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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 Exposure Draft—Role, Authority and Scope, Objectives and Users, Qualitative Characteristics and Reporting Entity (CF–ED1)

The IPSASB completed its review of a draft Framework dealing with the matters addressed in Phase 1 and provided Staff with directions for development of a final draft of this Phase of the Framework. The final draft will be revisited as other Phases of the Framework are further developed to identify and resolve any overarching issues and to ensure that all Phases of the Framework articulate. The IPSASB confirmed that the draft Phase 1 Framework will reflect the following.

• The Role and Authority of the Framework and the Scope of Financial Reporting:
  o The Conceptual Framework will establish the concepts that underpin financial reporting and will be applied by the IPSASB in developing IPSASs. The Framework will not establish authoritative requirements or override the requirements of IPSASs, but can provide guidance in dealing with financial reporting issues not dealt with by IPSASs or non-authoritative guidance issued by the IPSASB.
  o General purpose financial reports (GPFRs) encompass financial statements, including notes thereto, and the presentation of information that enhances, complements and supplements the financial statements.

• The Objectives, Users and Information provided by GPFRs:
  o The primary users of GPFRs are service recipients (and their representatives) and resource providers (and their representatives).
  o The objectives of financial reporting are the provision of information useful for accountability and decision-making purposes by users.
  o GPFRs can provide information about:
    ▪ Financial position, financial performance and cash flows;
    ▪ Budget information;
    ▪ Service delivery achievements;
Prospective financial and non-financial information; and
Explanatory information.

- **The Qualitative Characteristics (QCs) of, and Constraints on, Information included in GPFRs:**
  - The QCs are relevance, faithful representation, understandability, timeliness, comparability, and verifiability.
  - The constraints are materiality, cost-benefit, and achieving an appropriate balance between the qualitative characteristics.

- **The Reporting Entity:**
  - A public sector reporting entity is a government or other public sector organization, program or identifiable area of activity that prepares GPFRs. It may comprise two or more separate entities that present GPFRs as if they are a single entity.
  - Key characteristics of a public sector reporting entity are that:
    - It is an entity that raises economic resources from, or on behalf of, constituents and/or uses economic resources to undertake activities for the benefit of, or on behalf of, those constituents; and
    - There are service recipients or resource providers dependent on GPFRs of the entity for information for accountability or decision-making purposes.

**Phase 2 Consultation Paper—Elements and Recognition in Financial Statements (CF–CP2)**

The IPSASB completed its review of the 36 responses received to CF–CP2. In addition to considering outstanding issues and providing directions to Staff, the IPSASB also further considered the nature of enforceability, whether enforceability should be a key characteristic of a liability arising from obligations related to non-exchange transactions and approaches to deferred inflows and deferred outflows.

The IPSASB reconsidered the use of “service potential” and “economic benefits” in the definition of an asset and agreed that the phrase “service potential or economic benefits” should be used in the definition of an asset.

Having acknowledged that ownership interests exist in the public sector, the IPSASB considered whether such interests should be defined as an element. The IPSASB concluded that ownership interests are not a prevalent feature of the public sector but that certain components of ownership interests would have to be defined so that they can be distinguished from revenue and expenses.

The IPSASB concluded that enforceability is not a key characteristic of a liability for either an obligation arising from an exchange or a non-exchange transaction. The IPSASB directed Staff to carry out further work on the nature and interpretation of constructive obligations in the context of non-exchange transactions.

The IPSASB decided to explore further all approaches to deferred outflows and deferred inflows, including presentation, as well as defining separate elements.

An Exposure Draft of the Elements and Recognition section of the Conceptual Framework will be initially considered in June.
Key Characteristics of the Public Sector

The IPSASB considered the responses to the Exposure Draft (ED), *Key Characteristics of the Public Sector with Potential Implications for Financial Reporting*. The majority of respondents were supportive of the ED and considered that it should be published with the Conceptual Framework.

Respondents expressed some specific reservations, principally that:

- The ED had not highlighted adequately the areas where the identified characteristics have an impact on public sector financial reporting; and
- A number of the identified characteristics are either not specific to the public sector or are over-emphasized.

The IPSASB decided that the ED should be further developed and reconsidered at a future meeting.

Staff was also directed to carry out further work on the linkages with the four phases of the Conceptual Framework project as part of the identification and resolution of overarching issues.

IPSASB staff member contact – John Stanford: johnstanford@ifac.org

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Financial Statement Discussion and Analysis

The IPSASB approved an Exposure Draft (ED) 47, *Financial Statement Discussion and Analysis*. ED 47 proposes that, because of the close link of financial statement discussion and analysis with the financial statements:

- The authority of the pronouncement should be an IPSAS with the same authority as accrual IPSASs;
- Financial statement discussion and analysis should be required when financial statements using accrual IPSASs are prepared;
- The reporting entity and time period in financial statement discussion and analysis should be the same as for the financial statements; and
- The qualitative characteristics of financial reporting and constraints should be those addressed in IPSAS 1, *Presentation of Financial Statements*.

The ED proposes minimum content requirements for the preparation and presentation of financial statement discussion and analysis and provides guidance to show how an entity could comply with those requirements.

The ED has a response date of July 31, 2012.

IPSASB staff member contact – Joy Keenan: joykeenan@ifac.org

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Public Sector Combinations (formerly Entity Combinations)

At its December 2011 meeting, the IPSASB agreed a working definition for entity combination as “the bringing together of separate operations into one entity either as an acquisition or an amalgamation.” The term “operation” is used because it encompasses both “part of an entity” and an “entity.” As a consequence, the title of the project is now “public sector combinations.”
The IPSASB considered a draft Consultation Paper (CP), Public Sector Combinations. The IPSASB tentatively agreed that:

- The structure of the draft CP should be changed to first distinguish between acquisitions and amalgamations and, secondly, to distinguish acquisitions or amalgamations that are not under common control (NUCC) or are under common control (UCC).
- Discussion of recognition issues, such as acquisition date, needs to be added to the draft CP.
- A sub-section on goodwill needs to be added to acquisitions NUCC as to whether goodwill can arise in the public sector.
- A sub-section on the treatment of the difference arising needs to be added to acquisitions UCC to include the option for gains or losses to be recognized directly in accumulated surplus or deficit, or be treated as contributions from owners or distributions to owners.

The IPSASB will consider a revised draft Consultation Paper at the June 2012 meeting.

IPSASB staff member contact – Annette Davis: annettedavis@ifac.org

IPSASB Work Program

The IPSASB discussed its current work program including projects in progress and those approved and committed but not yet commenced. It is expected that during 2012 the committed projects on Public Sector Financial Instruments, Revision of IPSASs 6–8, and Government Business Enterprises, will commence. The only committed project that will be deferred is that to amend IPSASs 28–30 on Financial Instruments – this project will be undertaken once the IASB completes work on its financial instruments project (expected to be 2013).

Based on its current level of resources, and the projects in place and committed, the IPSASB decided that no additional projects will be added to the work program at this time. In addition, the IPSASB decided that it will undertake a limited public consultation on its work program to allow constituents to provide feedback on projects that should be added to the work program during 2013–2014. It is anticipated that a draft Consultation Paper will be considered by the IPSASB in June 2012 with a view to approval shortly thereafter.

In 2014, the Public Sector Conceptual Framework project will be completed and it is anticipated that new oversight and governance structures will be in the process of being implemented. It would therefore be appropriate to undertake a fundamental and wide-ranging consultation on the strategic direction of the work program at that stage.

IPSASB staff member contact – Technical Director, Stephenie Fox: stepheniefox@ifac.org

First-Time Adoption of Accrual IPSASs

The IPSASB had an extensive discussion of the issues related to the first-time adoption of accrual IPSASs. The IPSASB discussed the scope of a possible standard and confirmed that it will not consider transitional arrangements from a non-IPSAS compliant cash basis to the IPSAS compliant cash basis standard. In addition, the Board confirmed that the transition to a non-IPSAS compliant accrual basis is also not in the scope of the project and concluded that no
matter which accounting basis an entity had applied before its transition, the standard should focus on the end result of a transition, i.e., IPSAS compliant financial reports.

Because the project has a more technical focus, the IPSASB concluded that the development of an Exposure Draft (ED) would be advisable. It was, however, noted that if the IPSASB does not agree on the proposed transitional provisions, a Consultation Paper could be issued instead of an ED. The IPSASB agreed that transitional arrangements which allow a period of time to comply with IPSASs are considered to be inappropriate. The IPSASB confirmed the need to provide guidance on an opening IPSAS Statement of Financial Position on first-time adoption of accrual IPSASs. The IPSASB also agreed that the ED should encourage entities to provide comparative amounts on first-time adoption but there should be no requirement to provide them.

With respect to public sector statistical reporting guidance, the Board recommended that this issue should be neutrally addressed in an ED on first-time adoption. The Board also suggested that perhaps Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities* (Third Edition) could include a full discussion on the issues related to alignment of IPSASs and public sector statistical reporting guidance.

The aim of the IPSASB is to approve an ED at its December 2012 meeting.

IPSASB staff member contact – Jens Heiling: jensheiling@ifac.org

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**Next Meeting**

The next IPSASB meeting will be held in Toronto, Canada on June 11–14, 2012.