draft (ED) 70, Revenue with Performance Obligations, ED 71, Revenue without Performance Obligations, and ED 72, Transfer Expenses.

- ❖ A consultation paper on potential recognition and measurement approaches for revenue and non-exchange expenses published in 2017.
  - Proposed to update existing IPSAS 23 'Revenue from Non-Exchange Transactions (Taxes and Transfers)'
  - Proposed to replace current IPSAS dealing with revenue arising from exchange transactions and construction contracts with an IPSAS based on IFRS 15.
  - In February 2020, The IPSASB released the three EDs 70, 71 and 72

# Current IPSAS Developments

- ❖ ED 70 - Revenue from Performance Obligations
- ❖ Revenue from binding arrangements with purchasers (alignment with IFRS 15) and the public sector performance obligation approach (PSPOA) for revenue
  - The IPSASB clarified that binding arrangements with purchasers that include performance obligations are within the scope of the draft standard.
  - The standard addresses the approach to transactions where the collectability of consideration is not probable.
  - Non-authoritative illustrative examples are provided to ensure that these are suitable for the public sector.

# Current IPSAS Developments

- ❖ ED 70 - Revenue from Performance Obligations
- ❖ Revenue from binding arrangements with purchasers (alignment with IFRS 15) and the public sector performance obligation approach (PSPOA) for revenue
  - The transactions with enforceable mechanisms that can be activated by the resource provider will be accounted for under the Public Sector Performance Obligation Approach (PSPOA).
  - Revenue arising from transactions that are not enforceable are proposed to be recognized when the revenue is receivable by the recipient.
  - The IPSASB also clarified that enforceability in a binding arrangement is a two-way relationship.

# Current IPSAS Developments

- ❖ ED 70 - Revenue from Performance Obligations
- ❖ Revenue from binding arrangements with purchasers (alignment with IFRS 15) and the public sector performance obligation approach (PSPOA) for revenue
  - It is envisaged by the IPSASB that intentions and expectations of resource providers will be communicated via enhanced display and disclosure.
  - In the context of public sector-specific transactions, the IPSASB see that legislation and reductions in future funding are the two enforcement mechanisms, Revenue from Performance Obligations.
  - Enforcement mechanisms in that context relate to the resource provider's ability to enforce the fulfilment of performance obligations by the resource recipient.

# Current IPSAS Developments

## ED 71 - Revenue - update of IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)

The IPSASB discussed the scope of the draft ED, Grants, Contributions and Other Transfers and tentatively agreed to exclude commercial transactions from the scope of the project.

- The staff then focused on definitions for the transactions within this revised scope, and considered the accounting treatment of contracts that are described as grants.
- Recognition, measurement and presentation requirements have been developed in parallel with the other parts of the revenue project.
- The ED 71 was issued at the same time as the other Eds 70 and 72 addressing for revenue.

# Current IPSAS Developments

## ❖ Revenue - update of IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)

- The IPSASB considered proposals made in the discussion paper, Non-exchange Transfers: A Role for Societal Benefit?, issued by the European Financial Reporting Advisory Group (EFRAG) in November 2018, on the accounting treatment of non-exchange transfers.
- These proposals should be included in a literature review by the IPSASB on approaches to accounting for capital grants and research grants without performance obligations.

# Current IPSASs developments

2018 - 2020

## Lease Accounting

- ❖ New Lease Accounting Model ED64 For The Public Sector published.
- ❖ The IPSASB proposed a single right-of-use model for lease accounting that will replace the risk and rewards incidental to ownership model in IPSAS 13.
- ❖ For lessees, the ED64 proposed to adopt the right-of-use model in [IFRS 16](#) Leases.
- ❖ For lessor, the ED64 proposed to depart from IFRS 16 Leases risk and rewards model because IPSASB's Conceptual Framework and control based in other IPSASs conflicted.

# Current IPSAS Developments

## Lease Accounting

The IPSASB developed a road map for further development of the leases project in light of the responses to ED 64, Leases.

- The IPSASB intends to adopt the lessee accounting requirements in ED 64, subject to decisions on lessor accounting and concessionary leases.
- The IPSASB directed the Leases Task Force to assess in a first step the rationale for departing from the lessor accounting requirements in IFRS 16, Leases.
- The IPSASB decided not to consider the approach to concessionary leases until decisions have been made on lessor accounting.
- Subject to future IPSASB's discussions, the aim was to either approve a standard in March 2020 or to reissue an ED.

# Current IPSASs developments

## 2018 - 2020

- ❖ **2018 - IPSAS 41, Financial Instruments**, approved and issued
  - New requirements for classifying, recognizing and measuring financial instruments.
  - Replaced IPSAS 29, Financial Instruments: Recognition and Measurement.
  - IPSAS 41 is based on IFRS 9, Financial Instruments, developed by the IASB.
  - Additional guidance related to the public sector has been carried forward. This guidance includes:
    - Concessionary loans.
    - Fair value measurement considerations including inputs to valuation techniques.
    - Rights and obligations arising from nonexchange revenue transactions.
  - Effective for periods beginning on or after January 1, 2022.

# Current IPSASs development

## 2018 - 2020

- ❖ **IPSAS 42 Social Benefits standard** was Approved and issued. Issued January 2019.
- ❖ Objective: To define social benefits, and determine when expenses and liabilities for social benefits are recognized and how they are measured,
- ❖ IPSAS 42 was influenced by more recent developments in the IPSASB's literature:
  - ❑ *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*
  - ❑ *Recommended Practice Guideline 1, Reporting on the Long-Term Sustainability of an Entity's Finances*
  - ❑ *Policy Paper, Process for Considering GFS Reporting Guidelines during Development of IPSASs*
- ❖ Effective for periods beginning on or after January 1, 2022.

# Current IPSAS Developments

## ❖ Strategy and Work Plan 2019-2023: Delivering Global Standards. Inspiring Implementation.

- The IPSASB published its strategy and work plan for the period 2019–2023 at the end of February 2019.
- The plan sets out the IPSASB's work intentions and priorities for the next five years.

## ❖ The IPSASB will implement its Strategy and Work Plan 2019-2023 through two streams:

Delivering global standards by:

- *Setting standards on public sector specific issues;*
- *Maintaining IFRS alignment;*
- *Developing guidance to meet users' broader financial reporting needs;*

Inspiring their implementation by:

- *Promoting IPSAS adoption and implementation; and*
- *Advocating the benefits of accrual in strengthening PFM.*

# Current IPSAS Developments

## ❖ Exposure Draft (ED) 67, Collective and Individual Services and Emergency Relief:

- ED 67 forms part of the IPSASB's broader non-exchange expenses project, proposing requirements for collective and individual services and emergency relief.
- The purpose of the IPSASB's project on non-exchange expenses is to develop new or amended standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits.
- The objective of ED 67 is to provide guidance on accounting for collective and individual services, and disaster emergency relief.
- It proposed to amend IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets by application guidance.
- ED 67 was published together with IPSAS 42 at the end of January 2019.

# Current IPSAS Developments

## Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendments to IPSAS 41)

- ❖ The objective of part I of this pronouncement was to make amendments to IPSAS to converge with the narrow-scope amendments to *IAS 28, Investments in Associates and Joint Ventures made by the IASB in Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)* which were issued in October 2017.
- ❖ It clarifies that IPSAS 41, Financial Instruments, including its impairment requirements, applies to long-term interests in associates and joint ventures. Part II proposed amendments to IPSAS to converge with the narrow-scope amendments to *IFRS 9, Financial Instruments, made by the IASB in Prepayment Features with Negative Compensation (Amendments to IFRS 9)* which were also issued in October 2017.

# Current IPSAS Developments

## Updated Q&A: Accounting for Sovereign Debt Restructurings under IPSAS

- The Q&A publication was issued in 2018 by the staff of the IPSASB and aims to highlight how IPSAS reflected the accounting consequences of sovereign debt restructuring transactions.
- It does not constitute an authoritative pronouncement of the IPSASB, neither does it intend to amend or override the requirements of existing IPSAS, nor provide further implementation guidance.

# Current IPSAS Developments

## Public Sector Measurement

- In 2018 the Public Sector Measurement Consultation paper is published. The IPSASB approved the Consultation Paper (CP), Measurement, at its March 2019 meeting.
- The envisaged IPSAS on measurement should identify the most commonly used measurement bases for measuring assets and liabilities for public-sector entities applying for IPSAS.
- The CP includes an illustrative ED which indicates the IPSASB's current thinking on the scope and format of an IPSAS on measurement.

# Current IPSAS Developments

## Infrastructure Assets

In 2017 - A consultation paper on Financial Reporting for Heritage in the Public Sector was issued. Critical issues centred around:

- Develop non-authoritative guidance states separately disclose land and infrastructure assets.
- IPSAS 17 states recognize PPE when probable future economic benefits and cost measured reliably.
  - *IPSAS 17 does not provide control guidance - Develop authoritative application guidance on control of asset.*
  - *Develop non-authoritative guidance on beneficial ownership.*
  - *Develop additional non-authoritative guidance as difficult to value specialized land and infrastructure assets.*

# Current IPSAS Developments

## Heritage Assets – considered as such because of their cultural, environmental or historical significance

- In 2017 - A consultation paper on Financial Reporting for Heritage in the Public Sector was issued. Critical issues centred around:
  - whether heritage assets used for heritage purposes be recognized – are they resources (service potential and/or future economic benefits)?
  - Guidance needed on control of heritage items, to support assessments of whether they are assets.
  - Guidance needed on estimation of heritage assets' useful lives and heritage assets that should not be depreciated.
  - Guidance needed on indicators of impairment and heritage assets to which impairment should not apply.

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# Improvements to IPSAS - 2019

## Improvements to IPSAS, 2019

- In January 2020, IPSASB issued the improvements to IPSAS in 2019 to address issues raised by stakeholders.
  - **IPSAS 5, Borrowing Costs** - Amendments to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.
  - **IPSAS 30, Financial instruments: Disclosures** - Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued and to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.
  - **IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets** - to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets

# Improvements to IPSAS - 2019

## Improvements to IPSAS, 2019

- **IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).** - to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued, and Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.
- **IPSAS 13, Leases** - Amendments to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.
- **IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.** - Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.

# Improvements to IPSAS - 2019

## Improvements to IPSAS, 2019

- **IPSAS 40, Public Sector Combinations.** - Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued

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# Questions

