



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item **1.6**

Date: October 14, 2010
Memo to: Members of the IPSASB
From: Joy Keenan
Subject: Guidelines for Developing IPSASs

Objective of this Memo

- To **note** the changes made to the June 2010 version of the document, “Guidelines for the Development of IPSASs” presented at the June 2010 IPSASB meeting.

Agenda Material

1.6.1 Guidelines for Developing IPSASs

Summary of Changes

1. This Agenda Paper summarizes the changes made to the document “Guidelines for Developing IPSASs.” An excerpt of the June 2010 IPSASB meeting Minutes details the IPSASB’s decisions and directions in this regard (see the Appendix to this paper).

Dissenting/Alternative Views

2. A new section was added to document the IPSASB’s decision that Exposure Drafts (EDs) should include dissenting views.
3. The documentation would consist of the same type of detail as is currently included in the Minutes for the meeting at which the material is approved (currently both ED and final IPSAS stage for voting).
4. As indicated in the draft June 2010 Minutes (see Appendix), while there were disparate views, the Board reached a consensus that dissenting views would only be documented in EDs. For final Standards dissenting views will continue to be documented in the minutes.

History of Amendments to an IPSAS

5. Material has been added to the Guidelines for the following additions to IPSASs that are intended to assist in understanding all of the changes to IPSASs over time:
 - (a) A “History of IPSAS” summary, which will be included at the front of each IPSAS (immediately after the Rubric); and

- (b) A Table of Amended Paragraphs (immediately after the History of IPSAS).

Standard Paragraph Wording

- 6. There are paragraphs within each IPSAS that include standard wording. The wording of these paragraphs has been included in the “Guidelines for Developing IPSASs” document. Standard paragraphs relate to:
 - (a) Scope;
 - (b) Definitions;
 - (c) GBEs; and
 - (d) Effective Date.

Comparison with IFRS

- 7. The Comparison with IFRS is a non-authoritative documentation of significant changes from the underlying IFRS for IFRS-converged IPSASs.
- 8. The Comparison is important for those jurisdictions attempting to develop sector-neutral standards and that base their private sector standards on IFRSs as well as to those jurisdictions that base their private sector standards on IFRS and are contemplating using those “business” standards for the public sector accrual standards. In addition, given that GBEs adopt IFRSs, the Comparison is also useful to help identify significant differences that may affect consolidation.
- 9. The Comparisons have been written in a variety of ways over time and thus lack consistency. Guidance has, therefore, been added to address what should be included in the Comparison.

Editorial Corrections

- 10. A new section was added to document the process for tracking editorial changes made after publication of an IPSAS electronically and in hard copy.

Appendix

Excerpts from Draft June 2010 IPSASB Meeting

7. STRUCTURE OF IPSAS AND OTHER ISSUES

Discuss issues (Agenda Item 7)

Staff led a discussion of various changes made to the 2010 IPSASB Handbook and potential changes to the 2011 Handbook. Staff noted the improvements made for consistency in the 2010 Handbook.

Potential changes to the 2011 IPSASB Handbook

As far as potential changes to the 2011 Handbook, the first issue raised was the need to retain the Introduction section (IN) of IPSASs. Staff proposed deleting the Introduction sections from all IPSASs, since they have not been consistently developed and are non-authoritative. Alternatively, if they are not deleted, staff noted that at a minimum, guidelines should be developed for what should be included in the Introduction section of an IPSAS.

After discussing the issue Members agreed that the IN sections should be deleted as part of the 2011 improvements project.

In addition, there was support for developing some sort of summary document for each IPSAS similar to those produced at the IASB. Members were less in favor of the “snapshot” type of summary which they saw as more of a marketing document. Instead they were inclined towards a summary similar to the IASB’s CFO summaries. The type of summary prepared would be determined by the desired audience. Staff was asked to prepare some guidelines that might be used to develop these summaries.

Members discussed the staff proposal to remove the boxed rubric at the front of each IPSAS. Members noted that the rubric is essential in many jurisdictions specifically where legislation directs adoption of IPSASs. In these cases the rubric is critical in clarifying authority. The IPSASB agreed to retain the rubric in IPSASs.

Members discussed the comparisons with IFRSs noting that there are inconsistencies among the IPSASs with respect to content. Members expressed the view that the comparisons need to be retained as a factual summary of differences. They agreed that guidelines need to be developed to set out what should be included. Some Members noted that once the Conceptual Framework is complete the comparisons would not be as relevant. Members generally agreed that they should be maintained in the interim period but with improvements in content to enhance their usefulness.

Members discussed deleting the appendix related to amendments to other IPSASs. Members indicated these are critical in understanding all changes to standards over the years. Only by referring to these can constituents have a complete list of changes to existing IPSASs.

It was noted that there would be value in posting the original IPSASs on the IPSASB website in order for users to be able to track changes over time. One Member noted that

in jurisdictions where accounting standards are set out in legislation there needs to be a public record of changes so making them available only on the IPSASB Intranet site is not sufficient.

During this discussion Members agreed with the staff recommendation to include “history of IPSAS” summaries at the front of each IPSAS. In addition, Members agreed with developing the tables of amended paragraphs which will assist in understanding all of the changes to IPSASs over time.

In discussing tables of concordance, Members expressed mixed views. Members generally thought these would be useful on a go forward basis but were reluctant for staff resources to be used in developing this information retrospectively. Members asked that staff provide an example of what such information would look like in order to make an assessment in the future on the usefulness of these tables.

Members agreed that the item related to substantial convergence with IFRS was relevant and could be used for agenda planning purposes. They proposed changes to improve the usefulness of this document, as follows:

- Where the IASB has made amendments that have not yet been assessed by the IPSASB, note where they will be assessed (e.g., in the next improvements project, in a separate project, etc.);
- Where the IASB has issued a subsequent IFRS, it should be considered as a potential project when discussing the IPSASB’s work plan; and
- The list of IFRSs with no comparable IFRS should include the IPSASB’s rationale for not having a standard, so that this decision is publicly available.

A Member suggested that once updated this item could be posted on the IPSASB website as the information could be helpful to users of IPSAS.

Members discussed adding an Objective paragraph to the five IPSASs that do not currently have one. They agreed that the 2011 improvements project should include the addition of an Objective paragraph to each of those five IPSASs.

Dissenting Views

Members discussed the possibility of documenting dissenting views in exposure drafts and standards. An update of the agenda materials was provided by staff as the Australian technical advisor noted that in that jurisdiction dissenting views are now documented in the standard in the basis for conclusions but only when a member believes that financial reporting is harmed by the issuance of the final standard. Dissenting views are not documented in exposure drafts.

While dissenting views on IPSASs are currently published in the Minutes of the meeting at which the standard is approved, it was noted that the Minutes are not posted publicly until they are formally approved at the subsequent IPSASB meeting. The effect of this is that there is little connection between the dissenting views published and the actual document to which they relate.

Some Members noted that dissenting views are helpful in weighing issues and that they enhance transparency of the due process. Others expressed concern that publishing these views can result in them being over emphasized. It was also noted that the Basis for Conclusions should provide details on alternative views, although it was acknowledged that often this is not well done. Improvements on the development of Bases for Conclusions are needed.

There was some question as to whether the terms “dissenting views” and “alternative views” refer to the same thing. Many Members use the terms interchangeably; however, there was some disagreement as to whether this is appropriate.

One Member supported the publication of alternative views at the exposure draft stage but not in the final standard since it is not relevant at that stage. A number of Members supported this view.

One Member thought that asking constituents about this issue during the governance consultation process might be worthwhile.

Members agreed in principle that dissenting or alternative views should be published at the exposure draft stage, but not in the final standards. Some Members preferred dissenting views also be included in final standards. Staff was directed to develop further material on this matter, including summarizing the difference between dissenting views and alternative views.

Transitional Provisions and Effective Date

Discussion of transitional provisions and effective dates was deferred to a future meeting. Members were asked to provide comments on the agenda materials by email to staff.

**International
Public Sector
Accounting
Standards
Board**

*International Public Sector Accounting Standards
Board*

Guidelines for Developing IPSASs

November 2010



**International Federation
of Accountants**

Overview

These guidelines are to be used in the development of International Public Sector Accounting Standards (IPSASs). Staff should follow these guidelines in developing Exposure Drafts (EDs) and in finalizing Standards following the ED phase. The Board has full discretion to depart from the guidelines. The reason for such a departure should be identified and explained in the Minutes of the meeting at which such a decision is made.

The Guidelines deal with the following matters related to the development of IPSASs:

- Overall Structure of IPSASs;
- History of IPSAS and Table of Amended Paragraphs;
- Objective;
- Definitions;
- Basis for Conclusions;
- Consequential Amendments and Effective Date; and
- Appendices.

The Guidelines also set out the treatment of dissenting views in Exposure Drafts and how post-publication editorial corrections are addressed.

Overall Structure of IPSASS

IPSASs contain authoritative and non-authoritative material, in the order shown in Exhibit 1. The material included in each IPSAS will vary dependant on the particular IPSAS.

Authoritative material precedes the Basis for Conclusions. Non-authoritative material is located after the Basis for Conclusions.

Application Guidance is authoritative, and therefore must be followed in applying a Standard. Application Guidance shows how the principles in the core of a Standard are to be effected in dealing with specific items and transactions. For example, IPSAS 25, “Employee Benefits” provides detailed examples of how benefits should be attributed to years of service and accounting periods.

In determining whether guidance is authoritative or non-authoritative consideration needs to be given as to whether alternative approaches would result in the requirements of the Standard being met. Implementation Guidance and Illustrative Examples are persuasive, but not authoritative. A decision by a preparer not to follow Implementation Guidance or not to use the same presentational format provided in an Illustrative Example would not, of itself, lead to non-compliance with a Standard.

Exhibit 1 – Authority of Sections of an IPSAS

IPSAS Section	Type of Guidance
Acknowledgement (for IFRS-based Standards only)	Non-authoritative
Table of Contents	
Rubric	
History of IPSAS	
Table of Amended Paragraphs	
Introduction ¹	
Standard paragraphs (structure will vary according to subject, but will normally include): Objective • Scope • Definitions • Accounting Requirements • Disclosure Requirements • Transitional Provisions (where additional to IPSAS 3) • Effective Date	Authoritative
Appendix A: Application Guidance	
Appendix B: Other authoritative guidance (where applicable)	
Appendix C: Amendments to Other IPSASs	
Basis for Conclusions	Non-authoritative
Illustrative Decision Tree(s) (where applicable)	
Implementation Guidance	
Illustrative Example(s)	
Comparison with IFRS (for IFRS-based Standards only)	

History of IPSAS

This summary of the history of an IPSAS is placed immediately after the Rubric and it summarizes the history of that IPSAS up to a specified date.

In particular, it states when the Standard was first issued and subsequent revisions, and it lists other Standards which have amended the Standard, the date of each amendment and its effective date.

An example of a “History of IPSAS” section is set out in Exhibit 2.

¹ The proposed deletion of the Introduction section in IPSASs will be exposed for comment as part of the 2011 Improvements to IPSASs project.

Exhibit 2 – Example of “History of IPSAS” Section

IPSAS 3—Accounting Policies, Changes in Accounting Estimates and Errors

History of IPSAS

This version includes amendments resulting from IPSASs issued up to January 15, 2010.

IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors” was issued in Month 2000.

In December 2006 the IPSASB issued a revised IPSAS 3.

Since then, IPSAS 3 has been amended by the following IPSASs:

- IPSAS 31, “Intangible Assets” (issued January 2010)
- “Improvements to IPSASs” (issued January 2010)

Table of Amended Paragraphs

A table of amended paragraphs is included at the front of each IPSAS developed after MM DD, YYYY to create a history of all of the amendments to each IPSAS.

This table immediately follows the History of IPSAS summary.

This detailed table shows which paragraphs are affected, how they are affected (e.g., terminology change, new, renumbered, amended), and which pronouncement caused the amendment. An example of the “Table of Amended Paragraphs” section is set out in Exhibit 3.

Exhibit 3 – Example Table of Amended Paragraphs

Table of Amended Paragraphs in IPSAS XX

Paragraph affected (numerical order of paragraphs within the IPSAS)	How affected	Affected by
Paragraph reference in the IPSAS	<ul style="list-style-type: none"> • Change in terminology • Amendment • New • Inserted • Deleted 	Relevant IPSAS #(s) and issue date

Objective

The core text of all Standards begins with an “Objective” section that briefly summarizes the purpose of the Standard. This is normally in one grey letter numbered paragraph. This paragraph is part of the core Standard and is therefore authoritative. The Objective paragraph will often take the format “The objective of this Standard is to prescribe the (main requirement)...”

The Objective section is not intended to summarize the primary requirement or other requirements of the Standard and their impact on reporting entities.

Scope

All Standards will include a “Scope” section using the following wording.

“An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for (name of topic).”

Following immediately after the scope paragraph are two paragraphs related to Government Business Enterprises (GBEs), wording as follows.

“This Standard applies to all public sector entities other than Government Business Enterprises.

“The “Preface to International Public Sector Accounting Standards” issued by the IPSASB explains that Government Business Enterprises (GBEs) apply IFRSs issued by the IASB. GBEs are defined in IPSAS 1, “Presentation of Financial Statements.””

Definitions

A term should be defined if its meaning is central to the principles in the Standard, and if it has not been defined in another IPSAS.

A term is defined only once in IPSASs—in the first IPSAS in which it is used. It is also included in the “Glossary of Defined Terms,” which contains all terms defined in accrual based IPSASs, as well as references to where the term is first used in the IPSASs. The Glossary does not contain terms defined in the Cash Basis IPSAS, “Financial Reporting under the Cash Basis of Accounting.”

Defined terms should be included in a separate “Definitions” section in the body of the Standard, rather than in an appendix. The Definitions section will normally be situated after the Scope section of an IPSAS.

The Definitions section includes defined terms, followed by related guidance, if required.

Defined terms are arranged alphabetically in a single comprehensive black letter paragraph, ignoring the definite and indefinite article (“a” and “the”).

Immediately after the list of definitions a standard paragraph is inserted regarding the Glossary of Defined Terms, using the following wording.

“Terms defined in other IPSASs are used in this Standard with the same meaning as in those Standards, and are reproduced in the Glossary of Defined Terms published separately.”

Where guidance is needed to explain a defined term this is in grey letter paragraphs immediately following the black letter Definitions paragraph. The sequence in which defined terms are addressed in the grey letter paragraphs should normally follow the sequence in which the terms appear in the black letter paragraph. The grey letter material should be divided into sections with sub-headings that mirror the terms used in the black

letter paragraph. There is no assumption that all defined terms need further explanatory material and grey letter material should not simply replicate wording already included in the black letter paragraph.

Effective Date

All Standards will include an “Effective Date” section using the following wording.

“An entity shall apply this Standard for annual financial statements covering periods beginning on or after MMMMM DD, YYYY. Earlier application is encouraged. If an entity applies this Standard for a period beginning before MMMMM DD, YYYY, it shall disclose that fact [and apply IPSAS XX at the same time²].

When an entity adopts the accrual basis of accounting, as defined by IPSASs, for financial reporting purposes, subsequent to this effective date, this Standard applies to the entity’s annual financial statements covering periods beginning on or after the date of adoption.”

Basis for Conclusions

All IPSASs must include a “Basis for Conclusions.” The Basis for Conclusions provides very brief background information on the project that has culminated in the issuance of an IPSAS. The Basis for Conclusions is also included in the Exposure Draft (ED) to identify the more significant and/or controversial issues the IPSASB debated.

The main purpose of the Basis for Conclusions is to explain the rationale for the IPSASB adopting a particular approach in an ED and in the final Standard in significant areas where alternative options have been discussed. The Basis for Conclusions should clearly identify the options that were considered by the IPSASB, analyze the advantages and disadvantages of those options and state the factors that led to the determination of the approach adopted in both the ED and in the final Standard. The Basis for Conclusions should avoid simply stating that a conclusion was reached, without providing a rationale why that conclusion was reached and the alternatives rejected.

The Basis for Conclusions in the final Standard also summarizes the main comments received from respondents on an ED and how the IPSASB has dealt with these comments. The Basis for Conclusions will normally address issues in the same sequence as in the body of the Standard.

For IPSASs drawn primarily from an IFRS, the Basis for Conclusions should address matters where, for public-sector-specific reasons, the IPSAS differs from the underlying IFRS. Consideration should be given to providing an explanation in the Basis for Conclusions, of items where a potential departure from an IFRS has generated considerable discussion during the development phase, but has not led to a departure from IFRS.

² This phrase is included where there are consequential amendments to other IPSASs.

The Basis for Conclusions contains the following wording immediately following the title:

This Basis for Conclusions accompanies, but is not part of IPSAS XX.

Paragraph numbering in the Basis for Conclusions section is BC1, BC2, etc.

Consequential Amendments

When a consequential amendment to another IPSAS is a bold paragraph, an additional consequential amendment paragraph needs to be inserted in the other IPSAS that indicates which paragraphs were amended as a result of the Standard, and that states the effective date of the amended paragraphs, which is the effective date of the Standard (i.e., it indicates the effective date for the consequential amendment as MM DD, YYYY).

Appendices, Implementation Guidance, Illustrative Decision Trees/Tables And Illustrative Examples

As shown in Exhibit 1, an IPSAS may contain various appendices. All appendices are authoritative, and labeled with a capital letter.

Authoritative appendices contain the following wording immediately following the title:

This Appendix is an integral part of IPSAS XX.

For non-authoritative material, the following wording is inserted immediately after the title:

This Decision Tree accompanies, but is not part of IPSAS XX.

These Tables accompany, but are not part of, IPSAS XX.

This Guidance accompanies, but is not part of, IPSAS XX.

This Example accompanies, but is not part of, IPSAS XX.

These Examples accompany, but are not part of, IPSAS XX.

Paragraphs within appendices are numbered as follows:

Authoritative guidance

Application Guidance – AG1, AG2, etc.

Appendix B: Other Authoritative Guidance (titles will vary) – B1, B2, etc.

Appendix C: Amendments to Other IPSASs – not numbered; presented in sequence of IPSASs affected and each paragraph number of the IPSAS that is amended, added, or deleted

Non-authoritative guidance

Implementation Guidance – IG1, IG2, etc.

Illustrative Examples – IE1, IE2, etc.

Comparison with IFRS

For each IPSAS adapted from an IFRS, a non-authoritative Comparison is included as the last item in the IPSAS.

The Comparison includes the following information, at a minimum:

- A description of the underlying IFRS, including original issue date and latest amendment date reflected in the IPSAS;
- A description of any IASB Interpretation (SIC or IFRIC) which is included in the IPSAS and how it has been incorporated (e.g., Application Guidance);
- Differences in the scope from the IFRS (e.g., scope exclusions);
- A reference to any significant additional requirements and guidance provided in the IPSAS to address public sector issues (note that a detailed description of such additions should be included in the Basis for Conclusions);
- A reference to any significant requirements and guidance in the IFRS which is deleted from the IPSAS because it is not relevant to the public sector (note that a detailed description of such deletions should be included in the Basis for Conclusions);
- A reference to any significant requirements and guidance in the IFRS which is amended from the IPSAS to address public sector issues (note that a detailed description of such amendments should be included in the Basis for Conclusions);
- Specific differences in terminology; and
- Transitional provisions, if any, in the IPSAS (note that the IPSAS will not generally have the same transitional provisions as the IFRS).

The Comparison may also include additional details the IPSASB believes are important to document significant changes from the underlying IFRS.

Dissenting and Alternative Views

When the Exposure Draft is issued, it will include dissenting views raised by IPSASB Members during the voting process. The Member will draft the text for the dissenting view, stating the specific issue(s) on which the Member disagrees and the underlying reasons for the disagreement. Dissenting views are not included in the final Standard. For final Standards, dissenting views will continue to be documented in the Minutes for the IPSASB meeting at which they are approved. If an IPSAS is approved between meetings, the dissenting views are included with the Minutes of the meeting at which the voting results are recorded (i.e., the meeting following the vote).

As noted above, alternative views on significant issues that were considered and rejected by the IPSASB are documented in the Basis for Conclusions in the ED and the final Standard, including the reasons for such rejection. The IPSASB may decide to draw specific attention to the issue by including a question in the “Matters for Comment” section of the ED.

Editorial Corrections

After an IPSAS is issued, minor editorial changes may be identified. Such changes may be made immediately in the electronic Handbook. An ongoing record of such changes (i.e., IPSAS paragraph(s) affected, reason for change and markup of changed text) is maintained to ensure the changes are accurately reflected in the annual hard copy of the Handbook.

The list is provided regularly, for information purposes, to the IPSASB and is posted on the IPSASB website.

More extensive and significant changes are included in the regular “Improvements to IPSASSs.”