



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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DATE: 2 FEBRUARY 2005
MEMO TO: MEMBERS OF IFAC IPSASB
FROM: PAUL SUTCLIFFE
SUBJECT: **INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARDS**

ACTION REQUIRED

The Board is asked to:

- **note** developments in the areas outlined below; and
- **provide** input on any further developments

BACKGROUND

The purpose of this paper is to provide an overview and update on funding, promotion and translation activities during 2005. This is a standing item on the IPSASB Agenda. The Work Plan for 2005 and beyond is considered in detail at Agenda items 6.2, 6.3 and 6.4.

Staff maintain a register of organizations who have been approached for funding support for the IPSASB in previous years. Staff also maintain a list of presentations in support of the IPSASB and IPSASs made by members, technical advisors, observers and staff in previous years. These are available on request.

(i) Standards Program Funding

Financial information regarding operations of IPSASB's standards program during 2004 will be provided to members at the meeting.

As noted in the Chairman's report at item 4 of this Agenda, the Chair has been involved in discussions with Rene Ricol (the immediate past IFAC President), key IFAC office bearers and staff, and the World Bank Observer on the IPSASB regarding fund raising activities in 2005. With the support of the World Bank, it is intended that discussions will be held in April 2005 with a range of potential funders regarding the development of appropriate and sustainable funding arrangements for the IPSASB. The funding proposal to support these funding activities was prepared during November and December 2004. A copy of that document is available on request.

The current status of funding for 2005 is outlined below.

Current Funding Profile - 2005

Organization	Status
Public Expenditure and Financial Accountability (PEFA) Program	Funds provided by PEFA in 2004 (\$50,000US) to support the Budget Reporting Project will have been used by mid 2005. Additional support is being pursued. PEFA is financed jointly by the World Bank, European Commission, and UK DFID.
Multi Lateral Development Banks (MDB) and World Bank	In 2004, \$75,000US was provided to support the Development Assistance Project through a fund administered by the World Bank. That funding continues to support the project.
World Bank	The World Bank provided funding of \$250,000US during 2004 and prior years and has approved funding of \$250,000US per annum for 2005 and beyond.
Asian Development Bank	The ADB have provided \$245,000US over a three year period to end of 2004/early 2005. \$82,000US, being the final tranche of that funding, is now due.

(ii) Standards Project Promotion and Key Relationship Management*Background*

A list of invitations and presentations made since the November 2004 meeting is set out below. If you have agreed to present during 2005, or have already presented at any seminars or meetings that should be included in this list, please inform Matthew Bohun. In addition to matters identified in this list, IPSASB members and their technical support and observers also report on a regular basis to their national Boards and/or other relevant bodies on IPSASB activities. The IPSASB Chair and staff also report to the IFAC Board and relevant IFAC Committees on a regular basis.

2005 Invitations and Activities (including presentations post the November 2004 meeting of the Board)

Date	Location/Activity	Host/Participants/Journal	IPSASB Member, TA, Observer, Staff
Nov/Dec 2004	Ankara	Euro Med Seminar on Auditing and Accounting – Presentation on IPSASs and IPSASB work plan.	Ran Tal
Nov/Dec 2004	Tel Aviv	Annual Convention of Israel CPAs – Presentation on IPSASs and IPSASB work plan.	Roni Alroy
Nov/Dec 2004	Dakar	African Francophone Supreme Audit Institutions. Presentation on IPSASs and IPSASB work plan.	Philippe Adhémar
Nov/Dec 2004	Articles- Israel CPA Journal	Impairment of Non-Cash- Generating Assets. Definition of Control in the Public Sector.	Roni Alroy and Ran Tal

Date	Location/Activity	Host/Participants/Journal	IPSASB Member, TA, Observer, Staff
January 2005	Paris	UNESCO – Technical Group. Panel of External Auditors, Chief Accountants and Finance Directors. Presentation on IPSASs and IPSASB work plan.	Philippe Adhémar
January	Luxembourg	European Court of Auditors. Presentation on IPSASs and their adoption by EU entities.	Jean-Luc Dumont
January	Washington	World Bank. Presentation on Cash and Accrual IPSASs	Matthew Bohun
February	Tel Aviv, Israel	Israel Institute of CPAs. Presentation on Social Policies of Government.	Roni Alroy
February	Paris	OECD Senior Budget Officers' Forum. Presentations on IPSASB projects.	Philippe Adhémar Paul Sutcliffe
February	Paris	TFHPSA. Presentation on IPSASB projects and ED on General Government Sector (GGS) Disclosures	Philippe Adhémar and Paul Sutcliffe
March	London	European Group of UK qualified accountants. Presentation on IPSASs and IPSASB work plan	John Stanford

(iii) Translations

The IPSASB has recognized the importance of translating its pronouncements into languages other than English, and identified the following as key languages: French, Spanish, Chinese, Russian and Arabic.

The translation into Spanish of accrual IPSASs 1 to 20, the comprehensive Cash Basis IPSAS, the Glossary of Defined Terms and the updated Preface to IPSASs have been completed under the agreement with the IASCF. The Spanish translation of IPSASs was uploaded on the IFAC web in 2004, and can be downloaded free of charge. A number of hard copy compendiums of the IPSASs in Spanish will also be printed.

Completion of the French translation of the same documents is anticipated by the end of April 2005. A hard copy compendium of the IPSASs in French will then also be prepared.

In addition, translations of IPSASB documents into other languages are in progress, or have been completed, by member bodies and other interested organizations. The table below summarizes progress on translation activities to date. Please advise Matthew Bohun of any amendments to this listing.

Language	Organization	Status
French	IASC-IPSASB Arrangement	Anticipate translation of IPSASs 1 – 20, Cash Basis IPSAS and Preface by end April 2005.
French	NATO	NATO has translated the black letter paragraphs of IPSASs 1-8 into French.
Spanish	IASC – IPSASB Arrangement	IPSASs 1 – 20, the Glossary of Defined Terms and the Cash Basis IPSAS have been completed.
Czech	Chamber of Auditors of the Czech Republic and Czech Member Body of IFAC	IPSASB Handbook is being translated by the Czech member body.
Bosnia and Macedonia	Ministry of Finance	The accrual and cash basis IPSASs have been translated into the Macedonia language but not yet copied into the government “register”. No progress on translation in Bosnia.
Russian	International Center for Accounting Reform (ICAR)	Translation of following completed: IPSASs 1-12, the Glossary of Defined Terms, IPSASB Studies and Guideline 1 on GBE’s.
	Chamber of Auditors of the Republic of Kazakhstan (IFAC Member Body)	The Kazakhstan member body is translating the IPSASB Handbook into Russian.
	Samara Region Institute	Enquiry re authority to translate received. (Staff have advised of other Russian translation activity.)
Chinese	PRC Ministry of Finance in conjunction with World Bank	IPSASs 1 – 20 and Glossary of Defined Terms completed.
	Federation of CPA Associations of Chinese Taiwan (IFAC Member Body)	Study 11 has been translated into Chinese.
Arabic	The Palestinian Association of Accountants and Auditors	Translated IPSASs 1 – 12. Translation of IPSASs 13 – 20 in progress.
	Arab Society of Certified Accountants, Amman, Jordan (IFAC Member Body)	ASCA has prepared a translation of the IASs into Arabic and translated IPSASs 1-13, Studies 3-12, Guidelines 1 and 2, and is currently translating Studies 13 and 14 and Occasional papers 4 and 5.

Language	Organization	Status
Italian	Consiglio Nazionale dei Dottori Commercialisti (IFAC Member Body)	IPSASs 1-17 completed. IPSASs 18-20 under way.
Bahasa Indonesia	Professor Indra Bastian	IPSASs 1-15 have been translated.
Maltese	Grant Thornton – Malta Office, on behalf of the Government of Malta	English versions used. No translations occurring.
Japanese	Japanese Institute of Certified Public Accountants (IFAC Member Body)	Translation of IPSASs 1- 20, Cash Basis, Study 11 and Study 14 completed.
Mongolian	Mongolian Institute of Certified Public Accountants (IFAC Associate Member Body) with World Bank support	Translation of IPSAS 1-20 completed.
German	Swiss and German Institutes and Swiss Government	Considering translation – no action as yet. English version used for reform process in Switzerland. No urgency for translation.
Bulgarian	Institute of Certified Public Accountants of Bulgaria (IFAC Member Body)	The Bulgarian member body is translating the IPSASB Handbook.
Lithuania	Lithuanian Institute of Accounting	Permission sought to translate. Application supported and approval in progress.



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DATE: 2 FEBRUARY 2005
MEMO TO: MEMBERS OF IFAC IPSASB
FROM: PAUL SUTCLIFFE
SUBJECT: **IPSASB STANDARDS PROGRAM WORK PLAN**

ACTION REQUIRED

The Board is asked to:

- **review and confirm** the draft work plan; and
- **provide** directions regarding any amendments.

AGENDA MATERIAL:

	Pages
6.3 IPSASB Work Plan for 2005+	6.11
6.4 IPSASB Work Plan for 2005 – 2007	6.12
6.5 IPSASB Documents for Issue and Issued	6.13 – 6.14
6.6 Projects of National Standards Setters	6.15 – 6.17
6.7 Correspondence to Sir David Tweedie from IPSASB Chair	6.18 – 6.19
6.8 Response to Chair	6.20
6.9 Correspondence re UK Standards Board	6.21-6.26
6.10 Heritage Assets Project Brief	6.27-6.32

Status February 2005

The 2005 and 2005-2007 work plans have been updated to reflect decisions made at the November 2004 meeting. Clean copies of the work plans are attached as items 6.3 and 6.4. Major activities/outputs since that meeting and an update on major projects are outlined below. The work plans are subject to change dependent on decisions made at this meeting.

Documents issued since the last meeting

The following documents have been finalized and issued since the November 2004 meeting of the PSC/IPSASB:

- IPSAS 21 “Impairment of Non-Cash Generating Assets” (December 2004)
- Glossary of Defined Terms IPSAS 1 (December 2004)
- Research Report – “International Public Sector Accounting Standards (IPSASs) and Statistical Bases of Financial Reporting: An Analysis of Differences and Recommendations for Convergence” (January 2005)
- Exposure Draft – “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance” (February 2005)
- Update 13 which summarizes the PSC November 2004 meeting was issued in English, French and Spanish in December 2004.

Structure of Work plan

The IPSASB agreed at its November 2004 meeting that its work plan should be revised to reflect its diminished staff resources. In particular, progress on additional projects dealing with convergence of IPSASs with IFRSs and convergence of IPSASs with statistical reporting bases would not occur in the short or medium term.

The work plans for 2005 and 2005 – 2007 have been updated to reflect these decisions. The work plans have also been restructured into two components: Part 1 indicates the current 2005 program (active, completed or proposed active projects). Projects in Part 1 are grouped to reflect the IPSASB's decision on its three priorities (first priority being public sector specific issues, second priority being the IASB convergence project and third priority being the IPSAS statistical base convergence project). Part 1 also identifies the projects that are being or have been developed "out-of-session" by members and sub groups as agreed at previous meetings. Part 2 identifies those projects that will become active in the future when additional staff resources become available.

The restructuring also reflects a proposal that the social policy obligations project to split into two components at this stage being pension and non-pension components. While there has been support for dealing with all components in the one IPSAS, a split at this stage does promise some progress in the short term. In addition, deliberation on the non-pension aspects of social policies may illuminate discussions of the more complex pension issues.

The work plans also reflect that staff propose accelerated progress on heritage assets and service concessions (public private sector arrangements) projects. This reflects expectations about the availability of additional staff resources during 2005, and the acceptance of the offer of input from the UK-ASB (see Agenda item 6.10).

Neither of these proposed amendments to the work plan have been discussed by the IPSASB at this stage, so are subject to change.

The progress on public private sector arrangements (service concessions) is dependent on when the IASB-IFRIC issues its draft interpretations (see Agenda item 11c) and the result of discussion between Philippe Adhémar (IPSASB Chair) and Sir David Tweedie (IASB Chair) on the potential for a joint project. The Chair will provide a verbal update on this at the forthcoming meeting.

Consequences of PSC Review – IFAC Board decisions on recommendations of the Review Panel

As noted in the Chairman's report, the IFAC Board agreed the Action Plan proposed in response to the 2004 PSC External Review (this plan was agreed by the PSC at its meeting in Delhi in November 2004). Subsequently, the IFAC Council determined that the name change be effective immediately and communicated via the PSC Update, IFAC President Update and the IFAC website. The revised IPSASB Terms of Reference and draft Preface to IPSASs as considered at the last meeting were also agreed by the IFAC Board. They are included for information at Agenda item 13.4 and 13.5. Agenda item 13.2 provides an update on the Action Plan and item 13.3 is a draft policy on Observers. Agenda item 14.2 deals with

the appointment of Consultative Group regional Chairs and confirmation of role of the Group.

Project Updates – major items for discussion at this meeting

Non-Exchange Revenue and Accounting for Social Policies of Government

The first draft of an Exposure Draft on Non-Exchange Revenue is included at Agenda item 8. A paper outlining features of potential pension arrangements in a number of countries is included at Agenda item 9. It is intended that this paper form the basis of the IPSASB's discussion of the scope of this project. Agenda item 9 also includes a proposal that the project be split for purposes of moving forward.

Budget Reporting

An updated draft ED on reporting compliance with budgets is included at Agenda item 10. The updated draft ED has been prepared by IPSASB consultant Dr Jesse Hughes with input from staff. Dr Hughes will be in attendance to discuss the Exposure Draft with members and seek directions for further development. The Project Advisory Panel (PAP) has also been reactivated. The draft ED was circulated to the PAP for comment. Dr Hughes will provide an update on PAP comments at the meeting.

Heritage Assets

Correspondence from the UK-ASB is included at Agenda item 6.9. The IPSASB project brief is included at Agenda item 6.10. The IPSASB Project Brief was prepared by John Stanford, the UK technical advisor in 2004, and included in the Agenda of the November 2004 meeting. It was not discussed in detail at that meeting. Staff are of the view that the IPSASB should take advantage of the offer from the UK ASB and action the development of a Discussion Paper or Research Report on this project. The Paper could be developed by the UK ASB with input from an IPSASB subcommittee comprising France, UK, South Africa and USA representatives, and IPSASB staff providing a link to the Board. The Project Brief prepared by John Stanford should be provided to the UK staff with a request that matters identified therein be crossed off in the Paper.

Public Private Sector Arrangements

Correspondence between the Chair and the IASB Chair is included at Agenda items 6.7 and 6.8. A summary of authoritative guidance and current practice on public private sector arrangements (PPSAs) in member jurisdictions is included at Agenda item 11.9. This report was prepared from input provided by members in response to a request from staff in late August 2004. It was included in Agenda materials for the November 2004 meeting. Please advise Li Li Lian of any amendments to the attached materials and we shall update and table revised information at the meeting.

The IASB's IFRIC anticipates issuing for comment, Drafts of proposed Interpretations dealing with service concession arrangements in the first quarter of 2005. These Drafts have not yet been issued. There are IFRIC and IASB meetings in early and mid February, at which it is anticipated that the Drafts will be approved for issue. The draft IFRICs focus on concession holders and do not deal with accounting by the grantors. The IPSASB Chair has written to the IASB Chair proposing that the IPSASB and IASB include a joint project to deal with the grantor side. Staff are monitoring IASB developments and will provide a

verbal update on the status of IFRIC deliberations at the forthcoming IPSASB meeting. Draft Interpretations will be forwarded to members when issued.

IASB Convergence – IPSAS Improvements Project

The IPSASB is updating eleven IPSASs for changes emanating from the IASB Improvements Project. The existing IPSASs have been marked up to identify changes necessary to harmonize with improved IASs/IFRSs as at December 2003, the date when the IASB completed their IAS/IFRS improvements project.

IPSAS 7 “Accounting for Investments in Associates”, IPSAS 8 “Financial Reporting of Interests in Joint Ventures” and IPSAS 4 “The Effects of Changes in Foreign Exchange Rates” are included for consideration at this meeting. Papers which outline the major changes to the IPSASs are included at Agenda item 11A. It is proposed that the IPSASB consider an omnibus ED including all IPSASs in the Improvements Project at its July 2005 meeting. (The IPSASB has previously considered IPSASs 1, 3, 6, 12, 13, 14, 16 and 17.)

IPSAS Statistical Bases of Reporting – Convergence Projects

The first draft ED on the disclosure of information about the general government sector (GGS) is included at Agenda item 12. Working Group 1 (WG1) of the Task Force on Harmonization of Public Sector Accounting (TFHPSA) forms the PAP for this project. The TFHPSA will meet in February 2005. The Agenda of that meeting is included at Agenda item 12.3. The IPSASB Chair and Technical Director will attend the TFHPSA meeting and will provide a verbal report on proceedings at the forthcoming IPSASB meeting. It is proposed that WG1 discuss the ED at that meeting in its capacity as the PAP. A verbal report on that discussion will be provided at the forthcoming IPSASB meeting.

The Research Paper dealing with differences between IPSASs and statistical basis of financial reporting (the “matrix”) was issued in January 2005.

Projects of Other Standard-Setters

Agenda item 6.6 provides a high level summary/overview of the broad types of projects that are being considered by standards setters and authoritative bodies in IPSASB member countries. These encompass short, medium and long term projects. This summary/overview is provided for members to consider as they review the draft work plan. The summary/overview was prepared from input provided by members in response to a request from staff (February 2005). It will be updated as additional input is received. Please advise Li Li Lian of any revisions, additions, etc and we will update for tabling.

Consultative Group

The updated Consultative Group membership list is included at Agenda item 14. A meeting with members of the Consultative Group and other key constituents from Europe will take place in conjunction with the forthcoming meeting (on March 14). An Agenda for that meeting is included at Agenda item 1.5.

Non-Technical – Promotion and Translation

Translation and promotion activities are identified in detail in Agenda item 6.1.

2005 Work plan - Summary

Projects proposed for the IPSASB during March 2005 are outlined below.

Item 6.2 *Memo from P Sutcliffe on Work Plan*
IPSASB Oslo March 2005

Projects Currently in Process/Agreed/Proposed for 2005

- Non-Exchange Revenue (including taxes) – Consider first draft of ED (March 2005 and ongoing)
- Social Policies of Government – Consider paper on scope of project and strategy for development of the project (March 2005 and ongoing)
- Reporting Compliance with Budgets – Consider draft ED (March 2005 and ongoing)
- IPSAS-IFRS Convergence – IPSAS Improvements Project. Consider proposed amendments to 3 IPSASs (March 2005 and ongoing)
- IPSAS and Statistical bases of financial reporting Convergence activities
 - Draft ED on General Government Sector (March 2005 and ongoing)
 - Participation in TFHPSA (March 2005 and ongoing)
- Heritage Assets – Consider Strategy (March 2005) and draft Research Report/Discussion Paper (July 2005)
- Consider strategy on public-private sector arrangements (March 2005)
- IPSASB Review and consequential actions – consider status of Observers and appointment of Regional Chairs (March 2005)
- Cash Basis External Assistance – Consider responses to ED (July 2005)

Projects being progressed by members sub committees as previously agreed

- Occasional Paper – the USA experience (consider first draft March 2005)
- Impairment – cash generating assets (develop out of session and consider November/December 2005).

Additional Projects in 2006 and beyond when resources will allow

- Conceptual framework (2006)
- Review implementation issues of Cash Basis IPSAS (2006)
- IPSAS and IASB Convergence: with other IFRSs (2006)
- IPSAS and Statistical bases of financial reporting, Performance Reporting and IASB reporting comprehensive income project (2006)
- Study on use of IPSASs – consider project proposal (2006)
- Budget – prospective budgets (2006+)
- Study 14 – Update (2006+)

Staffing 2005

An update on staffing arrangements will be provided at the meeting.

IFAC - INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (IPSASB) DRAFT WORK PLAN 2005						(Prepared for March 2005)
Work Plan Jan 05 - Dec 05		Quarter 1	Quarter 2	Quarter 3	Quarter 4	2006+
Project: Active/Complete		Meeting March	No meeting	Meeting July	Meeting November/December	
1.Public Sector Specific						
1	Revenue - Non-Exchange	Consider first Draft of ED		Consider updated draft ED	Finalize/Approve/ Issue ED	Develop IPSAS
2	Social Policy Obligations	Scope, strategy, R'ship to IAS 19		Agree key issues pensions	First draft ED (pensions)	Issue ED /Develop IPSAS
				First draft ED (not pensions)?	Consider revised ED	Issue ED /Develop IPSAS
3	Cash Basis-External Assistance	Issue ED		Consider responses to ED	First draft ED	Update cash basis IPSAS
4	Budget/actual Comparison	Consider draft ED		Consider updated draft ED	Finalize/ Issue ED	Responses/Develop IPSAS
5	Heritage Assets-Recog/Msmnt.	Consider Strategy		Consider draft Research Report	Finalize/ Issue Research Report	Develop/ Issue ED
6	Public/Private S. Arrangements	Strategy/IFRIC ED		Follow-up activity	Develop ED	Issue ED
7	Impairmnt of Assets - non cash	Issue IPSAS				
8	2.IASs/IFRSs Convergence Projects	Staff Rep-IASB Update		Staff Rep-IASB Update	Staff Rep-IASB Update	Staff Rep-IASB Update
9	-IPSAS Improvements Project	Consider marked-up IPSASs		Consider/approve omnibus ED	Issue ED	Develop/ Issue IPSASs
10	3.GFS/ ESA/SNA Convergence	Issue Research Report				Follow up activity as necessary
11	Gen. Government Sector (GGS)	First draft ED on GGS		Consider updated draft ED	Finalize/Approve/ Issue ED	Develop/ Issue IPSAS
12	Glossary	Issue Glossary IPSAS 1-21				Update Glossary as necessary
In progress by subcom members						
13	Impairmnt - cash generating	Subcom develop ED			Review first draft ED?	Issue ED /Develop IPSAS
14	USA Occasional Paper	Consider first draft paper		Consider updated paper	Approve/ Issue USA Paper	
Projects: Not Active (by priority group)						
15	<i>1.Cash Basis IPSAS review</i>	<i>No action 2005</i>				<i>Review Implmntat'n Expr'nce</i>
16	<i>1.Conceptual Framework</i>	<i>No action 2005</i>				<i>Consider strategy</i>
17	<i>1.Budget - Prospective budgets</i>	<i>No action 2005</i>				<i>Consider strategy</i>
18	<i>1.Study 14 - Update 3</i>	<i>No action 2005</i>				<i>Consider if update is necessary</i>
19	<i>1.Survey on adoption of IPSASs</i>	<i>No action 2005</i>				<i>Consider project brief</i>
20	<i>2.IFRSs Convergence - other IFRSs</i>	<i>No action 2005</i>				<i>Consider strategy</i>
21	<i>2.+3.Performance Reporting</i>	<i>No action/monitor IASB 2005</i>				<i>Consider strategy</i>
Other Matters:Active						
22	PSC Review Follow-up	Observers, Issue Preface				Update Preface-equal authority
24	Consultative Group	Local area members meeting		Local area members meeting	Local area members meeting	
25	Translation - Key Languages:	Issue French + Spanish			Consider other languages	
26	Promotion/Communication	Seminars/Presentations	Presentations	IPSASB Seminars/Presentations	IPSASB Seminars/Presentations	IPSASB Seminars/Presentations

IFAC- INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (IPSASB) WORK PLAN 2005- 2007

	Technical Projects	2005	2006	2007
	Active/Complete 2005			
	1.Public Sector Specific			
1	Revenue - Non-Exchange	Finalize/approve/ Issue ED	Develop/ Issue IPSAS	Promote IPSAS/Follow up activity
2	Social Policy Obligations	Consider Scope/Develop ED (EDs?)	Issue EDs/Approve IPSAS 1 (non-pension)	Develop/ Issue IPSAS 2
3	Cash Basis- External Assistance	Issue ED for Cash Basis	Develop/ Issue Cash Basis IPSAS - consider accrual	Follow up for accrual IPSASs if necessary
4	Budget Actual Comparison (cash+accrual)	Issue ED	Develop/ Issue IPSAS/update IPSAS 1	
5	Heritage Assets-Recog Measurement	Finalize/ issue Research Report	Develop / Issue ED	Develop/ Issue IPSAS (update IPSAS 17)
6	Public/Private S. Arrangements	Develop ED (with IASB?)	Issue ED/Develop IPSAS	Develop/ Issue IPSAS
7	Impairment of Assets - non-cash	Issue IPSAS		
8	2.IAS/IFRS Convergence Program			
9	- IPSAS Improvements Project	Issue ED	Develop/approve revised IPSASs	Issue improved IPSASs
10	3.GFS, ESA and SNA Harmonization	Issue Res'rch Rep -TFHPSA meetngs	Monitor developments	Follow up activity as necessary
11	-Gen Gov. Sector(GGS)	Issue ED (GGS)	Issue IPSAS	
12	Glossary	Issue Glossary IPSAS 1 -21	Update if necessary	Update if necessary
	In progress by subcom members			
13	Impairment of Assets - cash- generating	Consider first draft ED by subcom	Issue ED/Develop IPSAS	Issue IPSAS (Update IPSAS 21)
14	Occasional Papers	Issue Paper on USA	Develop paper on another country	Issue Paper on other country
	No Action 2005			
	1.Public Sector Specific			
15	<i>1. Cash Basis IPSAS review</i>	No IPSASB action. Seek input	Review Implement'n. Develop implement'n report	Update as necessary
16	<i>1. Conceptual Framework</i>	No Action	Consider Strategy/Monitor developments	Develop ED
17	<i>1. Budget GPFS -Prospective Budget</i>	No action	Consider status/follow-up activity	Follow-up activity
18	<i>1. Transitional Guidance - Study 14</i>	No action	No action anticipated	Update for third edition
19	<i>1. Survey on adoption of IPSASs</i>	No action	Consider Strategy	Develop/ Issue paper
20	<i>1. Non-financial Performance Reporting</i>	No action	Consider Strategy	Follow-up activity
21	2. IAS/IFRS Convergence Program	Staff monitor/report IASB work program	Staff monitor/report on IASB work program	Staff monitor/report on IASB work program
22	<i>2 - Employee Benefits</i>	Consider scope/ re Social Policies	Follow up activity as necessary	follow up activity
23	<i>2- Business Combinations</i>	No action	Review/confirm Status/action if resources	Follow -up activity
24	<i>2- Fin. Inst: Recog & Measure.</i>	No action	Review/confirm Status/action if resources	Follow-up activity
25	<i>2- Other IFRSs</i>	No action	Review/confirm Status/action if resources	Follow-up activity
26	2+3.Stat Convrgece-Performnce Reportng	No action/monitor IASB	Consider strategy/follow up activity	Follow-up activity
27	Other Matters:Active	Funding,communicat'n,translat'n,administrat'n	Funding,communicat'n,translat'n,administrat'n	Funding,communicat'n,translat'n,administrat'n
28	PSC Review follow up	Issue Updated Preface in handbook		
29	Liaison IFAC+ Committees and Task Forces	Educat'n, Dev.Nations, others + PIOB	Educat'n, Dev.Nations, others + PIOB	Educat'n, Dev.Nations, others + PIOB

IPSASB WORK PROGRAM 1997 to 2005 : DOCUMENTS FOR ISSUE AND ISSUED

Projects		Current Status Issue Quarter	IAS/ IFRS
	Documents issued/proposed for issue 2005:		
	Priority 1 Public Sector Specific		
ED	Non Exchange Revenue – Exposure Draft	4 th quarter	IAS 20
ED	Budget Reporting – comparison budget and actual	4 th quarter	NA
ED	External Assistance (Cash Basis) – Exposure Draft	Issued 1 st quarter	NA
Report	Heritage Assets – Research Report	4 th quarter	NA
Paper	USA Occasional Paper	4 th quarter	NA
IPSAS 21	Impairment of Non-Cash-Generating Assets	Final IPSAS issued	IAS 36
	Priority 2 IASs/IFRs		
ED	IPSAS Improvements Project (11 IPSASs)	3 rd quarter	11 IASs/IFRSs
	Priority 3 Statistics Basis Convergence		
ED	General Government Sector Disclosures	3 rd quarter	NA
	Other- Translation		
Handbook	English IPSASs	Issue 1 st quarter	NA
Handbook	Spanish IPSASs	Issue 1 st quarter	NA
Handbook	French IPSASs	Issue 1 st quarter	NA
	Documents Issued – 1997 to End 2004		
	Accrual IPSASs		
IPSAS 1	Presentation of Financial Statements	Final IPSAS issued	IAS 1
IPSAS 2	Cash Flow Statements	Final IPSAS issued	IAS 7
IPSAS 3	Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies	Final IPSAS issued	IAS 8
IPSAS 4	The Effects of Changes in Foreign Exchange Rates	Final IPSAS issued	IAS 21
IPSAS 5	Borrowing Costs	Final IPSAS issued	IAS 23
IPSAS 6	Consolidated Financial Statements and Accounting for Controlled Entities	Final IPSAS issued	IAS 27
IPSAS 7	Accounting for Investment in Associates	Final IPSAS issued	IAS 28
IPSAS 8	Financial Reporting of Interests in Joint Ventures	Final IPSAS issued	IAS 31
IPSAS 9	Revenue from Exchange Transactions	Final IPSAS issued	IAS 18
IPSAS 10	Financial Reporting in Hyperinflationary Economies	Final IPSAS issued	IAS 29
IPSAS 11	Construction Contracts	Final IPSAS issued	IAS 11
IPSAS 12	Inventories	Final IPSAS issued	IAS 2
IPSAS 13	Leases	Final IPSAS issued	IAS 17
IPSAS 14	Events Occurring After Reporting Date	Final IPSAS issued	IAS 10

Projects		Current Status	IAS/ IFRS
IPSAS 15	Financial Instruments: Disclosure and Presentation	Final IPSAS issued	IAS 32
IPSAS 16	Investment Property	Final IPSAS issued	IAS 40
IPSAS 17	Property, Plant and Equipment	Final IPSAS issued	IAS 16
IPSAS 18	Segment Reporting	Final IPSAS issued	IAS 14
IPSAS 19	Provisions, Contingent Liabilities and Contingent Assets	Final IPSAS issued	IAS 37
IPSAS 20	Related Party Disclosures	Final IPSAS issued	IAS 24
IPSAS 21	Impairment of Non-Cash-Generating Assets	Final IPSAS issued	IAS 36
	Cash Basis IPSAS		
IPSAS	Financial Reporting Under the Cash Basis of Accounting	Final IPSAS issued	NA
	Other		
Study 11	Governmental Financial Reporting: Accounting Issues and Practices	Issued	NA
Study 13	Corporate Governance in the Public Sector: A Governing Body Perspective	Issued	NA
Study 14	Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities	Issued 1 st and 2 nd Editions	NA
ITC	Invitation to Comment: The Development of International Public Sector Accounting Standards: Which Bases of Accounting	Issued	NA
ITC	Impairment of Assets	Issued	IAS 36
ITC	Accounting for Non-Exchange Revenues	Issued	IAS 20
ITC	Social Policy Obligations	Issued	NA
Report	Research Report - Budgetary Reporting	Issued	NA
Report	Research Report - GPFS/GFS/ESA95 Harmonization	Issued	NA
Paper	UK Occasional Paper	Issued	NA
Paper	French Occasional Paper	Issued	NA
Paper	Argentinean Occasional Paper	Issued	NA
PSPs	Public Sector Perspectives on ISAs	Issued	NA

BROAD OVERVIEW OF PROJECT TYPES – STANDARD-SETTERS IN IPSASB MEMBER JURISDICTIONS

**PUBLIC SECTOR PROJECTS AS AT FEBRUARY 2005
(COMPILED FROM INFORMATION PROVIDED BY IPSASB MEMBERS/TECHNICAL ADVISORS)**

TOPIC	Arg	Aust	Can	Fra	India	Israel	Jap	Mal	NZ	Nor	SA	UK	USA FAS AB	USA- GASB
<i>Conceptual Type Projects</i>														
Performance Reporting – and aspects of including: Non-fin. service/performance indicators. Fin. reporting formats and statements and discussion /analysis and economic condition reporting.		*	✓			✓					✓	✓	✓	✓
Conceptual Framework or aspects thereof, including Financial Reporting Entity		* ✓	*						✓		✓	✓	✓	✓
Measurement in fin. statements – including valuation and revaluation of property, plant and equipment, present value			✓			✓					✓	✓	✓	✓
<i>IPSASB active program</i>														
Non Exchange Revenues and components thereof - Transfers, Contributions, Contributions in kind, External Assistance Received for accrual accounting		✓	✓			✓					✓		✓	✓
Social Policy Obligations		*	*								✓		✓	✓
Budgetary Reporting – Compliance		*	✓									*	✓	
Development Grants and Other Aid (External Assistance, cash accounting only)														✓
Heritage Assets		*									✓		✓	
Asset Impairment – Cash-generating Assets											✓			

TOPIC	Arg	Aust	Can	Fra	India	Israel	Jap	Mal	NZ	Nor	SA	UK	USA FAS AB	USA- GASB
Other IASB/IPSAS Harmonization and Projects that overlap with IPSASs, including inventories, sale/lease back, property, plant and equipment, joint ventures, consolidated and separate financial statements, associates			✓			✓			✓		✓			
GAAP/GFS Convergence		✓												
<i>Projects considered by IPSASB not yet actioned</i>														
Service Concessions		✓				*			✓		✓			
<i>Other Projects</i>												✓		
Budget Reporting – prospective information									✓					✓
Earthworks												✓		✓
Projects that overlap with existing IPSASs, including segments, rel. parties, liabilities, contingent liabilities, hyperinflation economies, disclosure of fin instruments, exchange revenues (and similar)			✓			✓			✓		✓			✓
IASB overlap projects (No IPSAS), including:			✓			✓			✓		✓			✓
Termination benefits						✓						✓		✓
Financial Instruments recognition/measurement or aspects thereof – Derivatives and Hedging			✓						✓			✓		
Government / Business Combinations		*				✓			✓				✓	✓
Intangible Assets		✓				✓					✓			
Employee Benefits						✓			✓				✓	
Capital Assets/Infrastructure Asset		*	✓			*					✓		✓	
Simplified/Abbreviated Financial Reporting														
Net Assets / Fund Balance Reporting			✓								✓		✓	
Other Post-Employment Benefits (OPEB)													✓	
Pollution Remediation Obligations													✓	

TOPIC	Arg	Aust	Can	Fra	India	Israel	Jap	Mal	NZ	Nor	SA	UK	USA FAS AB	USA- GASB
Fiduciary Responsibilities													✓	
Disclosures about Administered Items		✓									✓			✓
Electronic Reporting														
Securitizations and Other Transfers														✓
GAAP, including hierarchy of guidance			✓											✓
Review of National Standards for Government		✓	✓											
Management Commentary									✓					✓
Puttable Options (Co-operative Shares)									✓					✓
Joint Ventures									✓					

* Consideration of National Standards for Governments (including Local Governments) and Government Departments in a number of jurisdictions is likely to involve at least some consideration of these issues.



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ITEM 6.7
page 6.18

December 7, 2004

Sir David Tweedie
IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear David,

Public-private arrangements (Service Concession).

As I mentioned in the last SAC meeting, the Public Sector Committee (PSC) has recently been renamed the International Public Sector Accounting Standards Board (IPSASB).

Consequently, I am writing to you now on behalf of the IPSASB with a request that the International Accounting Standards Board (IASB) and the IPSASB consult each other on public-private arrangements (service concession) to deal with accounting by both the operator and grantor, in a manner that could eventually lead to a joint project.

The IPSASB has been monitoring with interest the IASB's International Financial Reporting Interpretations Committee (IFRIC) progress in developing interpretations for operators involved in service concession arrangements. The IPSASB is concerned that accounting for the grantor, typically in most cases a public sector entity, is not being dealt with as part of the IFRIC project. The IPSASB is of the view that it is not appropriate to deal only with the operator in such arrangements.

I believe that this is a good opportunity for the IPSASB and the IASB to work together to develop standards dealing with financial reporting for both profit-oriented entities and public sector entities.

Other Projects

The IPSASB would also welcome the opportunity to be involved in the early stages of development of the following projects that have specific implications for financial reporting by public sector entities:

- performance reporting – The IPSASB notes that the IASB has announced the membership of its performance reporting working group. The performance reporting project is of particular interest to the IPSASB because the IPSASB has in its work program a long term project to develop comprehensive report of financial performance; and

- conceptual framework – The IASB's Update for November 2004 noted that the IASB and the USA's Financial Accounting Standards Board (FASB) are embarking on a joint project to develop a common conceptual framework. The IPSASB noted that the scope of the IASB's projects may include public sector entities when this is also part of its future work program.

Not-For-Profit Entities

On a broader issue, you will recall, as I also mentioned in the last SAC meeting, that the external review on PSC recommended the IPSASB it encompass non-for-profit entities within its scope. While this recommendation has not been retained as such for the time being for future developments I think it would be in both the IASB and the IPSASB interests and augur for a more productive and efficient process if we undertook to consult each other before either of us initiate work on not-for-profit entities.

Please do not hesitate to contact me or the IPSASB Technical Director, Paul Sutcliffe, if there are any questions or queries you wish to raise.

Best regards.

Yours sincerely,

Philippe Adhémar
Chair, International Public Sector Accounting Standards Board
International Federation of Accountants

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International
Accounting Standards
Board®

22 December 2004

M. Philippe Adhemar
International Federation of Accountants
530 Little Collins Street
Suite 1302 Melbourne
Victoria 3000
Australia

Dear Philippe

Many thanks for your letter of 7 December which raises several interesting issues. I thought perhaps the easiest way to deal with them would be to have a meeting to discuss them and I have asked Janet, my secretary, to try to contact you to fix up such a meeting.

All best wishes for Christmas and the New Year.

Yours sincerely

David Tweedie

The International Accounting Standards Committee Foundation is a not-for-profit corporation under the General Corporation Law of the State of Delaware, United States of America
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Public Sector Committee Chairman
Cour des Comptes 13 rue Cambon
Paris 75100 France Tel : 33 1 42989507

M. Andrew Lennard
Chairman,
Public Sector and Not-for-profit Committee
Accounting Standards Board

Paris 24 January 2004

Dear Andrew

Thank you very much for your letter of January 6 regarding heritage assets and your offer to contribute to the IPSASB work on this important topic.

I will table your letter at the forthcoming IPSASB meeting in March as the basis of a discussion on how we progress this project. As you are aware, work has been undertaken on this issue in a number of IPSASB member jurisdictions and I anticipate there will, be great interest in the project from members.

Best Regards

A handwritten signature in dark ink, appearing to read 'P. Adhémar', is written over a horizontal line.

Philippe Adhémar,
IPSAS Board Chair



Accounting Standards Board

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Philippe Adhémar
Chairman
International Public Sector Accounting Standards Board
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545 Fifth Avenue, 14th Floor
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USA

6 January 2005

Dear Philippe

Accounting for Heritage Assets

At the last meeting of the Accounting Standard Board's Public Sector and Not-for-profit Committee (PSNC) there was an update on the current programme of the IPSASB. We noted that the project on heritage assets has been deferred. It was also mentioned that there is also a possibility of the UK Technical Adviser, John Stanford, developing a discussion paper on an informal basis.

Because of the significance of the issue of heritage assets in the UK, and continued questioning of current requirements and practice, the PSNC is undertaking a research project on this issue. Our aim is to publish a UK Discussion Paper in the first half of 2005. There is considerable congruence between the scope of our Discussion Paper and that in the project brief on heritage assets that was on the agenda for your November meeting. An outline of our project plan and timetable are attached.

I consider that this would be an excellent opportunity for PSNC to contribute to IPSASB's work. Duncan Russell is the Project Director developing our proposals with PSNC. Duncan will liaise with John Stanford, a member of PSNC who is contributing to the development of our proposals, who can highlight any aspect which might need further development to reflect an international context. We would hope that at least a draft of the PSNC Discussion Paper would be available in time for IPSASB to consider at its meeting in July 2005.

I look forward to hearing from you and very much hope that we can contribute to the work of IPSASB.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Lennard', written in a cursive style.

Andrew Lennard

Chairman, Public Sector and Not-for-profit Committee

Tel: +44 (0)20 7492 2430

Email: a.lennard@frc-asb.org.uk

cc Paul Sutcliffe - IPSASB
Ian Mackintosh - Chairman ASB
John Stanford

Accounting for heritage - Project plan

Aim:

To explore issues around the current UK accounting and reporting requirements for heritage items (assets), determine whether a change to these requirements is desirable and, if so, consider alternative approaches.

Output:

ASB discussion paper to be published by end May 2005. Response period June – August 2005. Proposed structure for discussion paper (and issues to be considered) is set out on pages 2 and 3.

Source information:

- Current accounting requirements (UK, other jurisdictions)
- Previous PSNC consideration of heritage asset issues
- Comments from respondents to the Charities Statement of Recommended Practice (SORP) consultation

We shall need to consult more widely than PSNC – eg on the practicality of any alternative proposals.

Review of discussion paper by PSNC and the Board:

PSNC heritage sub-group to review drafts; to be consulted (ad hoc) on difficult questions, robustness of examples and other presentational issues.

It is planned to seek informal comments from key stakeholders, for example charity trustees and museum finance directors, before finalising the discussion paper.

PSNC to consider a draft of the discussion paper at 1 March 05 and 12 April 05 meetings. Timetable assumes PSNC recommend discussion paper to the Board at its 12 April 05 meeting and that the Board takes draft discussion paper at the first opportunity (5 May 05 meeting).

Project timetable:

- Update to PSNC at 25 January 05 meeting.
- First complete draft of discussion paper by end January 05
- PSNC subgroup meeting to discuss first draft mid February 05 (date to be arranged)
- PSNC consider full draft at 1 March 2005 meeting.
- Informal consultation with key individuals (eg trustees of charities; museum FDs) for comment on practicality of proposals during March 05.
- Subject to comments, further consideration by PSNC subgroup (date to be arranged) and PSNC (12 April 05) for submission to the Board (5 May 05).

Proposed structure and content of Discussion Paper:

Section	Comment/Issues to be addressed
Preface and invitation to comment	<p>The need for a discussion paper now. Concerns expressed by national museums and galleries over current requirements. Feedback from the recent consultation on the charity SORP. International developments (IPSASB project). Emphasis is on practical proposals (with due regard to the conceptual framework).</p> <p>'Executive' summary of the discussion/issues set out in the following sections.</p>
What are 'heritage assets'?	<p>Confirm that heritage items are assets. It may be necessary to distinguish 'classes' of heritage assets in order to identify, in due course, different reporting requirements. For example collections held by an entity for preservation/education purposes; collections held by entities such as companies or government departments but not primarily for preservation; major (or single) assets held for preservation and 'dual use' heritage assets such as historic buildings used for non heritage purposes such as offices or for education, and churches.</p> <p>This section could propose definitions of heritage assets primarily to clarify the scope of the discussion paper and identify those assets any proposals might apply to. This is probably the most difficult section of the paper as the scope of any definition will be challenged, particularly at the margins.</p> <p>Support with typical examples of what would be classified 'heritage assets'.</p>
Current accounting and reporting requirements	<p>This would be a review of current UK GAAP and charity SORP requirements including the Statement of Principles for public benefit entities. Anonymous examples of the application (or not) of current requirements.</p> <p>This section would summarise the current position (ie recent acquisitions of heritage items capitalised) in order to set the scene for problems and proposals.</p>
Comparisons with other GAAP	<p>Brief summary of other jurisdictions' requirements for financial reporting of heritage assets and how these contrast with the UK, including brief discussion of IASB's framework.</p> <p>Summary of IPSASB project proposals and how discussion paper relates to these.</p>
Problems arising from the current requirements	<p>Implications of current mixed recognition and measurement approach: inconsistency over time, capitalisation unrepresentative of collections as a whole, low volume of acquisitions.</p> <p>Little recognition pre 2001: valuation problems such as uniqueness, large volume of items, whether inalienability matters to the accounting treatment, reliability of historic cost, donations, high maintenance costs, service potential as a measure of value, treatment of major restoration costs in absence of a capitalised asset.</p> <p>Each problem to be illustrated by an anonymous example where possible (to include examples of 'bad' practice).</p> <p>This section would conclude that change is desirable to improve financial reporting and that practical proposals should be developed.</p>
Proposals:	Consideration of users' needs from general purposes financial

Section	Comment/Issues to be addressed
Financial Statements	<p>statements? Does the nature of an entity determine or influence users' needs?</p> <p>Consideration of objectives of financial statements and qualitative characteristics of financial information. Is consistency superior to other characteristics? Recognition criteria and reliable measurement.</p> <p>This section would summarise the key principles: ensure that those entities which wish to capitalise and can measure reliably should be encouraged (required) to do so; alternative treatments should provide greater consistency and comparability; avoid ambiguous interpretation and undesirable impacts on surplus/deficit.</p>
Proposals: Disclosures	<p>Recap of the users' needs from general purpose financial statements.</p> <p>Alternatives to capitalisation eg reporting heritage asset transactions separately as changes in net assets. Proposals for balance sheet including distinguishing dual use assets and major heritage items. How proposals might meet user needs.</p> <p>Proposals for performance statement, distinguish funding, acquisition and disposal of heritage items from operational results of entity.</p> <p>Consider whether a new primary statement reporting changes in net assets might be useful.</p> <p>Proposals for notes to the accounts including policy, non-capitalisation.</p> <p>Stewardship disclosures: examples of best practice? Should proposals be part of a standard (ie widest possible application by entities) or left to the SORP (ie only charities) or both?</p>
Implications of proposals	<p>What changes might be made to FRS 15, Charities SORP (including performance statement presentation)? Consistency with the Statement of Principles.</p> <p>Implications for public benefit entities and private sector. First time adoption of new treatment (ie derecognising capitalised heritage assets).</p> <p>Implications of convergence with IFRS (what happens to a revised FRS 15, implications of adopting IFRS 1).</p>
Reference Material	<p>This would include relevant extracts from UK GAAP and other jurisdictions on requirements for accounting and reporting for heritage assets.</p>

INTERNATIONAL FEDERATION OF ACCOUNTANTS
PUBLIC SECTOR COMMITTEE
PROJECT BRIEF

(Note- Also previously included as Agenda item 15.2 from November 2004 meeting)

Heritage Assets

Background

Currently IPSAS 17, *Property, Plant & Equipment* does not require an entity to recognize heritage assets that would otherwise meet the definition of, and recognition criteria for, property, plant and equipment. However, where an entity does adopt a policy of recognizing heritage assets, IPSAS 17 requires that entity to comply with the disclosure requirements in paragraphs 73, 74 and 77 of IPSAS 17. IPSAS 17 does not require the entity to apply the measurement requirements in that standard to heritage assets that it chooses to recognize.

In commentary, IPSAS 17 notes that “some assets are described as heritage assets” because of their cultural, environmental or historical significance. Examples of heritage assets are given as historical buildings and monuments, archaeological sites, conservation areas and nature reserves and works of art. Heritage assets are therefore likely to include both discrete assets, such as castles and monuments, and collections. Collections may comprise many thousands of items –for example national collections of archaeological and natural history artifacts. Only a small proportion of such items may be on display. IPSAS 17 further identified a number of characteristics which, whilst not exclusive to heritage assets, are often displayed by them. These are:

- a) Their value in cultural, environmental, educational and historical terms is unlikely to be fully reflected in a financial value based purely on a market price;
- b) Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale;
- c) They are often irreplaceable and their value may increase over time even if their physical condition deteriorates; and
- d) It may be difficult to estimate their useful lives, which in some cases could be several hundred years.

Some are of the view that the issue of “heritage assets” is not especially technically complex. However, there can be tension between conceptual purity, the usefulness of information to users and the benefit-cost evaluation of measurement, particularly in relation to large collections of art works and museum artifacts. Some argue that, going forward, entities should be required to recognize all assets, including those that would satisfy any definition of heritage or cultural or similar assets, but need not recognize such assets already controlled by the entity. However, others are of the view that users can be confused by “partial measurement” approaches where recently acquired heritage assets are valued at cost or fair value, but similar assets acquired some time previously, before the adoption of the accrual basis, remain off-balance sheet. Those of this view tend to favor full capitalization or the expensing of newly acquired heritage items.

Project Objective

The objective of this project is to develop authoritative requirements and guidance on the recognition and measurement of heritage assets. Issues to be resolved in respect of the logistics of the development process and the ultimate location of the guidance are:

- Is it necessary to develop an Invitation to Comment (ITC) or similar discussion paper prior to an Exposure Draft (ED); and
- Should the detailed requirements be included in a revised IPSAS 17, or is a separate IPSAS necessary?

Staff are of the view that although issuance of an ITC will considerably extend timescales, the range of international approaches (see below) as well as the experience of national standard-setters suggests that conceptual and/or practical issues may be significant, and achieving a strong measure of consensus without an extended consultative process might be difficult. This may militate in favor of an ITC as an initial stage. Establishing a Project Advisory Panel to provide input to an ITC developed by the PSC itself, rather than developed separately by a Steering Committee, provides a mechanism to bring together expertise from different jurisdictions with experience of different approaches and to move the project forward at PSC level. This provides an opportunity to forge a common approach and to involve PSC members directly in the development of the project at all stages. The non-exhaustive list of key issues in the final section of the project brief further demonstrates the contestability of some of the main topics.

International approaches

One of the key activities will be to consider in detail the approaches of those national standard-setters that have considered heritage assets. Brief preliminary analysis, largely based on material collected by the UK Accounting Standards Board, suggests that although there is some common ground between standards-setters there are significant differences both of substance and form - sometimes between standards-setters with jurisdiction over different components of the economy in the same country. For example, in the USA the Financial Accounting Standards Board (FASB) encourages retrospective capitalization of art collections, whilst acknowledging that the cost of retrospective capitalization is likely often to exceed the incremental benefits to users. Conversely, the Federal Accounting Standards Advisory Board (FASAB) requires expenditures on the acquisition, construction, reconstruction or improvement of heritage assets to be expensed and in a separate standard details disclosure requirements from a stewardship perspective. The Governmental Accounting Standards Board (GASB) encourages, but does not require, capitalization of collections and additions.

At the last OECD Accrual Symposium, Sweden reported that it has recently reviewed its practices at central government level. Acquisitions of heritage assets are capitalized like other assets. There is no depreciation where asset lives are unlimited. Retrospective capitalization is permissible, but is rarely used.

New Zealand adopts an approach that allows for little distinction between heritage assets and other items of property, plant and equipment. Heritage assets meeting the

definition of property, plant and equipment are to be accounted for in accordance with the New Zealand standard on property, plant & equipment, with use of the revaluation model optional. Interestingly, and unlike many other standard-setters, New Zealand considers it very rare for items of property, plant and equipment other than land to have unlimited useful lives.

Australian GAAP requires the recognition of heritage assets provided that they meet recognition criteria related to the probability of the eventuation of future economic benefits and the reliability of measurement.

Operating Procedures

Staff proposes that the ITC be developed by the PSC, supported by a Project Advisory Panel (PAP) of preparers, users, valuers and national standards-setters. The PAP will act as a reference group and test approaches and thinking – it is anticipated that the PAP will comprise 10-12 members and will conduct its business electronically, though a meeting could occur if considered necessary. A PSC member would be asked to Chair the PAP and co-ordinate the distribution of materials and review PAP responses with staff. Because the issue of reliability of measurement of heritage and similar assets and the interpretation of benefit-cost are particularly germane, the PAP should be charged with providing input on the technical and practical consequences of different approaches.

Given the differences in approach between standard-setters, the creation of a Steering Committee which would meet a number of times to develop an ITC might be justified. This will, however, have unsustainable resource implications.

Project Timetable (subject to staff availability)

November 2004: Consider and approve Project Brief

December 2005/January 2006: Establish Project Advisory Panel

July 2005: PSC consider first Draft ITC

November 2005: PSC consider 2nd draft ITC. Approve for issue January 2006, with 4 months exposure

July 2006: Evaluate response from ITC

November 2006: Consider first draft ED prepared by staff

March 2007 Approve ED

November 2007: Evaluate response from ED

March 2008: Approve additional requirements to IPSAS 17 (revised) or a separate IPSAS on heritage assets

Key Issues

Key issues to be considered in developing this project include the definition of a heritage asset and recognition and measurement criteria that should apply to such assets. These issues are developed further below.

Definitional Issues

Do heritage assets meet the definition of assets in IPSASs?

Whilst the PSC's definition of assets as "resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity" appears sufficiently wide to encompass the majority of "heritage assets" there can be some ambiguity where the reporting entity has no intention to use the asset, put it on display or use it for educational or scientific purposes. In such instances it may be arguable whether such assets are likely to give rise to service potential. In addition the notion of service potential can be complex – see the discussion on operational heritage assets below.

Are heritage assets a separate class of assets rather than a separate class of property, plant and equipment?

If they meet the asset definition, are heritage assets property plant and equipment (PP& E) or are there additional characteristics that need to be included in any definition, so they become a distinct class of assets? Central to this issue is whether they are different in concept from PP & E, and whether different requirements flow from any such difference. For example, if heritage assets have unlimited useful lives, then the depreciation issue is resolved. However, how should impairment be assessed, if the value of heritage assets can increase whilst their physical condition is deteriorating?

What preponderance of characteristics must be present and identifiable to make an asset a heritage asset?

As indicated in the body of the project brief, paragraph 8 of IPSAS 17 provides a mix of characteristics that are often displayed by heritage assets. However, IPSAS 17 gives little indication of the extent to which these characteristics must be present in order to justify designation as a heritage asset. Preparers are therefore left to designate assets as heritage assets using their own judgment with little guidance on how they should weight these characteristics. For example, there can be blanket prohibitions or severe restrictions on the disposal of many assets held by public sector entities. It seems dubious whether the imposition of prohibitions or severe restrictions on disposal, in the absence of other characteristics, is sufficient to justify classification as a heritage asset.

Should there be a distinction between operational and non-operational heritage assets and what consequences flow from such a distinction?

In at least one jurisdiction, approaches to recognition and measurement have been developed which are dependent upon a distinction between operational and non-operational heritage assets. Non-operational heritage assets are held primarily for display and/or maintenance and preservation for future generations. Whilst operational heritage assets also form part of the nation's heritage or patrimony, they are used to provide other services. Examples include forts used as military barracks or historic buildings used for administrative purposes. Whilst operational heritage assets

must be valued, non-operational heritage assets need not be measured on cost-benefit grounds or if insufficiently reliable valuations can be obtained. If heritage assets are to be considered a separate class of assets, is there a case that heritage assets in operational use are in essence property, plant and equipment? Where such an asset ceases to be used for operational purposes should it be reclassified?

Are buildings which house heritage assets such as art collections or natural history collections themselves heritage assets in the absence of other characteristics?

Buildings which house art collections or other collections may not meet the definition of a heritage asset. How should such buildings be treated?

Recognition and measurement

What options should be available for recognition and measurement? As indicated in the main body of the project brief globally there is a range of options for recognition and measurement extending from:

- full capitalization of both new acquisitions and retrospectively acquired items; through
- capitalization of new acquisitions with no recognition of heritage assets acquired before the adoption of the accrual basis; to
- the expensing of heritage items and the provision of extensive information through disclosure.

To what extent should IPSASs identify and/or permit alternative treatments?

How should the criteria of reliability and cost-benefit be interpreted? In some approaches the concepts of reliability and cost-benefit are key to the recognition decision. Whilst there can be active and liquid markets for many heritage assets, such as vintage cars or airplanes, there are a large number of heritage assets where either market values are entirely absent or a value can only be attributed within a wide range. This raises the question of how robust values must be in order to permit measurement and whether curatorial valuations or insurance valuations are sufficiently robust for financial reporting purposes.

Appendix 2 to IPSAS 1, “Presentation of Financial Statements”, describes the balance between benefit and cost as a pervasive constraint. IPSAS 1 notes that “the benefits derived from information should exceed the cost of providing it” and proceeds to state that the evaluation of benefits is substantially a matter of judgment and that the costs of provision do not always fall on those who enjoy the benefits. The interpretation of the benefit-cost relationship is likely to be even more difficult to ascertain for heritage assets than in other areas of financial reporting. Internationally, a number of standards-setters have acknowledged benefit-cost considerations, although the weight that they have given such considerations varies considerably. Major state collections of archaeological or natural history artifacts are likely to run to several million items and the costs of providing a valuation would be, arguably, unrealistically high. Should the Committee therefore develop more detailed guidance on the application of benefit-cost tests?

*Disclosures***Are there stewardship disclosures in relation to heritage assets beyond those required by IPSAS 17?**

Some standards-setters have identified additional detailed disclosure requirements. IPSAS 17 requires significant disclosures in relation to, inter alia, depreciation methods, useful lives, additions, disposals, acquisitions through business combinations and impairments. However, should further disclosures be required in respect of heritage assets, possibly involving narrative on the nature of the assets, their provenance, condition, restrictions on disposal and planned and deferred maintenance expenditures?

Should the treatment of donated assets differ from those acquired with the entity's own resources?

IPSAS 17 requires that "where an asset is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition". Should the same requirement apply to heritage assets or is there a parallel with "donated services" being considered by the Non-Exchange Revenue Steering Committee. In particular, can a distinction be made between a heritage asset which the reporting entity would have acquired with its own resources and a heritage asset which the reporting entity would not have acquired. Should entities only be required to recognize and measure heritage assets that they would have acquired?

Other Issues

What are the links to other projects? There are obvious links to the PSC's proposed conceptual framework project, in respect of any amendments to the existing definition of a public sector assets that might emerge from that project. There are also links to the project on Non-Exchange Revenue in the treatment of heritage assets arising from non-exchange transactions and the parallel between donated services and donated heritage assets. Developments of requirements for accounting for heritage assets will also need to be cognizant of any development in convergence with government finance statistics and the development of the IASB project on performance reporting.

Are transitional provisions necessary? The current transitional provision in IPSAS 17 permits entities not to recognize property, plant and equipment for five years following first adoption of the standard. The extent to which transitional provisions need to be introduced for heritage assets will need to be considered.