

INTERNATIONAL FEDERATION OF ACCOUNTANTS  
MEETING OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS  
BOARD  
MARCH 21-24, 2006, TOKYO

Name	Accompanied	Arrival	Departure
<b><u>FRANCE</u></b>			
Philippe Adhémar	Simone Adhémar	March 18, 2006	March 24, 2006
Jean-Luc Dumont	Anne Dumont	March 19, 2006	March 25, 2006
Henri Giot			
<b><u>UNITED KINGDOM</u></b>			
Mike Hathorn		March 20, 2006	March 24, 2006
Elizabeth Cannon		March 20, 2006	March 25, 2006
<b><u>ARGENTINA</u></b>			
Carmen Giachino Palladino	<b>Apologies</b>		
Pablo Maroni			
Maria Irene Rio			
<b><u>AUSTRALIA</u></b>			
J. Wayne Cameron		March 20, 2006	March 25, 2006
Robert Keys		March 19, 2006	March 25, 2006
<b><u>CANADA</u></b>			
Richard J. Neville	Kathy Neville	March 20, 2006	April 4, 2006
Ron Salole		March 17, 2006	March 24, 2006
Dan Duguay	Susan Duguay	March 18, 2006	March 25, 2006
<b><u>INDIA</u></b>			
Pankaj Jain	Mrs. Jain	March 20, 2006	
Avinash Chander			
<b><u>ISRAEL</u></b>			
Ron Alroy		March 20, 2006	March 25, 2006
Haya Prescher		March 20, 2006	March 25, 2006
<b><u>JAPAN</u></b>			
Tadashi Sekikawa		March 21, 2006	March 24, 2006
Ryoko Shimizu		March 21, 2006	March 24, 2006
<b><u>MALAYSIA</u></b>			
Mohd Salleh Bin Mahmud		March 19, 2006	March 25, 2006
Er Beng Kiong		March 19, 2006	March 25, 2006
Nafsiah Bt Mohamed			
<b><u>MEXICO</u></b>			
Alejandro Luna Rodríguez		March 19, 2006	March 25, 2006

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<b>Name</b>	<b>Accompanied</b>	<b>Arrival</b>	<b>Departure</b>
<b><u>NETHERLANDS</u></b>			
Frans D.J. Van Shaik		March 18, 2006	March 26, 2006
Thomas Van Tiel		March 18, 2006	March 26, 2006
<b><u>NEW ZEALAND</u></b>			
Greg Schollum		March 20, 2006	March 25, 2006
Simon Lee	<b>Apologies</b>		
<b><u>NORWAY</u></b>			
Tom Henry Olsen		March 19, 2006	March 26, 2006
Harald Brandsaas		March 19, 2006	March 25, 2006
<b><u>SOUTH AFRICA</u></b>			
Erna Swart		March 20, 2006	March 24, 2006
Freeman Nomvalo			
<b><u>UNITED STATES</u></b>			
Ron Points		March 19, 2006	March 25, 2006
David Bean	Carol Bean	March 19, 2006	March 25, 2006
Mary M. Foelster	<b>APOLOGIES</b>		
<b><u>PUBLIC MEMBERS</u></b>			
Andreas Bergmann		March 20, 2006	March 24, 2006
John Peace		March 19, 2006	March 24, 2006
Stefano Pozzoli		March 19, 2006	March 27, 2006
<b><u>IFAC</u></b>			
Paul Sutcliffe		March 18, 2006	March 25, 2006
John Stanford		March 21, 2006	March 28, 2006
Matthew Bohun		March 19, 2006	March 25, 2006
<b><u>OBSERVERS</u></b>			
Robert Dacey (INTOSAI - CAS)		March 18, 2006	March 26, 2006
Sagé De Clerck (IMF)		March 20, 2006	March 25, 2006
Jayantilal Karia (UN)		March 20, 2006	March 24, 2006
Gwenda Jensen (UN)		March 20, 2006	March 24, 2006
Darshak Shah (UNDP)			
Simon Bradbury (World Bank)		March 20, 2006	March 26, 2006
P Y Chiu (ADB)		March 20, 2006	March 25, 2006
Jon Blondal (OECD)		March 20, 2006	March 25, 2006
Warren McGregor (IASB)			

**IPSASB MEETING – MARCH 21-24, 2006**

**TOKYO PROPOSED TIMETABLE**

**JICPA Offices, 2<sup>nd</sup> Floor, 4-4-1, Kudan-Minami, Chiyoda-ku, Tokyo**

*(Please note this proposed timetable is subject to change during the course of the meeting)*

**Round Table Discussion – Arrangements to be confirmed**

*Arrangements for the round table discussion with members of the IPSASB Consultative Group and others from the financial reporting community are being finalised. Details will be provided as soon as available.*

**Tuesday 21 March 2006 – IPSASB Meeting**

9.00am – 9.15am	Items 1–3 (¼ hr)	Welcome, Minutes, Procedural Matters
9.15am – 10.00am	Items 4, 5, 18 and 19 (¾ hr)	Chairman’s Report and IFAC Liaison Report, Update on IFAC Board decisions re IPSASB, and Consultative Group Update
10.00am – 10.45am	Item 6 (¾ hr)	Report on the Standards Work Program
10.45am – 11.00am	Morning tea (¼ hr)	
11.00am – 12.30pm	Item 8 (1½ hrs)	Social Policy Obligations – non pensions
12.30pm – 1.15pm	Lunch (¾ hr)	
1.15pm – 2.45pm	Item 8 (1½ hrs)	Social Policy Obligations – non pensions (continued)
2.45pm – 3.00pm	Afternoon Tea (¼ hr)	
3.00pm – 5.00pm	Item 9 (2 hrs)	Social Policy Obligations –pensions
7.00pm	Reception Dinner	Hosts JICPA

**Wednesday 22 March 2006 – IPSASB Meeting**

8.30am – 11.00am	Item 10 (2½ hrs)	Accounting for Employee Benefits
11.00am – 11.15am	Morning Tea (¼ hr)	
11.15am – 12.30pm	Item 11 (1¼ hrs)	ED 24 Disclosure Requirements for Recipients of External Assistance
12.30pm – 1.15pm	Lunch (¾ hr)	
1.15pm – 2.15pm	Item 11 (1 hr)	ED 24 Disclosure Requirements for Recipients of External Assistance (contd)
2.15pm – 3.15pm	Item 14 (1 hr)	Impairment of Cash-generating Assets
3.15pm – 3.30pm	Afternoon Tea (¼ hr)	
3.30pm – 5.30pm	Item 14 (2 hrs)	Impairment of Cash-generating Assets (contd)

**Thursday, 23 March 2006 – IPSASB Meeting**

8.30am – 9.30am	Item 12 (1 hr)	IASB Update – Service Concessions, Conceptual Framework and General IASB Update.
9.30am – 11.00am	Item 13 (1½ hr)	Conceptual Framework Strategy
11.00am – 11.15am	Morning Tea (¼ hr)	
11.15am – 12.45pm	Item 15 (1¾ hrs)	Analysis of responses to ED 25 “Equal Authority...” and ED 26 “Improvements....”
1.00pm – 1.45pm	Lunch (¾ hr)	
1.45pm – 3.30pm	Item 16 (1¾ hrs)	Analysis of responses to ED 27 “Presentation of Budget Information...”
3.30pm – 3.45pm	Afternoon Tea (¼ hr)	
3.45pm – 4.45pm	Item 17 (1 hr)	Analysis of responses to ED 28 “Disclosure of Financial Information....”
4.45pm – 5.45pm	Items 7, 20 and 21 (1 hr)	Country reports, future meetings, other matters including FYI

**Friday 24 March 2006 – IPSASB Meeting - Seminar**

9.30am – 12.30pm	Seminar	Location: JICPA Office
	All IPSASB Members, Technical Advisors, and Observers invited to attend.	Presenters: IPSASB Chair, French Technical Advisor; USA Technical Advisor.



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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

DATE: FEBRUARY 15, 2006  
MEMO TO: MEMBERS OF THE IFAC INTERNATIONAL PUBLIC SECTOR  
ACCOUNTING STANDARDS BOARD  
FROM: MATTHEW BOHUN  
SUBJECT: MINUTES FROM THE IPSASB MEETING IN CAPE TOWN,  
SOUTH AFRICA IN NOVEMBER AND DECEMBER 2005

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**ACTION REQUIRED**

The IPSASB is asked to:

- **review** and **approve** the minutes and attachment of the IPSASB meeting in November and December 2005.

**AGENDA MATERIAL:**

	Pages
2.2 Draft Minutes of the IPSASB meeting in March 2005	2.2 – 2.18
2.3 Draft Attachment to the Minutes of the IPSASB Meeting in March 2005	2.19 – 2.23

**BACKGROUND**

The first draft of these minutes was circulated to members and observers for comment on January 18, 2006. The attached draft has been revised to reflect amendments identified by members and observers as a consequence of their review of the first draft of the minutes. A marked up copy is available on request.

**Matthew Bohun**  
**TECHNICAL MANAGER**

INTERNATIONAL FEDERATION OF ACCOUNTANTS  
**INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD**  
MINUTES OF THE CAPE TOWN MEETING  
Held on November 29 – December 1, 2005

**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
	Wayne Cameron (M)	X	
Australia	Robert Keys (TA)	X	
	Rick Neville (M)	X	
Canada	Ron Salole (TA)	X	
	Dan Duguay (TA)	X	
	Norbert Vogelpoth (M)	X	
Germany	Catherine Viehweger (TA)	X	
	Pankaj Jain (M)	X	
India	Ron Alroy (M)	X	
Israel	Haya Prescher (TA)		X
	Ryoko Shimizu (M)	X	X for November 29
Japan	Tadashi Sekikawa (TA)	X	
	Mohd Salleh bin Mahmud (M)		X
Malaysia	Er Beng Kiong (TA)		X
	Nafsiah Mohammed (TA)		X
	Alejandro Luna Rodríguez (M)	X	
Mexico	Greg Schollum (M)	X	
	Simon Lee (TA)	X	
New Zealand	Tom Olsen (M)		X
	Harald Brandsås (TA)	X	
Norway	Erna Swart (M)	X	
	Freeman Nomvalo (TA)	X	
South Africa	Mike Hathorn (M)	X	
	Liz Cannon (TA)	X	
United Kingdom	Ron Points (M)	X	
	David Bean (TA)	X	
United States	Mary Foelster (TA)		X
	Ping Yung Chiu (O)	X	
ADB	To Be Appointed (O)		X
EU			

COUNTRY	PARTICIPANTS	ATTENDEES	APOLOGY/NIA*
IASB	Warren McGregor (O)		X
INTOSAI	John Fretwell (O)		X
	Robert Dacey (O)	X	
IMF	Keith Dublin (O)	X	
OECD	Jon Blondal (O)		X
UN	Jay Karia (O)		X
	Gwenda Jensen (O)	X	
UNDP	Darshak Shah (O)		X
World Bank	Simon Bradbury (O)	X	
IFAC	Paul Sutcliffe (S)	X	
	John Stanford (S)	X	
	Matthew Bohun (S)	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 welcomed members to Cape Town for the IPSASB meeting, noting that this was the first time since 1993 that the IPSASB had met in continental Africa.

The Chair noted apologies from:

- Carmen Palladino, Member from Argentina;
- Mohd Salleh bin Mahmud and Er Beng Kiong, from Malaysia;
- Tom Olsen, from Norway;
- Ms. Haya Prescher, Technical Advisor from Israel
- Warren McGregor, Observer from the International Accounting Standards Board;
- Jay Kariah, Observer from the United Nations; and
- John Fretwell, Observer from the International Organization of Supreme Audit Institutions.

The Chair also noted that Ryoko Shimizu, the member from Japan, would arrive one day late due to flight delays.

The Chair welcomed members of the Consultative Group and Public Gallery present, in particular members of the South African Accounting Standards Board. The Chair of the South African Accounting Standards Board, Mr. Rick Cottrell, was invited to join members at the table.

## 2. CONFIRMATION OF MINUTES

The meeting received the minutes from the meeting held in New York on July 25 – 28, 2005. The minutes were confirmed subject to minor editorial amendments.

<b><i>Action Required:</i></b>	<b><i>Amend minutes, Post to IFAC Leadership Intranet.</i></b>
<b><i>Person(s) responsible:</i></b>	<b><i>Staff.</i></b>

## 3. MATTERS ARISING AND ACTION LIST

There were no matters arising from the minutes, apart from matters to be raised under other agenda items.

<b><i>Action Required:</i></b>	<b><i>Prepare Minutes and Action List from November 2005 meeting, provide to Chair for clearance to circulate to members for review – members to advise staff of any proposed amendments.</i></b>
<b><i>Person(s) responsible:</i></b>	<b><i>Chair, members, Staff.</i></b>

## 4. CHAIRMAN'S REPORT

In addition to his written report, the Chair noted that the staffing situation had deteriorated since the last meeting with the resignation of Li Li Lian, but that Li Li's job



would be advertised soon. An offer from the Bertelsmann Foundation in Germany to employ a Technical Manager for the IPSASB was also being pursued.

The Chair advised the IPSASB that he had received a letter from the United Nations advising that the High Level Committee on Management will recommend to the General Assembly in 2006 that IPSASs be adopted in place of United Nations System Accounting Standards (UNSAS).

The Chair also advised that a small funding group had been established with Ian Ball as Chair, to coordinate fundraising activities.

A seminar was held on Monday, November 28, in Pretoria, which was well attended and very successful. The Chair thanked Patrick Maranya of the South African Institute of Chartered Accountants for his efforts at organizing the seminar.

At the end of the meeting, the Chair presented commemorative plaques to Norbert Vogelpoth (Germany) and Ryoko Shimizu (Japan) who retired as members of the IPSASB on December 31, 2005. The Chair noted that Ryoko Shimizu would continue to serve in the capacity of Technical Advisor to the new Japanese member.

<b><i>Action required:</i></b>	<b><i>Prepare Chair's Report for March meeting.</i></b>
<b><i>Person(s) responsible:</i></b>	<b><i>Chair, Technical Director.</i></b>

## **5. IFAC LIAISON REPORT AND MEMBER DISTRIBUTION LIST**

Additional reports on the International Accounting Education Standards Board, Developing Nations Committee and Small and Medium Practices Committee were tabled. Staff highlighted the decision of the IFAC Board to re-establish the Education and Ethics Committees as independent standard setting boards, and the Developing Nations and Small and Medium Practices Permanent Task Forces as standing committees. Members were advised that the IFAC Board sees the standard setting boards and standing committees as the core functions of IFAC.

The meeting noted that the IPSASB had not yet been placed under the oversight of the Public Interest Oversight Board, as recommended by the PSC Review Panel, but that the IPSASB's composition had been changed to reflect the same composition as the Public Interest Activity Committees. The meeting also noted that the IFAC Boards had determined to increase the size of the IPSASB to 18 members from 2006 with the appointment of 3 public members in addition to the fifteen members nominated by IFAC member bodies. The Chair advised that he would inquire with the IFAC Chief Executive on the progress of the IPSASB coming under the PIOB. Staff noted that the IFAC Board had met in Wellington, New Zealand in the week prior to the IPSASB meeting and that it had made the following appointments to the IPSASB:

- Rick Neville (Canada) was reappointed for a further three year term;
- Greg Schollum (New Zealand) was reappointed for a further three year term;
- Tom Henry Olsen (Norway) was reappointed for a further three year term;
- Tadashi Sekikawa (Japan) was appointed for a three year term;

- Frans Van Schaik (Netherlands) was appointed for a three year term;
- Andreas Bergmann (Switzerland) was appointed as a public member for a three year term;
- John Peace (USA) was appointed as a public member for a two year term; and
- Stefano Pozzoli (Italy) was appointed as a public member for a one year term.

<b><i>Action Required:</i></b>	<b><i>Update IPSASB distribution list with any changes. Prepare Report for March 2006 meeting. Finalize arrangements for March 2006 meeting and advise members.</i></b>
<b><i>Person(s) Responsible:</i></b>	<b><i>Staff.</i></b>

## **6. REPORT ON THE IPSASB WORK PROGRAM, COMMUNICATION, TRANSLATION AND FUNDING**

The IPSASB received and noted:

- Memoranda from the Technical Director regarding funding and promotion activities (amendments to the 2005 promotion/presentation profile were noted), the status of IPSAS translations, and the standards development work program for the remainder of 2005 and for 2005 – 2007 years, a summary of the active projects of national public sector standards setters and similar authoritative bodies in IPSASB member countries, and an update on IASB activities;
- That handbooks of the French and Spanish translations had been printed. The Chair noted that the French Institute had launched the French translation with a communication and press conference;
- A verbal update on IPSASB Standards Program costs and funding for 2005, and projections through to December 2005. Members noted that:
  - The World Bank had made a funding commitment for 2006 and had progressed the establishment of a Trust Fund to support all IFAC activities;
  - G7 countries were being contacted to follow up on the Canadian Government funding initiative; the Canadian Government offer to accommodate IPSASB staff was being considered and would be costed (the Canadian member and technical advisor also noted there was the possibility of an additional staff member being provided to the IPSASB by the Canadian Institute if the IPSASB staff relocated to Canada );
  - There was potential funding from the Institute of Chartered Accountants in India and the Cayman Island Audit Office;
  - There was potential for an additional staff member to be funded by the Bertelsmann Foundation. The rules of the Foundation require that the Foundation pay the staff member directly, rather than pay IFAC; and
  - The Chair was following up on the possibility of project specific funding from the European Commission.
- The IPSASB agreed that IPSASB members and staff of the funding subcommittee should prepare a business case comparing the costs of accommodating the IPSASB staff in Canada and in New York and for discussion as soon as possible .

- That while the work program may reflect expectations/aspirations based on current staff levels, it was very ambitious and included little room for a rearrangement of project priorities or addition of new projects. Members agreed the work program, subject to updating to reflect decisions made in the course of this meeting. Members also agreed that staff should develop a plan for future staff requirements for consideration at the next IPSASB meeting, and noted that currently the IPSASB had only three technical staff, whereas during 2005 there was a complement of five;
- That the IVSC had requested comments on a pre-release draft of an Exposure Draft on valuation of public sector assets. Staff noted they had requested advice from the IVSC regarding the cut-off date for such comments. Members agreed that submissions could be made on an individual member and/or staff basis if time allowed, but that a formal IPSASB response would not be made;
- That the project to provide guidance to signatories to the Kyoto Protocol should be included on the work program but that no action should occur in 2006/07 given current staffing levels;
- The IASB had restructured its Standards Advisory Council (SAC) with fewer members and IFAC had retained membership, but the IPSASB had not. Some members expressed disappointment that IPSASB was not included as a member of the SAC; and
- That LiLi Lian had left the IPSASB staff and would join the IASB staff in late 2005/early 2006. Members also noted that replacement/additional staff would be sought in the context of developments in funding/resourcing initiatives and including those noted above and decisions regarding the relocation of the IPSASB staff establishment.

<b>Action Required:</b>	<i>Update work plan based on decisions made at this meeting. Staff to develop outline of future staffing requirements and subcommittee to develop business case comparing costs of location of IPSASB staff in Canada and New York.</i>
<b>Person Responsible:</b>	<i>Subcommittee Members and Staff.</i>

## 7. COUNTRY BRIEFING REPORTS

The country reports were taken as read. Additional reports from Japan and New Zealand were tabled by staff.

<b>Action Required:</b>	<i>Prepare country reports for the IPSASB meeting in Tokyo in March, 2006. Circulate reports with agenda materials.</i>
<b>Person(s) Responsible:</b>	<i>Members, Technical Advisors, Staff.</i>

## 8. ED 29, “REVENUE FROM NON-EXCHANGE TRANSACTIONS”

The IPSASB received and noted:

- A memorandum from Staff; and
- A further draft of an Exposure Draft “Revenue from Non-Exchange Transactions (Comprising Taxes and Transfers).

The IPSASB undertook a page by page review of the exposure draft, directing staff to make the changes outlined in the attachment to these minutes, in particular noting that the Basis for Conclusions in this ED and the EDs proposed for Social Policy Obligations should align their styles. The IPSASB agreed (12 Yes, 1 No, 2 Absent), subject to a final review by the Chair, that the Exposure Draft should be published as soon as possible with a five month exposure period.

<b><i>Action Required:</i></b>	<b><i>Finalize Exposure Draft, review final draft, publish ED.</i></b>
<b><i>Person(s) Responsible:</i></b>	<b><i>Chair and Staff.</i></b>

## 9. SOCIAL POLICY OBLIGATIONS

The IPSASB received and noted:

- A memorandum from Staff; and
- A further draft of an Exposure Draft on Accounting for Social Policies of Government (Excluding Pension Arrangements).

Members noted that the material reflected the directions provided at the New York meeting.

Members agreed that requirements for non-age related social policy obligations should be developed separately from the basic/welfare pension and other age-related social benefits at present, and that a final decision on whether the requirements should be drawn together would be made when the project was further developed.

Members agreed that

- The differences in black letter requirements for collective and individual goods and services should be eliminated. This may have implications for definitions of collective and individual goods and services for the community and explanations of them in commentary; and
- “Staying alive” should not be treated as an implicit eligibility criterion for individual goods and services and cash transfers. There may be some programs where staying alive is a formal eligibility criterion and even some rare cases where eligibility is not determined until after an individual’s death.

Members directed staff to develop for the next meeting a draft ED which:

- Eliminates differences in the black letter requirements for collective and individual goods and services;
- Reflects that present obligations for collective and individual goods and services do not arise until the goods and services are delivered and that entities would not normally accrue liabilities for the ongoing responsibilities of government;

- Specifies that present obligations for cash transfers are limited to amounts “due and payable” at the reporting date;
- Reflects that “staying alive” is only an eligibility criterion where the legislation or regulations governing a particular social program explicitly state that it is;
- Requires the disclosure in a separate schedule of the estimated present value of the long term cost for current beneficiaries of social policy obligations for cash transfers that are long term. Members noted that the draft ED could also note that forecast costs and revenues specifically provided to fund these transfers may also be disclosed as relevant information useful as input to any assessment about the sustainability of a Government’s social policy program;
- Consider when developing the Basis for Conclusions whether there would be any merit in taking a straightforward approach to the non-recognition of the ongoing obligations of governments and saying that the reason liabilities would not be recognized in respect of these is because it is inappropriate, rather than using any other justification; and
- Includes an appropriate rationale for all the above decisions for consideration at the March 2006 meeting, including the rationale for treating cash and not-cash transfers differently.

Members also noted that:

- The due and payable approach, supported by disclosures of the present value of long term costs of current participants, could also be adopted for development of the draft ED dealing with basic/welfare pensions; and
- The IPSASB should consider actioning at some time in the future, as resources allow, a broader project on disclosure of projected cost and projected revenue information about the sustainability of the full range of a government’s major social benefit programs. The disclosures made in the context of the current SPO project would feed into that broader “sustainability” project.

<b><i>Action Required</i></b>	<b><i>Revise ED to reflect new direction.</i></b>
<b><i>Person(s) Responsible</i></b>	<b><i>Staff.</i></b>

## **10. SOCIAL SECURITY PENSIONS AND EMPLOYEE BENEFITS**

The IPSASB received and noted:

- A memorandum from Staff;
- Further revised extracts of a draft of an Exposure Draft on the basic/welfare pension;
- A paper summarizing the requirements in the SNA and GFSM and proposals for changes to SNA in relation to pensions together with a report on a meeting of a Task Force developing proposals for modifications to SNA; and
- A paper highlighting some key issues in the development of an IPSAS based on IAS 19, *Employee Benefits*.

Members agreed the extracts of the ED on basic/welfare pensions should be redrafted to reflect the “due and payable” approach with additional disclosures reflecting those to be adopted for non-age related social benefits at Agenda Item 9.

Members noted the current requirements in SNA and GFSM, and the proposals for modification of the requirements of the SNA being developed by the Task Force on Employers’ Retirement Schemes, which had met in September 2005, in particular:

- A shift to an approach based on recording liabilities of pension arrangements irrespective of whether schemes had “earmarked” assets set aside;
- The recording of liabilities related to government employer pension schemes in the core national accounts regardless of whether such schemes are funded or not;
- Recognizing pension liabilities in relation to pension obligations of government employees covered by the general social security scheme in the core accounts; and
- Recognizing broader liabilities other than those to government employees in a separate set of supplementary accounts but not, at present, in the core national accounts.

Mr. Ron Points, the USA Member, had attended this meeting on behalf of the IPSASB.

The recommendations of this Task Force will go forward for consideration by a further Review Group in February 2006. Members agreed that Staff should continue to monitor developments and provide an update to the March 2006 meeting of the IPSASB.

Members considered a paper developed by Staff proposing that an IPSAS be developed based on IAS 19, Employee Benefits, to the extent appropriate for the public sector, and agreed that:

- An ED should be developed and should address all aspects of IAS 19, including short-term employee benefits, other long term benefits and termination benefits as well as post-employment benefits;
- Unfunded employee schemes should not be excluded from the scope of an IPSAS based on IAS 19;
- Further consideration needs to be given to obligations related to public sector employees covered by contributory social security schemes as the project develops;
- For the purpose of discounting obligations, a rate related to the yield on government bonds should be used in the draft prepared for consideration at the next meeting, and this will be further considered by members going forward. The IPSASB noted the staff suggestion that a rate related to the yield on government bonds might be appropriate for use in the IPSAS in this area but also that it might be advisable to obtain expert opinion on the question of an appropriate discount rate, particularly because the rate used could make a significant difference to the carrying amount of liabilities;
- There does not appear to be any public sector specific reason to deviate from IAS 19 by eliminating “the corridor” approach, which permits entities to defer

- actuarial gains and losses that do not exceed specified parameters, however, this will be considered further at future meetings; and
- A project to develop an IPSAS based on IAS 26, *Accounting and Reporting by Retirement Benefit Plans*, should be added to the work program, but is not a high priority project and would be developed as resources allow.

<b><i>Action Required</i></b>	<b><i>Modify extracts of ED on basic/welfare pension. Develop draft ED of IPSAS based on IAS 19. Monitor developments in the approach to retirement benefits in SNA and report back to March 2006 meeting.</i></b>
<b><i>Person(s) Responsible</i></b>	<b><i>Staff.</i></b>

## 11. IASB UPDATE AND CONVERGENCE OF IPSASs WITH IASs/IFRSs

The IPSASB received and noted:

- Memorandum from the Chair of the Subcommittee monitoring the IASB-IFRIC project on development of IFRICs dealing with service concessions (public-private sector arrangements) and staff report on current status and recent developments;
- Memoranda from the Chair of the IPSASB Subcommittee monitoring the work of the national standards setters (NSS) who are considering the implications of IASB-FASB conceptual framework project for the public sector (and not-for-profit entities), and extracts from/and summary of the NSS monitoring reports; and
- The IASB Update.

Members considered all agenda materials and noted.

- Re service concessions (public-private sector arrangements): the OECD observer had joined the Subcommittee. IFRIC was still analyzing submissions to the Draft Interpretations 12, 13 and 14 and considering its response thereto. However, IFRIC had agreed to continue to develop the Interpretations which, consistent with its mandate, would deal with accounting by only the private sector operators in any such arrangements and a limited subset of potential service concession arrangements. Members noted that it did not appear likely that a joint project with the IASB would be initiated to deal with both public and private sector entities that were parties to service concession arrangements, and agreed that:
  - Until the IFRIC had concluded its deliberations, it was premature to make any proposals regarding the nature of an IPSASB project to deal with accounting by public sector entities which are party to service concession arrangements; ;
  - The IPSASB should communicate with national standard setters which had responsibilities which encompassed public sector entities to explore

- the potential for coordinating national and international guidance on accounting by public sector entities involved in such service concession arrangements. The IPSASB Chair will write to national standards setters to that effect; and
- The Subcommittee would continue to monitor the development of the IFRIC(s) and would report to the IPSASB at its next meeting on: progress made by IFRIC; the results of communication with national standards setters; and if appropriate; and a strategy for actioning a project dealing with accounting by public sector entities which are party to service concession arrangements;
  - Re monitoring the IASB-FASB conceptual framework: Members expressed concern that the IASB-FASB process was not dealing with the public sector implications of this project and noted that the NSS intended to continue to monitor the IASB project and develop separate papers highlighting any issues of particular relevance to public sector and not-for-profit entities. Members noted that the work of the NSS will provide valuable input for the IPSASB when it progresses its own project on the development of a conceptual framework for the public sector and raises the potential for development work to be coordinated on a national and international level. It was agreed that:
    - The Subcommittee should continue to monitor the work of the NSS and report back at the next IPSASB meeting;
    - The USA would be included as an additional member of the Subcommittee;
    - The IPSASB Chair would write to the IASB noting that Government Business Enterprises (GBEs) were subject to IFRSs and, therefore, the IASB Framework, and encourage the IASB to explicitly consider whether social policy obligations or other obligations that may be imposed on GBE's by their controlling government raised any specific issues that needed to be dealt with in the conceptual framework; and
    - At its next meeting the IPSASB would discuss a strategy for the development of its own conceptual framework project, including resource implications thereof and the potential for the IPSASB to draw resources from and/or co-ordinate development work with similar projects being undertaken by national standards setters with responsibility for the public sector. Members agreed to explore this possibility with standard setters or similar authoritative bodies in their jurisdictions.

***Action Required:***

***Subcommittees to monitor:***

***(a) progress of IASB- IFRIC on service concessions, and to propose strategy to IPSASB at next meeting as appropriate; and***

***(b) NSS work on implications for the public sector of the IASB-FASB conceptual framework project.***

***Chair to write to:***

***(a) national standards setters re potential to co-ordinate development of guidance on accounting by***



*public sector entities which are a party to service concession arrangements; and  
(b) IASB re implications of conceptual framework project for GBEs*

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

## **12. IMPAIRMENT OF CASH GENERATING ASSETS**

The IPSASB received and noted:

- A memorandum from the Technical Director; and
- A stand alone draft ED “#1 Impairment of Cash-Generating Assets” and a draft ED “#2 Impairment of Non-Cash-Generating Assets and Cash-Generating Assets” which combined requirements for impairment of cash generating assets and non-cash generating assets in a single proposed IPSAS.

A Subcommittee of the IPSASB is developing the ED on accounting for impairment of cash generating assets to complement the requirements for impairment of non-cash generating assets included in IPSAS 21, “Impairment of Non-Cash Generating Assets”. The IPSASB noted the key issues raised by staff and the Subcommittee and provided directions on these key issues for the future development of the ED. The IPSASB agreed that materials for consideration at the next meeting will be developed on the basis that a separate ED on non cash generating assets will be prepared. In addition, an illustration of how IPSAS 21 would be extended to deal with cash generating assets will be developed and made available on the IPSASB web. This will better enable constituents to assess the approach proposed and comment on which approach should be adopted. This decision will be reviewed going forward, if necessary.

The Subcommittee noted that it intended to meet in early February 2006 and would develop a further draft ED for consideration at the next meeting.

## **13. HERITAGE ASSETS**

The IPSASB received and noted:

- A memorandum from staff highlighting progress since the New York meeting and proposing a way forward; and
- A draft of a publication with a Discussion Paper (DP) recently approved by the United Kingdom Accounting Standards Board (subject to final review) at its core, and an Introduction and Preface developed by the IPSASB Heritage Assets Subcommittee.

A further marked-up draft of the Introduction and Preface, reflecting the views of a meeting of the Sub-Committee on 29 November, was tabled.

Staff noted that the UK- DP was unlikely to be finalized/published until 2006 and this would influence the timing of publication of the IPSASB publication. Members reviewed the marked-up Introduction and Preface and considered the Staff proposal that the publication be approved for issue. Some members expressed concerns that the focus of

the paper was too narrow. However, it was acknowledged that the approaches proposed in the paper had a potentially wide reach notwithstanding that narrow focus.

It was noted that, because the publication asked constituents to provide comments, it would be classified as a Consultation Paper under the new classification scheme proposed for IFAC documents.

The IPSASB approved (10 members agreed, 2 disagreed, 1 abstained) publication of the paper as a Consultation Paper subject to revisions to the Introduction and Preface to further clarify that:

- The paper deals with accounting under the accrual basis;
- The IPSASB did not necessarily endorse particular approaches considered in the paper and that further due process would be undertaken prior to any revision of the requirements in IPSAS 17, “Property, Plant and Equipment”; and
- The IPSASB was of the view that further research on heritage assets on categories of heritage assets not covered by the UK DP would be beneficial.

The amendments are to be agreed by the Sub-Committee before issue.

<b><i>Action Required</i></b>	<b><i>Revise Introduction and Preface. Liaise with Project Director at UK ASB to obtain finalized version of DP and make necessary formatting modifications for publication.</i></b>
<b><i>Person(s) Responsible</i></b>	<b><i>Heritage Assets Sub-Committee, Staff.</i></b>

#### **14. ED 24 DISCLOSURE REQUIREMENTS FOR RECIPIENTS OF EXTERNAL ASSISTANCE**

The IPSASB received and noted:

- A memorandum from the Technical Director; and
- A copy of the OECD-DAC JV draft work program for 2006.

The IPSASB noted that:

- Additional responses on ED 24 had been received from two members of the IPSASB consultative group;
- Responses from aid agencies in Japan and New Zealand had been received in response to initiatives of the Japanese and New Zealand members of IPSASB;
- Aid Agencies and donor organizations in Australia, Canada, and the UK had been contacted by IPSASB members and were considering how they might respond to the IPSASB request for support for field testing by recipients and donors;
- The IFAC Developing Nations Committee had responded to a request from staff for support in field testing ED 24, and proposed that the IPSASB should first amend ED 24 and then field test the amended document;

- Staff would meet with representatives of the Multi-lateral Development Banks Harmonization Committee in early December to discuss field testing of ED 24; and
- Consultative Group (CG) members in discussions during the first day of the meeting had raised valid concerns about the ability of recipients in a number (but not necessarily all) jurisdictions to satisfy all the requirements proposed by the ED, the materiality (and, therefore, need to prescribe disclosure) of each category of assistance, and whether the transitional provisions were adequate to allow recipients to upgrade systems in order to comply with the IPSAS.

The IPSASB reaffirmed the importance of developing an IPSAS dealing with reporting external assistance in general purpose financial reports under the cash basis of accounting, and agreed that:

- It would allow time for the results of current initiatives for field testing ED 24 to be reported before further developing the IPSAS;
- The process for further developing the IPSAS will be reactivated at the next meeting based on input received from respondents to the ED and the results of the field testing; and
- Approaches that may be considered in the preparation of the final IPSAS would include an approach that mirrors that in the Cash Basis IPSAS – that is, a mandatory requirements section with additional disclosures encouraged. The additional encouraged disclosures could then be activated, as appropriate, in different jurisdictions in consultation between recipients and donors of external assistance.

<b>Action Required:</b>	<b><i>IPSASB Members and staff to encourage participation in field testing of ED 24 and/or provision of additional responses on ED 24 to the IPSASB.</i></b>
<b>Person(s) Responsible:</b>	<b><i>Chair, Members, Staff.</i></b>

## 15. OBSERVER STATUS

In closed session the IPSASB considered the composition of Observers to the IPSASB for 2006. Members received and noted a paper from Staff:

- identifying the 2005 Observer positions;
- providing background on the current Observers and the rationale for their position as Observers;
- noting that the External Review of the then PSC had recommended, and the IFAC Board had agreed, an annual review of Observer composition; and
- making recommendations for the 2006 composition.

Members noted that they received good support and input from the Observer group, and confirmed the reappointment of the current Observer organizations for 2006. The following bodies will, therefore, be invited to continue as Observers for 2006:

- Asian Development Bank (ADB);
- European Commission (EC);

- International Organization of Supreme Audit Institutions (INTOSAI);
- International Accounting Standards Board (IASB);
- International Monetary Fund (IMF);
- Organisation for Economic Co-operation and Development (OECD);
- United Nations (UN) and United Nations Development Programme (UNDP); and
- World Bank.

It was agreed that the Chair would write to all the above bodies inviting them to continue as Observers in 2006, thanking them and their representatives for their support during 2005, and encouraging observer organizations to support continuity of attendance at IPSASB meetings by their representatives. Members also noted that it was desirable to explore with Observers and their organizations mechanisms to use Observer participation more effectively and to strengthen and reinforce links with other organizations within the Observer's region and/or with other arms of the Observer's organization.

Members considered the proposal from the Comparative International Governmental Accounting Research network of academics (CIGAR) received during 2005, that going forward the academe should be represented in the Observer group. Members noted that the CIGAR proposal was useful, that two of the newly appointed public members were practicing academics and that both the Mexican member and the newly appointed Dutch member also have academic responsibilities. Members agreed this meant that academic representation on the IPSASB was appropriate. It was agreed that the Chair would write to the Chair of CIGAR noting that the academe was now well represented on the IPSASB and that linkages between CIGAR and the IPSASB could be further strengthened through the public members with academic posts.

<b><i>Action Required</i></b>	<b><i>Write to Observers organizations inviting them to continue as Observers in 2006 and to CIGAR advising the results of IPSASB deliberations.</i></b>
<b><i>Person(s) Responsible</i></b>	<b><i>Chair, Staff.</i></b>

## **16. OCCASIONAL PAPER – USA Experience**

Members reviewed and agreed to issue as an IPSASB Special Report a paper prepared by David Bean, the USA Technical Advisor, and members of the GASB staff entitled "The Road to Accrual Accounting in the United States of America". Members commended Mr. Bean on the paper and noted that it provided valuable insights on technical, administrative and institutional issues to be faced in moving to the accrual basis, and alternative mechanisms for their resolution. Members agreed to provide any additional editorial amendments to the authors out of session. The Paper will be finalized and issued in early 2006.

<b><i>Action Required:</i></b>	<b><i>Provide editorial amendments out of session. Finalize paper.</i></b>
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<b><i>Person(s) Responsible:</i></b>	<b><i>USA Technical Advisor and other authors, Members and Technical Advisers, Staff.</i></b>
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## 17. IPSASB CONSULTATIVE GROUP

The IPSASB received and noted:

- A memorandum from Staff;
- A copy of the current membership list of the Consultative Group; and
- A copy of the current operating procedures of the Consultative Group.

The IPSASB approved the appointment of Mr. Seichii Inoue, Japanese Ministry of Finance, to replace Mr. Horkazu Fujita, also of the Japanese Ministry of Finance.

On the first day of its meeting, the IPSASB met with Consultative Group members present from South Africa, Ghana, Switzerland, and Canada. Members of the South African Accounting Standards Board, and officers from the South African Institute of Chartered Accountants (SAICA), the Institute for Public Finance and Auditing (IPFA), the National Treasury of South Africa, the Eastern and Southern African Association of Accountants General (ESAAG), the Eastern Central and South African Federation of Accountants (ECSAFA), and members of the South African profession present in the public gallery were invited to participate in a round table discussion. The discussion focused on the following IPSASB projects:

- Revenue from Non-Exchange Transactions;
- Accounting for Social Policies of Governments;
- Heritage Assets; and
- External Assistance.

The discussion provided valuable input for the IPSASB's deliberations on these topics. The Chair thanked all participants, noting that it had been a most useful discussion.

<b><i>Action Required:</i></b>	<b><i>Note views of Consultative Group members in development and discussion of IPSASB materials.</i></b>
<b><i>Person(s) Responsible:</i></b>	<b><i>Members, staff.</i></b>

## 18 FUTURE MEETINGS

The IPSASB received and noted a memo from staff with details of the planned future meetings of the IPSASB. The IPSASB discussed future meeting dates and locations, meeting dates for 2006 are as follows:

<b>Dates</b>	<b>Locations</b>
<b>IPSASB Meetings 2005/6</b>	
March 21 – 24, 2006	Tokyo, Japan
July 4 – 7, 2006	Paris, France
November 2006	TBC
March 2007	Accra, Ghana (Tentative)

<b>Dates</b>	<b>Locations</b>
June 2007	Montreal, Canada (Tentative)
November 2007	TBC

Professor Ato Ghartey, Consultative Group member, advised that he will be president of the Institute of Chartered Accountants (Ghana) in 2007, and would be extending an invitation to the IPSASB to meet in Accra. Greg Schollum, the New Zealand member, advised that the New Zealand Institute of Chartered Accountants is preparing to invite the IPSASB to meet in Wellington in 2007.

### ***Postscript***

The Chair requested that the November 2006 meeting be changed to November 7 – 10, 2006, in New York.

<b><i>Action Required:</i></b>	<b><i>Liaise with member bodies for 2006/07 meetings. Finalize arrangements for Tokyo meeting and make preliminary arrangements for meeting in New York in November 2006.</i></b>
<b><i>Person(s) Responsible:</i></b>	<b><i>Chair, staff.</i></b>

## **ATTACHMENT TO MINUTES – DETAILS OF IPSASB DISCUSSION AND PROPOSED REVISIONS TO IPSASB DOCUMENTS**

### **8. ED 29, “REVENUE FROM NON-EXCHANGE TRANSACTIONS”**

The IPSASB directed staff to make the following changes to the draft ED, which is to be published as soon as possible:

- The title of the ED is to revert to “Revenue from Non-Exchange Transactions (Including Taxes and Transfers)”;
- The request for comments should clarify that respondents need not address each specific matter for comment;
- The specific matters for comment should only seek comment on definitions proposed in the ED, not on definitions established in existing IPSASs. Consequently, the definitions should be separated into two paragraphs, one for existing definitions, and one for new definitions;
- The specific matters for comment should include a question on the applicability of the proposed IPSAS to compulsory contributions to social security schemes that are non-exchange transactions;
- Specific matters for comment (e) and (o) should be combined and the resulting matter should not paraphrase, but quote, the proposed IPSAS;
- The ED should include a specific matter for comment related to the treatment of non-depreciable assets received subject to stipulations;
- The alternative paragraph 2 should be adopted;
- Paragraph 5 should explain what an entity combination is;
- Paragraph 6 should be deleted;
- Paragraph 9 should be replaced by commentary suggested by Canadian members of the IPSASB subcommittee on conditions and restrictions;
- Paragraph 13 should be redrafted to clarify that on initial recognition of a transferred asset, a performance obligation arises in respect of conditions;
- The words “except in the case of non-depreciable, non-monetary assets such as land,” should be deleted from the second sentence of paragraph 15;
- The example in paragraph 16, concerning non-depreciable assets, should be deleted (last three sentences), and this change should be reflected elsewhere in the proposed Standard and Basis for Conclusion;
- The third sentence of paragraph 17 should be deleted;
- The second example in the box after paragraph 20 should be deleted;
- Paragraph 26, first sentence should be amended to include the following underlined text: “... gains control of resources that meet the definition of an asset and that satisfy the recognition criteria”;
- Paragraph 29 should refer to regulated activities rather than regulated assets, and in the examples of regulated activities, change “bank accounts” to “pension funds”;
- Paragraph 32 should refer to an entity rather than a government;
- Paragraph 34 – end the sentence at “acquisition”;
- Paragraph 44 – end the second sentence at “taxable event occurs.”

- Paragraph 48 – refer to amount rather than expenditure;
- Paragraph 49 – delete the first sentence;
- Paragraph 53 – delete the last sentence;
- Paragraph 58 – end the second sentence at “taxation agency” and in the last sentence delete the words in parentheses;
- Paragraph 68 – the term “tax assets” should be replaced by “assets arising from a taxation transaction” in the heading and throughout the ED, to avoid confusion with the provisions of IAS 12, “Income Taxes”, where “tax assets” is a defined term;
- Paragraph 69 – amend to read “Taxation revenue shall be determined after deducting amounts that satisfy the definition of tax expenditures”;
- Paragraph 70 – move between paragraphs 68 and 69;
- Paragraph 73 – should note the exception in paragraph 92;
- Paragraph 74 – include an explanation that a reduction in a liability will result in recognition of revenue;
- Paragraph 76 – the last sentence should read “Until the enforceability of a claim for resources is virtually certain...”. This principle is to be reflected consistently throughout the ED;
- Paragraph 80 – the first sentence should end with the word “acquisition”, with the remainder of the sentence being deleted;
- The sections on Debt Forgiveness, Fines, Bequests and Gifts should include commentary on measurement at fair value;
- Paragraph 93 – should include commentary that services in-kind may be added to the cost base of an asset being constructed;
- Paragraph 96 – should refer to the measurement of services in-kind by reference to services that are readily available in the market;
- Paragraph 99 – the third sentence should be deleted;
- Paragraph 100 – add a disclosure about the basis of measuring taxes;
- Paragraph 101 – add an encouragement to further disaggregate disclosures;
- Paragraph 105 – add guidance to encourage disclosure of major classes of services in-kind;
- Paragraphs IG6 – IG9 – rephrase so that value added taxes are clearly distinguished from goods and services taxes;
- Paragraph IG17 – delete the last sentence;
- Paragraph IG20 – in the second last sentence replace “will” with “may”;
- Paragraph IG40 – delete the fourth sentence which refers to the refunding of unused resources;
- Paragraph IG42 – delete the paragraph;
- Paragraph IG44 – delete the last sentence;
- Paragraph IG45 – note 3 – check that the entities are correctly identified;
- Paragraph BC2 – delete the paragraph and insert a paragraph on the work of the IASB;
- Paragraph BC7 – delete the third sentence;
- Insert a paragraph on the tax gap after paragraph BC7;



- Paragraph BC10 – in the first and second sentences sentence replace “be breached” with “not be satisfied”. Delete the third sentence; and
- Any editorial changes necessary to ensure that the proposed Standard is internally consistent, its style aligns with the style of other EDs, in particular the proposed ED on Social Policy Obligations, and any other editorial changes identified by the Chair, staff or members as necessary to ensure a high-quality product.

## 9. SOCIAL POLICY OBLIGATIONS

Members noted implementation of the decisions at the New York meeting, in particular the elimination of the rebuttable presumption that a present obligation in respect of collective and individual goods and services does not arise prior to delivery of the goods and services and that “staying alive” was an eligibility criterion rather than a measurement attribute. Members agreed to reverse the previous decision that staying alive was as an implicit, if not an explicit, eligibility criteria.

Members noted that in explaining the rationale for treating cash and not-cash transfers differently staff should consider the consistency of the approach with example 2B of Appendix A of IPSAS 19 on environmental policy obligations.

In the light of the decision not to proceed with “staying alive” as an implicit/explicit eligibility criterion, members explored options for the crystallization of present obligations in relation to individual goods and services and cash transfers. These included linking the extent of any present obligation to authorized appropriations (typically on an annual basis), restricting the extent of any obligation for amounts payable to those who had already satisfied explicit criteria up to the next point at which eligibility has to be revalidated, and distinguishing between social benefits for which the delivery mechanisms are already in place from those which require an injection of fresh resources.

Members also explored the need for further information to be provided to the users of general purpose financial statements on the sustainability of major social benefit programs. Some members expressed reservations about the usefulness of approaches, which recognize on the statement of financial position large liabilities in respect of obligations which will be settled in the future, when future revenues to fund those liabilities are not also recognized. However, members were interested by the statements in the supplementary information published in the consolidated financial report of the United States government and were advised that:

- The supplementary information encompasses the social security system, Medicare and two fiscally less significant programs;
- Actuarially based information is provided on a present value basis over a seventy-five year time span on projected expenditures and related income;
- The projections encompass participants who have already reached eligibility age (those who have reached the age of sixty-two in the social security scheme), participants who have not yet reached eligibility age (those of fifteen to sixty-one years in the social security scheme) and future participants (those below the age of fifteen years).

Members noted that over time it was desirable that the IPSASB develop supplementary information as input to assessments of the sustainability of major social benefit programs and not just those where the attainment of a specified pensionable age is an explicit eligibility criterion. Initially, however, the approach would be limited to disclosure of information about the present value of the costs of those participants who had already satisfied eligibility for a particular program, rather than future participants, revenue expectations and other information that might be useful for assessments of sustainability.

## **10. SOCIAL SECURITY PENSIONS AND EMPLOYEE BENEFITS**

It was noted that the extracts of the draft ED prepared for consideration at this meeting mirrored the approaches to the non-age related social benefits at Agenda Item 9, in particular that “staying alive” was an implicit eligibility criterion and therefore a recognition criterion rather than a measurement attribute. In the light of the decision made in relation to non age –related general social policy obligations that “staying alive” is only an eligibility criterion where explicitly stated in the legislation or regulations governing a particular social program, it was decided not to proceed with a page-by-page review.

## **12. IMPAIRMENT OF CASH GENERATING ASSETS**

The IPSASB provided the subcommittee with the following directions in respect of the ongoing development of the draft ED, the draft ED is to:

- Make it clear that the requirements of IPSAS 21 have not been opened for comment unless specifically identified as such;
- Further develop the relationship/linkage between cash generating assets and cash generating units;
- Explain and further develop the definition and characteristics of a cash generating assets and include guidance on distinguishing cash generating assets from non cash generating assets. In this context, it was noted that the approach adopted in IPSAS 17 “Investment Property” could usefully be explored;
- Include implementation guidance which, for example: (a) deals with circumstances in which a cash generating unit may encompass a non-cash generating asset, if such is contemplated by the ED; (b) illustrates the allocation of any impairment loss across the assets encompassed by the CGU, including non-cash generating assets if appropriate; and (c) illustrates circumstances in which individual assets are cash generating assets (if such is encompassed by the ED);
- Include the latest terminology for cross-referencing to an IFRS/IAS which the IPSASB has not yet reviewed for applicability to the public sector;
- Consider whether the draft ED should include a section on corporate assets; and
- Include, in the basis for conclusions, consideration of any rationale for the departure from IAS 36 proposed in respect of the impairment of cash-generating assets that have been revalued, and amend the basis for conclusions in IPSAS 21 accordingly in respect of this matter.

The Subcommittee agreed to review drafting generally and to further consider which scope exclusions were appropriate given input at the meeting.

### 13. HERITAGE ASSETS

Some members expressed concerns that the focus of the paper remained museum and art collections and that such concerns might not be highly relevant in all jurisdictions. However, other members noted that the approaches proposed in the paper had a potentially wider reach and the paper would have relevance for many jurisdictions. Concerns were also expressed that, by publishing a paper putting forward a particular viewpoint in an area where a large number of different approaches had been developed worldwide, the IPSASB might be seen to be indirectly endorsing one approach. Staff clarified that this was not the intention and that the sections of the Introduction and Preface that highlighted that further due process would be undertaken prior to any revision of the requirements in IPSAS 17, *Property, Plant and Equipment* would be strengthened. It was agreed the Introduction/Preface should also clarify that the IPSASB considered that further research would be beneficial, particularly on areas not covered by the UK Discussion Paper.

The IPSASB acknowledged the work of the Sub-Committee and the contribution to the Sub-Committee of IPSASB Members and Technical Advisors and Patrick Soury of the French Ministry of Finance.

DRAFT MINUTES  
**INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD  
ACTION LIST FROM THE NOVEMBER/DECEMBER 2005 MEETING**

<b>Action Required</b>	<b>Person(s) Responsible</b>	<b>Date Due</b>	<b>Date Completed</b>
1. Prepare, review and distribute minutes.	<b>Chair, IPSASB Staff</b>	<b>January 2006</b>	<b>January 2006</b>
2. Update the Committee's Action List and distribute with the minutes.	<b>Staff</b>	<b>January 2006</b>	<b>January 2006</b>
3. Post approved minutes from the July 2005 meeting on the Intranet.	<b>Staff</b>	<b>December 2005</b>	<b>January 2005</b>
4. Prepare IPSASB Update 3 on Nov/Dec 2005 meeting.	<b>Chair, Staff</b>	<b>December 2005</b>	<b>December 2005</b>
5. Prepare Chairman's Report.	<b>Chair</b>	<b>February 2006</b>	<b>February 2006</b>
6. Confirm with Members IPSASB Correspondence, Distribution and Network Lists.	<b>Staff</b>	<b>February 2006 and Ongoing</b>	<b>February 2006</b>
7. Prepare IFAC Liaison Report.	<b>Staff</b>	<b>February 2006</b>	<b>February 2006</b>
8. Liaise with the JICPA and others as necessary to co-ordinate the March 2006 meeting in Tokyo, advise Members.	<b>Staff</b>	<b>December 2005 and ongoing</b>	<b>December 2005, January February 2006</b>
9. Update IPSASB Work Plan.	<b>Staff</b>	<b>February 2006 and Ongoing</b>	<b>February 2006</b>
10. Develop outline of future staffing requirements	<b>Staff</b>	<b>March 2006</b>	
11. Continue fundraising activities. Follow up on funding and promotion activities.	<b>Chair, Members, Staff</b>	<b>December 2005 and Ongoing</b>	<b>December 2005 and ongoing</b>
12. Subcommittee to develop business case comparing costs of location of IPSASB staff in Canada and New York	<b>Subcommittee, Staff</b>	<b>January/February 2006</b>	

## DRAFT MINUTES

<b>Action Required</b>	<b>Person(s) Responsible</b>	<b>Date Due</b>	<b>Date Completed</b>
13. Prepare country reports to be included in the Agenda for consideration of IPSASB at March 2006 meeting.	<b>Members, Technical Advisors</b>	<b>February 2006</b>	<b>Ongoing</b>
14. ED 29, "Revenue from Non-Exchange Transactions". Finalize ED, review final draft and issue ED.	<b>Chair, Staff</b>	<b>January 2006</b>	<b>January 2006</b>
15. Revise Exposure Draft on Social Policy Obligations (non-pensions) in accordance with IPSASB decisions.	<b>Staff</b>	<b>February 2006</b>	<b>February 2006</b>
16. Modify extracts of ED on basic/ welfare pensions.	<b>Staff</b>	<b>February 2006</b>	<b>February 2006</b>
17. Prepare ED based on IAS 19, "Employee Benefits".	<b>Staff</b>	<b>February 2006</b>	<b>February 2006</b>
18. Monitor SNA developments for consideration at the March meeting.	<b>Staff</b>	<b>February 2006</b>	<b>Ongoing</b>
19. Commence analysis of responses to omnibus Improvements ED (ED 26) for consideration of IPSASB at March 2006 meeting.	<b>Staff</b>	<b>February 2006</b>	<b>February 2006</b>
20. Commence analysis of responses to ED (ED 25) proposing amendments to Preface re equal authority for consideration of IPSASB at March 2006 meeting.	<b>Staff</b>	<b>February 2006</b>	<b>February 2006</b>
21. Commence analysis of responses to ED on Reporting Compliance with Budget (ED 27) for consideration of IPSASB at March 2006 meeting.	<b>Staff</b>	<b>February 2006</b>	<b>February 2006</b>
22. Commence analysis of responses to ED on General Government Sector Disclosures (ED 28) for consideration of IPSASB at March 2006 meeting.	<b>Staff</b>	<b>February 2006</b>	<b>February 2006</b>

## DRAFT MINUTES

<b>Action Required</b>	<b>Person(s) Responsible</b>	<b>Date Due</b>	<b>Date Completed</b>
23. Heritage Assets: Revise Introduction and Preface. Liaise with Project Director at UK ASB to obtain finalized version of DP and make necessary formatting modifications for publication.	<b>Staff</b>	<b>January, February 2006</b>	<b>February 2006</b>
24. Continue analysis of responses to ED 24 External Assistance, including any responses from field testing and additional input from G7 Countries, donor organizations, Consultative Group and others for consideration of IPSASB at March 2006 meeting.	<b>Staff</b>	<b>February 2006</b>	<b>January, February 2006</b>
25. USA Occasional Paper: provide editorial amendments out of session. Finalize paper.	<b>Staff, members, USA Technical Advisor Staff</b>	<b>January, February 2006</b>	<b>January, February 2006, and ongoing February 2006</b>
26. Prepare update on IASB activities for next meeting.		<b>February 2006</b>	
27. Liaise with le Conseil Supérieur de l'Ordre des Experts-Comptables concerning the July 2006 meeting in Paris. Make arrangements for meeting in New York in November 2006. Commence liaison with the Institute of Chartered Accountants (Ghana) and New Zealand Institute of Chartered Accountants concerning possibility of meeting in Accra and Wellington in 2007.	<b>Staff, French Technical Advisor</b>	<b>December 2006 and ongoing</b>	<b>January, February 2006 and ongoing</b>

## DRAFT MINUTES

<b>Action Required</b>	<b>Person(s) Responsible</b>	<b>Date Due</b>	<b>Date Completed</b>
28. Subcommittee to continue monitor national standards setters review of IASB-FASB conceptual framework project. Prepare report on monitoring activities and background materials for next meeting.	<b>Subcommittee Members and Staff</b>	<b>December 2005-February 2006</b>	<b>January, February 2006</b>
29. Prepare materials for initial consideration of IPSASB strategy re its own framework project at March 2006 meeting. Chair to write to IASB re consideration of GBE specific issues in Framework project and members to explore potential for collaborative project with standard setter or similar in their jurisdiction.	<b>Chair, Members and Staff</b>	<b>December 2005-February 2006</b>	<b>January, February 2006</b>
30. Write to observer organizations re outcome of IPSASB observer review and convener of CIGAR network re status of academic representation on IPSASB. Write to UN and UNDP proposing combining their Observer positions.	<b>Chair, Subcommittee members, Staff</b>	<b>December 2005, January 2006</b>	<b>December 2005, January 2006</b>
31. Subcommittee to continue to monitor development of IFRIC Interpretations on Service Concessions. Chair to write to national standards setters re opportunities for co-ordinated approach. Report to IPSASB at March 2006 meeting.	<b>Chair, Subcommittee Members and Staff</b>	<b>December-February 2006</b>	<b>December 2005-Jan, February 2006</b>
32. Further develop ED on impairment of cash generating assets for consideration of IPSASB at March 2006 meeting.	<b>Subcommittee and Staff</b>	<b>February 2006</b>	<b>January, February 2006</b>



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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

DATE: 17 FEBRUARY 2006  
MEMO TO: MEMBERS OF THE IPSASB  
FROM: PHILIPPE ADHEMAR  
SUBJECT: **CHAIRMAN'S REPORT**

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## **ACTION REQUIRED**

The Board is asked to:

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

## **CHAIRMAN'S REPORT**

Since the last IPSASB meeting in November/December 2005, I have been involved in the following:

- Reviewing the IPSASB Update.
- Undertaking a final review of ED 29 and the Heritage Assets Consultative Paper and their associated media releases.
- Writing letters to follow up on the IPSASB review of its Observer group.
- Writing to the Chair of the IASB regarding the consideration of issues relating to GBE's in the IASB-FASB Conceptual Framework Project.
- Writing to national standards setters regarding a collaborative approach to accounting for service concession arrangements by public sector entities.
- Presenting at the OECD Senior Budget Officers Forum.
- Presenting and discussing ED 24 at DAC (OECD) Working Party fifth meeting
- Participating and presenting to the National Accounts Association colloquium Paris
- Agreeing the March IPSASB agenda with the Technical Director.
- Preparing papers for the IPSASB JCPA seminar in Tokyo, Japan.
- Discussing funding and staffing arrangements with the IFAC Chief Executive and the IPSASB Technical Director.



- Preparing a report for the IFAC Council on the IPSASB's activities, outputs and future plans.
- Publishing article on “Les Normes internationales de comptabilité publique “ in Revue du Trésor .

**Philippe Adhémar**  
**CHAIRMAN**



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

DATE: FEBRUARY 19, 2006  
MEMO TO: MEMBERS OF IFAC IPSASB  
FROM: MATTHEW BOHUN  
SUBJECT: **IFAC LIAISON**

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**ACTION REQUIRED**

The Board is asked to:

- **note** the IFAC Liaison Report; and
- **provide** the staff with any feed back on the issues raised.

**AGENDA MATERIALS**

	Pages
5.2 Report on IFAC Technical Boards and Committees	5.3 – 5.13
5.3 Updated Correspondence Distribution List	5.14– 5.19

**LIAISON ACTIVITIES**

*Communications*

The Communications team at IFAC's office in New York develops press releases for IFAC publications, speeches for the IFAC President and Chief Executive and writes letters to media outlets on matters related to the accounting profession, IFAC, financial reporting, auditing and professional ethics. IPSASB staff in Melbourne and New York liaise with the Communications Director, Helene Kennedy at least weekly in the production of these items.

*Staff Changes*

Ms. Nicole Marchand, who has provided administrative assistance to the IPSASB in the New York office for the last two years, resigned in January to take up a position with a hedge fund firm in New York. Mrs. Shelly-Ann Alexander has been recruited to provide administrative assistance to the IPSASB, the Small and Medium Practices Committee and the Professional Accountants in Business Committee.

IFAC has also advertised a Technical Manager position for the IPSASB, applications for which closed on February 15, 2006.

*XBRL International*

I met with the XBRL International group in Washington DC on February 1, 2006. The XBRL International group want to develop a taxonomy for IPSASs, adapted from the IASB taxonomy and utilizing work undertaken already in New Zealand and Spain. The taxonomy would enable entities preparing general purpose financial statements using IPSASs to publish their financial statements on the internet.

### *IPSASB Call for Nominations*

On February 15, 2006 the IFAC Nominations Committee called for nominations to the five IFAC member body nominated positions and one public member positions that become vacant at the end of this year. Nominations can be made through the IFAC website at <http://www.ifac.org/NominatingCommittee/index.php#Process>.

### *IFAC Boards and Committees*

An update of the activities of other IFAC technical Boards and Committees is attached at item 5.2

### *Correspondence Distribution List*

The current IPSASB Correspondence Distribution List is attached at item 5.3. Please report any updates, errors or omissions to Matthew Bohun ([matthewbohun@ifac.org](mailto:matthewbohun@ifac.org)) or Shelly-Ann Alexander ([shellyannalexander@ifac.org](mailto:shellyannalexander@ifac.org)).

### *IPSASB Website*

The IFAC Website is one of the most important means IFAC has of distributing information and publications to the broader community. The site is constantly being updated and reviewed. Since the last IPSASB meeting, the IPSASB member biographies for the new IPSASB members and further speeches on public sector accounting by Ian Ball, Chief Executive of IFAC have been added. Members are free to submit articles or speeches for posting to the website by forwarding them to Paul Sutcliffe or me. Members are also asked to check the biographical information on the website and advise me of any changes you wish to make.

**Matthew Bohun**  
**TECHNICAL MANAGER**

## **IFAC Technical Board/Committees Update**

### **Compliance Advisory Panel (CAP)**

The CAP advises the IFAC Board and Council on the admission of new members, the advancement of affiliate or associate members, and the suspension of members. CAP staff also undertake the compliance survey, the survey by which IFAC member bodies make a self-assessment of their compliance with the IFAC Statements of Member Obligations (SMOs). The primary emphasis of the Compliance Program is on seeking continuous improvement by encouraging member bodies to incorporate and implement international standards thereby improving compliance with the SMOs.

To date 152 member bodies have completed Part 1 of the Compliance Program, six member have resigned or been suspended and have not completed the questionnaire, and five affiliate members have been excused from completing the compliance questionnaire. The responses to the questionnaire have been published on the IFAC website.

The CAP launched Part 2 of the Compliance Program, the Statement of Member Obligations Self-Assessment Questionnaire, on December 2, 2006. To date 50 IFAC member bodies and associate member bodies have commenced the Part 2 process. Members are required to complete their response to Part 2 by May 1, 2006.

The CAP works with the World Bank, Inter-American Development Bank, Asian Development Bank, USAID and other development organizations to foster development of strong accounting professions in developing nations. A critical part of this promotional program is to encourage the implementation of IPSASs, IFRSs and International Standards on Auditing. CAP will be continuing to foster these relationships during 2006 and beyond.

### **Developing Nations Committee (DNC)**

The DNC's mission is to support the development of the worldwide accountancy profession by working in partnership with the global profession and relevant organizations to widen participation in the standard setting activities of the IASB and IFAC and membership of IFAC; to advocate the role of the profession in economic development; to facilitate assistance, including human resource and institutional capacity building to the developing profession; and to promote and represent the needs of the developing profession.

Since November, the DNC launched its best practice guide for establishing and developing a professional accountancy body. The guide will be a valuable tool to many member bodies many member bodies, development partners and other organizations not yet affiliated with IFAC. The guide was distributed as an interactive CD-ROM to all existing members in December 2005 and is available for free download from the IFAC website in both Microsoft Windows® format and Apple Macintosh® format. The CD-Rom can be ordered free of charge (shipping charges apply)

from the IFAC website. The guide will be updated within the next twelve months and contributions of case studies, tools and guidance materials are encouraged from all member bodies. DNC is also considering French and Spanish versions of the guide to be issued late in 2006.

### **International Accounting Education Standards Board (IAESB)**

The IAESB's strategy and objectives are designed to support the development of the international profession, by establishing Standards that, when properly implemented, will ensure that individual members of IFAC member bodies will have a foundation of knowledge, skills and professional values that enable them to continue to learn and adapt to change throughout their professional lives. Robustness in the education of members of the profession, both at the point of entry to the profession and continuing education for all qualified members of the profession, is the necessary foundation to assist the profession to apply harmonized auditing, public sector, financial reporting and ethical standards.

#### *Current Projects*

##### *Proposed Standard on Competence Requirements for Audit Professionals*

After consideration of comments received on an exposure draft released in April 2005, the Education Committee, meeting in Kuala Lumpur in October 2005, considered an updated draft of IES 8. A number of significant changes were made to the version released as an exposure draft, and the Task Force has continued to work since October on the necessary drafting changes. In particular, a number of drafting changes have been made to ensure consistency with IAASB pronouncements. The updated draft, and the need for and scope of any re-exposure, will be considered by the IAESB at its February meeting in New York. A final standard, or a re-exposure draft, will be released by March 31st 2006.

##### *Ethics Education Project*

In March 2004, the IFAC Education Committee appointed a project team led by Prof. Philomena Leung to undertake a research project on Ethics Education. The purpose of the research project was to provide practical guidance to IFAC member bodies, academics and others responsible for the education of professional accountants on the implementation of professional values and ethics education as part of the pre-qualification education program and ongoing education through CPD. The outputs from the project include an academic research report, a "Tool Kit" to help member bodies implement Ethics Education, and a draft International Education Guideline to update the existing IEG 10. At its October 2005 meeting in Kuala Lumpur, the Education Committee received and noted the final research report, which is to be published independently of IFAC. The Committee also discussed the proposed draft International Education Guideline developed by the research team. It was agreed the draft Guideline be further developed by the Education Committee, led by Claire Egan, with a proposed, updated Guideline to be considered for approval as an exposure draft at the IAESB's February meeting in New York. It is planned to release an exposure draft by March 31st 2006. It was also agreed that negotiations with the research team would continue for the development of the Tool Kit, incorporating additional

video clips and supporting case study notes and teaching materials. Negotiations are currently underway with several member bodies and their educational trusts to secure additional funding.

#### *IEG 11, “Information Technology for Professional Accountants”*

IEG 11 was first issued by the IFAC Education Committee in December 1995, revised in June 1998, and revised again in December 2002. The Guideline is intended to assist member bodies in preparing professional accountants to work in the information technology environment, describing the knowledge and competences required. The latest revision incorporates both revised capabilities as well as examples of tasks that a competent professional accountant should be able to perform in the workforce, therefore presents both the knowledge and the competences expected. Due to rapidly changing nature of IT and the IT environment, the guideline can become outdated within a short space of time, and therefore requires an ongoing review to ensure it appropriately reflects the knowledge and competences expected of professional accountants. The Education Committee agreed in August 2004 that consideration be given as to how to best update the document, in line with the new International Education Standards. A proposed, updated IEG 11 was considered by the Education Committee at its Kuala Lumpur meeting in October 2005. The project Task Force was asked to prepare a revised draft for the IAESB to approve for exposure at its February 2006 meeting. It is planned to release an exposure draft by March 31st 2006.

#### *Practical Experience*

The IAESB is developing further guidance to support IES 5, Practical Experience. This will update the Education Committee’s earlier discussion document issued in 1998, and provide specific guidance regarding the concept of mentoring. A questionnaire was sent to selected member bodies in January 2006, with the aim of identifying different and innovative approaches to practical experience and mentoring. The IAESB will consider responses at its February 2006 meeting, and also take a decision as to whether the guidance will be at the level of an International Education Guideline (IEG) or International Education Paper (IEP).

#### *Accounting Technicians*

At its Kuala Lumpur meeting in October 2005, the Education Committee considered and agreed the proposed scope of a project to provide guidance for the education of accounting technicians. This would include an initial review of the current structure of the accountancy profession around the world, an exploration of the type of guidance that would assist stakeholders, an alignment of any guidance with the Committee’s current framework, and consideration of recommendations regarding the role of the Committee in the technician sector. A work plan and draft questionnaire has been prepared, and will be considered by the IAESB at its February 2006 meeting in New York. It was noted that consultation with and regular reporting to a range of internal and external groups would be undertaken at various stages throughout the project. Such consultation and reporting would be cognisant of the fact this issue is a sensitive one in many jurisdictions, and of the need for careful considerations of the broader implications of such a project, especially for other IFAC groups.

### *CPD Guidance*

IES 7, which came into effect on 1st January 2006, prescribes member bodies' obligations in respect of CPD for all professional accountants. The standard was developed using the IFAC Education Committee's earlier guidance document, IEG 2, as an initial starting point. Significant activity is currently underway throughout the world to revise member bodies' CPD policies to comply with IES 7. In June 2005, the Education Committee noted a project proposal and draft timetable for the development of an International Education Paper to assist with implementation of IES 7 and the development of output-based CPD systems. It was agreed that work on the project would commence immediately and a revised timetable considered at the Committee's meeting in Kuala Lumpur in October 2005. At that meeting, however, the Committee was advised that further work to develop a detailed project proposal and timetable for the development of the International Education Paper had been delayed due to other pressures on staff time. The relative merits and drawbacks of input and output based approaches to CPD are of considerable interest to member bodies, regulators, and other stakeholders. It was anticipated that the IAESB would approve the detailed project proposal and timetable at its meeting in New York in February 2006. There is a risk, however, that the IAESB's proposed direction in terms of a CPD Guidance project focusing on implementing output-based approaches may be at variance with what member bodies, regulators and others require. It has therefore been decided to seek guidance from the CAG at its February meeting as to the direction of this project, which is likely to delay the IAESB's approval of a detailed project proposal and timetable until July 2006.

### *Specialization*

Progress on a project providing guidance on specialization of the profession has been delayed until the IAESB considers its strategy and objectives at its July 2006 meeting. Further consideration will be given to the priority and scheduling of this project at that time.

## **International Ethics Standards Board for Accountants (IESBA)**

The IESBA's objective is to serve the public interest by setting high quality ethical standards for professional accountants and by facilitating the convergence of international and national ethical standards, thereby enhancing the quality and consistency of services provided by professional accountants throughout the world and strengthening public confidence in the global accounting profession.

### *Technical Projects*

#### *Independence*

The IESBA has commenced a project to consider whether any parts of the independence requirements contained in Section 290 should be revised. The independence provisions in the Code were issued in November 2001 with an effective date for assurance reports issued on or after December 31, 2004. Since issuance, several failures have led to a loss in credibility in aspects of the financial reporting process and many jurisdictions have taken steps to restore credibility. Some of these steps have related to auditor independence requirements. Therefore,

the IESBA has started a project to determine which parts of the independence requirements should be revisited.

#### *Accountants in Government*

The IESBA has commenced a project to develop ethical guidance for accountants in government. Section 290 applies only to professional accountants in public practice. The Task Force will consider the application of this section to assurance engagements in the public sector – many of which are conducted by accountants in government. The project will also consider whether any additional guidance is necessary in Part C of the Code for professional accountants in government.

#### *Guidance for Professional Accountants in Business when Encountering Fraud*

The IESBA has commenced a project to develop further guidance for professional accountants in business who encounter fraud or illegal acts.

#### **Forum of Firms and Transnational Audit Committee (FOF/TAC)**

The TAC objectives for 2005 were focused on the following five areas:

- Audit Quality
- Firm Transparency
- Ethics
- Regulation
- Ongoing Responsibilities

The FoF remains committed to supporting the work of IFAC, and demonstrates this support by nominating members to various IFAC standard-setting boards and committees and providing a financial contribution to IFAC's activities.

#### *Dialogue with the Public Interest Oversight Board (PIOB)*

The PIOB suggested accelerating the TAC nominee process for Public Interest Activity Committees -- to better parallel the IFAC Nominating Committee timeframes -- recognizing PIOB observes at every IFAC Nominating Committee meeting to achieve its responsibility of overseeing the PIAC member selection process. The TAC will seek to accelerate this process during 2006.

The following comments by the PIOB are to be further discussed by TAC at April 27 meeting

- The PIOB is interested in having clearly defined criteria and skill sets for seeking and deciding on TAC nominees for PIACs.
- The PIOB would like to review and endorse these criteria or specifications on the commencement of the process.
- PIOB seems to have a keen interest in having the TAC provide some alternative candidates (perhaps 10) instead of just five nominees for each of the five slots on each PIAC-- this being to provide some more flexibility to enable the Nominations Committee



to balance various factors, such as geography and gender. Firm representatives noted that most nominees to the PIACs were highly specialized and/or held the international position for a particular technical area. As such, the difference in qualification between the first and second nominee could be substantial.

- The PIOB also inquired whether TAC's nominees should reflect a balance of practitioner and non-practitioner balance (as PIAC specs require -- like some public members and some other non-practitioners). Firm representatives indicated that this was not in spirit of FoF/TAC agreement with IFAC.

### *Dialogue with the Monitoring Group*

Firm representatives had a very constructive meeting with the Monitoring Group on December 15, 2005. A number of questions that had been posed by the MG were specifically answered by the firms covering FoF/TAC activities, quality control, audit quality, transparency of network structure and management.

### *Planned Activities for 2006*

The work plan for 2006 was discussed and agreed by the TAC and FoF in September 2005. The main strategic areas include:

- Regulation
  - Dialogue with regulators
  - Convergence of auditing, ethics and accounting standards and regulation
- Audit Quality
  - Processes for self assessment
  - Various IAASB projects
  - Liaison with IFAC Member Body Compliance Program
  - Providing best practice guidance to FoF members
  - Review and analysis of external quality assurance report findings
- Firm Transparency
- Ethics
- Education
- Ongoing Responsibilities
- Providing input into IFAC's budget setting process

## **International Auditing and Assurance Standards Board (IAASB)**

### *Clarity Project*

The explanatory memorandum to the Clarity exposure drafts issued in October 2005 described how the IAASB proposed to apply the clarity drafting conventions to the entire body of ISAs. It included a proposed implementation timetable that called for the IAASB to complete this work by the end of 2011. Based on discussions with a number of parties since the issue of the Clarity exposure drafts, it is clear that the responses are likely to put pressure on the IAASB to complete

the Clarity project earlier than allowed for in the published proposal. The IAASB is currently considering a number of options to accelerate the timetable.

### *European Commission*

In December 2005, the EC formally established an expert group, the European Group of Auditors' Oversight Bodies (EGAOB), to advise it on any matters relating to the implementation of the revised Eighth Directive, including the possible adoption of ISAs for use in statutory audits in the European Union (EU). The EGAOB comprises high level non-practitioner representatives drawn from the public oversight systems for statutory auditors and audit firms (or from the relevant ministries where public oversight systems have not yet been established) in the EU's 25 member states. The EC has also created an EGAOB sub-group on ISAs. The objective of the sub-group is to provide proactive input into the IAASB's standard-setting process. The sub-group comprises 16 members, of which 7 represent audit regulators from the EGAOB, 6 represent national auditing standard-setters and the auditing profession, and 3 represent company (preparers) and investor (users) communities. The sub-group is expected to meet around 8 times a year, starting from the end of January 2006. It is expected initially to discuss the IAASB's Clarity project.

### *Chinese Auditing Standards Board (CASB)*

During 2005, China established the policy of converging its national auditing standards with the ISAs, reformed its standards system and planned a schedule for international convergence. In November, John Kellas, IAASB Chair, Denise Esdon, IAASB Deputy Chair, and Jim Sylph, IAASB Technical Director, ]met representatives of the CASB to discuss progress. This resulted in a joint statement which John Kellas signed with Mr. Wang Jun, Vice Minister, Ministry of Finance (and Chairman of CASB), to recognize the progress China is making towards international convergence. Further to the December 2005 issue of that joint statement, the IFAC President, Chief Executive and IAASB Chair shall attend a press conference arranged by the Ministry of Finance in Beijing in mid-February to celebrate China's progress. This will also be attended by representatives of the IASB, as China has also been working on convergence of financial reporting standards.

### *Financial Stability Forum (FSF)*

The FSF, prompted by senior government and regulatory pressure from the UK, has asked the 12 key international standard setters to consider their respective standard-setting processes. In particular, it requested that a report be submitted for the March 2006 meeting of the FSF, dealing with IAASB's current standard-setting arrangements, what IAASB consider to be best practice in this context, and areas and ways in which IAASB is working to strengthen them.

### *Technical Projects*

In December the IAASB approved the Exposure Draft proposing revisions to ISA 550, "Related Parties", this ED has been published on the IFAC website. In addition, the following projects are currently underway:

- Auditing accounting estimates and related disclosures

- Communications with those charged with governance
- External confirmations
- Group audits
- Management representations
- Materiality in the identification and evaluation of misstatements
- Modifications to the audit opinion & emphasis of matter paragraphs and other matters paragraphs in the independent auditor's report
- Special purpose reports
- The meaning of material weaknesses in internal control
- Using the work of an expert

### **Professional Accountants In Business Committee (PAIB)**

The Professional Accountants in Business (PAIB) Committee's mission is to enable IFAC to add unique value to professional accountants in business. The key PAIB Committee strategic objective, which has been driven by IFAC's strategy and member body feedback, is to facilitate communication and sharing of knowledge between member bodies. The PAIB has not met since the last IPSASB meeting, however, since the PAIB's last meeting in September 2005, it has been progressing development of the PAIB Resource Center.

#### *Resource Center Project*

The PAIB is seeking approval from the February 2006 IFAC Board Meeting to proceed with the full development and roll out of the PAIB Resource Center. The vision is to create a unique and comprehensive information space tailored to the needs of professional accountants working in and for business. The objective of the Resource Center Project is to create a knowledge bank for professional accountants using the excellent information from member body websites, along with other targeted resources. The output will be web portal where users can search professional accountancy information, i.e. similar to a Google tailored for accountants. In addition, the portal will ultimately have other added value features such as news and hot topics sections. The service is for IFAC member bodies and will be targeted at their business members.

The technical solution takes advantage of a web indexing system. A software program, called a robot or spider, will be used to regularly crawl specified web pages (on a permission granted basis only), index the results into a centralized database, and serve up the summary information on a results page with a link to the original document on the source website. In this way, access control of the documents will remain with the member bodies.

Member bodies will be able to provide this free service to their members by either hot-linking to the Resource Center or availing of the option to put a search box on their own website.

I will provide a verbal update on the IFAC Board's decision at the meeting in Tokyo.

### **Small and Medium Practice Committee**

The SMP Committee is charged with identifying and representing the needs of SMPs that principally provide accounting and assurance services to SMEs. The SMP Committee's main role is to:

- Directly work with IFAC committees and boards and other standard-setting bodies to ensure that they are aware of and give due consideration to issues relevant to SMEs and SMPs.
- Facilitate the communication and sharing of information between member bodies, IFAC committees and task forces and other external groups.
- Support SMPs that provide accounting and assurance services to SMEs by leveraging the work of member bodies and others.
- Identify other issues relevant to those providing accounting and assurance services to SMEs and develop guidance on these issues.

#### *Projects/Activities*

##### *Input to IAASB Standard-Setting*

Presently the major part of the SMP Committee's work program is on providing SMP / SME specific input to the IAASB's standard-setting process. This input, largely in the form of comment letters, is made at all key stages of the development of an ISA from project proposal to draft exposure draft (ED). The process for inputting to the IAASB standard-setting is now well established and operates efficiently. Since November 2005 the SMP Committee has made submissions to the IAASB on new and revised standards and guidance as follows:

- Related Parties (revised ISA 550);
- Using the Work of an Expert (revised ISA 620);
- Laws and Regulations (ISA 250); and
- External Confirmations (revised ISA 505) and Audit Evidence (revised ISA 501).

In December 2005 a member of the SMP Committee was appointed to the IAASB Experts Task Force. The SMP Committee now has representation on two IAASB project task forces, the other being the Clarity Task Force.

An SMP Committee representative was invited to the IAASB's Consultative Advisory Group (CAG) meeting in London on November 30 – December 1, 2005. The representative was asked to comment from an SMP perspective on a range of topics, most significantly Clarity, as well as update attendees on the aforementioned project to develop a Guide. The SMP Committee looks forward to participating at future meetings as appropriate.

### *Input to IASB Standard-Setting*

The SMP Committee has continued to closely follow the International Accounting Standards Board's (IASB) project on Accounting Standards for SMEs. On January 30-31 two SMP Committee members attended a meeting of the IASB Accounting Standards for SMEs Working Group at which a draft ED on International Financial Reporting Standard for SMEs was discussed. The ED is scheduled for release mid-2006.

### *Guide to ISAs for SME Audits*

On November 18, 2005 the deadline passed for the submission of proposals for the supply of 'Guide to ISAs for use on SME Audit Engagements' (Guide). The Guide is intended to help SMPs and members of the developing profession understand, implement and comply with ISAs. Five proposals have been received, 2 from IFAC member bodies and 3 from commercial organizations. All of the proposals are of high quality but they vary significantly. An SMP Committee task force, which includes representation from the Developing Nations Committee and the IAASB, is in the midst of conducting a detailed analysis of the proposals. The task force overseeing this project will present the findings of its analysis of the proposals and its recommendations at the SMP Committee's next meeting in New York on March 27-28. The SMP Committee will duly submit a recommendation to the IFAC Board in June 2006 on how to proceed.

### *Research into a Micro-Entity User Needs*

The SMP Committee has noted the lack of international research in the area of the information needs of micro-entity financial reports. It believes that addressing this gap will help inform any future IFAC action in this area and be used in liaison and advocacy, for example in the IFAC response to the IASB's ED on IFRS for SMEs. By the time this report is tabled it is hoped that the research team will have commenced work. The SMP Committee is also exploring how it can work with the United Nations Conference for Trade and Development's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (UNCTAD / ISAR) in this area. UNCTAD / ISAR's Small and Medium-sized Guidelines for Accounting (SMEGA) Level 3 are aimed at micro-entities. If the IASB's SME Standards prove unsuitable for micro-entities then these may provide a basis for a third tier of standards / guidelines.

### *SMP Quality Control Manual*

In the final quarter of 2005 CGA Canada published a quality control manual designed to help SMPs comply with the Canadian Institute of Chartered Accountants' quality control standards. The SMP Committee has agreed in principle to pursue the possibility of this guidance being adapted to International Standard on Quality Control (ISQC) 1. A final decision on whether to proceed will depend on the extent to which the Guide covers ISQC1 and an assessment of the CGA's product compared with other available products.

### *Review Engagements*

The SMP Committee believes that consideration should be given to having another form of assurance to that of an audit, such as the limited assurance offered by a 'review', but that this

should be an alternative to, rather than a replacement for, an audit for an SME. The SMP Committee is investigating the case for revising International Standard on Review Engagements (IRSE) 2400 and how to market such a limited assurance product.

### *Information Sharing*

The SMP Committee is fully committed to assisting SMPs and SMEs through the sharing of information. Since joining the Resource Center project it has given its whole-hearted support and been actively participating. The SMP Committee is providing the necessary assistance as the Resource Center is developed so as to ensure that SMP and SME concerns are seamlessly integrated into the end product. This assistance extends to helping with the process of incorporating the websites of willing IFAC member bodies and identifying suitable external information sources. Meanwhile, the SMP Committee has created a database of high quality documents and links covering a range of topics including accounting, assurance, business services, practice management, IT, and taxation. Depending on the launch date of the Resource Center this may be launched as an interim measure in late February.

Last Updated: February 8, 2006

**International Federation of Accountants  
International Public Sector Accounting Standards Board 2006  
Members Correspondence Distribution List**

<b><u>REPRESENTATIVE</u></b>	<b><u>TECHNICAL ADVISOR</u></b>	<b><u>TECHNICAL ADVISOR</u></b>
<b>NOMINATED BY MEMBER BODIES</b>		
<b><u>FRANCE</u></b>		
Philippe Adhémar ( <b>Chair</b> ) Cour des Comptes 13, Rue Cambon 75100 Paris Cédex FRANCE Phone: 33 1 4298 9507 Secretary : 33 1 4487 7265 Fax: 33 1 4260 0159 Email: <a href="mailto:padhemar@ccomptes.fr">padhemar@ccomptes.fr</a> Term Ending: 2006	Jean-Luc Dumont JLD Expertise & Conseil 31, avenue des Champs-Élysées, 75008 Paris FRANCE Phone: 33 1 45 63 57 23 Mobile : 33 6 82 83 00 09 Fax: 33 1 45 63 57 23 Email: <a href="mailto:jean-luc.dumont@wanadoo.fr">jean-luc.dumont@wanadoo.fr</a>	Henri Giot Direction des relations internationales Conseil Supérieur des Experts Comptables 153 rue de Courcelles 75817 Paris Cedex 17, FRANCE Phone: 33 1 44 15 60 72 Fax: 33 1 44 15 90 05 Email <a href="mailto:hgiot@cs.experts-comptables.org">hgiot@cs.experts-comptables.org</a>
<b><u>UNITED KINGDOM</u></b>		
Mike Hathorn ( <b>Deputy Chair</b> ) Moore Stephens 1 Snow Hill London EC1A 2EN UNITED KINGDOM Phone: 44 20 7334 9191 Fax: 44 20 7651 1823 Email: <a href="mailto:mike.hathorn@moorestephens.com">mike.hathorn@moorestephens.com</a> Term Ending: 2007	Liz Cannon Assistant Director, Technical and International CIPFA 3 Robert Street London WC2N 6RL Phone: +44 20 7543 5647 Mobile: +44 7917581857 Fax: +44 20 7543 5695 Email <a href="mailto:Liz.Cannon@cipfa.org">Liz.Cannon@cipfa.org</a>	
<b><u>ARGENTINA</u></b>		
Carmen Giachino Palladino 1284 Riglos Street Capital Federal, CP Buenos Aires 1424 ARGENTINA Phone: 54 11 4922 8714(H) Fax: 54 11 4922 8714 Phone: 54 9 11 4415 0978(C) Email: <a href="mailto:cpalladino@palladinogroup.com">cpalladino@palladinogroup.com</a> Term Ending: 2007	Pablo Maroni Public Accountant Alsina 193 – 11A (1870) Avellaneda, Provincia de Buenos Aires, ARGENTINA Tel: +54 11 4201-8192 Cell: +54 11 4537-8284 Email: <a href="mailto:pmaroni@palladinogroup.com">pmaroni@palladinogroup.com</a>	Maria Irene Rio Public Translator of English Palladino Group Olazabal 2060 - 4A (1428) Capital Federal, Buenos Aires 1424 ARGENTINA Tel: +54 11 4787-5694 Email: <a href="mailto:irio@palladinogroup.com">irio@palladinogroup.com</a>
<b><u>AUSTRALIA</u></b>		
J. Wayne Cameron Auditor-General Victorian Auditor-General's Office Level 34 140 William Street Melbourne Victoria 3000 AUSTRALIA Phone : 61 3 8601 7100 Fax : 61 3 8601 7020 <a href="mailto:wayne.cameron@audit.vic.gov.au">wayne.cameron@audit.vic.gov.au</a> Term Ending: 2006	Robert Keys Senior Project Manager Australian Accounting Standards Board PO Box 204 Collins St West Vic 8007 AUSTRALIA Phone: 61 3 9617 7624 (direct) 61 3 9617 7600 (general) Fax: 61 3 9617 7674 (direct) 61 3 9617 7608 (general) Email: <a href="mailto:rkeys@asbs.com.au">rkeys@asbs.com.au</a>	

<b><u>REPRESENTATIVE</u></b>	<b><u>TECHNICAL ADVISOR</u></b>	<b><u>TECHNICAL ADVISOR</u></b>
<b><u>CANADA</u></b>		
<p>Richard J. Neville Vice President, Finance and Administration, &amp; Chief Financial Officer Royal Canadian Mint 320 Sussex Drive, Ottawa, Ontario, CANADA KIA OG8 Phone: 613 993 5384 Fax: 613 952 8342 Email address: <a href="mailto:Neville@mint.ca">Neville@mint.ca</a> Term Ending: 2008</p> <p>PA Sarah Brown: <a href="mailto:browns@mint.ca">browns@mint.ca</a></p>	<p>Ron Salole Vice President, Standards CICA 277 Wellington Street, West Toronto, Ontario M5V 3H2 CANADA Phone: 1 416 204 3277 Fax: 1 416 204 3412 Email: <a href="mailto:Ron.Salole@cica.ca">Ron.Salole@cica.ca</a></p>	<p>Daniel A. Duguay Auditor General Office of the Auditor General Cayman Islands Audit Office 3<sup>rd</sup> Floor Anderson Square Grand Cayman Cayman Islands Tel: 345 244 3201 Fax: 345 945 7738 Email: <a href="mailto:Dan.Duguay@gov.ky">Dan.Duguay@gov.ky</a></p>
<b><u>INDIA</u></b>		
<p>Pankaj I. Jain Practicing Chartered Accountant 6-B Pil Court , 6<sup>th</sup> Floor 111, M. Karve Road Churchgate Mumbai, ñ 400 020 INDIA Direct: +91 22 2200 7373/ 5638 5000 Fax: +91 22 5634 8482 Mobile: +91 98 2008 7168 E-mail: <a href="mailto:pankaj@kjco.net">pankaj@kjco.net</a> and (Cc:) <a href="mailto:pankaj_j@vsnl.com">pankaj_j@vsnl.com</a> and <a href="mailto:Pankaj@icai.org">Pankaj@icai.org</a> Term Ending : 2007</p>	<p>Dr. Avinash Chander Technical Director The Institute of Chartered Accountants of India ICAI Bhawan, P.B. No. 7100, Indraprastha Marg, New Delhi - 110 002 India Phone: +91 11 3011 0456 Fax: +91 11 3011 0582 Email: <a href="mailto:tdte@icai.org">tdte@icai.org</a> and <a href="mailto:avinash@icai.org">avinash@icai.org</a></p>	
<b><u>ISRAEL</u></b>		
<p>Ron Alroy Chief Accountant Accountant General's Office Ministry of Finance Hamapuchit St. No. 5 Rishon LeZion 75563 ISRAEL Tel: +972 2 5317558 Fax: + 972 2 5317876 E-mail: <a href="mailto:alron@mof.gov.il">alron@mof.gov.il</a> Term Ending: 2006</p>	<p>Haya Prescher Project Manager Government Accounting Accountant General's Office Ministry of Finance ISRAEL Tel: +972 2 5317443 Fax: +972 2 5695359 E-mail: <a href="mailto:hayapr@mof.gov.il">hayapr@mof.gov.il</a></p>	
<b><u>JAPAN</u></b>		
<p>Tadashi Sekikawa Deloitte Touche Tohmatsu, CPA, ODA Consulting PCPM Building 11-1 Marunouchi 1-chome Chiyoda-Ku Tokyo 100-6211 JAPAN Phone : 81 3 6213 3550 Fax : 81 3 6213 1275 Email : <a href="mailto:tadashi.sekikawa@tohatsu.co.jp">tadashi.sekikawa@tohatsu.co.jp</a> Term Ending: 2008</p>	<p>Ryoko Shimizu Chuo Aoyama Audit Corporation Kasumigaseki Building, 32<sup>nd</sup> Floor, 3-2-5 Kasumigaseki Chiyoda-ku Tokyo 100-6088 JAPAN Phone: +81 3 5532 3909 Fax: +81 3 5532 3901 Email: <a href="mailto:ryoko.shimizu@jp.pwc.com">ryoko.shimizu@jp.pwc.com</a></p>	



<b><u>REPRESENTATIVE</u></b>	<b><u>TECHNICAL ADVISOR</u></b>	<b><u>TECHNICAL ADVISOR</u></b>
<b><u>MALAYSIA</u></b>		
<p>Mohd Salleh Bin Mahmud  Accountant General's Department  Level 8, 2GIA Kompleks Kewangan  Pusat Pentadbiran Kerajaan  Perksekutuan  62594 Kuala Lumpur  MALAYSIA  Phone: 60 3 888 21011  Fax: 60 3 888 95819  Email: <a href="mailto:msallehm@anm.gov.my">msallehm@anm.gov.my</a>  Term Ending : 2006</p>	<p>Er Beng Kiong  Accountant General Department  Level 7, Lot 2G1A, Treasury  Complex Federal Government  Administrative Centre 62594  Putrajaya  MALAYSIA  Tel: 60 3 8882 1038  Fax: 60 3 8882 1042  E-mail: <a href="mailto:erbk@anm.gov.my">erbk@anm.gov.my</a></p>	<p>Prof. Mayda Dr Nafsiah Bt  Mohamed  Fakuti Perakaunan  Universiti Teknologi Mara  UiTM Kampus  Seksyen 17  40200 Shah Alam  MALAYSIA  Tel: 60 3 5548 2599/ 2330  Fax: 60 3 5522 7308  E-mail : <a href="mailto:drkancil@yahoo.com">drkancil@yahoo.com</a></p>
<b><u>MEXICO</u></b>		
<p>Alejandro Luna Rodriguez  Insurgentes 1735 -5th Floor  Col. Guadalupe Inn  Del. Alvaro Obregón  C.P. 01020, MEXICO, D.F.  TEL: +52 (553) 003 3023  FAX: +52 (555) 662 3138  E-mail: <a href="mailto:alunar@funcionpublica.gob.mx">alunar@funcionpublica.gob.mx</a>  Term Ending : 2007</p>		
<b><u>THE NETHERLANDS</u></b>		
<p>Frans D.J. Van Schaik  Admiraliteitskade 50  P.O. Box 4321  3006 AH Rotterdam  NETHERLANDS  Tel: +31 6 55 853 527  Fax: +31 10 272 11 19  E-mail: <a href="mailto:fvanschaik@deloitte.nl">fvanschaik@deloitte.nl</a>  Term Ending: 2008</p>	<p>Drs. Thomas A. van Tiel R.A.  Tel: +33 70 342 7278  Cell: +33 6 2469 7042  E-mail: <a href="mailto:t.a.tiel@minfin.nl">t.a.tiel@minfin.nl</a></p>	
<b><u>NEW ZEALAND</u></b>		
<p>Greg Schollum  Assistant Auditor General, Accounting  &amp; Auditing Policy  Office of the Controller and Auditor-  General  Private Box 3928  48 Mulgrave Street  Wellington  NEW ZEALAND  Phone: 64 4 917 1500  Fax: 64 4 917 1515  Email : <a href="mailto:greg.schollum@oag.govt.nz">greg.schollum@oag.govt.nz</a>  Term Ending: 2008</p>	<p>Simon Lee  Manager – Accounting and Professional  Standards  New Zealand Institute of Chartered  Accountants (NZICA)  Level 2, CIGNA House  40 Mercer Street  P. O. Box 11-342  Wellington  NEW ZEALAND  Phone: 64 4 917 5638  Fax: 64 4 472 6282  Email: <a href="mailto:simon.lee@nzica.com">simon.lee@nzica.com</a></p>	

<b><u>REPRESENTATIVE</u></b>	<b><u>TECHNICAL ADVISOR</u></b>	<b><u>TECHNICAL ADVISOR</u></b>
<b><u>NORWAY</u></b>		
Tom Henry Olsen PricewaterhouseCoopers DA Karenslyst alle 12 N-0245 Oslo NORWAY Phone: 47 95 26 0039 Fax: 47 23 16 1000 Email: <a href="mailto:tom.henry.olsen@no.pwc.com">tom.henry.olsen@no.pwc.com</a> Term Ending: 2008	Harald Brandsås Technical Director The Norwegian Institute of Public Accountants P.O. Box 5864 Majorstuen N-0308 Oslo NORWAY Street Address : Wergelands v.1, Oslo Phone : 47 23 36 5200 Mobile : 47 99 52 5186 Fax : 47 23 36 5202 Email : <a href="mailto:harald.brandsaas@revisornett.no">harald.brandsaas@revisornett.no</a> Website : <a href="http://www.revisornett.no">www.revisornett.no</a>	
<b><u>SOUTH AFRICA</u></b>		
Erna Swart Chief Executive Officer Accounting Standards Board Postal address: P O Box 74129 Lynnwood Ridge Pretoria 0040 SOUTH AFRICA Phone: 27 12 470 9480. Fax: 27 12 348 4150 Email: <a href="mailto:ernas@asb.co.za">ernas@asb.co.za</a> Term Ending: 2007	Sithembiso Freeman Nomvalo Accountant General National Treasury of Republic of South Africa 240 Vermeulen Street Pretoria 0002 SOUTH AFRICA Phone: +27 12 315 5417 Fax: +27 12 315 5791 Email: <a href="mailto:freeman.nomvalo@treasury.gov.za">freeman.nomvalo@treasury.gov.za</a>	
<b><u>UNITED STATES</u></b>		
Ronald J. Points Consultant World Bank -EAPCO 1818 H Street, N.W. Room MC 9-143 Washington, DC 20433 UNITED STATES Phone: +1(202) 473 4018 Fax: +1 (202) 522 1663/1739 Email: <a href="mailto:rpoints@worldbank.org">rpoints@worldbank.org</a> Term Ending: 2006	David R. Bean Director of Research Governmental Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116 UNITED STATES Phone: +1 (203) 847 0700 x244 Fax: +1 (203) 849 9714 Email: <a href="mailto:drbean@gasb.org">drbean@gasb.org</a>	Mary M. Foelster American Institute of Certified Public Accountants 1455 Pennsylvania Ave. NW Washington, DC 20004-1081 UNITED STATES Tel: +1 (202) 434 9259 Fax: +1 (202) 638 4512 Email: <a href="mailto:mfoelster@aicpa.org">mfoelster@aicpa.org</a>

<b><u>REPRESENTATIVE</u></b>	<b><u>TECHNICAL ADVISOR</u></b>	<b><u>TECHNICAL ADVISOR</u></b>
<b>PUBLIC MEMBERS</b>		
<b><u>ITALY</u></b>		
Prof. Stefano Pozzoli Via Landino 12 50129 Florence ITALY Tel: +39 055 4630736 Fax: +39 055 4630346 E-mail: <a href="mailto:stefano.pozzoli@tin.it">stefano.pozzoli@tin.it</a> Term Ending: 2006		
<b><u>SWITZERLAND</u></b>		
Prof. Andreas Bergmann Zurich University of Applied Sciences; Institute for Public Management; St. Georgenstrasse 70/P.O. Box 958, CH- 8401 Winterthur SWITZERLAND Tel: +41 52 267 79 25 Fax: +41 52 268 79 25 E-mail: <a href="mailto:andreas.bergmann@zhwin.ch">andreas.bergmann@zhwin.ch</a> Term Ending: 2008		
<b><u>UNITED STATES</u></b>		
John B. Peace Dover Dixon Horne PLLC Attorneys at Law 425 W. Capitol Avenue, Suite 3700 Little Rock, AR 72201 Tel: +1 (501) 375-9151 Fax: +1 (501) 372-7142 E-mail: <a href="mailto:jbpeace@ddh-ar.com">jbpeace@ddh-ar.com</a> Term Ending: 2007		

**IFAC Board Liaison Official**

TBC

<b><u>IFAC</u></b>		
Paul Sutcliffe Technical Director International Federation of Accountants Suite 1302, 530 Little Collins St Melbourne Victoria 3000 AUSTRALIA Phone: 61 3 9909 7680 Fax: 61 3 9909 7669 Email: <a href="mailto:psutcliffe@ifac.org">psutcliffe@ifac.org</a>	John Stanford Senior Technical Manager CIPFA 3, Robert Street London, WC2N 6BH United Kingdom Tel: +44 (117) 924 9115 Mobile : +44 (7768) 258 659 Email: <a href="mailto:John.Stanford@cipfa.org">John.Stanford@cipfa.org</a>	Matthew Bohun Technical Manager International Federation of Accountants 545 Fifth Avenue 14 <sup>th</sup> Floor New York, NY 10017 UNITED STATES Phone: +1 212 286 9344 Direct: +1 212 471 8712 Fax: +1 212 286 9570 Email: <a href="mailto:matthewbohun@ifac.org">matthewbohun@ifac.org</a>

<b>OBSERVERS</b>		
<b><u>ASIAN DEVELOPMENT BANK</u></b> Ping-Yung Chiu The Controller Asian Development Bank Headquarters 6 ADB Avenue Mandaluyong City 0401 Metro Manila <b>Mailing Address</b> P.O. Box 789 0980 Manila PHILLIPINES Phone: 63 2 632 4542 Fax: 63 2 636 2586 Email: <a href="mailto:pychiu@adb.org">pychiu@adb.org</a>	<b><u>EUROPEAN COMMISSION</u></b> TBA	<b><u>INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)</u></b> Warren McGregor IASB 1 <sup>st</sup> Floor, 30 Cannon Street London EC4M 6XH UNITED KINGDOM Phone: 44 20 7246 6410 Fax : 44 20 7246 6411 Email: <a href="mailto:wmcgregor@iasb.org.uk">wmcgregor@iasb.org.uk</a>
<b><u>INTERNATIONAL MONETARY FUND</u></b> Keith Dublin Division Chief Government Finance Division International Monetary Fund 700 19 <sup>th</sup> Street, N.W. Washington, D.C. 20431 UNITED STATES Phone: 1 202 623 7993 Fax: Email: <a href="mailto:kdublin@imf.org">kdublin@imf.org</a>	<i>*Alternates</i> <b><u>INTERNATIONAL MONETARY FUND</u></b> Chris Hemus Finance Advisor Phone : 1 202 623 7813 Fax : 1 202 623 8244 Email:	<i>*Alternates</i> <b><u>INTERNATIONAL MONETARY FUND</u></b> Ethan Weisman Deputy Chief Government Finance Division Statistics Department Phone: 1 202 623 4625 Fax: 1 202 623 6012 E-Mail: <a href="mailto:EWEISMAN1@imf.org">EWEISMAN1@imf.org</a>
<b><u>INTOSAI CAS</u></b> Robert Dacey U.S. GAO 441 G. Street NW Room Washington DC 20548 UNITED STATES Phone: 202 512 9382 Fax: 202 512 9193 Email: <a href="mailto:dacey@ga.gov">dacey@ga.gov</a>	<b><u>OECD</u></b> Jon Blondal OECD Deputy Head of Division Budgeting and Public Expenditures Division Directorate for Public Governance 2 Rue Andre Pascal 75775 Paris Cedex 16 FRANCE Phone : 33 1 4524 7659 Fax : 33 1 45 24 85 63 Email: <a href="mailto:jon.blondal@oecd.org">jon.blondal@oecd.org</a>	<b><u>UNITED NATIONS</u></b> Jayantilal M. Karia Director, Accounts Division Office of Programme Planning, Budget and Accounts United Nations, 304 East 45th Street Room FF-706 New York NY 10017, UNITED STATES Phone: 1 212 963 6380 Fax: 1 212 963 4184 Email: <a href="mailto:karia@un.org">karia@un.org</a>
<b><u>UNITED NATIONS DEVELOPMENT PROGRAM</u></b> Darshak Shah Comptroller, Comptroller's Division, Bureau of Management United Nations Development Programme Mailing address: 304E 45 Street, Room FF 416, New York, New York 10016 UNITED STATES Phone: 212 906 6100 Fax : 212 906 6306 Email: <a href="mailto:darshak.shah@undp.org">darshak.shah@undp.org</a>	<b><u>WORLD BANK</u></b> Simon Bradbury Division Manager, Loan Department World Bank, Room# MC7-775 1818 H Street, NW Washington, DC 20433 UNITED STATES Phone : 1 202 473 6882 Fax : 1 202 522 1649 Email: <a href="mailto:sbradbury@worldbank.org">sbradbury@worldbank.org</a>	