

1st DISTRIBUTION AGENDA – BUENOS ARIES MARCH 2004

INTERNATIONAL FEDERATION OF ACCOUNTANTS PUBLIC SECTOR COMMITTEE

A MEETING OF THE PUBLIC SECTOR COMMITTEE will be held at

Intercontinental Hotel
809 Moreno Street, (1070) Capital Federal
Buenos Aires, C1091AAQ
Argentina
Tel: +54-11- 4340-7100
Fax: +54-11- 4340-7199
www.interconti.com.ar

Thursday 25 March 2004 from 9:00am to Friday 26 March 2004 at 5:00pm

AGENDA	PAGES	NOTES
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INTERNATIONAL FEDERATION OF ACCOUNTANTS
MEETING OF THE PUBLIC SECTOR COMMITTEE
MARCH 24-26 2004, BUENOS AIRES

**Hosted by FACPCE (Federacion Argentina de Consejos Profesionales de Ciencias
Economicas - Federation of Professional Accountants of Argentina)**

Name	Accompanied	Arrival	Departure
France			
Philippe Adhémar	Ms. Simone Adhémar	March 20, 2004	March 28, 2004
Jean-Luc Dumont			
Henri Giot			
United Kingdom			
Mike Hathorn		March 23, 2004	March 28, 2004
John Stanford		March 22, 2004	March 29, 2004
Argentina			
Carmen Giachino Palladino			
Blanca Arazi			
Australia			
J. Wayne Cameron			
Robert Keys		March 22, 2004	March 27, 2004
Canada			
Richard J. Neville		March 22, 2004	March 27, 2004
Ron Salole		March 23, 2004	March 27, 2004
Dan Duguay		March 21, 2004	March 27, 2004
Germany			
Norbert Vogelpoth		March 22, 2004	March 27, 2004
Catherine Viehweger			
Andreas Dörschell			
Israel			
Zvi Chalamish	Apologies		
Japan			
Ryoko Shimizu		March 23, 2004	March 27, 2004
Malaysia			
Mohd Salleh Bin Mahmud			
Mexico			
Javier Perez Saavedra		March 22, 2004	March 27, 2004
Conrado Villalobos Diaz		March 22, 2004	March 27, 2004

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Name	Accompanied	Arrival	Departure
Netherlands			
Peter Bartholomeus		March 21, 2004	March 27, 2004
Aad Bac			
Wilma Wakker			
New Zealand			
Greg Schollum			
Simon Lee		March 22, 2004	March 27, 2004
Norway			
Tom Henry Olsen		March 22, 2004	March 28, 2004
Harald Brandsaas		March 23, 2004	March 27, 2004
South Africa			
Terence Nombembe			
Erna Swart	Mrs Esther Swart	March 20, 2004	March 26, 2004
United States			
Ron Points	Lois Points	March 23, 2004	March 26, 2004
David Bean	Carol Bean	March 23, 2004	March 28, 2004
Mary M. Foelster			
IFAC			
Paul Sutcliffe	Carolyn Sutcliffe	March 23, 2004	March 28, 2004
Matthew Bohun		March 22, 2004	March 27, 2004
Li Li Lian		March 22, 2004	March 29, 2004
Hongxia Li		March 22, 2004	March 27, 2004
Jerry Gutu		March 22, 2004	March 28, 2004
Observers			
John Fretwell (INTOSAI - CAS)	Patty Fretwell	March 23, 2004	March 28, 2004
Bert Keuppens (IMF)			
Jayantilal Karia (UN)	Jenny Karia	March 23, 2004	March 27, 2004
Darshak Shah (UNDP)			
Simon Bradbury (World Bank)		March 23, 2004	March 27, 2004
P Y Chiu (ADB)		March 23, 2004	March 27, 2004
Jon Blondal (OECD)			
Warren McGregor (IASB)			
EU – To be advised			

PUBLIC SECTOR COMMITTEE – 2004
BUENOS AIRES MEETING TIMETABLE

Intercontinental Hotel
809 Moreno Street, (1070) Capital Federal, Buenos Aires, Argentina

Wednesday, 24 March 2004

9.00am – 10.30pm		Presentations
10.30am – 10.45am	Morning Tea (¼ hour)	
10.45am – 12.30 pm		Presentations
12.30pm – 1.15pm	Lunch	
1.15pm – 3.30pm		Presentations
3.30pm – 4.00pm	Afternoon Tea (¼ hour)	
4.00pm – 6.00pm	Closed Meeting Consultative Group and others	PSC members and Key Constituents and Consultative Group (includes Agenda item 13.)
8.00pm	Dinner	

Thursday 25 March 2004

8.45am – 9.00am	Coffee served	
9.00am – 9.15am	Welcome & Items 1 – 3 (¼ hour)	Procedural Matters
9.15am – 10.15am	Items 4 and 5 (1 hour)	Chairman’s Report and Secretariat’s Report including IFAC Liaison Report and External Review Update
10.15am – 10.45am	Item 6 (½ hour)	Report on the Standards Work Program
10.45am – 11.00am	Morning Tea (¼ hour)	
11.00am – 1.15pm	Item 8 (2¼ hours)	ED 23 Impairment of Assets
1.15pm – 2.00pm	Lunch (¾ hour)	Consultative Group members will join PSC for informal lunch
2.00pm – 4.00pm	Item 12 (2 hours)	IFRS Harmonization – IASB Update and General Improvements
4.00pm – 4.15pm	Afternoon Tea (¼ hour)	
4.15pm – 5.45pm	Item 12 (1½ hour)	IFRS Harmonization – General Improvements

Friday 26 March 2004

8.30am – 11.00am	Item 9 (2½ hours)	Budget Reporting
11.00am – 11.15am	Morning Tea (¼ hour)	
11.15am – 1.00pm	Item 10 (1¾ hours)	Accounting for Development Assistance
1.00pm – 1.45pm	Lunch (¾ hour)	
1.45pm – 3.45pm	Item 11 (2 hours)	GFS Harmonization
3.45pm – 4.00pm	Afternoon Tea (¼ hour)	
4.00pm – 4.30pm	Item 18 (½ hour)	Public Sector Perspectives
4.30pm – 5.00pm	Item 7 (½ hour)	Update on Country Reports, Future Meetings and Other Business
8.00pm	Dinner	



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

545 Fifth Avenue, 14th Floor Tel: (212) 286-9344
New York, New York 10017 Fax: (212) 286-9570
Internet: <http://www.ifac.org>

DATE: 17 FEBRUARY 2002
MEMO TO: MEMBERS OF THE IFAC PUBLIC SECTOR COMMITTEE
FROM: MATTHEW BOHUN
SUBJECT: PSC MINUTES

ACTION REQUIRED

- **Review and approve** the minutes of the PSC meeting in Berlin in November 2003.

AGENDA MATERIAL

	Pages
2.2 Draft minutes of the PSC meeting in November 2003	2.2-2.30

BACKGROUND

The first draft of these minutes together with the draft action list were circulated to members and observers for comment on December 18, 2003. The attached draft has been marked-up to highlight amendments proposed by members and observers as a consequence of their review of the first draft of the minutes.

Matthew Bohun
TECHNICAL MANAGER

INTERNATIONAL FEDERATION OF ACCOUNTANTS
PUBLIC SECTOR COMMITTEE
MINUTES OF THE BERLIN MEETING
Held on November, 5 – 7, 2003

ATTENDANCE

COUNTRY	MEMBERS	ATTENDEES	APOLOGY/NIA *
Australia	Ian Mackintosh (Chair)	X	
	Robert Keys (Technical Advisor)	X	
Argentina	Carmen Giachino	X	
	Palladino (Member)		
	Blanca Arazi (Technical Advisor)		X
Canada	Rick Neville (Member)	X	
	Ron Salole (Technical Advisor)	X	
	Dan Duguay (Technical Advisor)	X	
France	Philippe Adhémar (Member)	X	
	Jean-Luc Dumont (Technical Advisor)	X	
	Henri Giot (Technical Advisor)		X
Germany	Norbert Vogelpoth (Member)	X	
	Catherine Viehweger (Technical Advisor)	X	
	Andreas Dörschell (Technical Advisor)	X (Thu & Fri)	X (Wed)
Mexico	Javier Pérez Saavedra (Member)	X	
	Conrado Villalobos Diaz (Technical Advisor)	X	
Netherlands	Peter Bartholomeus (Member)	X	
	Aad Bac (Technical Advisor)	X	
	Wilma Wakker (Technical Advisor)		X
New Zealand	Kevin Simpkins (Member)	X	
	Greg Schollum (Technical Advisor)	X	
	Simon Lee (Technical Advisor)		X
Norway	Tom Olsen (Member)	X	
	Harald Brandsås (Technical Advisor)	X	

South Africa	Terence Nombembe (Member)	X	
	Erna Swart (Technical Advisor)	X	
United Kingdom	Mike Hathorn (Member)	X	
	John Stanford (Technical Advisor)	X	
	Catherine Park (Technical Advisor)	X	
United States	Ron Points (Member)	X	
	David Bean (Technical Advisor)	X	
	Mary Foelster (Technical Advisor)		X
ADB	Ping Yung Chiu (Observer)	X	
EU	Dieter Glatzel (Observer)		X
IASB	Warren McGregor (Observer)		X
INTOSAI	John Fretwell (Observer)	X	
IMF	Bert Keuppens (Observer)		X
	Betty Gruber (Observer)	X	
OECD	Jon Blondal (Observer)		X
UN	Jay Karia (Observer)	X	
UNDP	Darshak Shah (Observer)		X
World Bank	Simon Bradbury (Observer)	X	
IFAC	Ian Ball (Staff)	X (Symposium)	
	Paul Sutcliffe (Staff)	X	
	Matthew Bohun (Staff)	X	
	Jerry Gutu (Staff)	X	
	Li Li Lian (Staff)	X	
	Jesse Hughes (Consultant)	X	

* NIA- Not in Attendance

1. WELCOME AND APOLOGIES

The Chair opened the meeting and welcomed the members to Berlin for this meeting. He introduced Norbert Vogelpoth, the PSC member for Germany, who welcomed members to Berlin on behalf of the Wirtschaftsprüferkammer (German Chamber of Accountants) and the Institut der Wirtschaftsprüfer (IDW) (German Chamber of Auditors), the two IFAC member bodies jointly hosting the PSC meeting. Norbert advised that the presidents of both member bodies asked him to convey their apologies for not being able to be present. Norbert thanked the PSC for accepting the invitation to meet in Berlin and wished the PSC an enjoyable stay and a successful meeting in Berlin.

The Chair welcomed the following to their first PSC meeting:

- Catherine Park, Technical Advisor, United Kingdom; and
- Betty Gruber, IMF Observer

The Chair noted the return to the PSC of Andreas Dörschell as Technical Advisor to Norbert Vogelpoth on the second and third days of the meeting.

The Chair also noted that Ian Ball, Chief Executive of IFAC, was expected in Berlin on Thursday and would attend the IDW Symposium on that afternoon.

The Chair welcomed members of the Consultative Group, and the public gallery.

The Chair noted the following apologies:

- Simon Lee, Technical Advisor, New Zealand;
- Mary Foelster, Technical Advisor, USA;
- Dieter Glatzel, Observer, European Commission;
- Darshak Shah, Observer, United Nations Development Programme; and
- Warren McGregor, Observer, International Accounting Standards Board.

The Chair also advised the PSC that Man-to Shum, former Member for Hong Kong had resigned from the PSC and that there would be no delegation from Hong Kong.

The Chair advised that:

- this was to be his last meeting as Chair and member from Australia;
- the IFAC Nominations Committee had met and forwarded PSC nominations to the IFAC Board, which is meeting in Singapore on November, 9 – 13, 2003;
- the Nominations Committee proposed that Philippe Adhémar (France) be Chair, that Mike Hathorn (United Kingdom) be Vice-Chair and there be new members for Australia, Israel, Japan, Malaysia and New Zealand, bringing the total membership of the PSC to fifteen; and
- the Board is expected to accept the recommendations of the Nominations Committee.

2. CONFIRMATION OF MINUTES

The meeting received the minutes from the meeting held in Vancouver on July, 16 – 18, 2003. The minutes were confirmed subject to minor editorial amendments.

Action Required: *Amend minutes, Post to IFAC Leadership Intranet*
Person(s) responsible: *PSC Staff.*

3. MATTERS ARISING

The action list was noted.

Statement of Members Obligations

A copy of IFAC's exposure draft *Proposed Statement of Member Obligations* was tabled and considered. Members noted that there are two statements on financial reporting. It was agreed that:

- a submission to the IFAC Board should be prepared;
- the PSC should recommend that the SMOs should make only one statement on application of accounting standards, whether IPSASs or IASs/IFRSs; and
- SMO 5 should be amended to include only public sector not-for-profit entities, as GBEs apply IASs/IFRSs.

Action Required: *Prepare response to the SMO exposure draft, circulate to members for comment and approval. Prepare Action List for next meeting.*
Person(s) responsible: *PSC members, Staff.*

4. CHAIRMAN'S REPORT

In addition to the matters outlined in the Chairman's report, the Chair reported that he had:

- given a presentation to the Public Sector Committee of the Fédération des Experts Comptables Européens;
- attended the national standard setters' meeting in London. Among the major items discussed in the meeting included possible new accounting standards for small to medium sized entities (SMEs). The PSC may want to consider providing input into these standards as they may impact public sector entities; and
- presented a paper at the 15th Annual International Colloquium on Financial Management for National Governments. The Chair noted that when different governments discuss their "surplus" or "deficit", each government means a different thing, for example:
 - USA calculates surplus/deficit on a whole-of-government modified cash basis;
 - Canada calculates surplus/deficit for the whole-of-government on an historic cost accruals basis;
 - Australia calculates surplus/deficit for the general government sector on an "underlying cash basis"; and
 - New Zealand calculates surplus/deficit for the whole-of-government on a current value accruals basis.

These differences illustrate the importance of the IPSAS – GFSM 2001 – ESA 95 convergence project.

The Colloquium also noted that when the USA's Federal Accounting Standards Advisory Board develops standards, it considers IPSASs in its process.

The Chair also reported that the review committee has been established, the members are:

- Sir Andrew Likierman, Chair, Head of Government Accountancy Services and Managing Director of the Treasury Financial Management, Reporting and Audit Directorate, HM Treasury;
- Dr. Ian Ball, Chief Executive, IFAC;
- Mr. Ian Mackintosh, retiring Chair, IFAC PSC;
- Mr. Simon Bradbury, Division Manager, Loan Department, World Bank, Observer IFAC PSC;
- Mr. Tom Allen, Chairman, Governmental Accounting Standards Board, USA; and
- Ms. ~~Blanbina~~Blandina Nyoni, Accountant-General, United Republic of Tanzania.

It was noted that the new chair of the PSC, Mr. Philippe Adhémar would also be involved in the review. It was further noted that the draft Terms of Reference were included in the agenda materials. Members agreed that any comments on the draft Terms of Reference should be forwarded to Ian Ball and copied to Paul Sutcliffe for circulation to panel members.

The Review Committee's report is to be submitted to the PSC and after PSC discussion to the IFAC Board. It will also be published on the IFAC Website, and will therefore be a public document. As a public document anyone is free to comment on it.

Action required:	<i>Circulate final terms of reference for PSC External Review. Circulate review report when completed.</i>
Person(s) responsible:	<i>Chair, PSC Technical Director.</i>

5. SECRETARIAT'S REPORT

The Committee received and noted:

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

Jerry Gutu spoke to the Secretariat's report identifying the activities he had been involved in since the last meeting of the Public Sector Committee in July 2003. He noted he had been involved in:

- finalizing the remaining nominations to the Consultative Group including the additional proposals from FEE;
- finalizing arrangements for this meeting;
- liaison with the IFAC's other technical committees, particularly the IAASB and the PSC sub-committee on drafting of PSPs for submission to the IAASB;
- various other secretariat and support functions including updating the Network list and transforming Study 14 into a web based product; and
- arrangements for future meetings;

Members' attention was drawn to the IAASB Clarity of Standards Project for which a note had been circulated as an addition to the agenda papers. Jerry explained that:

- this IAASB project is directed at improving the clarity of IAASB standards, and thereby assist in consistent application of these standards;
- it focuses on clarifying three issues: equal authority, drafting conventions and relationships and authority of ISAs, IAPs and appendices;
- it was explained that the IASB had moved to equal authority within its pronouncements of the "black letter standards" and "grey letter commentary" as IAASB stakeholders had earlier expressed that concern on lack of clarity in some of its standards;
- at its December 2003 meeting, the IAASB will consider issuing an exposure draft of a Policy Statement that may be approved for final issue by June 2004; and
- staff consider it important that PSC takes note of this project given its potential impact on the standard setting processes of IFAC's other committees including the PSC.

Members' attention was drawn to the updated Correspondence Distribution List with a request to pass on to Jerry any amendments for updating.

Action Required: *Update PSC CDL with any changes. Finalize arrangements for March 2004 meeting and advise members.*

Person(s) Responsible: *PSC Secretariat.*

6. REPORT ON THE STANDARDS WORK PROGRAM

The Committee received and noted:

- a memorandum from Paul Sutcliffe regarding funding activities, promotion activities and status of IPSAS translations;
- 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 2003;
- a projected work plan for 2004 (and beyond);
- a summary of the active projects of national public sector standards setters and similar authoritative bodies in PSC member country jurisdictions; and
- a report on the status of IASB projects from Matthew Bohun.

Paul Sutcliffe spoke to the materials and outlined funding, translation and promotional activities that had been undertaken since the last meeting and progress on technical projects including that:

- funding – no additional funding activities had taken place since the last meeting and it was not intended that additional activity would occur prior to the completion of the PSC review. Ron Points noted that the Inter-American Development Bank (IADB) had previously undertaken to match the contribution from the Asian Development Bank (ADB) while it had not responded to his requests for funding support;
- translation – in addition to translation activities already underway, requests for the right to translate IPSASs had been received, and approved, for Kazakhstan and Serbia and Montenegro. The IASCF had not yet responded on the

possibility of translating the Cash Basis IPSAS into French and Spanish using the PSC – IASB co-operative arrangement, but this matter would be discussed further with IASCF staff. The French member indicated that the IASB (IASCF) – PSC arrangement for the translation of IPSASs into French had moved forward and completion by the end of this year or early next year was anticipated. The Mexican and Argentinean members noted that progress on translation of IPSASs into Spanish was still unsatisfactory and requested Paul to pursue this with IASCF staff;

- Social Policy Obligations Steering Committee – the Committee had not met since the last PSC meeting. However, the SC Chair and staff had met and revised the draft, SC members had reviewed and commented on that revised draft and additional revisions had been made. An updated draft ITC was included in the Agenda for this PSC meeting;
- Non-Exchange Revenue Steering Committee – the Committee had met in September. Key chapters of the draft ITC had been revised and circulated to SC members for comment following that meeting. Subsequently, the full ITC was revised, incorporating comments from ITC members on the key chapters. The updated draft was then distributed to SC members at the same time as it was distributed to PSC members for inclusion in the Agenda for this PSC meeting. Additional comments received from SC members are included in Agenda materials and have been tabled;
- Development Assistance Project – the formation of the Project Advisory Panel had been delayed because of some restructuring of key constituent groups. It was now anticipated that at the PSC meeting in March 2004, the PSC would consider responses from the PAP rather than a first draft Exposure Draft;
- Li Hongxia had joined the PSC staff from the Ministry of Finance of the People's Republic of China for a secondment of 12 months;
- Ahmad Hamidi-Ravari had completed his 18-month secondment to the PSC and had returned to work with the AASB;
- Research Report on Budget Reporting – the draft report was included in the Agenda for discussion at this meeting and it was anticipated that it would be further developed and presented to the PSC for review and approval to issue at the March 2004 meeting;
- proposed revisions to SNA – the PSC paper on recognizing military platforms and weapons that provided ongoing service potential had received a positive response from the OECD group charged with making recommendations for the review of SNA in 2008;
- Argentinean Occasional Paper – the Paper had been approved by the subcommittee and would be finalized for publication by the end of 2003 or early 2004; and
- heritage assets – staff should monitor the work being undertaken in the UK and in the USA by the FASAB – a FASAB paper is anticipated for issue in early 2004.

Members noted and agreed the 2003 and 2004+ work plans, subject to any revisions to reflect any decisions made during the remainder of this meeting including decisions relating to:

- the PSC strategy for dealing with the IASB improvements project;
- other actions related to IASB harmonization; and

- the need to consider during 2004 the PSC strategy for developing IPSASs based on IAS 39 *Financial Instruments: Recognition and Measurement* and revisions to IAS 32 *Financial Instruments: Disclosure and Presentation*.

Paul referred members to the schedule of member and staff presentations, noted that the seminar in Mexico had included representatives of authoritative bodies from a number of Latin American countries, and requested members, technical advisors and observers to provide to Staff out of session information about any additional presentations made by since the last meeting.

Jerry Gutu noted that he and Li Li Lian had updated the web version of Study 14 which was launched in October. Jerry expressed his thanks to those who had provided input to this project.

Members noted the program for the IDW symposium on 6th November at which the PSC Chair would speak, and the proposed items for discussion with Members of the PSC Consultative Group.

Paul drew members attention to the summary of projects on the active work plans of standard setters. He noted that he had requested input ~~form~~ from PSC members on the active projects on the agendas of standards setters or similar bodies in their jurisdiction and had prepared the summary on the basis of responses he had received. He noted that responses from New Zealand and Argentina had been received after the material was distributed. Members noted that the summary, identified that there was much common ground in the active work projects of standard setters and while only a broad overview, was a useful document and directed that it:

- be included as a standing item in the PSC agenda;
- retain its broad overview format;
- be developed to include projects from all member countries;
- include a column for projects on the PSC's agenda; and moving forward; and
- identify when projects are completed.

Members noted that the PSC should consider additional opportunities to develop specific projects in partnership with national standards setters. It was noted this had occurred with GASB in respect of the development of ED 23, was occurring in part with the participation of standards setters in the Steering Committees, and could well occur in one form or another with other PSC projects.

Paul noted there was the opportunity for a member country to prepare an Occasional Paper. The USA volunteered to prepare an Occasional Paper on the development of financial reporting by public sector entities, including federal, state and local governments in the USA.

Action Required:

Contact IASCF staff to emphasize importance of speedy progress on Spanish translations of IPSASs. Explore translation of Cash Basis IPSAS into key languages. Update register of funding, translation and promotion activities. Update work program. Continue monitoring of the IASB work program. Develop the overview of projects on work programs of standards setters in PSC member jurisdictions.

Prepare Occasional Paper on USA governmental accounting.

Person Responsible: Members, Technical Advisors, PSC Staff, US delegation.

6.8. STATUS OF IASB PROJECTS

The Committee received and noted a memorandum from Matthew Bohun and Li Hongxia together with appendices on “the IASB project timetable” and the “IASB Illustrative Example of Proposed Format for Performance Reporting”.

Matthew introduced the topic and noted that:

- as was also noted at the last meeting, the IASB has published IFRS 1 *First Time Adoption of IFRSs* – Agenda Item 15 of this meeting deals with this IFRS and contains a summary of its requirements;
- the IFRSs arising from the General Improvement Project are due for release in the fourth quarter of this year and agenda item 14 discusses the impact of the IASB’s decisions to date on existing IPSASs;
- the Financial Instruments Improvements Project is still underway, item 14 also discusses this project.

Staff briefed the Committee on tentative changes proposed to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* arising from the IASBs Business Combinations II and Short-term Convergence projects. Staff noted that:

- any changes to the definitions in IAS 37 will mean that the IPSAS 19 definitions would not be harmonized;
- the IASB had proposed amendments to the definitions in IAS 37 and had refined its proposals over several meetings and that the IASB’s deliberations on this topic were ongoing; and
- it would not be appropriate to take any action with respect to IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* until such time as the IASB has amended IAS 37.

The Committee acknowledged the other items in the written report. The PSC thanked staff for the update and requested that the monitoring of IASB work continue.

Action Required: Continue monitoring the IASB work.

Person(s) Responsible: PSC Staff.

7. COUNTRY BRIEFING REPORTS

As part of the meeting with the Consultative Group, each PSC member briefly summarized his or her Country Report. In addition to the reports included in the agenda materials, a report was tabled from the Argentinean member. During the meeting with the Consultative Group, PSC members were asked to update their Country Report, the following points were noted:

- Australia: David Boymal has been appointed as Chair of the Australian Accounting Standards Board;
- Netherlands: the National Government has decided to move to the accrual basis of accounting for agencies. GBEs will be consolidated to agencies within

four years. A decision will be taken in 2007 as to when agencies will be consolidated with ministries;

- Norway: the Ministry of Finance has decided that at the National Government level the full accrual basis of accounting will be adopted, but has yet to decide which accounting standards to use; and
- United Nations: the UN has considered a request from its auditors to consider adopting IPSASs. The UN has decided that because external reporting requirements are established in accounting policies and regulations agreed by the member states it would not be possible to adopt IPSASs at this time. The UN will, however, review its accounting standards to ensure that they are harmonized, to the extent possible, with IPSASs.

Action Required: *Prepare country reports for the PSC meeting in Berlin in November 2003, circulate with agenda materials.*

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

8. DRAFT INVITATION TO COMMENT SOCIAL POLICY OBLIGATIONS

The Committee received and considered:

- a memorandum from Kevin Simpkins, the Chair of the Social Policy Obligations Steering Committee; and
- an updated draft Invitation to Comment (ITC) *Accounting for Social Policies of Governments*.

Kevin reported on the work of the Steering Committee since the PSC's last meeting in Vancouver in July 2003 and:

- noted that following the PSC's July 2003 meeting, he contacted the members of the Steering Committee and requested them to affirm or otherwise their views on accounting for old age pension benefits. This led to a change in the majority view. Option 1 is the majority view. However a minority of SC members support Option 3, using workforce entry as the obligating event.
- noted that the Steering Committee had not met since the July 2003 PSC meeting. However, he had met with the consultant on the project, Joanne Scott, and Paul Sutcliffe, the PSC Technical Director, and reviewed all matters raised by Members at the July 2003 PSC meeting. Subsequent to this review:
 - staff had restructured and revised the draft ITC to respond to substantially all matters identified by the PSC in July 2003 except for a number of formatting issues that would be dealt with when the text was agreed; and
 - the revised draft ITC had been circulated to SC members. SC members had responded and the draft ITC had been further refined to deal with all their issues except for a small number of "new" structural or revised content proposals proposed by individual members;
- identified the remaining few outstanding matters raised by the Steering Committee Members and the reasons for not dealing with them. He noted that the draft ITC was not amended to deal with these matters because they reflect individual views that have not been raised by other SC members (or the PSC) and it is not clear that they would be supported by other SC members - for

example, refocusing the paper so that it does not include preliminary views as such. Kevin also noted that in some cases they would require substantial changes to the ITC which do not seem justified at this late stage - for example restructuring chapter 2, developing a comprehensive definition of social policy obligations and reintroducing text that the PSC had proposed should be deleted. Members agreed that the draft ITC should not be changed to deal with these matters;

- noted that, while there was a broad explanation of social benefits and their characteristics in the ITC, they were not exhaustively defined and it was not intended to define them because:
 - what constituted social benefits may vary from jurisdiction to jurisdiction and it was questionable whether a definition was necessary, particularly when it was generally understood what constituted social benefits in any jurisdiction;
 - there was extensive explanation of social benefits in GFSM 2001, and the ITC identified which “social protection schemes” were, and were not, dealt with by the ITC; and
 - if an item did not qualify for treatment as a social benefit in accordance with the views proposed by the ITC, it was to be dealt with in accordance with IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*.

Members agreed that this was appropriate for the ITC, but directed that a specific matter for comment request input on whether it was necessary for an IPSAS to define social benefits and, if so, how they should be defined.

Kevin outlined the major structural and other changes to the draft ITC since the July meeting and noted that:

- the objective of the discussion of the redrafted ITC at this PSC meeting was to gain PSC approval for issue of the ITC;
- the form of this ITC would be aligned with that of the Non-Exchange Revenue ITC and this would result in some additional formatting changes; and
- staff had identified additional editorial and polishing amendments which would be processed out of session.

Members agreed the format of this ITC should be aligned to that of the Non-Exchange Revenue ITC and that editorial amendments should be provided directly to Kevin or staff and would be processed out of session. Members undertook a page by page review of the document and agreed that:

- the ITC should be issued in Study size and format to differentiate it from Exposure Drafts and IPSASs issued by the PSC;
- where possible, reference to specific countries/jurisdictions should be deleted;
- the existing appendix illustrating application of the principles was appropriate and additional appendices on disclosures or other matters should not be included in the ITC. However, specific matters for comment should request feedback on the propositions for additional disclosures made in Chapter 9;
- specific matters for comment should draw out the issues in Chapters 5, 6 and 7 – particularly those referred to in the covering memo and Kevin’s comments thereon;

- the executive summary should be restructured and should note that employee benefits are not dealt with in this ITC, but in a separate project that may be actioned by the PSC;
- a list of key definitions should be included prior to Chapter 1;
- introductory pages should note that the PSC has “cleared” the ITC for issue;
- the ITC should refer to “Steering Committee Views”, rather than “Preliminary Views”;
- the summary of Options 1 to 3 should be part of the executive summary rather than in the “Steering Committee Views” section;
- reference to the GFSM 2001 – ESA 95 – IPSAS convergence group on page 8.15 should be deleted;
- the notions of “due and payable” and “View 1” should be applied and explained consistently throughout the ITC;
- the title of Chapter 3 should be amended to Principles and Approach;
- the reference to the IASB work on provisions, should acknowledge that development work on the standard dealing with provisions is being undertaken and that an exposure draft proposing revisions to the existing standard is being prepared. However, the ITC is not to identify specific tentative decisions of the IASB (a number of previous such decisions have been reversed in recent IASB meetings) because this would prematurely date the ITC;
- reference to exchange and non-exchange transactions should be included around paragraph 3.4;
- a comment should be included in chapter 3 to note that commitments to provide benefits which do not qualify for recognition as liabilities or disclosure as contingent liabilities, may well be included in disclosures considered in Chapter 9 of the ITC;
- the SC should be requested to remove reference to the Chilean experience in paragraph 4.46 (the explanation of the Chilean experience also appear in Chapter 8). The PSC noted that it would prefer that individual jurisdictions not be singled out and identified in the ITC, but rather that the ITC simple note that in at least one country. This is because there may also be other jurisdictions with similar experience and circumstances can change in any one jurisdiction during the shelf life of the ITC. The PSC requested that Kevin make this preference known to the SC;
- the final sentence of paragraph 4.9 should be deleted;
- refinements could usefully be made to paragraphs 4.10 through 4.29 to reduce a sense of repetition and to tighten arguments;
- footnote 5 in Chapter 4 should also note there are alternative views on the appropriateness of the net approach in these circumstances;
- paragraph 4.34 needs to be amended to ensure consistency with Chapter 5. In this context, some members noted that paragraph 4.34 seemed to confuse rather than help and staff should consider whether it should be amended or deleted;
- explanation of Option 1 in Chapter 4 should be strengthened. David Bean agreed to provide input on this;
- drafting of Chapter 5 should be tightened and a reference to application of the principles identified in the chapter to a hospital waiting list should be included in the chapter. That reference would illustrate that in the circumstances contemplated, a provision would not be recognized – John Stanford agreed to

provide input on the UK experience for inclusion. It was noted that circumstances could differ in different jurisdictions, and the reference should acknowledge this;

- footnote 2 in Chapter 5 should be included in the text to clarify that this conclusion may not reflect option 1;
- paragraph 6.30 should be expanded to clarify that there may be other circumstances that give rise to a present obligation;
- the inconsistency of the Steering Committee's view on accounting for disaster relief, and the accounting for pollution cleanup in IPSAS 19, should be noted;
- commentary should be included around Chapter 7.17 to note that there may be other views about which costs should be included in the measurement of the provision;
- paragraph 8.8 should be amended to note current practice is closer to Option 1 than Options 2 or 3;
- the latter sections of Chapter 8 should include a reference to the disclosures chapter to note/reinforce the point that "obligations" that do not qualify for recognition would still be included in disclosures proposed in Chapter 9;
- the wording in paragraph 8.34 should be refined to note that governments may find it difficult to reduce or remove old age pensions;
- paragraph 9.18(d) is to be amended to note that information in notes will be covered by an audit opinion. Kevin noted that this amendment had been proposed by a SC member in a recent email. Members agreed it was appropriate;
- the reference to FASAB materials in paragraph 9.20 should be updated for subsequent releases; and
- example 4B should be deleted.

Members discussed the ongoing role of the SC and whether submissions received on the ITC should be provided to the SC for review. Members agreed that:

- submissions should be provided to the PSC, through the PSC Technical Director;
- staff would prepare an analysis of responses for consideration by the PSC; and
- the PSC would decide whether the Steering Committee should have a role in developing the Exposure Draft, or sections thereof, as it made decisions on how the project was to be developed.

Kevin noted that some SC members had expressed the view that if it was considered useful and appropriate, they would welcome the opportunity to provide their views on submissions to the PSC.

The ITC was cleared for finalization and publication in January 2004 for comment by 30 June 2004. During November and December 2003 the ITC is to be:

- amended to reflect directions of the PSC;
- provided to SC members for a final fatal flaw review; and
- cleared for issue by the PSC Chair (Mr. Ian Mackintosh) and the SC Chair (Mr. Kevin Simpkins).

Members noted that:

- the document was comprehensive and well argued, made a significant contribution to the body of knowledge on this topic, provided a sound basis for

- informed debate on this critical issue, and identified key issues that would need to be dealt with in an Exposure Draft and subsequently an IPSAS; and
- its preparation had involved considerable work by SC members and their technical advisors and the PSC was most grateful to members and their sponsoring organizations and technical support.

The Chair and members expressed their appreciation to Kevin Simpkins for the work he had put in, and his leadership, as the SC Chair.

Action Required: *Finalize the ITC for review by SC members and, subsequently, PSC Chair. Publish ITC.*
Person(s) Responsible: *SC Chair, SC members, PSC Chair, PSC Staff.*

9. DRAFT ITC REVENUE FROM NON-EXCHANGE TRANSACTIONS

The PSC received and considered:

- a memorandum from Rick Neville, the Chair of the Non-Exchange Revenue Steering Committee
- a Draft ITC *Revenue from Non-Exchange Transactions (Including Taxes and Transfers)*; and
- comments from Steering Committee members on the final draft of the ITC.

Rick Neville introduced the topic and advised that the Steering Committee (SC) had met in Paris in September to finalize the draft for presentation to this meeting of the PSC. At that meeting, the SC resolved the outstanding issues and agreed to the final form of the ITC, but not all the detail. The draft of the ITC was circulated for comment to the SC at the time of the first distribution of agenda materials for this meeting. The SC members were asked to provide comments all matters of the ITC.

Rick advised that the Steering Committee had requested that the PSC reconsider the use of the term “contribution from owners” suggesting that the PSC find a more public sector specific term.

Rick noted that he would present a brief overview of the issues raised by the SC members and it was then intended to undertake a page-by-page review with a view to clearing the ITC for issue, subject to the processing of identified amendments and final clearance by the SC and PSC Chairs.

Rick proposed that both this ITC and the Social Policy Obligations ITC be issued in the same format as PSC Studies, so as to distinguish them from IPSASs. The PSC agreed to this proposal. It was agreed that the term “Steering Committee Views” be used instead of “Preliminary Views”. The PSC requested that staff ensure uniformity of presentation between the two ITCs, in particular:

- the ITCs should specify that they have been “cleared” rather than “approved” as the PSC has not approved the content;
- the introduction should be consistent in each ITC (apart from references to the title of the ITC);
- the parts of the Introduction requesting comments should be repeated in the section on Specific Matters for Comment to emphasize that the PSC is seeking comments on any aspect of the ITC;

- the commentary below the names of the SC members should specify that the views expressed are majority views;
- there should be a disclaimer before the summary of SC views to note that they should be read in the context of the explanatory text in the body of the ITC;
- both ITCs should include a list of key definitions;
- the sections summarizing the IASB work program should be reviewed before the final release of the ITCs for accuracy; and
- examples should not identify a particular jurisdiction.

Members considered the following eight issues that were raised by members of the SC and staff proposals to respond to those issues:

- definition of “time requirements” – one SC member proposed a change to the definition to refer to the time periods when use of assets is authorized rather than to time periods when use is prohibited. Most SC members agreed with the definition as drafted. The Committee agreed not to change the definition;
- several SC members noted that there was no Steering Committee View on the measurement of assets at fair value. The Committee agreed that a Steering Committee View on measurement of assets at fair value be included in the ITC;
- the component approach where an exchange-like component of a non-exchange transaction is recognized according to the provisions of existing IPSASs – one SC member considered that the explanation of this approach was not clearly articulated. The Committee agreed that consideration should be given to refining the explanation in paragraph 2.31 and related sections in Chapter 5, to ensure that the approach is clearly articulated;
- disclosures concerning the “tax gap – two SC members expressed concern that any disclosures relating to the tax gap would be unreliable and would lead to an audit qualification. The Committee agreed that the prominence of the “reliability” criterion should be increased and that consideration should be given to augmenting the specific matter for comment;
- in relation to paragraph 3.18, the treatment of prepaid taxes (not just overpaid taxes) should be explicitly addressed;
- distinction between “tax expenditures” and “expenses paid through the tax system” – one member dissented from the SC View that such a distinction should be made and wanted the ITC to prominently note that the SC View was a majority view and to request comments on whether such a distinction should be made. The Committee agreed that:
 - paragraph 3.25 should be changed and that no jurisdiction be referred to;
 - it be made clear that this is a majority view, and that the specific matter for comment should also reflect this; and
 - any examples used in this ITC or in *Accounting for the Social Policies of Governments* should not refer to specific jurisdictions;
- in relation to paragraph 4.2, the discussion of appropriations should note that to the extent that appropriations are merely budget authority, the act of appropriation may not give rise to an asset of the recipient entity;
- receivables and stipulations – one SC member thought that paragraphs 4.13 – 4.16 confused two issues: eligibility requirements and receivables. Staff noted that the ITC was not intended to deal with eligibility requirements because if

eligibility requirements are not met there is no inflow of resources – this could be noted in a relevant part of this section. The Committee agreed that Chapter 4 should specifically note that failure to satisfy eligibility requirements does not result in an inflow of resources;

- “probability” criterion – two SC members noted that in paragraph 4.38 in relation to the settlement of outstanding obligations, only one of four circumstances used the probability criterion. The Committee agreed the probability criterion be deleted from that one circumstance, but that the alternative view that probability should be applied should be included in an additional paragraph and that a specific matter for comment on this matter should be included; and
- voluntary services – two SC members noted that if voluntary services were used to construct an asset, the recognition of that asset at its fair value would necessarily result in the recognition of revenue from voluntary services, and that this could be noted in the text. Staff noted that the SC was quite clear in its decision not to recognize voluntary services. The Committee recommended that consideration should be given to including explanatory text noting that recognition of assets constructed by volunteer labor may involve the indirect recognition of voluntary services.

The Committee proceeded to a page-by-page review of the ITC and, in addition to a number of editorial comments, made the following suggestions for refining the document:

- specific matters for comment on the SC Views on the “component approach”, property taxes, the probability criterion for the discharge of liabilities and voluntary services should be included;
- the PSC discussed whether differences between the Steering Committee’s approach and treatments under GFSM 2001 should be noted in the ITC. The IMF Observer suggested that it would be better for the IMF to note any such differences in its response to the ITC;
- before the Summary of Preliminary Views there should be an introductory paragraph outlining the “assets and liabilities approach”;
- consider substituting “transferor” for “contributor” to avoid confusion with “contributions from owners”;
- paragraph 1.21 on “control of an asset” should be moved before paragraph 1.15 on “transfers” as it is integral to the approach being proposed;
- paragraph 2.3 should be moved to the section on “contributions from owners”. It should also discuss the “credit” entry in addition to the discussion on the “debit” entry;
- the section on measurement of assets in paragraphs 2.21 to 2.24 should include a cross reference the discussion on fair value in IPSAS 16;
- SC View 5(f) on the taxable event for property taxes is not universally applicable, and should be reviewed. It was proposed that the SC View be inverted to having the view that when the taxpayer incurs the liability revenue, the taxable event occurs amended to reflect that the taxable event occurs when the taxpayer incurs the liability to pay tax. Alternatively, the SC View could remain the same and that a Specific Matter for Comment be included on the taxable event for property taxes;
- the section on the “tax gap” should explicitly refer to the underground/blackmarket economy;

- paragraph 4.3 should include a cross reference to paragraph 5.11 and SC View 23 on pledges;
- consider locating the discussion on central bank accounts (paragraphs 4.23 to 4.25) after SC View 12 on cash transfers;
- paragraphs 4.32 and 4.34 should also discuss time requirements;
- SC View 22 should make reference to reliable measurement in its encouragement to disclose the contribution of voluntary services;
- the last three sentences of paragraph 6.5 do not add any value, are confusing and should be deleted;
- example 7 in the appendix should cross reference with paragraph 4.43 and mention substance over form; and
- example 12 is wrong and should be deleted.

The PSC cleared the ITC for publication subject to these changes, additional editorial changes, any other changes identified by the SC or Staff that are necessary for internal consistency of the ITC, and subject to a final review by the SC and approval by the SC Chair and PSC Chair.

The PSC expressed its appreciation to Rick Neville, the members of the SC and staff for all the efforts they have contributed since the beginning of this initiative. This is a groundbreaking document which will provide a healthy basis for consideration, deliberation and debate by the public sector accounting community worldwide. Members asked Rick to express their appreciation and congratulations to the ~~Steering~~Steering Committee in successfully bringing the project to this stage.

Action Required:	<i>Finalize the ITC for review by SC members and, subsequently, PSC Chair. Publish ITC.</i>
Person(s) Responsible:	<i>SC Chair, PSC Staff.</i>

10. PSC STEERING COMMITTEE - BUDGET REPORTING

The Committee received and considered:

- a memorandum from Dr. Jesse Hughes; and
- the Draft Research Report prepared by Dr. Hughes.

Ron Points, the Steering Committee Chair, introduced the topic and noted that:

- the draft Research Report had been updated to incorporate comments made by members at the last PSC meeting in July 2003 and to include additional materials on best practice;
- the Steering Committee had been established and had provided valuable input in the preparation of this draft;
- linkages between this project and the work of the SPO Steering Committee would arise in the context of disclosure of budget information; and
- Dr. Jesse Hughes, the consultant on the project would make a presentation to the PSC on the updated draft Report.

Jesse made a presentation to the Committee. He outlined major amendments to the draft Report since the last meeting in Vancouver in July 2003, the major conclusions that were starting to take shape and major outstanding issues. He invited comments

from PSC members on these matters. He also sought input on the nature and form of the final report that should be issued and the timetable for its completion.

Members thanked Jesse for his presentation and noted that significant progress had been made since the last meeting. Members also expressed support for the broad directions being proposed in the Report but noted that further work was necessary.

Members undertook a section by section review of the draft Research Report and made the following points:

- the Research Report needed to be restructured to clearly distinguish the financial reporting issues and recommendations thereon from the summary and analysis of best practice in budget formulation and execution. This included moving section 5 (the section on the PSC's "Mandate on Budget Reporting") to the front of the document;
- it was appropriate that the Research Report advocate that the PSC have a role in respect of general purpose financial reporting of budget information and comparisons of actual to budget, but issues related to such matters as budget formulation, execution, management should not be addressed by IPSASs. The Research Report need not be restricted to identifying issues appropriate for inclusion in an IPSAS. Consideration should be given to other forms of PSC document, such as a good practice guide;
- it was important that terminology used and processes referred to were sufficiently clear and broad to be understood by all constituents, and to encompass all jurisdictions. Some members noted that some terminology used and processes referred to did not reflect terminology and processes adopted in their jurisdictions;
- the Research Report should briefly acknowledge that budget formulation and execution in some jurisdictions was a centralized function but in other jurisdictions it was decentralized, and draw out the implications of these different approaches for presentation of a consolidated budget. – for example, whether best practice would require presentation of a consolidated budget and the types of issues that would need to be dealt with if an IPSAS was to be developed on this topic;
- in Europe budgets were prepared and reported for the aggregate of three levels of government: national, state or provincial, and local governments. In some cases, it may be argued that the national government did not control the state or local government. The Research Report should explore the implications of this for budget presentation and for reporting compliance in GPFS prepared in accordance with IPSASs;
- the Research Report should acknowledge that ESA 95 was widely adopted in Europe as the methodology for compiling statistical data and:
 - the presentation of ESA 95 data may differ from GFSM 2001; and
 - in some cases GFSM 2001 and IPSAS requirements differed;
- while it was appropriate to advocate inclusion in general purpose financial statements of comparisons of budget to actual, the Research Report should acknowledge that guidance would be needed on such matters as:
 - how budget data should be summarized to avoid information overload;
 - whether comparisons of actual should be made with original and/or revised budgets (and which revision if the budget was revised

- periodically during the reporting period to reflect changing policies, economic environment and experience);
- what impact a change in policy settings might have if comparisons were to be made against original budgets, and how such changes should be dealt with if comparisons were to be made with revised budgets;
- how the IPSAS should deal with comparisons if the scope of the budget entity and the IPSAS reporting entity differed;
- how the IPSAS should deal with comparisons if different measurement bases were adopted for such items as inventory, investments and provisions in budget documents and in financial reports;
- how the IPSAS should deal with comparisons if differences in the basis of accounting were adopted in budget and historical financial reports – for example, if accrual and cash or modified cash/accrual basis;
- the components of any reconciliation from budget to actual should be drawn out so that readers may be able to assess what is involved in such a reconciliation;
- the Research Report should acknowledge and discuss the merits of disclosing budgeted versus actual cash flow statements, statements of financial position and financial performance;
- some members noted that they were of the view that comparisons should be made between the original budget and actuals, and expressed the view that a reconciliation from the budget to the actuals may not be practicable but they would welcome the Research Report recommendation on this matter.;
- it should be noted that budget information may also be presented in documents other than GPFs and a cross reference to such documents may be appropriate, particularly to link budget and actual data to non-financial budget and actual service achievements ;
- the Research Report should explicitly note the New Zealand standard on prospective financial information, and consider the implications of adoption of the approach required in that standard;
- whether the Research Report was intended to deal only with budgets at the government level or for all reporting entities – members noted that IPSASs generally applied to all reporting entities other than GBEs and if a different approach were to be adopted here it would need to be justified. Some members indicated that it may be that the issues related to general purpose reporting of budgets could be different at the government and the individual entity level and therefore a different approach in this case may be justified;
- the Research Report should consider how the IPSAS explanation of a reporting entity might differ from the legislative specification of what is an entity for budget preparation and presentation purposes, and the implications, if any, this might have for the conclusions in the budget report and the contents of an IPSAS;
- the reference to commitment accounting should be developed to note whether a standards-setter has a role in respect of commitment accounting and what that role might be;
- the Research Report is being too ambitious in including references to management accounting and management reporting within its purview. Members noted that these are significant issues in themselves and warrant

further study. However, they did not “fit” comfortably in a report with the very specific and focused objectives and scope of the PSC Research Report;

- some members noted that the OECD survey results reported in Appendix E did not accurately or clearly illustrate the position in their jurisdiction. It was agreed that this appendix should be deleted and related commentary in the text should be modified to reflect these concerns;
- the Research Report should include clear directions on whether the author was of the view that an IPSAS should encourage preparation of an annual budget within a particular time frame and/or preparation of a medium term financial framework; and
- the Research Report should consider whether it was appropriate that an IPSAS encourage the budget to be prepared consistent with statistical classification bases and requirements – for example GFSM 2001 and/or ESA 95. Some members were of the view that the Research Report should simply note the existence of these statistical systems and point out that while they included similar treatments and disclosures to those required by IPSASs, there were differences – particularly in respect of the reporting entity. It was also noted that in some jurisdictions, budgets may be prepared on the basis of programs relevant for financial management and service delivery in that jurisdiction and the need to complete statistical returns should not undermine that role of the budget.

Members noted that this was an important document, not least because it was dealing with issues of particular interest and concern in the public sector and in that context was broadening the scope of what might conventionally be considered to be financial reporting. It was agreed that the Research Report should:

- be issued as a Study or Occasional Paper;
- be structured to include specific recommendations from the author and invite comments on those recommendations from interested parties; and
- identify issues for further research.

It was agreed that the Report be further developed as indicated and brought back to the PSC’s March 2004 meeting for approval to issue.

Action Required: *Update draft Research Report for review at the next PSC meeting.*

Person(s) Responsible: *SC Chair, SC members, Consultant, PSC Staff.*

11. ACCOUNTING FOR DEVELOPMENT ASSISTANCE

The Committee received and considered a verbal report from Ian Mackintosh PSC Chair and Chair of the PAP. Ian noted that:

- the Key Decisions Questionnaire (KDQ) has been updated by the Consultant in accordance with the PSC’s directions at the last PSC meeting;
- the Project Advisory Panel (PAP) is almost fully established. Its formation had been delayed because of some restructuring of the OECD-Development Assistance subcommittee arrangements. The PAP includes members of the OECD-DAC Working Party on Aid Effectiveness and Harmonization and members of the Multi-Lateral Development Banks (MDB) Financial Management Harmonization Working Group;

- the revised KDQ will be dispatched to the PAP by the end of November/early December 2003 with responses due by 31 January 2004. The PAP is being provided with background materials on this project; and
- given the delay in formulation of the PAP, it is not anticipated that a first draft ED will be prepared for the March 2004 PSC meeting. Rather, it is intended to provide a summary of PAP responses for PSC review together with recommendations on key requirements to be included in the ED. The first draft of the ED would then be prepared for consideration by the PSC at its July 2004 meeting.

Ian sought PSC views on whether he should remain as the PAP Chair given that his term on the PSC was drawing to a close. Members agreed that he should remain Chair of the PAP and that it would be useful if he could present the PAP views on the nature of the Exposure Draft at the next PSC meeting.

Members noted that this remained a major project for the PSC and looked forward to its development in 2004.

<i>Action Required:</i>	<i>Forward Key Decisions Questionnaire to PAP. Prepare report on PAP responses for consideration at the next PSC meeting. Commence drafting the Exposure Draft.</i>
<i>Person(s) Responsible:</i>	<i>Ian Mackintosh, PSC Staff, Consultant.</i>

12. STUDY 14 UPDATE

The Committee received and noted:

- a memorandum from Li Li Lian;
- extracts from Study 14 identifying the main changes; and
- report from the drafting subcommittee.

Li Li spoke to the report and noted that, as agreed in the meeting in Vancouver, the drafting subcommittee had reviewed the updated draft Study 14 (2nd edition). In general, the drafting subcommittee was supportive of the changes proposed by Staff. The PSC thanked the drafting subcommittee for their work.

The PSC approved the publication of Study 14 (2nd edition), subject to a final review by the PSC Chair. PSC Members were requested to provide editorial comments to Staff after the meeting to process before finalization of the document.

<i>Action Required:</i>	<i>Update Study 14 (2nd edition) for issue.</i>
<i>Person(s) Responsible:</i>	<i>Chair, PSC Staff.</i>

13. GFS, ESA 95, IPSAS HARMONIZATION

The Committee received and considered a verbal report from Ian Mackintosh on a meeting of the Steering Committee OECD Taskforce on Harmonization of Public Sector Accounting on 3 October 2003. Draft minutes of this meeting were tabled. Paul Sutcliffe indicated that revisions to these draft minutes had been proposed and accepted by the OECD staff.

Ian noted that:

- in June 2003 the PSC had initiated a meeting of a IPSAS-GFSM 2001-ESA “convergence group” which he had chaired. In addition to Paul as the PSC Technical Director, the meeting was attended by the IMF, OECD, Eurostat, AASB, UK Treasury and Office of National Statistics. At that meeting it was agreed that an OECD Taskforce on Harmonization of Public Sector Accounting be established and that the “convergence group” become the Steering Group for that Task Force;
- the purpose of the Taskforce is to promote convergence of the requirements of IPSASs, GFSM 2001 and ESA 95 where appropriate, and make recommendations for the revision of SNA (scheduled for 2008). Membership of the Task Force is still being finalized but it is appropriate that the PSC Chair or his nominee secure a place on that Task Force;
- in October 2003, the Steering Group of the Task Force held its first meeting in Paris, France. The Steering Group comprises representatives of the PSC, IMF, OECD, Eurostat, European Central Bank, ~~Australian Accounting Standards Board~~Australia, UK Treasury and UK Office of National Statistics. The meeting was chaired jointly by himself as the PSC Chair, and the IMF;
- it was agreed that the IMF will chair the Taskforce. The Taskforce will have two Working Groups. Working Group I will be chaired by the PSC and will focus on convergence of IPSASs, GFSM 2001 and ESA 95, and will provide input to the SNA review from this perspective. Working Group II will be chaired by the OECD and will focus on a number of specific issues to be addressed in the revision of SNA. The OECD will provide the secretariat for the Task Force and Working Groups;
- much of the meeting was taken up by process issues, but some progress was made on the GFS – IPSAS harmonization issues. In this respect, Ian noted that an IMF paper outlining differences was considered at this meeting. It was agreed that the paper required reworking and Australia had agreed to revise the paper for consideration by Working Group I at its next meeting;
- the next meeting of Working Group I would take place on 9 and 10 February 2004 at the OECD in Paris. This would overlap with the OECD annual Accruals Symposium. The first meeting of the OECD Task Force would take place on 11 February 2004 at the OECD.

Ian noted that Working Group I intended to complete its report on identifying differences between IPSAS, GFSM 2001 and ESA 95 and potential avenues for convergence in the first half of 2004. He sought the PSC’s views on whether PSC involvement in Working Group I and the Task Force should be continued, at least in the short term. Members agreed that he and Paul Sutcliffe should continue to be involved in representing the PSC on Working Group I. It was also agreed that the new PSC Chair should consider involvement in the Task Force as appropriate. Members noted that support of the OECD Task Force and Working Groups long term involved considerable PSC resources and ongoing support for the OECD program would need to be assessed in the context of resource availability and PSC work program priorities.

Paul Sutcliffe noted that a range of technical differences between accounting and statistical bases, and mechanisms that would progress their convergence, were discussed at the October meeting. While those discussions were far from exhaustive,

some potential avenues for convergence began to emerge. In this context, it is likely that Working Group I and/or the Task Force will request the PSC to consider:

- providing guidance on disclosure of information about the general government sector (determined in accordance with the provisions of GFS) in addition to segment information in notes to general purpose financial statements;
- allowing public sector entities which revalued property, plant and equipment to fair value in accordance with the allowed alternative measurement basis in IPSAS 17 to also value inventories at market value, and to alert the IASB to this proposition;
- to amend IPSAS 3 to replicate the requirements of the forthcoming improved IAS 8 on correction of errors; and
- to encourage the IASB to progress its project on reporting of comprehensive income.

The task Force will also recommend that:

- expenditure on military assets which provide ongoing service potential be capitalized in accordance with the requirements of IPSASs (the PSC staff paper on this issue is being forwarded to the relevant OECD groups); and
- the statistical bases consider whether the IPSAS notion of control provides a better delineation between public and private sectors than that currently adopted in the statistical bases.

Paul noted that the draft minutes of the Steering Committee meeting outlined the issues included on the agenda of Working Group II. They included the treatment of such items as capital contributions and dividends between government and GBEs; privatization and restructuring; provisions; and tax revenue. On this last issue, the group will consider the ITC on non-exchange revenue. The Task Force would also provide input to other OECD working groups and task forces.

<i>Action Required:</i>	<i>Continue involvement with Working Group I and consider involvement in the OECD Task Force.</i>
<i>Person(s) Responsible:</i>	<i>Current and Future PSC Chairs, PSC Staff.</i>

14. IPSAS REVIEW AND UPDATE – HARMONIZATION WITH IFRS

The Committee received and noted:

- a memorandum from Li Li Lian;
- a Paper on the PSC Strategy for harmonization with IASs/IFRSs;
- papers outlining anticipated differences between IPSASs and the improved IASs as at March 2004; and
- a media release from the IASB on the General Improvements Project.

Li Li introduced the topic and noted that, as directed by the PSC at its July 2003 meeting, Staff prepared a strategy paper for the PSC to consider on the process for harmonization of IPSASs with IASs/IFRSs. The strategy paper outlined three approaches available to the PSC and their resource implications:

- do nothing and rely on the hierarchy;

- “wrap-around” (this means that IPSAS will adopt the content and wording of the IASs/IFRSs, but with an introduction (or postscript) to the original text of the IASs/IFRSs will be added; and
- review and rewrite IASs/IFRSs where necessary (this means only redrafting sections that pertain to public sector specific issues).

Staff proposed that:

- the PSC undertake the General Improvements Project in three groups of related Standards as it would reflect a more manageable work load. However, some members were of the view that a “big bang” approach to update the IPSASs was advantageous because it would enable PSC to finalize the IPSASs as soon as possible; and
- IPSAS 20 should not be reviewed as part of this Project because IPSAS 20 is different from its equivalent IAS. The PSC has previously decided that the proposed changes to IAS 24 *Related Party Disclosures* should not be applied in the public sector.

The PSC agreed that at the next meeting, they will:

- review the changes made by the IASB in their General Improvements Project in the next meeting; and
- decide whether to harmonize IPSASs with the improved IASs and the process to be adopted if such amendments are made.

Staff were directed to mark-up the 10 IPSASs impacted by the IASB’s General Improvements Project to reflect the changes made in their equivalent improved IASs. Erna Swart noted that South Africa, in developing its own equivalent public sector accounting standards, had adopted IPSASs but had marked them up to incorporate the proposed changes based on the *Exposure Draft of Proposed Improvements to International Accounting Standards*. Erna volunteered to send to PSC staff the available marked-up versions. The PSC welcomed the offer and agreed to work with South Africa to mark-up the IPSASs to the final improved IASs. Staff also requested some latitude in getting all 10 IPSASs ready for the next meeting as it was a large undertaking. It was agreed that Staff would provide as many marked-up IPSASs as possible for the PSC to review in the next meeting and the remaining ones will be reviewed in the following meeting.

It was agreed that going forward the PSC would, when harmonizing its IPSASs with IASs/IFRSs, change as little as possible of the original IAS/IFRS text and provide clear indications what changes were made and why a change was made.

Action Required: *Obtain the marked-up versions of the IPSASs from Erna. Mark-up IPSASs that are impacted by the ED of Proposed Improvements to IASs.*

Persons Responsible: *PSC Staff, South African delegation.*

15. FIRST-TIME ADOPTION OF IFRSs

The Committee received and noted:

- a memorandum from Li Li Lian;
- a Strategy Paper;

- a summary of IFRS 1;
- IFRS 1 *First-time Adoption of International Financial Reporting Standards*; and
- a media release from the IASB on the issue of IFRS 1.

Li Li introduced the topic and noted that, as directed by the PSC at the last meeting, Staff have prepared a Paper outlining the reasons why the PSC should or should not develop an IPSAS on first-time adoption. Li Li also noted that:

- in most cases, IPSASs provide more generous relief than does IFRS 1. However, IFRS 1 provides relief in respect of two items for which there are no transitional provisions in IPSASs:
 - the identification of existing cumulative translation differences in foreign operations (IAS 21 (IPSAS 4) *The Effects of Changes in Foreign Exchange Rates*); and
 - the treatment of changes of estimates made under previous GAAP in (IAS 10 (IPSAS 14) *Events After the Balance Sheet Date*); and
- IPSAS 1 provides relief for first-time adopters of IPSAS 1 not to provide comparative information. However, IPSAS 3 requires entities that change their accounting policies to change their comparative information, unless there is a transitional provision that allows otherwise. The relief in IPSAS 1 is not formally headed “transitional provisions” and could cause confusion to users.

The PSC discussed the issues outlined in the Paper and:

- noted that the content of IFRS 1 (including the relief available to first-time adopters of IFRSs) was largely included in existing IPSASs. It was agreed that, for the time being, an IPSAS on first-time adoption of IPSASs would not be considered; and
- agreed to include:
 - additional relief that was introduced by IFRS 1 in IPSAS 4 and 14; and
 - commentary noting that paragraph 60 in IPSAS 1 is not overridden by the requirements in IPSAS 3 to restate comparative information on changing accounting policies, thus overcoming any perceived contradiction in the requirements for comparative information in IPSASs 1 and 3.

The PSC also noted that the additional guidance and relief would impact on the IPSASs that are part of the IPSAS General Improvements Project and they would review all the proposed changes in the next meeting.

Action Required: *Incorporate the additional transitional provisions from IFRS 1 into IPSAS 4 and 14. Include clarification on the relief from preparing comparative information in IPSAS 1.*

Persons Responsible: *PSC Staff.*

16. PSC CONSULTATIVE GROUP

Members received and considered:

- a memorandum from Jerry Gutu regarding the PSC Consultative Group;
- a report on the current status of appointments to the Consultative Group;

- a membership profile and the operating procedures of the Consultative Group; and
- a list of members of the group attending the meeting as well as a proposed agenda for the special session of the group.

Jerry Gutu provided an update on the status of the Consultative Group, noting that 55 out of 66 individuals and organizations had confirmed their membership and participation in the group. He confirmed that some of the group members had participated in a survey on conversion of Study 14 to a web based document. The views from the members were very much appreciated by staff and it was hoped that the level of participation of the group members would continue to increase. Jerry pointed out that 11 appointments remained outstanding with the bulk being from the Middle East and Latin America. Jerry appealed to the members and participants for assistance in finalizing the outstanding appointments. The meeting was advised of, and agreed to, the three nominations from FEE, which had been cleared by the PSC members from Europe. Jerry advised the meeting that the French member of the group representing the Body of Professional Accountants, Mr. Michel Prada, was going to step down and would be replaced.

The meeting noted the presence of the Consultative Group members from Europe, the Middle East and Canada who were going to participate in a lunch meeting in the afternoon of the second day of the PSC meeting.

Action Required: ***Finalize the remaining nominations to the Consultative Group.***

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

17. PUBLIC SECTOR PERSPECTIVES ON ISAs

Members received and noted:

- a progress report on the progress of the assumption of responsibility for PSPs by INTOSAI and the IAASB from Jerry Gutu; and
- an update on the Public Sector Perspectives (PSPs) currently being considered.

Jerry advised the meeting that progress was being made in finalizing the outstanding issues concerning the Memorandum of Understanding (MOU) between INTOSAI and IAASB. The issues raised by IAASB at its meeting in October which required attention include the following:

- clarification of the position of PSPs – within the ISAs or in separate section at the end of each IAS;
- explanation of the relationship of PSPs to be included in the ISAs (as part of IAASB pronouncements) to the guidance to be provided in INTOSAI pronouncements (as audit practice notes etc);
- clarification of the IAASB staff's involvement in appointment of the Reference Panel of Experts to IAASB Taskforces; and
- the inclusion of an additional paragraph in the MOU indicating that the project structure and cooperation process will be reviewed from time to time.

The meeting was advised that:

- the IAASB had agreed that a Reference Panel of Experts be invited to participate in IAASB Taskforces in advance of finalization of the MOU which is expected to occur at the December 2003 IAASB meeting; and
- IAASB staff were confident that the outstanding issues would be resolved and the MOU would be approved at the December meeting. This would trigger the assumption of responsibility for preparation of PSPs by INTOSAI and IAASB.

Ron Points indicated that he expected the process to be fully operational by mid 2004 at which point the PSC would cease drafting PSPs. He also confirmed that funding for the initiative was in place from the World Bank and that the Secretariat was currently being established. John Fretwell indicated that some had expressed concern about the due process but he did not expect the current IAASB procedures on exposure and due process to change. He indicated that the panel of experts from INTOSAI would be involved in drafting of both ISAs (which may contain public sector considerations) and/or separate audit guidelines which may be issued by INTOSAI. The UK delegation pointed out that, in some jurisdictions, audit appointments to public sector entities extend beyond supreme audit institutions to sub-national audit offices and auditors from the private sector. The due process for guidance on the application of ISAs needs to be appropriate to these varied arrangements.

Jerry expressed appreciation to the PSP subcommittee for the assistance they had given staff since the meeting in Vancouver.

In providing an update on PSPs Jerry made reference to item 17.3 “Table on Progress on PSPs” on page 17.3 of the agenda papers. He advised the meeting that PSPs were outstanding on four standards proposed by IAASB for issue in early 2004. These included:

- a revised ISA 700 on auditor’s responsibility;
- a new IAPS on Group Audits;
- a revised ISA 540 on accounting estimates audit; and
- a revised ISA 320 audit materiality.

The committee noted that draft PSPs would be prepared with the assistance of the subcommittee and circulated, as agreed, prior to submission to the IAASB.

Action Required: *PSP subcommittee and Staff to draft PSPs and to circulate to PSC and forward the PSPs to IAASB.*

Person(s) Responsible: *PSP Subcommittee and Secretariat.*

18. FUTURE MEETINGS & GENERAL BUSINESS

The Committee discussed the venues of the meetings for 2004 following a proposal to swap the March and July venues. The Committee agreed its 2004 meetings as follows:

- March 24 – 26, Buenos Aires, Argentina;
- July 5 – 7, New York, United States; and
- November 10 – 12, New Delhi, India (pending agreement with the host, Institute of Chartered Accountants in India).

Staff were instructed to confirm with IFAC that the changes in venues were in order, to advise members, and to proceed with the necessary arrangements for the next meeting in Argentina. Staff were also directed to make early preparations for the meeting in

New York which is proposed to coincide with a busy public holiday (United States Independence Day) on July 4.

On behalf of members, technical advisors, observers, Philippe Adhémar farewelled Ian Mackintosh as Chair and Australian member of the IFAC Public Sector Committee. Philippe thanked Ian for his leadership and noted that he had made a major contribution to standard setting. Paul Sutcliffe thanked Ian on behalf of staff and presented Ian with a farewell gift that all PSC members and staff had contributed.

The Committee also thanked the retiring New Zealand member Kevin Simpkins for his contribution to the PSC both as a member of the PSC and of various sub-committees and his Chairmanship of the Social Policy Obligations Steering Committee.

<i>Action Required:</i>	<i>Liaise with the Federación Argentina de Consejos Profesionales de Ciencias Económicas, IADB and others as necessary to co-ordinate the March 2004 PSC meeting in Buenos Aires. PSC staff to check with IFAC on swapping of March and July venues and to do some preliminary work on the proposed July 2004 New York meeting.</i>
<i>Person(s) Responsible:</i>	<i>PSC staff and Secretariat.</i>

19. CONSULTATIVE GROUP MEETING

The PSC Chair welcomed the Consultative Group (CG) Members and asked them to introduce themselves. Those participating were:

- Abu Ghazaleh – CEO Talal Abu Ghazaleh International. Mr. Ghazaleh noted that he is working mainly in 22 Arab countries providing accountancy training;
- Erik Peters – member of the Canadian Accounting and Auditing Oversight Board, former member of PSC and technical advisor to Canadian PSC member, retired Auditor-General, Ontario, Canada. Mr. Peters noted that he is currently preparing an assessment of the fiscal outlook for the current year for the government of Ontario. He is also interested in the non-exchange revenue project, particularly as it relates to accounting for transfers;
- Marinos Athanassiou – Poland, member of FEE. Mr. Athanassiou is ~~currently involved~~ currently involved in training in the public sector in Poland, but noted that many public sector accountants in Poland have no accounting knowledge they are engineers etc. He stated that he would value any additional implementation guidance/training materials on the IPSASs that can be provided;
- Brian Gray – Chief Financial Officer, European Commission. Mr. Gray noted that the EC is implementing IPSASs for its own financial statements, but has no authority to require it of member states;
- Andy Wynne – ACCA Global. Mr. Wynne noted that 50% of ACCA's members and 75% of its students are outside the UK in English speaking countries in Asia, Sub-Saharan Africa and the Caribbean. He also noted that ACCA is very interested in the work of the PSC as a support to its members in developing countries;

- Ricardo Mussari – Siena University, Italy. Professor of Public Accounting and Management. Professor Mussari noted that he also provides consulting support to several levels of government: national, regional and local; and
- Andreas Bergmann – Zurich University, Switzerland. Professor of Public Management. Professor Bergmann noted that in Switzerland the Federal Government currently prepares financial reports on a cash basis but has decided to move to the accruals basis using IPSASs, with a particular emphasis on the cash flow statement. He explained that the twenty-six Cantons and over 3000 local governments in Switzerland prepare financial reports using a modified accruals basis but are considering implementing IPSASs by 2005. Switzerland is looking to forge a closer relationship with the PSC and its CG;

The PSC members also introduced themselves to the CG and briefly summarized and updated their Country Reports (see item 7). The CG then discussed issues of importance to them:

- some members of the CG expressed the view that the CG was not working as effectively as it could and that the PSC should give consideration to devoting a full day to meeting with the CG at each PSC meeting, rather than an hour or two; and
- members of the CG discussed translations, some expressing the view that translations were a good idea and others expressing the opposite view. Those opposing translation did so on the grounds that the meaning of English texts is often altered when translated into another language. CG members asked whether it would be possible to post translations on the IFAC PSC website.

The CG discussions with PSC members continued over lunch.

Action Required: ***Consider Consultative Group Operations.***
Person(s) Responsible: ***PSC Chair and Staff.***

20. IDW SYMPOSIUM

The Institut Der Wirtschaftsprüfer organized a one-and-a-half day symposium coinciding beginning on the afternoon of Thursday, November 6, 2003. The members of the PSC attended the Symposium and Ian Mackintosh presented a paper on the work of the IFAC Public Sector Committee. Norbert Vogelpoth also presented a paper entitled “Comparison between the IPSAS and the German Public Sector Accounting Approach”.

**PUBLIC SECTOR COMMITTEE
ACTION LIST FROM THE BERLIN MEETING
NOVEMBER 2003**

Action Required	Person(s) Responsible	Date Due	Date Completed
1. Prepare, review and distribute minutes.	Chair, PSC Staff	November – December 2003	December 2003
2. Update the Committee's Action List and distribute with the minutes.	PSC Staff	November 2003	December 2003 ongoing
3. Post approved minutes from the Vancouver meeting on the Web.	PSC Staff	November 2003	November 2003
4. Prepare PSC Update on Berlin Meeting.	Chair, PSC Staff	November 2003	November 2003
5. Prepare PSC response to IFAC Exposure Draft <i>Proposed Statement of Members' Obligations</i> , circulated to members for approval out of session, forward to IFAC staff.	PSC Staff	December 2003	December 2003. Additional follow up revisions January/Feb 2004
6. Prepare Chairman's Report	Chair	February 2004	February 2004
7. Circulate final terms of reference for PSC External Review. Circulate review report when completed.	Chair PSC Review, Review Staff, Technical Director	February 2004	Questionnaire distributed January 2004 and ongoing
8. Update PSC Correspondence, Distribution and Network Lists; and send to members.	PSC Secretariat	November 2003 and Ongoing	December 03, January 2004 and ongoing
9. Prepare Secretariat Report.	PSC Secretariat	February 2004	February 2004
10. Finalize arrangements for March and July 2004 meetings and advise members.	PSC Secretariat	November 2003 and ongoing	November 2004 and ongoing
11. Prepare IFAC Liaison Report.	PSC Secretariat	February 2004	February 2004
12. Update PSC Work Plan.	PSC Staff	Ongoing	February 2004
13. Follow up on funding and promotion activities. Update register of funding, translation and promotion activities.	Chair, PSC Staff	Ongoing	Ongoing

Action Required	Person(s) Responsible	Date Due	Date Completed
14. Contact IASCF staff to emphasize importance of speedy progress on Spanish translations of IPSASs.	Chair, PSC Staff	November 2003	Nov/Dec 2003. Meeting Feb 2004
15. Explore translation of Cash Basis IPSAS into key languages.	PSC Staff	November 2003 and ongoing	Nov/Dec 2003. Meeting Feb 2004
16. Continue monitoring IASB work program, prepare an update on IASB work program for inclusion in PSC Agenda materials.	PSC Staff	February 2004	February 2004
17. Develop the overview of projects on work programs of standards setters in PSC member jurisdictions.	PSC Staff	February 2004	February 2004
18. Prepare Occasional Paper of USA governmental accounting.	USA delegation	February 2004 and ongoing	Ongoing
19. Prepare country reports to be included in the Committee Agenda.	Members, PSC Secretariat	February 2004	February 2004
20. Finalize Argentinean Occasional Paper and publish.	Chair, Argentine Member, staff	December 2003	Dec 2003/Jan 2004
21. Finalize and publish Glossary of Defined Terms IPSAS 1 – 20	Staff	January 2004	January 2004
22. Finalize the ITCs for review by SC members, Chairs, and, subsequently, PSC Chair. Publish ITCs.	SC Chairs, PSC Staff	December 2003/ January 2004	December 2003/ January 2004
23. Update draft Research Report on Budget Reporting for review at next PSC meeting.	SC Chair, SC members, Consultant, PSC Staff	February 2004	February 2004
24. Forward Key Decisions Questionnaire to PAP on Account for Development Assistance. Prepare report on PAP responses for consideration at the next PSC meeting.	Ian Mackintosh, PSC Staff, Consultant.	Dec 03/Jan 2004	January/Feb 2004
25. Update Study 14 (2 nd edition) for issue.	Chair, PSC Staff.	December 2003	December 2003

Action Required	Person(s) Responsible	Date Due	Date Completed
26. Continue involvement with Working Group I and consider involvement in the OECD Task Force	Current and Future PSC Chairs, PSC Technical Director.	December 2003 and ongoing	December 2003 ongoing meetings February 2004
27. Prepare mark-ups of IPSASs that are impacted by the ED of Proposed Improvements to IASs.	PSC Staff, South African delegation.	November 2003 and ongoing.	Ongoing
28. Incorporate additional transitional provisions from IFRS 1 into IPSAS 4 and 14. Clarify relief from preparing comparative information in IPSAS 1.	PSC Staff.	February 2004	February 04
29. Finalize the remaining nominations to the Consultative Group.	Members, PSC Secretariat.	January 2004	January 2004
30. Draft PSPs and circulate to PSC, forward final PSPs to IAASB	PSP Subcommittee, PSC Secretariat	November 2003 and ongoing.	November 2003 and ongoing
31. Liaise with the Federación Argentina de Consejos Profesionales de Ciencias Económicas, IADB and others as necessary to co-ordinate the March 2004 PSC meeting in Buenos Aires.	PSC staff and Secretariat.	November 2003 and ongoing	November 2003 and ongoing
32. Consider Consultative Group Operations.	PSC Chair and Staff.	February 2004	Prelim. discussions Feb 2004. Explore with Con, Group members March 04
33. Monitor PSC and IASB concepts and definitions. Update PSC as necessary.	PSC Staff	Ongoing	Ongoing
34. Review Responses to ED 23 <i>Impairment of Assets</i> and prepare summary and draft IPSAS for March 2004 meeting	PSC Staff	February 2004	February 2004



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

545 Fifth Avenue, 14th Floor Tel: (212) 286-9344
New York, New York 10017 Fax: (212) 286-9570
Internet: <http://www.ifac.org>

DATE: 23 FEBRUARY, 2004
MEMO TO: MEMBERS OF THE IFAC PUBLIC SECTOR COMMITTEE
FROM: PHILIPPE ADHÉMAR
SUBJECT: **CHAIRMAN'S REPORT**

ACTION REQUIRED

The Committee is asked to:

- **note** the Chairman's Report.

CHAIRMAN'S REPORT

This is my first report as Chair of the PSC. Since taking over this position on January 1, 2004, I have been involved in the following:

- Agreed to join the Panel for the review of PSC operations being chaired by Sir Andrew Likierman and participated in PSC review panel discussions by conference call in December and February 2004. Also provided input to the finalization of the PSC Background and Questionnaire developed to provide input to the review. The Background and Questionnaire is included at Agenda item 4.2. John Stanford is providing staff support to the Panel. I anticipate that John will include a preliminary draft report in the second distribution of Agenda materials.
- Met with the following organizations in the USA and UK during January and February 2004 to discuss the work program and funding needs of the PSC as appropriate: World Bank, IMF, Inter American Development Bank, FEE, UK Audit Office, and IFAC President.
- Met with PSC Vice Chair, Mike Hathorn, regarding operations of the PSC during 2004 and mechanisms to progress the IASB harmonization program of the PSC. This is further developed under item 12 on IASB harmonization.
- Attended a meeting of Chief Executives of IFAC member bodies in New York in January 2004.
- Attended the OECD Accrual Accounting Symposium and presented an update on the PSC's work program to the Symposium in February 2004. Reviewed and approved summary papers for on: the PSC Update and on the Invitations to Comment. These Papers are included at Agenda items 16.21, 16.22, and 16.23.
- Reviewed and agreed summary papers on PSC work program and ITCs on Non-Exchange Revenue and Social Policy Obligations provided to the OECD for distribution to delegates at that meeting.
- Accepted a position as a member of the OECD Task Force on Harmonization of Public Sector Accounting (TFHPSA) and attended the first meeting of the Task Force in February 2004. A report on the role of the Task Force and its Working Groups is attached at Agenda item 11.

- Finalized the program for the seminar in Buenos Aires with the Argentinean representative and the PSC Technical Director.
- Met with the PSC Technical Director regarding operations of the PSC during 2004 and reviewed and agreed the Agenda for the March 2004 PSC meeting.
- Reviewed and agreed for discussion at the March 2004 meeting, the PSC draft work program for 2004 and beyond (included at Agenda item 6).
- Prepared letters to members of the Latin American Chapter of the PSC Consultative Group to invite them to meet with the PSC in Buenos Aires in March 2004.
- Reviewed and agreed media releases regarding new members of the PSC for 2004 and the issue of ITCs on Non-Exchange Revenue and Social Policies of Government.
- Reviewed and agreed the submission to IFAC on the Statement of Member Obligations relating to support of IPSASs and reviewed draft updates of the Statement.
- Met with the President of IFAC to discuss PSC operations during 2004 and beyond.
- Reviewed the 2004 budget for the PSC as approved by the IFAC Board in November 2003 with the PSC Technical Director and agreed that financial information relating to 2003 operations and 2004 budget would be tabled for members' information at the March 2004 meeting.
- Presented PSC achievements and future progress to the Global Working Group of 12 Auditors General in New Delhi in February 2004.
- Agreed to make a number of presentations on behalf of the PSC during 2004. These are documented at Agenda item 6.1

COMMUNICATION TO CONSTITUENTS

BACKGROUND ON THE IFAC PUBLIC SECTOR COMMITTEE AND THE EXTERNAL REVIEW OF THE PUBLIC SECTOR COMMITTEE

Introduction

The Public Sector Committee (PSC) of the International Federation of Accountants (IFAC) has commissioned an external review of its activities in order to determine the strategies it should adopt to achieve its future objectives. A Review Panel, chaired by Sir Andrew Likierman, Head of the United Kingdom's Government Accountancy Service, has been set up to undertake the Review. As part of its work, the Panel is seeking the views of stakeholders and would be very grateful if you could complete the attached questionnaire.

This document provides some information on the PSC. It also highlights some of the key aspects of the International Federation of Accountants (IFAC) and briefly discusses IFAC's reform agenda.

Introducing the International Federation of Accountants

IFAC is the global organization for the accountancy profession. Its mission is to serve the public interest, strengthen the worldwide accountancy profession, and contribute to the development of strong international economies.

IFAC works with its 159 member organizations in 118 countries to protect the public interest by encouraging high quality practices by the world's accountants. IFAC members represent 2.5 million accountants employed in public practice, industry and commerce, government, and academe. Its structure and governance provide for the representation of its diverse constituencies and interaction with external groups that rely on or influence the work of accountants.

IFAC's Reform Agenda

At the Council meeting in November 2003, IFAC introduced a number of reforms designed to enhance transparency and therefore increase public confidence in the accounting profession. Principal amongst these reforms was the creation of a new oversight mechanism with participation that extends beyond the members of accountancy bodies. This new oversight mechanism involves the creation of a Public Interest Oversight Board (PIOB), comprised of regulators and other public interest representatives, which will oversee IFAC committees involved in the development and maintenance of auditing, ethical and educational standards. These reforms will reinforce and strengthen IFAC's commitment to act in the public interest. Further details can be found at <http://www.ifac.org/downloads/ReformProposals.pdf>.

The scope of the PIOB will not include the PSC, pending the results of this Review. It is therefore essential that the PSC be subjected to external scrutiny so that the PSC's strategies and governance arrangements are consistent with the enhanced transparency, which is a hallmark of the reform agenda. Below are details on the structure, mandate, composition, governance and key outputs of the PSC.

A BRIEF INTRODUCTION TO THE PUBLIC SECTOR COMMITTEE

PSC STRUCTURE

PSC Structure/Governance

The PSC is a committee of IFAC, funded by IFAC and, predominantly, international development agencies. Membership is approved by the IFAC Board on the recommendation of the IFAC Nominating Committee.

The PSC's voting members are drawn from IFAC member bodies. The PSC also includes, as observers with full rights to the floor, representatives from the external funders and other significant international organizations.

The PSC is accountable to the IFAC Board but has operational independence in respect of its standards-setting role.

PSC members, including its Chair, are part time members and are not remunerated for their services. This is also the case for other IFAC Boards and Committees. However, it is intended that the International Auditing and Assurance Standards Board (IAASB) Chair will be a full-time member. The PSC is supported by 5 full-time staff members, including the Technical Director.

PSC STANDARDS-SETTING OBJECTIVES

PSC Mandate

The PSC was formed to address, on a coordinated worldwide basis, the needs of those involved in public sector financial reporting, accounting and auditing. In this regard, the term "public sector" refers to national governments, regional (e.g., state, provincial, territorial) governments, local (e.g., city, town) governments and related governmental entities (e.g., agencies, boards, commissions and enterprises).

The terms of reference of the PSC require it to develop programs aimed at improving public sector financial management and accountability including:

- developing accounting and auditing standards and promoting their acceptance;
- developing and coordinating programs to promote education and research; and

- encouraging and facilitating the exchange of information among member bodies and other interested parties.

However, the PSC's work program over the past few years has focused on the development of International Public Sector Accounting Standards (IPSASs), with the PSC providing limited guidance on the applicability of International Standards of Audit to the public sector in the form of Public Sector Perspectives. A proposal for the International Organisation of Supreme Audit Institutions to input public sector considerations into the pronouncements of the IAASB and to provide public sector-specific guidance on the application of IAASB pronouncements to the public sector is currently under consideration by the IAASB.

Relationship between the PSC and the IASB

Separate international standards setters currently develop financial reporting standards for the public sector (the PSC) and for profit seeking entities the International Accounting Standards Board (IASB). This arrangement reflects the current stage in the evolution in standards setting for each sector, the relatively recent initiation of the PSCs standards program and the significant workloads of each standard setter. The international standards setters have a good working relationship at the member and the staff level. Further evolution of this relationship may be anticipated.

PSC COMPOSITION AND KEY RELATIONSHIP MANAGEMENT

PSC Composition

Currently, the PSC does not have a designated profile specifying representation by persons with particular expertise (for example, audit, JOHN auditor? preparer, user, academic, etc.) or on a regional (for example, North America, Europe, Asia, Latin America, Australasian) basis, or a developed or lesser-developed economy basis. PSC membership is appointed on the basis of best person for the job. However, the nominating committee does consider these matters in making recommendations for appointment to the PSC.

The PSC currently comprises members from 15 countries as follows:

- France (Chair)
- Argentina
- Australia
- Canada
- Germany
- Israel
- Japan
- Malaysia
- Mexico

- Netherlands
- New Zealand
- Norway
- South Africa
- United Kingdom
- United States

Currently there are observers from:

- The World Bank
- International Monetary Fund (IMF)
- Asian Development Bank (ADB)
- United Nations (UN)
- United Nations Development Program (UNDP)
- European Union (EU)
- Organisation of Economic Co-operation and Development (OECD)
- International Organisation of Supreme Audit Institutions (INTOSAI)
- IASB.

There is also a liaison member from the IFAC Board with full rights to the floor.

PSC membership includes auditors, preparers and consultants and has a wide geographic membership and a broad skill base. Users are represented by the members and also by the international agencies.

Key stakeholders and relationships with stakeholders

The PSC is an IFAC committee, but has close relationships with the World Bank, IMF, ADB, OECD, UN, EU, IASB, governments and international and national standard setters.

The PSC exchanges information with the international and national standards setters, and supports the promotion of IPSASs through international and national organizations by actively participating in seminars, symposiums and discussion groups. The PSC has also initiated meetings with IMF, EU, OECD and some national statistical agencies with a view to progressing convergence of statistical and accounting bases to the extent appropriate. The PSC also acts as a conduit to bring together national standards setters concerned with a specific issue. This is occurring in respect of, for example, PSC projects on social policy obligations, non-exchange revenues, budget reporting and development assistance.

Focus/applicability

The PSC develops IPSASs for application by public sector entities other than Government Business Enterprises (GBEs), including both trading enterprises, such as

utilities, and financial enterprises, such as financial institutions, which apply International Financial Reporting Standards (IFRSs). Its constituency encompasses governments and their individual reporting entities in developed countries and in lesser-developed countries, International non-profit entities such as the OECD, EU and NATO also apply IPSASs.

The IASB establishes IFRSs for financial reporting by profit seeking entities, including those in public sector ownership.

The responsibility for establishing financial reporting standards for private sector or other non-public sector not for profit entities is not explicitly identified in the terms of reference of either of the IASB or the PSC.

PSC OUTPUTS AND DUE PROCESS

PSC outputs

The Standards Project was initiated in 1996. The aim of the first phase, which was concluded in 2002, was to produce a core set of standards based on International Accounting Standards in existence in August 1997. The main outputs of the project have been:

- 20 Accrual Based Standards
- A comprehensive Standard on *Financial Reporting Under the Cash Basis of Accounting*
- Guidance on Transition from Cash Basis to Accruals Basis (available in both hard copy and on web at www.ifac.org)
- An Exposure Draft on *Impairment of Assets*

In the second phase of the project, the PSC is examining public sector specific issues such as accounting for non-exchange revenue (taxation), accounting for the policy obligations of governments (pensions, social benefits), budget reporting and accounting for development assistance.

As noted above, (see focus/applicability) the IPSASs are for application by public sector entities other than GBEs. The PSC has supported these IPSASs with a number of Studies and Occasional Papers to provide guidance on, and country experiences in, moving to the accrual basis.

Currently few governments explicitly claim to apply IPSASs, though a number of national, state and local governments and their entities are considering their adoption. In addition, for other countries IPSASs provide the basis on which national requirements are being developed. Accordingly, a number of countries may be using the work of the PSC in developing national requirements that will result in financial reports being prepared in accordance with IPSASs.

Certain international non-profit entities (OECD, EU, NATO) also apply IPSASs.

The PSC completed this first stage of its standards development program in late 2002/early 2003 with the issuance of the last of the 20 core accrual IPSASs and the cash basis IPSAS. The PSC has not undertaken a substantive study of the adoption of IPSASs or the requirements thereof by governments or other entities.

PSC due process

Currently, the PSC process includes:

- preparation and issue for comment of Invitations to Comment and Exposure Drafts (voting for issue of an ED requires a positive vote of 2/3 of members present at a meeting);
- issuance of IPSASs and Studies (voting for issue of a final IPSAS requires a positive vote of 3/4 of members present at a meeting);
- communication and support of the proposed and final IPSASs, Studies, and the work program at seminars and conferences; and
- discussion of its work program and particular items with its Consultative Group – this is developing.

PSC meetings are open to the public to observe, and key meeting documents can be viewed on the web prior to each meeting. The PSC has initiated the use of Steering Committees and Project Advisory Panels to expand its knowledge base early in the IPSAS development process. The PSC has also reactivated its Consultative Group.

The PSC process has not included public hearings or field testing.

Availability of Documents

PSC documents can be downloaded free of charge from the IFAC website. In addition, the PSC mails approximately 2,000 hard copies of EDs and IPSASs to some 1,500 recipients.

IPSAS Technical Support Mechanisms

The PSC establishment does not provide capacity for the PSC to provide training facilities or for PSC staff to provide detailed response to individual queries. This is the responsibility of accounting firms and other relevant organizations.

Many standard setters have in place mechanisms to provide interpretations of the standards and guidance on issue, or guidance on issues not yet addressed by the standard setter. The PSC does not include mechanisms to provide such interpretations or guidance.

Translation

The PSC encourages national bodies to translate IPSASs into appropriate languages, but does not provide funding support for such translations. The PSC has in place an arrangement with the IASB to leverage the expertise the IASB has in place to support translations – the PSC will fund interpretations that occur under this arrangement.

PSC Promotion and Support of Output

Technical outputs of the PSC are the IPSASs and Studies. The success of the standards-setting program is dependent on the technical quality of the output and the extent to which IPSASs are adopted and/or how their requirements influence and shape national practices. The PSC mandate does not explicitly refer to the PSC's role in education and support of the IPSASs. Strengthening promotion and support roles have resource implications for the PSC and may overlap with the role of the Education Committee.

PSC WORK PROGRAM

Harmonization with IFRSs

IPSASs are currently based on IASs/IFRSs to the extent to which the requirements of these standards are appropriate for the public sector.

The PSC Work Program includes a mix of projects directed at ensuring that the IPSASs remain harmonized with IASs/IFRSs and that IPSASs deal with key public sector specific issues not dealt with by the IASB. The PSC has also acknowledged the need to develop, or co-ordinate the development with authoritative national bodies of, an explicit statement of the concepts that underpin financial reporting by public sector entities.

The IASB is significantly better funded and better resourced, both in respect of the number of staff and the availability of Board meeting times. The IASB is reissuing many of its existing IASs with improvements, and is developing new IFRSs. In addition, the PSC has not dealt with all IASs/IFRSs on issue that have relevance for the public sector.

Harmonization with statistical bases

The GFSM2001 issued by the IMF adopts an accrual basis and a suite of financial statements that are broadly similar to IPSASs. However, there are a number of differences. The PSC has initiated a consideration of the potential for convergence of IPSASs and GFSM and also the European statistical system – ESA 95. The development of the GFS reporting basis also has significantly greater funding than the PSC.

PSC FUNDING AND RESOURCES

PSC Funding and resources

PSC strategy documents prepared in late 2000 projected funding requirements of one million USD per annum to support the program through to the end of 2005. This budget was predicated on four PSC meetings per year and 3.5 equivalent full-time experienced staff working out of Melbourne, Australia on the Standards Project, supported by consultants on key projects. A further staff member working out of IFAC headquarters in New York operates as the PSC Secretariat and provides additional support to the PSC for its non-standards program activities. The PSC's actual operating costs to date have been just over half of this amount.

The PSC currently meets three times each year for three days, one half day of which is devoted to interaction with local area constituents and promotion of IFAC-PSC documents and initiatives.

It is proposed that for 2004, the PSC be staffed by the Technical Director, two full-time technical managers and a Committee Secretary

RETURN OF QUESTIONNAIRE

Questionnaires should be returned by February 5, 2004

You can access and complete the questionnaire online by going to <http://www.ifac.org/PSCSurvey>. You are strongly encouraged to return the questionnaire electronically. If this is not possible, you can [download a PDF version](#) of the survey from the same address and return a hard copy to:

**John Stanford
Policy and Technical Directorate
CIPFA
3, Robert Street
London WC2N 6RL
UNITED KINGDOM**

Or fax it to John Stanford at +44 20 7543 5695

External Review of IFAC Public Sector Committee

Questionnaire

We appreciate your time in completing the 27 questions listed here. Some require less time than others. Please complete the questionnaire by February 5, 2004 so that your responses may be fully considered in the deliberations about the future role of the Public Sector Committee (PSC).

You are strongly encouraged to complete this questionnaire online by going to <http://www.ifac.org/PSCSurvey>. If this is not possible, you can complete this questionnaire and follow the mailing or fax instructions at the end of the survey.

Name: _____

Survey Group:

- | | |
|--|---|
| <input type="checkbox"/> Academics | <input type="checkbox"/> National Standard-Setters |
| <input type="checkbox"/> Audit Bodies | <input type="checkbox"/> PSC Consultative Group |
| <input type="checkbox"/> IFAC Board | <input type="checkbox"/> PSC Members and Technical Advisers |
| <input type="checkbox"/> IFAC Member Bodies | <input type="checkbox"/> PSC Observers |
| <input type="checkbox"/> Multi-lateral Development Banks | <input type="checkbox"/> PSC Steering Committees |
| <input type="checkbox"/> National Ministries of Finance/Treasuries | <input type="checkbox"/> Regional Accounting Bodies |
| <input type="checkbox"/> Other _____ | |

Position: _____

Organization: _____

Geographical Region:

- | | |
|--|--|
| <input type="checkbox"/> Africa | <input type="checkbox"/> North America |
| <input type="checkbox"/> Asia | <input type="checkbox"/> Oceania |
| <input type="checkbox"/> Central America and Caribbean | <input type="checkbox"/> South America |
| <input type="checkbox"/> Europe | |

Country: _____

Telephone: _____

Email: _____

Role of the Public Sector Committee

The Public Sector Committee's (PSC) mandate includes the development of accounting and auditing standards and the development and coordination of programs to promote education and research. The International Federation of Accountants' (IFAC) standing technical committees include the International Auditing and Assurance Standards Board (IAASB), Education Committee, Ethics Committee and Professional Accountants in Business Committee. However, since 1997 the PSC has focused its resources on its role as an accounting standard-setter for the public sector. The following questions seek the views of constituents on key aspects of the PSC's role.

Q1 The International Accounting Standards Board (IASB) has, as a core objective, the development of a single set of high quality, understandable and enforceable global accounting standards for profit seeking entities. Is there a need for an independent global standard-setter for the public sector?

☐ Yes ☐ No

Why? _____

Q2 Is it appropriate for the PSC to continue to focus on financial reporting standard-setting rather than on areas like audit, education and corporate governance?

☐ Yes ☐ No

Why? _____

Q3 Should the PSC's mandate be amended to reflect a primary focus on financial reporting standard-setting?

☐ Yes ☐ No

Why? _____

Q4 Should the PSC standards program continue to include both:

- (a) the development of International Public Sector Accounting Standards (IPSASs) based on International Accounting Standards/International Financial Reporting Standards (IASs/IFRSs) where the requirements of those standards are appropriate for the public sector; and
- (b) the development of IPSASs dealing with public sector specific issues, which are not within the scope of the standards issued by the IASB?

- ☐ Yes, both IAS/IFRS harmonization and public sector specific issues
- ☐ Just harmonization with IFRS/IAS
- ☐ Just public sector specific issues
- ☐ No, neither

What should be the focus of the PSC's standards program?

Why? _____

Q5 The IASB has initiated wide-ranging improvements and convergence projects, which will lead to changes to existing IASs and the issue of new IFRSs. How important is it that IPSASs should reflect changes to IASs/IFRSs as quickly as possible after those changes are approved?

- | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 1 | 2 | 3 | 4 | 5 |
| Not at all
Important | Somewhat
Important | Important | Very
Important | Extremely
Important |

Why? _____

Q6 How influential have the IPSASs and other PSC publications, which provide transitional guidance, been in informing approaches to financial reporting in your organization/jurisdiction?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	2	3	4	5
Not at all	Somewhat	Influential	Very	Extremely
Influential	Influential		Influential	Influential

Please outline the extent to which they have been used:

Q7 Many standard-setters have set out principles that underpin the approach to standard-setting in a conceptual framework or statement of principles, e.g., the IASB's Framework for the Preparation and Presentation of Financial Statements. The PSC has not formally adopted its own conceptual framework, although, in a series of Studies issued prior to the commencement of the Standards Project, the PSC considered a range of concepts and principles that would form the core of any such framework. In addition, as the first phase of the Standards project was based on IASs in existence in August 1997, the PSC has implicitly adopted the IASB's framework, modified to reflect public sector circumstances identified in the course of the project. In your view, should the PSC develop its own conceptual framework?

☐ Yes ☐ No

Why?

Q8 How important do you think the development of such a framework is?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	2	3	4	5
Not at all	Somewhat	Important	Very	Extremely
Important	Important		Important	Important

Why?

Q9 The IASB has formed partnerships with a number of national standard-setters to progress projects in areas such as reporting comprehensive income and service concessions. Should the PSC adopt a similar approach in addressing public sector specific issues?

☐ Yes ☐ No

Why? _____

Q10 Do you think that the Committee needs to devote additional time and resources to the cash basis of accounting?

☐ Yes ☐ No

Why and what form should further PSC projects on the cash basis take?

Q11 Do you think that the PSC should address budget issues as well as financial reporting issues?

☐ Yes ☐ No

Why and in particular how broad should involvement in budget issues be?

Q12 During 2003 the PSC initiated discussions with stakeholders, including the Organization of Economic Cooperation and Development (OECD), International Monetary Fund (IMF), Eurostat and World Bank to consider potential mechanisms to harmonize IPSASs with statistical bases of reporting where appropriate. The PSC is participating in an ongoing project facilitated by the OECD to identify differences between IPSASs, Governmental Financial Statistics and European System of Accounts (ESA 95) and, where possible and appropriate, to eliminate those differences. How important to you is the harmonization of accounting principles and statistical accounting?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	2	3	4	5
Not at all Important	Somewhat Important	Important	Very Important	Extremely Important

Why? _____

Currently is there a difference between the accounting and statistical reporting bases adopted in your jurisdiction? _____

Q13 Please allocate the PSC's resources to the following categories based on your view of the PSC's priorities. The total should equal 100 percent.

Public sector specific issues	_____
Update IPSASs for IASB changes	_____
Deal with IASs/IFRSs that are not yet IPSASs	_____
Cash basis	_____
Harmonization of IPSAS and GFS/ESA 95	_____
Conceptual framework	_____
Training and implementation assistance	_____
Other (please specify) _____	_____
Total	100%

Comments: _____

Governance and Organization

As part of its reform process IFAC is introducing new governance arrangements. Together with key partners, IFAC has established a Public Interest Oversight Board (PIOB). The PIOB is responsible to the public rather than to the IFAC Board or the management of IFAC. The PIOB has oversight of a number of IFAC Committees with standard-setting responsibilities, including those committees with responsibility for auditing, ethical and education standards. These reforms will reinforce and strengthen IFAC's commitment to act in the public interest. Currently, and pending the results of this review, the PSC is not subject to the oversight of the PIOB. It is therefore important that this review considers the governance arrangements for the PSC and obtains the views of constituents. The following questions are on key aspects of the PSC's governance.

Q14 Currently the PSC is a standing committee accountable to the IFAC Board. Other governance models including establishing the PSC as a separate independent standard-setter with its own trustees, or moving under the umbrella of the International Accounting Standards Committee (IASC) Foundation. What do you think is the most appropriate governance model?

- ☐ Current arrangement as IFAC Committee
- ☐ Standalone with trustees
- ☐ International Accounting Standards Committee (IASC) Foundation
- ☐ PIOB

Other arrangement (please specify): _____

Q15 If you think that a new governance model is appropriate (i. e., other than maintaining the current arrangement) what timescales do you think are reasonable for such a change?

- ☐ 1 – 2 years
- ☐ 3 – 5 years
- ☐ 5+ years

Why? _____

Q16 Currently membership of the PSC is determined by the IFAC Board following the recommendation of the IFAC Nominating Committee. Is this process appropriate for an international standard-setter?

- ☐ Yes ☐ No

Why? _____

Q17 If the PSC continues in a financial reporting standard-setting role, should it be renamed?

☐ Yes ☐ No

Suggested Name: _____

Q18 Many standard-setters have full-time chairs. Should the PSC move to establish the Chair's position as a full-time or part-time paid role?

☐ Yes ☐ No

Why? _____

Q19 Most national and international standard-setters have an interpretations committee, e.g., the IASB's International Financial Reporting Interpretations Committee (IFRIC). The aim of an interpretations committee is to review newly identified financial reporting issues not specifically addressed in standards or issues where unsatisfactory or conflicting interpretations have arisen, with a view to reaching a consensus on the appropriate treatment. Should the PSC establish an interpretations committee?

☐ Yes ☐ No

Why? _____

Q20 The PSC adopts a due process, which includes consultation periods of at least 4 months (and in some cases more). Do you think the current approach to consultation is appropriate?

☐ Yes ☐ No

Why? _____

Q21 Currently the PSC has 15 members, each of whom is entitled to be accompanied by two technical advisers. In addition, there are around nine observers. Technical advisers and observers are non-voting, but have full rights of the floor. Do you think that the current size of the PSC is appropriate for an international standard-setter?

☐ Yes ☐ No

Why? _____

Q22 The PSC currently includes representatives from IFAC members bodies from Africa (1), Asia (3), Central America (1), Europe (5), North America (2), Oceania (2) and South America (1), (the current membership is shown in the background paper). Do you think that the current composition of the PSC is appropriate?

☐ Yes ☐ No

If you have answered NO, please give reasons and identify the changes you would like to see introduced. _____

Q23 Currently the PSC standards program is funded by IFAC and external funders including the World Bank, the International Monetary Fund and the Asian Development Bank. Currently the PSC grants observer status to financial supporters of the project and other key stakeholders, which are considered to be significant. (PSC observers for 2004 are identified in the background paper which you can download from the online survey — <http://www.ifac.org/PSCSurvey>.) Do you think that observer status should only be granted to financial supporters of the project?

☐ Yes ☐ No

Are there any other changes to the PSC approach to observer status that should be considered?

Q24 Currently the PSC's governance arrangements require a positive vote of 2/3 of the members present for an exposure draft or Invitation to Comment to be issued and a positive vote of 3/4 of the members present for an IPSAS to be issued. Do you think that these arrangements are appropriate?

☐ Yes ☐ No

If you have answered NO, please give reasons and identify the changes you would like to see introduced.

Q25 The PSC has recently established a consultative group of interested constituents across the world. It is intended that the Group conduct its business primarily by electronic means. In addition, local area members of the Group have met with the PSC at two recent PSC meetings in their region to briefly discuss projects on its agenda and other topics of mutual interest. Do you think that the PSC should continue to maintain a consultative group that operates in this way?

☐ Yes ☐ No

What should be the main role of the Consultative Group? _____

What are your views on the current way the Consultative Group works?

Translation

(Please only answer this question if English, French and Spanish are not your first languages.)

The text of IPSASs, Exposure Drafts, Studies and Occasional Papers approved and issued by the PSC is English. The PSC recognizes the importance of translating its pronouncements into languages other than English. The PSC has identified the following as key languages; French, Russian, Spanish, Chinese and Arabic. The PSC has set up a joint arrangement with the IASB, relying on the IASB Translation Panel. French translations of IPSASs 1-18 have been completed and are under review and Spanish translations are under way. In addition, a number of translations have also been undertaken by member bodies.

Q26 How important to you and your constituents is it that standards are translated from English to other languages?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	2	3	4	5
Not at all Important	Somewhat Important	Important	Very Important	Extremely Important

Comments: _____

Q27 Would translation to other languages increase the possibility of a broader adoption of IPSASs?

☐ Yes ☐ No

Why? _____

This questionnaire should be returned by February 5, 2004.

If not completing online, please send the completed questionnaire to the following address:

Policy and Technical Directorate
CIPFA
3, Robert Street
London WC2N 6RL
UNITED KINGDOM
Or fax it to John Stanford at +44 20 7543 5695

If you wish to discuss any aspect of this questionnaire, please call John Stanford at +44 117 9249115.



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

545 Fifth Avenue, 14th Floor Tel: (212) 286-9344
New York, New York 10017 Fax: (212) 286-9570
Internet: <http://www.ifac.org>

DATE: 13 FEBRUARY 2004
MEMO TO: MEMBERS OF THE IFAC PUBLIC SECTOR COMMITTEE
FROM: JERRY GUTU
SUBJECT: **SECRETARIAT'S REPORT**

ACTION REQUIRED

The Committee is asked to:

- **receive and note** a report from the Secretariat;
- **receive and note** a report on IFAC Technical Committees;
- **receive and confirm** address details in the Members' Correspondence Distribution List;
- **receive and note** a timetable for the Joint Seminar with FACPCE.

AGENDA MATERIAL:

	Pages
5.2 Report on Secretariat Activities	5.2
5.3 Report on IFAC Technical Committees	5.3 – 5.8
5.4 Members' Correspondence Distribution List	5.9 – 5.17
5.5 Program for Symposium on 24 March 2004	5.18

Secretariat Report

For your information, as Secretariat to the Public Sector Committee (PSC) I have been involved in the following matters since the last International Federation of Accountants (IFAC) PSC meeting in Berlin, Germany, November 5-7, 2004:

- Preparations and liaison with the hosts, FACPCE (Federacion Argentina de Consejos Profesionales de Ciencias Economicas – Argentinean Federation of Professional Accountants) and others as necessary to coordinate the March 2004 PSC meeting in Buenos Aires.
- Seeking replacements and new appointments for the remaining nominations to the Consultative Group. Invitations were sent to all the group's regional members in Latin America to attend the PSC meeting in Buenos Aires.
- Liaison with IFAC Committees including IAASB, Education, PAIB/FMAC, TAC and Ethics. Participated in teleconference and exchanged information with INTOSAI/IAASB concerning the PSP process and the arrangements for takeover of PSPs.
- Liaison with constituents translating PSC work including IPSASs for an update. These include constituents from Latin America, China, Indonesia, Arab countries, Russia and Switzerland.
- Proof reading and assisting in editing the 2004 IFAC PSC Handbook.
- Assisting in putting together Orientation package materials for IFAC Board Members and PSC Committee Members and progressing ED SMOs.
- Participated, together with other IFAC Technical Managers, in the review of IFAC Internal Operating Processes and Procedures.
- Various other secretarial and support issues including responses to queries on PSC work on standards, guidelines, studies, updating the Network list and CDL.

IFAC Committees Liaison Report

The Committee is asked to note the activity reports of the other IFAC Committees summarized below under this item.

Transnational Audit Committee (TAC)

TAC Audit Quality Initiatives

As previously reported, the TAC has developed several audit quality initiatives designed to support the Forum's objective to support and implement high quality audit standards and performance. TAC Staff have prepared reports for two areas – global application of IFRS and globally directed inspection programs. These reports are planned to be approved by the TAC for distribution to Forum of Firms members.

Other workstreams include:

- Audit quality/expectations gap
- Transparency disclosures
- Ongoing dialogue with the IFAC Leadership Group

Branding

The TAC is developing possible solutions for the provisional FoF members to achieve branding, in light of the fact that the International Quality Assurance Review program has been deferred.

Input into Standard Setting

The TAC periodically provides input to the IAASB, Ethics Committee and other IFAC task forces preparing standards.

Next Meetings

March 19	Brussels
June 23	New York
September 22	Europe
September 23	Europe (FoF)
November 30	North America

Ethics Committee

In November 2003, the IFAC Board approved for issuance an exposure draft to clarify the rotation requirements for lead engagement partners on the audit of listed entities. The exposure period ends on February 15, 2004.

In February 2004, the Ethics Committee met to discuss comments received on the exposure draft to revise Parts A, B, and C of the Code.

The Committee meets again in May 2003, when it plans to discuss changes to the Code in response to comments received on exposure. At this meeting the Committee will also discuss changes to Section 8 Independence to reflect the new Assurance Framework issued by the IAASB.

Professional Accountants in Business Committee (PAIB) formerly *Financial Management Accounting Committee (FMAC)*

PAIB publishes documents that uniquely add value to the global field of management accounting practice. These publications generally arise out of current and emerging issues and from identification of IFAC member body interests. They can take the form of thought pieces, studies, theme booklets, and other material.

Articles of Merit Competition

PAIB conducts an annual competition that gives international exposure to articles that are judged to have made a distinct and valuable contribution to the advancement of the field of management accounting. Articles are nominated by IFAC member body journal editors and are assessed by an international panel of judges. An award is given for the best article and it, together with other noteworthy articles, are published in the annual Articles of Merit booklet and on the website.

Enterprise Governance

An increasing number of companies are introducing risk assessment and risk management processes within the enterprise. These encompass the strategic decision-making processes, the delivery of objectives (both strategic and operational), the protection of assets and the methods of providing assurance to management and boards that these processes are working effectively. One of the PAIB's Committee's newest projects involves exploring these issues through the development of 25 case studies.

As a first step, PAIB has received a discussion document which seeks to describe and define enterprise governance from the Chartered Institute of Management Accountants (CIMA).

Ethics Code Revision

The PAIB is involved in updating the sections of the IFAC Code of Ethics that specifically address professional accountants in business. IFAC's Board recently released exposure draft of a proposed revised code of Ethics that features a principles-based approach and provides more in-depth guidance for PAIBs.

Sustainability

Following a general expression of interest by IFAC member bodies and accountants in business, the PAIB has recently initiated a project addressing the area of managing sustainability. Plans are underway to develop a theme booklet working in collaboration with member bodies and other key stakeholders.

Education Committee

The Education Committee is focusing on the following projects:

Education Standards Project

In October 2003, the Education Committee released the first six International Education Standards for Professional Accountants (see below), establishing global benchmarks in education for professional accountants. It plans to issue another standard on Continuing Professional Education in 2004.

The committee is currently working on guidance to assist IFAC member bodies in implementing the guidance established in the standards.

Assessment Methods

The purpose of this project is to provide guidance to assist and encourage member bodies of IFAC to select a range of appropriate assessment methods to better test the capabilities and competencies of candidates for admission to the profession. The committee plans to publish an IEG in 2004 to assist and encourage member bodies to adopt an integrated assessment approach using an appropriate range of assessment methods.

Ethics Education Project

The purpose of this project is to provide practical guidance to assist and encourage member bodies, academics and others responsible for the education of professional accountants to adopt a range of appropriate approaches to develop professional values and ethics as part of the education of all professional accountants.

The Education Committee is seeking applications of interest from experienced, respected academics to carry out research on ethics education for this project. The terms of reference for the project can be found on the website. Applications of interest are to be received by February 16, 2004.

Member Body Information Sharing Project

Some IFAC member bodies have agreed to make available selected information about their education and development programs to other IFAC member bodies.

IAASB Committee

- **IAASB representatives recently met with the following stakeholders:**
 - IOSCO Auditing Sub-committee and IOSCO Standing Committee No. 1 (January 13-14, 2004). Discussions included an update on projects-in-progress (including the Improving the Clarity of Standards Project), exposure drafts issued, and the IAASB's project timetable.
 - IFAC Member Body Chief Executives' Meeting (January 26-27). Major areas of importance for the IAASB include improving the clarity of standards and the use of simplified language, and supporting the work of small- and medium-sized practitioners with appropriate guidance.
 - National Auditing Standard Setters' Meeting (January 22-23). Discussions included the clarity of standards, and convergence of national standards with international standards. An IAASB Task Force will continue to define the way forward and refine the proposals on the clarity of standards (incorporating the equal authority, black and grey letter).
- The IFAC Board will be considering a proposed revised Terms of Reference for the IAASB at its March 10-12, 2004 meeting. The objective of the revision was to achieve consistency among Public Interest Activity Committee's Terms of Reference.

Other Matters of Interest

- The IAASB's Terms of Reference was revised to provide for the appointment of three observers with the privilege of the floor. The IFAC Board established criteria for invitation/acceptance of appointment of observers. To date, two seats have been taken: one by the US Public Company Accounting Oversight Board (PCAOB) and another by the Japanese Financial Services Agency (FSA). It is expected that the European Commission may take the other seat.
- A proposed Terms of Reference for the IAASB Steering Committee has been prepared for consideration by the IAASB.
- A proposed revised Terms of Reference for the IAASB Consultative Advisory Group, taking account of the IFAC Proposals for Reform, is being prepared.

December 2004 IAASB Meeting

- The IAASB approved exposure drafts on the auditors report and on the audit of group financial statements at its December 2004 meeting.

- The International Framework for Assurance Engagements and International Standard on Assurance Engagements (ISAE) 3000, “Assurance Engagements Other Than Audits or Review of Historical Financial Information” were approved by ballot in January 2004.
- The IAASB Planning Committee (now IAASB Steering Committee) approved a restructuring of the pronouncements issued by the IAASB. This is reflected in the 2004 edition of the Handbook of International Auditing, Assurance, and Ethics Pronouncements, which is currently at the printer.

Future Meetings

The following IAASB meetings have been scheduled for 2004:

- February 16 – 18 (New York)
- April 19 -23 (Toronto)
- June 14 – 18 (Copenhagen)
- September 13 – 17 (New York)
- December 6 – 10 (To be confirmed)

February 16 – 18 Agenda

The following projects will be discussed at the February 2004 IAASB meeting:

- Proposed final quality control pronouncements
- Proposed final ISA on planning
- Proposed final ISA on fraud
- First read of proposed exposure draft on audit of accounting estimates
- Issues paper on documentation
- Significant comments received on proposed ISA on review of interim financial information.

Future Meetings

Public Sector Perspectives are being drafted or will be have to be drafted for the following projects:

- Audit of group financial statements
- The auditor’s report
- Audit materiality
- Audit of accounting estimates.

Compliance Committee

IFAC Membership Compliance Program

At its July 2003 meeting, the IFAC Board approved an IFAC Membership Compliance Program designed to provide clear benchmarks to current and potential IFAC member organizations to assist them in ensuring high quality performance by accountants worldwide. The primary focus of the compliance function will be on improvement and encouragement.

Statements of Membership Obligations (SMOs) will serve as the foundation for the Membership Compliance Program. The SMOs cover Quality Assurance, Education Standards, IAASB pronouncements, Ethics Standards, International Public Sector Accounting Standards (IPSASs), Investigation and discipline, and IFRSs. Seven SMOs were exposed for comment and 32 comment letters were received. A working group of the Board (called the Quality Control Review Group or QCRG), supported by IFAC Staff, has overseen and participated in the analysis of the comments and the revisions to the SMOs. The QCRG will update the IFAC Board as to the status of the SMOs at the March meeting and may ask the Board to approve final documents depending on the outcome of current discussions.

The IFAC staff, reporting to the IFAC Chief Executive, will have responsibility for development and implementation of the Membership Compliance Program. The Membership Compliance Program will be overseen by a Compliance Advisory Panel (CAP) consisting of five experts in compliance matters. The members of the panel have been selected from a broad geographic area by the Nominating Committee and approved by the IFAC Board in November 2003.

The CAP held its first meeting in January 2004. One of the matters discussed was the first phase of the Compliance Program which consists of a regulatory and standard setting framework questionnaire. This questionnaire will be distributed to all of IFAC's member bodies in the first quarter of 2004 and will provide IFAC with an understanding of its member bodies' roles in standard setting in their countries. The second phase of the Compliance Program consists of assessing member bodies' compliance with the SMOs. A questionnaire for this phase is under development by IFAC Staff and will be reviewed by the CAP in 2004.

**International Federation of Accountants
Public Sector Committee 2004
Members Correspondence Distribution List**

REPRESENTATIVE

TECHNICAL ADVISOR

**TECHNICAL
ADVISOR**

FRANCE

Philippe Adhémar (**Chair**)
Cour des Comptes
13, Rue Cambon
75001 Paris Cédex
France
Phone: 33 1 4298 9507
Fax: 33 1 4260 0159
Email: padhemar@ccomptes.fr
Term Ending: 2006

Jean-Luc Dumont
JLD Expertise & Conseil
1 Rue de Courcelles,
75008 Paris
France
Phone: 33 1 45 63 05 76
Fax: 33 1 45 63 99 81
Email: jean-luc.dumont@wanadoo.fr

Henri Giot
Direction des relations
internationales
Conseil Supérieur des
Experts Comptables
153 rue de Courcelles
75817 Paris Cedex 17,
France
Phone: 33 1 44 15 60 72
Fax: 33 1 44 15 90 05
Email hgiot@cs.experts-comptables.org

UNITED KINGDOM

Mike Hathorn (**Deputy Chair**)
Moore Stephens
1 Snow Hill
London
EC1A 2EN
Phone: 44 20 7334 9191
Fax: 44 20 7651 1823
Email:
mike.hathorn@moorestephens.com
Term Ending: 2004

John Stanford
CIPFA
3, Robert Street
London, WC2N 6BH
United Kingdom
Phone: 44 207 543 5682
Fax: 44 207 543 5695
Email: John.Stanford@cipfa.org

ARGENTINA

Carmen Giachino Palladino
1284 Riglos Street
Capital Federal, CP
Buenos Aires 1424
Argentina
Phone: 54 11 4922 8714
Fax: 54 11 4349 6559
Phone: 54 9 11 4415 0978
(mobile)
Email:
cpalladino@cponline.org.ar
Term Ending: 2004

Blanca Arazi
2048 Av. Las Hears 9A, CP :
1127
Buenos Aires,
Argentina
Fax/Phone : 5411 4803 6623
(home)
Phone : 5411 4807 4309 (office)
Phone : 54 9 11 4949 5420
(mobile)
Email : blanca@soporte24hs.com

AUSTRALIA

J. Wayne Cameron
Auditor-General
Victorian Auditor-General's
Office
Level 34
140 William Street
MELBOURNE
Victoria 3000
AUSTRALIA
Phone : 61 3 8601 7100
Fax : 61 3 8601 7020
Wayne.cameron@audit.vic.gov.au
Term Ending: 2006

Robert Keys
Senior Project Manager
Australian Accounting Standards
Board
PO Box 204
Collins St West Vic 8007
Australia
Phone: 61 3 9617 7624 (direct)
61 3 9617 7600 (general)
Fax: 61 3 9617 7674 (direct)
61 3 9617 7608 (general)
Email: rkeys@aasb.com.au

CANADA

Rick Neville
Vice President &
Chief Financial Officer
Finance and Administration
Royal Canadian Mint
320 Sussex Drive, Ottawa,
Ontario, Canada KIA OG8
Phone: 613 993 5384
Fax: 613 952 8342
Email address:
Neville@mint.ca
Term Ending: 2005

Ron Salole
Director of Accounting Standards
CICA
277 Wellington Street, West
Toronto, Ontario
M5V 3H2
Canada
Phone: 1 416 204 3277
Fax:
Email: Ron.Salole@cica.ca

Daniel A. Duguay
Office of the Auditor
General
Victoria Hall
11 Victoria Street
Hamilton HM 11
Bermuda
Phone: 441 296 3148
Direct Line 441 294 2226
Fax: 441 295 3849
Email dduguay@gov.bm

GERMANY

Dr. Norbert Vogelpoth
PwC Deutsche Revision AG
Member of
PricewaterhouseCoopers
Friedrich-List-Strasse 20
D-45128 Essen
Germany
Phone: 49 201 438 1500
Fax: 49 201 438 1504
Email:
norbert.vogelpoth@de.pwc.com
Term Ending: 2005

Catherine Viehweger
Institut der
Wirtschaftsprüfer in
Deutschland e.V.
Tersteegenstrasse 14
40474 Duesseldorf
Germany
Phone: 49 211 4561 253
Fax: 49 211 4561 233
Email: viehweger@idw.de

Andreas Dörschell
PwC Deutsche Revision AG
Member of
PricewaterhouseCoopers
Friedrich-List-Strasse 20
D-45128 Essen
Germany
Phone: 49 201 438 1160
Fax: 49 201 438 3112
Email:
andreas.doerschell@de.pwc.com

ISRAEL

Zvi Chalamish
1 Kaplan Street
Jerusalem
Israel
Phone: 972 2 531 7457
Fax: 972 2 531 7032
Email: zvi@mof.gov.il
Term Ending: 2006

JAPAN

Ryoko Shimizu
Chuo Aoyama Audit
Corporation
Kasumigaseki Building,
32nd Floor, 3-2-5
Kasumigaseki
Chiyoda-ku
Tokyo 100-6088
JAPAN
Phone : 81 3 5532 3909
Fax : 81 3 5532 3901
Ryoko.shimizu@jp.pwc.com
Term Ending: 2005

MALAYSIA

Mohd Salleh Bin Mahmud
Accountant General's
Department
Level 8, Lot 2GIA, Kompleks
Kewangan
Pusat Pentadbiran Kerajaan
Persekutuan
62594 Kuala Lumpur
Malaysia
Email:
msallehm@anm.gov.my
Phone: 60 3 888 21011
Fax: 60 3 888 95819
Term Ending : 2006

MEXICO

Javier Pérez Saavedra
Subdirector de Control de
Calidad
Petróleos Mexicanos
Marina Nacional 329,
Torre Ejecutiva Piso 7
México 11311, D.F.
México
Phone: 52 5 611 6062
Fax: 52 5 615 5020
Email:
jperezs@dcidp.pemex.com
Term Ending: 2004

Conrado Villalobos Diaz
Commission Federal de
Electricidad
Paseo de la Reforma No.
164-6
Col. Juarez 06600
D.F. Mexico
Phone: 52 5 229 4611
52 5 229 4400 ext. 7822
Fax: 52 5 705 6863
Email :conrado.villalobos@cfe.gob.mx

NETHERLANDS

Peter H. E. Bartholomeus
Directeur Audit en
Toezichtbeleid
Ministerie Van Financien
P.O. Box 20201
NL 2500 EE The Hague
Netherlands
Phone: 31 70 342 7255
Fax: 31 70 342 7987
Email:
p.h.e.bartholomeus@minfin.nl
Term Ending: 2004

Aad Bac
Tilburg University
Postbus 90153
5000 LE Tilburg
Netherlands
Phone: 13 466 3422
Fax: 13 466 2611
Email: a.d.bac@uvt.nl

Wilma Wakker
Koninklijk Nederlands Instituut
van Registeraccountants
A.J. Ernststraat 55
P.O. Box 7984
1008 AD Amsterdam
Netherlands
Phone: 31 20 301 0301
Fax: 31 20 301 0302
Email: w.wakker@nivra.nl

NEW ZEALAND

Greg Schollum
Chief Financial Officer
Greater Wellington - The
Regional Council
PO Box 11646
142-146 Wakefield St
Wellington
New Zealand
Phone: 64 4 802 0308
Fax: 64 4 384 5023
Email : greg.schollum@gw.govt.nz
[@gw.govt.nz](mailto:greg.schollum@gw.govt.nz)
Term Ending: 2005

Simon Lee
Institute of Chartered
Accountants of New Zealand
Level 2, CIGNA House
40 Mercer Street
P. O. Box 11-342
Wellington
New Zealand
Phone: 64 4 917 5638
Fax: 64 4 472 6282
Email:
simon_lee@icanz.co.nz

NORWAY

Tom Henry Olsen
PricewaterhouseCoopers DA
Karenslyst alle 12
N-0245 Oslo
Norway
Phone: 47 23 16 00 39
Fax: 47 23 16 10 00
Email:
tom.henry.olsen@no.pwcglobal.com
Term Ending: 2005

Harald Brandsås
Technical Director
The Norwegian Institute of Public
Accountants
P.O. Box 5864 Majorstuen,
N-0308 Oslo
Norway
Street Address: Pilestredet 75 D, Oslo
Phone: 47 23 36 5200
Mobile 47 99 52 5186
Fax: 47 22 69 0555
Email:
harald.brandsaas@revisornett.no
www.revisornett.no

SOUTH AFRICA

Terence Nombembe
Deputy Auditor-General and
Chief Executive Officer
Office of the Auditor-
General Republic of South
Africa
271 Veale Street New
Muckleneuk 0002
Mailing address:
Box 446, Pretoria, 0001
South Africa
Phone: 27 12 426 8242
Fax: 27 12 426 8257
Email: terencen@agsa.co.za
Term Ending: 2004

Erna Swart
Chief Executive Officer
Accounting Standards Board
Postal address: P O Box
74129
Lynnwood Ridge
Pretoria 0040
South Africa
Phone: 27 12 470 9500.
Fax: 27 12 348 4150
Email: ernas@ipfa.co.za

UNITED STATES

Ronald J. Points
Regional Financial
Management Advisor
World Bank - EAPCO
1818 H Street, N.W.
Room MC 9-143
Washington, DC 20433
United States
Phone: 1 202 473 4018
Fax: 1 202 522 1663 1739
Email:
rpoints@worldbank.org
Term Ending: 2006

David R. Bean
Director of Research
Governmental Accounting
Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
United States
Phone: 1 203 847 0700 x244
Fax: 1 203 849 9714
Email: drbean@gasb.org

Mary M. Foelster
American Institute of
Certified Public Accountants
1455 Pennsylvania Ave. NW
Washington, DC 20004-
1081
United States
Phone: 1 202 434 9259
Fax: 1 202 638 4512
Email: mfoelster@aicpa.org

IFAC

Paul Sutcliffe
Technical Director
International Federation of
Accountants
Suite 1302, 530 Little Collins
St
Melbourne
Victoria 3000
Australia
Phone: 61 3 9909 7680
Fax: 61 3 9909 7669
Email: psutcliffe@ifac.org

Jerry Gutu
Technical Manager
International Federation of
Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017 USA
Phone: 1 212 471 8714
Fax: 1 212 286 9570
Email: jerrygutu@ifac.org

Matthew Bohun
Technical Manager
International Federation of
Accountants
Suite 1302
530 Little Collins St
Melbourne
Victoria 3000
Australia
Phone: 61 3 9909 7677
Fax: 61 3 9909 7669
Email: mbohun@ifac.org

Hongxia Li
Technical Manager
International Federation of
Accountants
Suite 1302
530 Little Collins St
Melbourne
Victoria 3000
Australia
Phone : 61 3 9909 7670
Fax: 61 3 9909 7669
Email: lihongxia@ifac.org

Li Li Lian
Assistant Project Manager
International Federation of
Accountants
Suite 1302
530 Little Collins St
Melbourne,
VIC 3000
Australia
Phone: 61 3 9909 7670
Fax: 61 3 9909 7669
Email: llian@ifac.org

OBSERVERS

ASIAN DEVELOPMENT BANK

Ping-Yung Chiu
The Controller
Asian Development Bank
Headquarters
6 ADB Avenue
Mandaluyong City
0401 Metro Manila
Mailing Address
P.O. Box 789
0980 Manila Philippines
Phone: 63 2 632 4542
Fax: 63 2 636 2586
Email: pychiu@adb.org

EUROPEAN COMMISSION

Dieter Glatzel
Head of Unit
Accounts and Financial
Indicators
Statistics for the Excessive
Deficit Procedure
Postal address: Jean Monnet
Building - 1-2920
Luxembourg
Office: BECH Building - 5,
rue Alphonse Weiker - 2721-
LUXEMBOURG
Phone: 352 4301 32022
Fax: 352 4301 32929
Email:
dieter.glatzel@cec.eu.int

INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

Warren McGregor
IASB
1st Floor, 30 Cannon Street
London EC4M 6XH
United Kingdom
Phone: 44 20 7246 6410
Fax : 44 20 7246 6411
Email:
wmcgregor@iasb.org.uk

INTERNATIONAL MONETARY FUND

Bert Keuppens
Assistant Treasurer
International Monetary Fund
700 19th Street, N.W.
Room IS3-900
Washington, D.C. 20431
USA
Phone : 1 202 623 7813
Fax : 1 202 623 8244
Email: bkeuppens@imf.org

INTOSAI CAS

John C. Fretwell
U.S. GAO
441 G. Street NW
Room 5085
Washington DC 20548
USA
Phone: 202 512 9382
Fax: 202 512 9193
Email: fretwellj@gao.gov

OECD

Jon Blondal
OECD
Deputy Head of Division
Budgeting and Management
Division
Directorate for Public
Governance
2 Rue Andre Pascal
75775 Paris Cedex 16
France
Phone : 33 1 4524 7659
Fax : 33 1 45 24 85 63
Email: jon.blondal@oecd.org

UNITED NATIONS

Jayantilal M. Karia
Director, Accounts Division
Office of Programme
Planning, Budget and
Accounts
United Nations,
304 East 45th Street
Room FF-706
New York
NY 10017, USA
Phone: 1 212 963 6380
Fax: 1 212 963 4184
Email: karia@un.org

UNITED NATIONS
DEVELOPMENT
PROGRAM

Darshak Shah
Comptroller, Comptroller's
Division, Bureau of
Management
United Nations Development
Programme
Mailing address:
304E 45 Street,
Room FF 416,
New York, New York 10016
USA
Phone: 212 906 6100
Fax : 212 906 6306
Email:
darshak.shah@undp.org

WORLD BANK

Simon Bradbury
Division Manager, Loan
Department
World Bank, Room# MC7-
775
1818 H Street, NW
Washington, DC 20433
USA
Phone : 1 202 473 6882
Fax : 1 202 522 1649
Email:
sbradbury@worldbank.org

Draft Program for Joint Seminar with FACPCE, March 24, 2004
(Staff will advise of any revisions to this draft program)

Time	Activity
09:30 – 10:00	Welcome and Introductory Remarks Dr Miguel A. Felicevich Chairman of FACPCE Dr Fermin del Valle IFAC Board Member of Argentina Philippe Adhémar PSC Chairman
10:00 – 10:30	Presentation on the work of the IFAC Public Sector Committee Philippe Adhémar Chairman of the IFAC Public Sector Committee
10:30 – 11:00	Presentation by on Argentinean experience in financial reporting Dr Ricardo Gutierrez
11:00 – 11:30	Coffee/Tea Break
11:30 – 12:30	PSC member country presentations Canada, South Africa, France and United Kingdom
12:30 – 13:30	Lunch Break
13:30 – 14:00	Presentation by World Bank/IDB representative Edgar Nieuto Sanchez
14:00 – 15:00	Presentation on the country experience from 3 Latin American country representatives Peru, Brazil and Mexico
15:00 – 15:30	Plenary Session/Discussion & Questions Philippe Adhémar in Chair & Panel of PSC and World Bank/IDB representatives
15:30	End Close (Carmen Palladino)
16:00 – 18:00	Closed Session/Meeting of PSC & Key Participants from Latin America (PSC members, World Bank/IDB, Consultative Group Members, Accountants General, Auditors General & other parties)
19:00	Welcome Dinner (invited officials)