



**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>

**Agenda Item
5**

DATE: January 18, 2012
MEMO TO: Members of the IPSASB
FROM: Stephenie Fox
SUBJECT: Revisions to the IPSASB Preface

OBJECTIVES

- To **review and approve** changes to the IPSASB Handbook Preface that are a consequence of the revised Terms of Reference.

AGENDA MATERIAL

- 5.1 Revised Preface to IPSASs mark-up
- 5.2 Revised Preface to IPSASs clean
- 5.3 Revised Terms of Reference IPSASB (for ease of reference)

BACKGROUND

1. At the December 2011 IPSASB meeting, members were provided with revised Terms of Reference of the IPSASB that had been approved by the IFAC Board in November 2011. The revised Terms of Reference are effective January 1, 2012 and will be included in the 2012 version of the IPSASB Handbook.
2. The revisions related primarily to:
 - change in the scope to general purpose financial reports;
 - addition of Recommended Practice Guidelines (RPGs);
 - changes in the IFAC mission;
 - changes made by IFAC to the proxy voting rules; and
 - structural changes to make the terms of reference consistent with those of the other IFAC standards-setting boards.
3. As a result of these changes, a number of consequential changes need to be made to the *Preface* of the IPSASB Handbook. The goal is to include the revised *Preface* in the 2012 IPSASB Handbook once the IPSASB has reviewed it and is content with the proposed changes. Note that changes to the *Preface* are not required to be exposed for public comment. The nature of these changes is such that they are primarily a consequence of the changes to the Terms of Reference or are editorial in nature.
4. Staff has reviewed the *Preface* and is proposing changes of the following nature:
 - changes to make the wording consistent with the revised Terms of Reference, e.g., with respect to the expanded scope to GPFs and addition of RPGs;
 - editorial changes to reflect changes in wording of referenced IPSASs or new formatting conventions; and

- changes to remove redundancies, primarily related to operating procedures of the IPSASB. Some of the material in the Terms of Reference is repeated in the *Preface* and this is considered unnecessary.
5. Agenda paper 5.1 is a mark-up version of the current *Preface* and includes comments and cross-references to the Terms of Reference where considered helpful. Members are asked to provide feedback on the proposed changes in order to have a revised *Preface* that will be included in the 2012 IPSASB Handbook.

PREFACE TO INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

History of the Preface

The *Preface* was issued in 2000.

In November 2004 the IPSASB issued a revised *Preface*.

In July 2006 the IPSASB amended the *Preface*.

In March 2012 the IPSASB issued a revised *Preface*.



~~December 2006~~ March 2012

PREFACE TO INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

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PREFACE TO INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

Introduction

1. This preface to the International Public Sector Accounting Standards (IPSASs) sets out the objectives ~~and operating procedures~~ of the International Public Sector Accounting Standards Board (IPSASB) and explains the scope and authority of the IPSASs. The ~~preface~~ Preface should be used as a reference for interpreting ~~Invitations to Comment~~ Consultation Papers, other documents, Exposure Drafts, Recommended Practice Guidelines ^[sf2] and Standards approved and published by the IPSASB.
2. The mission of the International Federation of Accountants (IFAC), as set out in its constitution, is “to serve the public interest by contributing to the development, adoption and implementation of high-quality international standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms, and to high quality practices by professional accountants; promoting the value of professional accountants worldwide; and speaking out on public interest issues where the accountancy profession’s expertise is most relevant.” ^[sf3] ~~strengthen the accountancy profession worldwide and contribute to the development of strong international economies by establishing and promoting adherence to high quality professional standards, furthering the international convergence of such standards, and speaking out on public interest issues where the profession’s expertise is most relevant.~~ In pursuing this mission, the IFAC Board has established the International Public Sector Accounting Standards Board (IPSASB) to function as an independent standard-setting body under the auspices of IFAC.
3. The IPSASB ~~(formerly Public Sector Committee (PSC)) is a Board of IFAC formed to develop~~ and issues in the public interest and under its own authority International Public Sector Accounting Standards (IPSASs) ~~accounting standards and other publications~~ ^[sf4]. IPSASs are high quality global financial reporting standards for application use by public sector entities other than Government Business Enterprises (GBEs).
- 3.4. Information ^[sf5] the IPSASB’s membership, terms of office, meeting procedures and due process is set out in the IPSASB’s Terms of Reference ^[sf5].
4. The IPSASB’s ~~Consultative Group is appointed by the IPSASB. The Consultative Group is a non-voting group. It provides a means by which the IPSASB can consult with and seek advice as necessary from a broad constituent~~ ^[sf6] group. The Consultative Group is chaired by the Chair of the IPSASB. The Consultative Group is primarily an electronic forum. However, regional chapters of the Consultative Group meet with the IPSASB in

~~conjunction with any IPSASB meetings in their region. All Consultative Group members are invited to these meetings. In addition, a full meeting of all members of the Consultative Group may be held if considered necessary.~~

Objectives of the IPSASB

5. The objectives of the IPSASB ~~are is~~ to serve the public interest by developing high-quality accounting public sector financial reporting standards and other publications for use by public sector entities ~~around the world in the preparation of general purpose financial reports~~^[sf7].

6. This is intended to enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports and by facilitating the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate; and also ~~notes the acceptance of its standards and other publications, thereby enhancing the quality and uniformity of financial reporting throughout the world~~^[sf8].

7. In fulfilling its objective, the IPSASB develops and issues the following^[sf9]:

- IPSASs as the standards to be applied in the preparation of general purpose financial reports of public sector entities other than GBEs.
- Recommended Practice Guidelines (RPGs) to provide guidance on good practice that public sector entities are encouraged to follow.
- Studies to provide advice on financial reporting issues in the public sector. They are based on study of the best practices and most effective methods for dealing with the issues being addressed.
- Other papers and research reports to provide information that contributes to the body of knowledge about public sector financial reporting issues and developments. They are aimed at providing new information or fresh insights and generally result from research activities such as: literature searches, questionnaire surveys, interviews, experiments, case studies and analysis.

5. The IPSASB achieves its objectives by:

- Issuing International Public Sector Accounting Standards (IPSASs)^[sf10];
- Promoting their acceptance and the international convergence to these standards; and

- ~~• Publishing other documents which provide guidance on issues and experiences in financial reporting in the public sector.~~

- ~~6. The IPSASs are the authoritative requirements established by the IPSASB. Apart from developing IPSASs, the IPSASB issues other non authoritative publications including studies, research reports and occasional papers that deal with particular public sector financial reporting issues.~~

Membership of the IPSASB

- ~~7. The members of the IPSASB are appointed by the IFAC Board to serve on the IPSASB [sf11]. The IPSASB comprises 18 members, 15 of whom are nominated by member bodies of IFAC and three of whom are public members. Public members may be nominated by any individual or organization. In addition, a limited number of observers from bodies that have an interest in public sector financial reporting are appointed to the IPSASB. These observers have the privilege of the floor but are not entitled to vote.~~


IPSASB Meetings [sf12]

- ~~8. Each IPSASB meeting requires a quorum of at least twelve appointed members, in person or by simultaneous telecommunications link.~~
- ~~9. IPSASB meetings to discuss the development and to approve the issuance of IPSASs or other papers are open to the public. Agenda papers, including the minutes of the meetings of the IPSASB, are published on the IPSASB's website: <http://www.ifac.org/publicsector>~~

Scope and Authority of International Public Sector Accounting Standards

Scope of the Standards

- ~~10.8. The IPSASB develops IPSASs which apply to the accrual basis of accounting and IPSASs which apply to the cash basis of accounting.~~
- ~~11.9. IPSASs set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events in general purpose financial statements reports [sf13]. General purpose financial reports are financial reports intended to meet the information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs.~~
- ~~12.10. The IPSASs are designed to apply to the general purpose financial statements reports of all public sector entities other than GBEs. Public sector entities include national governments, regional (e.g., state, provincial, territorial) governments, local (e.g., city, town) governments and related governmental entities (e.g., agencies, boards, commissions and enterprises), national governments, regional governments (for example, state, provincial,~~

 territorial ~~real governments (for example, city, town) and their component entities~~ ^[sf14] ~~(for example, departments, agencies, boards, commissions)~~, unless otherwise stated. The ~~Standards-IPSASs~~ do not apply to GBEs. GBEs apply International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board (IASB). IPSASs include a definition of GBEs.

~~13.11.~~ Any limitation of the applicability of specific IPSASs is made clear in those standards. IPSASs are not meant to apply to immaterial items.

~~14.12.~~ The IPSASB has adopted the policy that all paragraphs in IPSASs shall have equal authority, and that the authority of a particular provision shall be determined by the language used. To avoid any unintended consequences the IPSASB has determined to apply this policy prospectively as it reviews and reissues previously issued IPSASs. Consequently, IPSASs approved by the IPSASB after January 1, 2006 include paragraphs in bold and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. An individual IPSAS should be read in the context of the objective and Basis for Conclusions (if any) stated in that IPSAS and this ~~preface~~ Preface.

General Purpose Financial Statements ^[sf15]

~~15. Financial statements issued for users that are unable to demand financial information to meet their specific information needs are general purpose financial statements. Examples of such users are citizens, voters, their representatives and other members of the public. The term “financial statements” used in this preface and in the standards covers all statements and explanatory material which are identified as being part of the general purpose financial statements.~~

~~16. When the accrual basis of accounting underlies the preparation of the financial statements, the financial statements will include the statement of financial position, the statement of financial performance, the cash flow statement and the statement of changes in net assets/equity. When the cash basis of accounting underlies the preparation of the financial statements, the primary financial statement is the statement of cash receipts and payments.~~

~~17. In addition to preparing general purpose financial statements, an entity may prepare financial statements for other parties (such as governing bodies, the legislature and other parties who perform an oversight function) who can demand financial statements tailored to meet their specific information needs. Such statements are referred to as special purpose financial statements. The IPSASB encourages the use of IPSASs in the preparation of special purpose financial statements where appropriate.~~

IPSASs for the Accrual and Cash Bases

~~18.13.~~ The IPSASB develops accrual IPSASs that:

- Are converged with International Financial Reporting Standards (IFRSs) issued by the ~~International Accounting Standards Board (IASB)~~ by adapting them to a public sector context ~~when—where~~ appropriate. In undertaking that process, the IPSASB attempts, wherever possible, to maintain the accounting treatment and original text of the IFRSs unless there is a significant public sector issue which warrants a departure; and
- Deals with public sector financial reporting issues that are either not comprehensively dealt with in existing IFRSs or for which IFRSs have not been developed by the IASB.

~~19.14.~~ As many accrual based IPSASs are based on IFRSs, the IASB's "~~Framework for the Preparation and Presentation of Financial Statements~~" *Conceptual Framework for Financial Reporting*^[sf16] is a relevant reference for users of IPSASs. ~~The IPSASB is currently undertaking a project to develop a public sector conceptual framework which, when complete, will be the relevant reference for users of IPSASs~~^[sf17].

~~20.15.~~ The IPSASB has also issued a comprehensive Cash Basis IPSAS that includes mandatory and encouraged disclosures sections.

Moving from the Cash Basis to the Accrual Basis

~~21.16.~~ The Cash Basis IPSAS encourages an entity to voluntarily disclose accrual based information, although its core financial statements will nonetheless be prepared under the cash basis of accounting. An entity in the process of moving from cash accounting to accrual accounting may wish to include particular accrual based disclosures during this process. The status (for example, audited or unaudited) and location of additional information (for example, in the notes to the financial statements or in a separate supplementary section of the financial report) will depend on the characteristics of the information (for example, reliability and completeness) and any legislation or regulations governing financial reporting within a jurisdiction.

~~22.17.~~ The IPSASB also attempts to facilitate compliance with accrual based IPSASs through the use of transitional provisions in certain standards. Where transitional provisions exist, they may allow an entity additional time to meet the full requirements of a specific accrual based IPSAS or provide relief from certain requirements when initially applying an IPSAS. An entity may at any time elect to adopt the accrual basis of accounting in accordance with IPSASs. At this point, the entity shall apply all the accrual based IPSASs and could choose to apply any transitional provisions in an individual accrual based IPSAS.

~~23.18.~~ Having decided to adopt accrual accounting in accordance with IPSASs, the transitional provisions would govern the length of time available to make the

transition. On the expiry of the transitional provisions, the entity shall report in full in accordance with all accrual based IPSASs.

~~24.19. Paragraph 28 of International Public Sector Accounting Standard (IPSAS) 1, “Presentation of Financial Statements”~~ includes the following requirement:

An entity whose financial statements comply with ~~International Public Sector Accounting Standards~~ IPSASs ~~should disclose that fact~~ shall make an explicit and unreserved statement of such compliance in the notes. Financial statements ~~should~~ shall not be described as complying with ~~International Public Sector Accounting Standards~~ IPSASs unless they comply with all the requirements ^[sf18] ~~of each applicable International Public Sector Accounting Standard~~ IPSASs.

~~25.20.~~ IPSAS 1 also requires disclosure of the extent to which the entity has applied any transitional provisions.

Authority of the International Public Sector Accounting Standards

~~26.21.~~ Within each jurisdiction, regulations may govern the issue of general purpose financial ~~statements~~ reports by public sector entities. These regulations may be in the form of statutory reporting requirements, financial reporting directives and instructions, and/or accounting standards promulgated by governments, regulatory bodies and/or professional accounting bodies in the jurisdiction concerned.

~~27.22.~~ The IPSASB believes that the adoption of IPSASs, together with disclosure of compliance with them will lead to a significant improvement in the quality of general purpose financial reporting by public sector entities. This, in turn, is likely to lead to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability.

~~28.23.~~ The IPSASB acknowledges the right of governments and national standard-setters to establish accounting standards and guidelines for financial reporting in their jurisdictions. Some sovereign governments and national standard-setters have already developed accounting standards that apply to governments and public sector entities within their jurisdiction. IPSASs may assist such standard-setters in the development of new standards or in the revision of existing standards in order to contribute to greater comparability. IPSASs are likely to be of considerable use to jurisdictions that have not yet developed accounting standards for governments and public sector entities. The IPSASB strongly encourages the adoption of IPSASs and the harmonization of national requirements with IPSASs.

~~29.24.~~ Standing alone, neither the IPSASB nor the accounting profession has the power to require compliance with IPSASs. The success of the IPSASB's efforts is dependent upon the recognition and support for its work from many different interested groups acting within the limits of their own jurisdiction.



Due Process^[sf19]

- ~~30. The IPSASB adopts a due process for the development of IPSASs that provides the opportunity for comment by interested parties including IFAC member bodies, auditors, preparers (including finance ministries), standard setters, and individuals. The IPSASB also consults with its Consultative Group on major projects, technical issues, and work program priorities.~~
- ~~31. The IPSASB's due process for projects normally, but not necessarily, includes the following steps:~~
- ~~• Study of national accounting requirements and practice and an exchange of views about the issues with national standard setters;~~
 - ~~• Consideration of pronouncements issued by:~~
 - ~~○ The International Accounting Standards Board (IASB);~~
 - ~~○ National standard setters, regulatory authorities and other authoritative bodies;~~
 - ~~○ Professional accounting bodies; and~~
 - ~~○ Other organizations interested in financial reporting in the public sector;~~
 - ~~• Formation of steering committees (SCs), project advisory panels (PAPs) or subcommittees to provide input to the IPSASB on a project;~~
 - ~~• Publication of an exposure draft for public comment usually for at least 4 months. This provides an opportunity for those affected by the IPSASB's pronouncements to present their views before the pronouncements are finalized and approved by the IPSASB. The Exposure Draft will include a Basis for Conclusion;~~
 - ~~• Consideration of all comments received within the comment period on discussion documents and Exposure Drafts, and to make modifications to proposed Standards as considered appropriate in the light of the IPSASB's objectives; and~~
 - ~~• Publication of an IPSAS which includes a Basis for Conclusions that explains the steps in the IPSASB's due process and how the IPSASB reached its conclusions.~~



Steering Committees, Project Advisory Panels and Subcommittees^[sf20]

- ~~32.25. The IPSASB may delegate the responsibility for carrying out the necessary research and for preparing Exposure Drafts of proposed Standards and guidelines or drafts of studies to SCs, subcommittees or individuals.~~

~~33. SCs, PAPs and subcommittees are chaired by a member of the IPSASB, but can include persons who are not members of the IPSASB or of a member body of IFAC.~~

Approval Arrangements

~~34. The draft of a standard, duly revised after the exposure period, is submitted to the IPSASB for approval. If approved by the IPSASB, it is issued as an IPSAS and becomes effective from the date specified in the Standard. On occasion, where there are significant unresolved issues associated with an Exposure Draft, the IPSASB may decide to re-expose a proposed Standard.~~

~~35. For the purposes of approving an Invitation to Comment (ITC), ED or an IPSAS, an affirmative vote of at least two thirds of the voting rights of the IPSASB is required. Each IPSASB member represented on the IPSASB has one vote.~~



Language^[sf21]

~~36.26.~~ The approved-official text of a ~~pronouncement~~the IPSASs and other publications is that ~~published~~approved by the IPSASB in the English language. Member bodies of IFAC are authorized to prepare, after obtaining IFAC approval, translations of such pronouncements at their own cost, to be issued in the language of their own ~~countries~~jurisdictions as appropriate.

PREFACE TO INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

History of the Preface

The *Preface* was issued in 2000.

In November 2004 the IPSASB issued a revised *Preface*.

In July 2006 the IPSASB amended the *Preface*.

In March 2012 the IPSASB issued a revised *Preface*.

March 2012

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PREFACE TO INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

Introduction

1. This preface to the International Public Sector Accounting Standards (IPSASs) sets out the objectives of the International Public Sector Accounting Standards Board (IPSASB) and explains the scope and authority of the IPSASs. The *Preface* should be used as a reference for interpreting Consultation Papers, other discussion documents, Exposure Drafts, Recommended Practice Guidelines and Standards approved and published by the IPSASB.
2. The mission of the International Federation of Accountants (IFAC), as set out in its constitution, is “to serve the public interest by contributing to the development, adoption and implementation of high-quality international standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms, and to high quality practices by professional accountants; promoting the value of professional accountants worldwide; and speaking out on public interest issues where the accountancy profession’s expertise is most relevant.” In pursuing this mission, the IFAC Board has established the IPSASB to function as an independent standard-setting body under the auspices of IFAC.
3. The IPSASB develops and issues, in the public interest and under its own authority, high-quality accounting standards and other publications for use by public sector entities other than Government Business Enterprises (GBEs).
4. Information on the IPSASB’s membership, terms of office, meeting procedures and due process is set out in the IPSASB’s *Terms of Reference*.

Objectives of the IPSASB

5. The objective of the IPSASB is to serve the public interest by developing high-quality accounting standards and other publications for use by public sector entities around the world in the preparation of general purpose financial reports.
6. This is intended to enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate; and also promotes the acceptance of its standards and other publications.
7. In fulfilling its objective, the IPSASB develops and issues the following:

- IPSASs as the standards to be applied in the preparation of general purpose financial reports of public sector entities other than GBEs.
- Recommended Practice Guidelines (RPGs) to provide guidance on good practice that public sector entities are encouraged to follow.
- Studies to provide advice on financial reporting issues in the public sector. They are based on study of the best practices and most effective methods for dealing with the issues being addressed.
- Other papers and research reports to provide information that contributes to the body of knowledge about public sector financial reporting issues and developments. They are aimed at providing new information or fresh insights and generally result from research activities such as: literature searches, questionnaire surveys, interviews, experiments, case studies and analysis.

Scope and Authority of International Public Sector Accounting Standards

Scope of the Standards

8. The IPSASB develops IPSASs which apply to the accrual basis of accounting and IPSASs which apply to the cash basis of accounting.
9. IPSASs set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events in general purpose financial reports. General purpose financial reports are financial reports intended to meet the information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs.
10. The IPSASs are designed to apply to the general purpose financial reports of all public sector entities other than GBEs. Public sector entities include national governments, regional (e.g., state, provincial, territorial) governments, local (e.g., city, town) governments and related governmental entities (e.g., agencies, boards, commissions and enterprises), unless otherwise stated. The IPSASs do not apply to GBEs. GBEs apply International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board (IASB). IPSASs include a definition of GBEs.
11. Any limitation of the applicability of specific IPSASs is made clear in those standards. IPSASs are not meant to apply to immaterial items.
12. The IPSASB has adopted the policy that all paragraphs in IPSASs shall have equal authority, and that the authority of a particular provision shall be determined by the language used. To avoid any unintended consequences the IPSASB has determined to apply this policy prospectively as it reviews and reissues previously issued IPSASs. Consequently, IPSASs approved by the

IPSASB after January 1, 2006 include paragraphs in bold and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. An individual IPSAS should be read in the context of the objective and Basis for Conclusions (if any) stated in that IPSAS and this *Preface*.

IPSASs for the Accrual and Cash Bases

13. The IPSASB develops accrual IPSASs that:
 - Are converged with International Financial Reporting Standards (IFRSs) issued by the IASB by adapting them to a public sector context where appropriate. In undertaking that process, the IPSASB attempts, wherever possible, to maintain the accounting treatment and original text of the IFRSs unless there is a significant public sector issue which warrants a departure; and
 - Deals with public sector financial reporting issues that are either not comprehensively dealt with in existing IFRSs or for which IFRSs have not been developed by the IASB.
14. As many accrual based IPSASs are based on IFRSs, the IASB's *Conceptual Framework for Financial Reporting* is a relevant reference for users of IPSASs. The IPSASB is currently undertaking a project to develop a public sector conceptual framework which, when complete, will be the relevant reference for users of IPSASs.
15. The IPSASB has also issued a comprehensive Cash Basis IPSAS that includes mandatory and encouraged disclosures sections.

Moving from the Cash Basis to the Accrual Basis

16. The *Cash Basis IPSAS* encourages an entity to voluntarily disclose accrual based information, although its core financial statements will nonetheless be prepared under the cash basis of accounting. An entity in the process of moving from cash accounting to accrual accounting may wish to include particular accrual based disclosures during this process. The status (for example, audited or unaudited) and location of additional information (for example, in the notes to the financial statements or in a separate supplementary section of the financial report) will depend on the characteristics of the information (for example, reliability and completeness) and any legislation or regulations governing financial reporting within a jurisdiction.
17. The IPSASB also attempts to facilitate compliance with accrual based IPSASs through the use of transitional provisions in certain standards. Where transitional provisions exist, they may allow an entity additional time to meet the full requirements of a specific accrual based IPSAS or provide relief from certain requirements when initially applying an IPSAS. An entity may at any time elect to adopt the accrual basis of accounting in accordance with IPSASs.

At this point, the entity shall apply all the accrual based IPSASs and could choose to apply any transitional provisions in an individual accrual based IPSAS.

18. Having decided to adopt accrual accounting in accordance with IPSASs, the transitional provisions would govern the length of time available to make the transition. On the expiry of the transitional provisions, the entity shall report in full in accordance with all accrual based IPSASs.
19. Paragraph 28 of IPSAS 1, *Presentation of Financial Statements* includes the following requirement:

An entity whose financial statements comply with IPSASs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of IPSASs.
20. IPSAS 1 also requires disclosure of the extent to which the entity has applied any transitional provisions.

Authority of the International Public Sector Accounting Standards

21. Within each jurisdiction, regulations may govern the issue of general purpose financial reports by public sector entities. These regulations may be in the form of statutory reporting requirements, financial reporting directives and instructions, and/or accounting standards promulgated by governments, regulatory bodies and/or professional accounting bodies in the jurisdiction concerned.
22. The IPSASB believes that the adoption of IPSASs, together with disclosure of compliance with them, will lead to a significant improvement in the quality of general purpose financial reporting by public sector entities. This, in turn, is likely to lead to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability.
23. The IPSASB acknowledges the right of governments and national standard setters to establish accounting standards and guidelines for financial reporting in their jurisdictions. Some sovereign governments and national standard setters have already developed accounting standards that apply to governments and public sector entities within their jurisdiction. IPSASs may assist such standard setters in the development of new standards or in the revision of existing standards in order to contribute to greater comparability. IPSASs are likely to be of considerable use to jurisdictions that have not yet developed accounting standards for governments and public sector entities. The IPSASB strongly encourages the adoption of IPSASs and the harmonization of national requirements with IPSASs.

24. Standing alone, neither the IPSASB nor the accounting profession has the power to require compliance with IPSASs. The success of the IPSASB's efforts is dependent upon the recognition and support for its work from many different interested groups acting within the limits of their own jurisdiction.

Language

25. The official text of the IPSASs and other publications is that approved by the IPSASB in the English language. Member bodies of IFAC are authorized to prepare, after obtaining IFAC approval, translations of such pronouncements at their own cost, to be issued in the language of their own jurisdictions as appropriate.

**INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARDS BOARD
TERMS OF REFERENCE**

History of the Terms of Reference

The *Terms of Reference* was issued in November 2004.

In November 2011 the IFAC Board issued a revised *Terms of Reference*.

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

TERMS OF REFERENCE

NOVEMBER 2011

1.0 Purpose

- 1.1 The mission of the International Federation of Accountants (IFAC), as set out in its constitution, is “to serve the public interest by contributing to the development, adoption and implementation of high-quality international standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms, and to high quality practices by professional accountants; promoting the value of professional accountants worldwide; and speaking out on public interest issues where the accountancy profession’s expertise is most relevant.” In pursuing this mission, the IFAC Board has established the International Public Sector Accounting Standards Board (IPSASB) to function as an independent standard-setting body under the auspices of IFAC.
- 1.2 The IPSASB develops and issues, in the public interest and under its own authority, high-quality accounting standards and other publications for use by public sector entities around the world in the preparation of general purpose financial reports. In this regard:
 - The term “public sector” refers to national governments, regional (e.g., state, provincial, territorial) governments, local (e.g., city, town) governments and related governmental entities (e.g., agencies, boards, commissions and enterprises); and
 - General purpose financial reports refers to financial reports intended to meet the information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs.
- 1.3 The IFAC Board has determined that designation of the IPSASB as the responsible body under its own authority and within its stated terms of reference, best serves the public interest in achieving this aspect of its mission.

2.0 Objective

- 2.1 The IPSASB’s objective is to serve the public interest by developing high-quality accounting standards and other publications for use by public sector entities around the world in the preparation of general purpose financial reports.
- 2.2 This is intended to enhance the quality and transparency of public sector

financial reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate; and also promotes the acceptance of its standards and other publications.

3.0 PRONOUNCEMENTS

3.1 In fulfilling the above objective, the IPSASB develops and issues the following:

- International Public Sector Accounting Standards (IPSASs) as the standards to be applied by members of the profession in the preparation of general purpose financial reports of public sector entities.
- Recommended Practice Guidelines (RPGs) to provide guidance that represents good practice that public sector entities are encouraged to follow.
- Studies to provide advice on financial reporting issues in the public sector. They are based on study of the best practices and most effective methods for dealing with the issues being addressed.
- Other papers and research reports to provide information that contributes to the body of knowledge about public sector financial reporting issues and developments. They are aimed at providing new information or fresh insights and generally result from research activities such as: literature searches, questionnaire surveys, interviews, experiments, case studies and analysis.

3.2 The official text of the IPSASs and other publications is that published by the IPSASB in the English language.

4.0 MEMBERSHIP

4.1 The members of the IPSASB, including the Chair and Deputy Chair, are appointed by the IFAC Board on the recommendation of the IFAC Nominating Committee. The appointment as Deputy Chair does not imply that the individual concerned is the Chair-elect.

4.2 The IPSASB has 18 members, 15 of whom are nominated by IFAC Member Bodies and three of whom are appointed as public members. A public member is expected to reflect, and is seen to reflect, the wider public interest. The three public members may be members of IFAC Member Bodies.

4.3 The selection process is based on the principle of “best person for the job,” the primary criterion being the individual qualities and abilities of the nominee in relation to the position for which they are being nominated. However, the selection process also seeks a balance between the personal and professional

qualifications of a nominee and representational needs, including gender balance of the IPSASB. Accordingly, consideration will be given to other factors including geographic representation, sector of the accountancy profession, knowledge of institutional arrangements encompassed by its constituency, size of the organization, and level of economic development.

- 4.4 IPSASB members may be accompanied at meetings by a technical advisor. A technical advisor has the privilege of the floor with the consent of the IPSASB member he or she advises, and may participate in projects. Technical advisors are expected to possess the technical skills to participate, as appropriate, in IPSASB debates and attend IPSASB meetings regularly to maintain an understanding of current issues relevant to their role.
- 4.5 The IPSASB may appoint as observers, representatives of appropriate organizations that have a strong interest in financial reporting in the public sector, provide ongoing input to the work of the IPSASB and have an interest in endorsing and supporting IPSASs. Observers may attend IPSASB meetings, have the privilege of the floor, and may participate in projects. Observers are expected to possess the technical skills to participate fully in IPSASB debates and attend IPSASB meetings regularly to maintain an understanding of current issues. The IPSASB will review the composition and role of observers on an annual basis.
- 4.6 IPSASB members are required to sign an annual statement declaring they will act in the public interest and with integrity in discharging their roles within IFAC. Nominating organizations of members of the IPSASB and the employing organization of the chair of the IPSASB (as applicable) are asked to sign similar independence declarations.

5.0 THE IPSASB CHAIR

- 5.1 The Chair is selected by the Nominating Committee and recommended to the IFAC Board for its approval.

6.0 TERMS OF OFFICE

- 6.1 The standard term for IPSASB members is three years, with approximately one-third of the membership rotating each year. A member may serve up to two consecutive terms, for an aggregate term of six years.
- 6.2 The Chair ordinarily may serve three consecutive terms (as Chair or as a member for one or two terms preceding the appointment as Chair), for an aggregate of nine years. In exceptional circumstances, to be specified by the Nominating Committee, the Chair may serve for one additional consecutive term, for an aggregate term of twelve years.

7.0 MEETING PROCEDURES

- 7.1 Each IPSASB meeting requires the presence, in person or by simultaneous

telecommunications link, of at least twelve appointed members.

- 7.2 IPSASB meetings shall be chaired by the Chair, or in his/her absence, by the Deputy Chair. In the event of the absence of both, the members present shall select one of their number to take the chair for the duration of the meeting, or of the absence of the Chair and Deputy.
- 7.3 Each member of the IPSASB has one vote which can be exercised only by the appointed member. The affirmative vote of at least twelve of those present at a meeting in person or by simultaneous telecommunications link is required to approve or withdraw Consultation Papers, exposure drafts, IPSASs, and RPGs.
- 7.4 IPSASB meetings to discuss the development, and to approve the issuance or withdrawal of standards or other technical documents are open to the public. Matters of a general administrative nature or with privacy implications may be dealt with in closed sessions of the IPSASB; no decisions that would affect the content of the IPSASs and other pronouncements issues by the IPSASB are made in a closed session. Agenda papers for open sessions, including minutes of the meetings of the IPSASB, are published on the IPSASB's website. The meetings and agenda papers are in English, which is the official working language of IFAC.

8.0 DUE PROCESS

- 8.1 The IPSASB is required to be transparent in its activities, and in developing IPSASs to adhere to due process.
- 8.2 The IPSASB issues exposure drafts of all proposed IPSASs and RPGs for public comment. In some cases, the IPSASB may also issue a Consultation Paper prior to the development of an exposure draft. This provides an opportunity for those affected by IPSASB pronouncements to provide input and present their views before the pronouncements are finalized and approved. The IPSASB considers all comments received on Consultation Papers and exposure drafts in developing an IPSAS or RPG.
- 8.3 The IPSASB cooperates with national standard setters in preparing and issuing IPSASs and RPGs to the extent possible, with a view to sharing resources, minimizing duplication of effort and reaching consensus and convergence in standards at an early stage in their development. It also promotes the endorsement of IPSASs and RPGs by national standard setters and other authoritative bodies and encourages consultation with users, including elected and appointed representatives; Treasuries, Ministries of Finance and similar authoritative bodies; and practitioners throughout the world to identify user needs for new standards and guidance.
- 8.4 In developing its pronouncements, the IPSASB seeks input from its consultative group and considers and makes use of pronouncements issued by:

- (a) The International Accounting Standards Board (IASB) to the extent they are applicable to the public sector;
- (b) National standard setters, regulatory authorities and other authoritative bodies;
- (c) Professional accounting bodies; and
- (d) Other organizations interested in financial reporting in the public sector.

8.5 The IPSASB will ensure that its pronouncements are consistent with those of IASB to the extent those pronouncements are applicable and appropriate to the public sector.

9.0 CONSULTATIVE GROUP

9.1 The objective of the IPSASB Consultative Group is to provide a forum in which the IPSASB can consult with representatives of different groups of constituents to obtain input and feedback on its work program, project priorities, major technical issues, due process and activities in general.

10.0 OTHER

10.1 The IPSASB reports annually on its work program, activities and progress made in achieving its objectives during the year. This information is normally included as part of the IFAC annual report.

10.2 The IFAC Board will review the terms of reference of the IPSASB at least every three years.