

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

Held on June 21-24, 2016 in Toronto, Canada

1. Attendance, Opening Remarks, and Approval of Minutes

1.1 Attendance

Voting Members

Present:

Ian Carruthers (Chair)

Jeanine Poggiolini (Deputy Chair)

Stuart Barr

Mike Blake

Michel Camoin

Robert Dacey

Sebastian Heintges

Kenji Izawa

Aracelly Méndez

Rod Monette (Wednesday-Friday)

Leonardo Nascimento

Angela Ryan

Bernhard Schatz

Adriana Tiron Tudor

Marc Wermuth

Abdullah Yusuf

Juan Zhang

Technical Advisors

Lindy Bodewig (Ms. Poggiolini)

Claudia Beier (Mr Wermuth)

Baudouin Griton (Mr. Camoin)
(Wednesday-Friday)

Anthony Heffernan (Ms. Ryan)

Leona Melamed (Mr. Monette)

Fabrizio Mocavini (Ms. Tiron Tudor)

Juan Moreno Real (Ms. Méndez)

Renée Pichard (Mr. Barr) (Tuesday-
Thursday)

Jakob Prammer (Mr. Schatz)

Riaz Rehman (Mr. Yusuf)

Joanna Spencer (Mr. Blake)

David Watkins (Mr. Carruthers)

Gillian Waldbauer (Mr. Heintges)
(Wednesday-Friday)

Apologies:

Takeo Fukiya (Mr. Izawa)

Haifeng Yang (Ms. Zhang)

Non-Voting Observers

Present: Dinara Alieva (UNDP)
Sagé de Clerck (IMF)
Jerry Gutu¹ (UN)
Guohua Huang (IMF)
Chai Kim (ADB)
Manfred Kraff (European Commission)² (Tuesday-Thursday)
Jani Laakso (World Bank)
Delphine Moretti (OECD)
Thomas Müller-Marqués Berger (CAG Chair) (Tuesday-Thursday)
Darren Peters (UN)
John Verrinder (Eurostat)

Apologies: Martin Koehler (European Commission)
Chandramouli Ramanathan (UN)
Darshak Shah (UNDP)

IPSASB Staff

Present: João Fonseca, IPSASB
James Gunn, Managing Director, Professional Standards (Tuesday)
Gwenda Jensen, IPSASB
Paul Mason, IPSASB
Lucy Qi, IPSASB
Ross Smith, IPSASB
John Stanford, IPSASB
Wayne Travers, IFAC (Tuesday-Wednesday)

¹ Jerry Gutu and Darren Peters attended the meeting in place of Chandramouli Ramanathan

² Manfred Kraff attended the meeting in place of Martin Koehler

The Chair welcomed members, technical advisors (TAs) and observers to the meeting. He noted that the previous day (June 20) had been historic for the IPSASB with the first meeting of the Consultative Advisory Group (CAG). The Chair welcomed members of the CAG to the public gallery of the IPSASB meeting. He noted that the Chair of the CAG, Thomas Müller-Marqués Berger, was at the table and welcomed Thomas. Thomas would summarize his views on that first meeting in the Governance session later on day one.

The Chair welcomed Claudia Beier, the Technical Advisor to Marc Wermuth, and Ayres Moura, the Technical Advisor to Leonardo Nascimento, to their first meetings. The Chair informed the IPSAB that John Stanford's appointment as Technical Director had been made substantive. The Chair welcomed new staff member, Lucy Qi, who would be working on financial instruments.

The Chair noted that apologies had been received from Rod Monette for the first day of the meeting. He also noted that the IPSASB is currently operating with seventeen members, because Rachid El Bejjat's membership of the IPSAB had finished, due to an inability to travel to meetings. On behalf of the IPSASB, the Chair thanked Mr. El Bejjat for his contribution to the IPSASB.

The Chair also acknowledged the attendance of the Secretariat of the Public Interest Committee (PIC) and Jón Blöndal, one of the PIC co-chairs, noting that Jón would make a presentation on the PIC in the Governance session later in the meeting.

The Technical Director indicated that the format and approach to minutes would probably be discussed in the closed session on the last day of the meeting. The IPSASB approved the minutes of the meeting from March 8-11, 2016.

The Chair highlighted an extensive range of outreach activities carried out by members, TAs, observers and staff. The Chair highlighted the success of the Public Sector Standard Setters Forum in Norwalk and thanked the members and TAs who had attended the event for their input and hard work. He also pointed members, TAs and observers to the post-Forum video on the IPSASB website. He was pleased to announce that there would be a further Public Sector Standard Setters Forum on July 3-4, 2017, the week after the IPSASB meeting in Luxembourg, hosted by the Swiss Federal Public Sector Standard Setter. Andreas Bergman had been prominent in facilitating this.

A member sought clarification on what should be reported as an outreach event, noting that he reported back to the standard setter of which he is a member following IPSASB meetings, and also included an IPSASB component in some more general presentations. The Technical Director noted that there are no written procedures or guidance. In his view it is certainly valid to include updates to standard setters (and equivalent bodies) and that, similarly, it is valid to report broader presentations if there is a significant IPSAS component. Professional judgment should be applied in determining what is "significant". As a rule of thumb discussing aspects of IPSAB's activities would justify inclusion on the list of outreach activities, whereas simply noting IPSASB membership would not. The Chair indicated that it is also worth contacting staff for slides. There are number of presentations available and these evolve. The Technical Director said that he should be the first staff contact point.

John Verrinder, the Eurostat Observer, provided an update on the project to develop European Public Sector Accounting Standards (EPSAS). He indicated that the European Commission is encouraging a gradual and voluntary approach to the implementation of accrual accounting, and IPSAS, in member states at both national and sub-national level.

The EPSAS Working Group would meet in July and discuss reports on first time implementation, principles concerning future EPSAS standards and governance principles. The Working Group would meet again later

in 2016. The IPSASB Chair is invited to, and attends, Working Group meetings. John Verrinder also informed members that EPSAS issues would be developed on a wide range of subjects during 2016, including on the possibility of reduced requirements for smaller and less risky entities; on dealing with options for accounting approaches in IPSAS; and on taxes, especially the diversity of taxation in the European Union— this latter project has a particular interest in the IPSASB's Revenue project. Eurostat is also closely following the work of the IPSASB on Social Benefits and Heritage. There was expected to be a small reinforcement of staff for the EPSAS project after summer 2016. The CAG Chair, who also attends the Working Group meetings, commented on the dynamism of the project. Bernhard Schatz, a Working Group member, endorsed the gradual approach and emphasized the focus on the sub-national level.

The IPSASB noted the IASB Work Plan. The Technical Director said that the IASB Work Plan in the agenda papers was the most recently publicly available—in May 2016. He understood that a revised Work Plan would be issued shortly, reflecting the IASB's deliberations on the 2015 Agenda Consultation. He noted the IASB's intention to create a stable platform after finalization of the Insurance IFRS. He also noted that there would be a two tier research agenda with an "active agenda" and a "research pipeline". Work on projects in the research pipeline would be initiated at some point in a five year period. The Pollutant Pricing Mechanisms project is in the research pipeline. The Technical Director said that he did not anticipate a reactivation of this project in the near future. The Chair indicated that the status of the Pollutant Pricing Mechanisms project would have implications for the IPSASB's Emissions Trading Schemes project, in particular whether the Emissions Trading Schemes Project which is currently paused, should be deactivated.

A member highlighted revisions to IAS 1, *Presentation of Financial Statements*, in the context of concerns over disclosure overload and questioned whether the IPSASB should have a similar project. The Technical Director noted that IASB's Disclosure project has a number of separate components. He said that concerns had been expressed about the onerousness of disclosures in IPSAS—the analysis of the suitability of IPSAS for adoption in the European Union had commented on the volume of disclosures and there had been more specific discontent about the disclosures in the Financial Instruments IPSASs. However, as other standard setters had found, while there was a general view about the onerousness of disclosures, there was far less of a consensus on specific disclosures which are unnecessary. New IFRSs contain a disclosure objective(s) and, when converging with IFRS, the IPSASB had followed this format. He suggested that Disclosure should be identified as a potential project in the next Strategy and Work Plan consultation.

Members noted the IFRS Tracking Table. In commenting on the updated IFRS Tracking Table, the Chair noted that staff had started work on the high level paper on the extent to which IPSAS are aligned with IFRS and modified to reflect relevant public sector circumstances—staff will probably bring the paper to the December 2016 meeting. Where appropriate, items will be identified for consideration in the next Improvements project or for inclusion in a future consultation on the Work Plan.

Staff noted that, as a consequence of the approval of amendments to IPSAS 17, *Property Plant and Equipment*, and IPSAS 12, *Inventories*, resulting from the most recent Improvements project, the GFS Tracking Table had been modified for the first time. The Chair commented that this demonstrated that the GFS Tracking Table is a live document.

The Chair noted that a number of sessions would be livestreamed. For the first time a feedback form would be sent out after the meeting by Leah Weselowski.

2. Public Sector Financial Instruments (Agenda Item 2)

Staff presented a draft Consultation Paper (CP), *Public Sector Specific Financial Instruments*, for approval. Prior to approval of the CP, the IPSASB discussed and finalized some outstanding issues.

Issue 1: Issuance of Currency

Staff proposed additional text to better describe the currency issuance process. The IPSASB agreed to include the additional text subject to minor editorials.

Issue 2: Currency Approach—Additional Arguments

Staff proposed additional arguments to be added to the CP to highlight key counter arguments to the conceptual discussion of the accounting approaches in the Currency in Circulation chapter. The text provides arguments why some would not support the recognition of a liability and why some may support the recognition of revenue in the statement of net assets/equity when currency is issued.

The IPSASB **decided** to include the additional text in the CP subject to minor editorials.

Issue 3: Currency in Circulation Chapter – Revenue Presentation

Staff proposed actions to address members' comments from the previous meeting in regards to:

- The nature of the currency in circulation obligation;
- Presentation alternatives when issuance of currency results in recognition of revenue; and
- Specific Matter for Comment (SMC) 3-1 to ask constituents' views on the appropriate presentation when revenue is recognized when currency is issued.

The IPSASB agreed with the modifications to the discussion of the nature of the currency in circulation obligation.

The IPSASB **decided** to include a new paragraph outlining the presentation alternatives for revenue and SMC 3-1.

Issue 4: Monetary Gold Specific Matters for Comment

Staff proposed modifications to the monetary gold SMCs to respond to members' comments from the previous meeting. The IPSASB discussed and agreed with the changes to the monetary gold SMCs, subject to minor editorials.

Issue 5: IMF Quota Subscription Definition

Staff proposed changes to address members' comments from the previous meeting in regards to the IMF quota subscription definition.

The IPSASB agreed with the revised definition with some minor edits.

The IPSASB **decided** that additional text was needed to reflect other subsequent adjustments to an entity's IMF quota subscription, such as additional contributions or redemptions resulting from domestic currency rate fluctuations. The proposed revised text was agreed by the IPSASB.

Issue 6: IMF Quota Subscription and Special Drawing Rights (SDRs)

Staff proposed actions to address members' comments from the previous meeting in regards to:

- Inclusion of net selling price as an appropriate measurement basis for the IMF quota subscription, because a redemption of the quota can be seen as equivalent to a sale;

- Modifications to the discussion of historical cost for the IMF quota subscription, SDR holdings and SDR allocations to explicitly address initial and subsequent measurement; and
- A conclusion on the appropriate measurement bases for the IMF quota subscription, SDR holdings and SDR allocation included in the CP and the related preliminary view (PV), because the chapter does not propose alternatives.

The IPSASB agreed with the actions to address members' comments. Further, the IPSASB **decided** to include a PV on the appropriate recognition and measurement of the IMF quota subscription, SDR holdings and allocations, because there are no appropriate alternatives proposed in the chapter.

Issue 7: March 2016 Directions: Appendices

Staff proposed actions to address member comments from the previous meeting in regards to:

- Appendix A – to include additional text noting the different sources of Government Finance Statistics (GFS) guidance considered in the development of the CP; and
- Appendix F – to re-order the illustrative examples to better link each with consistent fact patterns and to include additional examples.

The IPSASB agreed with the proposed changes to Appendix A and Appendix F.

Issue 8: IMF Review and Feedback

The IMF reviewed and provided feedback on the CP. The comments were from various departments in the IMF.

The main changes were to include footnotes related to the CP definitions, noting these have been developed by the IPSASB to reflect the accounting context and terminology. However, the definitions are meant to be the same in substance as those used in GFS. The IPSASB agreed with the proposed changes.

The IMF provided comments related to GFS issues which have presentation consequences from an accounting perspective. Staff proposed that these comments be dealt with at the ED stage of the project, as presentation is not generally in scope for the CP. The IPSASB and the IMF observer agreed with the proposal from staff.

Issue 9: CP Restructuring

Staff summarized actions to address members' comments from the previous meeting related to the CP restructuring including:

- Combining all chapters into full CP, and review of chapters for consistency and conciseness;
- Creation of Chapter 2 to provide general definitions (reserve asset and monetary authority), because these definitions apply to all chapters and not to one specific chapter;
- Appendices at the end of the document following the order in which they are referenced in the CP; and
- Identifying the projects in which statutory receivables and statutory payables, and public sector securitizations will be addressed.

The IPSASB agreed with the proposed changes.

Issue 10: SMCs and PVs

The IPSASB reviewed the proposed SMCs and PVs. The IPSASB agreed the proposed SMCs and PVs subject to minor editorials.

Issue 11: Approval of the CP

The IPSASB completed a page-by-page review of the CP.

The IPSASB approved the Consultation Paper, on June 21, 2016. Sixteen members voted in favor. One member was absent. No members voted against or abstained.

Publication and exposure period

The CP will be published in July 2016. The IPSASB agreed with an exposure period ending on December 31, 2016 to allow for time for outreach with the monetary authority community, a new constituency for the IPSASB.

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, noting that in accordance with the direction at the March 2016 meeting, linkages between projects had been identified and linked projects had been grouped.

The Technical Director identified the projects where the timeline had been modified following the March 2016 meeting:

- **Public Sector Financial Instruments:** the work plan reflected the aim of approving the Consultation Paper at the June 2016 meeting. A final pronouncement is projected for approval in December 2018, rather than the second half of 2019.
- **Leases:** approval of an exposure draft had been put back to March 2017, rather than September 2016. This reflects the complexity of the issues of sale and leaseback transactions, lessor accounting and peppercorn leases.
- **Revenue and Non-Exchange Expenses:** reflecting the complexities of the project, approval of the Consultation Paper had been put back to December 2016, rather than September 2016.
- **Employee Benefits:** In light of the responses received approval of the final pronouncement had been brought forward to June 2016, rather than September 2016.
- **Financial Reporting for Heritage:** Staff had updated the work plan to show projected approval of a final pronouncement in the second half of 2019—approval had not previously been shown on the work plan.

The Chair and Technical Director said that they intended to consider the viability of the December 2016 approval date for the Revenue and Non-Exchange Expenses Consultation Paper after the June meeting, and review the position again after the September meeting.

The Chair and Technical Director expressed reservations whether discussions on the projects on Public Sector Measurement and Infrastructure should be initiated at the September meeting. They indicated that the September agenda was likely to be full and considered that the projects should be deferred until December at the earliest. A member questioned whether these projects should start at the same time and proposed that, because some of the decisions in the Public Sector Measurement project are likely to affect

the Infrastructure Assets project, the Public Sector Measurement project should start first. The IPSASB agreed that the start dates should be staggered with Public Sector Measurement starting before Infrastructure Assets. Therefore members **instructed** staff to modify the work plan, so that Public Sector Measurement is projected to start in December 2016, with Infrastructure Assets due to commence in March 2017. These projections will be reevaluated at the September 2016 meeting.

Members highlighted that the exposure draft for the update of IPSAS 28-30 and the consultation papers on Heritage, Revenue/Non-Exchange Expenses are all projected for approval in December 2016. This risks over-burdening constituents. Members **instructed** staff to take this into account when making proposals on publication dates and exposure periods.

Further review of work plan on day four

Members confirmed that there were no developments at the meeting that necessitated further modification of the work plan.

4. Governance (Agenda Item 4)

Public Interest Committee

The IPSASB received an update from Jón Blöndal, member of the Public Interest Committee (PIC), on IPSASB governance matters. Mr. Blöndal discussed the following:

- Summary of the PIC meeting held in Paris, France in March 2016;
- Establishment of the Consultative Advisory Group (CAG), and successful first meeting on June 20, 2016;
- CAG membership, indicating that the PIC was content with the initial membership, while noting the absence of a parliamentarian (or related) perspective. It was noted that two potential candidates had been discussed at the PIC meeting in March. The PIC supported making contact with both candidates;
- Review and approval of the IPSASB Due Process and Working Procedures by the PIC;
- Review of the IPSASB Terms of Reference (ToRs)– the ToRs in the agenda papers for discussion in this agenda session reflected feedback provided from the PIC’s initial review;
- Acknowledgement from the PIC that the IPSASB Due Process is robust and is not an area of current concern; and
- Future areas of interest, including resourcing.

Consultative Advisory Group

The IPSASB received a summary of the inaugural CAG meeting from the IPSASB CAG Chair, Mr. Thomas Müller-Marqués Berger. A CAG membership overview was provided that summarized the functional, geographic and gender balance of members. The role of the CAG and a summary of the main agenda topics covered at the meeting were also provided.

The IPSASB Chair echoed the comments of the CAG Chair and emphasized the need to consider how the IPSASB can make the best use of the CAG.

An IPSASB member inquired if the CAG can help with the implementation of standards. The CAG Chair clarified that the CAG’s role is not to undertake post-implementation reviews of standards. However, the

CAG could provide feedback to the IPSASB on implementation issues and the experiences of CAG members. The IPSASB Chair noted that IFAC is considering adoption and implementation issues and specifically looking at the issue of the role of standard-setting boards in this context.

An IPSASB member questioned if adoption and implementation issues are not better dealt with by international organizations, such as the IMF and World Bank. The IPSASB Chair noted that the involvement of international organizations in adoption and implementation is important. It was further noted that there are a lot of other organizations in the adoption and implementation space, such as accountancy firms and regulatory organizations.

The Managing Director, Professional Standards, noted that the development of global architecture around adoption and implementation of standards would be welcome, but such an initiative requires a lead organization. It is clear that that the lead organization should not be the IPSASB. IFAC is making progress in this area with *Accountability Now*, but it is still not clear which organization should lead in this space. It was noted that many organizations and countries are concerned with adoption and implementation issues, including the G20.

Responding to the view of a member that the CAG should meet before each IPSASB meeting, the Managing Director, Professional Standards, expressed a view that four meetings per year is too many. Experience with the CAGs of other IFAC standard-setting boards is that two meetings per year works well as it helps to keep the focus strategic and allows for interactions in projects with enough frequency to keep up to date on key developments.

An IPSASB member questioned whether the CAG can be used to interact better with potential users, such as ratings agencies. The IPSASB Chair noted that the CAG may be useful to highlight the role of users, and that ratings agencies could be important advocates for IPSASs.

The Managing Director, Professional Standards, noted that the CAGs of IFAC standard-setting boards are encouraged to bring in outside people or groups for presentations and discussions. Ratings agencies could be asked to participate in a future meeting. The IPSASB CAG Chair noted that rating agencies could be users, but in many jurisdictions they still focus more on macroeconomic analyses and taxation powers. An IPSASB member noted it would be helpful to understand from ratings agencies why they do not rely on governmental financial reporting. An IPSASB member noted that in her jurisdiction the ratings agencies have been involved in some post-implementation reviews of standards and have provided valuable comments, as well as input on work plan consultations.

Terms of reference

The Managing Director, Professional Standards, summarized the proposed changes to the IPSASB ToRs, and categorized the changes as follows;

- Recommendations from the PIC;
- Other Governance-related enhancements; and
- IFAC Constitution and Bylaw review.

The IPSASB then reviewed the proposed detailed changes to the extant ToRs.

An IPSASB member questioned if the ToRs are meant to refer to General Purpose Financial Reports (GPFRs) or should they be revised to refer to General Purpose Financial Statements (GPFs). This point was raised because current IPSASs only relate to GPFs. Further, in the member's jurisdiction there are

questions as to what should be included in the GPFSs (specifically when considering requirements for financial reporting that may fall outside GPFSs, such as for service performance reporting).

The Technical Director noted that IPSASs currently only include standards that relate to GPFSs, but noted that this could expand to include GPFRs in the future, so it was recommended that the ToRs continue to refer to GPFRs.

An IPSASB member suggested the objective section should include a reference to accountability as well as financial management and decision making. The IPSASB **decided** to update the objective to include accountability.

The IPSASB chair noted that the requirement for public members to reflect the wider public interest, may be onerous and unrealistic.

The Managing Director, Professional Standards, noted that the concern was valid. However, the reason that wording is included in the ToRs is attributable to the IFAC nominations process and the definition of a public member. It was agreed that this concern would be passed on to the IFAC Nominations Committee.

An IPSASB member questioned if “diversity” would be a better term rather than “gender balance”. He considered that this would be more modern and appropriate terminology.

The Managing Director, Professional Standards noted different terminology would be considered, and again noted the term “gender balance” is used because it is pervasive throughout the IFAC nominations process.

The Managing Director, Professional Standards, noted the process for finalizing the revised ToRs. The proposed changes, including the feedback from the IPSASB, will be provided to IFAC for consideration. Any substantive changes or feedback received from IFAC will be brought back for consideration by the IPSASB and the PIC.

IPSASB Due Process and Working Procedures

The Managing Director, Professional Standards, provided an update on the IPSASB Due Process and Working Procedures. The PIC had been provided with the version agreed by the IPSASB at the December 2015 meeting. The PIC had approved the Due Process and Working Procedures document, subject to a small number of minor editorials, which have been incorporated into the final document.

5. Employee Benefits (Agenda Item 5)

The IPSASB considered an Issues Paper, a collation and summary of responses to Exposure Draft 59, *Amendments to IPSAS 25, Employee Benefits* (ED 59) and the draft final pronouncement, IPSAS 39, *Employee Benefits*. The Issues Paper raised the key issues to be determined before the IPSASB could consider approving the final pronouncement.

Issue 1: Review of Responses to SMC #1—Do you agree with the proposals in the Exposure Draft for revision of IPSAS 25? If not, please indicate what proposed amendments you do not agree with and provide reasons.

The majority of respondents supported ED 59's proposals to revise IPSAS 25. However, some respondents partially supported IPSASB's approach to ED 59. These respondents proposed amendments to IPSASB's literature. Some of these proposals were related to areas within the scope of the project, while other proposals were related to areas outside the scope of the project.

The IPSASB agreed with staff's analysis and recommendations presented in *Appendix A—Summary of suggested amendments to IPSASB's literature* that identified significant issues raised by respondents. The IPSASB also discussed the issue of shared risk plans in the context of the classification of post-employment benefits. The IPSASB acknowledged that shared risk plans raise several problems related to the classification of post-employment benefits. However, the IPSASB decided not to proceed with further amendments to IPSAS 25 because of the limited scope nature of the project to address IAS 19-related amendments.

Issue 2: Review of Responses to SMC #2— IPSAS 25 currently includes a section on Composite Social Security Programs (paragraphs 47-49). The IPSASB is considering deleting this section because the IPSASB is not aware that it has been applied in any jurisdiction. If you do not agree that this section should be deleted, please provide a reason for your response along with any proposed revisions.

No respondent to ED 59 identified a jurisdiction where entities applied these requirements. As the majority of respondents supported the deletion of the section on Composite Social Security Programs and the IPSASB did not identify a new and compelling reason to retain the section, the IPSASB decided not to include it in IPSAS 39, *Employee Benefits*.

The IPSASB also **decided** to include the reasons for the removal of the section on Composite Social Security Programs in the Basis for Conclusions of IPSAS 39.

Approval of IPSAS 39, Employee Benefits

The IPSASB agreed with staff's recommendation to issue a new IPSAS, rather than a revised IPSAS 25, as a new standard is more understandable for preparers than an extensively amended IPSAS 25.

The IPSASB noted that wording would need to be inserted in the IPSASB Handbook to explain to constituents when IPSAS 25 and IPSAS 39 are effective. The IPSASB does not maintain multiple versions of the Handbook; the resource consequences would be highly significant. Staff explained that IFAC Communications is considering different approaches to modernizing the IFAC Standard Setting Board Handbooks, including transitioning to an electronic format.

A member suggested amending the guidance of a paragraph in the section of IPSAS 39 on Profit-Sharing and Bonus Plans, expressing a view that the additional guidance on public sector arrangements inserted by the IPSASB when IPSAS 25 was initially developed was over-long, confusing and conflated guidance relating to definitions and measurement. The IPSASB acknowledged these points. However, changes to this section had not been exposed for comment and no respondents had raised issues relating to it. It was therefore agreed that this section should be considered in the next Improvements project.

The IPSASB reaffirmed its previous decision to address only IAS 19-related amendments, apart from the section on Composite Social Security Programs. Therefore, there would be no change to the discount rate for discounting post-employment benefit obligations and, because of the limited scope of the project, the terminology in IPSAS 39 would not be updated to align with the Conceptual Framework. The IPSASB **instructed** staff to add an explanation of the history and scope of the Employee Benefits project and the reasons why the IPSASB had decided to replace IPSAS 25, rather than amend it in the Basis for Conclusions of IPSAS 39.

Due Process: Approval of IPSAS 39 and Effective Date

The IPSASB completed a page-by-page review of the draft final IPSAS 39, focusing on the changes made to ED 59.

The Technical Director asserted that due process had been followed effectively, in that:

- An ED had been issued for consultation;
- Responses to the ED were received and made publicly available on the IPSASB website;
- The IPSASB had deliberated significant matters raised in the comment letters, and significant decisions would be minuted; and
- The IPSASB had considered whether there are any issues raised by respondents, in addition to those summarized by Staff, that it considers should have been discussed by the IPSASB, and agreed there were none.

The IPSASB approved the final pronouncement IPSAS 39, *Employee Benefits*, including the Basis for Conclusions, on June 24, 2016. Seventeen members voted in favor. No members voted against or abstained.

The Technical Director provided his assessment that there had been no substantial change to the exposed document such that re-exposure is necessary. No member contested this assessment. The IPSASB agreed an effective date of January 1, 2018 for IPSAS 39, *Employee Benefits*. Early application will be encouraged.

Publication

The final pronouncement of IPSAS 39, *Employee Benefits* will be published in July 2016, subject to the approval of the Public Interest Committee on the IPSASB adherence to due process.

6. Social Benefits (Agenda Item 6)

Staff presented a review of responses to the Consultation Paper (CP), *Recognition and Measurement of Social Benefits*, and asked the IPSASB to make decisions or provide instructions in respect of a number of issues that staff had identified.

Issue 1: Approaches to be included in a future Exposure Draft (ED)

Staff proposed that, in line with the IPSASB's preliminary view, a future ED should include the obligating event and insurance approaches, but not the social contract approach. The IPSASB discussed the approaches, noting that the obligating event approach was likely to be the primary approach. The IPSASB did not support the social contract approach, noting the comment from a Consultative Advisory Group (CAG) member that the approach may not be applicable in countries where there is no taxation.

The IPSASB **decided** to include the obligating event and insurance approaches in the ED on social benefits.

Issue 2: Accounting for the Social Contract Approach

The IPSASB **decided** that, following the decision taken at Issue 1, there was no need to resolve issues regarding the accounting arrangements under the social contract approach.

Issue 3: Social benefits transactions not discussed in the CP

The review of responses identified two transactions that might not have been covered by the CP. The IPSASB agreed with the staff analysis that this was not the case, and **decided** that no amendments to the approaches in the CP were required.

Issue 4: When an obligating event can occur under the obligating event approach

Staff reported that most respondents agreed that, under the obligating event approach, the obligating event is likely to be dependent on the nature of the social benefit or the legal framework under which the benefit arises. Staff proposed to bring an issues paper discussing the different obligating events to the September 2016 meeting.

The IPSASB **decided** that a future ED should recognize that the obligating event will be dependent on the nature of the social benefit or the legal framework under which the benefit arises.

The IPSASB **instructed** staff to consider a number of issues in developing the issues paper for the September 2016 meeting:

- The correlation between the key participatory event and the insurance approach;
- The impact on preparers and readers of the financial statements;
- The different public interest lenses addressed; and
- What examples and flow charts / decision trees will be required to assist users?

Issue 5: Contributory and non-contributory benefits under the obligating event approach

The IPSASB **decided** that the definition of an obligating event in the future ED should not distinguish between contributory and non-contributory benefits, but that guidance and examples should discuss how the payment of contributions could provide evidence that an obligating event had occurred.

The IPSASB **instructed** staff to consider how to account for contributions and the interaction with certain sovereign wealth funds in developing the future ED.

Issue 6: Exchange transactions under the obligating event approach

The IPSASB **decided** that exchange transactions covered by other IPSASs should be excluded from the scope of the ED. The IPSASB noted the comment from a CAG member that social benefits could be addressed by removing the scope exclusion in IPSAS 19. The IPSASB confirmed that the development of a new standard is important for reasons of clarity and consistency.

Further discussion of exchange transactions was deferred until the discussion on the scope of the project (see Issue 15 below).

Issue 7: Measurement basis under the obligating event approach

The IPSASB **decided** that social benefits should be measured using the cost of fulfillment basis, noting that this will be a very challenging area.

Issue 8: Presentation of assets under the obligating event approach

The IPSASB **decided** that assets should be presented as part of a social benefit scheme in all circumstances in which specific assets could be identified.

The IPSASB **instructed** staff to consider wider issues of asset and revenue presentation, including sovereign wealth funds; whether the presentation should be a gross presentation or net presentation; and how similar considerations are addressed in other IPSASs.

Issue 9: Application of the insurance approach

The IPSASB noted the concerns raised by respondents to the CP and others with the relatively wide scope of the insurance approach suggested in the CP.

The IPSASB **decided** that the ED should permit or require the insurance approach in a more limited range of circumstances. The IPSASB generally supported the staff proposal that only schemes fully funded through contributions could appropriately apply the insurance approach. Having taken the decision to limit the application of the insurance approach, the IPSASB **decided** that, in principle, the ED should refer users to the forthcoming IFRS on insurance. The IPSASB noted that more work was required to clarify the circumstances in which the insurance approach could be used, and **instructed** staff to review the IASB's latest position on the IASB's Insurance project and to bring a paper to a future meeting setting out the IASB's latest thinking. The IPSASB also **instructed** staff to consider other issues raised by IPSASB members – “commercial substance”, “looks and feels” like insurance, user needs/accountability and whether the insurance approach should be mandatory or optional.

Issues 10-14: Application of the insurance approach

Following the decision taken at Issue 9 to refer users to the forthcoming IFRS on insurance, the IPSASB agreed to defer decisions on the application of the insurance approach (accounting treatments, measurement, discount rates and subsequent measurement) until a review of the IASB's new IFRS had been undertaken.

Staff will bring a paper on the new IFRS on insurance accounting to a future meeting. The IPSASB also **instructed** staff to have regard to the IASB's work on discount rates, particularly as there are negative interest rates in some jurisdictions.

Issue 15: Scope of the social benefits project

At its March 2016 meeting, the IPSASB had instructed staff to reconsider the scope of the boundary as a result of concerns raised by respondents to the CP, in particular the concerns regarding the definition of social risks and the concerns that the boundary might result in transactions with the same (or similar) economic circumstances having different accounting requirements.

Staff presented revised proposals relating to the scope of the project, which extended the scope to include “social transfers in kind that address social risk”. The IPSASB debated the proposals. In general, the IPSASB was not minded to extend the scope as proposed, but did not reach any conclusions as to the scope.

The IPSASB **instructed** staff to undertake further work on the scope, taking into account the following issues identified by the IPSASB in its discussions:

- Whether benefits are provided generally or specifically;
- Whether a definition of social risks is required, and if so how this should be framed to fit an accounting framework as opposed to an economic/statistical framework; and
- The potential to take a more principled approach to the scope of the project, and then to reconsider the extent to which this aligns with GFS definitions.

Next Steps

Staff will develop a paper for the September 2016 meeting setting out further proposals for the scope of the social benefits project, and discussing the different obligating events.

7. Leases (Agenda Item 7)

Staff presented an issues paper with a revised project brief on Leases and identified three key issues on lease accounting.

Revised project brief

A. Key issue #4—Sale and leaseback Transactions

The IPSASB agreed with the two options that were presented in the project brief to address sale and leaseback transactions.

B. Key issue #6—Lack of symmetry in lease accounting

Rather than use the term “lack of symmetry in lease accounting” in the heading of Key issue #6 the IPSASB **directed** that the phrase “compatibility between lessee and lessor accounting approaches” should be used.

C. Key issue #7—“Peppercorn” leases

The IPSASB considered that the term “peppercorn” indicates a non-exchange transaction. As the definition of a lease refers to an exchange transaction, the IPSASB decided to include the term leases in inverted commas too.

The IPSASB approved the project brief. Seventeen members voted in favor. No members voted against or abstained. The approved version of the project brief will be posted on the website.

Issue 1: Lessee—Applicability of recognition and measurement requirements in IFRS 16, Leases to public sector financial reporting (Agenda Item 7.2)

The IPSASB formed a view that the recognition requirements of lessee accounting in IFRS 16 are appropriate for public sector financial reporting. The IPSASB **instructed** staff to include the IPSASB’s views on the advantages of the right-of-use model in the Basis for Conclusion of the draft ED

The IPSASB did not identify a public sector reason to warrant different recognition exemptions and **decided** to adopt the IFRS 16 recognition exemptions in the draft ED. The IPSASB also **decided** that the recognition exemptions should be an option, rather than a requirement, in order to allow public sector entities the necessary flexibility to reflect the faithful representation of the impact of leases in their financial statements and reduce the scope for arbitrage related to lease terms.

The IPSASB also **directed** staff to work with IPSASB members that expressed views on the recognition exemptions to prepare draft paragraphs for the Basis for Conclusions in the new IPSAS on Leases with the rationale for retaining the recognition exemptions as options and the threshold of leases of low-value assets.

Issue 2: “Peppercorn leases” (Agenda Item 7.3)

The IPSASB **directed** staff to present some fact patterns based on several types of “peppercorn leases” and address both lessee and the lessor accounting. The IPSASB will then decide where the guidance on these leases will be located. The current options are (a) within the scope of this project; or (b) within scope of IPSAS 23.

Issue 3: Lessor—Applicability of IFRS 16 recognition requirements to public sector financial reporting (Agenda Item 7.4)

The IPSASB considered that the appropriateness of the risks and rewards model for lessor accounting in IFRS 16 for public sector financial reporting is a key issue.

An IPSASB member said that there are both lessees and lessors in the public sector and that the same entity can be both a lessor and a lessee. As the budget needs to be approved for both entities, there is a case that the accounting for transactions in both entities should be a mirror. If mirror accounting is not applied to lease accounting, then the underlying asset might not be recognized in either the financial statements of the lessee or the lessor. In the public sector, the budget is also approved for the individual entity. This situation generally differs from the private sector where only one entity is usually analyzed and, for example, users of the lessee’s financial statements have limited interest on how the lessor accounted for the lease.

The IPSASB acknowledged that the IASB had faced several difficulties with lessor accounting during the development of IFRS 16. The IPSASB considered that it is necessary to know more about these difficulties and whether they also apply to public sector financial reporting.

Next steps

The IPSASB **instructed** staff to bring the following issues and items to the September meeting for discussion:

- Recognition exemptions and thresholds for leases of low-value assets;
- Fact patterns based on several types of “peppercorn leases”;
- An analysis of how the service concessions model in IPSAS 32, *Service Concessions Arrangements: Grantor* would fit for lessor accounting and compare it with IFRS 16 by using some fact patterns;
- A more detailed explanation of the IFRS 16 lessor accounting model;
- A high level history of the IASB’s project to know why and when proposals for lessor accounting were modified;
- An explanation of how property leases are accounted for in IPSAS 13, *Leases*, and in IFRS 16, in order to assess the impact of the lack of symmetry between lessee and lessor accounting in IFRS 16 in this commonly encountered situation in the public sector.

8. Financial Instruments (Updates to IPSASs 28-30) (Agenda Item 8)

Staff presented an education session on Financial Instruments. The education session provided an overview of current IPSASs on financial instruments, highlighted areas of significant change in IFRS 9, *Financial Instruments*, and identified key concepts introduced by IFRS, focusing on:

- Classification and measurement of financial assets; and

- The expected loss impairment model.

The IPSASB considered that there may be a need to develop more prescriptive guidance on the separate presentation of fair value changes in liabilities measured at fair value, attributable to an entity's own credit risk, in the Statement of Changes in Net Assets/Equity.

Staff noted that other topics to be considered as part of the financial instrument project include hedge accounting, public sector securitizations, as well as amendments to IAS 32, *Financial Instruments: Presentation*, and IFRS 7 *Financial Instruments: Disclosure*, since December 2008. The IPSASB acknowledged that the project is a convergence project and will likely result in the issuance of a new IPSAS.

Next Steps

Staff will circulate a project route map to the TBG for discussion.

9. Heritage (Agenda Item 9)

Staff presented draft chapters of the Heritage Consultation Paper (CP) and asked the IPSASB to make decisions or provide instructions in on a number of issues that staff had identified.

As an introduction to the session, Bernard Schatz, Chair of the Heritage Task Force, provided a summary of Task Force members' views on issues raised on the agenda papers.

Issue 1: Name of CP and Proposed Structure

Staff proposed that the name of the CP be "Accounting for Heritage". The IPSASB discussed alternative names and **decided** that the CP should be named ""Financial Reporting for Heritage in the Public Sector".

Staff presented a draft structure for the CP, which the IPSASB reviewed. The IPSASB **instructed** staff to ensure that chapters consider the needs of users of general purpose financial reports (GPFRs) and revise the CP structure as follows:

- (a) Chapter 4: Revise name of chapter to "Recognition and Measurement of Heritage Assets"; move "Different approaches to recognition" up to second heading before "Measurement"; and, include section(s) on subsequent expenditure and depreciation/renewals.
- (b) Chapter 5: Revise name of chapter to "Heritage items and Related Obligations"; and include a new subsection named "Recognition and Measurement of Obligations" after subsection 5.3.
- (c) Chapter 6: Move subsection 6.2.2 into chapter 7.

Issue 2: Draft Chapter 1

Staff introduced draft Chapter 1, which had been revised for changes that the IPSASB requested at its March meeting. Chapter 1 provides an introduction to the CP. The IPSASB reviewed the chapter and **instructed** staff to make the following revisions:

- (a) Generally shorten the chapter by, for example, reducing the descriptions of subsequent chapters to brief bullet points;
- (b) Highlight any quotes from the Conceptual Framework, applying the same approach as that used in other recent CPs; and
- (c) Include more discussion of GPFR users' information needs, when reporting on heritage, briefly introducing this concept in Chapter 1 and then developing it in subsequent chapters for topics addressed in those chapters.

The IPSASB **instructed** staff to include specific references to other documents in the chapter where necessary and remove the detailed tables in the two appendices. The information in the appendices, which provided a summary of National Standard Setters' accounting for heritage assets, could be provided on the project website instead.

The IPSASB Chair asked IPSASB members to provide any further detailed comment or editorials to staff.

Issue 3: Draft Chapter 2

Staff introduced draft Chapter 2, which describes heritage items, different categories of heritage and heritage identification issues. Staff proposed that the description of heritage items, previously agreed by the IPSASB, should be revised to include "archeological" heritage items—a change recommended in response to Task Force members' concerns.

The IPSASB **decided** that the description of heritage items should include "archeological" and convey that heritage items are "held indefinitely" and "preserved", rather than "preserved indefinitely".

The IPSASB **instructed** staff to:

- (a) Reduce the amount of detailed description on heritage categories, take a broader approach, and remove explanations of how the categories differ from the UNESCO categories upon which they were originally based;
- (b) Provide further discussion of how heritage could be distinguished objectively, including whether this should be considered at the national level;
- (c) Keep the focus in this chapter on heritage items rather than moving into financial reporting, so remove references, for example, to the Conceptual Framework coverage of heritage and "investment"; and
- (d) Use the chapter to lead up to the description of heritage items which could then be the subject of a preliminary view.

Issue 4: Draft Chapter 3

Staff introduced draft Chapter 3, which discusses whether heritage items could be assets for financial reporting purposes. The IPSASB noted that the Task Force had reviewed an earlier draft of this chapter and proposed that the CP should include a preliminary IPSASB view that heritage items can be heritage assets for financial reporting purposes. The Task Force also recommended that the CP's focus should not encompass intangible heritage.

Preliminary View on Heritage Items as Assets

The IPSASB indicated support in principle for certain types of heritage items being assets for financial reporting purposes. The wording of the preliminary view (PV) will need to allow for situations where heritage items are not expected to be assets, which could relate to particular categories or subcategories or factors arising from the context for heritage items or the particular organization holding such items and its objectives. The IPSASB **instructed** staff to develop draft wording for a PV.

Should the CP Cover Intangible Cultural Heritage?

The Task Force Chair explained that the Task Force had acknowledged that intangible rights exist and these could be discussed in the CP. The Task Force considers that knowledge-in-action intangible cultural heritage, which include items such as traditional skills, dance, language, etc., are not assets for financial reporting purposes, because an entity does not control them.

The IPSASB **decided** that the CP should discuss intangible cultural heritage.

General Points on Chapter 3

The IPSASB then reviewed and discussed draft Chapter 3. The IPSASB **instructed** staff to restructure the chapter to focus on the Conceptual Framework's three components of the definition of an asset, i.e. resource, control and past event.

The IPSASB **instructed** staff to revise Chapter 3 as follows:

- (a) Remove the example on page 8, which relates to a mountain that is controlled but cannot legally be owned;
- (b) Broaden the discussion to cover access rights generally, and not limiting the discussion to physical access to heritage items;
- (c) Discuss control from the perspective of stewardship rather than ownership, analyze rights and link them to custodianship/stewardship; and
- (d) Consider principal-agent arrangements, where an entity is responsible for heritage on behalf of another entity that actually owns the heritage item and consider the relevance of service performance reporting in this context (e.g. stewardship of heritage items on behalf of others and how to report on stewardship).

The IPSASB noted that, where heritage items do not meet the definition of an asset there might still be interest from users in relevant disclosures GPFs or GPFs, for example a GPF addressing service performance.

Issue 5: Draft Chapter 4

Staff introduced draft Chapter 4, which discusses the measurement of heritage assets and their potential recognition as assets in the financial statements. Staff noted that the chapter is at an early stage. Task Force members had discussed measurement. However draft Chapter 4 had not been available for their review and input.

The Task Force Chair explained that, assuming that heritage items do meet the asset definition, Task Force members have several concerns about the measurement of heritage assets and their recognition. First, there is a cost-benefit issue as to whether the costs of measurement exceed the benefits. Second, there is skepticism about the objective of attaching a monetary value if heritage assets cannot be sold due to legal restrictions or an entity has no intention of selling them. Third, there is a view that users need non-financial information, rather than the information conveyed by a monetary value.

The IPSASB then discussed draft Chapter 4 and the issues related to the measurement of heritage assets, applying the Conceptual Framework. The IPSASB **instructed** staff to revise Chapter 4 as follows:

- (a) Amend paragraph 8 to focus on what is necessary for measurement;
- (b) Include more discussion of the qualitative characteristics and constraints as they apply to the measurement of heritage assets;
- (c) Remove tables 1 and 2 and replace them with discussion of the relevance of different measurement bases to the measurement objective applied to heritage assets, to the extent appropriate, while also discussing the qualitative characteristics generally;

- (d) Discuss the implication of heritage assets being used as either operational or non-operational assets and include different fact patterns to discuss different measurement perspectives, including the reasons why an entity holds a heritage item and the type of accountability that applies and the potential impact on the various accounting options;
- (e) Discuss information needs and whether monetary values provide useful information and is in the public interest, given constraints applicable to monetary information for heritage assets and consideration of the cost/benefit constraint on information included in GPFRs;
- (f) Note that application of the Conceptual Framework's measurement guidance depends on the reporting entity and its objectives, so that measurement is contextual and not an absolute;
- (g) Acknowledge the difficulties of measuring heritage assets, but adopt a view that measurement is possible if the information can achieve the qualitative characteristics, meets the needs of users, while taking into account the constraints; and
- (h) The usefulness of information relates to what an entity is accountable for, including whether it is a cost center or operates on another basis.

Further points raised by IPSASB members included:

- (a) The value of heritage assets is not necessarily viewed as relevant to decisions on funding or the review of annual expenditure;
- (b) The idea that placing a monetary value on these assets could be viewed by some as indicating that they could be sold should not be emphasized in the CP;
- (c) The chapter should discuss how legislative requirements may affect the values of heritage assets, the benefits of measurement in such circumstances, although it should also be noted that there are situations where the community says "can't sell" and then they do sell later;
- (d) The discussion should be framed in terms of relevant information;
- (e) The purpose for which the entity holds the heritage asset could be an important fact, although IPSAS 17, *Property, Plant and Equipment*, discusses the disposability of key infrastructure and notes that where disposal is not possible there is still scope to measure an asset; and
- (f) An entity's reasons for holding a heritage asset is more important than the entity's overall objective; for example, whether the entity is using the heritage asset for operational capacity, e.g. an office building, or the heritage asset is part of a collection.

The Chair of the Consultative Advisory Group (CAG) commented that the discussion had been very helpful. The CAG sees the heritage project as a very important item on the IPSASB's work plan. He had three specific comments raised by the discussion that had just occurred:

- (a) The CP structure should consider the importance of heritage and focus on why the IPSASB thinks an IPSAS is needed; what negative impact on GPFRs is there because there is no standard?
- (b) The CP's discussion of the following topics needs to be more substantive: (i) the purpose of monetary value; and (ii) if measurement is not possible, how should accountability needs be addressed?
- (c) CAG involvement appears constrained because the IPSASB's next meeting is in December and the CP is expected to be approved at the December IPSASB meeting, immediately after the CAG meeting. This timing might limit the CAG's ability to comment on this topic prior to CP approval.

Therefore, there is an issue as to how the CAG can provide effective input and the timing of such input.

The IPSASB Chair thanked the CAG Chair for his comments and indicated that the general topic of CAG involvement, including its timing, will be considered further after the meeting.

Next Steps

Staff will revise the draft CP in accordance with the above instructions for further consideration at the September meeting.

10. Impairment of Revalued Assets (Agenda Item 10)

The IPSASB discussed the conceptual and practical differences between impairments and revaluation decreases, and then reviewed the draft final pronouncement, IPSAS, *Impairment of Revalued Assets (Amendments to IPSAS 21, Impairment of Non-Cash-Generating Assets, and IPSAS 26, Impairment of Cash-Generating Assets.)*

Issue 1: Conceptual difference between impairment losses and revaluation decreases

The IPSASB considered a staff explanation of the difference between impairment losses and revaluation decreases in the draft Basis for Conclusions in accordance with an instruction at the March 2016 meeting. The explanation was that there is no conceptual difference between impairment losses and revaluation decreases as both involve a diminution of service potential or an ability to generate economic benefits. However, there is a practical difference, because impairments are event driven, unlike revaluations, which are carried out at regular intervals. The IPSASB agreed with the explanation subject to the following clarifications:

- Impairments can be to groups of assets as well as individual assets i.e., any sub-set of assets below a class of assets; and
- Impairments are events that affect individual assets, or groups of assets, rather than the result of periodic revaluations.

Due Process: Approval of IPSAS, Impairment of Revalued Assets (Amendments to IPSAS 21, Impairment of Non-Cash-Generating Assets, and IPSAS 26, Impairment of Cash-Generating Assets), Effective Date and Publication

The IPSASB completed a page-by-page review of the draft final pronouncement and identified minor editorials, which it **instructed** staff to action.

The Technical Director asserted that due process had been followed effectively, in that:

- An ED had been issued for consultation;
- Responses to the ED were received and made publicly available on the IPSASB website;
- The IPSASB had deliberated significant matters raised in the comment letters, and significant decisions would be minuted; and
- The IPSASB had considered whether there were any issues raised by respondents, in addition to those summarized by staff, that it considered should have been discussed by the IPSASB, and agreed there were none.

The IPSASB approved the final pronouncement, *Impairment of Revalued Assets (Amendments to IPSAS 21, Impairment of Non-Cash-Generating Assets, and IPSAS 26, Impairment of Cash-Generating Assets)*, and agreed the Basis for Conclusions, on June 23, 2016. Seventeen members voted in favor. No members voted against or abstained.

The Technical Director provided his assessment that there had been no substantial change to the exposed document such that re-exposure is necessary. No member contested this assessment. The IPSASB agreed an effective date of January 1, 2018. Early application will be encouraged.

The Technical Director indicated that, subject to the approval of the Public Interest Committee on the IPSASB adherence to due process, the final pronouncement will be published in late July or August 2016.

11. Revenue and Non-Exchange Expenses (Agenda Item 11)

The Chair opened the session by inviting Thomas Müller-Marqués Berger, Chair of the IPSASB Consultative Advisory Group (CAG), to provide feedback from the CAG meeting held on Monday, June 20, 2016 in which the group discussed the issues related to the Consultation Paper (CP) on Revenue and Non-Exchange Expenses. Mr. Müller-Marqués Berger provided feedback during the course of the discussion.

The Chair welcomed Amy Shreck, Practice Fellow of the United States Governmental Accounting Standards Board (GASB) and Anthony Heffernan, Acting Director of Accounting Standards of the New Zealand External Reporting Board. He noted that the aim of the session was to cover all the areas to be covered in the CP during the meeting so that the Board could identify further material it considered necessary for the CP. Discussion on the merits of the various approaches should be deferred until the next meeting. There would be an opportunity to discuss the CP structure during the final part of the discussion.

Issue 1: Scope of Consultation Paper

Staff first presented background on the evolution of the scope of the projects. The initial scope of the Revenue project included both exchange and non-exchange revenues and was intended to supersede or amend the current requirements and guidance in IPSAS 9, *Revenue from Exchange Transactions*, IPSAS 11, *Construction Contracts*, and IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*. The scope of the project also included Statutory Receivables. The aim of the Non-Exchange Expenses project was to fill a gap in the literature. IPSAS 23 only covers non-exchange revenue transactions. The scope also excluded those expenses meeting the definition of social benefits. Staff then described the potential expansion of the scope from non-exchange expenses to the consideration of all expenses in certain situations for the performance obligation approach. For the exchange/non-exchange approach, there was no compelling reason to expand the scope to include exchange transactions.

The staff initially asked members to re-affirm the proposal to include exchange and non-exchange expenses in the performance obligation approach and only non-exchange expenses in the exchange/non-exchange approach.

Thomas Müller-Marqués Berger expressed the view of the CAG that the CP should explore a comprehensive approach, covering both sides of a transaction in both approaches, in order to assess whether it is too complex. Mr. Müller-Marqués Berger also highlighted a view expressed at the CAG meeting that, overall, more emphasis should be placed on expenses in the CP as this is where the gap in the literature exists.

The discussion then focused on how the CP could engage readers and obtain feedback. A member expressed concern that the potential scope was too large and complicated.

As a result of discussions, the IPSASB agreed that it is essential that the CP should clearly convey the issues and that the structure should be designed to elicit useful feedback from stakeholders. In order to accomplish this objective, the Board **instructed** staff that the CP should articulate an awareness of the broader implications of the issues but that the focus should be on the following three areas identified by the IPSASB as those where a public interest deficit exists:

- Gap in current literature related to non-exchange expenses;
- Practical issues related to IPSAS 23; and
- Updating revenue guidance to converge with IFRS 15.

Issue 2–Chapter 1: Introduction

Staff requested feedback on the level of detail in draft Chapter 1 and asked members to keep in mind that it is subject to change based on future discussions.

The IPSASB generally expressed satisfaction with the length of the draft chapter. Members requested the addition of a diagram in order to explain the broader landscape of the scope while keeping the document short and concise. Members also instructed that there should be a reference to public interest deficits.

One member also expressed concern that the word “symmetry” is not correctly used and that the term should mean that opposite ends of a transaction are approached in the same way, not that the end result is the same. The IPSASB **instructed** that an alternative term, such as “consistency of approach” should be used.

Members also acknowledged that this section should be reworded to reflect as a result of previous discussion.

Issue 3–Chapter 2: Performance Obligation Approach

Anthony Heffernan led the discussion on Chapter 2 of the draft CP. Anthony was supported by Aimy Luu Huynh, staff of the New Zealand External Reporting Board.

The original project brief for revenue had not considered this to be an IFRS convergence project. Members discussed whether they should apply the *Process for Reviewing and Modifying IASB Documents* (also known as Rules of the Road) for IPSAS 9 and IPSAS 11. IPSAS 9 and IPSAS 11 are based on IAS 18, *Revenue* and IAS 11, *Construction Contracts* respectively. However, IAS 18 and IAS 11 have been superseded by IFRS 15. The IPSASB has subsequently formed a view that it is important that the converged standards with IFRS are kept up to date, especially because of the linkages with the other IFRS convergence projects, such as leases and the updating of the financial instruments IPSASs. The IPSASB **instructed** that the revenue section of the CP should focus on whether extending the performance obligation approach in IFRS 15 could solve some of the issues in IPSAS 23. The IPSASB **decided** to request comments from constituents on this issue. There will be a reference to the need to update IPSAS 9 and IPSAS 11 to maintain convergence with IFRS 15.

The IPSASB thought the tone and language in the draft chapter was too detailed and was more appropriate for an Exposure Draft. The CP should be more neutral and high level in the discussions rather than providing solutions.

The IPSASB noted there was some concern that the categories (A, B and C) have been hard wired into the discussion. The CP should make it clear the categories are designed for grouping ideas and discussions.

The IPSASB noted the following comments from the CAG:

- Generally supportive of Category A and Category B.
- Did not support the order of the categories. They thought the analysis should start with IPSAS 23 for Category C transactions because this is where the majority of the public sector transactions could potentially fit.
- The distinction between fees for services and grant transfers is blurred. The allocation to a particular category could be difficult in some jurisdictions. Therefore the definition of the categories might be oversimplified and does not mirror the complexity of transactions in the public sector.
- There was some concern with the proposal in Category B to replace the reference to the provision of goods and services with the satisfaction of performance obligations. Some members considered this modification may be too broad and that the drafting was circular as a performance obligation would be satisfied by delivering a performance obligation.

Issue 4–IPSAS 23 Directions for September Meeting

Anthony Heffernan also presented the issues paper on the IPSAS 23 Directions for the September Meeting.

The IPSASB agreed all the implementation issues with IPSAS 23 included in the issues paper should be included in the CP. One of these issues is services in-kind. The IPSASB noted there are practical issues with regard to recognition, and that these should be analysed against the Conceptual Framework, in particular considering user needs and the qualitative characteristics.

The IPSASB discussed tax expenditures and agreed that it is an important and complex topic. The IPSASB **decided** that this topic is beyond the scope of the Non-Exchange Expenses project but will be noted as a potential project for inclusion in the next work plan consultation.

The IPSASB noted presentation options for dealing with multi-period revenue inflows. Any presentation options presented in the CP will need to be consistent with the Conceptual Framework. The “other comprehensive income” option should not be considered because “other comprehensive income” is not a defined term in the IPSASB literature. The IPSASB had considered “other comprehensive income” during the development of the Conceptual Framework and rejected it.

The IPSASB noted another implementation issue is the rigorous requirements of IPSAS 23 in the recognition of a liability and the impact this has on capital grants.

The IPSASB agreed that the CP will ask constituents if they are aware of any other implementation issues with IPSAS 23.

The IPSASB noted the following issues related to IPSAS 23 identified by the CAG and others:

- Early recognition of revenue for multi-year grants/advance payments with no conditions.
- Early recognition of revenue with conditions but close/narrow definition of a liability and loose enforceability rules over repayment.
- Recognition of pre-financing/advance payments as an obligation was needed even in cases it did not meet the definition of a liability.
- Support for the use of other obligations and other resources. Some CAG members had expressed concerns that this would not be consistent with the Conceptual Framework despite the IPSASB staff reassurances that it would be consistent.

- Some concern with the presentation option proposed. Recommendation is to clearly define revenue then offer presentation approaches as a work around.

Issue 5–Statutory Receivables

Anthony Heffernan also presented the issues paper on statutory receivables.

The IPSASB agreed that the problems identified in the issues paper should be presented in the CP. The CP will ask constituents if they are aware of any other issues.

The IPSASB noted that in a jurisdiction implementing IPSAS 23, there has been debate on what the fair value of statutory revenue means under IPSAS 23. Some have interpreted this as a gross revenue value with a separate impairment expense to reflect an estimate of the amount unlikely to be collected, where others have interpreted this as a net revenue value. The IPSASB agreed the transaction value (followed by a day 1 impairment) and market value for initial recognition of statutory receivables should be explored in the CP.

The IPSASB agreed with the proposed structure of statutory receivables outlined in the issues paper. The CP will list the issues rather than go into details. The objective of resolving these issues is to provide information to users for accountability and decision making.

Issue 6–Other Resources and Other Obligations

The Chair welcomed David Bean, Director of Research and Technical Activities of the GASB.

Staff noted that the purpose of the paper was to discuss the potential application of “other resources” and “other obligations” for certain transactions which do not give rise to a liability of the recipient of resources or an asset of the transferor of resources. Staff discussed three illustrative transactions: (1) a transfer, (2) a multi-year grant, and (3) property taxes.

Members welcomed the examples, which they thought addressed the main issues concerning many preparers, were clearly presented and illustrated the issues well.

A member raised the issue of the criteria used to discuss the issues: whether accounting theory or public interest considerations (or a combination).

Another member questioned how two situations would be treated applying other resources and other obligations: (1) possible return obligations of money received in one year but not recognized as revenue until a subsequent year and (2) how capital grants would be recognized. Staff noted that both of these situations would be considered as this and other alternative approaches are further developed.

Issue 7–Modifications to Existing Guidance Using Exchange/Non-Exchange Model

The staff presented potential modifications to existing guidance for non-exchange expenses, focusing on the exchange/non-exchange model.

Staff had identified potential modifications to IPSAS 19 and IPSAS 23 in an attempt to address inconsistencies with the Conceptual Framework, to fill the gap in literature related to non-exchange expenses, and to address practice issues. The potential modifications to IPSAS 19 were:

1. Revision of the scope to specifically include non-exchange transactions for resource providers that are not social benefits;
2. Inclusion of examples of non-exchange transactions in implementation guidance; and
3. Modification of the “more likely than not” recognition threshold.

Staff noted that potential modifications to IPSAS 23 had been discussed at previous meetings, which identified the sticking point of evaluating a transaction in which the flow of resources has already occurred. Staff described possible modifications to the starting point of the decision flow chart, as well as modifications for consistency with the Conceptual Framework.

Staff also presented the advantages and disadvantages of potential modifications to IPSAS 19, and asked IPSASB members to identify any additional potential modifications to IPSAS 19 or IPSAS 23 they believe should be added. No members had comments related to IPSAS 23, but the following comments were made in regards to IPSAS 19:

- A member expressed concern that the term “probable” currently in the recognition criteria of IPSAS 19 can mean different things in different languages. Such diversity should be taken into consideration.
- Other members voiced a concern that IPSAS 19 specifically addresses liabilities with uncertain timing and amounts. Expanding the scope to address expenses in general would be a significant change, whereas changes related to the Conceptual Framework would likely have a narrower scope. These members asked for clarification on how uncertainty will be dealt with in the paper.

The IPSASB then was asked if they agreed with the advantages and disadvantages of the potential modifications, primarily with respect to IPSAS 19, and if any additional advantages and disadvantages should be added.

A member suggested that an additional disadvantage of expanding the scope of IPSAS 19 is that such a modification would lead to divergence with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, with which IPSAS 19 is currently converged. However, another member expressed a view that it may not be possible for IPSAS 19 to remain converged with IAS 37 and still be in line with the Conceptual Framework. The Technical Director explained that the impact of the Conceptual Framework on elements and recognition would be addressed in a separate project, which was not yet shown on the work plan. It is possible, but not likely, that the area will be addressed as part of the ongoing annual Improvements project

Issue 8 – Application of Performance Obligation Approach to Expense Transactions

Staff began by explaining the terminology used in the issues paper, which clarifies the use of the term Category B expense. The staff then presented the proposed terms to describe the parties involved in expense transactions. The terminology used was derived from IFRS 15 to define parties in a contract and include the customer, entity, resource provider, and resource recipient.

The IPSASB discussed the terminology. A member questioned whether the term “ordinary services” could have a broader meaning than intended when applied to the public sector. The Chair proposed that this issue should be clarified at a later stage of the project.

To illustrate how the performance obligation approach would be applied to expense transactions, staff presented four examples: (1) consulting services, (2) a three party transaction, (3) a capital grant, and (4) a grant for a specific program.

Staff asked the members whether they agreed that the performance obligation approach can be used for Category B expense transactions and as such, should be presented in the CP.

A member identified a challenge of the approach in that an additional step would be required to determine whether, as the performance obligation is completed, the transaction should be capitalized or expensed. The Chair noted that such challenges and limitations should be exposed in the CP to allow for critiques of each approach.

Other members discussed whether or not the third party example constituted a principal-agent relationship. A few members reasoned that it does and would need to be appropriately addressed, while another contended that such a relationship does not exist in the example given.

Staff asked members whether they agree that transactions with a donation component should be separated into a performance obligation component and a donation component for recognition purposes.

A member questioned whether such transactions exist in practice. Staff responded that such transactions do exist, but were unsure as to their prevalence. Another member and the Chair provided examples in which such a situation occurs.

Staff presented the advantages and disadvantages to the application of the performance obligation approach to expense transactions. Staff asked members whether they agreed with the advantages and disadvantages or if they had any additions to the list provided by staff. Members tentatively agreed with the analysis and identified no additional issues.

Issue 9–Measurement

Staff concluded discussions with a brief update on the project's position on the consideration of measurement issues.

Issue 10 – Structure

The Board reviewed a new draft structure for the CP which was intended to address the concerns raised by both the CAG and the Board concerning the structure and focus of the CP. Various amendments and clarifications were agreed. Subject to these, the Board **instructed** staff to base the revised CP for review at the September meeting on the new structure.

Next Steps

Staff will revise the CP in accordance with the agreed outline, identifying “gaps” in coverage and determining drafting responsibilities.

Closing Remarks and Conclusion of Meeting

The Chair thanked members, technical advisers and observers for their input to a successful and enjoyable meeting, in which there had been approvals of two minor projects and substantial progress on a number of key projects. The meeting was then closed.

12. Appendix 1 – June 2016 Action List

Action Required	Person(s) Responsible	Date to be Completed
<p>1. Communications</p> <ul style="list-style-type: none"> • Action List posted to IPSASB Extranet • Draft minutes circulated to IPSASB for comment • Update IPSASB Summary of IASB Work Plan and Tracking Table • Update GFS Tracking Table 	<p>Leah Weselowski Leah Weselowski Ross Smith João Fonseca</p>	<p>July 6 July 11 September 6 September 6</p>
<p>2. Public Sector Financial Instruments</p> <ul style="list-style-type: none"> • Publish Consultation Paper, Public Sector Specific Financial Instruments and At-a-Glance. 	<p>Ross Smith</p>	<p>July 18</p>
<p>3. Technical Director’s Report on Work Plan</p> <ul style="list-style-type: none"> • Update Work Plan and publish on web site 	<p>John Stanford/Paul Mason</p>	<p>June 30</p>
<p>4. Governance</p> <ul style="list-style-type: none"> • Governance agenda papers posted (if any) 	<p>John Stanford/Ross Smith</p>	<p>September 2</p>
<p>5. Employee Benefits</p> <ul style="list-style-type: none"> • Finalise pronouncement for submission to Public Interest Committee • Publication of IPSAS 39, <i>Employee Benefits</i> and At a Glance 	<p>João Fonseca</p>	<p>July 6 July 28</p>
<p>6. Social Benefits</p> <ul style="list-style-type: none"> • Draft IPSASB response to CAG comments on social benefits • Paper for TBG circulated • Agenda papers posted 	<p>Paul Mason</p>	<p>June 30 August 4 September 5</p>
<p>7. Leases</p> <ul style="list-style-type: none"> • Issues Paper for TBG • Agenda Papers posted 	<p>João Fonseca</p>	<p>July 22 September 2</p>
<p>8. Financial Instruments (Updates to IPSASs 28-30)</p> <ul style="list-style-type: none"> • Project route map to TBG for Discussion 	<p>Lucy Qi/Ross Smith</p>	<p>July 14</p>
<ul style="list-style-type: none"> • Issues Paper and Draft ED to TBG for discussion • Agenda Papers posted 		<p>August 17 September 2</p>

Action Required	Person(s) Responsible	Date to be Completed
<p>9. Heritage</p> <ul style="list-style-type: none"> • Issues Paper and draft chapters to TBG for discussion • Agenda Papers posted 	Gwenda Jensen	<p>August 5</p> <p>September 5</p>
<p>10. Impairment of Revalued Assets</p> <ul style="list-style-type: none"> • Finalise pronouncement for submission to Public Interest Committee • Publication of IPSAS, <i>Impairment of Revalued Assets (Amendments to IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash-Generating Assets)</i> 	John Stanford	<p>July 10</p> <p>July 31</p>
<p>11. Revenue and Non-Exchange Expenses</p> <ul style="list-style-type: none"> • Draft Consultation Paper to TBG for discussion • Agenda papers posted 	Anthony Heffernan, NZ XRB, Amy Shreck, GASB/John Stanford	<p>August 20</p> <p>September 6</p>

13. Appendix 2 – Voting Record

Vote #1– Approve *Public Sector Specific Financial Instruments CP*

Agenda Item 2	Minutes Item 2	Date Vote Taken		June 21, 2016	
Description	Consultation Paper	<i>Public Sector Specific Financial Instruments</i>		Approved at meeting	
Final Standard <input type="checkbox"/>	ED <input type="checkbox"/>	CP <input checked="" type="checkbox"/>		Other <input type="checkbox"/>	
IPSASB MEMBER	FOR	AGAINST	ABSTAIN	ABSENT	TOTAL
Ian Carruthers, Chair	√				
Jeanine Poggiolini, Deputy Chair	√				
Stuart Barr	√				
Mike Blake	√				
Michel Camoin	√				
Robert Dacey	√				
Sebastian Heintges	√				
Kenji Izawa	√				
Aracelly Méndez	√				
Rod Monette				√	
Leonardo Nascimento	√				
Angela Ryan	√				
Bernhard Schatz	√				
Adriana Tiron Tudor	√				
Marc Wermuth	√				
Abdullah Yusuf	√				
Juan Zhang	√				
TOTAL	16	0	0	1	17

Vote #2– Approve Leases Project Brief

Agenda Item 7	Minutes Item 7	Date Vote Taken			June 22, 2016
Description	Project Brief	Leases			Approved at meeting
Final Standard <input type="checkbox"/>	ED <input type="checkbox"/>	CP <input type="checkbox"/>			Other <input checked="" type="checkbox"/>
IPSASB MEMBER	FOR	AGAINST	ABSTAIN	ABSENT	TOTAL
Ian Carruthers, Chair	√				
Jeanine Poggiolini, Deputy Chair	√				
Stuart Barr	√				
Mike Blake	√				
Michel Camoin	√				
Robert Dacey	√				
Sebastian Heintges	√				
Kenji Izawa	√				
Aracelly Méndez	√				
Rod Monette	√				
Leonardo Nascimento	√				
Angela Ryan	√				
Bernhard Schatz	√				
Adriana Tiron Tudor	√				
Marc Wermuth	√				
Abdullah Yusuf	√				
Juan Zhang	√				
TOTAL	17	0	0	0	17

Vote #3– Approve Impairment of Revalued Assets (Amendments to IPSAS 21, Impairment of Non-Cash-Generating Assets, and IPSAS 26, Impairment of Cash-Generating Assets)

Agenda Item 10	Minutes Item 10	Date Vote Taken			June 23, 2016
Description	Final Standard	<i>Impairment of Revalued Assets (Amendments to IPSASs 21 and 26)</i>			Approved at meeting
Final Standard ■	ED □	CP □		Other □	
IPSASB MEMBER	FOR	AGAINST	ABSTAIN	ABSENT	TOTAL
Ian Carruthers, Chair	√				
Jeanine Poggiolini, Deputy Chair	√				
Stuart Barr	√				
Mike Blake	√				
Michel Camoin	√				
Robert Dacey	√				
Sebastian Heintges	√				
Kenji Izawa	√				
Aracelly Méndez	√				
Rod Monette	√				
Leonardo Nascimento	√				
Angela Ryan	√				
Bernhard Schatz	√				
Adriana Tiron Tudor	√				
Marc Wermuth	√				
Abdullah Yusuf	√				
Juan Zhang	√				
TOTAL	17	0	0	0	17

Vote #4– Approve Employee Benefits

Agenda Item 5	Minutes Item 5	Date Vote Taken			June 24, 2016
Description	Final Standard	IPSAS 39, Employee Benefits			Approved at meeting
Final Standard ■	ED □	CP □		Other □	
IPSASB MEMBER	FOR	AGAINST	ABSTAIN	ABSENT	TOTAL
Ian Carruthers, Chair	√				
Jeanine Poggiolini, Deputy Chair	√				
Stuart Barr	√				
Mike Blake	√				
Michel Camoin	√				
Robert Dacey	√				
Sebastian Heintges	√				
Kenji Izawa	√				
Aracelly Méndez	√				
Rod Monette	√				
Leonardo Nascimento	√				
Angela Ryan	√				
Bernhard Schatz	√				
Adriana Tiron Tudor	√				
Marc Wermuth	√				
Abdullah Yusuf	√				
Juan Zhang	√				
TOTAL	17	0	0	0	17