

**Approved Minutes of the Meeting of the  
INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD**

**Held on March 7–10, 2017 in Washington, D.C., U.S.A.**

**1. Attendance, Opening Remarks, and Approval of Minutes**

**1.1 Attendance**

	<b>Voting Members</b>	<b>Technical Advisors</b>
Present:	Ian Carruthers (Chair)	Claudia Beier (Mr. Wermuth)
	Angela Ryan (Deputy Chair)	Amanda Botha (Ms. Bodewig)
	Stuart Barr	Takeo Fukiya (Mr. Izawa)
	Mike Blake	Baudouin Griton (Mr. Camoin) (Tuesday-Thursday)
	Lindy Bodewig	Anthony Heffernan (Ms. Ryan)
	Michel Camoin	Evelyn Ling (Mr. Blake)
	Francesco Capalbo	Leona Melamed (Mr. Monette)
	Robert Dacey	Fabrizio Mocavini (Ms. Tiron Tudor)
	Sebastian Heintges	Juan Moreno Real (Ms. Méndez)
	Kenji Izawa	Ayres Moura (Mr. Nascimento)
	Aracelly Méndez	Giovanni Parente (Mr. Capalbo) (Tuesday-Wednesday)
	Rod Monette	Renée Pichard (Mr. Barr)
	Leonardo Nascimento	Jakob Prammer (Mr. Schatz)
	Chris Nyong	Gillian Waldbauer (Mr. Heintges)
	Bernhard Schatz	David Watkins (Mr. Carruthers)
	Adriana Tiron Tudor	Haifeng Yang (Ms. Zhang)
	Marc Wermuth	
	Juan Zhang	

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**Non-Voting Observers**

Present: Guy Almeida Andrade (IFAC Nominating Committee)  
Jón Blöndal (OECD) (Tuesday-Wednesday)  
Jerry Gutu<sup>1</sup> (United Nations)  
Keith Hayes (Eurostat)  
Gary Jones (IMF) (Tuesday-Thursday)  
Guohua Huang (IMF) (Tuesday)  
Jani Laakso (World Bank)  
Delphine Moretti (OECD)  
Darren Peters (United Nations)  
Thomas Müller-Marqués Berger (CAG Chair)  
John Verrinder (Eurostat)

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Apologies: Dinara Alieva (UNDP)  
Chai Kim (ADB)  
Martin Koehler (European Commission)  
Takatsugu Ochi (IASB)  
Chandramouli Ramanathan (UN)  
Darshak Shah (UNDP)  
Paul Mason, IPSASB

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**IPSASB/IFAC Staff**

Present: João Fonseca, IPSASB (Tuesday-Thursday)  
James Gunn, Managing Director, Professional Standards (Tuesday)  
Gwenda Jensen, IPSASB  
Ross Smith, IPSASB  
Joanna Spencer, IPSASB  
John Stanford, IPSASB  
Vincent Tophoff (IFAC) (Tuesday)  
Alexandra Waibel (IFAC) (Tuesday)

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<sup>1</sup> Jerry Gutu and Darren Peters attended the meeting in place of Chandramouli Ramanathan

The Chair welcomed members, Technical Advisors (TAs) and observers to the first meeting of 2017. He extended a particular welcome to the three new members, Lindy Bodewig, Francesco Capalbo and Chris Nyong and invited each member to introduce themselves to the Board. The new members indicated their backgrounds and their hopes and expectations for their involvement in the Board's activities.

The Chair welcomed Guy Almeida Andrade who was attending the meeting as a representative of the IFAC Nominating Committee in order to observe how the IPSASB operates.

The Chair informed members, TAs and observers that Ross Smith had been promoted to Deputy Director. He congratulated Ross on the promotion.

The Chair informed members, TAs and observers that Paul Mason had returned to England following the passing of his father and therefore would not be at the meeting. The Board expressed their condolences to Paul.

The Chair noted the successful seminar, *Transparency and Beyond: Harnessing the Power of Accrual in Managing Public Finances*, which had been held at the IMF on March 6<sup>th</sup>. This was an important event in developing relationships with key partners and in locating IPSASB in the context of public financial management. It was also an initial and significant input to the development of the strategy and work plan, which would begin with an initial discussion at this meeting. The Chair noted the strong support from the IPSASB and thanked the members, TAs and observers who had attended and participated.

The minutes of the meeting from December 5–8 2016 were approved.

The report on outreach activities was noted and the Chair thanked the Board for their commitment to outreach activities. He indicated that outreach would be especially important in 2017 with the development of the Strategy and Work Plan Consultation Paper and the twentieth anniversary of the Standards Program.

The Chair updated the Board on his outreach activities in New Zealand and Australia in January and February 2017. The outreach had included Wellington, Auckland, Sydney and Brisbane and had involved interaction with:

- The New Zealand External Reporting Board;
- Auckland City Council;
- Kris Peach, Chair of the Australian Accounting Standards Board;
- The Heads of Treasuries Accounting and Reporting Advisory Committee (Australia);
- New South Wales (NSW) Treasury; and
- The discussions at the NSW Treasury were facilitated by Consultative Advisory Group member Karen Sanderson.

All these meetings had reinforced positive relationships. The meeting with Kris Peach had facilitated an understanding of AASB's perspective on the public sector. The meetings at the NSW Treasury had focused on budgetary reform, including the development of a budgetary framework based on outcomes and the work of the Asset and Liability Committee, which involved management across the full set of financial reports; cash management and risk profile; and links between assets and liabilities.

Keith Hayes, the Eurostat Observer updated the IPSASB on developments in the European Public Sector Accounting Standards (EPSAS) project. Keith noted that, as explained at previous IPSASB meetings,

EPSAS work is initially focusing on increasing accounting transparency in the member states, while in parallel developing the EPSAS framework, then looking to ensure comparability in the mid to longer term.

Keith highlighted the forthcoming EPSAS meetings:

- **Cell on Principles underlying EPSAS Governance** – the cell would meet on March 28. The cell's report was nearing finalization. At the next meeting the main agenda items would concern the implications of the cell's report on the ongoing work on accounting principles and the implications of governance principles for future due process.
- **Cell on Principles related to EPSAS Standards** – the cell would meet on March 29. The main issues for discussion included:
  - Going concern (or the continuity of government);
  - Evaluation of the need, or not, for a hierarchy of accounting principles; and
  - The work on the definitions of accounting principles.
- **Cell on EPSAS First Time Implementation (FTI)** – The cell's report – a first version of the EPSAS FTI guidance note – is close to final, and Eurostat expects that it can be disseminated in the next few weeks.
- **EPSAS Working Group (WG)** – The next meeting was scheduled for April 26–27 in Lisbon, hosted by the Portuguese Ministry of Finance. It would be followed by a national conference on accruals and ongoing developments in Portugal on April 28.

The main discussion at the WG would be focused on:

- Updates from the EPSAS cells;
- Five EPSAS issues papers;
  - Accounting for heritage items;
  - Accounting for infrastructure assets;
  - Accounting for social contributions;
  - Accounting for military assets; and
  - Accounting for segment reporting
- An update on stakeholders' activities and
- Funding of accruals accounting modernization in the Member States (MSs).

Eurostat had commissioned a total of 10 EPSAS issues papers in 2016. The aim of the papers was not to establish a common position, but to initiate and structure discussion. Under a further contract Eurostat intends to commission a further 10 issues papers in 2017. So far three of the second set of 10 have been confirmed:

- Accounting treatment of intangible assets;
- Principled approach to disclosures; and
- Member States' approaches to harmonizing charts of accounts for national purposes.

In addition Eurostat and its consultants will further analyze some important “impact considerations”:

- Lessons learnt from experiences of accruals implementation;
- Capacity issues in the MSs;
- How EPSAS might support financial audit and control in the MSs and in the European Union context; and
- The measurement and monitoring of the transparency of public sector financial reporting in the MSs.

The EPSAS project will also aim to widen its communication activities with stakeholders.

The Chair thanked Keith for the update.

The IPSASB noted the summary of the IASB Work Plan, the IFRS Tracking Table and the GFS Tracking Table.

## **2. Governance (Agenda Item 2)**

### *Public Interest Committee*

The IPSASB Chair welcomed Jón Blöndal, member of the Public Interest Committee (PIC), to provide the IPSASB with an update on governance matters and share a summary of the March 1, 2017 PIC meeting in Paris. Mr. Blöndal discussed the following:

- IPSASB work program;
- IPSASB member nominations and discussions with the IFAC nominating committee;
- Consultative Advisory Group (CAG); and
- IPSASB Due Process and Working Procedures.

Mr. Blöndal noted that the PIC activities so far have focused mainly on the review of the key documents (*IPSASB Due Process and Working Procedures* and *IPSASB Terms of Reference*) and establishing enhanced governance processes (establishment of the CAG). The PIC is now more focused on the oversight of Due Process of the IPSASB.

Mr. Blöndal noted that the PIC was happy to see a strong focus on public sector specific projects on the IPSASB's agenda. However, the PIC noted that some project timelines had been delayed and that it wanted to see continued progress on the PIC priority projects, Social Benefits, Revenue and Non-Exchange Expenses and Leases. Overall, the PIC considered that the IPSASB progress on the work plan was positive.

Mr. Blöndal noted that in relation to nominations, the PIC has placed a very high emphasis on gender balance and regional diversity. The PIC expressed disappointment in what it sees as a lack of progress on both key priorities. It was noted that additional outreach activities undertaken by the IFAC Nominating Committee do not appear to be resulting in increased diversity and a more ambitious program should be developed.

Mr. Blöndal noted that the PIC was happy with the development of the CAG. However, the PIC noted that the CAG was perceived by the PIC to be operating as a mini-IPSASB and that the CAG had devoted a lot of agenda time to Public Financial Management at the December 2016 meeting. The PIC view is that the CAG has a broad mandate. However, the PIC believes its emphasis should be on the views of users on barriers to adoption and implementation of IPSASs.

Mr. Blöndal noted that the PIC discussed Due Process and potential ways the IPSASB could progress projects more quickly. He specifically identified the issues of when a Task Based Group (TBG) or a Task Force (TF) is used, as well as when the IPSASB determines if a Consultation Paper (CP) is needed in addition to an Exposure Draft (ED) for a project. The PIC recommends that specific criteria should be developed to help determine when these different aspects are needed for a project, and ensure project management is as efficient as possible.

The IPSASB Chair reflected that the PIC meeting was very constructive. The comments on Due Process were noted as particularly useful to the IPSASB in more transparently identifying when a CP is needed, or when a TBG or TF is required. Further, the IPSASB Chair noted that it is very useful to receive external perspectives as the IPSASB begins its process to develop its next Strategy and Work Plan consultation. Further, it was noted that the IPSASB might test alternative operating procedures at strategic points to move projects along quicker. For example, an in person TBG meeting is scheduled for April 2017 to review the non-authoritative material for the ED for the Update of IPSAS 28–30 Financial Instruments project, in order to facilitate approval of the draft ED at the June 2017 meeting.

The IPSASB CAG Chair noted that this PIC meeting was the first time for the CAG to discuss its work with the PIC, as the CAG was only established in March 2016. The evolution of the CAG was discussed and the PIC noted the developments from the inaugural June 2016 meeting to the December 2016 meeting (with significant progress being made on the quality and scope of the CAG agenda material by better consideration of public interest issues relevant to the IPSASB). The PIC meeting included a useful discussion on the mandate of the CAG as noted by Mr. Blöndal. Further, it was noted that outreach by the CAG and the CAG Chair is important. However, the purpose of outreach should be to promote awareness of IPSASs and accrual accounting issues, but not to be seen as an IPSASB/IPSAS advocate.

The Managing Director, Professional Standards, thanked the PIC for their feedback, and the IPSASB and CAG Chairs for their remarks. Reflecting on discussions at the PIC meeting, it was noted that the IPSASB should not be too cautious in its work or too conservative in its application of Due Process. The PIC noted that timeliness of projects is important and the IPSASB should continue to focus on how it can move forward key public sector specific projects. Further, the PIC noted that outreach could be more strategic and targeted to ensure that useful information obtained on issues is communicated to other IPSASB members.

IPSASB members shared views on the reflections from the PIC meeting, noting the following:

- National standards setters also struggle with balancing the need to move quickly in developing accounting standards and the need to allow time for their members and constituents to properly understand the issues and develop appropriate principles to address these issues. It might be helpful for the IPSASB to consider the speed of project development from a risk management perspective and discuss those risk factors with the PIC.
- Reflecting on the PIC comments on gender and regional diversity, a member agreed that this is an ongoing issue. However, it should be emphasized and understood that there is also a need to continue to maintain diversity in the functional background of members, as well as to ensure that the technical capacity of the IPSASB is maintained.
- The IPSASB Chair noted that in terms of nominations, a long term strategy is needed to ensure the diversity issue is appropriately addressed. It should also be noted that the nominating committee process is strong, it is very open and fair. A great deal of effort goes into finding appropriate candidates and ensuring an open, fair and transparent selection process.
- Guy Andrade emphasized that the mandate of the Nominating Committee is to nominate the best person for the position, then look to diversity.

- The feedback from the PIC on the IPSASB's application of Due Process is a good external perspective to consider when considering if a TBG or a TF is needed, as well when a CP is needed.
- The IPSASB used to have a specific session on representation and outreach activities and found it a time consuming process. A member suggested that an outreach questionnaire could be developed that includes a few questions to capture the types of issues discussed and specific implementation challenges. This information could be captured and included as an appendix to the representation activities report tabled for each meeting.

The IPSASB Chair thanked Mr. Blöndal and the PIC for their feedback. He also thanked the PIC secretariat for their hard work and specifically for their work in reviewing the application of Due Process for the recently completed IPSAS 40, *Public Sector Combinations*.

### 3. Technical Director's Report on Work Plan (Agenda Item 3)

#### *Review of work plan on day one*

The Technical Director presented the current work plan. He noted that the following changes had been made due to directions and developments at the December 2016 meeting:

- (a) **Public Sector Combinations:** The project had been completed and had been removed from the work plan and included in the completed projects list.
- (b) **Leases:** Approval of the ED has been deferred until September 2017 as a result of the IPSASB not arriving at a decision as to which lessor model should be adopted.
- (c) **Revenue and Non-Exchange Expenses:** Approval of the Consultation Paper (CP) had been put back to March 2017.
- (d) **Heritage:** Approval of the CP had been put back to March 2017.

#### *Additional Changes since the December 2016 Meeting*

At its December 2016 meeting, the IPSASB agreed that the IPSASB Chair and Technical Director would review the work plan again during January 2017. As a result of these discussions, the following additional changes had been made to the work plan:

- (a) The approval of the CP on *Infrastructure Assets* has been deferred until March 2018. This reflects the inter-dependence of this project and the project on *Public Sector Measurement*.
- (b) The review of responses to the CP on *Public Sector Specific Financial Instruments* has been deferred until June 2017, as a result of pressures on the agenda for the March 2017 meeting. At its December 2016 meeting, the IPSASB noted that the work plan currently includes the approval of the ED on *Public Sector Specific Financial Instruments* in December 2017 and the first review of responses on the *Update of IPSASs 28-30* in March 2018. The IPSASB considered that, given the links between these projects, it would be appropriate to discuss the two projects together. This deferral will resolve this issue.
- (c) The next Improvements project has been deferred until 2018. The IPSASB had discussed this possibility at its December 2016 meeting as a way of reducing the workload on both the IPSASB and respondents, and had agreed to reconsider this at this meeting. Members supported the deferral.

### *Potential Future Changes*

At its December 2016 meeting, the IPSASB recognized the challenging timetable for the *Social Benefits* project in light of the developments at recent meetings. No changes had been made to the work plan for this project, but the position would be reassessed in light of developments at the March 2017 meeting.

### *Pressures on Respondents*

At the first work plan session at the December 2016 meeting, a number of members had highlighted the workload issues for respondents of the approvals that are scheduled for 2017. The Chair and Staff would continue to monitor this issue and make proposals for alleviating this burden if necessary. Such measures could include phasing and extending some response deadlines, as suggested by CAG members, which would also allow additional time for translation where required.

### *Further Review of Work Plan on Day Four*

As a result of developments at the meeting the following changes would be made:

- The approval date for the Consultation Paper on *Revenue and Non-Exchange Expenses* would be put back to June 2017;
- The approval date for the *Social Benefits* Exposure Draft would be put back to September 2017; and
- The initial discussion of issues for *Infrastructure Assets* would be in September 2017, so the approval of the CP on *Infrastructure Assets* has been further deferred until June 2018.

In addition the *Strategy and Work Plan* will be shown as a separate project on the Work Plan. The IPSASB also directed that the Emissions Trading Schemes should be removed from the Work Plan.

The Chair highlighted that the current Work Plan focus is on the timely completion of current projects. In order to achieve this aim members will be asked to provide input to projects between meetings.

## **4. Revenue and Non-Exchange Expenses (Agenda Item 4)**

Staff presented a revised version of draft Consultation Paper, *Accounting for Revenue and Non-Exchange Expenses*. Staff identified some minor changes to Chapters 1–3, which had been approved at the December 2016 meeting. The changes included adding a diagram of a tripartite agreement, adding the flowchart from IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* that illustrates the analysis of initial inflows of resources, and minor editorial changes due to a restructuring of the subsequent chapters. The Board agreed with these modifications.

The Board then discussed Chapter 4 that addresses the proposed approaches for revenue recognition of Category B transactions – transactions that are likely to have some performance obligations but not all the features necessary to be accounted for under a standard primarily drawn from IFRS 15, *Revenue from Contracts with Customers*. The Board commented that the current drafting was unclear in identifying the options for revising IPSAS 23 and asked staff to revise these options for discussion later in the meeting.

Responding to this direction, staff brought back the following proposed options for Category B transactions:

1. Retain IPSAS 23 in its current format, but include guidance on the determination between exchange and non-exchange transactions;
2. Revise IPSAS 23 to address transactions with time requirements (and no other stipulations) via either:

- (a) Enhanced disclosures;
- (b) Reclassifying time requirements as a condition;
- (c) Broadening the concept of enforceability;
- (d) Treating time requirements as other obligations (as per the Conceptual Framework); or
- (e) Take resources with time requirements to net assets/equity (net financial position) and recycle in the period in which the resource provider intended them to be used.

### 3. Public Sector Performance Obligation Approach.

Staff and some members were of the view that option 2(b) should not be included in the CP because it was not conceptually sound. However, it was agreed by the Board that it should be retained in the CP.

The Board decided that option 2(c) should not be included in the CP as it appeared to be a more complex version of option 2(b).

The CAG Chair mentioned that some CAG members were not in favor of option 2(d) as they considered that the use of 'other obligations' is not in accordance with the Conceptual Framework. Staff reminded the Board that, although deferred inflows and outflows had not been defined as elements, the potential use of 'other obligations' and 'other resources' had been included in the Conceptual Framework with the intention that their usage was to be assessed on a standard-by-standard basis. Some members were hesitant at putting forward an option for using other resources and other obligations in the CP while others thought it was appropriate to include this option.

The Board also briefly considered the proposed approaches for recognition of non-exchange expenses:

1. Obligating Event Approach;
2. Public Sector Performance Obligation Approach (PSPOA); and
3. IPSAS 23 Reverse Approach.

Members commented that the CP needs to articulate which non-exchange expenses are included in this CP as the social benefits project was also addressing recognition of certain non-exchange expenses. The Board also noted that in regards to the Obligating Event Approach there may be a challenge with timing as the CP is scheduled to be issued before the Social Benefits ED and this approach is being considered in both projects.

Members commented that there had been a lack of Board time on the non-exchange expenses section of the draft CP and as a result some of the approaches were underdeveloped and needed more explanation and examples. The Board felt there was a lack of clarity as to how the PSPOA and reverse IPSAS 23 approaches would work for non-exchange expenses. Further the approaches need to be tested for collective goods and universal services.

The Board also briefly discussed the initial and subsequent measurement approaches for non-contractual receivables proposed in the draft CP. For initial measurement the approaches proposed are:

1. Best estimate of the discounted cash flows; and
2. Face value of the transactions with uncollectable amounts recognized as an impairment.

The proposed approaches for the subsequent measurement of non-contractual receivables are:

1. Fair value or market value approach;

2. Amortized cost approach; and
3. Cost Approach.

The Board suggested that examples may help to understand how these approaches may work in practice.

## **5. Strategy and Work Plan Consultation (Agenda Item 5)**

The Chair introduced proposals for the overall approach to the development of the Strategy and Work Plan and the road map.

The Chair noted the current strategic objective, the IPSASB's current work plan, with a mixture of both public sector specific projects and IFRS convergence projects, but an emphasis on the former, and trends in IPSAS implementation with a momentum towards significant further adoption predicted over the next five years, based on survey responses.

The Chair emphasized the importance of locating IPSAS-based accrual accounting in a broader public financial management (PFM) context. PFM was defined as "the system by which the financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals." The Chair illustrated the IPSASB's approach by drawing on the Chartered Institute of Public Finance and Accountancy's Whole System Approach to PFM. The Approach considered accrual-based information as foundational. It identified both external elements, such as legislation, standards, transparency and scrutiny, and internal elements, such as strategy and planning, budget execution, performance monitoring and stakeholder reporting. The Approach emphasized that no one initiative on its own is sufficient if improvements across the system are to be achieved and that the key is for the components to act together to make PFM effective. The Chair also noted the very rich discussion of the CAG at Stellenbosch on the broader PFM landscape.

The overall approach involved development work at all four IPSASB meetings in 2017, the formation of a Task Based Group and input from other stakeholders. These principally include the PIC and the CAG, the March 6 seminar organized with the World Bank and IMF and the Public Sector Standards Forum in early July 2017. A strategic objective and a specific list of projects would be proposed in a Consultation Paper (CP).

The Chair suggested five potential strategic themes

1. Addressing public sector specific issues;
2. Maintaining (or increasing) IFRS Convergence;
3. Increasing IPSAS-based information usage for Government Finance Statistics;
4. Improving the communication of financial information; and
5. Supporting IPSAS adoption and implementation.

The road map projected approval of the Strategy and Work Plan CP in December 2017 and publication of the CP in January 2018. The IPSASB would review responses in June and September 2018 and approve the Strategy 2019 Forward and Work Plan in December 2018 with publication early in 2019.

Members supported the five proposed strategic themes and the road map.

### *Next Steps*

The IPSASB will develop the Strategy and Work Plan CP in accordance with the road map.

## 6. Heritage (Agenda Item 6)

Staff presented the draft Consultation Paper (CP), *Financial Reporting for Heritage in the Public Sector*, which included revisions to address IPSASB comments received during February. The IPSASB confirmed revisions to the first three chapters, which addressed IPSASB instructions in December 2016, and carried out a page-by-page review of the remaining four chapters. Further revisions were identified. The main revisions were to:

- Improve the CP's discussion of heritage asset measurement;
- Include additional paragraphs to explain the use of "one currency unit" within the context of historical cost as a measurement basis; and
- Replace "it will generally be possible" with "in many cases it is possible" in the IPSASB's preliminary view on ability to assign a monetary value to heritage assets.

Staff revised the CP during the meeting and resubmitted it to the IPSASB, which voted on its approval. 18 members voted in favor. There were no absentees.

The IPSASB decided that the deadline for comments on the CP should be September 30, 2017.

### *Next steps*

The Consultation Paper will be published in April 2017.

## 7. Leases (Agenda Item 7)

Staff presented an issues paper.

### *Lessor—Analysis of lessor accounting approaches to the right-of-use model*

The IPSASB discussed two mutually exclusive approaches of the right-of-use model for lessor accounting:

- (a) Approach 1—Continues to recognize the underlying asset in its entirety, recognizes a credit entry (unearned revenue), and a lease receivable; and
- (b) Approach 2—Derecognizes the portion of the carrying amount of the underlying asset that represents the lessee's right to use the underlying asset during the term of the lease, reclassifies as a *residual asset* the remaining portion of the carrying amount of the underlying asset that represents the rights in the underlying asset that the lessor retains, recognizes lease revenue representing the present value of the lease payments, lease expense representing the cost of the portion of the underlying asset that is derecognized at the date of commencement of the lease, and a lease receivable.

The IPSASB unanimously **voted** to adopt the control-based Approach 1. The main reasons for this decision was that Approach 1 provides the accounting treatment that is most consistent with IPSASB's literature.

- (a) It is consistent with the Conceptual Framework derecognition criteria where it refers to the removal of an item, not portions (rights) of an item.
- (b) It does not conflict with the principles in IPSAS 16, *Investment Property*, IPSAS 17, *Property, Plant, and Equipment*, and IPSAS 32, *Service Concession Arrangements: Grantor* that underlying assets are recognized/derecognized in their entirety, not as portions ("slices") of individually controlled rights.

- (c) It is consistent with a control-based approach to the recognition of assets because a lease transfers the right to use an underlying asset for a period of time and does not transfer control of the underlying asset.

The IPSASB was also of the view that Approach 2 would lead to a situation in which the underlying asset would not be recognized by either the public sector lessee or the public sector lessor. This situation could impair the objectives of public sector financial reporting of accountability and decision making. In this context, one member noted that it is important for public assets to be recognized and public sector entities held accountable for their management.

The IPSASB CAG Chair stated that the majority of the CAG is in favour of Approach 1 because of clarity and transparency on who controls the underlying asset.

The IPSASB Chair questioned the CAG recommendation to engage with the leasing industry because the situation is public sector specific—the prevalence of lessors in the public sector, which enter into leasing arrangements with other public sector entities. The situation is not comparable with the private sector. The IPSASB Chair noted that the IPSASB is developing a Standard for lessors in the public sector. Private sector lessors which enter into leasing arrangements with public sector entities apply IFRS 16 *Leases*.

Staff will report back to the CAG on IPSASB's decision on this recommendation.

In Approach 1, the IPSASB agreed with the principle of recognizing revenue over the lease term in the statement of financial performance. However the IPSASB discussed the economic nature of the credit entry and several accounting options provided by the Conceptual Framework.

- (a) Liability;
- (b) Revenue; and
- (c) Other obligation.

The IPSASB **directed** staff to assess the relationship between the Leases project and the Revenue and Non-Exchange Expenses project on the economic nature of the credit entry. As a consequence, the IPSASB decided to postpone its decision to the June 2017 meeting.

*Leases for zero or nominal consideration*

The IPSASB discussed two options to deal with leases for zero or nominal consideration in the Exposure Draft on Leases, as follows:

- (a) Option 1—Leases for zero or nominal consideration would be addressed in the Revenue and Non-Exchange Expenses project, and the IFRS 16 definition of a lease in IFRS 16 would be retained.
- (b) Option 2—Leases for zero or nominal consideration would be considered in the Leases project together with leases that are above nominal consideration, but below fair value. The IFRS 16 definition of a lease would be amended to remove the wording “in exchange for consideration” to include these transactions.

The IPSASB decided to adopt Option 1 because:

- (a) Leases for zero or nominal consideration are:
  - a. In substance a grant or donation in kind; and
  - b. Inconsistent with the economic rationale of the right-of-use model—Leases are financings of the right to use an underlying asset;

- (b) From the recipient side, amending IPSAS 23 will fill a gap in IPSASB's literature in accordance with existing principles, while providing new guidance to preparers; and
- (c) From the transferor side, future guidance will also follow the same principles that are being developed in the Revenue and Non-Exchange Expense project for non-exchange expenses. The Exposure Draft will provide guidance for preparers to assess whether the transaction is a grant or a lease.

The IPSASB agreed with the draft text of Option 1 for the Exposure Draft (ED) with some minor drafting amendments.

*Lessee—Reassessment of the lease liability and lease modifications*

Staff presented draft sections of the Exposure Draft on:

- (a) Lessee—Reassessment of the lease liability, lease modifications, and separating components of a contract; and
- (b) Lease term.

The IPSASB approved the draft sections without any amendments. The IPSASB **instructed** staff to assess the need for additional application guidance on leases that are renewed on an annual basis for budgetary reasons.

*Sale and leaseback transactions*

The IPSASB discussed two separate issues.

- (a) Draft text to be included in the core standard and in the Basis for Conclusions

The IPSASB agreed with the draft sections without amendments. The IPSASB directed staff to analyze why any below market terms in a sale and leaseback transaction should not be accounted as a subsidy from the lessor to the lessee similar to the situation in a concessionary lease. For example, the situation where there is a sale at fair value, but the leaseback is a concessionary loan.

- (b) IFRS 16 consequential amendments to IFRS 15, *Revenue from Contracts with Customers*

Staff presented two options for dealing with the consequential amendments to IFRS 15 in IFRS 16.

- i. Option 1—Do not include the IFRS 15 guidance on repurchase agreements (including the guidance on sale and leaseback) in IPSAS 9, *Revenue from Exchange Transactions*, but include the guidance later in a new or revised IPSAS on Revenue, primarily drawn from IFRS 15.
- ii. Option 2—Include the IFRS 15 guidance on repurchase agreements (including the guidance on sale and leaseback) in IPSAS 9.

The IPSASB **decided** to adopt Option 1 because IPSAS 9 follows a risks and rewards approach to revenue recognition whereas IFRS 15 is based on control. In addition, the suitability of the IFRS 15 guidance on repurchase agreements for public sector financial reporting needs to be assessed. This assessment will take place when an ED primarily drawn from IFRS 15 is developed as part of the IPSASB's project on Revenue and Non-Exchange Expense.

### *Next Steps*

For the June 2017 meeting Staff will bring the draft BC reflecting all IPSASB's decisions taken up to and including the March 2017 meeting, and the analysis of the relationship between:

- (a) The Leases project and the Revenue and Non-Exchange Expense project on the economic nature of the credit entry in lessor accounting; and
- (b) IFRS 16 accounting requirements of a sale and leaseback transaction below market rates and concessionary leases.

## **8. Social Benefits (Agenda Item 8)**

### *Scope and definitions*

Staff presented an issues paper that set out the scope of the project. Staff also presented draft definitions of, and guidance on, social benefits and social risks. Staff commented that the paper reflected the decisions made, and instructions given, by the IPSASB at its December 2016 meeting. Staff also commented that the paper included an alternative definition of social benefits, provided by an observer.

The IPSASB discussed the two definitions of social benefits. The IPSASB **decided**:

- To base the definition of social benefits on the definition developed by staff on the basis of previous discussions, not the alternative provided by an observer;
- Not to include a reference to “large segments of society” in the definition, but to address this in the supporting guidance;
- To remove the reference to benefits being provided “directly” to individuals and/or households; and
- To reflect the exclusion of “universally accessible services” in both the definition of social benefits and the scope section of the Exposure Draft (ED).

The IPSASB **decided** to include the following definition of social benefits in the ED:

“Social benefits are provided to:

Specific individuals and/or households who meet eligibility criteria;

Mitigate the effect of social risks; and

Address the needs of society as a whole; but

Are not universally accessible services.”

The IPSASB **instructed** staff to reorder the guidance on social benefits to align with the definition.

The IPSASB **instructed** staff to consider how to align the scope of the social benefits project with that of the non-exchange expenses project, and to bring proposals to the next meeting.

The IPSASB agreed with the staff proposal to defer decisions on the definitions of specific types of social benefits until decisions had been made on recognition and measurement. The IPSASB **instructed** staff to bring proposals regarding these definitions to a future meeting.

### *Insurance Approach*

Staff presented an issues paper discussing how and when the insurance approach should be applied. Staff began the presentation with an education session on the IASB's draft IFRS 17, *Insurance Contracts*.

The IPSASB **decided** that the insurance approach could be applied to social benefit schemes that are intended to be fully funded from contributions, and where there is evidence that public sector entity manages the scheme in the same way as an issuer of an insurance contract. The IPSASB noted that the issues paper included indicators of whether an entity was managing a scheme in the same way as an insurer. The IPSASB **instructed** staff to undertake further work with two IPSASB members with experience of insurance or insurance-like schemes, in order to determine whether any amendments to the indicators are required.

The IPSASB **decided** that the insurance approach should be optional for those schemes that meet the above criteria. The IPSASB accepted that this may not achieve consistency, but considered that, as the relevant insurance standard has not yet been issued, there would be capacity issues in the public sector if the insurance approach was mandated.

The IPSASB **decided** not to make any modifications to the forthcoming IFRS 17. Specifically, the IPSASB agreed:

- Not to include a modified definition of an insurance contract;
- That no specific requirements in respect of the premium allocation approach are required;
- Not to modify the IFRS 17 requirements in respect of discount rates; and
- Not to modify the IFRS 17 requirements in respect of risk adjustments.

The IPSASB acknowledged that retaining the IFRS 17 requirements in respect of discount rates and risk adjustments would have an impact on some preparers. The IPSASB **instructed** staff to include a discussion of these issues in the Basis for Conclusions, and to consider whether a specific matter for comment will be required in the ED.

The IPSASB considered that the CAG's input on the insurance approach would be valuable, and **instructed** staff to raise the following issues with the CAG:

- The IPSASB's proposals regarding the applicability of the insurance approach;
- The IPSASB's proposal that the insurance approach be optional; and
- The IPSASB's proposals regarding discount rates and risk adjustments.

#### *Obligating Event*

Staff presented an issues paper discussing the points at which an obligating event might arise under the Obligating Event Approach.

Staff proposed that the key participatory events obligating event option not be included in the ED, for the reasons given in the draft Basis for Conclusions (BCs). A member raised concerns about the consistency with the treatment of financial guarantees in the Financial Instruments project. The IPSASB **instructed** staff to work with this member to refine the drafting of the BCs.

Staff also proposed that the liability accumulates over time approach not be included in the ED, for the reasons given in the draft BCs.

Subject to the clarification in respect of financial guarantees, the IPSASB **decided** not to include the key participatory event obligating event option or the liability accumulates over time approach in the ED.

Staff presented proposals for determining in which circumstances the remaining two obligating events (eligibility criteria for the next benefit and threshold eligibility criteria) should be applied.

The IPSASB discussed the proposals. There was significant debate about whether “staying alive” should be considered as an implicit eligibility criterion that affects recognition, or whether “staying alive” only affects measurement. The IPSASB did not reach any conclusions on this issue.

The IPSASB referred to the discussion of non-exchange expenses earlier in the meeting, noting the need for consistency between the two projects. The IPSASB **instructed** staff to undertake further analysis to consider whether the recognition approaches for non-exchange expenses being considered in that project would be helpful in determining when to recognize an expense and liability related to a social benefit.

The IPSASB also **instructed** staff to consider how the proposals in the social benefits project relate to the treatment of collective goods and services, and universal benefits, in the non-exchange expenditure project.

#### *Presentation and Disclosure*

The IPSASB did not discuss the issues paper on presentation. The IPSASB agreed that members would provide staff with comments on this paper out of session.

## **9. Financial Instruments (Updates to IPSASs 28–30) (Agenda Item 9)**

Staff presented an Issues Paper on the ongoing development of the Exposure Draft (ED), *Financial Instruments: Recognition and Measurement*.

The IPSASB Chair welcomed Dave Warren, Principal of the Canadian Public Sector Accounting Board (PSAB) to the table and thanked him for agreeing to provide staff assistance on the project. Further, the Chair thanked CPA Canada and specifically Michael Puskaric, Technical Director of PSAB, Rod Monette, Chair of the PSAB and Stephenie Fox, Vice President Standards, CPA Canada and for their support and agreement to provide a staff resource to assist in the completion of the draft ED.

Staff provided background on the project and presented the plan for development and finalization of the draft ED, and the expected approval at the June 2017 meeting. Specifically, staff reiterated the goal was to agree the final pieces of the authoritative guidance in the draft ED, to enable staff and the TBG to develop and review the non-authoritative material at the upcoming in-person TBG meeting in April 2017 at the Royal Netherlands Institute of Chartered Accountants (NIVRA). The Technical Director thanked the NIVRA for providing meeting space for this important meeting.

#### *Issue 1: ED Development - Amendments to Other IPSASs*

Staff introduced the detailed process followed to develop amendments to other IPSASs. The IPSASB agreed with the process.

A member asked when the full set of SMCs for the document would be reviewed, noting that a couple of SMCs had been developed and included in the agenda papers. Staff noted that all SMCs will be included in the document for review in the June 2017 meeting when the draft ED is approved.

The IPSASB completed a standard-by-standard review and agreed the Amendments to Other IPSASs included in the ED.

#### *Issue 2: Improvements and Narrow Scope Amendments to Financial Instruments Standards*

Staff noted that since IPSAS 28–30 were approved, many minor improvements and narrow scope amendments have been published by the IASB.

Staff analyzed these minor amendments, discussed them with the TBG and recommended a number of amendments to be included in the draft ED, together with the Amendments to Other IPSASs.

Staff presented and explained each proposed amendment to the IPSASB. The IPSASB agreed with the staff proposals and **decided** that these amendments should be included the draft ED together with the Amendments to Other IPSASs.

*Issue 3: Instructions from the December 2016 meeting.*

Staff outlined the actions taken on the issues identified by the IPSASB in December 2016.

A member noted that the proposed changes in disclosure requirements for concessionary loans measured at fair value should include a minor edit to include information on changes in fair value related to movements in discount rates, when a discounted cash flow model is used to estimate fair value. Staff noted that the change will be included in the draft ED.

The IPSASB discussed the staff proposed BC explaining the additional education material to be included in the enhanced At-a-Glance document. The IPSASB did not think this read like a BC. Therefore the IPSASB **instructed** that this wording be used as an introduction to the At-a-Glance document.

The IPSASB agreed with the draft authoritative material in the ED. The IPSASB confirmed that the non-authoritative material would be reviewed by the TBG at the in-person meeting in April 2017. The IPSASB Chair noted that the TBG may refer any issues back to the IPSASB to be considered when the ED is reviewed in full for approval at the June 2017 meeting.

## **10. Review of Cash Basis IPSAS (Agenda Item 10)**

The Board noted a high-level analysis of the comment letters received to Exposure Draft (ED) 61, *Amendments to Financial Reporting Under the Cash Basis of Accounting (The Cash Basis IPSAS)*. It was apparent from this brief analysis that there was support for the proposal to move the mandatory requirement to prepare consolidated financial statements from Part 1 of the IPSAS to Part 2 of the IPSAS. Part 2 encourages, but does not require, the preparation of consolidated financial statements.

One member gave an insightful account of why is it extremely difficult for some jurisdictions reporting under the cash-basis of accounting to prepare consolidated financial statements.

Constituents' views on disclosures on external assistance and third party payments were not so clear and staff will bring a more detailed analysis of comments to a future meeting along with a draft IPSAS for approval.

## **11. Public Sector Measurement (Agenda Item 11)**

The Chair of the Public Sector Measurement project's Task Force, David Watkins, introduced this project, which reflects a public interest perspective and has the objective of delivering:

- (a) IPSAS measurement that:
  - (i) Works well for public sector specific assets and liabilities;
  - (ii) Generates useful information, that achieves the Conceptual Framework's measurement objective and qualitative characteristics while taking account of the constraints on information in general purpose financial reports; and
  - (iii) Is consistent across IPSASs to improve the comparability of financial statements; and

(b) Developing guidance on measurement bases.

The Task Force has four members (David Watkins (Chair), Francesco Capalbo, Aracelly Mendez, and Takeo Fukiya). The International Valuation Standards Council (IVSC) will identify another Task Force participant. The Task Force will identify work streams and develop a questionnaire for IPSASB members, technical advisors and observers, to identify measurement issues that this project should address.

The IPSASB discussed the project and noted:

- (a) The relevance of IFRS 13, *Fair Value Measurement*;
- (b) There may be scope to move quickly on some topics, for example borrowing costs;
- (c) A need to consider the impact of management's intentions on measurement; and
- (d) Measurement raises both theoretical issues and practical challenges, including linkage of IPSAS measurement requirements to actual practice via guidance, valuation requirements, etc.

The IASB is doing a post implementation review of IFRS 13 and an education session on this would be beneficial. This could be provided at the September IPSASB meeting. It will be important to liaise closely with the IASB, which is interested in this project, because there are similarities with those that the IASB faces. During development of the Conceptual Framework the IPSASB decided that fair value should not be included as a measurement basis, because it is explicitly an exit value. However, it could still be appropriate in some circumstances.

The IPSASB directed that other IPSASB projects should be explicit about how they relate to the Public Sector Measurement project. That information should be collected and logged by this project. There will be liaison between the Task Force chairs and staff of this project and the IPSASB's Infrastructure Project. Representatives from the statistical community will consider the work streams to which they should contribute.

*Next steps*

Next steps are to:

- Develop a questionnaire requesting IPSASB/TA/Observers' input on the project's scope;
- Identify project work streams; and
- Develop an issues paper for the IPSASB's June 2017 meeting.

## **12. Public Sector Standard Setters Forum (Agenda Item 12)**

The IPSASB held an initial discussion on the Public Sector Standard Setters Forum, which will be hosted by the Swiss Public Sector Financial Reporting Advisory Committee (SRL) at the Zurich University of Applied Sciences in Winterthur, Switzerland on July 3<sup>rd</sup> and 4<sup>th</sup>. The Chair indicated that the Forum would be key in providing input to the Strategy and Work Plan from national public sector standard setters (and equivalent bodies) constituency. He encouraged as many members, TAs and observers as possible to attend.

Members raised two main issues—expectations of members and what national public sector standard setters would gain from participation.

The Chair explained that members would play a key role in chairing mini-round table discussions. Feedback from the first Forum, hosted by the United States Governmental Accounting Standards Board, had indicated

that standard setters particularly welcomed the dialogue with their peers that the Forum facilitated. In particular, they had commented positively on the mini-roundtable sessions where individual standard setters had introduced their key projects and discussed other priorities. Responding to that feedback it is intended to extend the mini-roundtable sessions and give participants an opportunity to participate in more roundtables, rather than having to select a limited number.

*Next steps*

Registration will open on April 20. A website has been set up for this purpose and to disseminate information about the Forum. Members, TAs and observers intending to attend were asked to register. It is hoped that around 100 delegates will participate. Members, TAs and observers were asked to make entities and individuals from national public sector standard setters (and equivalents) aware of the Forum and to encourage participation.

**Closing Remarks and Conclusion of the Public Meeting**

The Chair summarized the meeting as productive and successful. The approval of the Heritage CP was a major step forward and good progress had been made on a number of complex projects. The March 6 seminar had been a very successful initiative. The Chair then closed the meeting.

The Technical Director and the IPSASB then met in camera and discussed matters relating to the meeting.

### 13. Appendix 1 – March 2017 Action List

Action Required	Person(s) Responsible	Date to be Completed
<b>1. Communications</b>		
<ul style="list-style-type: none"> <li>Action List posted to IPSASB Extranet</li> </ul>	Leah Weselowski	March 20
<ul style="list-style-type: none"> <li>Draft minutes circulated to IPSASB for comment</li> </ul>	Leah Weselowski	April 10
<ul style="list-style-type: none"> <li>Update IPSASB Summary of IASB Work Plan and Tracking Table</li> </ul>		June 2
<ul style="list-style-type: none"> <li>Update GFS Tracking Table</li> </ul>	João Fonseca	May 31
<b>2. Governance</b>	John Stanford/Ross Smith	
<ul style="list-style-type: none"> <li>Governance agenda papers posted (if any)</li> </ul>		June 2
<b>3. Technical Director's Report on Work Plan</b>	John Stanford/Paul Mason	
<ul style="list-style-type: none"> <li>Revised work plan posted to web after discussions between Chair and Technical Director</li> </ul>		March 31
<ul style="list-style-type: none"> <li>Report on Work Plan for June meeting posted</li> </ul>		May 10
<b>4. Revenue and Non-Exchange Expenses</b>	John Stanford/Joanna Spencer	
<ul style="list-style-type: none"> <li>Agenda Papers Posted</li> </ul>		June 7
<b>5. Strategy and Work Plan Consultation</b>	John Stanford	
<ul style="list-style-type: none"> <li>Agenda Papers Posted</li> </ul>		June 7
<b>6. Heritage</b>	Gwenda Jensen	
<ul style="list-style-type: none"> <li>Publish Consultation Paper and At-a-Glance</li> </ul>		April 11
<b>7. Leases</b>	João Fonseca	
<ul style="list-style-type: none"> <li>Draft Issues Paper for conference call with TBG</li> </ul>		May 12
<ul style="list-style-type: none"> <li>Conference call with TBG</li> </ul>		May 23 or 24
<ul style="list-style-type: none"> <li>Agenda Papers Posted</li> </ul>		June 9
<b>8. Social Benefits</b>	Paul Mason	
<ul style="list-style-type: none"> <li>Agenda Papers Posted</li> </ul>		June 7
<b>9. Financial Instruments (Updates to IPSASs 28-30)</b>	Ross Smith/Dave Warren	
<ul style="list-style-type: none"> <li>In person TBG meeting – The Royal Netherlands Institute of Chartered Accountants in Amsterdam</li> </ul>		April 19-21
<ul style="list-style-type: none"> <li>Agenda Papers Posted</li> </ul>		June 7

Action Required	Person(s) Responsible	Date to be Completed
<b>10. Review of Cash Basis IPSAS</b> <ul style="list-style-type: none"><li>• Agenda Papers Posted</li></ul>	Joanna Spencer	June 7
<b>11. Public Sector Measurement</b> <ul style="list-style-type: none"><li>• Send project scope questionnaire to IPSASB/TAs/Observers</li><li>• Agenda papers posted</li></ul>	Gwenda Jensen	April 10  June 7

## 14. Appendix 2 – Voting Record

### Vote #1– Approve Heritage

Vote #1– Approve Heritage Consultation Paper					
Agenda Item 6	Minutes Item 6	Date Vote Taken	March 8, 2017		
Description	Consultation Paper	Heritage	Approved at meeting		
Final Standard <input type="checkbox"/>	ED <input type="checkbox"/>	CP <input checked="" type="checkbox"/>	Other <input type="checkbox"/>	ABSENT	TOTAL
IPSASB MEMBER	FOR	AGAINST	ABSTAIN		
Ian Carruthers, Chair	√				
Angela Ryan, Deputy Chair	√				
Stuart Barr	√				
Mike Blake	√				
Lindy Bodewig	√				
Michel Camoin	√				
Francesco Capalbo	√				
Robert Dacey	√				
Sebastian Heintges	√				
Kenji Izawa	√				
Aracelly Méndez	√				
Rod Monette	√				
Leonardo Nascimento	√				
Chris Nyong	√				
Bernhard Schatz	√				
Adriana Tiron Tudor	√				
Marc Wermuth	√				
Juan Zhang	√				
<b>TOTAL</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>