

**IPSASB – 2005
OSLO MEETING TIMETABLE
Grand Hotel Hotel
Karl Johans Gate 31, NO-0159 Oslo, Norway**

Monday 14 March 2005

9.00am – 12.00pm	Seminar (3 hrs)	
12.00pm – 1.00pm	Lunch (1 hr)	
IPSASB Meeting Commences		
1.00pm – 1.15pm	Welcome, Minutes Items 1–3 (¼ hr)	Procedural Matters
1.15pm – 2.30pm	Items 4, 5, 13 and 14 (1¼ hrs)	Chairman’s Report and Secretary’s Report including IFAC Liaison Report, Update on IFAC Board decisions re IPSASB, Consultative Group update and policy on Observers
2.30pm – 3.45pm	Item 6 (1¼ hrs)	Report on the Standards Work Program including discussion of heritage assets and response from IASB re service concessions
3.45pm – 4.00pm	Afternoon tea (¼ hr)	
4.00pm – 6.00pm	Item 14 (2 hrs)	Consultative Group meeting

Tuesday 15 March 2005

8.30am – 10.30am	Item 8 (2 hrs)	ITC, “Revenue from Non-Exchange Transactions”
10.30am – 10.45am	Morning Tea (¼ hr)	
10.45am – 12.30pm	Item 8 (1¾ hrs)	ITC, “Revenue from Non-Exchange Transactions” (continued)
12.30pm – 1.15pm	Lunch (¾ hr)	
1.15pm – 3.30pm	Item 10 (2¼ hrs)	Budget Reporting
3.30pm – 3.45pm	Afternoon Tea (¼ hr)	
3.45pm – 5.30pm	Item 10 (1¾ hrs)	Budget Reporting (continued)

Wednesday, 16 March 2005

8.30am – 10.30am	Item 9 (2 hrs)	“Accounting for Social Policies of Governments”
10.30am – 10.45am	Morning Tea (¼ hr)	
10.45am – 12.30pm	Item 9 (1¾ hrs)	“Accounting for Social Policies of Governments” (continued)
12.30pm – 1.15pm	Lunch (¾ hr)	
1.15pm – 3.45pm	Item 11 (2½hrs)	IFRS Convergence
3.45pm – 4.00pm	Afternoon Tea (¼ hr)	
4.00pm – 6.00pm	Item 11 (2 hrs)	IFRS Convergence (continued)

Thursday, 17 March 2005

8.30am – 11.00am	Item 12 (2½ hrs)	Statistical basis Convergence - ED – General Government Section
11.00am – 11.15am	Morning Tea (¼ hr)	
11.15am – 12.15pm	Item 15 (1 hr)	USA – Occasional Paper
12.15pm – 1.15pm	Item 7, 16, 17 (1 hr)	Country reports, future meetings, PSP update, other matters
1.15pm – 2.15pm	Lunch (1 hr)	Meeting ends

Programme Public Sector Conference Oslo 14 March 2005

Tid/Time	Tema/Theme	Translation to English	Foreleser/Presenter
9.00-9.10	Opening remarks		Henning Strøm, President DnR
9.10 – 9.30	Transition to Accrual Accounting in the Norwegian Government		Per-Kristian Foss, Minister of Finance
9.30 – 9.50	IPSASB Background, Status and Agenda		Philippe Adhémar, Chair IPSASB
9.50 - 10.10	Coffee/Tea		
10.10- 10.30	Moving from the Cash Basis to the Accrual Basis		Erna Swart, Member IPSASB
10.30 -10.50	Opening balance issues in UK		Mike Hathorn, Deputy Chair IPSASB
10.50 - 11.10	IPSAS as basis for Accrual Accounting in Switzerland		Andreas Bergmann, Professor Univ. Zürich
11.10 – 12.00	Lessons from Denmark, Sweden and Norway		Per Lørstegaard, PwC, Denmark Claes-Göran Gustavsson, ESV, Sweden Knut Klepsvik, Dep Director General Norwegian Ministry of Finance
12.00 - 13.00	Lunch.	IPSASB Meeting commences following lunch. Seminar continues with Norwegian local issues/participants	
13.00 – 13.30	Periodiseringsprinsippet i staten – bare bokføring eller styringsverktøy	Accrual Accounting – Accounting Reform or Management Reform	Marianne Andreassen, CEO N. Gov. Agency for Financial Management
13.30- 14.00	Kan IPSAS brukes i Norge	Can IPSAS be used in Norway	Tom Henry Olsen, Partner PwC and member IPSASB
14.00 – 14.20	Kaffe	Coffee	
14.20 – 14.50	Hvordan påvirker statens innføring av periodiseringsprinsippet god kommunal regnskapsskikk?	How do implementation of Accrual Accounting in Central Government influence Local Government Accounting?	Andre Tofteland, Ass. Professor Agder Univ. College (HiA og GKRS)

Tid/Time	Tema/Theme	Translation to English	Foreleser/Presenter
14.50- 15.20	Hvordan etablere kompetanse i periodiseringsprinsippet i offentlig sektor?	How to establish competence in Accrual Accounting in Public Sector?	Elin Karfjell, Partner E&Y
15.20 – 15.50	Utfordringer i praksis ved overgang til periodiseringsprinsippet	Practical challenges in implementing Accrual Accounting	Ben Guren, Partner KPMG og Margrethe Guthus, Partner Deloitte
15.50 – 16.00	Avsluttende kommentarer	Concluding remarks	Per Hanstad, CEO Norw. I PA

**Tentative Program for Roundtable Discussion
IPSASB Consultative Group and Guests
March 14, 2005, Oslo**

Time	Activity
1600 – 1615	Welcome and Introductory Remarks Philippe Adhémar PSC Chairman
1615 – 16.45	ITC Non Exchange Revenue Discussion of Key Recommendations of Steering Committee
1645 – 1715	ITC Social Policies of Government: Discussion of Key Recommendations of Steering Committee
1715 – 1800	Discussion of IPSASB work program including specific discussion of proposed strategy re Heritage Assets, IASB and Statistical reporting Convergence and Service Concessions (Public Private Sector arrangements).
1800	End Consultative Group meeting.



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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DATE: 4 FEBRUARY 2005
MEMO TO: MEMBERS OF THE IFAC INTERNATIONAL PUBLIC SECTOR
ACCOUNTING STANDARDS BOARD
FROM: MATTHEW BOHUN
SUBJECT: MINUTES FROM THE PSC MEETING IN NEW DELHI, INDIA IN
NOVEMBER 2004

ACTION REQUIRED

The IPSASB is asked to:

- **review** and **approve** the minutes of the PSC meeting in November 2004.

AGENDA MATERIAL:

	Pages
2.2 Draft minutes of the PSC meeting in November 2004	2.2 –2.31

BACKGROUND

The first draft of these minutes was circulated to members and observers for comment on December 2, 2004. 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 NEW DELHI MEETING
Held on November 1 – 4, 2004

ATTENDANCE

COUNTRY	PARTICIPANTS	ATTENDEES	APOLOGY/NIA*
France	Philippe Adhémar (M)	X	
	Jean-Luc Dumont (TA)	X	
	Henri Giot (TA)		X
Argentina	Carmen Palladino (M)	X	
	Irene Rio (TA)		X
	Pablo Maroni (TA)		X
Australia	Wayne Cameron (M)	X	
	Robert Keys (TA)	X	
Canada	Rick Neville (M)	X	
	Ron Salole (TA)	X	
	Dan Duguay (TA)	X	
Germany	Norbert Vogelpoth (M)	X	
	Catherine Viehweger (TA)	X	
	Andreas Dörschell (TA)		X
Israel	Zvi Chalamish (M)		X
	Ron Alroy (TA)	X	
	Ran Tal (TA)	X	
Japan	Ryoko Shimizu (M)	X	
	Tadashi Sekikawa (TA)	X	
Malaysia	Mohd Salleh bin Mahmud (M)		X
	Er Beng Kiong (TA)		X
	Nafsiah Mohammed (TA)	X	
Mexico	Javier Pérez Saavedra (M)	X	
	Conrado Villalobos Diaz (TA)	X	
Netherlands	Peter Bartholomeus (M)	X	
	Aad Bac (TA)	X	
	Wilma Wakker (TA)		X
New Zealand	Greg Schollum (M)	X	
	Simon Lee (TA)	X	
Norway	Tom Olsen (M)	X	
	Harald Brandsås (TA)	X	
South Africa	Terence Nombembe (M)	X (Nov 2 – 4)	X (Nov 1)
	Erna Swart (TA)	X	
	Freeman Nomvalo (TA)	X	

COUNTRY	PARTICIPANTS	ATTENDEES	APOLOGY/NIA*
United Kingdom	Mike Hathorn (M)	X	
	John Stanford (TA)	X	
United States	Ron Points (M)	X	
	David Bean (TA)	X	
	Mary Foelster (TA)		X
ADB	Ping Yung Chiu (O)	X	
	J Srinivasan (O)	X	
EU	To Be Appointed (O)		X
IASB	Warren McGregor (O)		X
INTOSAI	John Fretwell (O)	X	
IMF	Rif Basanti (O)	X	
OECD	Jon Blondal (O)		X
UN	Jay Karia (O)		X
UNDP	Darshak Shah (O)		X
World Bank	Simon Bradbury (O)	X	
IFAC	Paul Sutcliffe (S)	X	
	Matthew Bohun (S)	X	
	Li Li Lian (S)	X	
	Hongxia Li (S)	X	
	Jesse Hughes (C)	X	
	Charles Coe (C)	X	

* NIA- Not in Attendance

(M) Member

(TA) Technical Advisor

(B) IFAC Board

(O) Observer

(S) IFAC Staff

(C) Consultant

1. WELCOME AND APOLOGIES

The Chair opened the meeting and welcomed members.

The Chair welcomed to their first Committee meeting:

- Mr. Ran Tal, Technical Advisor, Israel; and
- Ms. J. Srinivasan, Senior Control Officer Asian Development Bank, India, observing for this meeting.

The Chair also welcomed back Mr. Rif Basanti (IMF) attending the meeting as an observer representing the International Monetary Fund.

Apologies were noted from:

- Terence Nomembe – Member for South Africa for November 1;
- Zvi Chalamish – Member for Israel;
- Mohammed Salleh bin Mahmud – Member for Malaysia;
- Er Beng Kiong – Technical Advisor for Malaysia;
- Henri Giot – Technical Advisor for France;
- Irene Rio – Technical Advisor for Argentina;
- Pablo Maroni – Technical Advisor for Argentina;
- Andreas Dörschell – Technical Advisor for Germany;
- Wilma Wakker – Technical Advisor for The Netherlands;
- Mary Foelster – Technical Advisor for USA;
- Warren McGregor, Observer (IASB);
- Jay Karia – Observer from United Nations;
- Darshak Shah – Observer from United Nations Development Programme; and
- Jon Blondal, Observer (OECD).

The Chair advised the PSC that Peter Bartholomeus and Aad Bac (Member and Technical Advisor for The Netherlands and Javier Perez Saavedra, Mexico, were finishing their terms on the PSC. The Chair and members thanked Peter, Aad and Javier for their considerable contribution to the PSC over many years. The Chair also advised members that the IFAC Board meeting following the PSC meeting would likely make additional changes to the composition of the PSC.

2. CONFIRMATION OF MINUTES

The meeting received the minutes from the meeting held in New York on July 5 – 7, 2004. The minutes were confirmed subject to the following changes:

- Item 6 should note that a vote agreeing to the PSC's priorities was taken;
- Item 13 should also note that a vote agreeing the PSC's priorities had been taken;
- Item 18 "Roundtable Seminar with United Nations" the last sentence of the fourth bullet point on page 2.37 should be deleted; and
- Minor editorial amendments.

The members noted that the minutes were rather lengthy and had taken a long time to be circulated to members for review. The members requested that draft minutes be circulated to members sooner, ideally within one month of the end of the meeting, and that efforts be made to make the minutes more concise.

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

3. MATTERS ARISING AND ACTION LIST

There were no matters arising from the minutes, apart from matters to be raised under other agenda items. The PSC Technical Director noted that the items on the Action List had been dealt with as indicated.

Action Required: *Prepare Minutes and Action List from November 2004 meeting, provide to Chair for clearance to circulate to members for review – members to advise staff of any proposed amendments.*
Person(s) responsible: *PSC Chair, members, Staff.*

4. CHAIRMAN'S REPORT

The Committee received and considered a report by Philippe Adhémar, the Chair of the PSC, on his activities as Chair since the previous PSC meeting. In particular, Philippe noted that he had attended the July 2004 IFAC Board meeting with the PSC Technical Director to discuss the action plan developed in respect of the Review Panel's report to the Board.

The Chair provided an update of the resourcing of the PSC. Firstly with regards to staff, Ms. Hongxia Li's secondment has finished and she has returned to her position at the Ministry of Finance in Beijing. However, Hongxia has agreed to work for the PSC to enable the completion of the improvements project. Mr. Jerry Gutu^{2s} has completed his term of employment and he has taken up a position with the Eastern and Southern African Association of Accountants General (ESAAG). Mr. Matthew Bohun has transferred from the Melbourne office of IFAC to the New York Office, and will be undertaking the role vacated by Jerry Gutu. The result is that the PSC has gone from five staff to three staff. Efforts by the Chair and Technical Director to recruit, or second, from relevant organizations appropriately qualified staff have been unsuccessful to date.

In respect of financial resources, the World Bank has undertaken to provide USD250,000 per year in "seed money" to revitalize the fund raising program for the standard-setting program. IFAC is still to receive the final tranche of USD82,000 in funding from the Asian Development Bank. IFAC continues to provide the funding for one position in New York, and some administrative support. The retiring president of IFAC, René Ricol has agreed to attempt to raise additional funds for the IPSAS setting program. The IMF representative noted that the IMF was seeking mechanisms to provide funds to the PSC.

The Chair advised members that with the current level of staffing and funding the ambitious work program established at the July 2004 meeting would need to be revised. Members discussed the various possibilities that could be pursued to secure additional resources for the PSC including: renewing the Asian Development Bank's funding if possible, approaching governments for funding or secondments, approaching accounting firms, development of a consortium for funding the PSC and for IFAC to developing a co-ordinated approach to funding all its Boards, Committees and Task Forces. The Chair advised members that he and the Technical Director would pursue as many of these funding/resourcing avenues as possible and encouraged members to continue their efforts to raise funds for the PSC.

Action required: ***Prepare Chair's Report for March meeting.***
Person(s) responsible: ***Chair, PSC Technical Director.***

5. SECRETARIAT'S REPORT

The Committee received and noted:

- A report from the Secretariat; and
- An updated Members' Correspondence Distribution List.

Matthew Bohun advised members that there were no additional matters to be raised that had not been addressed in the report, or which were not to be addressed under other items. Members' attention was drawn to the Correspondence Distribution List (CDL). Members were requested to pass on any amendments so that the CDL can be updated.

Action Required: ***Update PSC CDL with any changes. Prepare Secretariat Report for March 2005 meeting. Finalize arrangements for March 2005 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 the status of IPSAS translations;
- A memorandum from Paul Sutcliffe on the Standards Development Work Program;
- A report on the status of PSC projects;
- A draft work plan for the remainder of 2004;
- A projected work plan for 2004 through 2006; and
- A summary of the active projects of national public sector standards setters and similar authoritative bodies in PSC member countries.

Paul Sutcliffe, the PSC Technical Director:

- Tabled-Presented a report on PSC Standards Program costs and funding to September 2004, and projections through to December 2004;
- Noted that a request had been received from the Chair of the New Zealand Financial Reporting Standards Board for the PSC to consider the development of guidance on application of the equity method where the investee does not have on issue well defined ownership interests; and
- Noted that there were no updates to the matters dealt with in the memorandums but that, as the Chair had indicated, the current limited staff resources means that the work program needs to be revisited.

Paul advised that the Chair, Deputy Chair and he had reviewed the work program immediately prior to the commencement of this meeting with a view to identifying what was achievable given the PSC's staff resources and its priority projects. In this context, Paul directed members to the 2004-2006 work program and proposed that progress on the following projects be deferred in the short term, with no action occurring in 2005:

- The review of the cash basis IPSAS – members noted that they would welcome input on implementation issues but agreed they could not initiate a review of the IPSAS at this time;
- Development of a third edition of Study 14 “Transition to the Accrual Basis of Accounting”;
- Update to the Glossary during 2005;
- Budget Reporting – Development of an ED on reporting of the prospective budget as a GPFS at the time approved (ex-ante budget reporting);
- The Public Sector Conceptual Framework;
- The IAS/IFRS convergence program of the PSC will not be pursued in the short term, beyond the existing 11 IPSASs being updated as part of the IPSAS improvements project. Members noted that this would mean that the IPSASs would fall even further behind the IFRSs. This means that the remaining 9 IPSASs will not be “refreshed” for amendments to the IASs/IFRSs on which they are based and the PSC will not develop IPSASs on IAS 19 “Employee Benefits”, IFRS 3 “Business Combinations”, IAS 39 “Financial Instruments – Recognition and Measurement” and other IASs/IFRSs in the short term as currently noted in its work program;

- Non-financial performance reporting and work-in-progress of non-exchange ~~series~~services;
- The performance reporting project identified as one component of the PSC's convergence program with statistical basis of financial reporting; and
- The survey on adopting IPSASs.

Paul also noted that a first draft ED dealing with impairment of cash-generating assets had been prepared by a working group of technical advisors from Canada, South Africa and the USA; and project brief on accounting for heritage assets had been prepared by the UK technical advisor. Paul proposed that the PSC's expectations in respect of progress on these projects should be considered when the materials were subject to detailed review later in the meeting. (Subsequently, the PSC agreed that these materials could be further developed out of session by working groups but that it was not anticipated that PSC staff would participate in that work until later in 2005. Consequently, it was unlikely materials on these topics would be presented at PSC meetings during 2005.)

Members discussed the work program and current PSC resourcing situation and agreed that, ~~sadly~~, it was necessary to refocus the work program as proposed in the short term. Members agreed that the work program should continue to include the projects identified above (except for the project on "work-in-progress of non exchange services" which should be removed from the work program) but noted that they will not be progressed during 2005.

Members noted that the PSC resources situation had not improved since its report to the IFAC Board in July – indeed it had worsened with the departure of two staff members at the end of their contracted terms. Some members expressed the view that the PSC's current funding situation and its consequences for staff resources and the work program, in particular that resources did not allow the IAS/IFRS convergence program to be progressed in the short term, should be communicated immediately to constituents via a ~~media release~~draft IAS/IFRS convergence policy which stressed the need for additional funding to enable the PSC to continue to operate. Others were of the view that such a media release should not be issued before the Chair had the opportunity to report to the IFAC Board in November, and for any consequential actions to take effect. The PSC agreed that such a media release should not be issued immediately following this meeting. Rather a draft media release should be prepared for consideration by the PSC at its March meeting when the reaction of the IFAC Board and any consequences in respect of additional funding could be factored in.

Members also agreed that it was necessary that adequate long term funding be secured to ensure that experienced staff could be employed and retained.

Service Concession Arrangements

The Committee received and noted:

- A memorandum from Li Li Lian; and

- A table showing a short summary of the responses from the PSC on accounting guidance on service concession arrangements in their jurisdictions.

Li Li reported on the International Financial Reporting Interpretations Committee's (IFRIC's) progress on its service concession arrangements project. Based on IFRIC's Updates, the IFRIC was still committed to issue three Draft Interpretations by the end of the year. Draft Interpretations are usually exposed for a period of 60 days. Members noted that if timing allowed the draft IFRICs and a draft response should be tabled at the next PSC meeting. Members also agreed that if timing did not provide for the PSC to agree a response, staff should feel free to develop and submit a staff response on the draft Interpretations. The PSC agreed that any staff response be reviewed by the Chair prior to its submission and that it be made clear that it is the view of staff and not necessarily the PSC.

Some PSC members raised a concern that the IASB (and the IFRIC) is developing guidance for entities in public-private partnerships (a form of service concession arrangement) from the operator's perspective without considering the grantor's perspective. In addition, there was a danger that if the PSC developed its own guidance on service concession arrangements separately from the IASB, constituents may be faced with a different model from the IASB. The PSC agreed that a letter should be sent to the IASB expressing the PSC's view that it was not appropriate to deal only with the operator in such arrangements, and that the IASB and the PSC should jointly progress the development of standards dealing with financial reporting by both the grantor (the typically the public sector entity) and the operator (the typically the private sector entity). Members noted that the letter could usefully note the PSC's interest in being involved in the development of the project on performance reporting and other projects that have a particular and specific implication for financial reporting by public sector entities. Mike Hathorn The UK delegation It was also noted also added that when the UK's Accounting Standards Board (ASB) developed guidance on service concession arrangements, it was a joint project with HM Treasury and ASB's Public Sector and Not-for-profit Committee.

Action Required: *Update register of funding, translation and promotion activities. Update work program and funding proposal. Continue to monitor IFRIC's progress on its service concession arrangements project. Prepare a staff submission to respond to IFRIC's Draft Interpretations. Prepare letter to the Chair of the IASB to express PSC's wish to action a joint project on service concession arrangements. Prepare draft media release on PSC funding and staffing situation and their consequences for PSC work program. Update Work Program for decisions made at this meeting.*

Person Responsible: *PSC Chair and Deputy Chair, Members, PSC staff.*

7. COUNTRY BRIEFING REPORTS

The country reports were taken as read. Members noted with interest that the Israeli Public Sector Accounting Standards Board was moving to adopt IPSASs as Israeli standards, and that where Israeli standards already exist, the Israeli PSASB would modify its standard to reflect the IPSASs.

Action Required: *Prepare country reports for the PSC meeting in Oslo in March 2005. Circulate reports with agenda materials.*

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

8. ITC “Revenue from Non-Exchange Transactions”

The Committee received and noted:

- A memorandum from Matthew Bohun;
- A copy of the flowchart from the ITC;
- A summary of the Submissions received on ITC “Revenue from Non-Exchange Transactions”;
- Additional Responses received;
- Submissions Booklet (distributed prior to the distribution of agenda materials); and
- Invitation to Comment “Revenue from Non-Exchange Transactions”.

Matthew Bohun introduced the topic noting that fifty responses had been received on the ITC from a variety of entities, many of whom had not previously made submissions on PSC documents. Some members noted that the highest number of responses came from entities in Canada (7), Australia (4), New Zealand (3), South Africa (3) and the United Kingdom (8), i.e. 25 from 5 countries only, and that this may tend to skew the responses on certain issues. The technical advisor from Canada noted that the reason that there were so many responses from Canada was that the Canadian Public Sector Accounting Standards Board intends to develop a Canadian standard that reflects the IPSAS to be developed on this issue, therefore Canadian public sector entities wanted to make a contribution to the debate now rather than when the Canadian Board issues an exposure draft.

Matthew reminded members of the principles underlying the ITC, that is, the assets and liabilities approach, and the consequential focus on the taxable event and the approach to stipulations. Matthew advised that staff had made recommendations to the Committee in respect of each of the specific matters for comment. Members noted that with respect to one specific matter for comment, staff had made a recommendation in relation to the recognition of voluntary services that was contrary to the position adopted by the SC and supported by the majority of respondents; members discussed whether it is appropriate for staff to make such a recommendation. Members agreed that staff should make the recommendations they considered appropriate. The PSC will consider these recommendations and other input as they make the final decisions about how documents are to be drafted.

The PSC discussed each of the specific matters for comment raised in the ITC and the responses to them. The PSC agreed that the staff should prepare a draft exposure draft for the next meeting. The PSC agreed that the assets and liabilities approach proposed by the ITC should form the conceptual basis of the Exposure Draft and that the notion of when an asset arose should be further developed. In respect of the issues raised in the specific matters for comment, the PSC considered it appropriate that the first draft of the ED, should:

- Include commentary on the meaning of “probable” which is an essential element of the assets and liabilities approach (issue (a));
- Include requirements proposing that “contributions from owners” were not revenue. However, the ED ~~should~~could also explore changing the terminology to “contributions from owners/controlling entities/members” and to further develop the notion that consideration of the substance of the contributions (including exposure to “equity/residual” risk) as well as the form should be considered (issue (b)). Some members noted that the terminology issue was much broader than this Ed and should be the subject of a separate project;
- Not classify a “contribution from owners” as an exchange or a non-exchange transaction, as such a classification is unnecessary (issue (c));
- Include proposed requirements in respect of compound transactions. The first draft of the ED should propose that entities be required to analyze the substance of a transaction to determine whether it consists of two or more transactions that should be recognized separately, one or more of which transactions may be an exchange transaction. The Committee noted that the line of demarcation between exchange and non-exchange may not always be clearly drawn and will require the exercise of judgment (issues (d) and (e));
- Specify that the taxable event for taxation transactions shall be determined on a case-by-case basis by examining the substance of the transaction and the legal authority that imposes the tax. The ED should also include proposed disclosures, such as the basis on which the inflow was recognized and identified as revenue, revenue and as a measurement basis for taxation revenue (issue (f));
- Not include any requirements in respect of the “tax gap” or “implicit” subsidies (issue (g));
- Include proposed requirements that entities distinguish “expenses paid through the tax system” from taxation revenue, and recognize and measure them separately from taxation revenue. The ED should also include a specific matter for comment exploring whether or not the treatment should be different in situations where the benefit must be paid through the tax system if the beneficiary is a taxpayer- this situation to be distinguished from cases where the treatment is flexible such that it may be paid through the tax system, at the discretion of either the payer or payee;
- Not propose different treatments for transactions involving the receipt of physical assets to those involving the receipt of monetary assets (issue (h));
- In respect of stipulations, require entities to analyze all facets of a transaction to determine, whether in substance, stipulations on the transaction require the reporting entity to recognize a liability. The ED should include guidance on the types of stipulations that are likely to give rise to a liability. The ED is to explore further the nature of timing requirements and if, when and how they can give rise to a liability.

While timing requirements are not to be and whether they be “deemed” to give rise to a liability (issue (j)) in the first draft ED prepared for consideration at the next meeting, the issue is to be explored farther. Some members questioned whether the approach to time requirements in the ITC is consistent with the assets/liabilities approach which underpins its methodology, and considered that time requirements should be treated as a sub-set of conditions and restrictions rather than a subject in its own right. Other members expressed the view that they should be deemed as liabilities;

- Propose that liabilities be reduced and revenue recognized in accordance with the substance of the agreement that gave rise to the recognition of a liability (issue (k));
- Encourage entities to make disclosures about the nature and extent of voluntary services received, but that such services should not be recognized in the general purpose financial statements (issue (l));
- Deal only with revenue from non-exchange transactions. The Committee concluded that while it may be desirable to have a single IPSAS encompassing exchange and non-exchange revenue, at this time a separate ED on Revenue from Non-Exchange Transactions should be prepared, and when the IASB has revised IAS 18, “Revenue” the Committee would re-examine the issue of having a single IPSAS on revenue (issue (m));
- Not propose separate disclosure of revenue from non-exchange transactions, but rather should require disclosure of the major classes of revenue (issue (n));
- Not include detailed guidance on administered items, as this issue is broader than revenue; and
- Propose a transitional period of five years.

The Committee discussed whether or not a Project Advisory Panel should be formed, based on the membership of the SC. The Committee agreed that a PAP should not be formed as this project is of such importance that the Committee itself would need to oversee the development of the Exposure Draft. However, subject to agreement of SC members, staff should feel free to consult with SC members on specific issues in the development of the ED.

The Committee directed staff to prepare a draft Exposure Draft for the next meeting, in March 2005.

<i>Action Required:</i>	<i>Prepare first draft of Exposure Draft</i>
<i>Person(s) Responsible:</i>	<i>PSC Staff.</i>

9. SOCIAL POLICY OBLIGATIONS

The Committee received and noted:

- A memorandum from Paul Sutcliffe;
- A summary of the Submissions received on ITC “Accounting for the Social Policies of Government”;
- Additional Responses received;

- Submissions Booklet (distributed prior to the distribution of agenda materials); and
- Invitation to Comment “Revenue from Non-Exchange Transactions”.

Paul Sutcliffe introduced the topic noting that 47 responses had been received on the ITC from a variety of entities in many countries. Paul presented a summary of the geographic sources of responses, noting that they were for the most part from the same parties that responded to the non-exchange revenue ITC, i.e. 25 responses had come from 5 countries only (Australia, Canada, South Africa, UK, New Zealand).

Paul reminded members of the mandate provided to the Steering Committee (SC) - the SC was charged with developing an Invitation To Comment that dealt with accounting for obligations of government arising from social benefits provided in non-exchange transactions and that were excluded from IPSAS 19 “Provisions, Contingent Liabilities and Contingent Assets”.

The PSC commended the SC for its work, noting there was a majority support for its recommendations. Paul noted that staff had made recommendations to the ~~committee~~ Committee in respect of each of the specific matters for comment raised in the ITC. However, Paul proposed that the sequence in which the issues were considered by the PSC should be varied because responses to the following key issues could well influence views on other issues and, accordingly, should be dealt with first:

- Issue (b) – the scope of any exposure draft on this topic;
- Issue (d) – application of IPSAS 19 definitions and recognition criteria; and
- Issue (e) – general approaches proposed by the SC and issues dealing with the application of those principles to specific types of benefits.

The PSC agreed with the proposed approach and discussed key issues as follows:
~~The PSC commended the SC for its work, noted there was~~ The PSC also agreed with the proposed approach and discussed key issues as follows:

- Issue (b) – members noted that while the SC had responded to the terms of the project brief, there was a concern that the scope of the project did not adequately deal with certain types of social security systems that were operating to provide pension benefits to government and other employees ~~and others~~ in many countries, particularly in Europe. Some members expressed the view that these arrangements would not be addressed by IAS 19 “Employee Benefits” and therefore should be within the scope of this ITC. Members noted that the majority of respondents supported the SC view that unfunded pension plans for government employees to be paid from consolidated revenue should be excluded from the scope of this project. They also noted that staff had agreed with this view but had also recommended that the PSC should consider whether such plans were encompassed by IAS 19 or should be dealt with as a separate project if they did not fit within the scope of IAS 19. Some members noted that where the government’s obligation for pension costs arose as a consequence of an employee relationship, such obligation should be scoped out of any exposure draft dealing with social policies of government. Members agreed that before any decisions regarding the scope of this project were made, further work

should be undertaken to identify the characteristics of the social security plans that were the source of concern to some respondents and PSC members, the nature of the obligations that were imposed on governments and on social security organizations by such plans, whether the source of those obligations arose directly as consideration for services provided as an employee or arose as a result of other events, and how governments and social security organizations should report such obligations. This would then provide the PSC with a sound basis for determining whether the scope of its social policies project should be amended to encompass these obligations. Members agreed that a paper is to be prepared by staff with the input of experts knowledgeable about the European social security schemes background (from OECD, ~~FMI~~ IMF and other) for consideration of the next meeting, and that a draft of that paper is to be circulated to members for comment and revision in late January/early February 2005 with the view to ensuring that the characteristics identified deal with the full range of arrangements known to members.

- Some members expressed a preference for developing a separate ED on pensions because of the scope issue. Other members expressed a preference for developing an ED dealing only with transfers. It was agreed that whether or not a separate ED should be prepared would be further considered in the context of discussions of the scope issue at the next meeting. Staff also noted that as this aspect of the project develops it may be necessary to revisit the scope exclusions in IPSAS 19, to ensure that there is appropriate alignment of IPSAS 19 and this project;
- Issue (d) – members noted the majority of respondents supported the SC view that the definition^{one} and recognition criteria in IPSAS 19 should be applied in accounting for the social policies of governments, and agreed that these principles should initially be applied in developing the first draft of the ED. In its consideration of this issue, members noted that what constituted a constructive obligation in a non-exchange environment, the status of a governments proposed policies, what constituted “ongoing operations” and, therefore, would not give rise to a present obligation in accordance with IPSAS 19, and what characteristics impacted measurement rather than definition or recognition would need to be dealt with and clarified in the context of individual types of social benefits;
- Issue (e) – members agreed that the alternative approaches to determining when a constructive obligation arose was an appropriate starting point and were supported by the majority of respondents. However, members also noted that as the project developed, the following matters would need to be further developed:
 - whether staying alive impacted measurement rather than the identification of a present obligation – staff noted this was not the intention in option 1 where it was necessary for the existence of a present obligation, but was a measurement issue under options 2 or 3, and
 - the distinction between options 1 and 2, which may be blurred in respect of certain types of benefits;
- Issue (f) – members noted that the large majority of respondents supported the SC views, but there was some concern about the consistency of application of option 1 across all types of benefits. Some members supported the SC view on collective benefits and individual benefits on matters of principle and pragmatism. Members also agreed that the first draft of the ED should include the staff recommendation that

there was a rebuttable presumption that in the absence of a legal obligation, a present obligation for individual goods and services does not arise prior to delivery, and the circumstances of a rebuttal be further developed. Discussion focused on the role of “staying alive” as an eligibility criteria, with some members confirming their view that this was a measurement characteristic rather than a definition or recognition characteristic. It was noted that as the draft ED was developed, the need for further consideration of the role of “staying alive” and additional guidance on the demarcation between costs that need to be incurred to continue an entity’s ongoing activities and other costs that need to be incurred in the future are likely to be necessary;

- Issue (g) – members were supportive of the SC’s recommendations in respect of discretionary cash advances, noting these recommendations were also supported by the majority of respondents; and
- Issue (h) – members noted that the majority of respondents supported the SC views on the approach in determining whether a liability may arise from specific events such as disaster relief or government legal aid services, and agreed that the first draft of the ED could be developed on that basis. However, some members did note that a distinction may usefully be drawn between services provided by government employees and services that were contracted out by a donor/relief provider, with a liability being recognized in respect of future services in the latter case. Other members noted the principles established in respect of collective and individual services and discretionary cash advances should be applied consistently to these “special events” circumstances.

Members terminated their discussion of issues at this stage and agreed that:

- Discussion of the next meeting would focus on the scope issue; and
- A project advisory panel would not be established to support this project. However, subject to agreement by the SC members, staff should feel free to seek further input from SC members on the scope issue. In addition, as the project continued to develop it may well be that input be sought from the SC members on particular issues.

Action Required: ***Develop paper on social security systems to provide pensions to government employees.***

Person(s) Responsible: ***Staff, PSC member.***

10. ACCOUNTING FOR EXTERNAL ASSISTANCE

The Committee received and noted:

- A memorandum from Paul Sutcliffe;
- A revised Draft ED “Disclosure Requirements for Recipients of External Assistance”; and
- A Project History

Charles Coe briefed the Committee on meetings that had occurred with OECD staff and his attendance at a meeting of the OECD Joint Venture – Public Financial Management held at OECD Headquarters in Paris on July 7 and 8, 2004. Based on the guidance

provided by the PSC meeting held on July 5 – 7, 2004 agreement was reached to expand the scope of the draft ED to include all official external assistance. Charles noted that he had met with the Technical Director in September to review substantive, editorial and presentation issues. He also noted that ~~the~~ Draft ED presented to the ~~November~~ July PSC meeting ~~had~~ been revised to reflect decisions of the PSC at the July 2004 meeting and subsequent review by the consultant and staff.

Charles noted that:

- The updated Draft ED had been circulated to the PAP, and to the OECD and Multilateral Development Bank groups that had requested the preparation of an IPSAS on Development Assistance;
- Comments have been received from OECD and from the Asian Development Bank, both of which are supportive of the Draft ED; and
- The OECD requested changes in the terms used for disaggregating external assistance into its principal parts. The OECD requested that the term Development Assistance be changed to Development Finance because the definition given in the Draft ED for Development Assistance is entirely consistent with the definition used by OECD for Development Finance and they wish to avoid any confusion. In addition, they suggested using Trade Finance instead of Export Finance because Trade Finance has a broader meaning and is consistent with the definition given in the Draft ED. The PSC discussed the proposals and agreed to retain the more generic term Development Assistance with a reference to a commentary paragraph explaining the consistency with the OECD definition for Development Finance. The PSC agreed to the suggestion to use Trade Finance rather than Export Finance.

The PSC discussed an appropriate transition period for the implementation of the requirements stated in the Draft ED. Consideration was given to the availability of the required information in the records of the respondent countries, particularly those developing countries that have limited financial management systems and may have limited trained staff. The PSC agreed that the ED should include a transition period of two years. In addition it was agreed that comparative figures need not be provided in the Statement of Cash Receipts and Payments or the accompanying Notes to the Financial Statements in the first year of application of the requirements of the IPSAS.

The PSC agreed that the following additional specific matters for comment be included in the ED:

- Whether the definition of External Assistance, which includes all official assistance, is sufficiently broad;
- Whether assistance provided by NGOs from their own resources should be included within the scope of the ED;
- Whether it is appropriate to disaggregate External Assistance, and if so are the categories specified appropriate. In addition, is specification of the categories necessary or should the IPSAS simply require disclosure of external assistance by “major classes” without further specification; and

- Whether a requirement to disclose the fair value of non-cash goods in-kind is appropriate, and whether the fair value should be based on prices of equivalent goods or services in the recipient country.

The PSC discussed pervasive issues, including whether the ED was proposing any amendments to the definition or recognition requirements of the Cash Basis IPSAS and agreed that it was not. Rather it was proposing additional disclosures within the broad context of the Cash Basis IPSAS. The PSC undertook a page by page review of the Draft ED and agreed to the following amendments:

- Paragraphs 2 and 5 should be deleted;
- The definition of External Assistance should be amended from “means all official resources received” to “means all official resources which the entity can use or otherwise benefit from in pursuit of its objectives”;
- The definition of Official Resources should be expanded from “...provided or committed by ...” to specify “...provided or committed under a binding agreement by...”;
- The heading immediately prior to paragraph 13 should be deleted;
- Paragraphs 13 and 14 which had summarized paragraphs in the Cash Basis IPSAS should be expanded to include the full text of those paragraphs;
- The heading immediately prior to paragraph 15 should be expanded from “Information to be presented in the ...” to “In addition to the disclosure requirements of the Cash Based IPSAS, the following information shall be ...”;
- In paragraph 22, the reference to “all” should be removed from the phrase “all the terms and conditions”;
- The exemption from disclosure covered in paragraph 32 should be “black letter”;
- Paragraph 33 should require disclosure of “...outstanding balance... and any terms or conditions.....”;
- In paragraph 39 disclosure requirements for external assistance, loans should include the remaining term of the loan;
- Paragraph 43 determination of fair value should provide for use of value determined in the country of the donor where that value is more reliably determinable;
- Paragraph 45 “navel” should be “naval”;
- Staff should ensure that all proposed requirements are reflected in the illustrative examples; and
- Paragraph 49 describes circumstances surrounding rescheduling or cancellation of external assistance debt which can be very complicated. An appendix should be added to expand on this paragraph to explain the circumstances more fully to the reader.

Paul and Charles noted additional editorial and other refinements necessary to align the ED with the current format of IPSAS-EDs would be processed out of session and these amendments would include use of the word “shall” rather than “should” in black letters and the potential relocation of some explanation from the “specific matters for comment” and “Background” to the basis for conclusion. The PSC agreed these changes could be processed out of session.

The PSC unanimously approved the Exposure Draft for issue for a four month exposure period, subject to processing of changes and review of editorial and other changes by the Chair and member and technical advisors from South Africa and the World Bank Observer.

Members noted that it was important that the ED be widely and appropriately distributed. ~~IN~~In this context ESAAG should be requested to assist in distribution of the ED in Africa.

<i>Action Required:</i>	<i>Final editorial review, issue Exposure Draft</i>
<i>Person(s) Responsible:</i>	<i>Consultant, Member and Technical Advisors from South Africa, World Bank Observer, PSC Staff.</i>

11. BUDGET REPORTING COMPLIANCE

The PSC received and considered:

- A memorandum from Dr Jesse Hughes; and
- A first draft Exposure Draft “Comparison of Budget and Actual Amounts for the Accrual and Cash Basis of Financial Reporting.

Dr. Jesse Hughes, the consultant on this project introduced the topic and noted this was the first draft of the ED to be considered by the PSC. He thanked Mr. Ron Points, Chair of the PAP and Paul Sutcliffe, the PSC Technical Director for their input. Dr. Hughes noted that he had included extensive implementation guidance to illustrate the application of the proposed requirements in a number of circumstances and noted that it was unlikely that such appendices would be necessary in the final document – rather he proposed that these be consolidated as the project developed. He also noted that a number of format and style matters would be dealt with as the ED was further developed to ensure it reflected with the latest IPSAS ED drafting style.

Members discussed whether or not that draft ED should propose that the IPSAS was mandatory or should identify encouraged disclosures. The PSC agreed the next draft ED should propose that the application of the IPSAS will be mandatory for entities with approved budgets as defined with a 5 year transitional period from its issue date. Some members expressed concern that making the proposed IPSAS mandatory would affect the ability of some entities to assert compliance with IPSASs.

Members also agreed that the following additional specific matters for comment should be added:

- Should the variance between initial and final budget amounts arising from policy shifts be disclosed;
- Is it appropriate to require a GPFS to include disclosure of information about a different basis of accounting – that is, to require cash or modified cash basis budgets, and comparisons of actual thereto, to be reported in accrual basis GPFSs; and

- Should the IPSAS be applicable only at the whole of government level or to all reporting entities subject to “approved budgets” as defined. The scope alternatives are to be drawn out in this specific matter for comment.

Members discussed the draft ED in detail and agreed that:

- The title of the draft ED is to reflect that a reconciliation from the budget basis to the IPSAS basis of reporting is also required;
- The draft should follow the usual format in respect of the scope clause and exclusion of GBEs. In this context, paragraphs 2 and 3 may be combined and are to be black letter and to refer to governing body;
- Review Terminology and expression should be reviewed to ensure that the ED reflects that it applies to all entities subject to approved budgets and not just at the whole of government level;
- The examples included in implementation guidance illustrative examples should illustrate all requirements for a particular entity – members agreed that certain of the examples could be consolidated as proposed by Dr. Hughes;
- Black letter requirements, commentary and encouragements should be reviewed to ensure consistency of authority and explanation throughout the draft;
- ~~The title is to reflect that a reconciliation from the budget to the IPSAS basis of reporting is also required;~~
- Reference to “executive” changes is to be removed from the definition of final budget and in the definition of original budget “approved” should be replaced with “authorized”;
- References to primary and secondary levels of control are to be eliminated and the commentary and black letter refocused on comparison of actuals with “approved budgeting” items². In addition, the notions of materiality and aggregation in IPSAS 1, “Presentation of Financial Statements” should be adopted in respect of guidance on “managing” the detail of disclosure to ensure that ~~there is~~ excessive and unnecessary detail is not included in the GPFS. The PSC will then consider the extent to which the disclosure requirements may be onerous when it reviews the next draft ED;
- Paragraph 6 shall require disclosure by way of a note;
- The structure of the document should be revisited. Some members expressed the view that commentary on the need for and nature of a reconciliation should occur prior to the requirements for a comparison of budget and actual; and
- The PAP should be re-established to review the draft ED and should be broadened to include representatives of international organizations that currently adopt, or are in the process of adopting IPSASs.

A revised draft is to be prepared for consideration at the next PSC meeting and circulated to PAP members for comment prior to the meeting.

Action Required: *Prepare a revised draft ED. Circulate revised draft to the PAP.*

Person(s) Responsible: *Consultant, PAP Chair, Staff.*

12. IASB UPDATE AND IPSAS CONVERGENCE WITH IASs/IFRSs

Mike Hathorn, the PSC Deputy Chair, introduced the agenda items dealing with the PSC's program for convergence of IPSASs with the International Financial Reporting Standards (IFRSs). He noted that:

- Due to the lack of resources, the PSC's current IAS/IFRS convergence program was now limited to only dealing with updating the eleven IPSASs included in the IASB's General Improvements Project, and did not include "refreshing" or updating these or the other IPSASs for subsequent changes in equivalent IASs/IFRSs or developing IPSASs based on other extant IASs/IFRSs. Some members expressed concern about the implication of this for the credibility of the IAS/IFRS convergence aspects of the standard setting program;
- The limited nature of the PSC's current program to update IPSAS should be communicated to its constituents and the IFAC Board; and
- In the light of the PSC's current resource restrictions, a draft policy on the PSC's short-term IASB convergence program and its longer term expectations for this aspect of its work program should be developed. Mike-The Deputy Chair proposed that a draft of this policy should be prepared for PSC review at its next meeting, with a view to its issue together with the omnibus improvements ED following the PSC's July meeting. This policy document could build on the draft media release on this topic, also proposed for consideration at the March meeting (see the work program discussion agenda item 6 above). PSC members agreed with this proposal and directed staff to prepare such a document for discussion at the next meeting.

Mike-The Deputy Chair also expressed the view that the PSC should alert interested parties on sources of guidance/information if there is no IPSAS on a particular issue. Some members noted this would be considered as part of the discussion of the IPSAS hierarchy of authoritative guidance which was to occur in the context of the PSC's review of discussion in IPSAS 3 later in this meeting (see minutes relating to the review of IPSAS 3 below).

Action Required: *Prepare draft policy document on PSC IASB convergence program.*

Person(s) Responsible: *Deputy-Chair, PSC Staff.*

12A General Improvements Project

The Committee received and considered:

- A memorandum from Hongxia Li on the current status of IPSAS General Improvements project;
- A memorandum from Hongxia Li and Li Li Lian;
- Overview of Changes; and
- Marked-up IPSAS 17, IPSAS 16, IPSAS 3 and IPSAS 6.

Hongxia Li introduced the topic by proposing that the PSC review and agree on the changes made to the four IPSASs – IPSAS 17, 16, 3 and 6 at this meeting. Hongxia Li

provided a brief update on the changes made to these IPSASs since the July 2004 PSC meeting. She noted that the most significant changes were to reflect the decisions made on the IPSAS/IFRS Convergence strategy at the July 2004 meeting. That is, the IPSASs under the General Improvements Project will be updated to reflect the changes arising from the IASB Improvements project but not for newly issued IFRSs, such as IFRS 3, “Business Combinations” and IFRS 5, “Non-current Assets Held for Sale and Discontinued Operations”. This was because the PSC had not yet reviewed these new IFRSs for their applicability to the public sector. Therefore, the four marked-up IPSASs had been amended to be consistent with the December 2003 version of the improved IASs. It was noted that a similar style of cross-referencing to that adopted in the existing IPSASs, including the recently approved IPSAS 21, “Impairment of Non-cash-generating Assets”, was also adopted in the marked-up IPSASs in respect of IASs/IFRSs for which an IPSAS has not yet been issued.

Hongxia also summarized other proposed changes made to the IPSASs to reflect decisions made at the PSC March and July 2004 meetings. These changes were to:

- Incorporate into each draft marked-up IPSAS an “introduction box” indicating that the paragraphs in IPSASs have equal authority;
- Introduce a paragraph into each draft marked-up IPSAS noting that the revised IPSAS supersedes the existing IPSAS;
- Rename the non-authoritative appendix as “Implementation Guidance”, to be consistent with the IASB’s approach; and
- Make some clarifications in relation to transitional provisions in IPSAS 17 and IPSAS 16.

Hongxia Li then outlined the major changes in IPSAS 17, “Property, Plant and Equipment”, IPSAS 16, “Investment Property” and IPSAS 6, “Consolidated and Separate Financial Statements” respectively. The Committee undertook a page by page review of the 3 marked-up IPSASs and agreed with the proposed changes in these IPSASs subject to the following amendments:

IPSAS 17, “Property, Plant and Equipment”

- In paragraph 6, the phrase “or, in the absence of an International Public Sector Accounting Standard, other relevant international guidance” in the first sentence should be deleted and the reference be made consistent with the hierarchy proposed in IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors”;
- Paragraph 12 should be amended to “the Preface to International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board (IPSASB) explains that Government Business Enterprises apply International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board (IASB). Government Business Enterprises are defined in IPSAS 1, “Presentation of Financial Statements.” The same paragraph should be included in all IPSASs under the General Improvements Project;
- In paragraph 13, the brackets in the definition of “an impairment loss of a cash-generating asset” should be deleted. “Net selling price” contained in the definitions

of both “recoverable amount” and “recoverable service amount” should be changed to “fair value less costs to sell” to be consistent with the terminology used in IPSAS 21;

- The reference to IAS 19, “Employee Benefits” included in the brackets of paragraph 31(a) should be deleted;
- The first sentence of the last subparagraph of paragraph 39 should be amended to “For the purpose of determining whether an exchange transaction has commercial substance, the entity-specific value of the portion of the entity’s operations affected by the transaction shall reflect post-tax cash flows, if tax applies.” This was because some members noted that non-cash-generating assets could also be subject to certain types of taxes;
- ~~A paper on a~~ Some members expressed the view that non-mandatory guidance on the frequency of revaluation of property, plant and equipment specified in paragraph 49 ~~would~~ should be included as an ~~agenda item~~ attachment/appendix for consideration in the PSC March or July 2005 meeting. If the PSC agrees to include such a guidance in proposed IPSAS 17, a specific matter for comment on whether the guidance is useful will be included in the Exposure Draft amending IPSAS 17;
- The reference to IAS 12, “Income Taxes” in paragraph 58 should be changed to “the relevant international or national accounting standard dealing with income taxes”. The same style of cross-referencing should be adopted in all IPSASs under the General Improvements Project for which there is no IPSAS on issue and should be consistent with the hierarchy proposed in IPSAS 3;
- The second sentence of paragraph 60 should be amended to “For example, in most cases, it would be required to depreciate separately the pavements, formation, curbs and channels, footpaths, bridges and lighting within a road system.” A specific matter for comment on whether it is appropriate to separately depreciate significant components of property, plant and equipment in the public sector will be included in the Exposure Draft amending IPSAS 17;
- The meaning of “first adoption of this Standard” and “initial adoption of this Standard” in the “Transitional Provisions” section should be clarified. The PSC intends that these phrases refer to the situation in which an entity adopts accrual accounting for the first time in accordance with International Public Sector Accounting Standards. Accordingly, the expression should be applied consistently in all IPSASs under the General Improvements Project. In addition, the relationship between the transitional provisions in IPSAS 17 (and therefore IPSAS 16) and IPSAS 1, “Presentation of Financial Statements”, which specifies that comparative information is not required in respect of the financial statements to which this Standard is first applied (see the PSC July 2004 meeting agenda item 12A page 12.122 IPSAS 1 paragraph 150), should be clarified; and
- In the section “Comparison with IAS 16” on page 12.59, the second sentence of the second dot point should be amended to “Under IPSAS 17, revaluation increases and decreases are offset on a class of asset basis”.

IPSAS 16, “Investment Property”

- Consistent with IPSAS 17, the expressions of “the Standard is first adopted” and “first or initial adoption of this Standard” in the transitional provisions section should be amended to reflect that they refer to the situation in which an entity adopts accrual accounting for the first time in accordance with International Public Sector Accounting Standards; and
- The “no” before the second last box/question is incorrect. In addition, the second last box/question “Does the entity hold any investment property under operating lease?” in the illustrative decision tree should be amended to “Is this property held under an operating lease”. If the answer is no, then ask “which model is chosen for all investment properties” and apply either the fair value model or the cost model in IPSAS 6. If the answer is yes, then ask “does the lessee choose to classify the property as investment property?” If the answer is yes, then apply the fair value model in IPSAS 16 to all investment properties. If the answer is no, then for this property, the lessee applies IPSAS 13, “Leases”.

IPSAS 6, “Consolidated and Separate Financial Statements”

- The term “/equity” in the last line of the definition of “separate financial statements” in paragraph 7 should be deleted;
- A specific matter for comment on whether it is appropriate to treat controlled entities as financial instruments under certain circumstances as allowed in the proposed improved IPSAS 6, or continue to treat them “as investments” as specified in the existing IPSAS 6, would be included in the Exposure Draft amending IPSAS 6; and
- A subparagraph, which requires the disclosure of a list of significant controlled entities in consolidated financial statements, should be added to paragraph 62. A specific matter for comment on whether this disclosure requirement in the consolidated financial statements for public sector entities is useful would be included in the Exposure Draft amending IPSAS 6. This was because some members noted that often in the public sector, parent entity separate financial statements are not prepared where whole of government consolidated financial statements are prepared.

IPSAS 3, “Accounting Policies, Changes in Estimates and Errors”

Li Li Lian briefly outlined the major changes to IPSAS 3 and reminded the PSC of the views it expressed in its 2002 submission on the IASB Improvements Exposure Draft. The Committee then undertook a page-by-page review and agreed to the proposed changes, subject to the following:

- The reference to “reasonable knowledge of business and economic activities” in paragraph 8 should be changed to “reasonable knowledge of the public sector and economic activities”. A similar paragraph in IPSAS 1 should also be updated;
- The deletion of references to “extraordinary items” in IPSASs 1 and 3 should be explained in the Basis for Conclusions;
- Paragraph 10A that states that illustrative examples or implementation guidance issued by the IPSASB does not form part of the Standards should be added;

- Staff should review the validity of paragraphs 12 to 14. These paragraphs were initially added by the PSC to the existing IPSAS, but as the updated IPSAS 3 will incorporate new paragraphs that have a similar meaning to paragraphs 12 – 14, they may be superfluous;
- The middle sentence in paragraph 16 that relates to the hierarchy of PSC's pronouncements-authoritative guidance where there is no specific IPSAS should refer to paragraph 15 rather than paragraph 15(a). this means that the hierarchy will now be authoritative and will direct an entity to;
 - First look at the requirements and guidance in other existing IPSASs (paragraph 15); and in the absence of such guidance
 - Next look at the most recent pronouncements of other standard-setting bodies and accepted public/private sector practices to the extent that they are consistent with IPSASs (paragraph 16). Examples of such pronouncements include the pronouncements from the IASB;
- The term “retained earnings” in the middle of paragraph 32 should be replaced with “net surplus/deficit”;
- Paragraph 59 should include the public sector examples that were tabled during the meeting; and
- In the section “Comparison with IAS 8”, the fourth dot point should note that IPSAS 3 has a similar hierarchy to IAS 8, except that the PSC does not have a conceptual framework.

Some members noted that they had identified additional editorial comments and would provide them to staff out of session.

Action Required: *Update IPSAS 17, 16, 3 and 6 based on revisions agreed at the PSC November 2004 meeting. Update the remaining IPSAS 4, 7 and 8 for review at the PSC March 2005 meeting based on the decisions made by the PSC during 2004 in respect of the General Improvements Project. Prepare specific matters for comments for each draft IPSAS and a Basis for Conclusion for the Improvements omnibus ED for consideration in the PSC July 2005 meeting.*

Person(s) Responsible: *Deputy Chair, PSC Staff.*

12B Update on IPSAS 21, “Impairment of Non-Cash-Generating Assets”

The Committee received a memorandum from Matthew Bohun, proposing that IPSAS 21 be issued immediately with an effective date of January 1, 2006. Matthew Bohun advised the Committee that the editorial amendments proposed by the subcommittee formed to review the final IPSAS had been processed and the final IPSAS forwarded to the Chair for approval before the meeting. The Chair advised the Committee that he had reviewed these amendments and approved the issue of the IPSAS, subject to the Committee agreeing to an effective date. The Committee noted that if it decides to proceed with a

project on impairment of cash-generating assets, it can amend IPSAS 21 to remove references to IAS 36, “Impairment of Assets”. The Committee agreed to issue IPSAS 21 immediately with an effective date of January 1, 2006.

Action Required: *Issue IPSAS 21, “Impairment of Non-Cash-Generating Assets”*

Person(s) Responsible *PSC Staff*

12C IASB Update

The IASB Update was taken as read. Li Li Lian also added that the IASB and the USA’s Financial Accounting Standards Board (FASB) were embarking on a joint project to develop a common conceptual framework. Initially, the project would focus on concepts applicable to business entities in the private sector. Later, the Boards would consider the applicability of those concepts to other sectors, beginning with not-for-profit entities in the private sector. The PSC noted that the scope of the IASB’s projects may include public sector entities and discussed the IASB’s role in that context. It was agreed that the PSC Chair should send a letter to the Chair of the IASB conveying PSC’s desire to work jointly with the IASB on a conceptual framework project whose scope encompasses public sector entities. It was noted that this matter can be communicated in the same letter to the IASB on service concession arrangements discussed in item 6 above.

Action Required: *Prepare IASB update for the PSC Oslo meeting in March 2005. Draft letter to the Chair of the IASB.*

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

13. CONVERGENCE OF IPSASs AND STATISTICAL BASES

The Committee received and noted:

- Agenda for September 2004 meeting of the International Task Force on Harmonisation of Public Sector Accounting (TFHPSA) and Working Groups 1 and 2
- Draft Minutes of September TFHPSA meeting;
- Updated Project Brief on Disclosure of Financial Information about the GGS, including PAP comments and staff views; and
- Additional PAP comments on the GGS Project Brief.

Paul Sutcliffe introduced the topic. He dealt first with the proposed Research Report “IPSASs and Statistical Bases of Reporting – differences and recommendations”:

- Noting the amendments that had been made by the authors since the PSC last reviewed the document at its March 2004 meeting;
- Identified final editorial and “synchronization” matters that needed to be dealt with; and
- Proposed that the PSC agree to its publication as a Research Report. The members agreed to its publication subject to finalization by the authors, out of session, and approved by the Chair. The Report is to make it clear that it reflects the views of the authors and not necessarily the PSC.

Members agreed to provide comments to Paul out of session.

Paul then provided members with a brief update on deliberations of the International Task Force on Harmonization of Public Sector Accounting (TFHPSA) at its last meeting in September 2004, noting that the Chair was a member of the Task Force but was unable to attend this meeting because of prior commitments. Paul noted that PSC member, Carmen Palladino, participated in the discussion of the TFHPSA and WG1.

Paul also noted that WG1 of the TFHPSA, together with the full TFHPSA, met for the best part of a full day to discuss the PSC project brief on General Government Sector Disclosures.

Paul noted that the TFHPSA was keen that the PSC chair WG1, which dealt with differences between accounting and statistical bases of reporting and which had initially developed the matrix which formed the basis of the Research Report on differences between IPSASs and statistical bases of reporting.

Members discussed the role and time commitment involved. The Chair requested that members advise him of their interest in participating in and/or chairing WG1. Ms Palladino expressed interest in participating in WG1.

Other members noted they would provide input to the Chair out of session.

Members noted the project brief and PAP responses thereto. Some members noted they continued to have misgivings about whether this project was appropriately a matter for GPFSS. After a lengthy debate, members agreed that the project should proceed and reviewed the project brief and PAP and staff comments thereon in detail. Members agreed that a draft ED be prepared for the next meeting to reflect PAP views and staff comments thereon except that in respect of:

- Issue 1, the ED should deal with GGS disclosures in the context of only the accrual IPSASs at this stage. When an entity elects to make GGS disclosures, the question of whether it makes disclosures about the public non-financial corporations sector and the public financial corporations sector will be considered at a future PSC meeting;
- Issue 3, however disclosed, it should be made clear that the GGS disclosures can be no more prominent than the whole of government financial results;
- Issue 5, the value of the investment in other sectors should be represented as the value of the net assets of those other segmentssectors, even if this differed from the GFS approach. This was because the GGS disclosures were to effectively reflect a disaggregation of the IPSAS whole of government financial statements;
- Issue 8, in addition to a list of controlled entities that make up the GGS being required to be disclosed, any changes in the list from one period to the next and the reasons for the changes should also be required to be disclosed; and
- Issue 10, while a reconciliation should not be required, the draft should note that it would be useful and was not prohibited.

The draft ED was also to make clear that what comprised the GGS may differ from jurisdiction to jurisdiction, ~~once~~—this may impact on what was reported and what was

included in the public finance corporations (PFC) and public non-finance corporations (PNFC) sectors.

Action Required: *Finalize Research Report. Advise PSC Chair of interest in Chairing WG1 of TFHPSA and follow up with Chair of TFHPSA. Prepare first draft ED on GGS disclosures for consideration by PSC at its next meeting and circulate to PAP for comment.*

Person(s) Responsible: *PSC Chair, Authors of Research Report, staff, PAP.*

14. PROPOSED IPSAS 22, “IMPAIRMENT OF CASH-GENERATING ASSETS”

Members received and considered:

- A memorandum from Erna Swart, David Bean and Ron Salole; and
- A draft proposed IPSAS 22 “Impairment of Cash-Generating Assets”.

Ron Salole introduced the topic and noted that he, Erna Swart and David Bean had been working on the project, electronically, since the last meeting. Ron advised the Committee that the subcommittee had concluded that, with respect to this project, if the Committee wanted to proceed, it had a number of options:

- Delay issuing IPSAS 21 “Impairment of Non-Cash-Generating Assets” and incorporate provisions relating to cash-generating assets into that IPSAS;
- Issue a separate IPSAS 22 on “Impairment of Cash-Generating Assets”;
- Apply IPSAS 21 to all assets, including the small number of cash-generating assets in the public sector; or
- Issue an amendment to IPSAS 21.

Ron noted that:

- As demonstrated by the marked-up proposed IPSAS 22 in attachment 14.2, much of the proposed IPSAS duplicates material that is already in IPSAS 21;
- The proposed IPSAS does not include the IAS 36 provisions in relation to goodwill because the PSC has not considered ~~IFRS~~ IFRS 3, “Business Combinations”
- The proposed IPSAS does include intangible assets notwithstanding that the PSC has not considered the applicability of IAS 38, “Intangible Assets” to the public sector, because of the potential significance of intangible assets to public sector entities. Members expressed concern that this did not align with the PSC’s policy as agreed for the IPSAS Improvements project.

Ron noted that the review process had been most useful as part of the PSC’s due diligence in respect of the applicability of IAS 36 to public sector entities, but the subcommittee was increasingly of the view that ultimately a separate IPSAS on impairment of cash generating assets by public sector entities other than GBE’s was not necessary. Rather, a separate ED should be developed on the impairment of cash generating assets but that that ED should propose certain amendments be made to IPSAS 21 to deal with cash generating assets. Ron also noted that the subcommittee was strongly

of the view that the issue of IPSAS 21 dealing with non- cash-generating- assets should not be delayed pending due process on impairment of cash generating assets.

The Committee discussed the project and concluded that it is worthwhile preparing public sector requirements in relation to the impairment of cash-generating assets and that it supports the view of the subcommittee that ultimately amending IPSAS 21 may be the best approach. It also noted that currently, there are insufficient staff resources to permit this project to take a high priority.

The subcommittee volunteered to continue to develop during 2005 a proposed ED to amend IPSAS 21 or issue an additional IPSAS dealing with impairment of cash generating assets, and the proposed ED would be brought to the PSC when staffing resources enabled a thorough review of the subcommittee's work.

Action Required: *Continue to develop draft ED, review and present to the Committee.*
Person(s) Responsible: *Ron Salole, Erna Swart, David Bean, PSC Technical Director.*

15. HERITAGE ASSETS

Members received and considered:

- a memorandum from John Stanford; and
- a project brief on accounting for heritage assets.

The PSC briefly discussed the project, thanked John for his work in developing a thorough project brief but concluded that it had insufficient resources to proceed with this project at this time. The PSC agreed that it would re-examine the project when resources are available. John Stanford volunteered to develop a discussion paper on this topic during 2005 that would be reviewed when resources permitted the PSC to proceed. Members from France, New Zealand, South Africa and UK noted there were active projects in their jurisdictions on this issue and volunteered to provide input to John.

Action Required: *Develop discussion paper to be presented to the PSC when resources permit proceeding with the project.*
Person(s) Responsible: *John Stanford, members and technical advisors from France, New Zealand, South Africa and UK.*

16. PSC REVIEW UPDATE

Members received and considered:

- a memorandum from Paul Sutcliffe
- a proposed Action Plan for the adoption of the recommendations PSC Review Panel;
- draft Terms of Reference for the International Public Sector Accounting Standards Board (IPSASB); and
- a draft updated Preface and Introduction to IPSASs.

It was noted that the action plan and draft interim terms of reference prepared by the PSC Chair and staff following the July meeting had been forwarded to the IFAC Board for approval at its forthcoming meeting in November. The PSC reviewed and noted its supported for the materials presented with the following reservations:

- Its ability to service all components of the work program given its current resource constraints. Members requested the Chair to emphasize again to the IFAC Board the need for additional resources if the PSC is to be able to pursue its work program; and
- The need to amend paragraph 15 of the interim Terms of Reference to acknowledge that a member may authorize his/her technical advisor, or, in the absence of the technical advisor, ~~or~~ the Chair to vote on behalf of the member if the member is absent. While this flows from the recommendations of the PSC Review Panel, the PSC concluded that absentee voting procedures should be standardized across IFAC committees and boards. In this context, staff advised the Committee that the IFAC Board will be considering a proposal to standardize the terms of reference (including proxy voting rules) of Public Interest Activity Committees under the supervision of the Public Interest Oversight Board, and this is likely to impact the PSC terms of reference.

Action Required: *Advise IFAC Board of PSC concerns, implement action plan.*

Persons Responsible: *PSC Chair and staff.*

17. CONSULTATIVE GROUP

On the afternoon of November 1, 2004, the PSC met with members of its Consultative Group (CG) present in New Delhi together with officers from the Indian Government Accounting Standards Advisory Board, the office of the Comptroller and Auditor General and the Ministry of Finance and working groups thereof and discussed key issues arising from:

- ITC “Revenue from Non-Exchange Transactions”;
- ITC “Accounting for Social Policies of Governments”; and
- Major features of the PSC’s work program.

The Consultative Group members present were Charles Coe (Canada), Lou Hong (China), Pyun Bo-Hum (CAPA), Andreas Bergmann (Switzerland) and Jesse Hughes (USA).

The discussions provided valuable input for the discussions of these items during the PSC meeting.

Matthew Bohun advised the PSC that he was still awaiting an application from the Ukrainian Ministry of Finance to join the Consultative Group. Matthew also advised the PSC that Mr. Jim Kerwin, the CG member from the Australian Department of Finance and Administration had been appointed Deputy Secretary of the Papua New Guinea Treasury, and had asked to maintain some involvement with the PSC. The PSC briefly discussed this and considered that it would be advantageous to retain Mr. Kerwin on the

CG representing PNG, and to invite the Australian Department of Finance and Administration to appoint a replacement member.

Action Required: *Write to Australian Department of Finance and Administration and Jim Kerwin advising them of PSC decision. Follow up with Ukrainian Ministry of Finance.*

Person(s) Responsible: *PSC Secretary.*

18. PUBLIC SECTOR PERSPECTIVES ON ISAs

Matthew Bohun advised the Committee that he had received final drafts of proposed revisions to ISA 700 “The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements” and ISA 540 “Auditing Accounting Estimates and Related Disclosures (Excluding Those Involving Fair Value Measurements and Disclosures)” which had been circulated to the PSP subcommittee for review. The IAASB had given only a few days for comments on these. Matthew advised that he was not recommending an amendment to the PSP on ISA 700 or including a PSP on ISA 540, and unless he received contrary advice, would communicate this to IAASB staff.

Matthew also advised that the INTOSAI process, as previously noted, was now expected to take effect.

Action Required: *Provide feedback to IAASB staff on PSPs for ISAs 700 and 540..*

Person(s) Responsible: *PSC Secretary.*

19. FUTURE MEETINGS

The committee received and noted a memo from Matthew Bohun with details of the planned future meetings of the PSC. The PSC discussed future meeting dates and locations. Members agreed the July 2005 meeting in New York will be held on July 25 – 28 to coincide with the IFAC Board meeting. Accordingly, meeting dates for 2005 are as follows:

Dates	Locations
PSC Meetings 2005	
March 14 – 17	Oslo, Norway
July 25-28	New York
November 29 – December 2, 2005	Cape Town, South Africa

The member and technical advisor from Japan advised the PSC that the Japanese Institute of Certified Public Accountants will be extending an invitation to the PSC to meet in Tokyo in March 2006.

The meeting in Paris in June/July 2006 will be hosted by both IFAC member bodies: the Compagnie Nationale des Commissaires aux Comptes and the Ordre des Experts Comptables.

The PSC has not received any invitation for November 2006. The Chair advised that he would consult with IFAC to see if it would be possible to meet in Istanbul, Turkey to coincide with the World Congress of Accountants. This would be an excellent opportunity to promote the IPSASs, and in all likelihood the PSC would be asked to make a presentation at the Congress. If the meeting were held in Istanbul, it would be instead of the annual meeting in New York.

Matthew Bohun advised that, as requested at the July meeting, he and Jerry Gutu had made inquiries about the possibility of the PSC meeting in Egypt and Russia. Jerry had contacted a member of the Consultative Group in the Middle East, who contacted the Egyptian member body, who advised that they would not be in a position to invite the PSC to meet in Egypt in the next two to three years. Matthew advised that he had consulted David Rattray, former PSC member for Canada and Consultative Group member, who has contacts in the Russian public sector. David advised that it may be possible to arrange an invitation for 2007.

<i>Action Required:</i>	<i>Liaise with member bodies for the Oslo, Cape Town, Tokyo and Paris meetings. Consult with IFAC regarding New York meeting and possibility of meeting in Istanbul.</i>
<i>Person(s) Responsible:</i>	<i>PSC Chair and Secretary.</i>

20. SEMINAR WITH THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

On the morning of November 1, 2004 the Institute of Chartered Accountants of India and the PSC jointly hosted a conference on “Enhancing Accountability and Good Governance in the Public Sector” attended by approximately 150 members of the ICAI working in the public sector in India. The conference was opened by Dr. Ashok Haldia, Secretary of ICAI and delegates were welcomed by Dr. Sunil Goyal, President of the ICAI. Mr. Philippe Adhémar, PSC Chair gave the keynote address on the work and achievements of the PSC. Other papers were presented by:

- ~~Mike Hathorn~~ The Deputy Chair and John Stanford, on the United Kingdom’s experience in the implementation of accrual accounting in the public sector;
- Tom Olsen and Harald Brandsås on the reform of financial reporting in the Norwegian public sector;
- David Bean and Ron Points on the approach to accounting standards setting in the public sector in the United States of America;
- Mr. S Athyamoorthy, Chairman of the Governmental Accounting Standards Advisory Board of India, and Deputy Comptroller and Auditor-General of India, and Mr. Kamlesh Viksamey, Vice-President of ICAI on the necessity of financial reporting reform in the Indian public sector; and
- Mr. Vino Sahgal, Regional Public Financial Accountability Specialist, World Bank, on the necessity of building capacity in financial management in South Asia.

The presentations were followed by a question and answer session and a press conference with the Indian press corps.

**INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
ACTION LIST FROM NEW DELHI MEETING**

Action Required	Person(s) Responsible	Date Due	Date Completed
1. Prepare, review and distribute minutes.	Chair, IPSASB Staff	Nov/Dec 2004	December 2004
2. Update the Committee's Action List and distribute with the minutes.	IPSASB Staff	Nov/Dec 2004	December 2004
3. Post approved minutes from the New Delhi meeting on the Intranet.	IPSASB Staff	December 2004	December 2004
4. Prepare Update on New Delhi Meeting.	Chair, IPSASB Staff	November 2004	December 2004
5. Prepare Chairman's Report.	Chair, IPSASB Staff	February 2005	February 2005
6. Update IPSASB Correspondence, Distribution and Network Lists and send to members.	IPSASB Secretariat	November 2004 and ongoing	November 2004/February 2005 and ongoing
7. Prepare Secretariat Report	IPSASB Secretariat	January 2005	February 2005
8. Liaise with the Norwegian Institute of Public Accountants and others as necessary to co-ordinate the March 2005 meeting in Oslo, advise members.	IPSASB Secretariat and IPSASB staff	November 2004 and ongoing	November 2004 and ongoing
9. Update register of funding, translation and promotion activities. Update IPSASB Work Plan.	IPSASB Staff	Jan/Feb 2005 and ongoing	February 2005
10. Update funding proposal	IPSASB Staff, Chair	December 2004	December 2004
11. Continue fundraising activities. Follow up on funding and promotion activities.	Chair, IPSASB Staff	November 2004 and ongoing	November/December 2004 and ongoing
12. Prepare staff submission to respond to IFRIC's Draft Interpretations on Service Concessions.	IPSASB Staff	January 2005 (if IFRIC drafts on issue)	Pending
13. Prepare letter to the Chair of the IASB expressing the desire to institute a joint project on service concession arrangements	Chair, IPSASB Staff	December 2004	December 2004

Action Required	Person(s) Responsible	Date Due	Date Completed
14. Prepare country reports to be included in the IPSASB Agenda.	Members, IPSASB Secretariat	February 2004	February and ongoing
15. Prepare first draft of ED "Revenue from Non-Exchange Transactions"	IPSASB Staff	Jan/Feb 2005	Jan/Feb 2005
16. Develop paper on social security systems to provide pensions to government employees.	IPSASB Staff and Members	Jan/Feb 2005	Jan/Feb 2005
17. Undertake final editorial review of ED "Disclosure Requirements for Recipients of External Assistance", send to sub committee for review, process comments and issue ED.	Consultant, Member and Technical Advisors for South Africa, World Bank Observer, IPSASB Staff.	December 2004/ January 2005	December 2004 / Jan/Feb 2005
18. Prepare revised draft ED "Comparison of Budget and Actual Amounts for the Accrual and Cash Basis of Financial Reporting".	Consultant, PAP Chair, IPSASB Staff.	January 2005	Jan/Feb 2005
19. Prepare draft policy document on IPSASB-IASB convergence program.	Deputy Chair, IPSASB Staff	January 2005	January 2005
20. Update IPSASs 17, 16, 3 and 6 based on revisions agreed at November 2004 meeting. Prepare updated IPSASs 4, 7 and 8 for review at March 2005 meetings. Prepare specific matters for comment for each draft IPSAS and a Basis for Conclusions for the Improvements Omnibus ED for consideration at July 2005 meeting.	IPSASB Staff	January 2005 and ongoing	December 2004/ January 2005 and ongoing
21. Issue IPSAS 21, "Impairment of Non-Cash-Generating Assets".	IPSASB Chair and Staff	December 2004	December 2004
22. Prepare IASB Update for Oslo Meeting	IPSASB Staff	February 2005	Pending

Action Required	Person(s) Responsible	Date Due	Date Completed
23. Finalize IPSAS statistical basis harmonization Research Report. PSC/IPSASB members to advise IPSASB Chair of Interest in Chairing WG1 of TFHPSA.	IPSASB Chair, Research Report authors, IPSASB Staff	January 2005	January 2005 and ongoing
24. Prepare first draft ED on GGS disclosures for consideration by IPSAB at meeting in March 2005, circulate to PAP for comment.	IPSASB Staff, PAP	Jan/Feb 2005	February 2005
25. Continue to develop draft ED "Impairment of Cash-Generating Assets" for presentation to IPSASB at final meeting in 2005.	Ron Salole, Erna Swart, David Bean, IPSASB Technical Director	November 2005	Pending
26. Develop discussion paper on Heritage Assets to be presented to IPSASB when resources permit proceeding with a project.	John Stanford, members and technical advisors from France, South Africa and New Zealand	November 2005	Pending
27. Present IPSASB action plan to IFAC Board in November 2004 and implement the plan as appropriate, consistent with the directions of the Board.	IPSASB Chair	November 2004, and ongoing	November 2004 and ongoing
28. Advise Australian Department of Finance and Administration on IPSASB decisions re Consultative Group.	IPSASB Secretariat	January 2005	January 2005
29. Follow up with Ukrainian Ministry of Finance re membership of Consultative Group.	IPSASB Secretariat	January 2005	January 2005
30. Provide feedback to IASB staff on PSPs for ISAs 700 and 540.	Sub Committee and IPSASB Secretariat	November 2005	November 2005
31. Liaise with member bodies for the Cape Town, Tokyo and Paris meetings, and with IFAC for the New York meeting and the possibility of meeting in Istanbul.	IPSASB Secretariat and Technical Director	November 2005 and ongoing	Ongoing

Action Required	Person(s) Responsible	Date Due	Date Completed
32. Update IPSASB General Paper and related presentation materials for presentation in Oslo	IPSASB staff	Jan/Feb 2005	Jan/Feb 2005



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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DATE: 4 FEBRUARY 2005
MEMO TO: MEMBERS OF THE IFAC IPSASB
FROM: PHILIPPE ADHÉMAR
SUBJECT: **CHAIRMAN'S REPORT**

ACTION REQUIRED

The Committee is asked to:

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

CHAIRMAN'S REPORT

Since the last PSC meeting in November 2004, I have been involved in the following:

- Attended the IFAC Board meeting immediately following the November PSC meeting and presented the PSC's (now IPSASB's) Action Plan and revised Terms of Reference and Preface to the Board. All the PSC's recommendations were accepted. Subsequently, the IFAC Council determined that the name change to International Public Sector Accounting Standards Board (IPSASB) should take effect immediately.
- Attended an OECD meeting (the OECD JV-PFM) held on 17-18 Nov 2004 with Charles Coe to present and discuss the draft ED on External Assistance.
- Reviewed and agreed PSC Update 13, including providing additional input on the translation of the French translation thereof.
- Prepared letter thanking the Indian Institute for their support in arranging the PSC meeting, seminar and round table discussions in November 2004.
- Reviewed and approved for issue IPSAS 21 "Impairment of Non-Cash Generating Assets" and ED 24 "Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance". Approved for issue the Research Report "International Public Sector Accounting Standards (IPSASs) and Statistical Bases of Financial Reporting: An Analysis of Differences and Recommendations for Convergence".
- Reviewed and agreed media releases regarding the above three publications.
- Reviewed an updated funding proposal for use in securing funds for the IPSASB. It is intended to use this proposal in funding actions/meetings during February to June. I will provide a verbal update on activities at the meeting. I have discussed funding activities with the past President of IFAC and with the IFAC- Chief Executive. The proposal has been provided to key personnel.
- Reviewed the December 2004 and January 2005 monthly financial statements prepared in respect of the Standards Program.

- Provided responses to communication from the Ukraine Treasury Officials regarding membership of the IPSASB.
- Participated in development of the program for the seminar in Oslo and the items for discussion with the Consultative Group.
- Presented to the annual meeting of the Francophone Supreme Audit Institute AISCCUF in November 2004.
- Presented to the UNESCO panel of external Auditors, Chief Accountants and Finance Directors in December 2004.
- Reviewed and agreed the Agenda and meeting schedule for the March 2005 IPSASB meeting.
- Responded to CIGAR regarding academic representation as an observer on the IPSASB. See correspondence at agenda item 13.
- Agreed that a speech I presented to an international congress at the University of Ferrara should be included in a book on International Public Sector requirements.
- Wrote to Sir David Tweedie proposing that the IPSASB work together on service concession arrangements (public private sector arrangements). I also noted other projects that the IPSASB had an interest in. See correspondence at agenda item 6.7. I propose we discuss this matter at item 6 in the context of our discussion of the work program.
- Responded to a request from the OECD for suggestions regarding topics to be included on the OECD agenda of the senior budget officers' meeting.
- Responded to the UK ASB re their proposal on heritage assets. See letter at agenda item 6.9. I propose we discuss this also in the context of our discussion of the work program at agenda item 6.
- I will attend the TFHPSA meeting in February 2005.
- I will present an update on the IPSASB's work program to the OECD senior budget officers' meeting to be held in Paris later in February and participated in discussions on a number of IPSASB projects.
- I will attend an IASB – SAC meeting in February 2005
- Discussed staffing arrangements with the Technical Director and others. I will provide a verbal update at the meeting.



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DATE: FEBRUARY 1, 2005
MEMO TO: MEMBERS OF THE IFAC INTERNATIONAL PUBLIC SECTOR
ACCOUNTING STANDARDS BOARD
FROM: MATTHEW BOHUN
SUBJECT: SECRETARY'S REPORT

ACTION REQUIRED

The Committee is asked to:

- **Receive** and note a report from the IPSASB Secretary
- **Receive** and note a report on IFAC Technical Committees; and
- **Receive** and confirm address details in the Members' Correspondence Distribution List.

AGENDA MATERIAL:

	Pages
5.2 Report on IFAC Technical Boards/Committees	5.3 – 5.7
5.3 Members' Correspondence Distribution List	5.8 – 5.13

SECRETARY'S REPORT

IFAC Handbook of Public Sector Pronouncements 2005

The English edition of the Handbook was prepared during the latter part of 2004, and sent to the printers in early 2005. This year's handbook will include IPSASs 1 – 20 and the Cash Basis IPSAS. The Handbook is distributed free of charge, however, subscribers are required to pay shipping costs of around USD 15 per copy, or less if bulk copies are ordered. As a comparison, the printed version of the *IFAC Handbook of International Auditing, Assurance and Ethics Pronouncements* currently costs USD 100. The printed copies of the Handbook will be available mid-February.

Spanish and French editions of the Handbook will be prepared after the publications department has completed the English editions, and have received translations of the introductory material and the French translation of the IPSASs. A promotional mailing will take place to gauge the level of demand for the printed versions, and a print run will be ordered accordingly. Subscribers will be required to pay shipping costs, however there will be no charge for the actual printed volume.

In 2004, two impressions were made of the Handbook, however, after IFAC started recovering the cost of shipping, demand fell off substantially. There were approximately 1000 copies left in stock at the beginning of January, 200 were shipped to the World Bank in Washington D.C. and 400 to ESAAG in Pretoria.

IPSASB Members Annual Declarations

In January 2004, I sent out declarations to be signed by each member of IPSASB. These declarations are required by the IFAC Board. Any members who have not yet submitted this declaration should do so before the commencement of the March 2005 meeting.

Nominations for 2006

In February 2004, IFAC will be advertising for nominations for membership of its various Boards, Committees and Permanent Task Forces. Five members of IPSASB have terms expiring at the end of this year, the Nominations Committee is seeking applications for these five positions, one of which will be filled with a public member, in accordance with the recommendations of the Review Committee. Members who have served one term may be nominated to serve an additional term.

IPSASB Website

The IPSASB pages on the IFAC Website have been updated to reflect changes made as a result of the November 2004 IFAC Council and Board meetings. Members should note that the URL www.ipsasb.org will take browsers straight to the IPSASB pages on the IFAC website.

IFAC would like to publish short biographical paragraphs on the website for each member. I have sent an e-mail to each member requesting confirmation of the information that I hold and requesting information about other appointments that are currently held. The IAASB website already contains such information about IAASB members, these can be viewed at <http://www.ifac.org/IAASB/About.php#3>.

Members should send me an e-mail regarding any inaccuracies on the IFAC website and I will pass them on to the webmaster.

Matthew Bohun

TECHNICAL MANAGER AND IPSASB SECRETARY

IFAC Committees Liaison Report

IFAC Council

The IFAC Council met in Paris in November 2004. At this meeting Graeme Ward (United Kingdom) was approved as President, and Juan José Fermín del Valle (Argentina) was named Deputy President, both were appointed for two year terms.

The Council approved the changes to the Constitution of IFAC necessary to enable the change of name of the Public Sector Committee to the International Public Sector Accounting Standards Board, effective immediately.

The IFAC Council together with the Board reconfirmed its commitment to achieving convergence to international standards, agreeing to move forward on recommendations in the recently issued report, 'Challenges and Successes in Implementing International Standards: Achieving Convergence to IFRSs and ISAs'.

The Council also appointed six new organizations as members and one organization was promoted from associate membership to full membership of IFAC.

The IFAC Council will meet again in Istanbul on November 8 – 10, 2006.

IFAC Board

The IFAC Board approved the changes to the IPSASB's Terms of Reference that were proposed as part of the implementation of the Review Committee report. These revised terms of reference will be included in the 2005 edition of the "IFAC Handbook of Public Sector Pronouncements".

The Board has also issued an Exposure Draft on environmental management accounting (EMA), which is aimed at accountants and organizations interested in the potential economic and other internal management benefits of EMA.

The Public Interest Oversight Board will have its inaugural meeting in London in February 2005, and will meet again in April. The PIOB initially has oversight responsibilities for the International Auditing and Assurance Standards Board, the Education Committee and the Ethics Committee. These bodies have been designated as Public Interest Activity Committees (PIACs).

The IFAC Board will be meeting in Cape Town, South Africa on March 17 – 18, 2005.

Compliance Advisory Panel (CAP)

The Compliance Advisory Panel has been following up on its self-assessment questionnaire for the member body self-assessment of compliance with the Statements of Member Obligations. There are a number of member bodies that are still to reply and the CAP team is following up with these member bodies. A significant number of member bodies did not answer the section on compliance with public sector pronouncements. In many instances this is because the accounting

profession is not permitted any role in setting financial reporting standards for the public sector, and consequently the profession and government have little contact.

The SMOs may be a vehicle that encourages the profession around the world to be proactive in increasing the accountability of the public sector. The SMOs require member bodies to use their best endeavors to ensure adoption of international standards, or convergence of national standards with international standards. The extent to which a member body's best endeavors achieve any movement toward international convergence varies considerably from jurisdiction to jurisdiction. Over time, member bodies may reassess what is meant by "best endeavors" in their jurisdiction, and increase their lobbying of government and other regulators to promote international convergence of financial reporting, auditing, accounting education and ethical standards.

The Compliance Advisory Panel will be meeting in London on February 9, 2005.

Developing Nations and Small and Medium Practices Permanent Task Forces

ACCA Global, the DN PTF and the SMP PTF are presenting a conference on SMP/SME and Developing Nations issues in March 2005 in Prague, Czech Republic. IFAC member bodies, regional accountancy organizations, standard setters and development agencies will be invited to attend this conference. Further information on the Conference is available from smpdnsconference@ifac.org.

Both the DN and SMP PTFs will be meeting on February 7 – 8/9 in Prague in conjunction with the Conference. Both these task forces have the objective of representing their constituencies in the standards setting processes and anticipate responding to exposure drafts of IFAC Boards and Committees and the IASB when those EDs propose standards that will significantly impact their constituencies.

Education Committee

The Education Committee (EdCom) has established International Education Standards that establish the benchmarks that IFAC member bodies are expected to meet in the preparation and continual development of the content and process of education and development of professional accountants. The Standards represent the minimum requirements, many member bodies have requirements that exceed these requirements, and other member bodies are now working to improve their educational requirements so that they meet the benchmark set by the EdCom.

The EdCom will be meeting in New York on March 2 – 4, 2005.

Ethics Committee

As noted at the last meeting of the PSC in November 2004, the Ethics Committee has commenced a project to develop ethical guidance for professional accountants in government. This project is being progressed by a task force. IPSASB member Tom Olsen is participating in this Task Force.

The Ethics Committee also has current projects dealing with the following:

- Guidance for public accountants in business when encountering fraud or illegal acts.
- Reexamination of the independence requirements professional accountants in public practice performing assurance engagements.
- Revision of the definition of “network firm”.
- Revision to the Code of Ethics to establish fundamental principles of professional ethics for professional accountants and provide a conceptual framework for applying those principles.
- Revision to the Code of Ethics to clarify the partner rotation requirements for the lead partner in an assurance engagement of a listed entity.
- Consideration of the rotation requirements for quality reviews undertaken in accordance with International Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.”

The next meeting of the Ethics Committee will be on February 14 – 15, 2005 in New York.

International Auditing and Assurance Standards Board

The IAASB meeting in December 2004 in New Orleans, USA, was the first IFAC meeting for which audio recordings have been made available for download from the Internet. The technology for enabling this is now available in IFAC, and other boards and committees are able to utilize it if they choose. Different technology is required for live webcasting including requires broadband internet access at the host venue; consequently, live webcasting is not contemplated at this time.

The IAASB is currently progressing the following projects:

- Audit Documentation – ED issued (INTOSAI task force member).
- Audit of Group Financial Statement – ED issued with Public Sector Perspective.
- Auditing Accounting Estimates and Related Disclosures (Other than Those Involving Fair Value Measurements and Disclosures) – ED issued with Public Sector Perspective.
- Clarity of IAASB Standards – ED issued (PSC subcommittee determined that a Public Sector Perspective is not required for this issue).
- Communication With Those Charged with Governance – ED issued (INTOSAI task force member).
- Management Representations (INTOSAI task force member);
- Materiality in the Identification and Evaluation of Misstatements – ED issued with Public Sector Perspective.
- Modifications to the Auditor’s Report (INTOSAI task force member).
- Related Parties (INTOSAI task force member).
- Review of Interim Financial Information by the Auditor of the Entity – ED issued (PSC subcommittee determined that a Public Sector Perspective is not required for this issue).
- The Auditor’s Report on Special Purpose Audit Engagements (INTOSAI task force member).

- Using the Work of an Expert (INTOSAI is currently in the process of appointing a member to this task force).

The next meetings of the IAASB are March 6/7 – 10/11 in Lima, Peru; June 12/13 – 16/17 in Rome, Italy, September 11/12 – 15/16 in New York, USA; and December 5 – December 9 in Cape Town, South Africa. (The dates may move by one day forward to the dates shown in Item 17.2.)

Professional Accountants In Business Committee

The PAIB Committee serves IFAC member bodies and the more than one million professional accountants worldwide who work in commerce, industry, the public sector, education and the not-for-profit sector. The PAIB publishes studies, theme booklets, though pieces and other documents that address the global concerns of professional accountants in business. Current projects include:

- 2004 Theme Booklet – the 2004 will demonstrate the variety of work carried out by professional accountants in business and the many ways in which professional accountants add value.
- Business planning – a project to provide guidelines to professional accountants in business for developing and implementing business planning in small and medium enterprises.
- Ethics – the PAIB Committee has initiated a project to heighten the awareness of the need for a corporate code of ethical conduct.
- PAIB Resource center – the PAIB Committee is investigating the development of a web-based resource that would bring together quality information produced by IFAC member bodies and other resources.
- Narrative Reporting – the PAIB Committee is continuing to research investor requirements for narrative reporting.
- Sustainability – the PAIB Committee and the IAASB are working together on a research project in conjunction with member bodies that have established a Sustainability Panel of experts. This panel will serve in an advisory capacity to FIAC committees and boards and will encourage the involvement of the international profession on sustainability issues.
- Training and Education – PAIB Committee is developing a comparative study of member bodies that have successfully transitioned from being concentrated solely on accountants in public practice, to incorporating accountants in business as well. The Iranian Institute of Certified Accountants and the Expert Accountants' Association of Turkey are to be included. The results would be compared to the model of the Institute of Chartered Accountants in England and Wales.
- Roles and Responsibilities: Producing and Using Robust and Reliable Financial Statements – the PAIB Committee is proposing a project to examine, clarify and consider the role of professional accountants in business in producing robust and reliable financial statements.
- Chief Financial Officers in Emerging Economies – the PAIB Committee is investigating establishing a project to examine this issue in detail.

The next meeting of the PAIB is April 18 – 20 in Hong Kong.

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International Public Sector Accounting Standards Board 2005
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