

**INTERNATIONAL FEDERATION OF ACCOUNTANTS
PUBLIC SECTOR COMMITTEE
DRAFT MINUTES OF THE HONG KONG MEETING**
Held on November 21 - 23, 2002

ATTENDANCE

COUNTRY	MEMBER ATTENDEE	PRESENT	APOLOGY/NIA*
Australia	Ian Mackintosh (Chairman) Robert Keys	X X	
Argentina	Carmen Palladino Blanca Arazi	X X	
Canada	David Rattray Erik Peters Ron Salole	X X	X
France	Philippe Adhémar Jean-Luc Dumont Christophe Patrier	X X	X
Germany	Norbert Vogelpoth Catherine Viehweger	X X	
Mexico	Javier Perez Saavedra Conrado Villalobos Diaz	X (Day 1 and 2)	X
Netherlands	Peter Bartholomeus Aad Bac	X X	
New Zealand	Kevin Simpkins Simon Lee	X X	
Pakistan	Muhammad Rafi M. Abdullah Yusuf Muhammad H. Asif	X (Day 1 and 2)	X X
South Africa	Terence Nombembe Bernhard Agulhas Erna Swart	X X X	
United Kingdom	Mike Hathorn John Stanford	X X	
United States	Ron Points David Bean Mary Foelster	X X	X

COUNTRY	MEMBER	PRESENT	APOLOGY/NIA*
ADB	Ping Yung Chiu	X	
EU	Dieter Glatzel	X	
INTOSAI	John Fretwell	X	
IMF	Bert Keuppens		X
	George Kabwe		X
OECD	Jon Blondal		X
UN	Jay Karia	X	
UNDP	Darshak Shah	X	
World Bank	Simon Bradbury	X (Day 1 and 2)	
IFAC	Paul Sutcliffe	X	
	Matthew Bohun	X	
	Jerry Gutu	X	
	Ahmad Hamidi-Ravari	X	
	LiLi Lian	X	
	Ilona Castro (consultant)	X Day 2	

* NIA- Not in Attendance

1. WELCOME AND APOLOGIES

Mr. Edward Chow on behalf of the Hong Kong Society of Accountants (HKSA) welcomed the Public Sector Committee to Hong Kong and wished members and observers a pleasant stay and a successful meeting. He noted:

- the interest of the Hong Kong in a number of PSC projects, particularly the Steering Committee on non-exchange revenue and social policy obligations;
- that he would represent the HKSA at the joint PSC-Hospital Authority seminar; and
- the HKSA would host a dinner for the Committee following the seminar.

The chair noted the following apologies:

- Conrado Villalobos Diaz;
- M Abdullah Yusuf;
- Muhummad H. Asif;
- Jon Blondal;
- Bert Keuppens; and
- George Kabwe.

The Chairman welcomed:

- Jay Karia, Director of Accounts of the United Nations (UN) and Darshak Shah Comptroller of the United Nations Development Programme (UNDP) to their first meeting as observers;
- Li Li Lian, who joined the PSC Staff at the beginning of the year as an Assistant Manager, to her first PSC meeting; and
- Blanca Arazi, to act as interpreter to Carmen Palladino, the Argentinean representative. Carmen reported that she had changed employment since the last meeting and now worked for the Inter-American Development Bank and her responsibilities included the promotion of the IPSASs throughout South America.

Ian also noted that the Chairman of the New Zealand Financial Reporting Standards Board, Tony van Zijl, would join the meeting as an observer invited to the table, in the afternoon

2. CONFIRMATION OF MINUTES

The meeting received the minutes from the meeting held in Mauritius on 3-5 July 2002. The minutes were confirmed subject to revisions to reflect that an extended debate had occurred on whether IAS 19 *Employee Benefits* or any parts thereof should be actioned as a PSC priority project. The minutes were to note that:

- some members were of the view that no part of IAS 19 should be actioned as a PSC project before the IASB had completed its review of the IAS; and
- the PSC ultimately directed staff to proceed with the development of an ED on only the short term benefits aspects of IAS 19.

Action Required: *Amend minutes.*

Person(s) responsible: *Standards Staff.*

~~*Draft Minutes from the PSC meeting;*~~

~~*November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.*~~
PSC April 2003

3. MATTERS ARISING

The Committee received and noted the Action List from the meeting held in Mauritius in July 2002. It was noted that all items had been dealt with.

The Committee received and noted the Meeting Timetable for this meeting. It was noted that:

- there would be a half-day seminar in conjunction with Hong Kong Hospital Authority in the afternoon of 22nd November; and
- a dinner for PSC members was being hosted by the Hong Kong Society of Accountants on the evening of 22nd November following the seminar, and Mr. Ian Ball the IFAC CEO would attend.

4. CHAIRMAN'S REPORT

The Committee received and considered:

- a report by Ian Mackintosh, the Chair of the PSC, on his activities as Chair since the previous PSC meeting; and
- a paper outlining his views on the major issues confronting the PSC in the year ahead and potential strategies for dealing with these views.

Ian noted that in addition to the matters identified in his report he had:

- attended the standards setters meeting on 18 November 2002 with Paul Sutcliffe the Director of Public Sector Accounting Standards;
- made a presentation at the Plenary Session of the World Congress of Accountants on the work of the PSC;
- chaired a Working Group at the World Congress of Accountants at which presentations had been made by Terence Nombembe, the South African member of the PSC, and Paul Sutcliffe;
- made presentations to both the IFAC Board and IFAC Council on PSC activities;
- met with the Chinese Assistant Minister of Finance to discuss the possibility of a secondment from the Chinese Ministry to the PSC in 2003. Ron Points, the member from USA, and Paul Sutcliffe had also attended that meeting;
- began discussions with relevant parties directed at putting in place arrangements to ensure the long term funding of the PSC's standards program; and
- attended a meeting of the Standards Advisory Council to the IASB in June 2002 at which enforcement of standards was discussed in the context of unification of standards in Europe by 2005.

Members discussed the chair's paper on major issues confronting the PSC in the future and:

- noted that the IFAC Board had directed Ian Ball, the IFAC CEO, to undertake a review of the PSC during 2003. Members agreed that the timing of such a review was appropriate since the PSC had completed the first stage of its Standards-Program, and there was the promise of a closer relationship between the IASB and INTOSAI;
- noted that ensuring that IPSASs remained harmonized with IASs/IFRSs in the long term was a major issue with resource implications for the PSC. It was agreed

~~Draft Minutes from the PSC meeting,~~

~~November 2002~~ Item 2.2 Draft minutes from the PSC meeting in November 2002.
PSC April 2003

that this issue needed to be addressed and should be discussed further at the next meeting of the PSC;

- discussed approaches to harmonizing with GFS and noted that it was proposed that there be a two “level” approach to harmonization – the first level being harmonization on specific technical issues including developing a statement to reconcile IPSAS and GFS results, and the second level at the strategic level to deal with harmonization on an ongoing basis into the future. Members noted that harmonization with the European System of National Accounts 1995 (ESA 95) and the IASB should be factored into any consideration of harmonization with GFS; and
- agreed that the issues/strategy document should be updated and further developed for the April 2003 meeting and that sufficient time should be allowed on the PSC Agenda for a substantial discussion of strategy at the April 2003 meeting.

Members requested that a copy of the Chair’s report to the IFAC Board be distributed to all members.

Action required: *Follow up on PSC funding with relevant bodies. Update the PSC issues/strategy document for consideration at the April 2003 meeting.*

Person(s) responsible: *Chairman, PSC Staff.*

5. SECRETARIAT’S REPORT

The Committee received and noted:

- a report from the Secretariat; and
- an updated Members’ Correspondence Distribution List.

Jerry Gutu noted that in addition to the matters identified in the report, he had been involved in:

- finalizing arrangements for this meeting;
- preparing the 2002 version of the PSC Handbook with IFAC publication staff; and
- converting PSC Study 14 into a web based product. This was ongoing and involved IFAC media consultant and IT staff.

Members noted that in the past the PSC network list had been included with the Agenda materials and requested that the latest PSC network list be distributed to members out of session prior to Christmas and subsequently included in the agenda materials for each PSC meeting.

Action Required: *Update PSC network and distribution lists and forward to members out of session. Finalize arrangements for April 2003 meeting and advise members.*

Person(s) Responsible: *PSC Secretariat.*

6. PSC ACTIVITY UPDATE AND WORK PLAN

The Committee received and noted:

- a memorandum from Paul Sutcliffe and Jerry Gutu regarding funding, promotion activities, status of IPSAS translations, and other matters;
- a memorandum from Paul Sutcliffe on the Standards Development Work Plan;
- a report on the status of all PSC projects;
- an updated Work Plan for 2002; and
- projected work plan for 2002 through 2005.

Paul Sutcliffe outlined the progress that had been made on IPSASs and other projects since the last meeting, noting that:

- IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* and IPSAS 20 *Related Party Disclosures* had been issued;
- the submission to the IASB on its Improvement Project Exposure Draft had been completed and lodged with the IASB. Paul noted that the New Zealand member and technical advisor had taken the lead in the preparation of the submission and members and staff thanked the New Zealand delegation and the New Zealand Institute for their significant contribution to this project;
- following the last PSC meeting, the proposed IPSAS *Financial Reporting Under the Cash Basis of Accounting* was reviewed by a drafting committee comprising Australia and South Africa and a revised draft had been circulated to members for comment prior to this (November 2002) meeting. Further revisions had been made based on comments received from members and the revised proposed IPSAS was included in Agenda materials for this meeting. Paul also noted that the proposed IPSAS was included on the PSC's home page in October and comments received from interested parties are also included in agenda material for this meeting;
- substantial work had occurred on the French and Argentinean Occasional Papers;
- the PSC secretariat and IFAC staff have commenced work on the conversion of Study 14 to a web-based product, with a view to launching the web product in the first quarter of 2003;
- the Non-Exchange Revenue Steering Committee met on November 4-5 at the offices of GASB in the USA, and the Social Policy Obligations Steering Committee met at the Offices of CPA Australia in Melbourne, Australia on November 13-15;
- the consultant engaged to prepare the "scoping" paper on the budget reporting project would be in attendance at this meeting to discuss the paper with members;
- Mario Abela had advised that he had changed his employment and that his work commitments did not allow him to continue to act as staff support to PSC projects. Former PSC staff member Joanne Scott had been engaged as a consultant to provide staff support to the Social Policy Obligations Steering Committee; and
- a subcommittee of the PSC met in Norwalk USA on 2 September to consider recommendations that should be made to the PSC on the notion of "value in use" to be adopted in the impairment Exposure Draft. A representative of the Public Sector Experts Group of the International Valuation Standards Committee also attended the meeting.

~~Draft Minutes from the PSC meeting;~~

~~November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.~~
PSC April 2003

Members noted and agreed the Work Plan subject to revisions to reflect decisions made regarding projects at this meeting (see below). In this context, members noted the importance of:

- ensuring that the requirements of IPSASs and IASs/IFRSs remained in harmony to the extent appropriate; and
- reducing as far as possible differences between GFS, ESA 95 and IPSASs.

Members and staff provided an update on PSC/IPSAS promotion activities they had been involved in since the last meeting. Members agreed to provide details of their presentations to staff out of session. It was noted that the Association of Certified Chartered Accountants (ACCA) had advised of their interest in the work of the PSC, and had offered to assist in promotion and education activities. Members noted that ACCA Global had a wide reach and agreed that this opportunity should be further explored. The UK delegation undertook to maintain contact with the ACCA in respect of possibilities for future promotion activities and to facilitate a meeting between the ACCA and the Chair and/or staff as appropriate. Members noted that as the PSC completed the first stage of its program and had in place the core accrual and cash basis IPSASs, the Committee would need to refocus its activities towards promotion and communication.

It was noted that:

- translation of IPSASs into the following languages through the PSC-IASB co-operative initiative or by national organizations are under way or have been completed: French, Spanish, Italian, Arabic, Russian, Bahasa (Indonesian), Portuguese, Mandarin, and Mongolian. It was also noted that a project to translate IPSASs into Japanese had recently commenced;
- Cambodia, Mongolia, Indonesia and Papua New Guinea were actively considering adoption of IPSASs and East Timor issued its statements in conformity with Exposure Draft 9 *Financial Reporting Under the Cash Basis of Accounting* and intended to comply with the final cash basis IPSAS when issued;
- the Federal Accounting Standards Advisory Board (FASAB) in the USA was considering how it should interact with the PSC;
- the Committee on Accounting Standards of INTOSAI would soon commence a survey on application of accounting standards in various jurisdictions; and
- funding had been approved from the Asian Development Bank (ADB) and the Public Expenditure and Financial Accountability Program (PEFA) to support the next phase of the standard program. Paul also noted that he was in the process of following up funding opportunities with the InterAmerican development bank who had committed to matching the funding provided by the ADB.

Paul noted that this meeting of the PSC was open to interested parties to observe proceedings and key PSC papers had been included on the IFAC web page. He also noted that Professor Fumiki from University of Niigata, Japan was in the public gallery and had expressed interest in preparing a draft of an occasional paper on financial reporting by the public sector in Japan for consideration by the PSC. Members welcomed this proposal.

Action Required: *Update register of funding, translation and promotion*

~~*Draft Minutes from the PSC meeting;*~~

~~*November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.*~~
PSC April 2003

activities. Update work program.

Person Responsible: *Chair, Members, Standards Staff.*

7 IASB UPDATE AND MONITORING REPORT

The Committee received and considered:

- a memorandum from Ahmad Hamidi-Ravari;
- an IASB projects timetable revised on 26 July 2002;
- a summary of IASB ED1 *First-time Application of International Financial Reporting Standards*;
- a schedule reflecting IASs addressed in the two improvement projects and their equivalent PSC documents; and
- a schedule reflecting the status of IASs/IFRSs and IPSASs as at 30 September 2002.

Ahmad provided an update on IASB projects and the expected timing of the IFRSs that are to be issued in the next two years. In particular, it was noted that an IFRS is expected on *The First-time Application of IFRSs* in the second quarter of 2003 and that the PSC may find it necessary to issue an equivalent IPSAS to deal with the first-time application of IPSASs. Staff also noted that work is in progress on other projects of interest such as performance reporting and pension accounting. The Chair noted that a decision about issuing an IPSAS on the first-time application of IPSASs should be taken as part of a general decision about whether projects need to be activated to amend IPSASs in response to other IASB projects such as the *Improvement Project*. The Chair also noted that the IASB anticipated that following 2005 there would be a period of about two years during which relatively few new IFRSs would be issued.

Action Required: *Continuous monitoring of IASB projects.*

Person(s) Responsible: *Standards Staff.*

8. COUNTRY BRIEFING REPORTS

Members noted the member country reports included in the Agenda materials and tabled at the meeting. Members provided a verbal update on those reports noting in particular:

- the CIGAR comparative study was developing very well and it was anticipated that the PSC would have a fruitful meeting with the CIGAR group at the meeting in Berlin in November 2003; and
- in South Africa it was becoming very apparent that the formal reports needed to be supplemented with information about non-financial aspects of performance. The South African delegate requested members to provide them with any guidance on non-financial performance reporting that had been issued in members' jurisdictions.

Action Required *Prepare country reports for the PSC meeting in, 2003. Forward guidance on non-financial performance reporting to the South African*

delegation.

Person(s) Responsible: *Members, Technical Advisers, PSC Secretariat.*

9. FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING

The committee received and considered:

- a memorandum and follow-up memorandum from Paul Sutcliffe;
- extract of Minutes of the PSC meeting in July 2002;
- a project history sheet;
- a marked-up copy of Part 1 of IPSAS XX *Financial Reporting Under the Cash Basis of Accounting*;
- a marked-Up Copy of Part 2 of IPSAS XX *Financial Reporting Under the Cash Basis of Accounting*;
- comments from members on the pre-meeting review; and
- comments from constituents on the pre-meeting draft IPSAS posted on the IFAC web site.

Paul Sutcliffe introduced the topic and noted that:

- amendments had been made in accordance with the decisions of the PSC at its last meeting in July 2002 and reviewed by a drafting subcommittee;
- the proposed IPSAS had been amended to reflect the comments of the drafting committee and clean and marked up copies of the revised Part 1 of the proposed IPSAS were distributed for members' pre-meeting review on 3 October 2002 with a request for comment by 18 October;
- the draft IPSAS included in the agenda had been amended to reflect and/or to identify in text boxes the comments provided by members; and
- a clean copy of the proposed IPSAS Parts 1 and 2 was placed on the IFAC web on 14 October 2002, with an invitation for interested parties to provide any comments to staff by 8 November 2002. Comments received had been included in the agenda materials. Paul also tabled an additional submission.

Members reviewed the materials provided and agreed:

- the IPSAS should be identified as the "Cash Basis IPSAS" - it should not be referred to as "Cash Basis IPSAS 1";
- reference to Part 1 and Part 2 should be removed from the cover of the IPSAS;
- the placement of the Appendices as proposed by staff and noted that each Appendix should be numbered in sequence; and
- the encouragement section of the IPSAS should be printed on colored paper. The requirements and Appendices are to be printed on white paper.

Members undertook a page by page review of the document. In respect of Part 1 of the proposed IPSAS members agreed that:

- the explanation of the structure of the IPSAS is to be amended to remove the tautology "mandatory requirements" and identify Part 1 as mandatory and Part 2 as not mandatory. Consequential amendments are to be made to the contents pages and throughout the IPSAS as appropriate;

~~*Draft Minutes from the PSC meeting;*~~

~~*November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.*~~
PSC April 2003

- Part 2 is to be referred to as the section of encouraged disclosures, rather than as recommendations or recommended disclosures, and this referencing is to be adopted throughout the IPSAS;
- the term “general purpose financial statements” is to be adopted consistently throughout the IPSAS;
- a commentary paragraph is to be included in the “Scope of the Requirements” section of the IPSAS to explain that the statement of receipts and payments will include additional columns to disclose information about third party settlements;
- the definitions of “cash balances” is to be removed because it is no longer necessary;
- amendments proposed to the definition of the “cash basis” are to be made. A number of consequential amendments throughout the draft were also identified;
- commentary paragraphs are to explain that, as was the case for the accrual IPSASs, investments normally qualify as cash equivalents only when they have a short maturity of say three months or less from the date of acquisition;
- under the “single account” system, cash receipts and payments administered on behalf of other government entities by the entity that undertakes the central agency “treasury” function may be reported on a net basis;
- the disclosure of the sources of third party settlements on the face of the statement of cash receipts and payments is also to be required and illustrated in the Appendices;
- the Appendices and certain passages of text are to refer to a government entity rather than a government agency;
- the IPSAS is to reflect that while third party settlements are disclosed on the face of the statement of cash receipts and payments, such settlements do not satisfy the definition of cash. To give effect to this, Paragraph 1.3.5 is to be amended to specify that “When an entity elects to disclose information prepared on a different basis from the cash basis of accounting as defined in this Standard, or otherwise required by paragraph 1.3.4(a), such information should be disclosed in the notes to the financial statements”; and
- the section on going concern is to be moved to Part 2 of the IPSAS.

In respect of Part 2 of the IPSAS members agreed to:

- include a general reference that accrual IPSASs including IPSASs 13 *Leases*, IPSAS 17 *Property Plant and Equipment* and IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* provide useful guidance to entities intending to disclose additional accrual information about assets and liabilities;
- retain the section on extraordinary items with amendment to only paragraph 2.1.8 to remove the final sentence;
- move to an Appendix the sections which summarize the requirements of IPSAS 2 *Cash Flow Statements*. and include in the IPSAS two commentary paragraphs along the lines proposed by staff to refer interested parties to the Appendix. The paragraphs in the IPSAS should also note that the third party disclosure columns must be included to comply with the requirements of Part 1 of this IPSAS. It was suggested that commentary paragraphs could also encourage entities planning to move to the accrual basis could to provide information in the general purpose financial statements on a functional/nature of expenditure basis as well as on a cash flow basis mirroring the format of the Cash Flow Statement in IPSAS 2;

~~Draft Minutes from the PSC meeting;~~

~~November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.~~

~~PSC April 2003~~

- retain the section which explains that under the accrual IPSASs consolidation of entities in which control is intended to be temporary is not required;
- remove the effective date for the encouraged disclosures;
- clarify the identity of the reporting entity in the illustrated disclosures to Part 2; and
- update the explanation of the introduction to the Appendix dealing with the qualitative characteristics.

Members also identified a number of editorial amendments in Parts 1 and 2.

Kevin Simpkins expressed concern that final IPSAS differed from ED 9 and that the amendments had not formally been exposed. He noted that constituents had been advised of proposed changes through PSC Updates and the draft IPSAS had been made available to all interested parties on the IFAC website and that his concerns about the “due process” would be overcome if Members also agreed to closely monitor implementation of the IPSAS and to formally review all implementation issues after two years from the date of issue. Members agreed with this proposal and the IPSAS was approved unanimously subject to final review of the amendments agreed at the meeting. An initial application date of periods beginning 1 January 2004 was agreed.

Action Required: *Amend and circulate draft IPSAS for confirmation of amendments during December 2002. Prepare for publication in early 2003.*

Person(s) Responsible: *Chair, Members, Standards Staff*

10. EMPLOYEE BENEFITS

The Committee received and considered:

- a memorandum from Ahmad Hamidi-Ravari; and
- a draft ED XX *Employee Benefits*.

Ahmad introduced the topic and noted that an IPSAS based on IAS 19, *Employee Benefits* was amongst the 22 IASs that were included in the first stage of the Standards program. However, the project was deferred in 2000 because of its complexity and the likelihood that it would consume too much of the PSC’s meeting time and hinder progress on the other core IPSASs.

The PSC has now approved/issued the first 20 accrual IPSASs. However, the pension provisions of IAS 19 are currently the subject of major review by the IASB. It was noted that, as a consequence, the PSC decided at its July 2002 meeting to activate a project on, *Employee Benefits* in two parts as follows:

- the first part dealing with employee benefits other than post-employment benefits. The first draft of an exposure draft for this part had been prepared for consideration at this meeting as had been agreed; and
- the second part dealing with post-employment benefits should be developed when the IASB has completed its review of the pension provisions of IAS 19.

Staff noted that the revision of pension provisions of IAS 19 will also affect accounting for “other long-term employee benefits” such as long-term compensated absences, long-term disability benefits and jubilee or other long-service benefits. The scope of the ED on the first part of the project was therefore restricted to exclude such benefits.

The Committee considered the draft ED (with the restricted scope) on the first stage of the project and decided that the project should be deferred until the revised IAS 19 is issued and all the implications of the review are known. The PSC also directed that staff should monitor the work of the IASB from a public sector perspective so that the PSC is well positioned to develop a draft exposure draft of an IPSAS when the IASB has completed its review.

Action Required: *Defer project until the revised IAS 19 is issued.*

Person(s) Responsible: *Standards Staff.*

11. BUDGET REPORTING

The Committee received and considered:

- a memorandum from Paul Sutcliffe;
- a paper on the scope of the budget reporting project from Ilona Castro; and
- a list of those who had originally nominated for membership of the steering committee.

Paul provided the background to the project, noting that:

- the PSC had agreed to action the project in November 2001;
- called for nominations for Steering Committee members soon thereafter; and
- Ron Points had agreed to act as Chair of the Steering Committee.

Paul introduced Ilona Castro, the consultant who had worked with Ron in preparing the scoping paper.

Ron Points introduced the paper, noting that it was desirable that the accounting profession and “budgeteers” move forward together on the enhancement of budget reporting and that this project provided the opportunity for this to occur. He also emphasized that:

- the project should encompass more than simply compliance reporting; and
- the adoption of a common/consistent approach to the presentation of the budget and the report on budget execution/compliance would provide significant benefits to financial management and preparers and users of internal and external financial reports.

Ron invited Ilona to take members through the details of the scoping paper. Ilona presented the paper to the PSC and noted that the paper proposed:

- the development of a study to identify best practice in budget formulation and presentation; and
- the development of an IPSAS on budget accounting and the presentation of the budget as a general purpose budget report.

~~Draft Minutes from the PSC meeting;~~

~~November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.~~

PSC April 2003

Ilona also emphasized that any requirements included within an IPSAS would need to operate within the existing political environment in each jurisdiction.

Members agreed that it was desirable that the linkages between budget reports and financial reports under the IPSASs were harmonized and that similar terms and concepts adopted by the budget and financial reporting disciplines be harmonized as far as possible. However, members:

- expressed some concerns about what might be included within the term “budget accounting” and what budget related matters should appropriately be mandated by an IPSAS; and
- agreed that a research report should be prepared to identify:
 - current best practices in budget formulation and reporting under differing budget models and government administrative arrangements;
 - the relationship of the budget project to the PSC’s mandate; and
 - the matters which should appropriately be dealt with by an IPSAS on budget reporting.

The PSC agreed that consideration should be given to publishing the final research report as a Study if appropriate, and discussed whether a steering committee or project advisory panel should support the preparation of the report.

Ilona noted that, because of other commitments, it had not been possible for some members of the existing project advisory panel to make a significant contribution to the paper, and the need for active participation should be emphasized when establishing the steering committee for carrying this project forward. It was agreed that:

- a steering committee should be formed to provide input to the preparation of the report and make recommendations to the PSC on how the project should be carried forward;
- the steering committee should be reconstituted and its membership be drawn from both national accounting and budget offices experienced in as diverse a regional spread and approach to budget administrative/structure as possible. Members agreed to provide to staff recommendations from their jurisdictions and Ron Points undertook to identify suitable persons from jurisdictions not currently represented on the PSC;
- the terms of reference for the research study should be developed by staff and circulated to the PSC during December 2002/early January 2003; and
- it was desirable that at least a draft of the research report be well developed (if not completed) and the preliminary recommendations of the steering committee be available for consideration at the April 2003 meeting.

Members noted that Ilona would not be able to continue as the primary staff member on this project, thanked her for her contribution and directed Ron Points and staff to engage a consultant to prepare the research report.

Action Required:

Develop and circulate terms of reference for research paper to PSC for approval. Engage consultant for preparation of research report.

~~Draft Minutes from the PSC meeting;~~

November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.
PSC April 2003

Identify members of the Steering Committee.

Person(s) Responsible: ***SC Chair, Members and Standards staff.***

12. PSC STEERING COMMITTEES

The PSC received:

- a memorandum from Paul Sutcliffe;
- a Steering Committee report: Social Policy Obligations; and
- a Steering Committee report: Non-Exchange Revenue.

Social Policy Obligations

Kevin Simpkins, the Steering Committee chair reported on the meeting that had been held in Melbourne on 13-15 November 2002 noting that:

- Dr Johan Christiaens, the FEE representative on the Steering Committee had resigned from FEE and consequently the Steering Committee. FEE is currently seeking a replacement for Dr Christiaens. Kevin noted that Dr Christiaens had made a valuable contribution to discussions at the first SC meeting;
- the member from Pakistan missed the first meeting and had difficulty obtaining a visa for the second meeting, but was very keen to be involved in the Steering Committee on an ongoing basis and had been in contact with the SC Chair and staff. The PSC agreed that no action was necessary in regards to seeking a replacement member from Pakistan at this stage;
- the Steering Committee was provided with relevant materials from, and fully informed by PSC staff about the activities of, the Non Exchange Revenue Steering Committee;
- Mario Abela had resigned from the staff of the Steering Committee, Paul Sutcliffe had acted as staff support for the November 2002 meeting and Joanne Scott would provide ongoing staff support to the Steering Committee; and
- the issues being addressed by the Steering Committee were complex but the Steering Committee had had a most productive meeting and had taken some significant steps forward.

Kevin provided an update on the discussions noting that:

- as far as was appropriate, the Steering Committee intended to adopt a similar structure to its Invitation to Comment (ITC) as that adopted by the non-exchange revenue;
- the Steering Committee intended to provide a draft ITC for the PSC to consider at its April 2003 meeting with a recommendation that the ITCs on social policy obligations and non-exchange revenue be issued concurrently.
- the Steering Committee had, subject to the approval of the PSC, decided to amend the title of the draft ITC to read *Accounting for Social Policies of Governments*, to clearly reflect the matters dealt with in the ITC. The PSC noted that it did not object to the title of the ITC as proposed by the Steering Committee;
- consistent with the terms of reference of the Steering Committee, the ITC will not deal with pensions provided as employee entitlements (which are dealt with by IAS 19) or other pensions which arise from an exchange transaction. Pensions within the scope of the ITC will be discussed in a separate chapter because of their

Draft Minutes from the PSC meeting;

November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.
PSC April 2003

complex nature and potential significance if recognized as a liability in the statement of financial position;

- the ITC will deal with all ‘social benefits’ excluded from IPSAS 19. In this context, it will deal with individual/household transfers (which are described as ‘social benefits’ in GFS), individual consumption and collective consumption; and
- the approach that is being adopted in the ITC is to apply the definitions and recognition criteria and any relevant guidance on measurement and disclosure in IPSASs to each category of ‘benefit’, and to draw out and consider the implications of this approach. Kevin noted that at this stage it appeared that in some cases the Steering Committee did not have a unanimous view on the interpretation or consequences of application of the definitions of constructive obligations and liabilities in the IPSASs or their measurement implications in all cases. If this situation continued, the different views would be identified in the ITC. The PSC indicated that it was appropriate that the ITC identified different views where such existed and sought input from constituents on those views.

Kevin noted that certain non-exchange transactions such as grants to companies and international agencies would not conventionally be identified as “social benefits” and therefore would currently fall within the scope of IPSAS 19. However, IPSAS 19 does not provide specific guidance on accounting for such non-exchange transactions. He advised that the Steering Committee was of the view that the ITC should raise as an issue whether the scope of IPSAS 19 should be amended to exclude all non-exchange transactions or whether the ITC should interpret social benefits broadly to encompass all non-exchange transactions. The PSC indicated it was appropriate that the ITC raise this issue.

The next Steering Committee meeting is tentatively scheduled for 20-21 February 2003, in London. Kevin pointed out that this timetable was tight and the meeting would only go ahead if the draft ITC has been circulated for initial comments and a revised version suitable for discussion had been prepared.

Non-Exchange Revenue

David Rattray, the Steering Committee chair, reported that the Non-Exchange Revenue Steering Committee had met on 4-5 November 2002 at the offices of the Governmental Accounting Standards Board in Norwalk USA. He noted that Phillip Prior of the Australian Department of Finance and Administration had been unable to attend either meeting of the Steering Committee and due to time and resource constraints would be unlikely to attend any future meetings. The PSC decided to approach the IFAC member bodies in Australia to seek a replacement Australian member.

David tabled a paper which outlined the major tentative/working decisions of the Steering Committee on Non-Exchange Revenue. David spoke to that paper noting in particular that:

- the ITC that is eventually issued will be a PSC document; it should refer to the PSC rather than the Steering Committee;
- given the interrelationship between the subject matter of the two Steering Committees, the Steering Committee tentatively decided that it should seek to

~~*Draft Minutes from the PSC meeting;*~~

~~*November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.*~~
PSC April 2003

issue the ITC concurrently with ITC on Social Policy Obligations, after the April 2003 meeting of the PSC;

- the Steering Committee tentatively decided to adopt the terminology “non-exchange” rather than “non-reciprocal” but to note in commentary that “non-reciprocal” is used in an identical manner in some jurisdictions;
- the definition of a Non-Exchange Transaction being developed by the Steering Committee is: “A *non-exchange transaction* is one in which the reporting entity receives assets or services but does not directly give assets or services of approximately equal value to the other party in exchange”. The PSC noted that this definition is focused on revenue inflows and should be amended to encompass all transactions;
- the Steering Committee revisited the structure of the ITC and tentatively agreed that the approach adopted for recognizing and measuring revenue from non-exchange transactions should be more explicitly stated early in the ITC. The ITC should also include the bases for conclusions and preliminary views, and invite comments on them;
- the Steering Committee tentatively decided to amend the title of the draft ITC to read “Revenue from Non-Exchange Transactions, including Taxes, Grants and Transfers” to focus the reader on the major classes of revenue being dealt with;
- revenue from a non-exchange transaction should be recognized when the transactions results in the recognition of an increase in an asset or a decrease in a liability that does not result in the recognition of an associated decrease in an asset, increase in a liability or a contribution from owners. Members agreed with this approach;
- the ITC will discuss issues relating to revenue generally including restrictions and conditions, gross and net presentation and control;
- the ITC will deal specifically with taxes and other major classes of revenue for the whole-of-government and government entities; and
- staff will distribute to SC members sections of the next draft of the ITC as they are prepared so that members can comment on them as soon as possible.

The next meeting of the Steering Committee was tentatively scheduled for 26 – 28 February 2003, in London, United Kingdom to coincide with the OECD accrual accounting and budgeting conference on 24 and 25 February. HM Treasury has advised that 24 – 26 February will be more suitable as the OECD conference is to be held on 20 and 21 February.

David Rattray reminded members that his term on the PSC would soon expire and this would be his last PSC meeting. He noted that he would not continue as Chair of the Non-Exchange Revenue Steering Committee, but Canada was keen to retain the Chair of that Steering Committee if the new Canadian member was willing to accept the responsibility.

Action Required: *Arrange Steering Committee meetings and prepare Steering Committee papers. ~~Prepare the “scoping” paper on budget reporting.~~*

Person(s) Responsible: *SC Chairs, Standards Staff.*

~~Draft Minutes from the PSC meeting;~~

~~November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.~~
PSC April 2003

13. DEVELOPMENT ASSISTANCE

The Committee received and noted:

- a memorandum from Paul Sutcliffe;
- extracts from the minutes of the July 2002 meeting;
- a revised draft project proposal and a project timetable;
- correspondence from the chair of the Task Force on Donor Practices of the Development Assistance Committee of the OECD (OECD-DAC) and from the Multilateral Development Banks' (MDB) Financial Management Harmonisation Working Group; and
- a staff paper identifying issues to be considered in moving the project forward.

Paul Sutcliffe spoke to the Agenda materials noting that correspondence from the OECD-DAC and MDB was supportive of the project and had identified additional matters that should be addressed as part of this project including:

- how this project would articulate with the cash basis IPSAS and other PSC projects dealing with matters of recognition and measurement, such as the project on non-exchange revenue;
- the need for donors to make necessary information available to recipients; and
- the need to develop a robust definition of development assistance.

Paul noted that:

- Jerry Gutu had had previous experience with this issue and would work on the project, but that additional staff resources would also be necessary to support the development of the Exposure Draft;
- it was proposed to establish a project advisory panel comprising members of the donor and recipient community to assist in the development of an exposure draft of this project; and
- consistent with the terms of the project brief previously agreed, the exposure draft would deal with the disclosure of information on development assistance under both the accrual and cash basis of financial reporting.

Paul explained that it was proposed that the project be actioned in the second quarter of 2003. This would provide time to establish the project advisory panel and engage a consultant to work with Jerry on the project.

Some members expressed concern that:

- the project would not be actioned until the second quarter of 2003;
- the project would deal only with disclosure. The desirability of having a single document that dealt with both recognition and disclosure was noted; and
- this project would duplicate, or develop requirements that were not consistent with, requirements being developed as part of the non-exchange revenue project.

It was noted that the *IPSAS Financial Reporting Under the Cash Basis of Accounting* which had been approved at this meeting dealt with recognition under the cash basis and that the development assistance project could usefully be developed in two stages, the first of which would focus on disclosures under the cash basis and link to the cash basis IPSAS. Any matters relevant to the disclosure of development assistance under

~~*Draft Minutes from the PSC meeting;*~~

~~*November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.*~~

~~*PSC April 2003*~~

the accrual basis of accounting which were identified during this first stage could then be progressed after, or as, the Non-Exchange Revenue Steering Committee moved to an exposure draft. Members agreed with this approach and noted that the initial concern of the donor community was to have an IPSASs on accounting for development assistance under the cash basis of accounting in place as soon as possible.

The PSC agreed that the project should be actioned and directed the Chair and staff to confirm this approach with the OECD-DAC and MDB groups and liaise with the donor community to form a project advisory panel. The PSC also directed that a consultant should be engaged to work on the project as soon as possible.

Action Required: *Confirm with OECD-DAC and MDB groups that the first stage of the project would focus on disclosure under the cash basis of accounting, engage consultant and commence process of forming a project advisory panel.*

Person(s) Responsible: *Chair, Standards Staff.*

14. IMPAIRMENT OF ASSETS

The Committee received and considered:

- a memorandum from Paul Sutcliffe and Ahmad Hamidi-Ravari;
- extracts of minutes of PSC meeting in July 2002;
- recommendations of the subcommittee on value-in-use;
- key issues paper;
- current status of GASB deliberations;
- copy of the Invitation to Comment (ITC) *Impairment of Assets*;
- summary of submissions on the ITC;
- copy of the ITC;
- summary of indicators of impairment; and
- summary of requirements of other standard setters.

Ahmad introduced the topic, briefly reviewed the history of the project and set out the order of presentation of the papers. It was noted that based on the PSC's decisions at the July 2002 meeting, a subcommittee of PSC members met in the United States in September 2002 to discuss principles underpinning the determination of the value in use of not-for-cash flow assets of public sector entities and the subcommittee recommendations were to be discussed in conjunction with the issues raised in the key issues paper.

David Bean provided a verbal update on GASB deliberations. He discussed the impairment provisions of GASB's pre-ballot ED on impairment of capital assets and insurance recoveries by reference to the procedure depicted by the "flowchart for evaluating and measuring impairment of assets" produced in agenda item 12.5. David noted that the GASB ED adopted a "usable capacity" rather than a "level of utilization" approach to assessments of changes in remaining service potential.

Staff then outlined the issues discussed in the key issues paper. For each issue, a brief summary of the respondents' views, the subcommittee view and the staff view were presented to the meeting. The PSC deliberated on the issues raised in the issues paper, confirmed that a draft Exposure Draft should be prepared for consideration at the next meeting and provided the following directions for the proposed requirements to be included in the Exposure Draft:

- the impairment test should be applied to all assets except those covered by a specific impairment test in another accounting standard. Assets revalued under IPSAS 17 *Property, Plant and Equipment* are not to be subject to the impairment test. Commentary paragraphs are to include a cross-reference to the requirement in paragraph 39 of IPSAS 17 that for property, plant and equipment measured in accordance with the allowed alternative treatment revaluations are to be carried out with sufficient regularity to ensure the material accuracy of carrying amounts;
- IAS 36 *Impairment of Assets* should be applied to for-cash flow assets. Staff should develop proposals for demarcation between for-cash flow and non-cash flow assets. Guidance as proposed by staff should also be included in relation to testing redesignated assets for impairment;
- an impairment loss for assets which are not held with the objective of generating net cash inflows should be measured by comparing the carrying amount of the asset against the higher of net selling price and value in use. Value in use is defined as the present value of the asset's remaining service potential. Value in use is zero where the asset has no ongoing utility to the entity;
- a two step impairment test should be applied;
- of the indicators proposed in paragraph 26 of the ITC, indicator (h) should be deleted from the "black letter" list of indicators, but referred to as a possible indicator in commentary, and "black letter" indicator (e) should only refer to the "cessation of demand or need for services provided by the asset" with reference to decline of demand as a possible indicator being included in commentary. Commentary would explain that assessments of impairment would be triggered by the black letter indicators and might be triggered by these, and other, possible indicators. In addition, the exposure draft should include a specific question on whether constituents agreed that these possible indicators be included in commentary or black letter paragraphs;
- evidence from internal reporting that indicates the economic performance of an asset is or will be worse than expected should be added to the list of indicators;
- to prevent the premature triggering of an impairment test, "safe harbors" should be created by clarifying that projected significant long-term changes in the indicators are necessary to trigger an impairment test;
- given that impairment test is subject to the safe harbors identified above, all impairment losses should be recognized without making any judgment about the permanence of the loss;
- an impairment loss should be reversed if and only if there has been a change in the estimates used to determine "higher of value in use and net selling price" for the asset. Staff should develop indicators for the reversal of an impairment that reflect those in IAS 36 where appropriate; and
- the Exposure Draft is not to deal with the demarcation between depreciation and impairment.

~~Draft Minutes from the PSC meeting;~~

~~November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.~~
PSC April 2003

The PSC directed that the draft exposure draft be prepared for consideration at the next PSC meeting in April 2003.

Action Required: *Proceed with the preparation of a draft ED for the April 2003 meeting.*

Person(s) Responsible: *Standards Staff.*

15. PSC CONSULTATIVE GROUP

Members received and considered:

- a memorandum from Jerry Gutu regarding a proposed PSC Consultative Group;
- redrafted proposed operating criteria; and
- a matrix of potential membership.

Jerry Gutu presented the revised proposed operating criteria and the redrafted matrix of potential members to the Consultative Group, noting that the amendments incorporated the comments received of PSC members since the last meeting in Mauritius in July 2002.

The Committee approved the proposed Consultative Group Operating Criteria and matrix of proposed members of the Consultative Group subject to the following:

- the member bodies of existing members and technical advisors should be included on the Consultative Group when their term of membership on the PSC ceased and provision should be made for past PSC members to be invited to join the Group;
- organizations represented as Observers on the PSC should be invited to join the Consultative Group if they ceased to be an observer;
- there was no representation from the Franco-phone countries of Africa. The French delegation undertook to identify appropriate representation;
- the President of the Mongolia Institute of Certified Public Accountants should be invited to join the Consultative Group for the Asia region;
- Europe (including Eastern Europe and Russia) should have 11 members because the region was very large and diverse;
- the Certified General Accountants Association (CGA) of Canada should be included on the list of nominations under the Professional Bodies section;
- the American Accounting Association (AAA) should be included under the Academia section;
- the Canadian Council of Legislative Auditors (CCOLA) and Mr. Charles Coe should be included as separate nominations;
- Dr -Jesse Hughes should be under Consultants/Individuals;
- the National Association of State Auditors, Controllers and Treasurers (NASCAT) should be listed under Auditors Association (USA) instead of Regional Bodies as in the matrix;
- South Pacific ~~Association of~~ Supreme Audit Institutions (SPASAI) should be added to the nominations of the region under the Auditors Association section;
- ~~the~~ staff of the Public Accounts Committee should be added for Australia and New Zealand;
- rating agencies should be included as potential members under the international heading; and

~~Draft Minutes from the PSC meeting;~~

November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.
PSC April 2003

- the Association of Certified Chartered Accountants (ACCA) Global should be added under the Regional Bodies.

In discussion of the Proposed Consultative Group Operating Criteria, the following were agreed/confirmed:

- the Consultative Group will be an electronic forum;
- the Consultative Group should be used in such a way that it made a positive contribution to the development of specific projects;
- PSC agenda papers and materials are to be made available to members of the Consultative Group electronically; and
- flexibility will be maintained on the size of the Consultative Group.

The PSC directed the Secretariat to redraft a matrix of regions and the organizations to be represented on the Consultative Group and circulate to PSC members for information during December. Members agreed that where possible and appropriate they would recommend individuals from these organizations who should be invited to join the Consultative Group. In other cases, Jerry would write to the organization itself during December to seek their nominee. Where not already provided or otherwise accessible, Jerry will seek input from Members of the appropriate person to write to. Members agreed it was desirable that the Consultative Group membership be finalized before the next meeting in April 2003.

Action Required: *Prepare revised membership matrix and distribute to members. Finalize names of Consultative Group members.*
Person(s) Responsible: *Members, PSC Secretariat.*

16. GFS-IPSAS HARMONIZATION

Members received and considered:

- a memorandum from Ian Mackintosh and Matthew Bohun;
- a report from Ian Mackintosh of a meeting with staff of the IMF;
- the project proposal previously presented to the PSC at the meeting in Washington DC in November 2001; and
- a staff working paper noting the major differences between the GFS and the IPSASs.

Ian Mackintosh reported that he and staff had met with staff of the IMF on several occasions to discuss strategies for the harmonization of IPSASs and the GFS Manual. In the most recent discussions, he and IMF staff had agreed that there should be two components to the harmonization process:

- first, testing how far the two reporting frameworks can be harmonized, and providing for a reconciliation between the financial statements prepared under the different frameworks. It was noted that harmonization with ESA 95 should also be dealt with in conjunction with work on the GFS Manual; and
- second, strategic issues related to whether the PSC could work closely with the IMF and Eurostat over the long term to ensure that differences between the statistical reporting framework and the IPSAS reporting framework are minimized as far as is possible.

It was noted that the IMF and statistical and accounting bodies in Australia have already done a lot of background work on this issue. Ian also noted that:

- the possibility for expanding the number of IMF observers on the PSC to encompass an observer from the IMF statistical division had been raised in discussions; and
- the observer from the European Union is a member of Eurostat and it would be useful to also have a member from the statistical division of the IMF on the PSC.

Members agreed that separate working groups to deal with immediate technical issues of harmonization and broader strategic issues related to working together over the longer term should be established as soon as possible. Members discussed the composition of each of these groups. The Chair undertook to establish:

- a technical harmonization working group. It was agreed that it would be desirable that this group comprise the Chair, representation from the IMF and the EU, a representative from Australia and a representative from the UK Treasury. It was also agreed that any Members who had a particular interest in joining this group should communicate that interest to the Chair out of session;
- a strategic working group, comprising senior members of the IMF, the IFAC CEO, the Chair and PSC Director. Ron Points noted that the IMF Treasurer had expressed great interest in the work of the PSC and would be a useful member of such a working group.

Members agreed that it was desirable that these working groups be established as soon as possible and report on their activities to the April 2003 meeting.

Action Required: *Establish technical harmonization working group.
Establish strategic working group.*

Person(s) Responsible: *Chair and Staff.*

17. IFAC LIAISON

Members received and noted:

- a memorandum from Jerry Gutu;
- a project Proposal on Revision of Part 'C' of IFAC Ethics Code;
- a report on possible developments on the process for development of Public Sector Perspectives; and
- activity Reports on other IFAC Committees with reports on activities of IFAC Technical Committees and other IFAC matters.

Members reviewed the materials provided and noted the request from the IFAC Ethics Committee PSC to nominate a representative to join the subcommittee established to revise Part C of the Ethics Code. The Committee approved the nomination of Norbert Vogelpoth, Germany PSC member to the Ethics subcommittee. Erik Peters also noted his interest in the work of the subcommittee and that he would attempt to have input through CICA.

~~Draft Minutes from the PSC meeting,~~
~~November 2002~~ Item 2.2 *Draft minutes from the PSC meeting in November 2002.*
PSC April 2003

Ron Points provided an update on developments in the relationship between the IAASB and INTOSAI. He noted that INTOSAI will no longer be issuing standards for financial statement audits but will adopt the IAASB standards and issue practice notes in respect of them, along the lines of Public Sector Perspectives. This means that INTOSAI will take over the role currently carried out by PSC. Ron also noted that INTOSAI was putting together arrangements, including the establishment of a secretariat and a panel of experts from the Supreme Audit Institutions, to enable them to participate in IAASB projects to this end.

Ron explained that INTOSAI would continue to issue INTOSAI Standards for performance audits. Members noted that it was important that practice notes faithfully interpreted the International Standards on Auditing. Members noted that it would be preferable for the IAASB, or the IAASB and INTOSAI jointly, to issue the practice notes.

Members also noted that while the IAASB now included members with public sector experience, it did not include a number of public sector designated seats and it should be encouraged to do so. Members also noted that this had been advocated by the PSC in the submission it had made to the review of the old IAPC. Members briefly discussed the role, if any, that the PSC should have in providing input to the IAASB in the future and the implications of the INTOSAI role for the PSC's mandate. It was agreed that this would be considered further as part of the PSC's discussion of its long term strategy at its next meeting in April 2003.

Action Required: *Advise Ethics Committee of decision re PSC participation on Ethics subcommittee. Include consideration of PSC's role in respect of audit issues in PSC strategy paper to be prepared for next meeting.*

Person(s) Responsible: *German Delegation and PSC Secretariat and Staff.*

18. CONCEPTUAL FRAMEWORK

The PSC received and considered:

- a memorandum from Matthew Bohun and Li Li Lian;
- a summary of the status of conceptual frameworks in PSC members' jurisdictions;
- a copy of the IASB's *Framework for the Preparation and Presentation of Financial Statements*;
- a paper identifying matters raised in the IAS Conceptual Framework which were also raised in part or total in the IPSASs;
- an executive summary of the FEE *Comparative Study on Conceptual Frameworks in Europe*;
- "observers' notes" from the recent IASB meeting on the recognition of revenue; and
- "observers' notes" from the recent IASB meeting on performance reporting.

Matthew Bohun introduced the topic noting that the Steering Committees on non-exchange revenue and social policy obligations would have found an explicit statement of the conceptual framework very useful in dealing with their topics. The

~~Draft Minutes from the PSC meeting;~~

November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.
PSC April 2003

PSC discussed whether or not to proceed with the development of an explicit statement of its conceptual framework. The Committee noted that while such a statement would be a useful and important document, to effectively undertake such a project would involve considerable PSC meeting and staff time. The PSC also noted that the current improvements project being undertaken by the IASB would, in all likelihood, lead to some modifications of its Framework. The PSC decided that:

- given the current demands on staff time it would not be possible to action such a project at this point in time but that this situation should be reviewed in one year's time; and
- staff should prepare for consideration at the next meeting a document which identified relevant concepts, definitions and guidance in the existing IPSASs that may form the basis or outline of a conceptual framework and compared this with the framework developed by the IASB. Members noted that such a document would be of benefit to those involved in Steering Committees and GFS and ESA 95 harmonization groups. However, it was not intended that such a document be further developed into a formal conceptual framework at this time.

Action Required: *Reconsider project at November 2003 meeting*

Person(s) Responsible: *Standards Staff.*

19. GOVERNMENT BUSINESS ENTERPRISES

The PSC received and considered:

- a memorandum from Matthew Bohun and Li Li Lian;
- a copy of Guideline Number 1 *Financial Reporting by Government Business Enterprises*; and
- an Extract of Comparisons of IPSASs with IASs.

Li Li Lian introduced the topic, noting in particular that since the issuance of Guideline 1, the PSC had explicitly defined “government business enterprise” and that this definition was different to the description of a GBE in Guideline 1. The PSC discussed whether or not it should revise Guideline 1 or whether that Guideline was superfluous given the provisions relating to GBEs in the IPSASs. Members noted the IASs issued by the IASB applied to GBE’s and that the existing preface to IPSASs and commentary in each IPSAS directed GBEs to prepare general purpose financial statements in accordance with International Accounting Standards/International Financial Reporting Standards. Given this direction in IPSASs, PSC unanimously decided to withdraw Guideline 1.

Action Required: *Issue media release noting the withdrawal of Guideline 1. Withdraw Guideline 1.*

Person(s) Responsible: *Standards Staff.*

20. REVIEW OF INTRODUCTION TO IPSASs

The PSC received and considered:

- a memorandum from Paul Sutcliffe and Ahmad Hamidi-Ravari; and

~~*Draft Minutes from the PSC meeting;*~~

~~*November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.*~~

~~*PSC April 2003*~~

- a proposed revised Introduction to IPSASs.

Paul Sutcliffe introduced the topic, noting in particular that a number of revisions had been proposed to the “Introduction to IPSASs” by members to reflect that the PSC had completed the first phase of its Standards work program and that the PSC had agreed to delete the following from the cash basis IPSAS:

“The Committee recognizes the right of governments and national standard setters to establish guidelines and accounting standards for financial reporting by the public sector in their jurisdictions.”

Paul also noted IPSASs were being translated into a number of different languages and the PSC had received feedback that in some cases different meanings were being given to the same terms in different IPSASs. In these circumstances, it was appropriate to confirm that the text approved by the PSC was the English language version of the IPSAS.

Members reviewed the Agenda materials, discussed matters to be addressed in the Preface and agreed that for the next meeting a revised draft Preface should be prepared which:

- include the following phrase: *“The Committee recognizes the right of governments and national standard setters to establish guidelines and accounting standards for financial reporting in their jurisdiction”* – members noted that this was true for private and public sector accounting and auditing standards;
- adopted the term “government entity” rather than “government agency”; and
- identifies options in respect of the sequence of the sentences in the second paragraph.

Jay Karia noted that the UN and its various Agencies, Funds and Programs have difficulties in adopting the requirements of all IPSASs. Jay raised the possibility of including a few lines in the introductory paragraphs, to allow International Organizations such as the United Nations to note that parts of relevant IPSASs had been adopted in the preparation of its financial reports where this occurred. The PSC noted that for a set of accounts to be described as complying with IPSASs, the accounts must comply with all IPSASs. The PSC also noted that an organization may comply with certain IPSASs and make that clear in the accounting policy note, or other relevant note, without claiming that the financial statements had been prepared in accordance with IPSASs. Members noted that when reviewing the revised Introduction they would consider how this point should be communicated to interested parties.

Action Required: *Revise Preface.*

Person(s) Responsible: *Standards Staff.*

21. Occasional Papers

The PSC received and considered:

- a memorandum from Paul Sutcliffe; and

~~Draft Minutes from the PSC meeting;~~

~~November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.~~

PSC April 2003

- an updated draft of the French Occasional Paper *Modernization of Government Accounting*.

Philippe Adhemar spoke to the French Occasional Paper noting that the PSC had reviewed the French Occasional Paper at its July 2002 meeting and that the paper had been revised in accordance with members directions. Philippe noted that PSC staff and staff at the French Ministry of Finance had provided significant input to the paper, and thanked them for their input. Members reviewed the paper and identified some minor refinements and clarifications. Australia and UK agreed to provide additional editorial amendments out of session. The PSC unanimously agreed to the publication of the Occasional Paper subject to processing of final amendments.

Paul Sutcliffe noted that:

- at the March 2002 PSC meeting members agreed that the Argentinean country report would make a most useful addition to the occasional paper series and requested the Argentinean delegation to consider converting the report into an occasional paper; and
- the Argentinean Occasional Paper had been updated and further refinements are in process and it is anticipated that the draft paper will be completed in the near future and forwarded to members for review at the April 2003 meeting.

Action Required:

Finalize and Publish Paper.

Person(s) Responsible:

French Delegation and Standards Staff.

2122. FUTURE MEETINGS

Jerry Gutu confirmed that the next meeting would be on April 9-11 in Melbourne Australia. Other meetings arranged for 2003 were also confirmed as:

- July 16-18 – Vancouver, Canada
- November 5-7 – Berlin, Germany

Members agreed to the proposals and the chairman urged those members interested in hosting PSC to remind their member bodies to send formal invitations and confirmation of their interest through IFAC head office in New York.

Action Required:

Finalize arrangements.

Person(s) Responsible:

PSC Secretariat.

2223. PSC SEMINARS

The PSC held a successful seminar jointly with the Hong Kong Hospital Authority. The seminar included a presentation by the Chairman on PSC achievements and plans, followed by country presentations by United Kingdom, United States of America and Australia. Presentations were also made on recent developments in financial reporting by the Hong Kong Government and by the Hong Kong Hospital Authority. Over 60 members of the Hong Kong Society of Accountants and Hospital Authority staff attended the presentation.

Draft Minutes from the PSC meeting;

November 2002 Item 2.2 Draft minutes from the PSC meeting in November 2002.

PSC April 2003

2324. CANADA PSC MEMBER AND TECHNICAL ADVISOR

The Chair and members extended their appreciation to David Rattray and Erik Peters, Canada's member and technical advisor respectively for their contribution and participation to the PSC at this their final meeting as their term came to an end. David served for 10 years and Erik 5 years on the committee. David and Erik in turn thanked the committee and promised to keep in touch and to continue contributing to the work of the committee.