



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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DATE: 25 MAY 2006  
MEMO TO: MEMBERS OF THE IPSASB  
FROM: PAUL SUTCLIFFE AND MATTHEW BOHUN  
SUBJECT: **INTERNATIONAL PUBLIC SECTOR ACCOUNTING  
STANDARDS**

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### **ACTION REQUIRED**

The IPSASB is asked to:

- **note** developments in the areas outlined below; and
- **provide** input on any further developments to Matthew Bohun

### **BACKGROUND**

The purpose of this paper is to provide an overview and update on funding, promotion and translation activities since the last meeting in Tokyo in March 2006. This is a standing item on the IPSASB Agenda. The Work Plan for 2006 and beyond is considered in detail at Agenda items 6.2, 6.3, 6.4 and 6.5. (Please note it is intended that items 6.2, 6.3, 6.4 and 6.5 form the basis of the IPSASB's discussion of its medium and long term objectives and strategy scheduled for Thursday morning, 6 July.)

#### **(i) Standards Program Funding**

Financial information regarding operation of IPSASB's standards program during 2006 will be provided to members at the meeting.

A funding subcommittee comprising Ian Ball (Convener), Philippe Adhémar, Mike Hathorn, Rick Neville, Simon Bradbury, Laurence Brady (IFAC Consultant) and Paul Sutcliffe has been established to pursue funding opportunities. Matthew Bohun provides staff support to that subcommittee.

A verbal report on funding activities will be provided at the meeting. At this stage the only funding commitments in place for 2006 are US\$250K from the World Bank and ongoing support from IFAC. However, it is anticipated that additional commitments will be in place in the near future.

#### **(ii) Standards Project Promotion and Key Relationship Management**

##### *Background*

Staff maintain a list of presentations in support of the IPSASB and IPSASs made by members, technical advisors, observers and staff in previous years. A list of invitations and presentations made/scheduled in 2006 is set out below. If you have agreed to present during 2006, or have already presented at any seminars or meetings that should be included in this list, please inform Matthew Bohun. In addition to matters identified in this list, IPSASB members and their technical advisors and observers also report on a regular basis to their member bodies, national Boards and/or other relevant bodies on IPSASB activities. The

IPSASB Chair and staff also report to the IFAC Board and relevant IFAC Committees on a regular basis.

### 2006 Invitations and Activities

<b>Date</b>	<b>Location/Activity</b>	<b>Host/Participants/Journal</b>	<b>IPSASB Member, TA, Observer, Staff</b>
January	Mumbai	Institute of Chartered Accountants of India	Mike Hathorn, Ian Ball
January	Karachi	Institute of Chartered Accountants of Pakistan	Ian Ball
January	Phnom Pehn	Cambodia-Japan Cooperation Center – Seminar on IPSASs and ED 24.	Tadashi Sekikawa
January	Zurich	State Parliament of Zurich	Andreas Bergmann
January	Brussels	European Court of Auditors	Jean-Luc Dumont
January	San José	School of Accountants of Costa Rica	Carmen Palladino
January	San José	National Accounting Office of Costa Rica	Carmen Palladino
January	Concepcion	Public Budget Association of Paraguay and Center of mathematics and Financial High Studies of Paraguay	Carmen Palladino
January	Journal Articles	Roeh Haheshbon (Journal of the Israel Institute of CPAs)	Ron Alroy
January	Mumbai, India	Institute of Chartered Accountants of India – International Conference on “Accountancy Profession’s Role in Fostering Economic Growth”	Ian Ball
February	Karachi, Pakistan	Institute of Chartered Accountants of Pakistan – International Conference “Role of IFAC in Restoring Public Confidence in the Accounting Profession”.	Ian Ball
February	Washington	XBRL International – meeting to discuss development of an IPSAS Taxonomy for XBRL	Matthew Bohun
February	Luxembourg	UK CCAB Groups in Europe Professional Practice – IPSASB update	Liz Cannon
February	Paris	Presentation to OECD – DAC on ED 24 “External Assistance”	Philippe Adhémar
February	London	Financial Reporting Advisory Board: Non-Exchange Revenue and Social Policy Obligations	Mike Hathorn and John Stanford
February	New Delhi, India	World Bank Workshop	Ron Points
February	Dhaka, Bangladesh	World Bank Workshop	Ron Points
February	London	UK Financial Reporting Advisory Board – presentation on ED 29, Revenue from Non-Exchange	Mike Hathorn

Date	Location/Activity	Host/Participants/Journal	IPSASB Member, TA, Observer, Staff
		Transactions	
March	Journal Article	IICPA <i>Newsletter</i> . Comprehensive review of IPSASB work	Ron Alroy and Haya Prescher
March	Paris	Presentation to/participation in OECD Senior Budget Officers' Symposium – accrual accounting	Philippe Adhémar and Paul Sutcliffe
March	Paris	TFHPSA - Presentation on IPSASB work program. Discussion of ED 28 General Government Sector Disclosures	Paul Sutcliffe Paul Sutcliffe
March	Tokyo	Seminar	Philippe Adhémar David Bean Jean-Luc Dumont
March	Brighton UK	CIPFA: Annual Local Authority Accounting Conference – IPSASB Update	John Stanford
March	London	CIPFA/UK Accounting Standards Board – Round Table on Heritage Assets	Liz Cannon
November	Istanbul	World Congress of Accountants	Philippe Adhémar Andreas Bergmann Simon Bradbury Ian Ball

### (iii) Handbooks

The 2006 Handbooks in English are available. Spanish and French editions of the 2005 “IFAC Handbook of Public Sector Pronouncements” are available for download from the IPSASB web. A limited number of hard copy editions have been printed and are available for members.

### (iv) Translations

It is intended that the IPSASB Handbook will be updated when new or revised IPSASs are released. (Currently the technical content of the 2005 and 2006 Handbooks are the same.) Translations of IPSASB documents into languages other than French and Spanish are also in progress, or have been completed, by member bodies and other interested organizations. The table below summarizes progress on all translation activities to date. Please advise Matthew Bohun of any further amendments to this listing.

Language	Organization	Status
French	IASC-IPSASB Arrangement	IPSASs 1 – 21, Cash Basis IPSAS and Preface completed and available.
Spanish	IASC – IPSASB Arrangement	IPSASs 1 – 21, the Glossary of

<b>Language</b>	<b>Organization</b>	<b>Status</b>
		Defined Terms and the Cash Basis IPSAS completed and available.
Czech	Chamber of Auditors of the Czech Republic.  Supreme Audit Office of Czech Republic	IPSASB Handbook has been translated and is available.  Memorandum of Understanding to Translate IPSASs signed May 2005.
Bosnia and Macedonia	Ministry of Finance	The accrual and cash basis IPSASs have been translated into the Macedonia language but not yet copied into the government "register". No progress on translation in Bosnia.
Russian	International Center for Accounting Reform (ICAR)  USAID  Chamber of Auditors of the Republic of Kazakhstan (IFAC Member Body)  Samara Region Institute	Translation of following completed: IPSASs 1-12, the Glossary of Defined Terms, IPSASB Studies and Guideline 1 on GBE's.  2005 Handbook has been translated.  The Kazakhstan member body is translating the IPSASB Handbook into Russian.  Enquiry re authority to translate received. (Staff have advised of other Russian translation activity.)
Chinese	PRC Ministry of Finance in conjunction with World Bank  Federation of CPA Associations of Chinese Taiwan (IFAC Member Body)	IPSASs 1 – 20 and Glossary of Defined Terms completed.  Study 11 has been translated into Chinese.
Arabic	The Palestinian Association of Accountants and Auditors  Arab Society of Certified Accountants, Amman, Jordan (IFAC Member Body)	Translated IPSASs 1 – 12. Translation of IPSASs 13 – 20 in progress.  ASCA has prepared a translation of the IASs into Arabic and translated IPSASs 1-13, Studies 3-12, Guidelines 1 and 2, and is currently translating Studies 13 and 14 and Occasional papers 4 and 5.
Italian	Consiglio Nazionale dei Dottori Commercialisti (IFAC Member Body)	IPSASs 1-17 completed. IPSASs 18-20 under way.

<b>Language</b>	<b>Organization</b>	<b>Status</b>
Bahasa Indonesia	Professor Indra Bastian	IPSASs 1-15 have been translated.
Maltese	Grant Thornton – Malta Office, on behalf of the Government of Malta	English versions used. No translations occurring.
Japanese	Japanese Institute of Certified Public Accountants (IFAC Member Body)	Translation of IPSASs 1- 20, Cash Basis, Study 11 and Study 14 completed.  Memorandum of Understanding to translate IPSAS 21 signed August 2005.
Mongolian	Mongolian Institute of Certified Public Accountants (IFAC Associate Member Body) with World Bank support	Translation of IPSAS 1-20 completed.
German	Institut Der Wirtschaftsprufer (IDW)	Memorandum of Understanding to translate IPSASs signed June 2005.
Bulgarian	Institute of Certified Public Accountants of Bulgaria (IFAC Member Body)	The Bulgarian member body is translating the IPSASB Handbook.
Lithuanian	Accounting Methodology Department, Lithuanian Ministry of Finance	Permission sought to translate. Application supported and approval in progress.
Hebrew	Ministry of Finance, State of Israel	Memorandum of Understanding to translate IPSASB Handbook signed in February 2005.
Serbian	Serbian Association of Accountants and Auditors	Memorandum of Understanding to translate IPSASs signed May 2005.



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DATE: 25 MAY 2006  
MEMO TO: MEMBERS OF THE IPSASB  
FROM: PAUL SUTCLIFFE  
SUBJECT: **IPSASB STANDARDS PROGRAM WORK PLAN**

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### **ACTION REQUIRED**

The IPSASB is asked to:

- **Review** the draft work plans in the context of the IPSASB's review of its medium and long term strategy and objectives; and
- **Provide** directions to staff regarding any amendments.

### **AGENDA MATERIAL:**

	Pages
6.3 Review of medium and long term strategy and implications	6.9 – 6.41
6.4 IPSASB Work Plan for 2006+	6.42
6.5 IPSASB Work Plan for 2006 – 2008	6.43
6.6 Projects of National Standards Setters	6.44 – 6.48
6.7 IASB update	To follow in 2 <sup>nd</sup> distribution

### **Status June 2006**

The 2006 and 2006-2008 work plans have been updated to reflect decisions made at the meeting in Tokyo, and subsequent progress. Clean copies of the work plans are attached as items 6.4 and 6.5. Major activities/outputs since that meeting and an update on major projects are outlined below. The work plans are based on the expectation that at least the existing level of staff resources is available to the IPSASB during this period.

At its March meeting, the IPSASB agreed to review its medium to long term objectives and strategy at this (July 2006) meeting. The work programs are provided as input to that review. They have been updated to reflect that the review will take place at this meeting, and are subject to change dependent on the consequences of the review and other decisions made at this meeting. Background to the strategy review and initial discussion points are identified in Agenda item 6.3.

### ***Documents issued since the last meeting***

The following documents have been finalized and issued since the March 2006 meeting of the IPSASB:

- USA Information Paper was finalized and issued in late March 2006, following the IPSASB meeting.
- IPSASB Update 4, which summarizes the IPSASB March 2006 meeting, was issued in English, French and Spanish in April 2006.
- ED 30, "Impairment of Cash Generating Assets" was updated, reviewed and finalized for issue during April/May 2006. It will be issued during June.

### **Structure of Work Plan**

The Structure of the work plans reflect that agreed at the March 2006 meeting:

- Part 1 indicates the current 2006 program. Projects in Part 1 are grouped to reflect the IPSASB's project priorities (first priority being public sector specific issues, second priority being the IASB convergence projects and third priority being the IPSAS statistical bases convergence projects).
- Part 2 identifies those projects that the IPSASB has previously identified as becoming active in the future when additional staff resources become available. These projects will, of course, be subject to examination as part of the strategy review.

#### *Projects of Other Standards-Setters and IASB Update*

Agenda item 6.6 provides a high level summary/overview of the broad types of projects that are being considered by standards setters and authoritative bodies in IPSASB member countries. These encompass short, medium and long term projects. This summary/overview is provided for members as input to consideration of the IPSASB's medium and long term strategy and its implications for the current work plan. The summary/overview was prepared from input provided by members in response to a request from staff (April 2006). It will be updated as additional input is received. Please advise John Stanford of any revisions, additions, etc and it will be updated for tabling.

The IASB Update is included at item 6.7 for consideration in conjunction with the strategy review. (The IASB Update will be included in the second distribution of agenda materials.)

#### **Public Interest Board**

A verbal update on progress to establish the IPSASB as a Public Interest Board of IFAC under the oversight of the PIOB will be provided at the meeting.

#### **Project Updates – major items for discussion at this meeting**

##### *Accounting for Social Policies of Government – non-pensions - Agenda item 8*

A revised draft Exposure Draft on Accounting for Social Policies of Government other than pensions is included at Agenda item 8. It has been amended as directed at the last meeting.

##### *Social Security Pensions - Agenda item 9*

An extract of a draft ED that deals with social security pensions is included at Agenda item 9. It has been amended as directed. A report on relevant SNA developments will also be presented during consideration of Agenda item 9.

##### *Employee Benefits – Agenda item 10*

An updated draft ED based on the requirements of IAS 19, "Employee Benefits" revised as directed at the last meeting is included at Agenda item 10. Input on the discount rate has been received from the OECD and others with experience and expertise in this matter. It is also included at Agenda Item 10.

##### *External Assistance - Agenda item 11*

The first draft of an exposure draft proposing amendments to the Cash Basis IPSAS "Financial Reporting Under the Cash Basis of Accounting - Disclosure Requirements for Recipients of External Assistance" is included at Agenda Item 11 for members review. This draft ED has been developed after IPSASB review of submissions on ED 24 and extensive consultation with Consultative Group members and other constituents. As agreed at the last meeting, it proposes required and encouraged disclosures.

*Service Concession Arrangements - Agenda item 12*

A report from the IPSASB subcommittees monitoring the IFRIC Service Concessions project and materials for discussion with the standard setters and similar organizations (NSS) are included at Agenda item 12. (Will be included in second distribution of Agenda materials.)

*IPSASB Conceptual Framework – Agenda item 13*

A Project Brief and other materials to support the IPSASB's discussion of the development of a public sector conceptual framework with national and international standards setters and similar bodies are included at Agenda item 13. A report on the work of the group of National Standards Setters that is monitoring the IASB-FASB framework project is also included at this Agenda item. (Will be included in second distribution of Agenda materials.)

*Draft IPSASs based on EDs 25, 26, 27 and 28 – Agenda items 14, 15, and 16.*

Proposed amendments to the Preface and first draft improved IPSASs 1, 2 and 4 based on comments received on EDs 25 and 26 and members' directions at the last IPSASB meeting are included at Agenda item 15.

First draft IPSASs "Presentation of Budget Information in Financial Statements" and "Disclosure of Information about the General Government Sector" are included at Agenda items 14 and 16 respectively. These IPSASs have been developed to reflect members' directions following initial review of responses to EDs 27 and 28 at the last IPSASB meeting. (Will be included in second distribution of Agenda materials.)

*Impairment of Cash Generating Assets and ED 29 "Revenue from Non-Exchange Transactions" - Agenda item 17*

Proposed Exposure Draft ED 30 "Impairment of Cash Generating Assets" was distributed to members for review and approval to issue in late May 2006. Subject to agreement by members and final review by the Chair it will be issued in June/July 2006. If not agreed, any outstanding issues will be brought to this meeting for further discussion and approval to issue. Item 17.1 is included for your information, it reports on the process which occurred subsequent to the last meeting.

Exposure Draft ED 29 "Revenue from Non-Exchange Transactions" was issued for comment in January 2006. Comments are requested by June 30. Staff will monitor all responses received and provide an update on responses received and major issues identified at the next meeting. A report will be included in the second distribution or tabled as appropriate.

*Consultative Group - Agenda item 19*

The updated Consultative Group membership list is included at Agenda Item 19. A meeting with members of the Consultative Group and other key constituents from Europe will take place in conjunction with the forthcoming meeting (on July 3). A program for that meeting is included at Agenda item 1.4.

*Non-Technical – Promotion and Translation*

Translation and promotion activities are identified in detail in Agenda item 6.1.

*Staffing 2006*

An update on staffing arrangements will be provided at the meeting.





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DATE: 25 MAY 2006  
MEMO TO: MEMBERS OF THE IPSASB  
FROM: P ADHÉMAR AND P SUTCLIFFE  
SUBJECT: **IPSASB MEDIUM AND LONG TERM STRATEGY REVIEW**

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### **ACTION REQUIRED**

The IPSASB is asked to:

- **Note** background to Strategy Review and major areas for consideration;
- **Identify** additional matters for consideration during the strategy review; and
- **Provide** input to discussion at the forthcoming meeting

### **BACKGROUND**

At its March meeting, the IPSASB noted that its work plan was focused on completion of a number of projects currently in development which reflects the three priorities agreed by the IPSASB in 2004, and that it should undertake, or at least commence, a broad based review of its medium to long term objectives and strategy at this (July 2006) meeting. The purpose of that review being to confirm or modify its future activities and priorities and to respond to funding and staff resources anticipated to be available over the longer term. Members noted that this was appropriate given the potential for new relationships with National Standards Setters and other similar bodies which may be developed at this meeting and with changes in Board leadership, resources and staffing likely in 2007.

The remainder of this paper provides background to the current work plan and identifies matters that members may wish to consider in their discussion of medium to long term objectives and strategy. It deals with:

#### *A. Background: Current Strategy and Work Plan*

- The current strategy of the IPSASB is focused on delivery of the following priority projects:
  - First, public sector specific projects
  - Second, convergence with IASs/IFRSs
  - Third, convergence with statistical bases of reporting
- The current work program and likely timing for completion of current active projects
- Projects currently identified as important but not yet actioned.

#### *B. Key Factors for Consideration*

- Staffing
- IPSASB meeting time
- Use of subcommittees
- Potential for further developments in relationships with National Standards Setters.

*C. IPSASB Objective*

*D. Strategy – Delivery of Objective*

*E. Promotion and Relationship Management*

Members are requested to provide input to the Chair and staff on additional matters that may usefully be discussed as part of this session. Those additional matters will be summarized by staff and distributed to all members prior to the meeting.

*Meeting Process*

This paper has been structured to provide background to this review of objectives and strategy, and to identify key factors to be considered in that review. To facilitate deliberations a number of potential discussion points are identified in each section.

There are two overarching key discussion points that will frame and influence the IPSASB's responses to a number of specific issues to be considered in this paper. They are the objectives of the IPSASB during the medium to long term and the strategy for delivery of those objectives. It is proposed the strategy discussion commence with discussion of these two items:

- **Discussion Point – Objective**

*Confirmation or otherwise that current objective of the IPSASB is appropriate.*

- **Discussion Point – Strategy for Delivery of Objectives**

*It is anticipated that in the course of its strategy review the IPSASB will consider the project package that will deliver its objective and the relative priority of those projects.*

## **A. BACKGROUND: CURRENT STRATEGY AND WORK PLAN**

The current project priorities are:

- First, public sector specific projects;
- Second, IFRS convergence; and
- Third, statistical basis convergence.

The 2006 and 2006-2008 work plans reflect the current staff establishment available to progress those priorities.

The work plans are included at items 6.4 and 6.5 and identify projects in progress and those currently on the work plan but not actioned. They are provided as input to that review and are subject to change dependent on the consequences of the review and other decisions made at this meeting.

*Projects currently in progress for remainder of 2006 through 2008 (see agenda item 6.5)*

Projects currently under development by the IPSASB during the remainder of 2006, and anticipated outcomes during 2007/2008, are outlined in Figure 1 below.

The IPSASB has already invested significant resources in progressing many of these projects. While the full IPSASB work program is subject to consideration as part of the IPSASB's review of its medium to long term objectives and strategy at this meeting, it is not anticipated that the strategy review at this meeting will result in termination or substantial rescheduling of these projects.

Following discussion and direction at this meeting the work plans will be revised to reflect members' directions regarding relative priorities and project review, commencement and projected completion dates.

**Discussion Point – Current Projects**

*Confirmation or otherwise that current active projects on IPSASB work plan retain their relative priority and will be completed as anticipated and reflected in 2006 and 2006 - 2008 work plans.*

FIGURE 1 – IPSASB CURRENT ACTIVE PROJECTS

*Public sector specific projects*

- Non-Exchange Revenue (including taxes) – Consider responses to ED and develop final IPSAS (July and November 2006 and ongoing if necessary)
- Social Policies of Government – Finalize ED on social benefits other than pensions for approval to issue (July 2006). Co-ordinate issue with pension ED later in 2006 if appropriate. Issue IPSAS 2007
- Social Policies of Government (Pensions other than Government Employees) - Consider and finalize ED/EDs on pensions (July and November 2006). Issue IPSAS 2007
- Consider and monitor SNA developments on social security pension schemes (July 2006 and ongoing)
- External Assistance - Cash Basis. Consider, approve and issue ED and pursue field testing of the new ED (July and November 2006). Issue IPSAS/revised cash basis IPSAS 2007
- Reporting Compliance with Budgets – Consider draft IPSAS based on ED 27 “Presentation of Budget Information in Financial Statements” and issue IPSAS. (July and November 2006).
- Heritage Assets – Consider responses to Consultative Paper issued in first Quarter 2006. As appropriate, action development of ED and/or other Consultation Papers. (November 2006 and ongoing). Issue IPSAS 2008
- Service Concessions (public-private sector arrangements). Monitor IASB-IFRIC developments. Provide leadership in the establishment and actioning of a collaborative project with national standards setters and similar bodies to deal with public sector entities which are party to such arrangements (July, November 2006 and ongoing). Issue IPSAS 2008
- Conceptual Framework – monitor IASB-FASB project and work of National Standards Setters thereon. Develop project brief and action collaborative project for development of IPSASB Conceptual Framework with national standards setters and similar bodies (July, November 2006 and ongoing). Issue Framework 2008

*IPSAS-IFRS convergence projects*

- IPSAS Improvements Project. Finalize revised Preface to deal with equal authority of paragraphs in IPSASs (July 2006)
- IPSAS Improvements Project – develop and approve revised IPSASs based on ED 26 “Improvements to International Public Sector Accounting Standards” and responses thereto (July and November 2006 and ongoing if necessary). Issue Handbook including revised IPSASs 2007
- Develop, approve and issue IPSAS based on IAS 19 “Employee Benefits” to the extent appropriate for the public sector (July and November 2006). Issue IPSAS 2007
- Impairment of Cash Generating Assets – Approve and issue draft ED based on IAS 36 “Impairment of Assets” to extent appropriate for public sector. (Approve ED out of session 2<sup>nd</sup> quarter 2006). Issue IPSAS 2007.
- Progressively improve other IPSASs to better converge with IFRSs where appropriate, subject to available resources

*IPSAS and Statistical bases of financial reporting convergence projects*

- Approve and issue IPSAS based on ED 28 “Disclosure of Financial Information about the General Government Sector” and comments thereon (July and November 2006)

*Projects on work plan but not currently actioned 2006 (see agenda item 6.5)*

The following have previously been specifically identified by the IPSASB as projects for action as resources allow, and included on the work plan on that basis. They include a number of projects at each priority level – public sector specific, IFRS convergence and statistical basis convergence. Given the resources currently available to the IPSASB, they have not been identified for action in 2006.

At its March 2006 meeting, the IPSASB noted the importance of completing its review of the Cash Basis IPSAS during 2007, and noted finalization of the requirements for disclosure by recipients of external assistance could usefully be linked with progress on/completion of that review.

Except for the review of the Cash Basis IPSAS action/completion dates have not been identified for other projects in this list. The work plan therefore reflects that their status will be subject to review at this meeting:

- Review implementation issues re Cash Basis IPSAS – complete review during 2007
- Budget – prospective budgets
- MDA/Operations Review
- Kyoto Protocol
- Study 14 – Consider if update is necessary
- Survey on use of IPSASs – consider project proposal
- Non-Financial Performance Reporting – consider strategy
- IAS 26 Retirement Benefit Plans
- Continue IPSAS Convergence with other IFRSs
- IPSAS and Statistical bases of financial reporting – ongoing liaison with statistical community, performance reporting including monitor IASB project on reporting comprehensive income
- IPSAS 17 to be reviewed and as appropriate updated to deal with potential developments in heritage assets, impairment of assets and asset valuations and revaluations.

There are also projects that the IPSASB has raised as potentially important projects but has not yet included on its future work plan, such as reporting sustainability of public sector programs.

### **Discussion Point – Potential Projects**

*It is proposed that as the IPSASB develops views on its medium to long term objectives during this session, it return to this listing and confirm or otherwise the relative priority of these projects, including whether they should continue to be specifically identified on the work plan, and identify any additional projects that should be added.*

## **B. KEY FACTORS FOR CONSIDERATION**

The following are key factors that have shaped the current IPSASB work plan and could usefully be considered in the IPSASB's review of its medium to long term objectives and strategy.

As part of the review, members are requested to identify other matters that should be factored into the review process.

*Resources - Staffing*

Current staff level is one technical director in Australia, one senior technical manager (on secondment until late 2006) in UK, and one technical manager in New York. (Given administrative and IFAC liaison activities that fall within the responsibility of New York based staff this reflects a staff resource available for technical project development of around 2.5 to 3.)

It is anticipated that for 2007 and beyond, staff levels will be as outlined below. (Please note location of IPSASB staff in Canada has not yet been confirmed. However, wherever located, for purposes of this discussion, it is useful to assume staff resources as outlined below.)

- In Toronto – one technical director, one senior technical manager and two technical managers (one on secondment from CICA). (The potential for an additional technical manager on a twelve month secondment in Toronto is also being explored.)
- In New York – one technical manager.  
(a total of 4.5 to 5 staff available for technical project development with the potential of an additional secondee.)

In addition, there is the potential that staff of national standards setters and similar national bodies may work with the IPSASB on designated projects and/or, subject to funding, for consultants to provide support on other projects. The potential for additional resources to be provided by IFAC itself will also be explored.

An increased staff establishment provides the Board with the potential to pursue additional projects on its work plan.

The Board will discuss at this meeting the potential for actioning additional projects on service concessions and the development of a public sector conceptual framework as collaborative projects with National Standards Setters and similar national bodies at this meeting. It is anticipated that National Standards Setters and national bodies will be able to provide staff resources in support of these projects. However, as members consider deployment of additional staff resources, it is appropriate to note that the collaborative projects themselves are likely to be long term and will absorb IPSASB meeting time, some IPSASB staff resources (in co-ordinating collaborative projects), and place additional demands on members' time (if subcommittees are used to progress these projects).

An overview of staff commitments to existing projects and potential staff time for allocation to other projects is provided at Attachment 1 to this paper. That overview does not yet include other priorities that members may identify as part of this strategy review or reflect any revised priority for items not yet actioned.

The projected staff allocation and availability in Attachment 1 anticipates that the equivalent of one full time staff member will be provided to the IPSASB by National Standards Setters and similar bodies to service the conceptual framework project for a three year or more period.

**Discussion Point – Allocation of Staff Resources**

*It is proposed that as the IPSASB develops views on its medium to long term objectives and strategy during this session, and the implications of those views for the allocation of staff resources, the IPSASB consider how its anticipated staff establishment be allocated across its work program.*

*Resources - IPSASB Meeting Time*

Currently the IPSASB meets three times each year for four days. Half a day of each meeting is devoted to a regional seminar. A further two hour session is devoted to meeting with Consultative Group members and other IPSASB constituents from the region.

The current work-load on members is significant – it involves substantial time in preparing for IPSASB meetings, in attending meetings and in follow up on technical and promotional activities. IPSASB members, including the Chair, serve on a part time basis and it is unlikely that additional or longer meetings can be scheduled. In addition, the seminars, particular in regions that the IPSASB has not previously visited, and the discussion/consultation sessions with Consultative Group members and other IPSASB constituents program add significant value to IPSASB deliberations. It is, therefore, not recommended that the time allocated for these activities at each IPSASB meeting be reduced.

The IPSASB has a full technical agenda at each meeting. While the IPSASB generally moves through all technical items on its agenda, there is little slack time and rarely the opportunity to add additional technical items.

There is then little potential for additional IPSASB meeting time to be found within the current meeting schedule, and, given the already significant demands on member's time, little likelihood that that meeting schedule can be extended.

*Resources - Use of Subcommittees*

As noted above, the Board will discuss at this meeting the potential for actioning collaborative projects with National Standards Setters and similar national bodies. In the context of those discussions, the use of subcommittees is likely to be raised.

The IPSASB currently has subcommittees monitoring the IASB-IFRIC work on service concessions and the IASB-FASB joint project to revise the IASB Framework for the Preparation and Presentation of Financial Statements (the conceptual framework). It also has a subcommittee developing on exposure draft on the impairment of cash generating assets and a subcommittee was involved in the development of a consultative paper on heritage assets. While constituted differently from subcommittees, the IPSASB has in the past used steering committees and project advisory panels to support the early stages of project development and to provide input to projects on an ongoing basis. Terms of reference for steering committees and an explanation of the role of project advisory panels are included as Attachment 2 and Attachment 3 to this paper.

Steering committees and subcommittees have provided valuable input to the IPSASB during the early stages of project development. However, on occasion members have expressed some concern that, at least during this early stage of project development, it is the steering committee or subcommittee that is the repository of knowledge rather than the IPSASB itself. In addition, there is always the risk that discussions at the steering committee or subcommittee will be replicated at the IPSASB meeting and will absorb additional staff time.

Given the demands on IPSASB meeting time, members may wish to consider whether it is timely that subcommittees be established on particular projects and the nature, composition and role of those subcommittees. For example, subcommittees may usefully be considered during the development (further development) stage of projects dealing with the following, if such projects are activated by the IPSASB:

- conceptual framework
- service concessions
- non-financial performance indicators
- MDA/operations review
- prospective budgets.

While subcommittees may be useful in developing a first draft of an exposure draft for IPSASB review, it is unlikely to be appropriate for that subcommittees to further develop a project once the IPSASB commences the process of reviewing exposure drafts and making decisions on their content. At this stage, their role may usefully be refocused as a vehicle to provide an initial drafting review of IPSASB Board papers prepared by staff, thus allowing the Board to focus on high value added activities related to the substance of documents.

Project advisory panels are used to provide direct input to the IPSASB or IPSASB staff during particular stages of project development. The nature and role of a project advisory panel is influenced by the particular project and its stage of development. Project advisory panels have also provided valuable input to many IPSASB projects.

#### **Discussion Point – Use of Subcommittee (and similar)**

*Consider whether subcommittees on other IPSASB projects may usefully be established to support a more extensive work program over the medium to long term, this may be particularly appealing for projects which have a significant research phase prior to the ED development phase.*

#### *Resources - Potential for Further Developments in the Relationship with National Standards Setters*

There is an ever increasing interest in an international approach to public sector financial reporting issues from national standards setters and similar bodies. The establishment of the group of National Standards Setters to monitor the public sector/public benefit entity implications of the IASB-FASB conceptual framework project, and the response to the IPSASB's invitation to discuss a collaborative approach to projects on service concessions and public sector conceptual frameworks, is indicative of this increased interest.

The increasing take up of, and interest in, IPSASs at national levels by some national standards setters reinforces the focus on international developments. The issuance of IPSASB EDs, such as ED 29 on non-exchange revenue after benefiting from direct input by national experts through the steering committee process at an early stage in the development of this ED is tangible evidence of the benefits of strengthening relationships with national standards setters and similar bodies,

The IASB has developed a close relationship with national standards setters. National standards setters lead the research phase of many IASB projects, partner the IASB in other projects and support the dissemination of, and encourage response to, IASB documents. The IASB has recently issued a document which outlines its relationship to National Standards Setters. That document is available from staff on request.

IPSASB members have strong links to standards setters in their own jurisdiction. There are, of course, standards setters and similar bodies in jurisdictions not represented around the IPSASB table. Standards setters and other authoritative bodies in IPSASB member



jurisdictions and in other jurisdictions have active research and standards development programs which may well overlap with projects on the IPSASB work plan, and/or experience of public sector operations that bear directly on the IPSASB work program. Agenda item 6.6 provides a high level summary/overview of the broad types of projects that are being considered by standards setters and authoritative bodies in IPSASB member countries. These encompass short, medium and long term projects. This summary/overview is provided for members as input to consideration of the IPSASB's medium and long term strategy and its implications for the current work plan, including the potential for additional collaborative projects with National Standards Setters and similar bodies.

### **Discussion Point**

*The IPSASB will discuss at this meeting the potential for actioning collaborative projects with certain national standards setters and similar bodies. In the course of its strategy review the IPSASB could usefully consider how its relationship with these and other standards setting bodies could be further developed.*

### **C. IPSASB OBJECTIVE**

The Preface to International Public Sector Accounting Standards identifies the objective of the IPSASB as follows:

*The objective of the IPSASB is to serve the public interest by developing high quality public sector financial reporting standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of financial reporting throughout the world. The IPSASB achieves its objectives by:*

- *Issuing International Public Sector Accounting Standards (IPSASs);*
- *Promoting their acceptance and the international convergence to these standards; and*
- *Publishing other documents which provide guidance on issues and experiences in financial reporting in the public sector. (paragraph 5)*

This objective is reflected in the Interim Terms of reference of the IPSASB. It was approved by the IFAC Board in 2005 following recommendations of the externally chaired review of the (then) PSC.

It is anticipated that this review of the IPSASB's medium to long term objectives and strategy will, at least in the first place, be undertaken within the parameters of this overarching objective. If, as a result of the review, proposals for amendment of the overall objective are identified, they can be raised with the IFAC Board.

### **Discussion Point – Objective**

*Confirmation or otherwise that the current overarching objective of the IPSASB is appropriate.*

## **D. STRATEGY – Delivery of Objective**

Additional staff resources and additional projects in conjunction with National Standards Setters and similar bodies provide the potential for the IPSASB to action additional projects within its priority grouping of projects. As noted above the IPSASB work plan includes a number of projects within each of its three priority project groupings that have not yet been actioned.

### *Public Sector Specific projects*

Progressing public sector specific projects is the IPSASB's first priority group of projects.

The IPSASB is currently progressing a number of high profile public sector specific projects. It is anticipated that many of these projects will be completed during the latter part of 2006 and during 2007.

Discussions at this meeting may result in the actioning of public sector projects on service concessions and a public sector conceptual framework in collaboration with National Standards Setters and similar national bodies.

However, the IPSASB has on its work plan a number of public sector specific projects which have not yet been actioned including the potential revision of IPSAS 17 to deal with heritage assets, presentation of budgets, MDA/operations review, performance indicators and accounting for the Kyoto protocol. In addition, at its last meeting disclosure of information about the sustainability of government programs was identified as a potential additional project and it is anticipated that discussions during this session will draw out additional projects.

### *Convergence with IFRSs*

Convergence with IASs/IFRSs where appropriate for the public sector is the IPSASB's second priority group of projects.

The IPSASB issued as part of the IPSAS improvements package of materials its policy on IFRS convergence together with EDs 25 and 26. That policy confirmed IFRS convergence as the IPSASB's second highest priority group of projects for the short to medium term noting that resource constraints meant that certain aspects of its IFRS program needed to be deferred.

*“The IPSASB's work program priorities for the short term (within 1 and 2 years) and medium term (3-5 years) are (in order of priorities):*

- 1) Addressing public sector specific issues – for example, non-exchange revenue, social policy obligations, budget reporting, external assistance and heritage assets;*
- 2) Convergence of IPSASs with IFRSs – including updating existing IPSASs to converge with updated IFRSs, or issuing new IPSASs based on IFRSs; and*
- 3) Convergence of IPSASs with statistical bases of reporting – for example, disclosure of financial information about general government sector.*

*The IPSASB currently has insufficient resources to progress its full work program in an appropriate manner. During 2004, it continued its fund-raising activities with limited success. Those fund raising activities will continue during 2005 and the IPSASB is confident*

*that sufficient resources to support a full standards development program will be secured. However, the IPSASB has refocused its short and medium term work program to reflect its current limited resources. As a consequence, its full IFRS convergence program will not be progressed in the short term. (The IPSASB's current work plan for years 2005 – 2007 is attached at Appendix 2.)”*

The IFRS Convergence Policy statement issued with ED 25 and 26 is included as Attachment 4.

A number of submissions on ED 26 noted that the IPSASs were being updated to December 2003 but that the equivalent IASs/IFRSs had been further revised. Members have also noted that the equivalent IASs/IFRSs to a number of other IPSASs (not included in the improvements project) have also been revised and that the applicability/appropriateness to the public sector of a number of existing IASs/IFRS has not yet been the subject of IPSASB review.

The need to deal with the other IASs/IFRSs not yet subject to the IPSASB's review is likely to be of a relatively high priority in those jurisdictions which adopt IFRSs for the private sector and base public sector requirements on the private sector standards where those standards are relevant for the public sector.

#### *Convergence with statistical bases of reporting*

Convergence with statistical bases of reporting where appropriate is the IPSASB's third priority group of projects.

The primary vehicle for the IPSASB and the statistical community to pursue convergence objectives where appropriate has been the Task Force on Harmonization of Public Sector Accounting (TFHPSA). The TFHPSA was established following an IPSASB initiative. It has consumed Board and staff time in:

- Preparing the IPSASB Research Report “International Public Sector Accounting Standards and Statistical bases of Financial Reporting: An Analysis of differences and Recommendations for Convergence” and ED 28 and IPSAS (still under development) on disclosure of information about the general government sector; and
- Attending TFHPSA meetings, contributing to TFHPSA deliberations on, and recommendations for, amendments to the SNA (to be issued in 2008), and chairing working group 1 of the TFHPSA. It is likely that a number of amendments to the SNA will bring statistical bases of accounting closer to IPSASs.

The IPSASB has also benefited from input from the statistical community, including broadly through participation of the IMF at IPSASB meetings and on a number of specific projects including employee benefits, social benefit pensions, general government sector disclosures and the improvements project.

The TFHPSA has completed its designated task, and a replacement mechanism has not yet been identified.

#### **Discussion Point – Strategy for Delivery of Objectives**

*It is anticipated that in the course of its strategy review the IPSASB will consider the project package that will deliver its objective and the relative priority of those projects.*

*The IPSASB could usefully also consider the merits of the ongoing relationship with the statistical community, the nature of that relationship and the role of the IPSASB in initiating, or participating another additional mechanisms for ongoing liaison/consultation could usefully be discussed in this session.*

## **E. PROMOTION AND RELATIONSHIP MANAGEMENT**

With increasing interest in IPSASs so does the demand for information about IPSASs. These requests cover the gamut from broad educational packages to detailed technical interpretations.

The IPSASB has initiated certain, largely informal, activities to respond to this demand and support this interest and further promote IPSASs – seminars and round table discussions in conjunction with each meeting and preparation and circulation of the IPSASB Update following each meeting. In addition, members and staff make many presentations and participate in many seminars in support of IPSASs, including the forthcoming World Congress, and sit on IPSAS implementation steering committees. Promotional activities also include increased communication and liaison with IFAC member bodies and IFAC Boards and Committees and communication with members of the financial reporting community.

### *IPSASB Seminar*

The IPSASB has on a number of occasions noted that it would be desirable to promote and participate in a significant IPSAS Implementation and Issues Conference, independent of an IPSASB meeting. The preparation for and participation in such a conference is likely to involve significant member and staff resources. In the past, one such seminar has been contemplated as occurring variously in Africa, Asia, Europe, Latin America, but has not occurred. However, seminars have been initiated by the local professional and related bodies, and IPSASB members and staff have participated to the extent possible.

### *Data base of IPSAS adopters and IPSAS Influence and Support for those implementing IPSASs*

As agreed at the IPSASB meeting in March, the IPSASB Chair has written to the IFAC Chief Executive to explore and encourage enhanced support for entities adopting IPSASs or seeking training on IPSASs from other IFAC Boards and Committees and the broader IFAC community. That letter is included in Agenda item 21 (FYI). Development of this capacity is likely to absorb the time of the IPSASB technical director and other senior staff as processes and protocols are developed.

The IPSASB has identified on its work program the development of a Study to better explore the adoption of the use of the requirements of IPSASs and the influence that IPSASs are having on financial reporting. While some anecdotal evidence and simple survey results are currently available, a substantial study has not been undertaken.

Subsequent to the last meeting the IPSASB website has been updated with preliminary steps in establishing an IPSAS support network and in documenting the IPSAS take up and influence. This initiative has occurred with significant input from the UN observer team.

However, it is also likely to be some time before a viable stand alone facility is in place. As members review the IPSASB strategy, they may usefully consider what, if any, resources should be allocated to supporting the development of this facility.

**Discussion Point – Strategy for Promotion and Support**

*During the course of this session members could usefully consider how these initiatives could be further enhanced what additional initiatives should be undertaken and whether additional staff resources should be allocated in support of such activities.*

## ATTACHMENT 1

### *Staff Resources*

Technical staff responsibilities include the development of technical papers and certain administrative activities including project and office management and arranging IPSASB and other meetings. Staff will also be involved in developing promotional materials such as the IPSASB Update and the IPSASB General Presentation Paper and other material used to support seminar presentations. Senior staff will be involved in preparing funding materials such as the IPSASB “Funding Proposal” used by the funding sub-committee, and the annual IPSASB budget.

In preparing the attached staff time allocation a factor for administration is included in each project allocation figure. Within this context it is anticipated that technical managers will on average be able to manage three fully active projects annually on an ongoing sustainable basis – therefore the standard staff time allocated to each project is .333 of an equivalent staff member. There will, of course, be some variations: for example, it is anticipated that the conceptual framework project will take more time, certain of the IASs/IFRS that may be actioned under the IFRS convergence program will take less time and there will be synergistic effects from actioning some related projects at the same time – such as projects on social policy obligations pensions and non-pensions. Therefore, depending on the nature of the projects a staff member may be able to manage four projects on an ongoing basis – this has certainly occurred with PSC staff in the past. However, for work program design purposes, three projects per staff member is adopted as a reasonable long term sustainable average. In addition, in 2007 it is anticipated that some projects will be finalized during the year, so a full .333 equivalent staff allocation for the full year is not made.

The technical director has the responsibility to review agenda materials prior to their distribution to the IPSASB for review, and prior to their inclusion on the IPSASB web for public access. The technical director also has additional external relationship and IFAC management responsibilities. Therefore, it is realistic to anticipate that over the long term the technical director should have primary responsibility for the development of no more than one technical project in the future.

Arrangements for each IPSASB meeting is undertaken by the New York based technical manager. The New York based technical manager is also responsible for production of the IPSASB Handbook each year, liaison with other IFAC committees and acts as secretary to the funding subcommittee. In the attached staff schedule, these tasks are budgeted as taking in total one third of a technical manager’s time. This means that the New York technical manager is anticipated to manage two technical projects on an annual basis.

This results in an ongoing long term projected technical capability of, on average:

12+ active projects with 5 technical staff.

15+ active projects with 6 technical staff.

### *The Attached Schedule*

The conceptual framework project is anticipated to absorb 1.333 staff during its three plus year development period: the equivalent of one staff member being provided by the NSS (it is proposed that this occur in the form of .5 of two staff members to enable a number of projects to be developed at the same time), and .333 of the time of an IPSASB in-house staff member.

The attached schedule identifies estimated staff time allocated as a consequence of the finalization of current active projects in 2007 and 2008. It includes an allocation of 1 equivalent full time staff to encompass the review and management activities of both the technical director and the NY based technical manager. It also identifies the anticipated capacity for the pick-up of additional projects with a staff establishment of 5 full time staff, (and in brackets 6 full time IPSASB staff) plus one staff member provided by the NSS group in support of the conceptual framework project.

This allocation results in the projection of capacity for:

- An additional 3 to 4 projects in 2007 with 5 staff members (and 6+ projects with 6 staff members); and
- An additional 9+ projects in 2008 with 5 staff members as a number of current active projects are completed (and 12+ projects with 6 staff members).

**IFAC- INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (IPSASB)      WORK PLAN 2006 - 2008**

Technical Projects -Active 2006	2007	Staff 2007	2008	Staff 2008
<b>1. Public Sector Specific</b>				
Revenue - Non-Exchange	<b>Issue IPSAS</b>	0.2		
Social Policy Obligations-non pensions	Develop/ <b>Issue IPSAS</b>	0.25		
Social Policy Obligations - pensions	Develop/ <b>Issue IPSAS</b>	0.25		
Cash Basis- External Assistance	<b>Issue final req'ments/update cash basis</b>	0.25		
Budget Actual Comparison (cash+accrual)	Consider projected budgets		Follow-up activity	
Heritage Assets-Recog Measurement	<b>Issue ED</b>	0.333	Develop/ <b>Issue IPSAS</b>	0.333
Public/Private Partnership/Service Concessions	<b>Issue Consult Paper/ED</b>	0.333	Develop/ <b>Issue IPSAS</b>	0.333
Conceptual Framework	Develop/ <b>Issue Eds</b>	1.333	Develop/ <b>Issue EDs/Framework</b>	1.333
<b>2. IAS/IFRS Convergence Program</b>				
IPSAS Improvements Project	<b>Issue improved IPSASs in handbook</b>	0.10		
IAS 19 Employee Benefits	Develop/ <b>Issue IPSAS</b>	0.25		
Impairment of Assets - cash-generating	<b>Issue IPSAS</b>	0.25		
<b>3. GFS, ESA and SNA Harmonization</b>	Monitor development			
Glossary	Approve revised Glossary if necessary		Update if necessary	
<b>Projects not active 2006</b>				
<i>1. Cash Basis IPSAS review</i>	Finalise review and issue revised IPSAS	0.25		
<i>1. Budget GPFS -Prospective Budget</i>	Consequential actions		Ongoing activity as appropriate	
<i>1. MDA/Operations Review</i>	Consequential actions		Ongoing activity as appropriate	
<i>1. Kyoto Protocol: rights/obligations</i>	Consequential actions		Ongoing activity as appropriate	
<i>1. Transitional Guidance - Study 14</i>	Review/Consider updating		Issue 3rd edition	
<i>1. Survey on adoption of IPSASs</i>	Consequential actions		Ongoing activity as appropriate	
<i>1. Non-financial Performance Reporting</i>	Consequential actions		Ongoing activity as appropriate	
<i>1. IAS 26 Retirement benefit plans</i>	Consequential actions		Ongoing activity as appropriate	
<i>2- Business Combinations</i>	Consequential actions		Ongoing activity as appropriate	
<i>2- Fin. Inst: Recog &amp; Measure.</i>	Consequential actions		Ongoing activity as appropriate	
<i>2- Other IAS/IFRSs</i>	Consequential actions		Ongoing activity as appropriate	
<i>2 and 3- Performance Reporting</i>	Consequential actions		Monitor IASB - Ongoing as appropriate	
<b>Other Matters:Active</b>	Funding,communicat'n,admin, etc	1.00	Funding, communicat'n, admin, etc	1.00
Information Papers	<b>Issue Paper on IPSASB member country</b>	0.20		
<b>TOTAL STAFF TIME ALLOCATED</b>		<b>5.00</b>		<b>3.00</b>
<b>ADDITIONAL PROJECT CAPACITY</b> when 5 IPSASB staff ( 6 staff) +1 NSS staff on Concepts		Projects 3+ (6+)		Projects 9+ (12+)



| ATTACHMENT 2

INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC)

THE PUBLIC SECTOR COMMITTEE (PSC)

STEERING COMMITTEES

Terms of Reference and Operating Procedures

*(NOTE: This document was developed pre-November 2004, when the PSC was reconstituted as the IPSASAB.)*

INTRODUCTION

1. Paragraph 8 of the *Introduction to the Public Sector Committee of the International Federation of Accountants* explains that the responsibility for carrying out the necessary research and for preparing exposure drafts of proposed standards and guidelines or drafts of studies may be delegated by the Committee to subcommittees or individuals. Such subcommittees are always chaired by a member of the Committee but may include persons who are not members of a member body of International Federation of Accountants (IFAC).
2. Steering Committees are a subcommittee of the Public Sector Committee (PSC) and are created by the PSC to assist it in achieving its objectives. Steering Committees provide the potential to:
  - broaden the technical expertise of the PSC beyond those currently on the Committee and encompass non-accountants where appropriate;
  - include a wider range of constituents/experience in the standards development process;
  - use past members to ensure that their expertise is not lost to the PSC;
  - maintain momentum on a wide range of projects; and
  - enable the PSC, meeting as the Committee, to consider documents at a later, higher value added, stage.
3. The PSC will establish the mandate of each Steering Committee and appoint the members of the Steering Committee. Final decisions regarding Steering Committee membership will be made by the PSC Chair in consultation with PSC members.
4. Attachment 1 provides Steering Committee members with background on IFAC and the responsibilities and terms of reference of the PSC.

RESPONSIBILITIES OF THE STEERING COMMITTEE

5. The topic(s) to be considered by each Steering Committee will be established by the PSC. Subject to the conditions outlined below, the operation of the Steering Committee will be determined by its members.

6. IFAC-PSC documents can only be published after voting by the PSC in accordance with voting rules as specified in the IFAC Constitution (see Attachment 1). As agreed with the PSC, a Steering Committee may be created with the responsibility to develop and recommend a document to the PSC for its consideration. The Steering Committee may also be requested to recommend to the PSC documents to be published as:

- Studies;
- Invitations to Comment;
- Exposure Drafts;
- International Public Sector Accounting Standards (IPSASs); and/or
- other documents as identified by the PSC.

The Steering Committee may also be requested to evaluate comments on the above documents, or exposure drafts thereof, and to act as an “expert group” and provide input to the PSC on specific issues, or aspects of issues, that the PSC is considering.

7. The Steering Committee is expected to operate within the parameters of the project brief prepared by the PSC. However, the Steering Committee may also propose revisions to that brief. In developing a document for forwarding to the PSC for publication, or otherwise providing input to the PSC, the Steering Committee is expected to review and respond to proposals presented by the PSC, or PSC staff supporting the Steering Committee, on the issues to be addressed and areas for research, and to identify and review where relevant:

- existing and proposed PSC pronouncements;
- existing and proposed IASB pronouncements;
- national and regional accounting requirements;
- current practices; and
- other relevant material.

8. When initially developing a project which deals with issues of recognition and/or measurement, the SC will consider whether the definitions of Assets, Liabilities, Revenues, Expenses and Net Assets/Equity, and the recognition criteria adopted by IPSASs apply. Unless directed otherwise by the PSC, it is anticipated that as the first stage in the project development process the Steering Committee will explore the implications and consequences of application of these definitions and recognition criteria to the transactions and events under consideration and advise the PSC on:

- the extent to which existing definitions and recognition criteria apply to the transactions and events under consideration, and the alternative approaches to resolution of the issue that fall within the context of those definitions and recognition criteria;
- additional matters that need to be dealt with and propose the means of dealing with those additional matters;
- whether variations in definitions and recognition criteria are considered necessary and the nature of, and reasons for, any such variations;

- the approach recommended by the Steering Committee and the implications of this approach for current practice; and
- the extent to which the approach recommended by the Steering Committee reflects or otherwise the requirements or guidance in existing IPSASs, International Financial Reporting Standards (IFRs) or International Accounting Standards (IASs) dealing with similar or related issues.

This advise may be in the form of a formal report, by way of Steering Committee meeting minutes or otherwise. With the approval of the PSC, the Steering Committee will then develop a document for publication based on its recommended approach, with any additions or variations as directed by the PSC. The Steering Committee may recommend, or the PSC may request, that the Steering Committee prepare a report on its background research and basis for conclusions for publication together with (or as part of) a Study, Invitation to Comment or other document.

## STEERING COMMITTEE MEMBERS, MANDATE AND PROCESS

### *Steering Committee Members*

9. Members will be appointed by the Chair in consultation with PSC members and relevant IFAC staff. Members will be appointed as individuals (rather than as representatives of an organisation or country) because of their knowledge and experience on particular issues. Nominations for members may be sought from PSC members, IFAC member bodies and other organisations. Members appointed to a Steering Committee will be expected to attend all Steering Committee meetings.
10. Members appointed to a Steering Committee will be expected to make decisions that are consistent with the development of IPSASs that, subject to practical constraints and consideration of costs and benefits, reflect the highest levels of accountability and transparency in financial reporting. It is anticipated that a Steering Committee will comprise up to 10 members including the Chair. Membership of the Steering Committee may be broadly based and is not restricted to only IFAC Member Bodies.
11. The Steering Committee will be chaired by a member of the PSC. The Chair of the Steering Committee will act as liaison between the Steering Committee and the PSC and report to the PSC on progress of the Steering Committee. It is not anticipated that other Steering Committee members will be required to attend PSC meetings. However, on certain occasions, members of a Steering Committee may be requested to meet with the PSC to discuss particular issues.

### *Attendance*

12. Continuity of attendance is essential if the Steering Committee is to operate efficiently and achieve its objectives in a timely fashion. If Steering Committee members do not attend two consecutive meetings, the Chair of the Steering Committee must advise the PSC and the PSC will seek a replacement

member. It is anticipated that the Steering Committee member will resign where it becomes apparent that continuity of their attendance is not possible. In these circumstances, the Steering Committee member may propose a replacement member, which may be agreed by the PSC chair.

#### *Steering Committee Observers and Technical Support*

13. Steering Committee members may be provided with technical assistance by their employer, national or international professional body or other interested parties. Those providing technical assistance will have access to Steering Committee documents on the same basis and subject to the same confidentiality conditions that apply to Steering Committee members.
14. Subject to agreement with the Chair of the Steering Committee, other persons may also be invited to attend Steering Committee meetings as observers. PSC members and the PSC Director of Accounting Standards may attend Steering Committee meetings in the capacity of observer and may contribute to the discussion.

#### *Staff*

15. A member of the PSC's staff or a person contracted in that capacity will provide administrative and technical support to the Steering Committee. Staff responsibilities will include:
  - preparing materials as directed by the Chair of the Steering Committee;
  - preparing Steering Committee minutes;
  - co-ordinating Steering Committee meeting arrangements;
  - preparing Steering Committee budget reports;
  - keeping the PSC Director of Accounting Standards, and other PSC staff as appropriate, briefed on the Steering Committee progress and proposed response(s) to technical issues; and
  - other matters as directed by the Steering Committee Chair or PSC Director of Accounting Standards.

The PSC staff member supporting a Steering Committee may be requested to attend PSC meetings to report on particular aspects of PSC operations and to make presentations on activities of the Steering Committee to interested parties.

#### *Funding*

16. Those accepting a position as a member of a Steering Committee will generally fund their own attendance. The PSC will support but not initiate applications to international and national funding agencies for funding assistance for individuals appointed to a PSC Steering Committee. The PSC will also consider any proposals that the operation of a Steering Committee be funded by an international or national agency.

17. The PSC Standards Project will meet the costs of the PSC staff supporting the Steering Committee and any charges relating to meeting facilities.

#### *Steering Committee Quorum and Voting Procedures*

18. Formal decisions of the Steering Committee to approve a document for forwarding to the PSC for publication or to otherwise make recommendations to the PSC regarding any issue, shall be decided by a simple majority of the members of the Steering Committee. The Chair will have a casting vote where the vote is otherwise tied. Technical support and observers, including PSC members attending in such a capacity, cannot vote on formal decisions.
19. A document forwarded to the PSC for approval to publish, or other recommendation made by the Steering Committee, may not necessarily reflect all of the views of all of the members of the Steering Committee. The Chair of the Steering Committee is to advise the PSC of circumstances in which some members of the Steering Committee vote against the document recommended by the Steering Committee on a majority vote, and the Steering Committee is to prepare a report for the PSC which identifies the views of those members who do not agree with the majority view. In addition, Steering Committee members who do not agree with particular aspects of a Steering Committee approved document or recommendation can submit comments on those matters to the PSC prior to publication of the document or as part of an exposure process.

#### *Frequency and Duration of Meetings*

20. It is anticipated that Steering Committees will meet twice a year, but may hold an additional meeting(s) if necessary.

#### *Confidentiality Requirements*

21. Certain documents provided to the PSC and the Steering Committee may be done so on a confidential basis. In addition, certain working documents prepared by the PSC which are relevant to the Steering Committee may not yet be available to the public. This is likely to be the case in respect of draft Exposure Drafts and draft IPSASs which are subject to change. These documents will be provided on a confidential basis to Steering Committee members where relevant to the Steering Committee task. Steering Committee members and their support staff and Steering Committee observers are expected to respect confidentiality in relation to any documents they receive.

#### *Meetings Open to the Public*

22. In the future, PSC meetings may be open to the public. It is not anticipated that Steering Committee meetings will also be open to the public.

## INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC)

## INFORMATION FOR STEERING COMMITTEES OF THE PUBLIC SECTOR COMMITTEE (PSC)

## Objectives and Responsibilities of the PSC

*The following paragraphs outline the objectives, terms of reference and working procedures of the PSC. They are reproduced from the following sections of the 2001 IFAC Handbook: “Introduction to the Public Sector Committee of the International Federation of Accountants” and “Preface to International Public Sector Accounting Standards”. (Note: The full text of these sections of the Handbook is not reproduced here. Consequently, paragraph numbers below do not necessarily correspond with the equivalent paragraph numbers in the IFAC Handbook.)*

1. “The mission of the International Federation of Accountants (IFAC) as set out in paragraph 2 of its Constitution is ‘the worldwide development and enhancement of an accountancy profession with harmonized standards, able to provide services of consistently high quality in the public interest.’”
2. “The Public Sector Committee (PSC) is a standing Committee of the Board of IFAC formed to address, on a coordinated worldwide basis, the needs of those involved in public sector financial reporting, accounting and auditing. In this regard, the term “public sector” refers to national governments, regional (e.g., state, provincial, territorial) governments, local (e.g., city, town) governments and related governmental entities (e.g., agencies, boards, commissions and enterprises).”
3. “PSC has been given the authority, on behalf of the Board, to issue standards, guidelines, studies and occasional papers on financial reporting, accounting and auditing in the public sector.”
4. “While PSC is ultimately responsible for selecting the subject matters to be addressed by its standards, guidelines, studies and occasional papers, suggestions and proposals from interested individuals and organizations are encouraged. The responsibility for carrying out the necessary research and for preparing exposure drafts of proposed standards and guidelines or drafts of studies may be delegated by the Committee to subcommittees or individuals. Such subcommittees are always chaired by a member of the Committee but may include persons who are not members of a member body of IFAC.”

## Due Process

5. “The Committee issues Exposure Drafts of all proposed Standards for comment by interested parties including IFAC member bodies, auditors, preparers (including finance ministries), standard-setters, and individuals. The Committee will usually expose a proposed Standard for a reasonable time (normally at least 4 months) to allow for its constituents to consider and

comment on its proposals. This provides an opportunity for those affected by the Committee's pronouncements to present their views before the pronouncements are finalized and approved by the Committee. The Committee considers all comments received on Exposure Drafts and makes such modifications as it considers appropriate in the light of its objectives."

6. "The draft of a Standard, duly revised after the exposure period, is submitted to the Committee for approval. If approved by the Committee, it is issued as an IPSAS and becomes effective from the date specified in the Standard. On occasion, where there are significant unresolved issues associated with an Exposure Draft, the Committee may decide to re-expose a proposed Standard."
7. "For the purposes of approving an Exposure Draft or a Standard, each Committee member represented on the Committee has one vote. A quorum of nine members is required. If a Standard is approved by at least three-quarters of the total voting rights present at a meeting, the pronouncement is published and released. Exposure Drafts are approved by at least two-thirds of the total voting rights present at a meeting."
8. "The approved text of a pronouncement is that published by the PSC in the English language. Member bodies of IFAC are authorized to prepare, after obtaining IFAC approval, translations of such pronouncements at their own cost, to be issued in the language of their own countries as appropriate. These translations should indicate the name of the body that prepared the translation and that it is a translation of the approved text."

#### IPSASs for the Accrual and Cash Bases

9. "The Committee is developing a set of IPSASs which will include Standards applying to the accrual basis and a separate IPSAS that will specify the reporting requirements for the cash basis."

#### General Purpose Financial Statements

10. "Financial statements issued for users that are unable to demand financial information to meet their specific information needs are deemed to be general purpose financial statements. Examples of such users are citizens, voters, their representatives and other members of the public. The term "financial statements" used in IPSASs covers all statements and explanatory material which are identified as being part of the financial statements."
11. "When the accrual basis of accounting underlies the preparation of the financial statements, the financial statements will include the statement of financial position, the statement of financial performance, the cash flow statement and the statement of changes in net assets/equity. When the cash basis of accounting underlies the preparation of the financial statements, the primary financial statement is the cash flow statement. IPSASs apply to the published financial statements of public sector entities other than Government Business Enterprises."

### Moving from the Cash Basis to the Accrual Basis

12. “The Committee envisages that some entities in the process of moving from cash accounting to accrual accounting may wish to adopt the requirements of particular accrual-based IPSASs during this process. An entity may voluntarily adopt the relevant disclosure provisions in an accrual-based IPSAS, although its core financial statements will nonetheless be prepared according to the IPSAS dealing with financial reporting under the cash basis of accounting. The status (for example, audited or unaudited) and location of additional information (for example, in the notes to the financial statements or in a separate supplementary section of the financial report) will depend on the characteristics of the information (for example, reliability and completeness) and any legislation or regulations governing financial reporting within a jurisdiction.”
13. “The Committee attempts to facilitate compliance with IPSASs through the use of transitional provisions in certain Standards. Where transitional provisions exist, they allow an entity additional time to meet the full requirements of a specific accrual-based IPSAS. An entity may at any time elect to adopt the accrual basis of accounting in accordance with IPSASs. At this point, the entity should apply all the accrual-based IPSASs and could choose to apply any transitional provisions in an individual accrual-based IPSAS.”
14. “Having decided to adopt accrual accounting in accordance with IPSASs, the transitional provisions would govern the length of time available to make the transition. On the expiry of the transitional provisions, the entity should report in full in accordance with all accrual-based IPSASs.”
156. “International Public Sector Accounting Standard IPSAS 1 *Presentation of Financial Statements* requires disclosure of the extent to which the entity has applied any transitional provisions.”

### Scope of the Standards

16. “The Standards apply to all public sector entities including national governments, regional governments (for example, state, provincial, territorial), local governments (for example, city, town) and their component entities (for example, departments, agencies, boards, commissions), unless otherwise stated. The Standards do not apply to Government Business Enterprises. The Committee has resolved that these entities should apply IASs.”
17. “Any limitation of the applicability of specific IPSASs is made clear in those Standards. IPSASs are not meant to apply to immaterial items.”



**ATTACHMENT 3**

**PROJECT ADVISORY PANEL – KEY FEATURES**

The specific role of Project Advisory Panel (PAP) tends to be framed for the specific project. Key features include the following. These are extracts from correspondence from the Chair to PAP members for External Assistance and Budget Reporting Projects.

*External Assistance*

It is intended that the PAP be involved in all stages of the IPSAS development process. The role of the PAP will be to provide input to PSC staff on key issues to be dealt with by the IPSAS, and to operate as a sounding board to staff in the exposure draft development process. The PAP will subsequently have an opportunity to review comments received on the Exposure Draft and to provide further input to the PSC and PSC staff as the final IPSAS is developed. In order to expedite the issuance of the IPSAS, communications among the PAP members and PSC staff will primarily be by electronic means. In the course of the development of the Exposure Draft and IPSAS, PSC staff/members may meet with the PAP or key members thereof to receive:

- a) Advice on the current accounting practices utilized by recipients for recording receipt and utilization of development assistance.
- b) Advice on the current information needs of providers of development assistance, and any problems experienced in practice in meeting those needs.
- c) Advice regarding information currently provided by development assistance agencies to recipient countries.
- d) Input in identifying best practices for ensuring that development assistance is appropriately reflected in the accounting reports of government.

*Budget Reporting – Development of ED*

The role of the PAP will be to provide input to the IPSASB and its staff on the development of the ED. A draft of the ED will be sent to PAP members prior to each IPSASB meeting with a request for comment. Comments will then be provided to IPSASB members for their consideration as they review the draft ED. It is intended that the PAP will conduct its business electronically.

The IPSASB received valuable input from members of the Steering Committee who supported the development of the Research Report. I hope that you will accept this invitation to be a member of the PAP for this ED, as I am sure the ED development process will benefit from your input. I would appreciate your prompt attention to this invitation.



## **Convergence of International Public Sector Accounting Standards (IPSASs) with International Financial Reporting Standards (IFRSs) – Current Status – September 2005**

*The International Public Sector Accounting Standards Board (IPSASB) remains committed to the objective of converging International Public Sector Accounting Standards (IPSASs) with International Financial Reporting Standards (IFRSs)<sup>1</sup> unless there is a public sector specific reason for a departure. However, the IPSASB is currently facing resource constraints, and needs to balance the use of its resources across its work program. This means that certain components of the IFRS convergence program have been deferred until additional resources can be allocated to them.*

### **Introduction**

The International Public Sector Accounting Standards Board (IPSASB) has issued 21 accrual basis International Public Sector Accounting Standards (IPSASs) and one comprehensive Cash Basis IPSAS. The accrual IPSASs based on International Financial Reporting Standards (IFRSs) reflect the same requirements as those IFRSs unless there is a public sector specific reason for a departure. Many of these IPSASs are based on International Accounting Standards (IASs)<sup>2</sup> that were issued in 1998, or earlier. Appendix 1 identifies a list of IPSASs currently on issue (including the equivalent IASs) and provides some background to the IPSASB's Standards Program. The IPSASB's work program currently includes a project intended to update certain of those IPSASs (see the IPSAS Improvements Project below).

The IPSASB's work program priorities for the short term (within 1 and 2 years) and medium term (3-5 years) are (in order of priorities):

- 1) Addressing public sector specific issues – for example, non-exchange revenue, social policy obligations, budget reporting, external assistance and heritage assets;
- 2) Convergence of IPSASs with IFRSs – including updating existing IPSASs to converge with updated IFRSs, or issuing new IPSASs based on IFRSs; and
- 3) Convergence of IPSASs with statistical bases of reporting – for example, disclosure of financial information about general government sector.

The IPSASB currently has insufficient resources to progress its full work program in an appropriate manner. During 2004, it continued its fund-raising activities with limited success. Those fund raising activities will continue during 2005 and the IPSASB is confident that sufficient resources to support a full

<sup>1</sup> IFRSs are issued by the International Accounting Standards Board (IASB).

<sup>2</sup> The International Accounting Standards (IASs) were issued by the IASB's predecessor – the International Accounting Standards Committee. The Standards issued by the IASB are entitled International Financial Reporting Standards (IFRSs). The IASB has defined IFRSs to consist of IFRSs, IASs and Interpretations of the Standards. In some cases, the IASB has amended rather than replaced the IASs, in which case the old IAS number remains. Interpretations of the IFRSs (IFRICs) are issued by the International Financial Reporting Interpretations Committee (IFRIC). Interpretations issued by IFRIC's predecessor, the Standards Interpretations Committee (SIC), are termed SICs.

standards development program will be secured. However, the IPSASB has refocused its short and medium term work program to reflect its current limited resources. As a consequence, its full IFRS convergence program will not be progressed in the short term. (The IPSASB's current work plan for years 2005 – 2007 is attached at Appendix 2.)

### **IFRS Convergence Program in the Short Term**

The IFRS convergence program is currently limited to the IPSAS Improvements Project. This project involves updating 11 IPSASs to reflect the changes made to the improved IASs that were issued by the IASB in December 2003. The IPSASs included in this project are identified in Appendix 1. These proposed improved IPSASs do not incorporate the requirements of IASs/IFRSs which have not yet been reviewed by the IPSASB – because the IPSASB has not yet formed a view on the applicability of their requirements to the public sector. Therefore, the proposed improved IPSASs will not necessarily reflect the requirements of their equivalent IASs currently on issue. (The IFRSs which the IPSASB has not yet reviewed are identified at Appendix 3.)

While not requiring application of the requirements of IFRSs which the IPSASB has not reviewed, the proposed IPSASs allow an entity to apply “the relevant international or national accounting standard dealing with [a particular issue]” if there is no relevant IPSAS on issue. This is consistent with proposed IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors” which provides that in certain circumstances entities “may also consider ... pronouncements of other standard-setting bodies ... for example, pronouncements issued by the International Accounting Standards Board” in the absence of an IPSAS that specifically applies to the transaction or event.

#### *Interpretations of IFRSs*

The IPSASB does not issue interpretations of the requirements of IPSASs. Proposed IPSAS 3 allows entities to consider “...Interpretations issued by the IASB's International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC)” in developing and applying its accounting policies in the absence of an IPSAS that specifically applies to the transaction or event. (Appendix 4 lists the Interpretations and the related IFRSs.)

#### *Conceptual Framework*

The IPSASB has recognized the need to develop a conceptual framework for financial reporting by public sector entities. Any development work will include consideration of the IASB conceptual framework and relevant conceptual frameworks in other jurisdictions. The IPSASB intends to consider a strategy for developing this project in 2006.

### **The Way Forward**

The IPSASB will reactivate its full IFRS Convergence Program when additional resources are in place. That program will involve the review of each IAS/IFRS for its applicability to the public sector.

## **APPENDIX 1: BACKGROUND TO THE IPSASB'S STANDARDS PROGRAM**

### **Background**

The Public Sector Committee (PSC) of the International Federation of Accountants (IFAC) was established in late 1986. In August 1997, the PSC embarked on a Standards Program directed at developing International Public Sector Accounting Standards (IPSASs) for financial reporting by public sector entities at the local, state and national government levels. The initial phase of the Standards Program included developing IPSASs based on International Accounting Standards (IASs) promulgated by the former IASC (International Accounting Standards Committee) on issue at August 1997, or their subsequently revised versions, to the extent appropriate for the public sector. This phase of the program was funded by the Asian Development Bank, IFAC, the International Monetary Fund (IMF), the United Nations Development Programme (UNDP) and the World Bank.

In November 2004, IFAC approved a name change and new terms of reference for the PSC. The PSC's name was changed to the International Public Sector Accounting Standards Board (IPSASB) and its terms of reference updated to reflect that the IPSASB will focus on issuing IPSASs.

To date, the IPSASB has issued 22 IPSASs. They consist of 21 accrual basis IPSASs that are based on International Financial Reporting Standards (IFRSs) and a comprehensive Cash Basis IPSAS. For those IPSASs that are based on IFRSs, the text of the IFRS is retained unless there is a public sector specific reason for a departure, or additional examples are included to illustrate certain requirements in the public sector context.

### **IPSASs ISSUED AS AT SEPTEMBER 2005**

#### **Cash Basis**

The Cash Basis IPSAS, "Financial Reporting Under The Cash Basis of Accounting" was issued in January 2003. (There is no equivalent IFRS for this IPSAS.)

#### **Accrual Basis**

(See next page for list of accrual basis IPSASs)

**Appendix 1 (Continued)**  
**List of Accrual IPSASs with date of issue of each IPSAS, the equivalent IAS and  
the most recent version of the IAS as at September 2005**  
*(IPSASs identified with \* are included in the IPSAS Improvements Project)*

<b>Accrual IPSASs</b>	<b>Issued Date</b>	<b>Equivalent IASs</b>	<b>Most Recent IASs<sup>3</sup></b>
IPSAS 1, "Presentation of Financial Statements"*	May 2000	IAS 1 (1997)	IAS 1 (2005)
IPSAS 2, "Cash Flow Statements"	May 2000	IAS 7 (1993)	IAS 7 (2003)
IPSAS 3, "Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies"*	May 2000	IAS 8 (1993)	IAS 8 (2003)
IPSAS 4, "The Effect of Changes in Foreign Exchange Rates"*	May 2000	IAS 21 (1993)	IAS 21 (2003)
IPSAS 5, "Borrowing Costs"	May 2000	IAS 23 (1993)	IAS 23 (2003)
IPSAS 6, "Consolidated Financial Statements and Accounting for Controlled Entities"*	May 2000	IAS 27 (1997)	IAS 27 (2004)
IPSAS 7, "Accounting for Investments in Associates"*	May 2000	IAS 28 (1998)	IAS 28 (2004)
IPSAS 8, "Financial Reporting of Interests in Joint Ventures"*	May 2000	IAS 31 (1998)	IAS 31 (2004)
IPSAS 9, "Revenue from Exchange Transactions"	July 2001	IAS 18 (1993)	IAS 18 (2004)
IPSAS 10, "Financial Reporting in Hyperinflationary Economies"	July 2001	IAS 29 (1994)	IAS 29 (2003)
IPSAS 11, "Construction Contracts"	July 2001	IAS 11 (1993)	IAS 11 (1993)
IPSAS 12, "Inventories"*	July 2001	IAS 2 (1993)	IAS 2 (2003)
IPSAS 13, "Leases"*	Dec 2001	IAS 17 (1997)	IAS 17 (2005)
IPSAS 14, "Events After the Reporting Date"*	Dec 2001	IAS 10 (1999)	IAS 10 (2004)
IPSAS 15, "Financial Instruments: Disclosure and Presentation"	Dec 2001	IAS 32 (1998)	IAS 32 (2005)
IPSAS 16, "Investment Property"*	Dec 2001	IAS 40 (2000)	IAS 40 (2004)
IPSAS 17, "Property, Plant and Equipment" *	Dec 2001	IAS 16 (1998)	IAS 16 (2005)
IPSAS 18, "Segment Reporting"	June 2002	IAS 14 (1997)	IAS 14 (2005)
IPSAS 19, "Provisions, Contingent Liabilities and Contingent Assets"	Oct 2002	IAS 37 (1998)	IAS 37 (2004)
IPSAS 20, "Related Party Disclosures"#	Oct 2002	IAS 24 (1994)	IAS 24 (2004)
IPSAS 21, "Impairment of Non-Cash-Generating Assets"	Dec 2004	IAS 36 (2004)	IAS 36 (2004)

# Although IAS 24, "Related Party Disclosures" (equivalent IPSAS 20) was also part of the IASB's Improvements Project and an improved IAS was issued in December 2003, IPSAS 20 is not being updated. This is because IPSAS 20 differs from IAS 24 to deal with public sector specific circumstances, and the changes proposed to IAS 24 were not relevant to those aspects in IPSAS 20.

<sup>3</sup> The most recent IASs incorporate the amendments made as a consequence of new IFRS and revised IASs which have been issued.

## APPENDIX 2: IPSASB's WORK PLAN 2005- 2007 [AS AT SEPTEMBER 2005]

	Technical Projects	2005	2006	2007
	<b>Active/Complete 2005</b>			
	<b>1.Public Sector Specific</b>			
1	Revenue - Non-Exchange	Finalize/approve/ <b>Issue ED</b>	Develop/ <b>Issue IPSAS</b>	
2	Social Policy Obligations	Consider Scope/Develop EDs	<b>Issue EDs/Approve 1st IPSAS (non-pension)</b>	Develop/ <b>Issue 2nd IPSAS (pensions)</b>
3	Cash Basis- External Assistance	<i>ED Issued</i>	Develop/ <b>Issue Cash Basis IPSAS</b> - consider accrual	Follow up for accrual IPSASs if necessary
4	Budget Actual Comparison (cash+accrual)	<b>Issue ED</b>	Develop/ <b>Issue IPSAS/update IPSASs</b>	
5	Heritage Assets-Recog Measurement	Develop Research Report	<b>Issue Research Report/develop ED</b>	<b>Issue ED and IPSAS (update IPSAS 17)</b>
6	Public/Private S. Arrangements	Consider Strategy/follow up action	Develop/ <b>Issue ED</b> (with IASB?)	Develop/ <b>Issue IPSAS</b>
7	Impairment of Assets - non-cash	<i>IPSAS Issued</i>		
	<b>2.IAS/IFRS Convergence Program</b>			
8	- IPSAS Improvements Project	<b>Issue ED</b>	Develop/approve revised IPSASs	<b>Issue improved IPSASs in handbook</b>
9	- IAS 19 Employee Benefits	Consider scope re social policy obligations	Develop/ <b>Issue ED</b>	Develop/ <b>issue IPSAS</b>
	<b>3.GFS, ESA and SNA Harmonization</b>	<i>Research Report Issued</i>	Monitor developments	Follow up activity as necessary
10	-Gen Gov. Sector(GGS)	<b>Issue ED (GGS)</b>	<b>Issue IPSAS</b>	
11	Glossary	<i>Glossary IPSAS 1 -21 Issued</i>	Update if necessary	Update if necessary
	<b>In progress by subcom members</b>			
12	Impairment of Assets - cash- generating	Consider first draft ED	<b>Issue ED/Develop IPSAS</b>	<b>Issue IPSAS (Update IPSAS 21)</b>
13	Occasional Papers	Develop/approve USA paper	<b>Issue USA Paper/Develop new country paper</b>	<b>Issue Paper on other country</b>
	<b>No Action 2005</b>			
	<b>1.Public Sector Specific</b>			
14	<i>1. Cash Basis IPSAS review</i>	No IPSASB action. Monitor any input	Review Implement'n. Develop implement'n report	Update as necessary
15	<i>1. Conceptual Framework</i>	No Action - monitor IASB-FASB project	Consider Strategy/Monitor developments	Develop ED
16	<i>1. Budget GPFS -Prospective Budget</i>	No action	Consider status/follow-up activity	Follow-up activity
17	<i>1. Transitional Guidance - Study 14</i>	No action	No action anticipated	<b>Update for third edition</b>
18	<i>1. Survey on adoption of IPSASs</i>	No action	Consider Strategy/project brief	Develop/ <b>Issue paper</b>
19	<i>1. Non-financial Performance Reporting</i>	No action	Consider Strategy	Follow-up activity
20	<i>1. Kyoto Protocol: rights/obligations</i>	No action	No action	Consider Strategy
	<b>2. IAS/IFRS Convergence Program</b>	Staff monitor/report IASB work program	Staff monitor/report on IASB work program	Staff monitor/report on IASB work program
21	<i>2- Business Combinations</i>	No action	Review/confirm Status/action if resources	Follow-up activity
22	<i>2- Fin. Inst: Recog &amp; Measure.</i>	No action	Review/confirm Status/action if resources	Follow-up activity
23	<i>2- Other IFRSs</i>	No action	Review/confirm Status/action if resources	Follow-up activity
24	<i>2nd/3rd- Performance Reporting</i>	No action/monitor IASB	Consider strategy/follow up activity	Follow-up activity
	<b>Other Matters:Active</b>	Funding,communicat'n,translat'n,administrat'n	Funding,communicat'n,translat'n,administrat'n	Funding,communicat'n,translat'n,administrat'n
	PSC Review follow up	<i>Updated Preface issued</i>	Follow-up activity as necessary	

**APPENDIX 3:  
LIST OF IFRSs/IASs FOR WHICH THERE IS NO EQUIVALENT IPSAS  
[AS AT SEPTEMBER 2005]**

IAS 12, "Income Taxes"  
IAS 19, "Employee Benefits"  
IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance"  
IAS 26, "Accounting and Reporting by Retirement Benefit Plans"  
IAS 32, "Financial Instruments: Presentation"\*\*\*  
IAS 38, "Intangible Assets"  
IAS 39, "Financial Instruments: Recognition and Measurement"  
IAS 41, "Agriculture"  
IFRS 1, "First-time Adoption of International Financial Reporting Standards"  
IFRS 2, "Share-based Payments"  
IFRS 3, "Business Combinations"  
IFRS 4, "Insurance Contracts"  
IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations"  
IFRS 6, "Exploration for and Evaluation of Mineral Resources"  
IFRS 7, "Financial Instruments: Disclosures"\*\*\*

\*\*\* The IASB revised IAS 32 in December 2003. The December 2003 version is substantially different from the version on which IPSAS 15 is based. IAS 32 was further amended consequence of the issue of IFRS 7 in August 2005.

**APPENDIX 4 LIST OF SICs/IFRICs AND ASSOCIATED PRONOUNCEMENTS  
[AS AT SEPTEMBER 2005]**

<b>SICs/IFRICs</b>	<b>Associated IFRSs</b>
SIC-7 "Introduction of the Euro"	IAS 10, "Events After the Balance Sheet Date" and IAS 21, "The Effects of Changes in Foreign Exchange Rates"
SIC-10 "Government Assistance – No Specific Relation to Operating Activities"	IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance"
SIC-12 "Consolidation – Special Purpose Entities"	IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" and IAS 27, "Consolidated and Separate Financial Statements"
SIC-13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers"	IAS 18, "Revenue" and IAS 31, "Interests in Joint Ventures"
SIC-15 "Operating Leases – Incentives"	IAS 17, "Leases"
SIC-21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets"	IAS 12, "Income Taxes" and IAS 16, "Property, Plant and Equipment"
SIC-25 "Income Taxes – Changes in the Tax Status of an Entity or its Shareholders"	IAS 12
SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"	IAS 1, "Presentation of Financial Statements", IAS 17, IAS 18 and IFRS 4, "Insurance Contracts"
SIC-29 "Disclosure – Service Concession Arrangements"	IAS 1
SIC-31 "Revenue – Barter Transactions Involving Advertising Services"	IAS 18
SIC-32 "Intangible Assets – Web Site Costs"	IAS 1, IAS 2, "Inventories", IAS 11, "Construction Contracts", IAS 16, IAS 17, IAS 36, "Impairment of Assets", IAS 38, "Intangible Asset" and IFRS 3, "Business Combinations"
IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities"	IAS 1, IAS 8, IAS 16, IAS 23, "Borrowing Costs", IAS 36, IAS 37, "Provisions, Contingent Liabilities and Contingent Assets"
IFRIC 2 "Members' Shares in Co-operative Entities and Similar Instruments"	IAS 32, "Financial Instruments: Presentation", IAS 39, "Financial Instruments: Recognition and Measurement"
IFRIC 4 "Determining whether an Arrangement contains a Lease"	IAS 8, IAS 16, IAS 17, and IAS 38
IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"	IAS 8, IAS 27, IAS 28, "Investments in Associates", IAS 31, IAS 37, IAS 39, SIC-12 "Consolidation – Special Purpose Entities"
IFRIC 6, "Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment"	IAS 8, IAS 37



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<b>IFAC - INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (IPSASB) DRAFT WORK PLAN 2006</b>					(Prepared for July 2006)
<b>Work Plan Jan 06 - Dec 06</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>2007+</b>
<b>Part 1. Project: Active/Complete</b>	<i>Meeting March</i>	<i>No meeting</i>	<i>Meeting July</i>	<i>Meeting November</i>	
<b>1. Public Sector Specific</b>					
Revenue - Non-Exchange	<b>Issue ED</b>		Preliminary review of comments	Consider responses/Draft IPSAS	<b>Issue IPSAS</b>
Social Policy Obligations - pensions	Consider draft ED	Revise draft ED	Consider updated draft ED	<b>Finalize/Issue ED (pensions)</b>	
Social Policy Obligations - not pensions	Consider draft ED	Revise draft ED	Finalize ED (combine with pensions?)	<b>Issue ED</b>	<b>Issue ED/Develop IPSAS</b>
Cash Basis - External Assistance	Revisit responses, consider approach	Prepare new ED	<b>Approve/Issue revised ED</b>	Field test	<b>Issue revised Cash Basis IPSAS</b>
Budget/Actual Comparison	Consider responses	Prepare draft IPSAS	Consider/Draft IPSAS	<b>Finalize/Issue IPSAS</b>	
Heritage Assets	<b>Issue Consultative Paper</b>		Consider responses	Consider responses	Develop/ <b>Issue ED</b>
Public/Private S. Arrangements	Monitor IFRIC/strategy	Arrange meeting NSS	Agree project brief with NSS	Subcom meets	Develop/ <b>Issue ED</b>
IPSAS Conceptual Framework	Consider strategy	Develop project brief	Agree project brief with NSS	Subcom meets	<b>Issue ED(s)</b>
<b>2. IASs/IFRSs Convergence Projects</b>	Staff Rep - IASB Update	Prepare Update	Staff Rep - IASB Update	Staff Rep - IASB Update	Staff Rep - IASB Update
- IPSAS Improvements Project	Review responses ED 26	Prepare draft IPSASs	Consider draft IPSASs	Finalize IPSASs	<b>Issue Updated Handbook</b>
-Equal Authority	Review responses ED 25	Prepare draft Preface	Agree Preface		<b>Issue Updated Preface</b>
- Impairment - cash generating	Consider Draft ED	Agree ED	<b>Issue ED</b>	Consider responses	Develop IPSAS
- IAS 19 Employee Benefits	Consider draft ED	Revise draft ED	Consider revised ED	<b>Finalize/Issue ED</b>	Develop IPSAS
<b>3.GFS/ ESA/SNA Convergence</b>					Follow up activity as necessary
Gen. Government Sector (GGS)	Review responses ED28	Prepare draft IPSASs	Review responses/Consider draft IPSAS	<b>Finalize/Issue IPSAS</b>	
Glossary				Update Glossary	Update Glossary as necessary
<b>Part 2. Projects: Not Active (by priority)</b>					
<i>1. Cash Basis IPSAS review</i>	<i>No action 2006</i>				<i>Review Implmntat'n Expr'nce</i>
<i>1. Budget - Prospective budgets</i>	<i>No action 2006</i>		Consider strategy		<i>Follow up actions</i>
<i>1. MDA/Operations Review</i>	<i>No action 2006</i>		Consider strategy		<i>Follow up actions</i>
<i>1. Kyoto Protocol: rights/obligations</i>	<i>No action 2006</i>		Consider strategy		<i>Follow up actions</i>
<i>1. Study 14 - Update 3</i>	<i>No action 2006</i>				<i>Consider if update is necessary</i>
<i>1. Survey on adoption of IPSASs</i>	<i>No action 2006</i>		Consider strategy		<i>Follow up actions</i>
<i>1. Non-financial Performance Reporting</i>	<i>No action 2006</i>		Consider strategy		<i>Follow up actions</i>
<i>2. IAS 26 Retirement Benefit Plans</i>	<i>No action 2006</i>		Consider strategy		<i>Follow up actions</i>
<i>2. IFRSs Convergence - other IFRSs</i>	<i>No action 2006</i>		Consider strategy		<i>Follow up actions</i>
<i>2. +3.Performance Reporting</i>	<i>Monitor IASB 2006</i>		Consider strategy		<i>Monitor IASB/Follow up actions</i>
<b>Other Matters: Active</b>					
Review strategy			Consider medium L.T. strategy	Follow up actions	
Consultative Group	Local area M'bers meet		Local area M'bers meet	Local area M'bers meet	
USA Occasional Paper	<b>Issue Paper</b>				
Promotion/Communication/Admin	Seminars/Presentations	Presentations	IPSASB Seminars/Presentations	Seminars/Review Observer Group	IPSASB Seminars/Presentations

**IFAC- INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (IPSASB)      WORK PLAN 2006 - 2008**

<b>Technical Projects -Active 2006</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Part 1. Public Sector Specific</b>			
Revenue - Non-Exchange	<b>Issue ED/Develop IPSAS</b>	<b>Issue IPSAS</b>	
Social Policy Obligations-non pensions	Develop/ <b>Issue ED</b>	Develop/ <b>Issue IPSAS</b>	
Social Policy Obligations - pensions	Develop/ <b>Issue ED</b>	Develop/ <b>Issue IPSAS</b>	
Cash Basis- External Assistance	Develop/ <b>Issue revised ED</b>	<b>Issue revised Cash Basis IPSAS</b>	
Budget Actual Comparison (cash+accrual)	Develop/ <b>Issue IPSAS</b>	Consider projected budgets	Follow-up activity
Heritage Assets-Recog Measurement	<b>Issue Consult. Paper</b>	<b>Issue ED</b>	Develop/ <b>Issue IPSAS</b>
Public/Private Partnership/Service Concessions	Develop ED with NSS	<b>Issue Consult Paper/ED</b>	Develop/ <b>Issue IPSAS</b>
1. Conceptual Framework	Strategy/Monitor IASB/Action project	Develop/ <b>Issue Eds</b>	Develop/ <b>Issue Eds/Framework</b>
<b>2. IAS/IFRS Convergence Program</b>			
- IPSAS Improvements Project	Develop/Approve revised IPSASs	<b>Issue improved IPSASs in handbook</b>	
- IAS 19 Employee Benefits	Develop/ <b>Issue ED</b>	Develop/ <b>Issue IPSAS</b>	
- Impairment of Assets - cash-generating	<b>Issue ED/Develop IPSAS</b>	<b>Issue IPSAS</b>	
<b>3. GFS, ESA and SNA Harmonization</b>	Monitor developments	Monitor development	
-Gen Gov. Sector(GGS)	<b>Issue IPSAS</b>		
Glossary	Update if necessary	Approve revised Glossary if necessary	Update if necessary
<b>Part 2. Projects not active 2006</b>			
1. <i>Cash Basis IPSAS review</i>	Review implementation	Finalise review and issue revised IPSAS	
1. <i>Budget GPFS -Prospective Budget</i>	No Action - consider strategy July 06	Consequential actions	Ongoing activity as appropriate
1. <i>MDA/Operations Review</i>	No Action - consider strategy July 06	Consequential actions	Ongoing activity as appropriate
1. <i>Kyoto Protocol: rights/obligations</i>	No Action - consider strategy July 06	Consequential actions	Ongoing activity as appropriate
1. <i>Transitional Guidance - Study 14</i>	No Action - consider strategy July 06	Review/Consider updating	Issue 3rd edition
1. <i>Survey on adoption of IPSASs</i>	No Action - consider strategy July 06	Consequential actions	Ongoing activity as appropriate
1. <i>Non-financial Performance Reporting</i>	No Action - consider strategy July 06	Consequential actions	Ongoing activity as appropriate
1. <i>IAS 26 Retirement benefit plans</i>	No Action - consider strategy July 06	Consequential actions	Ongoing activity as appropriate
2- <i>Business Combinations</i>	No Action - consider strategy July 06	Consequential actions	Ongoing activity as appropriate
2- <i>Fin. Inst: Recog &amp; Measure.</i>	No Action - consider strategy July 06	Consequential actions	Ongoing activity as appropriate
2- <i>Other IFRSs</i>	No Action - consider strategy July 06	Consequential actions	Ongoing activity as appropriate
2 and 3- <i>Performance Reporting</i>	Monitor IASB	Consequential actions	Monitor IASB - Ongoing activity as appropriate
<b>Other Matters:Active</b>	Funding,communicat'n,translat'n,administrat'n	Funding,communicat'n,translat'n,administrat'n	Funding, communicat'n, translat'n, administrat'n
Information Papers	<b>Issue USA Paper/Develop new country paper</b>	<b>Issue Paper on IPSASB member country</b>	
Admin, etc.	Observer review	Observer review	Observer review
IPSASB Seminars and IFAC Liaison	Educat'n, Dev.Nations, others + PIOB	Educat'n, Dev.Nations, others + PIOB	Educat'n, Dev.Nations, others + PIOB



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DATE: 13 JUNE 2006  
MEMO TO: MEMBERS OF THE IPSASB  
FROM: JOHN STANFORD  
SUBJECT: **UPDATE ON PROJECTS OF NATIONAL STANDARDS  
SETTERS**

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### **ACTION REQUIRED**

The IPSASB is asked to:

- **Note** the revised Update on projects of standards setters in IPSASB member jurisdictions.

### **BACKGROUND**

The attached schedule is updated to reflect further information from Canada, Japan and the United Kingdom received or accessed by Staff since the first distribution was finalized. It replaces the schedule on the first distribution at pages 6.45-6.48 and is shown in marked-up format to indicate changes from the first distribution version. If Staff receives further updates, the schedule will be updated and tabled during the forthcoming IPSASB meeting in Paris.

**BROAD OVERVIEW OF PROJECT TYPES – STANDARD-SETTERS IN IPSASB MEMBER JURISDICTIONS**

**PUBLIC SECTOR PROJECTS AS AT MAY 2006  
(COMPILED FROM INFORMATION PROVIDED BY IPSASB MEMBERS/TECHNICAL ADVISORS)**

TOPIC	Arg	Aust	Can	Fra	Ind	Israel	Italy	Jap	Mal	Mex	NZ	N'lans ds	Nor	SA	UK	Switz	USA FASA B	USA GASB
<b><i>Conceptual Type Projects</i></b>																		
Performance Reporting – and aspects of including: Non-fin. service/performance indicators Fin. reporting formats and statements and discussion /analysis and economic condition reporting.		✓	✓			(1) (2) (3)	✓ ✓				✓		✓ ✓	✓ ✓	✓ ✓		#	✓ ✓ #
Conceptual Framework or aspects thereof, including  Financial Reporting Entity	✓		*				✓				✓				✓ (1)	✓	✓	✓ #
Measurement in fin. statements – including valuation and revaluation of property, plant and equipment, present value			✓			✓	✓				✓		✓	✓	✓ (1)	✓		✓
Monitor IASB-FASB's joint project on conceptual framework		✓									✓			✓	✓ —			
<b><i>IPSASB Active Programs</i></b>																		
Non-Exchange Revenues and components thereof - Transfers, Contributions, Contributions in kind, External Assistance Received for accrual accounting		✓	✓			✓					✓		✓	✓		✓	✓	✓ #
Social Policy Obligations		*	*								*			✓			#	
Budgetary Reporting – Compliance		*												✓		✓	#	#

TOPIC	Arg	Aust	Can	Fra	Ind	Israel	Italy	Jap	Mal	Mex	NZ	N'lans ds	Nor	SA	UK	Switz	USA FASA B	USA GASB	
Development Grants and Other Aid (External Assistance, cash accounting only)																			
Heritage Assets		✓									✓			✓	✓		#	✓	#
Asset Impairment – Cash-generating Assets														✓		#			#
Other IASB/IPSAS Convergence projects that overlap with IPSASs, including inventories, sale/lease back, property, plant and equipment, joint ventures, consolidated and separate financial statements, associates			✓			✓ (4) (5) (6) (7)					✓		✓	✓	✓ (2)				
Employee Benefits (consider IAS 19)						✓					✓						#	#	✓
GAAP/GFS Convergence		✓														✓			
<b>Projects considered by IPSASB not yet actioned</b>																			
Service Concessions (monitor IFRIC, IASB)		✓				*					✓			✓	✓				
<b>Other Projects</b>																			
Budget Reporting – prospective information	*	✓					✓				✓	#				✓			
Earthworks																			
Projects that overlap with existing IPSASs, including segments, rel. parties, liabilities, contingent liabilities, hyperinflation economies, disclosure of fin instruments, exchange revenues (and similar)		✓	✓			✓		✓			✓		✓	✓		✓	#	#	
IASB overlap projects (No IPSAS), including:			✓			✓					✓			✓					
Termination benefits						✓													#
Financial Instruments recognition/measurement or aspects thereof – Derivatives and Hedging			✓								✓					#	✓	✓	#

TOPIC	Arg	Aust	Can	Fra	Ind	Israel	Italy	Jap	Mal	Mex	NZ	N'lans ds	Nor	SA	UK	Switz	USA FASA B	USA GASB
Government / Business Combinations		✓				✓					✓							✓
Intangible Assets		✓				✓								✓				✓
Capital Assets/Infrastructure Asset			✓			*							✓				#	✓ #
Simplified/Abbreviated Financial Reporting		✓					✓				✓						✓	✓
Net Assets / Fund Balance Reporting																		✓
Pollution Remediation Obligations																	#	✓
Fiduciary Responsibilities																	✓	✓
Disclosures about Administered Items		✓												✓				
Electronic Reporting													#				✓	✓
Securitizations and Other Transfers																		✓
GAAP, including hierarchy of guidance			#				✓							✓				
Review of National Standards for Government		✓	✓											✓		✓		
Management Commentary											✓				✓			
Puttable Options (Co-operative Shares)		✓									✓							
Joint Ventures											✓							#
Kyoto Protocol/ Emission Rights			✓															
Natural Resources																	✓	

\* Consideration of National Standards for Governments (including Local Governments) and Government Departments in a number of jurisdictions is likely to involve at least some consideration of these issues.

# Standards have been issued.

## Notes

### Canada

(\*) Consideration of National Standards for Governments (including Local Governments) and Government Departments in a number of jurisdictions is likely to involve consideration of some of these issues.

(#) Standards have been issued.

**Israel**

- (1) In process of adoption of IPSAS 1 *Presentation of Financial Statement*.
- (2) In process of adoption of IPSAS 3 *Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies*.
- (3) In process of adoption of IPSAS 14 *Events After the Reporting Date*.
- (4) In process of adoption of IPSAS 12 *Inventories*.
- (5) Adoption of IPSAS 12 *Inventories*.
- (6) In process of adoption of IPSAS 17 *Property, Plant and Equipment*.
- (7) In process of adoption of IPSAS 9 *Revenue from Exchange Transactions*.
- (8) In process of adoption of IPSAS 6 *Consolidated financial statements and accounting for controlled entities*.

**United Kingdom**

- (1) Consultation on the UK Statement of Principles: Interpretation for Public Sector Entities has been completed, but a full Statement has not yet been issued
- (2) Prior to issuance of a full UK Statement of Principles Interpretation, we expect additional work to be progressed on Liabilities and Capital Grants





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DATE: JUNE 12, 2006  
MEMO TO: MEMBERS OF THE IPSASB  
FROM: JOHN STANFORD  
SUBJECT: IASB UPDATE

---

**ACTION REQUIRED**

- Members are asked to **note** the update on the activities of the IASB and IFRIC and the latest publicly available version of the IASB work plan.

**BACKGROUND**

This memorandum provides an update of the activities of the IASB and IFRIC since the IPSASB's meeting in Tokyo in March 2006. The information in this memorandum is drawn from:

- IASB Updates for March, April and May 2006);
- IFRIC Updates for March and May 2006;and
- Review of the IASB website ([www.iasb.org](http://www.iasb.org)) as at June 12, 2006.

The IASB Updates reflect discussions and decisions of the IASB at its March, April and May meetings and directions to IASB and FASB Staff at the joint IASB-FASB Meeting in late April 2006. The work plan and timetable at Appendix 1 shows the IASB's most recently published expectations about the publication date for projects on its active agenda. This timetable distinguishes projects in the Memorandum of Understanding (MOU) with the Financial Accounting Standards Board (FASB) concluded in February 2006 and projects that are not part of that MOU. Some of the projects on the work program have not been dealt with in this memorandum, because, in the view of staff, they are not of significant public sector relevance, eg Accounting Standards for Small and Medium-Sized Entities and Insurance and Business Combinations. The most recent IASB Updates and IFRIC Updates are available from the IASB website at [www.iasb.org](http://www.iasb.org).

**DOCUMENTS RECENTLY ISSUED**

IFRS, EDs, IFRIC Interpretations and Draft Interpretations issued by the IASB and IFRIC since the last meeting are:

	<b>Date of Issue</b>	<b>Document</b>
1	May 2006	ED of Proposed Amendments to IAS 23, Borrowing Costs

**IASB DOCUMENTS ANTICIPATED TO BE ISSUED IN 2006**

IASB documents projected to be issued in 2006 are listed in the following table:

	<b>Document</b>
	IFRS on Segment Reporting
	IFRS on Share-Based Payment: Vesting Conditions and Cancellations
	IASB ED on First-time Adoption: Cost of Investment in Subsidiary ( to be followed by IFRS in 4 <sup>th</sup> Quarter)
	IASB: ED to amend IAS 12 “Income Taxes”.
	IASB: ED to amend IAS 32, Financial Instruments: Presentation and Disclosure, on Puttable Instruments (to be followed by IFRS in 4 <sup>th</sup> Quarter)
	IASB ED Earnings per Share: Treasury Stock Method (to be followed by IFRS in 4 <sup>th</sup> Quarter)
	IASB ED on Small and Medium-Sized Entities
	IFRS on Financial Statement Presentation: Phase A (project formerly known as Performance Reporting) Discussion Paper on Financial Statement Presentation: Phase A (project formerly known as Performance Reporting)
	IASB ED on Joint Ventures
	IASB: Fair Value Measurement Guidance
	IASB/FASB: Conceptual Framework Discussion Paper, Objectives and Qualitative Characteristics of Financial Reporting on the Conceptual Framework
	IASB Discussion Paper on Insurance Contracts

**TECHNICAL PROJECTS**

This section deals with certain active projects of the IASB and IFRIC on which there have been developments since the IPSASB meeting in Tokyo.

**(i) Revenue Recognition**

At their April joint meeting the IASB and FASB (the Boards) considered how to bridge two alternative models of revenue recognition:

- recognition of revenue when the obligation to provide goods, services and other rights is extinguished; and
- recognition of revenue as the entity’s production processes create or enhance assets for customers.

The Boards are focusing on the notion of customer acceptance as a method of bridging the gap between these 2 models. Staff of both Boards has therefore been instructed to explore revenue recognition based on the criterion of customer acceptance of performance to date.

**(ii) Financial Statement Presentation (formerly Performance Reporting)**

Following discussion at the March meeting of the IASB the title of the project on “Performance Reporting” was changed to “Financial Statement Presentation”. This reflects the fact that the scope of the project includes all of the financial statements, not just the performance statement. The IASB affirmed a number of points on scope: These included:

- The project’s primary focus is on the organization and presentation of information on the face of the financial statements. The project will not address recognition or measurement guidance in other Standards;
- The project will address all the financial statements constituting a complete set of financial statements;
- The project will assess the need to change the mechanism of recycling;
- Whilst the project will not include a comprehensive review of the notes to the financial statements it may result in amendments to existing disclosure requirements as a consequence of changes made to the face of the financial statements;
- The resulting Standard will apply to all business entities. The issue of different presentation for financial institutions will be considered; and
- Amongst the areas that will not be addressed are
  - management discussion and analysis and management commentary;
  - forecasts of information;
  - non-financial ratios or other non-financial information; and
  - financial statements for specific industries (apart from financial institutions).

The IASB also revised and clarified the project objective and discussed proposed working principles used in development of standards on presentation and display in the financial statements.

### **(iii) Conceptual Framework**

The IASB continued its deliberations on Phase D, “Reporting Entity”, at its meetings in March and April 2006. At its March meeting the IASB discussed the term “entity” and decided that the term “reporting entity” should be a broad concept that encompasses all types of entity. The term “entity” should be more than a reflection of legal formation and should therefore encompass other organizational structures. However, something that is merely a collection of assets and liabilities without a management or administrative function to manage that collection would not meet the definition of an entity.

The IASB also considered whether a parent-only entity could be a reporting entity. The discussion reflected a number of views. Two highlighted are:

- Parent and group are the same entity and parent-only and consolidated statements provide two different perspectives of the same entity; and
- Parent and group are different entities and the separate financial statements relate to different entities.

The IASB will return to this topic in future meetings.

At the April meeting the IASB, continuing its discussion on the reporting entity, discussed the meaning of “control” in the context of one entity having control over another. Key decisions included:

- The definition of control should contain both a power element and a benefits element, together with a link between these elements;
- The power element should refer to the entity’s ability to direct the financing and operating policies of another entity;
- The benefits element should refer broadly to benefits or economic benefits, and no minimum level of benefits should be specified; and

- The conceptual framework should explain that determining whether one entity has control over another entity involves an assessment of all the facts and circumstances.

Also at the April meeting the IASB began its discussion of the conceptual distinction between liabilities and equity. The general view is that the key distinction is both on the obligation to sacrifice economic resources and the conveyance of ownership returns, risks and rights. No decisions were made on this issue.

At the April joint meeting with the FASB the Boards considered definitions of assets and liabilities and their essential characteristics. An asset is a present economic resource of an entity and its characteristics are:

- There is an underlying economic resource;
- The entity has rights or other privileged access to the economic resource; and
- The rights or other privileged access exist at the date of the financial statements.

A liability is a present economic obligation of an entity and its characteristics are:

- The entity is obligated to act or perform in a certain way (or refrain from acting or performing);
- The obligation exists at the date of the financial statements; and
- The obligation is economic- it is an obligation of the entity to provide its economic resources to others, or to stand ready to do so.

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It was also jointly agreed that the upcoming due process document that discusses the objectives and qualitative characteristics of the framework will be published as a discussion paper, rather than an exposure draft. The discussion paper will include the preliminary views of the Boards and there will be a 120 day comment period. The discussion paper is due to be published in the second quarter of 2006.

**(iv) IAS 37, “Provisions, Contingent Liabilities and Contingent Assets”**

At its March meeting the IASB continued its analysis of issues following the expiry of the consultation period on the Exposure Draft (ED) in October 2005. The IASB affirmed the proposal in the ED that the requirements of IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” should be applied to all liabilities not within the scope of other Standards. The IASB decided to modify the proposed scope requirements to clarify that performance obligations measured in accordance with IAS 18, “Revenue” on the basis of the consideration received will be outside the scope of the revised IAS.

It was also affirmed that “provision” would not be a defined term in a revised IAS 37. However, rather than the term “non-financial liability” used in the ED, the term “liability” would be used.

The IASB also considered whether a number of additional issues identified by commentators should be included in the project. It was decided that the measurement of reimbursement rights should be brought within the scope of the project.

At its May meeting the IASB considered issues relating to the recognition principle proposed in the ED. This principle would require an entity to recognize a liability when the definition of a liability has been satisfied and the liability can be measured reliably. The issues discussed were:

- The meaning of the phrase expected to in the definition of a liability;
- Determining when an entity has a liability when the existence of a present obligation is uncertain; and
- Stand-ready obligations

Following comments from respondents to the ED, the IASB decided to clarify that the term "expected to" in the definition of a liability in the IASB Framework is not intended to imply that there must be a particular degree of certainty that an outflow of benefits will occur before an item meets the Framework definition of a liability.

The IASB agreed with respondents who considered that the ED provided insufficient guidance on determining whether a liability exists, particularly in cases where a present obligation is uncertain, and therefore decided to include additional guidance in any final Standard.

Many respondents to the ED took a view that the explanation of a stand-ready obligation was too broad and would lead to the recognition of a large number of items, including items regarded as general business risks. It was confirmed that a stand-ready obligation must be satisfy the definition of a liability in the Framework. The IASB discussed some examples to assist in distinguishing a liability from a business risk and instructed staff to work with the conceptual framework project team on this issue.

#### **(v) Financial Instruments**

At the March meeting further issues were addressed in the context of the ED proposing amendments to IAS 32, "Financial Instruments: Presentation and Disclosure", to require equity classification of financial instruments puttable at the fair value of a pro rata share of the net assets of the entity, and financial instruments that entitle the holder to a pro-rata share of the entity's net assets on liquidation, subject to specified criteria. These issues included:

- Formula to determine the fair value of financial instruments puttable at fair value;
- Application guidance on Convertible Bonds;
- Effective date;
- Transitional arrangements; and
- Benefits and cost of the proposed amendments.

At its April meeting the IASB concluded that, overall, the benefits of the proposed amendments outweighed the costs. The rationale for this conclusion will be set out in the Basis for Conclusions.

#### **(vi) Joint Ventures**

In the March Meeting the IASB discussed papers on the definition of a joint venture prepared by staff of the Australian Accounting Standards Board. It was decided that the driver for accounting by participants in joint arrangements should be their contractual right and obligations created by the joint arrangement agreement rather than the type or form of an arrangement. It was further decided that, in the light of the potential effect of developments in current projects on joint ventures, work on the long-term research project should be suspended, pending the outcome of the these developments.

**(vii) Borrowing Costs**

At its March meeting the IASB decided to exclude from the scope of IAS 23, “Borrowing Costs”, qualifying assets measured on initial recognition at fair value such as biological assets in IAS 41, “Agriculture”. In May 2006 the IASB issued an Exposure Draft of Amendments to IAS 23. The Exposure Draft proposes to require an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately recognizing those borrowing costs as an expense would be removed.

**(viii) Service Concessions**

At its March meeting the IFRIC considered issues arising from a revised draft of D12, “Service Concession Arrangements-Determining the Accounting Model”. This revised draft reflected a number of significant changes:

- Infrastructure used in a service concession arrangement for the whole of its useful life is within the scope of the revised draft. IFRIC Staff have been asked to test whether such inclusion broadens the scope of the Interpretation further than the IFRIC intended;
- Under the approach exposed for comment in D12, an entity determined whether to use the financial instrument or intangible asset model by reference to whether the grantor or the user has the primary responsibility to pay the operator for the services provided. The revised draft reflects a modified approach in that an entity should recognize a financial asset to the extent that the operator has a contractual right to receive cash from, or at the direction of, the grantor. This change is meant to reflect better the economic reality of concession arrangements. A right other than a contractual right to receive cash does not meet the definition of a financial asset and is therefore within the scope of IAS 38, “Intangible Assets”. Some service concession arrangements will need to be bifurcated;
- The revised draft includes an appendix to provide references to standards that might apply to arrangements falling outside the scope of the Interpretation. The Basis for Conclusions will also create a better understanding of the reasons for the scope requirements of the Interpretation.

At the March meeting the IFRIC agreed that the Interpretation should include a scope condition that any significant residual interest should be controlled by the grantor. At the May meeting the IFRIC considered whether Application Guidance was needed in order to evaluate significance in this context. The IFRIC decided against giving such guidance. Henceforth, the term “residual interest” will be replaced by “residual value” to ensure consistency with IAS 16, “Property, Plant and Equipment”. At the March meeting the IFRIC also decided that there should be a consequential amendment to IFRIC 4, “Determining whether an Arrangement Contains a Lease” specifically excluding arrangements within the scope of D12 and modifying the Basis for Conclusions in IFRIC 4 to explain the reason.

The IASB discussed service concession arrangements at its May meeting. The meeting was for education only and no decisions were made.

**(ix) IAS 19, “Employee Benefits”**

At its May meeting the IFRIC continued its deliberations on the effect of Minimum Funding Requirements on application of the asset ceiling test under paragraphs 54 and 58 of IAS 19, “Employee Benefits”. The IFRIC affirmed a number of decisions made at previous meetings. These included that:

- An economic benefit does not need to be immediately realizable at the balance sheet date in order for it to be recognized as an asset available to the entity under IAS 19;
- An entity shall apply an adjustment to reduce a defined benefit asset or increase a defined benefit liability in respect of any statutory minimum funding contributions that are payable but would not be available to the entity as a refund or reduction in future contributions;
- The asset available as a refund should be recognized to the extent that there is no obstacle under contract or law at the balance sheet date, in the jurisdiction of the plan in question, that would prevent any surplus existing on the settlement of the plan liabilities from reverting to the entity, after taking into account all the costs associated with the settlement;
- The asset available as a reduction in future contributions would be reduced by the present value of future statutory minimum funding requirements.

A further revised draft of the Draft Interpretation will be presented at the July meeting of IFRIC.

At its May meeting the IASB considered whether to add a project on employee benefits (pensions) to its active agenda. The Board instructed staff to develop an agenda proposal for a comprehensive long-term project that would involve a fundamental rethink of all aspects of pension accounting. Staff was also asked to identify issues that could be resolved relatively quickly with a view to issuing an interim standard with the objective of significantly improving pension accounting within four years. The FASB is also undertaking a two-phase project on pension accounting and the ultimate aim is to produce a converged Standard.

**(x) IFRS 1, First Time Adoption of International Financial Reporting Standards**

At its May meeting the IASB added a project to resolve issues relating to accounting for a subsidiary in the separate financial statements of a parent on first time adoption of IFRSs.

At the May meeting the IASB also discussed potential amendments to IFRS 1, “First Time Adoption of International Financial Reporting Standards” relating to relief from determining cost in accordance with IAS 27, “Consolidated and Separate Financial Statements” on transition to IFRSs. Staff was instructed to analyze the possibility of amending the definition of cost in IAS 27.

**(xi) Fair Value Measurement**

At its May meeting the IASB continued its discussion on the FASB’s Fair Value Measurement Statement. The objective of the project is to define fair value more clearly when its use is required by another Standard.

The current intention is to publish the FASB’s final VFM statement as an IASB Exposure Draft, highlighting areas where IASB does not agree with FASB or where additional guidance is necessary. The principles set out by staff that underpin the IASB’s fair value measurements project are:

- The objective of a fair value measurement is to determine the price that would be received for an asset or paid to transfer a liability in a transaction between market participants at the measurement date;

- The definition of fair value and its measurement objective should be consistent for all fair value measurements required by IFRSs;
- A fair value measurement should reflect market views of the attributes of the asset or liability being measured and should not include views of the reporting entity that differ from market expectations; and.
- A fair value measurement should consider the utility of the asset or liability being measured. As such, the fair value measurement should consider the location and the condition of the asset or liability at the measurement date.



## IASB WORK PLAN AS AT MARCH 2006

## APPENDIX 1

## IASB Work Plan

The project timetable below was published following the release of the Memorandum of Understanding with the FASB which sets out a Roadmap for Convergence between IFRSs and US GAAP between 2006 and 2008 .

IASB Work Plan - projected timetable as at 31 March 2006								
<i>The timetable shows the current best estimate of document publication dates. The effective date of IFRSs is usually 6-18 months after publication date.</i>								
	MoU milestone by 2008	2006			2007		2008	Timing yet to be determined
		Q2	Q3	Q4	H1	H2		
<b>ACTIVE AGENDA</b>								
<b>Projects in Memorandum of Understanding (MoU) with the FASB [Note 1]</b>								
<b>Short-term Convergence projects</b>								
Borrowing costs (IASB)	<i>Determine whether major differences should be eliminated and substantially complete work</i>	ED			IFRS			
Government grants [Note 2] (IASB)						ED	IFRS	
Joint ventures (IASB)				ED		IFRS		
Segment reporting (IASB)				IFRS				
Impairment (Joint)								Not started
Income tax (Joint)			ED			IFRS		
Fair value option (FASB)								
Investment properties (FASB)								
Research and development (FASB)								
Subsequent events (FASB)								
<b>Other Convergence projects</b>								
Business combinations	<i>Converged standards</i>					IFRS		
Consolidations	<i>Work towards converged standards</i>				ED		IFRS	
Fair value measurement guidance	<i>Converged guidance</i>		ED			IFRS		
Financial Statement Presentation [Note 3]								
Phase A					IFRS			
Phase B	<i>One or more due process documents</i>				DP		ED	IFRS
Revenue recognition	<i>One or more due process documents</i>			DP			ED	IFRS
<b>Projects not included in the MoU</b>								
Conceptual Framework								

Phase A: Objectives and Qualitative Characteristics	ED					
Phase B: Elements, Recognition and Measurement				TBD		
Phase C: Measurement						TBD
Phase D: Reporting Entity				TBD		
Phase E: Presentation and Disclosure						TBD
Phase F: Purpose and Status						TBD
Phase G: Application to Not-for-Profit Entities						TBD
Phase H: Finalisation <b>[Note 4]</b>						TBD
Small and Medium-sized Entities		ED			IFRS	
Insurance contracts			DP			ED IFRS
Liabilities <b>[Note 5]</b>					IFRS	
Emission trading schemes <b>[Note 2]</b>						
<b>Amendments to standards</b>						
Financial instruments: puttable instruments (IAS 32)	ED				IFRS	
Earnings per share: treasury stock method (IAS 33)	ED				IFRS	
First-time adoption: cost of investment in subsidiary (IFRS 1)		ED			IFRS	
Share-based payment: vesting conditions and cancellations (IFRS 2)			IFRS			
<b>Projects yet to be added to the ACTIVE AGENDA but included in the MoU with the FASB (except as shown)</b>						
<b>RESEARCH AGENDA</b>	<b>MOU milestone by 2008</b>					
Derecognition	<i>Publish staff research as due process document</i>					
Financial instruments (replacement of existing standards)	<i>One or more due process documents</i>					
Intangible assets	<i>Consider research and make agenda decision</i>					
Leases	<i>Make agenda decision</i>					
Liabilities and Equity <b>[Note 6]</b>	<i>One or more due process documents</i>					
Post-retirement Benefits (including Pensions)	<i>One or more due process documents</i>					
Extractive activities	<i>Not in MoU</i>					

**Abbreviations used in the IASB Work Plan:**

DP	Discussion Paper (containing the Board's preliminary views)
ED	Exposure Draft
IFRS	International Financial Reporting Standard
TBD	The type of initial document (DP or ED) is yet to be determined

**Notes:**

1

The Memorandum of Understanding (MoU) sets out the milestones

- demonstrate standard-setting convergence, which is one part of the process towards removal of the requirement imposed on foreign registrants with the SEC to reconcile their financial statements to US GAAP.
- 2 Work on government grants and emission rights has been deferred pending conclusion of work on other relevant projects.
- 3 The Financial Statement Presentation project was formerly known as The Performance Reporting project.
- 4 The IASB and the FASB are considering how they will finalise the Conceptual Framework project, once the initial documents on each phase have been subject to public consultation and redeliberation by the boards.
- 5 The Liabilities project is the amendments to IAS 37. It was formerly known as the Non-financial Liabilities project.
- 6 Project is being conducted as a "modified joint" project. That is, the IASB expects to make a formal agenda decision and begin work when the FASB has completed work on an initial discussion document.