

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: New York, USA

Meeting Date: March 8–11, 2016

Agenda Item 10

For:

☐ Approval

☒ Discussion

☐ Information

Social Benefits

Objective of Agenda Item

1. The objective of this session is **to discuss** the responses to the Consultation Paper, *Recognition and Measurement of Social Benefits* (Specific Matter for Comment 1, dealing with scope and definitions, only).

Material(s) Presented

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| Agenda Item 10.1 | Issues Paper: Consultation Paper <i>Recognition and Measurement of Social Benefits</i> , Initial Review of Responses and Consideration of Issues |
| Agenda Item 10.2 | Staff summary of responses to Consultation Paper, <i>Recognition and Measurement of Social Benefits</i> (General Comments and Specific Matter for Comment 1 only) |
| Agenda Item 10.3 | Analysis of Respondents by Region, Function, and Language |
| Agenda Item 10.4 | Responses to Consultation Paper, <i>Recognition and Measurement of Social Benefits</i> |

Action(s) Requested

2. The IPSASB is asked to **discuss** the responses to the Consultation Paper, *Recognition and Measurement of Social Benefits* (Specific Matter for Comment 1, dealing with scope and definitions, only) and to provide direction to staff on further developing this project.

Consultation Paper *Recognition and Measurement of Social Benefits* Initial Review of Responses and Consideration of Issues

Objectives of the Issues Paper

1. The objectives of this Issues Paper are to discuss the responses to the Consultation Paper, *Recognition and Measurement of Social Benefits* (Specific Matter for Comment 1, dealing with scope and definitions, only) and to seek direction from the IPSASB on the scope of the project and the proposed definitions.

Introduction

2. Between 2002 and 2008 the IPSASB and its predecessor (the Public Sector Committee (the PSC)) carried out extensive work on accounting for social benefits.
3. During this period, a number of consultations were initiated, but these did not result in any consensus on an appropriate approach to accounting for social benefits in IPSAS.
4. Following the responses to the last of these consultations (Exposure Draft 34, *Social Benefits: Disclosure of Cash Transfers to Individuals or Households*, issued in May 2008), the IPSASB deferred work in the social benefits project. This was because the IPSASB recognized the linkages between the Conceptual Framework (being developed at that time) and accounting for social benefits.
5. The Elements and Recognition phase of the Conceptual Framework would define a liability. This definition and supporting analysis would influence the accounting for social benefits. The IPSASB therefore decided to defer further work on this topic until after the completion of the Conceptual Framework. The IPSASB initiated a project on the long-term sustainability of the public finances in 2008. Recommended Practice Guideline (RPG) 1, *Reporting on the Long-Term Sustainability of an Entity's Finances* was published in July 2013.
6. In September 2013, following the publication of RPG 1, and with the Conceptual Framework project well advanced, the IPSASB agreed to restart its work on social benefits. Work on developing the Consultation Paper (CP), *Recognition and Measurement of Social Benefits*, began in early 2014.
7. The IPSASB agreed to align the scope of the CP with that in Government Finance Statistics (GFS). This decision was intended to simplify the project, and is consistent with the IPSASB's Policy Paper, *Considering GFS Reporting Guidelines during Development of IPSASs*.
8. The IPSASB agreed to consult on three approaches to accounting for social benefits in the CP. These were summarized in the accompanying At a Glance document as follows:

Option 1: Obligating event approach

This approach considers social benefits by reference to the definition of a liability in the Conceptual Framework. The key issue is when a present obligation arises.

The CP identifies five distinct points at which a case can be made for recognizing an obligation in the financial statements:

- (a) Key participatory events have occurred;
- (b) Threshold eligibility criteria have been satisfied;
- (c) The eligibility criteria to receive the next benefit have been satisfied;
- (d) A claim has been approved; or
- (e) A claim is enforceable.

Option 2: Social contract approach

This approach acknowledges, as commitments, both:

- (a) Public sector obligations to provide goods, services and cash transfers to individuals or households; and
- (b) The rights of individuals or households to receive those benefits.

These obligations are offset by the ongoing duty of individuals and households to contribute taxes and other sources of finance.

There is an imputed social contract between the state and the citizens under which citizens agree to pay taxes to enable the state to provide social benefits. This is analogous to an executory contract.

Obligations are recognized when they become enforceable (or when claims are approved).

Option 3: Insurance approach

This approach considers that some social benefits are similar in practice to insurance contracts. It uses an insurance accounting model to measure these social benefit schemes at the net present value of their cash inflows and outflows.

The insurance approach recognizes a present obligation to pay benefits at the point that coverage begins. The approach also recognizes a right to future receipts resulting from the provision of that coverage. The insurance approach is, therefore, only suited to contributory benefits.

Consequently, it may be appropriate to adopt the insurance approach for some or all contributory benefits, and another approach for the remaining benefits.

9. The CP was issued in July 2015. A webinar was held in September 2014 to provide stakeholders with an opportunity to raise any questions they had on the CP.

Coverage of this Issues Paper

10. The response period formally ended on January 31, 2016. However, a number of respondents requested extensions to this date, and the last response was received on February 16, 2016.
11. As a consequence of the limited time between responses being received and the posting deadline for agenda papers, this Issues Paper does not provide a review of all the comments in the responses to the CP. Instead, it concentrates on the responses to the scope and definitions section of the CP, covered in Specific Matter for Comment (SMC) 1. Responses to the remaining SMCs, which cover the approaches to recognition and measurement, will be considered at the IPSASB's June 2016 meeting.

12. Staff considers that direction from the IPSASB regarding the scope of the social benefits project is important, not only for this project but also for the scope of the non-exchange expenses project. The non-exchange expenses project deals with all non-exchange expenses not dealt with in the social benefits project. Consequently any changes to the scope of the social benefits project will have a direct impact on the non-exchange expenses project.

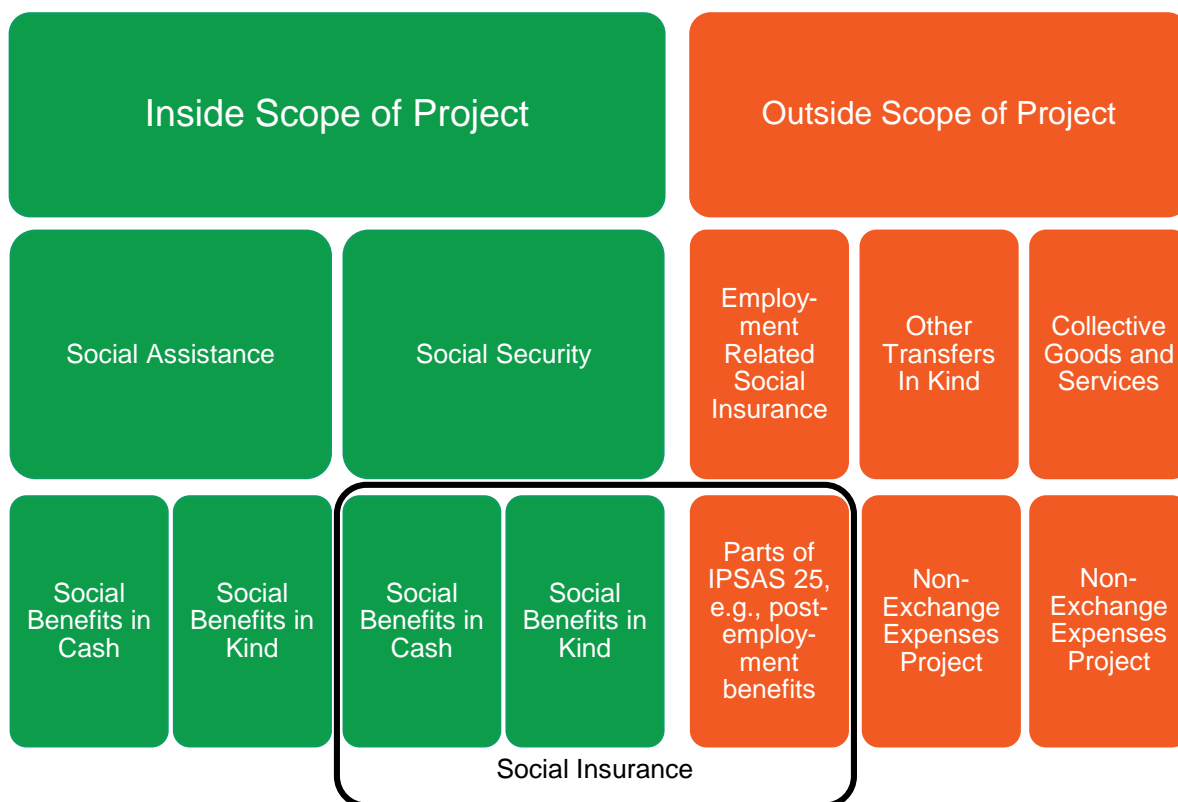
Responses to the Consultation Paper

13. Thirty-five responses to the CP were received. A full list of respondents is provided in Agenda Paper 10.2, and an analysis of respondents by region, function and language is provided in Agenda Paper 10.3.

Scope of Consultation Paper (responses to SMC 1(a))

14. In developing the CP, the IPSASB adopted a scope for the project that was based on Government Finance Statistics (GFS). A consequence of this decision is that the scope of this project was limited to those benefits that are provided to protect the entire population, or a particular segment of the population, against social risks. The scope of this project included any benefits that meet the definition of a social benefit (see discussion on definitions below), whatever the administrative arrangements and funding arrangements for those benefits. The CP summarized the scope of the project using the following diagram:

Figure 2: Scope of Project on the Recognition and Measurement of Social Benefits



15. Adopting this definition meant that other transfers in kind and collective goods and services were outside the scope of this project. This was a significant change from the approaches taken by the IPSASB in earlier consultations.
16. Of the thirty-five responses received, thirty-two respondents commented on the scope of the CP. Seventeen respondents support the scope in the CP (respondents 02, 04, 06, 10, 11, 13, 17, 18, 20, 21, 22, 23, 27, 28, 30, 34, 35), six respondents partially support the scope of the CP (respondents 01, 07, 12, 14, 24, 33) and nine respondents disagree with the scope of the CP (03, 05, 08, 09, 16, 19, 26, 29, 32). Three respondents either did not comment on, or did not express a view as to the appropriateness of, the scope (respondents 15, 25, 31).
17. While the majority of respondents who commented support the scope proposed in the CP, a significant minority raise concerns.

Reasons for supporting the scope proposed in CP

18. The reasons given by those who support the scope proposed in the CP can be summarized as follows:
 - (a) Support alignment with GFS; and
 - (b) Support exclusion of collective goods and services.

Support alignment with GFS

19. Respondents who agree with the scope proposed in the CP commented that the alignment with GFS would make the assessment as to whether a transaction meets the definition of a social benefit easier:

"This is very much in line with how [our jurisdiction] has regarded these questions. We have generally built our routines and regulations on classification of social benefits (transfers and grants) in agreement with the SNA as much as possible. This of course makes it easier to report and classify for everyone involved, and also to without much recalculations or adaptations use the accounting information for statistical purposes." [Respondent 13]

"There are both advantages and disadvantages to adopting the same definition in IPSAS as in Government Financial Statistics (GFS). The advantage is an increase in comparability between statistical reporting and the financial statements, which was a problem. However, this should not be at the expense of reducing the value of the financial statements. In this case we do not consider that such a risk exists. The definition in the GFS, which is what the IPSASB proposes, seems to be reasonable.

However, it is a matter of interpretation when a particular benefit is considered to constitute a "social risk". Every country has its unique form of transfers to households to address social risks and in some countries it may be the case that a larger proportion is dealt with through employment [...]. A standard should be principles-based so that it can be adapted to various conditions prevalent in these countries and our assessment is that the proposed definition allows this. *Since all countries report their statistical outcome, which is based on the common definition in GFS, in all likelihood this should facilitate definition and interpretation of what is a social benefit.*" [Respondent 27, emphasis added.]

Support exclusion of collective goods and services

20. Respondents who agree with the scope proposed in the CP provided a number of reasons for supporting the exclusion of collective goods and services. These respondents consider that collective goods and services will present different accounting challenges to those benefits within the scope of the CP, and that concentrating on individual entitlements will focus a future IPSAS on a coherent set of issues. They also consider that excluding collective goods and services will provide a narrower, more defined scope that will reduce the amount of time required to issue a final IPSAS.

21. These reasons are summed up in the following comment:

“Concentrating on individuals has the effect of focusing on a coherent set of issues to help achieve a resolution, and probably addresses the more urgent gap in IPSAS standards. Broadening the scope to encompass both exchange and non-exchange transactions may make the development process more straightforward, and should help the Board to develop a treatment which reduces problems relating to edge cases.

The other types of expenditure pose different reporting challenges and it makes sense to deal with them separately. Moreover, while collective goods and services are an important category of public sector expenditure, it is less clear to us that there is a significant gap in current reporting, and perhaps the main issue is in connection with the non-financial assets linked to this expenditure, which is substantially dealt with through the inclusion of service potential in the recognition of public sector assets.

Even the reduced scope will stimulate significant debate on this important topic, and keeping the discussion focused will help the Board to avoid undue delay.” [Respondent 21]

22. These reasons for supporting the scope of the CP are consistent with the IPSASB’s thinking in developing the CP.

Concerns identified with the scope proposed in CP

23. Those who partially support the scope proposed in the CP or who disagree with the scope identified the following concerns:

- (a) Concerns with GFS boundary
- (b) Excluding collective goods and services and other transfers in kind might lead to different accounting treatments for transactions that have the same economic substance
- (c) The need to clarify whether exchange transactions are within the scope of the CP; and
- (d) Recognition of liabilities in financial statements is not appropriate for non-cash social benefits.

Concerns with GFS boundary

24. Some respondents who partially agree with the scope proposed in the CP suggest that some boundaries either need to be clarified or adjusted.

25. One respondent questioned whether transactions covered by other IPSASs should automatically be excluded from this project, and whether such transactions would be better dealt with in a single social benefits IPSAS:

“...it would be interesting to see how the rules under this CP would relate to the guidelines for employment-related benefits. If they would also be applicable to them, it may not be needed to have two separate sets of accounting standards. In that regard, we do not think that transactions covered in other IPSASs should be excluded beforehand, but that these should be reviewed in conjunction with these new guidelines.” [Respondent 07]

26. Some respondents have difficulty determining the boundary between social benefits and other transfers in kind as defined in the CP, as the following comment shows:

“In [our jurisdiction], however, “other transfers in kind” described in paragraph 2.23 of the CP might be implemented for the purpose of “protecting a particular segment of the population against certain social risks” as defined in the SNA.

Under the mandatory education system, all of the pupils of elementary school age in [our jurisdiction] can receive public elementary education for free. The expenses for lunch (equivalent to 30 to 50 US dollars per month) provided at the schools, however, are partly incurred by the parents or guardians, with some subsidies from the government. School lunches have several objectives, such as maintaining and developing the health of pupils and enhancing their understanding of the importance of appropriate eating habits. The school lunch system functions as an important social risk-mitigation measure, as children in low-income families can take the meals they need during their growing years at a low cost. Does this system fall within the definition of “other transfers in kind?” If so, we should determine whether the system should be addressed in a non-exchange expenses project or social benefit project. In determining the relevant project, we believe that the scope of “other transfers in kind” should be clarified.” [Respondent 12]

27. Staff notes these comments regarding boundary issues, and will seek the views of the IPSASB as to whether any amendments to the scope are required to address these issues.
28. Respondents who disagree with the proposed scope have more significant concerns, particularly regarding the concept of social risks.
29. In contrast to the views of those who agreed with the scope proposed in the CP, those who disagreed with that scope did not consider that alignment with GFS, and therefore reliance on the concept of “social risk”, would assist preparers in identifying social benefits. The following comments illustrate the views of those who disagree with the proposed scope:

“... the Consultation Paper Social Benefits: Issues in Recognition and Measurement, published in March 2008, describes collective goods and services using references to social benefits and social risks in its paragraph 17:

Collective goods and services are **social benefits** in the form of goods and services provided to the entire population or to a particular segment of the population in any jurisdiction, to protect the population or one of its segments against certain **social risks**. Collective goods and services include national defence and most aspects of the criminal justice system. [Emphasis added]

Therefore, from an operative point of view, while we fully support bringing in definitions to help setting up the scope, we are unsure that attaching the notion of social risk to that of social benefits is workable. For instance, one could reason that absent the provision of defence, a population could turn to hiring private security which would adversely affect its welfare by reducing its income: as such, defence as a collective good would meet the definition of social benefits mitigating the effect

of social risk. Whether providing protection against social risk is a relevant criterion is all the more important that it is assumed that such criterion drives the accounting treatment.

Though we do fully understand that, from a practical standpoint, dealing only with social benefits defined by reference to social risk, is a simpler way to address a complex issue, we think that it is too weak a rationale to be the starting point of the analysis.” [Respondent 03]

“We have identified a number of schemes where they include both a “universal” component, in that a certain amount of benefits are made freely available to all citizens, and thereafter additional goods and services are provided to eligible participants.

As an example, each resident within a particular municipality is entitled to 6kL of free water per month as access to water is considered a basic human right. If more than 6kL of water is required by a resident, but they cannot afford to pay for the water, they can apply to receive additional water at a substantially subsidised rate. In these instances, residents need to meet certain eligibility criteria to qualify for the subsidised benefits. Where residents do not qualify, they are supplied with water at the applicable tariff charged by the municipality.

It is unclear in these circumstances how the scheme should be classified.” [Respondent 09]

“... reliance on the term “social risks” which means that only benefit payments made to address “events or circumstances that may adversely affect the welfare of individuals and households” (per GFS definition) are included within the scope. There seems little rationale to exclude benefit payments being made to take advantage of opportunities. Such a distinction would require preparers and auditors to debate this distinction, for example whether a job seeker benefit provides an opportunity to the recipient or reduces their risk. Such debates have little merit in affecting accounting treatment.” [Respondent 26]

“In order to engage with the proposals in the Consultation Paper, we have applied the Consultation Paper’s proposed scope and definition to social benefits in [our jurisdiction]. We used the Government Finance Statistics classifications for social benefits in [our jurisdiction] to guide this process. Nonetheless, we have found distinguishing between social benefits, as defined in the Consultation Paper, and other non-exchange expenses quite difficult in practice. It has been hard to differentiate expenses within the scope of this project from expenses associated with other ongoing activities of the government such as education, housing etc.” [Respondent 29]

30. Staff considers that these responses highlight the significant difficulties that some entities will face in applying the social risk concept to their individual circumstances. Staff is therefore seeking the views of the IPSASB as to whether this requires an amendment to the scope of the project, a revised definition of social risk, or whether this issue can be addressed by guidance in a future standard. Staff notes that the same classification issues will have arisen—and presumably have been addressed—in statistical reporting.
31. Some respondents who disagreed with the proposed scope provided alternative suggestions. These are discussed below.
32. Respondent 05 suggests that the scope of the project should be those social benefits specifically excluded from the scope of IPSAS 19. This is different to the (narrower) scope proposed in the CP. Staff notes that the IPSASB rejected this approach in developing the CP. Staff also notes that the approval of an IPSAS on social benefits which includes a narrower scope than the exclusion in IPSAS 19 is likely to include an amendment to IPSAS 19.

33. Three respondents (respondents 01, 14 and 19) consider that a future IPSAS on social benefits should have a wider scope, mirroring IPSAS 23. Staff notes that this approach would have the effect of combining the social benefits project and the non-exchange expenses project. The IPSASB rejected this approach in developing the CP.

Exclusion of collective goods and services and other transfers in kind

34. One respondent (who partially supports the scope proposed in the CP) considers that the rationale provided in the CP for excluding collective goods and services from the scope of the project was insufficient. This respondent comments:

“... the exclusion of other transfers in kind and collective goods and services does not seem sufficiently justified.

In our view, we may justify this exclusion by the fact that the production of collective goods and services, benefiting to the whole community, is the core activity of public sector. It forms the major part of its operating and investment expenditures. For collective goods and services, the final beneficiary is not the direct recipient of expenditures achieved by public administrations (staff expenses for education or defense, investments expenditures for roads and hospitals, etc.). In this case, other transfers in kind and collective goods and services are provided to the whole community. Consequently, identify one beneficiary is impossible. Moreover, the IPSASB Conceptual Framework for General Purpose Financial Reporting states that the identification of an external party is an indication of the existence of an obligation giving rise to liability, even if this knowledge is especially necessary for the payment of the obligation (see § 5.18).

Hence, those transfers cannot be recognized as an obligation giving rise to liability. These elements justify the exclusion of other transfers in kind and collective goods and services from the scope of this CP.” [Respondent 01]

35. Staff does not consider that any change to the scope of the project is required as a result of this comment. However, if the IPSASB decides to retain the existing scope, it may wish to consider whether the rationale provided by this respondent should be included in the Basis for Conclusions of a future IPSAS. Staff notes that this rationale may be more difficult to apply where benefits are provided on behalf of a public sector entity rather than being provided directly by that entity.
36. Respondents who disagree with the scope proposed in the CP have more significant concerns over the exclusion of collective goods and services and other transfers in kind.
37. Respondents who disagree with the scope proposed in the CP consider that the narrow scope could result in boundary issues, with some transactions within the scope of the CP having the same economic substance as those outside the scope of the CP. These respondents are concerned that this will create an artificial boundary with the risk that the accounting treatment for these two groups of transactions may be different. Respondents express this concern as follows:

“Based on the current proposals, we find it difficult to assess whether it is relevant to exclude collective goods and services from the scope of the project. Our main concern is that scoping out collective goods and services might entail different accounting treatments where in substance transactions are similar from the accrual accounting perspective of establishing a reporting entity’s financial statements.

We observe that such exclusion is currently based on definitions from GFS. More specifically, collective goods and services are not considered within this project because they do not meet the definition of social risk. We understand the need in the national accounts to segregate social benefits from collective goods and services provided to an entire population that cannot be individualised. The aim is to insure proper matching and eliminations when it comes to aggregating market and non-market production. However, we are unsure that segregating public spending depending on the nature of those who benefit from such spending (individuals or households versus a group of beneficiaries) is relevant for the purpose of accrual accounting, primarily destined to reflect inflows and outflows derived from the rights and obligations of a reporting entity.”
[Respondent 03]

“We are concerned that this is going to result in potentially different accounting treatments for benefit programmes that are in substance the same. As a consequence of the definitions and the scope, some jurisdictions may treat these as social benefits in this Consultation Paper, while others will potentially apply the accounting proposed in the IPSASB’s project on non-exchange expenses, yet the substance of the good or service provided is the same. In both instances, government will need to procure the services of employees and the goods necessary to provide these benefits. As a result, there should be no difference in their treatment from an accounting perspective. We also believe that applying different accounting requirements, or even different IPSASs, may be overly complex.

We urge the IPSASB to reconsider the scope to ensure that benefits or programmes that have the same economic substance are not treated differently. We suggest including those programmes that are in substance the same, e.g. healthcare and education, in the non-exchange expenses project.”
[Respondent 09]

“As a consequence of the insufficient clarity of the definitions, if they stand, preparers and auditors will be trapped into resource wasting debates as to whether items are in or out of scope, and thus whether the putative Social Benefit standard applies, in contrast to IPSAS 19, or the standard that results from the non-exchange expense standard or some other standard.

Possibility of dissimilar treatments

Not only are such avoidable costs unwelcome, the risk is exacerbated that transactions with similar economic substance will be treated differently and that transactions with dissimilar economic substance will be treated the same, leading to reduced reliability and understandability of the financial statements.

In seeking a way to meet the IPSASB’s desire to have a manageable project, [Respondent 26] suggests that it would be helpful to focus less on the community purpose of the expenditure, and more on the economic impact of the expenditure on the entity reporting, i.e. on the rights and obligations for the entity arising from social benefit. It seems to [Respondent 26] that this would be more in accordance with IPSASB’s own conceptual framework.

There are a limited number of possibilities under this approach:

- Social benefits may be distributed with no residual rights retained by the public sector entity. Most income support payments will be in this category. If the ex ante criteria is met, the benefit is income to the beneficiary and the public sector entity has no rights or controls over how the beneficiary will spend it.

- Social benefits may be distributed with implicit ex post residual rights retained by the entity. This is most often effected through grant payments. If the grant is not used as intended, then the relationship between the grantor and grantee may change in the future, but any resulting consequences are not explicit at the time of the grant.
- Social benefits may be distributed with some explicit ex post residual rights retained by the entity. This is most often effected through a voucher system. The ex ante criteria are required before a voucher is issued, but only if the voucher is used ex post as intended, will the voucher be reimbursed by the public sector entity.
- Social benefits may be distributed without transferring any rights to the recipient. The individual recipient has little or no say in what services are provided, when or at what price. In such cases the in-kind services are controlled directly by the public sector entity. This may for example be the case with health and education services (and provides a much better basis for their exclusion if that is what IPSASB desires).

The economic substance of these four sets of transactions is different. It is feasible and practical to differentiate them. The IPSASB could clearly and validly decide which of these transactions should fall within this “Social Benefits” project and which of these transactions should be covered by the “Non-exchange expenses” project.

In terms of alignment with GFS, [Respondent 26] suggests that the distinctions made in the GFS literature (e.g. to respond to social risks or to encourage social benefit, between social assistance and social security, between households and sectors supporting households etc.) are matters of classification of items that may have a similar economic impact on the reporting entity. Consistency with the classification system of GFS should certainly be encouraged, but consistency with the classification decisions that statisticians make should not drive the scoping of IPSAS projects.” [Respondent 26]

38. Staff acknowledges that the proposed scope of the project will create boundary issues. Whether this results in different accounting will depend on decisions to be taken by the IPSASB on the accounting approaches to be adopted in future IPSASs on social benefits and non-exchange expenses.
39. Staff notes the classification suggested by Respondent 26. Staff considers that, in practice, this would likely lead to differing accounting treatments of benefits provided in cash and benefits provided in kind. Staff notes that the IPSASB rejected this approach in developing the CP.
40. Staff accepts that some of these boundary issues could be resolved by extending the definition of a social benefit. However, staff does not consider that there is another logical boundary (other than including all other non-exchange expenses); this is acknowledged by one of the respondents with concerns about dissimilar accounting treatments:

“The accounting treatment should be consistent for similar transactions and events, irrespective of the project in which the IPSASB has chosen to consider the transaction or event. Given the desirability of consistent accounting for similar types of benefits (regardless of whether they address a social risk) it might have been better to deal with all non-exchange expenses in one project. For example, social benefits in kind and other transfers in kind give rise to the same issues. The scope of the Consultation Paper creates an artificial boundary between social benefits and non-exchange expenses. We encourage the IPSASB to monitor the direction of these two projects so that there is consistent accounting where appropriate.” [Respondent 29]

41. This respondent notes that it is possible to coordinate the social benefits project and the non-exchange expenses project to ensure consistent accounting where appropriate. This approach is also suggested by Respondent 31 (who does not express a view as to whether the current scope is appropriate, but instead “urges the board to consider the extent to which the standards for non-exchange social benefits and other non-exchange expenses should be developed in tandem”).

Clarification regarding exchange transactions

42. Respondent 33 questions whether the scope of the CP includes exchange transactions:
- “The definition in the CP makes no distinction between social benefits that are exchange transactions and those that are non-exchange transactions (with the exception of employee benefits), although those benefits provided through exchange transactions are more likely to be covered by other standards. The final standard should be explicit as to whether it only relates to non-exchange transactions or to both (as made clear in the original 2008 definition (2.8)). If exchange transactions are included, the issue of whether they should be dealt with by this or another standard will need to be considered.”
43. Staff notes that this issue was raised in SMC 6, as part of the obligating event approach. The IPSASB may wish to defer any decision on the inclusion of exchange transactions within the scope of the project until after it has reviewed the responses to that SMC.

Recognition of liabilities in financial statements is not appropriate for non-cash social benefits

44. Respondent 32 is “unequivocally of the view that, long term fiscal sustainability reporting is a more appropriate mechanism for assessing the implications of long term obligations to provide social benefits as it requires consideration of social benefits outside the scope of the Consultation Paper (CP), and future taxation revenues, even if these items are not regarded as assets or liabilities.”
45. This respondent considers that any amounts recognized in the financial statements would only provide partial information regarding social benefits, which the respondent considers may be misleading. The respondent also considers that recognizing liabilities for future payments without also recognizing the future revenue that will fund those liabilities will also be misleading. Consequently, this respondent does not consider that the approach in the CP meets the qualitative characteristics in the Conceptual Framework. The respondent considers that users will be better served by the presentation of long term fiscal sustainability reports.
46. Staff notes that the IPSASB recognized these issues, both in the CP and in earlier consultations on social benefits. Staff considers that these issues are best addressed by the IPSASB when it considers recognition and measurement issues.

Staff recommendation

47. Staff considers that the concerns raised by respondents, particularly regarding the alignment with GFS and the exclusion of collective goods and service and other transfers in kind are valid, and reflect the debate the IPSASB had in developing the CP. At the same time, staff notes that a majority of respondents support the scope of the CP, and that some respondents expressed the view that the alignment with GFS will make the determination of whether a scheme is a social benefit easier.

48. Taking into account all the comments received, staff has concluded that, if the IPSASB were to agree that the scope of this project should not be aligned with GFS, the scope that is most likely to be workable is all non-exchange expenses. The IPSASB has already considered and rejected this approach.
49. For this reason, staff recommends that the scope proposed in the CP be retained. Staff acknowledges that a future IPSAS will need to include sufficient guidance to enable preparers to determine which schemes fall within the definition of a social benefit.

Matter(s) for Consideration

1. The IPSASB is asked **to agree to retain** the scope of the project proposed in the CP; or alternatively **to agree** an alternative scope.

Definitions (responses to SMC 1(b))

50. In the CP, the IPSASB developed definitions relating to social benefits based on the definitions and descriptions used in Government Finance Statistics (GFS). The proposed definitions were included in the CP as the IPSASB's Preliminary View 1:

Preliminary View 1

Social Benefits are benefits provided to individuals and households, in cash or in kind, to mitigate the effect of social risks.

The other key definitions are as follows:

- (a) **Social risks** are events or circumstances that may adversely affect the welfare of individuals and households either by imposing additional demands on their resources or by reducing their income.

Social benefits are provided to mitigate social risks in the following circumstances:

- Households could receive benefits when they meet certain eligibility criteria that originate from a social risk without making any contributions;
 - Households could make contributions and receive benefits in the event of the occurrence of the specified social risks; and
 - Households could make contributions to a scheme to accumulate entitlements to future benefits, with the benefits being provided following the occurrence of the specified social risk.
- (b) **Social Benefits in Cash** are social benefits paid in cash, by or on behalf of a public sector entity, that allow individuals and households to use this cash indistinguishably from income from other sources. Social benefits in cash do not include reimbursements.
- (c) **Social Benefits in Kind** are goods and services provided as social benefits to individuals and households by or on behalf of a public sector entity, and all reimbursements for the costs incurred by individuals and households in obtaining such goods and services.
- (d) **Reimbursements** are cash payments made as a social benefit by or on behalf of a public sector entity to compensate a service provider or an individual or household for all or part of

the expense incurred or to be incurred by that individual or household in accessing specific services.

- (e) **Social Insurance** is the provision of social benefits where the benefits received are conditional on participation in a scheme, evidenced by way of actual or imputed contributions made by or on behalf of the recipient. Social insurance may form part of an employer-employee relationship (employment-related social insurance) or may arise outside an employer-employee relationship (social security).
 - (f) **Social Security** is social insurance that arises outside of an employer-employee relationship, and provides benefits to the community as a whole, or large sections of the community. Social security is imposed and controlled by a government entity.
 - (g) **Social Assistance** is the provision of social benefits to all persons who are in need without any formal requirement to participate as evidenced by the payment of contributions.
51. Of the thirty-five responses received, thirty-two respondents commented on these definitions. Thirteen respondents supported the definitions (respondents 02, 10, 11, 12, 13, 18, 20, 21, 22, 23, 27, 28, 34), ten respondents partially supported the definitions (respondents 01, 04, 06, 07, 14, 17, 24, 30, 33, 35) and nine respondents disagreed with the definitions (respondents 03, 05, 08, 09, 16, 19, 26, 29, 32). Three respondents either did not comment on, or did not express a view as to the appropriateness of, the definitions (respondents 15, 25, 31).
52. Whilst a majority of respondents agree or partially agree with the definitions, a significant minority disagree with some or all of the definitions. In some cases, this disagreement with the definitions arises from a disagreement with the scope of the CP.

Agree with the definitions proposed in the CP

53. Those who support the proposed definitions do so because they consider that the definitions provide an appropriate basis for a future IPSAS and because the definitions maintain consistency with GFS. This is in line with the IPSASB's thinking in developing the CP.
54. Whilst agreeing with the proposed definitions, some respondents suggested improvements to the wording of some of the definitions. These suggestions are considered alongside the suggestions made by those who partially agree with the definitions and those who disagree with some or all of the definitions.

Concerns identified with the definitions proposed in CP

55. Respondents who partially support the definitions proposed in the CP or who disagree with some or all of the definitions identified a number of concerns and suggested a number of alternatives. These are discussed below. More generic comments are discussed before comments regarding individual definitions.

Distinction between other transfers in kind and collective goods and services

56. Respondent 01 considers that the distinction between other transfers in kind and collective goods and services is artificial. This respondent comments: "In our view, these concepts address the same economic reality: production of collective goods and services by public administrations. Hence, distinguish these concept is not relevant for accrual based accounting, as reflected in the

IPSASB conceptual framework which establishes the predominance of the economy of the transaction on its legal form in order to fulfill the faithful representation criterion of financial information.”

57. Staff notes that the CP uses these terms in discussing transactions that are outside of the scope of the CP. Staff acknowledges that the terms are used to bridge the gap between accrual accounting and GFS, but notes that the terms do not form part of the definitions. Consequently, staff considers that no amendments are required as a result of this comment.

No link between the proposed definitions and the approaches to account for social benefits

58. Respondent 03 comments that “we struggle to see the link between the proposed definitions and the approaches to account for social benefits. We would therefore recommend that the development in section 2 should be better articulated with sections 3 to 6 that expose the proposed approaches.”
59. Staff notes that the definitions in the CP were intended to define the scope and classification of social benefits, whatever accounting approach is selected. Staff acknowledges that once the IPSASB has agreed on the approach or approaches to be included in a future IPSAS, it would be appropriate to ensure that the definitions and the approaches are aligned.

Exchange transactions

60. Respondent 33 comments that it is unclear whether the definitions include exchange transactions. Staff notes that this issue was raised in SMC 6, as part of the obligating event approach. The IPSASB may wish to defer any decision on the inclusion of exchange transactions within the definitions until after it has reviewed the responses to that SMC. This issue was also raised earlier as part of the discussion of the scope of the project.

Definitions referring to employer-employee relationship

61. Respondent 08 comments that “In our view the definitions in the CP are unclear even with regard to pensions and similar provisions, because they include within social insurance some employer-sponsored benefit provisions (that which ‘forms part of an employer-employee relationship’), which the Consultation Paper describes as ‘employment-related’. The CP defines social insurance which arises “outside the employer-employee relationship” as social security. In our view this could create confusion, since in most jurisdictions social security is intimately connected to the employment relationship and benefits and contributions are contingent on employment status.

We would prefer to see a clear distinction between social security on the one hand and ‘employer-sponsored benefits’ on the other, the latter referring to benefit programs where the government is acting as employer for public sector workers.”

62. Staff notes this concern, and considers that a reference to “employer-sponsored benefits” would be a workable alternative to “forms part of an employer-employee relationship” if the IPSASB considers this would provide greater clarity. Changes would be made to the definitions of social security and social insurance.

Classification of benefits when paid by an agent

63. Respondent 09 comments that “The definition of social benefits currently refers to benefits being paid to individuals or households by public sector entities. Frequently, other parties are used as disbursement agents. If read literally, it may imply that the payments are not made to the individuals or households but to another party.

We suggest that a discussion be included in the future IPSAS outlining that agents may be used to disburse or provide benefits, but that this does not mean that they are not social benefits as defined.”

64. Staff notes that the definitions of social benefits in cash and social benefits in kind already include the term “by or on behalf of a public sector entity.” The term could also be included in the definition of a social benefit if the IPSASB considers this would improve the clarity of the definition.

Definition of social benefits

65. Some respondents consider that the definition of social benefits should be extended; currently the definition considers that social benefits “mitigate the effect of social risks.”
66. Respondent 04 comments that “We disagree that social benefits are all related to financial need. The definitions should reflect that social benefits are paid to those individuals that a government entity determines should receive them; such payments may be made to all individuals that qualify, whether or not they are in financial need.” Respondent 06 expressed similar views, referring to an individual’s “entitlement” to a social benefit.
67. Respondent 18 comments: “However, in addition to the key word ‘protect’, the definition can incorporate ‘improve’ as benefits go to improve the standard of living of individuals and the populace as a whole. Thus, the definition of social benefits should include both ‘protection’ and ‘improving’ standard of living.” Staff notes that the word ‘protect’ does not appear in the proposed definition of social benefits (‘mitigate’ is the term used in the definition), although it is used in discussing the GFS approach (and in the Government Finance Statistics Manual (GFSM) 2014).
68. Respondent 30 comments that “The definition of social benefits needs to comprise not just benefits provided to mitigate the effect of social risks, but also creation of social opportunities for socially or economically disadvantaged individuals or households. In many cases, there may be no real social risk that a benefit mitigates, but it would certainly create social opportunities for development e.g. providing bicycles to girl children so that they attend school. Not providing a bicycle need to necessarily expose a girl child to social risk, but certainly provides enhanced social opportunities for individual development.”
69. The definition of social benefits is intrinsically linked to the scope of the project. The following comments are based on the assumption that the IPSASB agrees to retain the existing scope; if this is not the case, the definition of social benefits will need to be amended to reflect the revised scope.
70. Staff considers that there is merit in the suggestions but notes that there is a risk that amending the wording may cause an unintended divergence from the GFS definition. Staff therefore proposes retaining the existing definition, and discussing these issues with the statistical community in order to provide guidance for preparers. Should these discussions reveal a need to amend the definition, this will be raised at a future meeting.

Definition of social risks

71. Respondent 21 comments: "However, we suggest that the word 'additional' should be deleted from the definition of social risks. As drafted, the implication is that social risks only arise where there is a change in the welfare of a household or individuals. This articulation may not be helpful if applied to circumstances which reflect long term poverty, or the circumstances of individuals born into conditions of deprivation. Social risks may also be subject to environmental factors and factors arising from technological innovation or societal change." Staff notes the proposed drafting change, but also notes that the word 'additional' appears in the descriptions of social risks in (see, for example, GFSM 2014 paragraph 2.46). Consequently, the proposed drafting change could result in a divergence from GFS.
72. Respondent 29 comments: "Therefore, we would suggest that guidance on the definitions and classifications would be required in a standard. In particular, we think that more guidance would be required on "an event or circumstances that may adversely affect the welfare..."
73. Staff notes that the definition of social risks is a major concern of those who do not support the scope proposed in the CP. If the IPSASB agrees to retain the proposed scope of the project, staff considers that guidance is likely to be required on this matter.
74. Respondent 35 provides examples of how the definition of social risks is difficult to apply. Staff notes that these difficulties are similar to those raised by respondents who considered that the concept of "social risks" is insufficiently precise for an accounting standard.

Definitions of social benefits in cash and social benefits in kind

75. Respondent 07 considers that the definitions of social benefits in cash and social benefits in kind are too narrow as they state that these are paid on or behalf of a public sector entity. This respondent commented that "However, according to the 2008 SNA, social benefits can also be paid by employers, financial corporations (both only in cash) and non-profit institutions serving households (both in cash and in kind) (see paragraph 17.86)."
76. Staff notes that where social benefits are paid by employers, financial corporations or non-profit organizations without being paid on or behalf of a public sector entity, the transactions will not be included in any public sector entity's financial statements. The inclusion of the wording "by or on behalf of a public sector entity" was intended to assist preparers determine which benefits they need to account for. Staff considers that no amendments are required as a result of this comment.
77. Respondent 09 comments that "Questions were raised during the consultation process on whether coupons or credits for certain goods and services would be classified as "in cash" or "in kind" transfers. While the Consultation Paper does mention this briefly, it should be clear in the definitions, or the explanatory text to the definitions, whether such items are in cash or in kind benefits.

In addition, the definition of benefits in cash refers to the individuals or households being able to use the cash "indistinguishably" from other forms of cash. It is unclear why this reference is included in the definition, and whether or not it imposes yet another consideration on an entity to assess in distinguishing in kind and in cash benefits."

78. Staff notes that the term “indistinguishably” is used in the description of social benefits in cash in the System of National Accounts (SNA) 2008. In developing the CP, the IPSASB agreed to classify social benefits on the same basis as GFS.

Definition of social insurance

79. Respondent 14 comments that “In our opinion it needs to be clear that for a social benefit scheme (or component of a scheme) to meet the definition of social insurance the scheme must: a) be designed as self-financing; b) actually prove to be self-funding over time, i.e. it is not, in substance, subsidized through transfers from other sources of revenue; and c) cover a specific risk or a similar set of risks.”
80. Respondent 24 comments that “From our experience, social security / social insurance benefits (other than for public sector and government employees) are paid in return of social insurance contributions, earmarked specifically for specific benefits to be paid in the future conditional to the occurrence of certain risks and contingencies. They are usually managed through separate public or semi-public administrations such that inclusion into government budgeting frameworks varies across countries.”
81. Respondents 04 and 09 suggest deleting the definition of social insurance. As discussed above, Respondent 08 suggests replacing the reference in the definition to “forms part of an employer-employee relationship” with “employer-sponsored benefit.”

Definitions should be added or deleted

82. Respondents suggested the following additional definitions be included:
- (a) Pension and other retirement benefits and non-pension social benefits (Respondent 06);
 - (b) Employment-related social insurance (Respondent 07);
 - (c) Unconditional expectations and conditional expectations (Respondent 07);
 - (d) [Collective] Goods a Services (Respondent 08)
 - (e) Pay-as-you-go (Respondent 17); and
 - (f) Household (Respondent 30).
83. Respondent 09 suggested the following definitions also be deleted:
- (a) Social assistance
 - (b) Social security

Staff recommendation

84. The following recommendations are based on the assumption that the IPSASB agrees to retain the existing scope; if this is not the case, definitions will need to be amended to reflect the revised scope.
85. Staff recommends that the IPSASB agree to retain the definitions of social benefits and social risks, and to agree that a future IPSAS will include guidance on these definitions. This recommendation is consistent with the IPSASB agreeing to retain the existing scope of the project.

86. Staff considers that the need for the other definitions, and the appropriateness of the existing wording of those definitions, can best be assessed after the IPSASB has determined which approach or approaches to the recognition and measurement of social benefits are to be included in a future IPSAS. Staff therefore recommends that the IPSASB notes the comments of respondents, and agrees to defer decisions on these definitions until decisions on recognition and measurement have been made.

Matter(s) for Consideration

2. The IPSASB is asked to:
- (a) **Agree to retain** the existing definitions of social benefits and social risks;
 - (b) **Agree to defer** decisions on the remaining definitions until decisions on recognition and measurement have been made; and
 - (c) **Give a preliminary indication** of any suggestions the IPSASB is minded to support.

Next steps

87. This Issues Paper has reviewed the responses to SMC 1. A review of the responses to the remaining SMCs will be presented at the IPSASB's June 2016 meeting. Developments beyond June 2016 will be subject to decisions taken by the IPSASB and the IPSASB's formal due process.
88. The following table sets out staff's indicative timetable for the development of an Exposure Draft and subsequent IPSAS on social benefits. As the project develops, this timetable will be reviewed and updated where necessary, depending on decisions taken by the IPSASB.

Meeting	Objective: IPSASB to consider:	
June 2016	<ol style="list-style-type: none"> Review of Responses Initial discussion on approach or approaches to be adopted 	
September 2016	<ol style="list-style-type: none"> Decisions on approach or approaches to be adopted Discussion on definitions required in light of decisions on approach or approaches Initial discussion on disclosures 	
	One approach adopted	Two approaches adopted
December 2016	<ol style="list-style-type: none"> Draft ED: Scope Draft ED: Definitions Draft ED: Recognition Draft ED: Measurement 	<ol style="list-style-type: none"> Draft ED: Scope Draft ED: Definitions Draft ED: Approach 1 Recognition Draft ED: Approach 1 Measurement
March 2017	<ol style="list-style-type: none"> Review previous sections of ED Draft ED: Disclosure Draft ED: Application Guidance Draft ED: Illustrative Examples 	<ol style="list-style-type: none"> Review previous sections of ED Draft ED: Approach 2 Recognition Draft ED: Approach 2 Measurement

Meeting	Objective: IPSASB to consider:	
June 2017	<ol style="list-style-type: none"> 1. Review of full draft ED 2. Approval of ED 	<ol style="list-style-type: none"> 1. Review previous sections of ED 2. Draft ED: Disclosure 3. Draft ED: Approach 1 Application Guidance
September 2017	Consultation Period	<ol style="list-style-type: none"> 1. Review previous sections of ED 2. Draft ED: Approach 2 Application Guidance 3. Draft ED: Illustrative Examples
December 2017		<ol style="list-style-type: none"> 1. Review full draft ED 2. Approve ED
March 2018	<ol style="list-style-type: none"> 1. Review of Responses 2. Initial discussion on issues raised 	Consultation Period
June 2018	<ol style="list-style-type: none"> 1. Discussion of issues raised 2. Review first draft of proposed IPSAS 	
September 2018	<ol style="list-style-type: none"> 1. Review of draft IPSAS 2. Approval of IPSAS 	<ol style="list-style-type: none"> 1. Review of Responses 2. Initial discussion on issues raised
December 2018		<ol style="list-style-type: none"> 1. Discussion of issues raised 2. Review first draft of proposed IPSAS
March 2019		<ol style="list-style-type: none"> 1. Review of draft IPSAS 2. Approval of IPSAS

89. The IPSASB is asked to note this indicative timetable.

STAFF SUMMARY OF RESPONSES TO CONSULTATION PAPER RECOGNITION AND MEASUREMENT OF SOCIAL BENEFITS

Note: This paper includes extracts from each response received to the CP, which have been grouped to identify respondents' views on the CP as well as the key issues identified by staff. In some cases, an extract may not do justice to the full response. This analysis should therefore be read in conjunction with the submissions themselves. This analysis only considers general comments and comments on Specific Matters for Comment 1. An analysis of the responses to the other Specific Matters for Comment will be presented at the IPSASB's June 2016 meeting.

Table of Contents for this Agenda Paper

Section	Page
List of Respondents	2
General Comments	4
Comments on Specific Matter for Comment 1	32

List of Respondents

Response #	Respondent Name	Country	Function
01	Direction Générale des Finances Publiques (DGFIP)	France	Preparer
02	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Switzerland	Standard Setter/Standards Advisory Body
03	Conseil de Normalisation des Comptes Publics (CNOCP)	France	Standard Setter/Standards Advisory Body
04	Treasury Board of Canada	Canada	Preparer
05	Jean-Bernard Mattret	France	Other
06	International Consortium on Governmental Financial Management (ICGFM)	USA	Other
07	Organisation for Economic Co-operation and Development (OECD)	International	Preparer
08	International Actuarial Association (IAA)	International	Other
09	Accounting Standards Board	South Africa	Standard Setter/Standards Advisory Body
10	Staff of the Public Sector Accounting Board	Canada	Standard Setter/Standards Advisory Body
11	PricewaterhouseCoopers (PwC)	International	Accountancy Firm
12	The Japanese Institute of Certified Public Accountants (JICPA)	Japan	Member or Regional Body
13	Swedish National Financial Management Authority (ESV)	Sweden	Standard Setter/Standards Advisory Body
14	Institut der Wirtschaftsprüfer (IDW)	Germany	Member or Regional Body
15	Belgian Institute of Accredited Auditors (IBR-IRE)	Belgium	Member or Regional Body
16	South African Institute of Chartered Accountants	South Africa	Member or Regional Body
17	Federal Social Insurance Office (BSV)	Switzerland	Preparer
18	Institute of Chartered Accountants (Ghana)	Ghana	Member or Regional Body
19	Cour des Comptes	France	Audit Office
20	The Institute of Chartered Accountants of Scotland (ICAS)	UK	Member or Regional Body

Staff Summary of Responses to Consultation Paper, *Recognition and Measurement of Social Benefits*
IPSASB Meeting (March 2016)

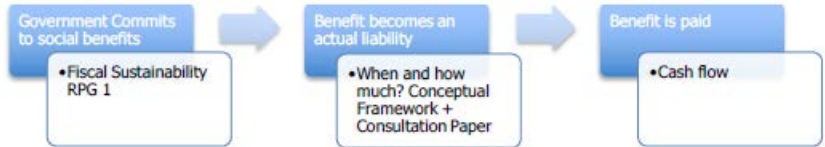
Response #	Respondent Name	Country	Function
21	The Chartered Institute of Public Finance and Accountancy (CIPFA)	UK	Member or Regional Body
22	The Institute of Chartered Accountants of Nigeria (ICAN)	Nigeria	Member or Regional Body
23	KPMG	International	Accountancy Firm
24	International Labour Organisation (Social Protection Department)	International	Other
25	Ministry of Finance, State of Israel	Israel	Preparer
26	New Zealand Treasury	New Zealand	Preparer
27	Swedish National Audit Office	Sweden	Audit Office
28	Federation of European Accountants (FEE)	International	Member or Regional Body
29	New Zealand Accounting Standards Board	New Zealand	Standard Setter/Standards Advisory Body
30	Institute of Chartered Accountants of India (ICAI)	India	Member or Regional Body
31	US Government Accountability Office (GAO)	USA	Preparer
32	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)	Australia	Preparer
33	The Institute of Chartered Accountants in England and Wales (ICAEW)	UK	Member or Regional Body
34	Denise Silva Ferreira Juvenal	Brazil	Other
35	Agency for the Modernisation of Public Administration	Denmark	Preparer

General Comments on the CP

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
01	<p>This CP deals with “Recognition and measurement of social benefits” which is a critical issue for the public sector. Indeed, in Government Finance Statistics (GFS), social benefits in [our jurisdiction] represent 31.88% of GDP in 2014 (for whole government administrations), equivalent more than 700 billion EUR. Thus, 35 billion EUR was recorded as transfers to households in 2014 in the central government's statement of financial performance.</p> <p>Nevertheless, the scope of the CP seems too restrictive, given to the issues raised by the intervention expenditures on the whole public entities. They are defined as payments made as part of public entities’ task of economic and social regulation (more particularly by the central government). These payments are made to different categories of beneficiary as part of aid and support schemes (households, enterprises, local and regional authorities, other entities)</p> <p>In [our jurisdiction], these expenditures, as part of the economic and social regulator mission of the Central Government, amounted more than 143 billion EUR for 2014, whatever category of beneficiaries.</p> <p>Within the intervention expenditure, social benefits are transfers to households.</p> <p>Consequently, we recommend to develop a consistent approach between social benefits and non-exchange transactions (IPSAS 23).</p> <p>[Respondent 01] supports "the obligating event approach". Nevertheless, it must be completed, as explained later in our response. In our view, it's the sole relevant and suitable approach for the whole public sector, compliant with the IPSASB conceptual framework and IPSAS.</p>	<p>Staff notes the comments about the scope of the CP. These are addressed in more detail under SMC 1.</p>
02	<p>[Respondent 02] regards this CP basically as positive. The issue of social benefits is complex. Therefore the text is also often difficult to figure out. But the paper is organized comprehensibly and clearly. This CP provides us with a consistent basis for a future standard on social benefits. Such a consistent basis is necessary since the amounts of liabilities with respect to social benefits can be extremely high. A future standard must offer feasible solutions, which best reflect the economic reality, even if one already knows that it may sometimes be very difficult.</p> <p>With that in mind and in view of all the possible options, which still remain to be decided upon, at this point the view expressed by [Respondent 02] cannot be regarded as final. As a consequence, [Respondent 02] reserves the right</p>	<p>Comments regarding the approach or approaches to be included in a future IPSAS will be considered with the full review of</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	to reconsider its position regarding the answer it gives to the following specific matters for comment. As a matter of fact, its position may be revised after the IPSASB launches the next step in the discussion for the drawing up of a standard about social benefits.	responses in the June 2016 meeting.
03	<p>Broadly, [Respondent 3] approves the obligating event approach retained in the Consultation Paper (CP), but only to the extent that the existence of liabilities is confirmed.</p> <p>[Respondent 3] is of the view that, in several instances of social benefits transactions, no liability for future social benefits should be recognised. In that sense, within the specific context of social security and public spending in [our jurisdiction], [Respondent 3] would like to express some reservations and concerns. Namely, a critical reservation that we develop in the appendix to this letter is that the CP seems to assume the existence of a liability for future payments in all economic circumstances. Conversely, we believe that the IPSAS Board should explore further whether economic circumstances should lead systematically to the existence of liabilities.</p> <p>As for the scope, we strongly believe that the rationale for the exclusion of collective goods and services should be clarified and strengthened. We understand that the CP designs the provision of protection against social risk as the drawing line between social benefits and collective goods and services. In our opinion, that whether public spending is a protection against social risk is insufficient to set a limit that would justify different accounting treatments. In addition, we are concerned that, with a view to apply the relevant accounting treatment, deciding whether public spending is collective goods and services or social benefits will raise practical issues. Therefore, we would encourage the IPSAS Board to further explore in what collective goods and services are different from other social benefits from an accrual accounting perspective rather than from a GFS perspective.</p> <p>Moreover, the absence of linkage between the scope section (section 2) and the approaches proposed (sections 3 onwards) leads us to wonder if scope definitions and classification should be aligned with GFS's. In other words, we question whether the proposed definitions and classification are operative from an accrual accounting perspective. Therefore, we would encourage the IPSAS Board to clarify the definitions so that they better match the accrual accounting concepts and allow drawing a clear dividing line between those social benefits that require liability recognition and those that do not.</p> <p>Eventually, for the benefit of a comprehensive analysis, we strongly support the view that a first step should be the identification of the reporting entity to which rights and obligations are attached. We believe that this is critical in the</p>	<p>Staff notes the comments about the scope of the CP. These are addressed in more detail under SMC 1.</p> <p>Comments regarding the approach or approaches to be included in a future IPSAS will be considered with the full review of responses in the June 2016 meeting.</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>public sector where decision-making on public spending usually involves government at high level; then only, implementation is assigned to various public entities. Such an approach would open up the discussion on the need to provide information on elements that are not yet liabilities of a reporting entity.</p> <p>As a conclusion, we find it difficult to comment on the CP because we think that the way it is structured does not fully support the rationale for the approaches set in sections 3 to 6. Additionally, we believe that the proposals incompletely describe such mechanisms as “répartition” mechanisms that may also exist in other parts of the world. Still, we would favour the obligating event approach and the recognition of a liability for social benefits in the reporting period, most likely at point (c) “the eligibility criteria to receive the next benefit have been satisfied”, though we would like to stress that the recognition point would depend on facts and circumstances. Eventually, besides the need to determine the point at which a liability should be recognised, we would suggest that the IPSAS Board should envisage what information on social benefits over future periods should be provided in the notes and how such information should articulate with other information, for instance, that provided in the long term sustainability report.</p>	
04	<i>No general comments identified</i>	
05	<p>In my opinion, another approach is possible. And we discuss his position about three themes:</p> <ul style="list-style-type: none"> - The scope of the standards dedicated to the question of social obligations; - The recognition and measurement of liabilities and of provisions; or the recognition of a contingent liabilities, and - Disclosures annexed to financial statements. 	
06	<p>The Consultation Paper (CP) on the Measurement of Social Benefits raises two fundamental issues:</p> <ul style="list-style-type: none"> a. The recognition as liabilities commitments made by a government to specific groups of citizens – even though there is no contractual obligation requiring future governments to honour such commitments b. The inter-generational impact of such commitments – in particular the cost of a state pension payable to all citizens. <p>Governments across the world commit to certain social benefits, e.g.:</p> <ul style="list-style-type: none"> a. Health care benefits 	<p>Comments regarding the approach or approaches to be included in a future IPSAS will be considered with the full review of responses in the June 2016 meeting.</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>b. Unemployment benefits</p> <p>c. State pension benefits.</p> <p>There is a flow from the commitment through liability to the actual payment of social benefits as illustrated in Figure 1 below.</p> <p>Figure 1: The flow of social benefit obligations</p>  <pre> graph LR A["Government Commits to social benefits •Fiscal Sustainability RPG 1"] --> B["Benefit becomes an actual liability •When and how much? Conceptual Framework + Consultation Paper"] B --> C["Benefit is paid •Cash flow"] </pre> <p>In most countries social benefit commitments made by a current government are honoured by subsequent governments, but such commitments do not amount to legally binding contractual obligations. There are numerous examples where the terms of the social benefit obligation have been retrospectively changed, e.g. raising the age for state pension, reducing the amounts to be paid.</p> <p>These issues are addressed in the IPSAS Conceptual Framework. This identifies when nonlegally binding obligations become liabilities in Para 5.24 as follows:</p> <ol style="list-style-type: none"> The entity has indicated to other parties by an established pattern of past practice, published policies, or a sufficiently specific current statement that it will accept certain responsibilities; As a result of such an indication, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities; and The entity has little or no realistic alternative to avoid settling the obligation arising from those responsibilities. <p>The first two conditions are normally part of governments making social benefit commitments. The issue of recognition as a liability is when condition (c) above is met. At some stage social benefits do meet condition (c) and hence become liabilities.</p>	

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	[Respondent 6] supports the principle of recognising social benefits as liabilities when the three conditions specified in the Conceptual Framework are met.	
07	<i>No general comments identified</i>	
08	<p>Social benefit programs take many different forms in different countries and with differing scope. It is ambitious to cover all in one standard; we suggest that it may be sensible to limit the scope. In particular, we are concerned that the position of health-related programs is not clear. These may take a variety of forms, from social insurance based to government financed, in some cases including private insurance. We suggest covering health-related programs in a separate standard or expanding this standard to address these different forms.</p> <p>Social security programs range from those which are financed by government out of general revenue through to social insurance programs which are intended to be essentially self-supporting on the basis of contributions from employers and employees. Benefits under the former can usually be significantly amended by governments passing legislation (for example, to raise the eligibility age or tighten other criteria for eligibility for benefits). Thus, it may be misleading to recognise future benefits from these programs as liabilities in public sector accounts when they may not turn out to be obligations at all.</p> <p>Social insurance programs, by contrast, are almost always financed using an open group funding methodology, under which future contributions are treated as an asset or contra-liability (alongside any current investments), and all benefit expenditures, contribution income and investment income, if any, are considered for all generations in the program over a relevant period, including people not yet born and those not yet in the workforce, as well as active contributors and current benefit recipients.</p> <p>We recognise that this presents a challenge from an accounting perspective, since it would be unusual to recognise future liabilities in respect of those who are not yet covered by the program. However, in adopting accounting conventions caution is needed not to provide information which is of no value to the intended users, since it is not consistent with the financing methodology, and may be misleading in the messages it conveys. As mentioned above, this applies in particular to balance sheet liabilities which may not be liabilities at all because the government can amend the legislation and implicit social security debt figures which assume a termination approach to funding as in private sector pension plans, rather than recognising the open group funding methodology on which many such programs are financed.</p>	<p>Respondent 08 expands their comments on the scope of the CP in their response to SMC 1. Staff's comments are included there.</p> <p>Comments regarding the approach or approaches to be included in a future IPSAS will be considered with the full review of responses in the June 2016 meeting.</p> <p>Staff also notes the strong support for mandatory reporting of long-term sustainability information. The IPSASB may wish to</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>As a result, we strongly recommend that there should be a requirement for full disclosure of long-term sustainability information on an open group basis in the notes to the accounts.</p> <p>[...] attention should be paid to the need for appropriate actuarial techniques to be adopted in placing a present value on future cash-flows, for example to estimate the future value of payments triggered by an obligating event (e.g. claim liabilities). We suggest that the standard should provide for the involvement of appropriate experts in making such claim liability and open group funding assessments. [...]</p> <p>We also recommend that there should be strong encouragement to convey the degree of uncertainty as part of disclosure associated with projections of these programs. Actuarial techniques such as sensitivity-testing or stress-testing, with or without the use of stochastic models, can be used to illustrate uncertainty in the cash-flow estimates and corresponding capitalised values. Attention should also be paid to the need for full disclosure of assumptions and methodology adopted.</p>	<p>consider this when determining the disclosure requirements for a future IPSAS.</p> <p>Staff notes the comments regarding actuarial techniques and agrees these will need to be included in a future IPSAS.</p>
09	<p>We commend the IPSASB for recommencing its work on this important topic. Given the current economic climate, it is important that governments understand the full effect of their social benefit obligations and what this means for their statements of financial position.</p> <p>Overall, we are generally in support of the proposals in the Consultation Paper, although we do have reservations about the following key issues:</p> <ul style="list-style-type: none"> • The scope of the Consultation Paper and the possibility that schemes that are substantially the same may be treated differently because of the way in which the definitions have been crafted. • There are too many definitions, some of which seem superfluous for accounting and reporting. • The insurance approach may not be the most appropriate or relevant approach to account for schemes in the public sector, even those that may be similar to insurance-type schemes. 	<p>Respondent 09 expands their comments on the scope of the CP, and the definitions, in their response to SMC 1. Staff's comments are included there.</p>
10	<p>Recently, the [Regional] government announced a new public pension plan called the [Regional] Retirement Pension Plan. The plan will provide a defined benefit to workers who are not already members of work pension plans. It will be funded by employer and employee contributions and supplement retirement income.</p>	<p>Staff notes the overall support for the proposals in the CP.</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>This example illustrates how prevalent social benefits are in [our jurisdiction]. While every jurisdiction has its own unique legislation and policy design, we find two questions are inherently tied to such a social benefit:</p> <ol style="list-style-type: none"> 1. What is the cost of this promise? 2. Is the plan sustainable? <p>What makes social benefits difficult to account for is that there is rarely consensus as to when a present obligation arises. Our goal [...] is to provide decision-useful information and hold governments accountable. To achieve this, accountants must record a provision for the long term obligation the moment contributions enter the fund. Costs cannot be deferred until payments are due.</p> <p>We believe that in taking contributions, the government has made a firm commitment to the public. It may not know precisely who will receive the cheques and for how much, but in aggregate, it has lost discretion to avoid these costs. If these costs are not recorded until a later date, such as when claims are being made, then we have failed at meeting our goal.</p> <p>General purpose financial statements may not always be able to report on the sustainability of social benefits. But for some social benefit schemes (as described above), accounting standards have an opportunity to address sustainability directly on the books. Actuarial assumptions can play a critical role in the measurement of insurance-type liabilities. Indeed, such methods are sufficient for shareholders of insurance companies to know whether reserves are sufficient to meet long term obligations.</p> <p>Overall, [we are] in support of the proposals in the Consultation Paper. The options are well presented and clear.</p>	<p>Staff notes the comments regarding actuarial techniques and agrees these will need to be included in a future IPSAS.</p>
11	<p>The Consultation Paper on the Recognition and Measurement of Social Benefits addresses a very important topic in public sector accounting. Social benefits represent a significant portion of expenses for many governments and it is therefore key that the consequences of such transactions be properly reflected in government financial statements. Timely issuance of a standard on social benefits is crucial as it will fill one of the most important remaining gaps in the suite of IPSAS standards. We therefore support IPSASB's proposal regarding the limitation of the scope of the project.</p> <p>We agree with IPSASB's preliminary view that a combination of the obligating event approach and insurance approach would best reflect the accounting substance of the transactions that will fall into the scope of the social</p>	<p>Staff notes the comments, which are generally supportive. The comments regarding the approach or approaches to be included in a future</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	benefits standard. We do however reject the social contract approach which would not result in providing information that can achieve the accountability and decision-making objectives of financial reporting. We also raise some recommendations in order to enhance consistency in application of the proposed approaches.	IPSAS will be considered with the full review of responses in the June 2016 meeting.
12	<i>No general comments identified</i>	
13	We believe that it is of great importance that information on social benefit commitments, not agreeing with the conceptual framework definition of an obligation, is provided. For this purpose separate sustainability reporting and sometimes disclosures in the annual report will be appropriate. The [...] Pension agency annually produces a separate report, the Orange report, where future contributions are calculated as an asset [...]. This report is intended to show the sustainability of the old age pension system in [our jurisdiction], and it is a valuable complement to the financial reports.	Staff notes the support for the production of sustainability reports outside of the general purpose financial statements.
14	<p>We support the IPSASB issuing a Consultation Paper on accounting for social benefits following the recent completion of the Conceptual Framework (CF). Accounting for the provision of social benefits in general is an extremely complex, and highly political topic that is of key significance for the public sector in most jurisdictions. Because there is relatively little scope for comparing the provision of social benefits with the predominantly exchange transactions common to the private sector, there remains an urgent need for the IPSASB to develop public sector-specific accounting solutions in this area. We agree that it is important that the IPSASB focus on the objectives of financial reporting identified in the CF (summarized here as accountability and informing decision-making), rather than follow constituents' political preferences that may diverge therefrom.</p> <p>We also agree with the IPSASB that the information portrayed in a report on the long-term sustainability of an entity's finances in accordance with Recommended Practice Guidance (RPG) 1 "Reporting on the Long-Term Sustainability of an Entity's Finances" serves one part of users' information needs that an entity's financial statements are unable to satisfy. However, such voluntary reporting fulfils a different purpose to that of a set of financial statements prepared in accordance with the IPSASs; being merely supplementary thereto. It remains important that an entity's financial statements include the necessary information so as to faithfully represent the</p>	<p>Staff notes the comments regarding the importance of the project.</p> <p>Staff notes the support for the production of sustainability reports outside of the general purpose financial statements.</p> <p>Respondent 14 expands their comments on the</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>financial position of the entity at the balance sheet date and its operations and cash flows for the period then ended, including an appropriate reflection of the entity's social benefits schemes.</p> <p>Whilst the design of individual social benefit schemes may vary widely within a jurisdiction as well as between jurisdictions, in many countries the provision of social benefits to individuals and households accounts for a highly significant proportion of total government expenditure and is thus of particular interest to financial statement users. Financial statement users also need to be informed as to the nature of different social benefit schemes as well as their potentially varying impacts on the entity's financial position. This may particularly be the case where, due to shifting demographics, users have a specific interest with respect to social benefit schemes funded by the contributions of future generations; schemes which may often result in a deficit in ownership interests.</p> <p>In this context, whilst not applicable to all social benefit schemes, in regard to many schemes potential beneficiaries may – as at the end of an entity's financial reporting period – have certain rights, or valid expectations, to receive a specific benefit in the future. As we discuss in our responses to SMC 2 and SMC 4, some of these rights and expectations potentially give rise to (constructive) liabilities. In addition to information about the recognition and measurement of any such liabilities, users also need information about the funding of individual social benefit schemes. For example, when a scheme is funded by past contributions that have been earmarked for the purpose, does that scheme, or part thereof, constitute in substance a fully self-funded insurance scheme, or will the scheme instead have to be funded from future increased contributions or from transfers from other income sources, such as general taxation? In many cases, the entity may – analogous to recognition of future taxation income in IPSAS 23, "Revenue from Non-Exchange Transactions (Taxes and Transfers)" – at the period end not have a right to such income, because, in the absence of an enforceable contract, individuals' ongoing abilities to make contributions are dependent on various external factors, e.g., continuing employment etc.; furthermore, an entity's gross income from contributions may be sensitive to demographical changes in the population.</p> <p>There currently seems to be a growing acceptance in some [regions in our jurisdiction] of the role accruals accounting can play in budgeting for public sector expenditure (i.e., the ability of accruals accounting and accruals budgeting to inform decision making by revealing the entire magnitude of a proposed measure, rather than just the impact on the forthcoming budget).</p> <p>However, we are informed that this is tempered by some discomfort particularly in regard to entities more familiar with the cash accounting basis. The initial recognition of liabilities in regard to certain schemes for which expenditure</p>	<p>scope of the CP in their response to SMC 1. Staff's comments are included there.</p> <p>Comments regarding the approach or approaches to be included in a future IPSAS will be considered with the full review of responses in the June 2016 meeting.</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>may be anticipated to reduce over time due to demographic developments (e.g., child support schemes when birthrates are in decline) could be higher on initial recognition than in subsequent periods. If a cash-based budgeting mindset is transferred to accruals accounting in such cases, this phenomenon may create a perception that an ongoing decline in (initially) high liabilities “frees up” an entity’s capacity to increase borrowings from other sources. In addition, first time adoption may be an issue when public focus has historically been placed upon management’s annual achievement of a balanced budget. Certainly in [our jurisdiction], many social benefit schemes in the public sector are designed to operate on a so-called “pay as you go” basis, such that the current contributors fund the current beneficiaries rather than contributing funds earmarked and invested specifically for their individual future benefits (see CF 2.1 3). Since this type of design generally becomes an issue in terms of public perception in the light of anticipated demographic changes, such as those seen currently in countries in the developed world, portraying information to give a faithful representation in such circumstances becomes even more important. Presenting less useful information e.g., in order to make an entity’s financial position look more palatable, would be a disservice to decision makers as well as to other financial statement users.</p> <p>Whilst this has not been specifically addressed in the SMCs, we believe that the objectives of a future IPSAS on social benefits quoted in the CP ought to be expanded to include cash flows in subsection (b).</p>	
15	<p>We support the work of the IPSASB to develop high-quality accounting standards and guidance for use by public sector entities in order to enhance accountability and transparency in public sector financial reporting and strengthen public financial management worldwide.</p> <p>The Consultation Paper on the Recognition and Measurement of Social Benefits addresses a very important topic for [our] governments and many governments [...] around the world. Social benefits represent a significant portion of government expenses and should be fairly and comprehensively reported in government financial statements. We therefore support IPSASB’s plan to issue a standard on social benefits in the best possible delays; this will address an important gap in the present set of IPSAS standards.</p> <p>We provide limited input only to the CP on those questions that we believe are the most crucial for the development of the standard.</p>	Staff notes the comments regarding the importance of the project.
16	For purposes of our comments on this Consultation Paper, we participated in the Task Group that was set up by [Respondent 09].	

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	Our comments are reflected in [Respondent 09's] comment letter as submitted to the IPSASB, and we will not submit a separate comment letter.	
17	<p>On 1 January 2016 the legal foundations in [our jurisdiction] were changed: in future the social insurances [...] will be included in the federal consolidated financial statements. The standard "Social Benefits" will be of great relevance to us. This document is a response to the IPSAS Board on the subject of the individual comments, and supplements the position paper of [Respondent 02].</p> <p>In principle we agree with [Respondent 02's] position. We also take a positive view of the work and objectives of the IPSASB to date.</p> <p>However, we would like to note that owing to the complexity of the social insurance systems, the large number of parties involved in [our jurisdiction's] federal system, and in conjunction with the complexity of the existing IPSAS bases and our own incomplete knowledge, we can respond initially only under the reservation of a further and more detailed examination of the material and the effects of the individual requirements.</p> <p>At the moment we also cannot tell in which cases "recognition and measurement" with its corresponding entry in the "financial statements" could lead to an incorrect judgement, and whether or where pure "disclosure" would be preferable. This also applies in view of the complexity of measuring liability in connection with the understanding and interpretation of these "financial statements" by their recipients.</p> <p>More detailed examination is likewise needed to determine which of the three options could be applied meaningfully. This is also the case with respect to the economic viability of the information expected in the "financial statements" and the administrative effort and expense of providing relevant figures, but especially in order to avoid incorrect interpretations arising from false disclosures. For this reason, we share [Respondent 02's] view that "a future standard must offer feasible solutions".</p> <p>Standards for statistical and financial reporting should create added value, improve transparency and be applicable in an economic manner. Against this backdrop, we believe it is important that the regulations governing such standards have a scope that meets these requirements adequately, yet is not too detailed.</p>	Staff notes the comments regarding the importance of the project and the need for more detailed information in determining which approach would be most appropriate.
18	<i>No general comments identified</i>	

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
19	<p>[Respondent 19] expresses following views on the above mentioned Consultation Paper. Two subjects are specifically mentioned in the present answer:</p> <ul style="list-style-type: none"> • the proposed definition of social benefits; • the accounting approach. <p><u>1 – The Definition of Social Benefits</u></p> <p>[Details included under response to SMC 1]</p> <p><u>2 – The Proposed Accounting Approaches</u></p> <p>The IPSAS Board proposes three different accounting approaches for social benefits:</p> <ul style="list-style-type: none"> • The obligating event approach; • The social contract approach; • The insurance approach. <p>The social contract approach is of theoretical interest but seems to be difficult to apply, given the fact that social benefits are generally paid after the verification of eligibility criteria. The insurance approach might be applied to social benefits whose entitlement is subject to prior contribution by their beneficiaries, but many benefits are not contributory and when they are, they are seldom proportional to those contributions.</p> <p>As a consequence, the obligating event approach is the one that seems to be suitable; the « eligibility criteria met to receive next benefit » event (“c”), is the most appropriate obligating event; in some rare cases, when the evaluation of received claims cannot be conducted with sufficient reliability, the “approved claim” (“d”) can be chosen as the obligating event.</p> <p>Lastly, the Consultation Paper does not mention the major issue of contingent liabilities linked to social benefits. To this respect, the “obligating event” approach should be completed with an analysis of the relevant elements that should be mentioned in the notes to the financial statements, in order to be consistent with IPSAS 19 requirements.</p>	<p>Comments regarding the approach or approaches to be included in a future IPSAS will be considered with the full review of responses in the June 2016 meeting.</p> <p>Staff notes the comments regarding contingent liabilities; this will be considered alongside the accounting approaches.</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
20	<p>We agree that there is a gap in international public sector accounting standards for transactions which involve social benefits and welcome IPSASB's efforts to take this project forward to help strengthen the reporting of financial position in government financial statements.</p> <p>A principles based approach is essential given the myriad nature of social benefit schemes and legal frameworks. It is also the corner stone of high quality accounting standards. We would therefore welcome greater clarity of the principles underpinning a standard on social benefits. These could include the following:</p> <ul style="list-style-type: none"> • Supporting simpler, transparent and meaningful information for readers; • Proper application of materiality; • Alignment with IFRS principles, avoiding unnecessary specialism and new definitions; only diverging from IFRS where there is a clear, justifiable need of a uniquely public sector matter that is material, adversely impacts the true and fair view and is not covered by IFRS. <p>The application of a social benefits standard sits best at national, i.e. whole of government accounts level, not below. We suggest that this is clarified going forward.</p> <p>The implications for going concern are material. These will also need to be considered and justified. Governments with credit ratings, access to capital markets and tax raising powers should be able to demonstrate a form of either going concern or pending default. We believe it is important that each country explains clearly and succinctly in its Strategic Report (or equivalent high level narrative commentary preceding the financial statements) what its obligations are and how it intends to fund them as they fall due. How these liabilities have been treated in the financial statements also needs to be clearly referenced and explained in the accounting policies.</p> <p>We would add that accruals accounting is only part of the overall picture. Financial planning and sustainability reporting should also be given greater priority.</p> <p>Discussion is still at a conceptual stage and we would welcome further information and examples to inform an impact assessment and support informed discussion on the potential consequences of different options for practical implementation.</p>	<p>Staff notes the comments regarding the whole of government accounts, but considers that this may depend on the jurisdiction.</p> <p>Staff notes the comments regarding going concern. The IPSASB may wish to consider this issue once decisions regarding the approach or approaches to be included in a future IPSAS have been taken.</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
21	<p>[Respondent 21] welcomes the publication of this paper which takes forward the development of the appropriate accounting treatment for a key category of non-exchange transactions which differentiate the conduct of the public sector from profit seeking entities. This is a crucial issue which needs to be addressed before IPSAS can be seen to cover all of the major aspects of public sector financial reporting. Timely completion of this project will help further establish IPSAS as the pre-eminent standards for public sector reporting</p> <p>[Respondent 21] agrees with the preliminary views set out in the Consultation Paper, subject to one drafting comment on the definition of social risk.</p>	Staff notes the comments regarding the importance of the project.
22	<i>No general comments identified</i>	
23	<i>No general comments identified</i>	
24	<p>There are other methodological dimensions, namely with respect to projection methods, assumptions. [Respondent 24] has been informed of the comments prepared by the Social Security Committee of [Respondent 08] and we express our agreement with the comments separately submitted by [Respondent 08]....</p> <p>[Respondent 24] recommends further reflections and additional in-depth technical research and exchanges with the actuarial and social security pension financing professions based on concrete evidence-based and national examples. This additional work is necessary to ensure the best information is made available for the public and policy-makers.</p>	Staff notes the comments regarding actuarial techniques and agrees these will need to be included in a future IPSAS.
25	<p>We acknowledge that this response does not follow the guidance for respondents provided in the CP. Nevertheless, we wanted to share our views as a general paper because of the importance of this project.</p> <p>The CP identifies three approaches for the recognition and measurement of social benefits. Based on these approaches, we recognize that the Board's intention is to bring social benefits on-balance, while today a significant portion of the social obligations is reported as a stand-alone report.</p>	Staff notes these comments.
26	IPSASB is to be commended for its efforts in tackling this project that is a very important aspect of public sector accounting, covering issues that are often contentious.	Staff notes the comments regarding the importance of the project and the

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>Since its previous consideration of this issue, the IPSASB has developed its conceptual framework, including its views on the users of financial reports and their information needs. We encourage the IPSASB to make use of this work; it is reflected in many of our comments.</p>	<p>relevance of the Conceptual Framework.</p>
27	<p>First of all we would like to congratulate the IPSASB for taking on this project and taking steps forward a more transparent reporting on social benefits in the public sector.</p> <p>[...] Public sector financial reporting constitutes an important basis for decision-making and accountability. We consider that investigating the possibilities of accounting for financial commitments to a greater extent than is the case today to be very positive. It is also a commendable ambition to create common conditions for a higher degree of consistency within and between states to a greater extent than is the case today. The financial and debt crises that have arisen have demonstrated deficiencies in public sector financial reporting and this work may contribute to more adequate accounting for public commitments.</p> <p>We share the objective and purpose of the IPSASB concerning the need to make existing public commitments visible. It is also important to clarify that financial statements cannot take care of complete sustainability reporting of various social security schemes. We propose that the IPSASB clarifies these components in the future work.</p> <p>[Respondent 27] wishes to highlight the need to consider the incentives this type of proposal may conceivably trigger. For example there may be a risk that governments create structures in which these social benefits are placed in Funds that lie outside the remit of public sector accounting and auditing. This would affect decision-making, transparency and the ability to require accountability.</p> <p>Accounting for social benefits is a complex area and we note a quantity of different forms and structures both for different types of support within a country as well as in an international comparison. An international standard should be principles-based and allow some degree of flexibility for accounting for social benefits, so as best to capture the various designs that exist. Too detailed standards increases the risk that the standard will not be globally applicable. Thus it may be appropriate to use different models for the social benefits that exist in a country. However, it is extremely important that the financial statements show which model has been selected, how the commitments are measured as well as disclosing the reliability of the data and assessing any uncertainties.</p> <p>The premises for our position are:</p>	<p>Staff notes the comments regarding the importance of the project.</p> <p>Staff notes the comments regarding the possible adverse consequences (structuring of Funds) that may arise from a future IPSAS. The IPSASB may wish to consider this issue once further progress on a future standard has been made.</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<ul style="list-style-type: none"> • Transparency in the Government's financial statements – [we] promote increased transparency and opportunities for accountability • Auditability – in other words the audit aspects of the IPSASB's proposals and whether they can affect our ability to comply with generally accepted auditing standards (in accordance with the ISSAIs) <p>We do not intend to submit comments of a technical nature at the detailed level. Our response is based more on a discussion of principles proceeding from the two points mentioned above.</p>	
28	<p>[Respondent 28] welcomes the publication of this CP as the IPSASB's latest initiative to drive forward the debate on the appropriate accounting treatment of social benefits. The treatment of social benefits has long been seen as a crucial public sector-specific accounting issue and the lack of an IPSAS dealing with this matter has been held out by some parties as a reason that IPSASs as a whole are not suitable for adoption. Consequently, we believe timely completion of this project is of crucial importance, which is one of the reasons that we support IPSASB's decision to limit the scope of the CP to exclude exchange transactions and collective goods and services.</p> <p>The provision of social benefits constitutes a significant proportion of government expenditure in most developed countries. The demographics of many developed countries show an ageing population and a decreasing birth rate – this will simultaneously increase the need for many types of social benefit whilst reducing the tax base with which to pay for them. Consequently, [Respondent 28] regards the proper accounting and disclosure of the ongoing costs of providing social benefits as a vital element in the crucial public debate on the sustainable funding of public sector services.</p> <p>It is primarily for this reason that [Respondent 28] does not support the social contract approach outlined as an option in the CP. This approach, where recognition is based on strict legal entitlement and where future payments of benefits are matched to future taxation receipts (even if the obligation arises from past events), would not achieve the objective of making public sector liabilities more transparent. Additionally, the concept of intergenerational solidarity that underpins the social contract approach may not be appropriate for those countries where a falling population is predicted.</p> <p>We believe that it is important that all public sector bodies properly disclose their financial liabilities arising out of past events – this is crucial information for all stakeholders and will also assist these bodies in their management of resources. For this reason, [Respondent 28] supports the IPSASB's preliminary view that a combination of the</p>	<p>Staff notes the comments regarding the importance of the project.</p> <p>Comments regarding the approach or approaches to be included in a future IPSAS will be considered with the full review of responses in the June 2016 meeting.</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>obligating event approach and the insurance approach (for certain contributory schemes) is the best method to meet the objectives of public sector financial reporting.</p> <p>However, the obligating event approach is not without its complications, particularly in respect of determining the point at which an obligation should be recognised in the financial statements. [Respondent 28] considers that there may not be one specific point of recognition that is suitable for all types of social benefits. For example, we consider that there are good reasons for recognising liabilities under pension schemes at an earlier point than accident benefit schemes.</p> <p>Additionally, there are so many national variations in the way that particular types of social benefits (such as state pensions) are administered that it may not be feasible to provide firm rules applicable in all countries. In many cases the accounting treatment will be significantly influenced by the exact legal terms of the scheme, but the IPSASB could provide invaluable assistance by providing a principles-based framework for deciding on the most appropriate point of recognition, backed up by real-world examples.</p> <p>[Respondent 28] also considers that the legal form and rules of a social benefit scheme impact on other areas – for example, in the treatment of deficits arising in schemes accounted for under insurance rules that are partially funded by contributions and partly out of tax revenues. In this instance, we are not convinced that the option to write off anticipated losses as an expense at the inception of the scheme will provide the most meaningful information for users of the financial statements, despite being consistent with the treatment of anticipated losses under IPSAS 25.</p> <p>In this case, we believe that it will be necessary to consider in detail the exact legal conditions relating to the scheme in order to ascertain the most suitable treatment of the anticipated losses. In other cases it may even be appropriate to identify the separate components of the scheme when determining the most appropriate accounting treatment – for example, an insurance element that is embedded within a scheme.</p>	
29	<p>We are pleased the IPSASB has made progress on the social benefits project and has produced a comprehensive Consultation Paper. The recognition and measurement of social benefits is a very important issue for most governments and implementation of some proposals in the Consultation Paper could change the face of government's financial reporting.</p> <p>In responding to this Consultation Paper we have challenged ourselves to form a common view on the conceptual basis that should underlie the accounting for social benefits. [Respondent 29] supports the IPSASB's preliminary</p>	<p>Staff notes the recommendation that the IPSASB consider the boundary between a present obligation and a</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>view that a combination of the obligating event approach and the insurance approach may be required to reflect the different economic circumstances arising in respect of social benefits. We also agree with the IPSASB's preliminary view that the social contracts approach is unlikely to meet the objectives of financial reporting.</p> <p>The basis for the recognition of social benefits should remain consistent with the Conceptual Framework definition of a liability; therefore, social benefits should only be recognised for present obligations arising from a past event. Identifying the relevant past event is critical to determining the point in time when a present obligation arises and the nature/extent of that obligation. We therefore strongly encourage the IPSASB to consider carefully the boundary between a present obligation and a future obligation when developing the standard on the recognition of social benefits.</p> <p>We note that the application of the obligating event approach and the insurance approach to social benefits could lead to governments recognising large liabilities in their financial statements (that is, where they have determined they have a present obligation for future payments of social benefits).</p> <p>Notwithstanding our support for consistency with the Conceptual Framework definition of a liability, we would have concerns about the usefulness of financial statements that are dominated by large liabilities for present obligations of estimated future payments of social benefits without any disclosure or consideration of the way in which those liabilities will be funded. The Conceptual Framework would not allow for the recognition of an asset representing a government's right to raise future revenues in the form of taxes, because this would require accounting for a future event. It is our view that providing information on social benefit liabilities alone, without corresponding information about how they will be funded, would not provide useful information to users of financial statements and would not meet the objectives of financial reporting.</p> <p>Therefore, whilst we accept that applying the definitions of elements and the recognition criteria in the Conceptual Framework may lead to the recognition of present obligations for future social benefit payments at an earlier point than is current practice for most governments, any accounting requirements should be developed with reference to the entire Conceptual Framework – not just the sections on elements. In our view it is also essential that we consider the objectives of General Purpose Financial Reporting (GPFR) and its inherent limitations.</p> <p>The Conceptual Framework for GPFR is intended to provide information about past events and transactions that have occurred and their impact on an entity's financial position from year to year. GPFR is not intended to meet the needs of users who require information in relation to the long term impact of events and transactions that have yet to</p>	<p>future obligation in developing a standard.</p> <p>Staff also notes the comments that providing information on social benefit liabilities alone, without corresponding information about how they will be funded, would not provide useful information to users of financial statements and would not meet the objectives of financial reporting</p> <p>Comments regarding the approach or approaches to be included in a future IPSAS will be considered with the full review of responses in the June 2016 meeting.</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	occur and users may need to look to other sources for information on such events and transactions. The IPSASB will need to consider the most appropriate form to report long-term social benefit information. We do not consider GPFR should provide information on both present and future obligations. We note the usefulness of long term fiscal sustainability reporting in providing comprehensive information on the impact of current policies on future fiscal position and developing policy responses to fiscal issues.	
30	<i>No general comments identified</i>	
31	<p>The CP builds on IPSASB's previous work and develops new ideas for consideration. As such, the CP advances the discussion of possible treatment for social benefits and considers matters such as the scope of a future standard on social benefits and related definitions, the extent to which liabilities of social benefits arise, and the recognition and measurement of any such liabilities.</p> <p>Overall, we strongly support the recognition of a liability for social benefits in the financial statements when all eligibility requirements to receive the next benefit have been satisfied, including approval of the benefit claim where such approval is more than merely administrative. In addition, we believe it is important to make appropriate disclosures in the financial statements, general purpose financial reports, or both to help users assess the sustainability of social benefit schemes and their impact on a public sector entity's financial performance and financial position. Such disclosures could include the following:</p> <ul style="list-style-type: none"> • the funding status of the social benefits; • potential actions that may be taken if benefits are projected to exceed dedicated revenue sources; and • expected cash flows of the social insurance schemes or fiscal sustainability reporting under Recommended Practice Guideline (RPG) 1, Reporting on the Long-Term Sustainability of an Entity's Finances. <p>It is also our view that the recognition and measurement of non-exchange revenues directly related to the funding of non-exchange social benefits should be consistent (1) across all social benefit schemes and (2) with the IPSASB's current project on non-exchange revenues.</p> <p>We believe that this CP represents important progress on significant issues related to the recognizing and measuring social benefits.</p>	<p>Comments regarding the approach or approaches to be included in a future IPSAS will be considered with the full review of responses in the June 2016 meeting.</p> <p>Staff notes the comments regarding disclosures. These will be considered in the development of the disclosure requirements of a future IPSAS.</p> <p>Staff notes the comments regarding consistency with the</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
		non-exchange expenses project.
32	<p>[Respondent 32] acknowledges the efforts of the International Public Sector Accounting Standards Board (IPSASB) in seeking to enhance measurement and reporting of long term social benefit liabilities but is of the view that:</p> <ul style="list-style-type: none"> • The proposed options involving recognising social benefit liabilities are not the optimal solution for addressing the objectives. • Importantly, not all social benefits long term liabilities can be measured reliably. While age pensions could be forecasted, other social benefits such as unemployment benefits may be more complex and difficult to reliably determine over the long term. Forecasting a future outflow is different from reliably measuring a liability. • [Respondent 32] is unequivocally of the view that, long term fiscal sustainability reporting is a more appropriate mechanism for assessing the implications of long term obligations to provide social benefits as it requires consideration of social benefits outside the scope of the Consultation Paper (CP), and future taxation revenues, even if these items are not regarded as assets or liabilities. <p>Objectives CP “Recognition and Measurement of Social Benefits”</p> <p>The CP “Recognition and Measurement of Social Benefits” provides the following objective for a future IPSAS on social benefits (which will include presentation and disclosure, as well as recognition and measurement):</p> <p style="padding-left: 40px;">“IPSASs shall require an entity to provide information that helps users of its financial statements and general purpose financial reports assess:</p> <p style="padding-left: 80px;">(a) The nature of social benefits provided by the entity, and the key features of the operation of the scheme; and</p> <p style="padding-left: 80px;">(b) The impact of social benefits provided on the entity’s financial performance and financial position.”</p> <p><i>Objective (a)</i></p> <p>[Respondent 32’s] view is that objective (a), while promoting an understanding of the drivers underlying social benefits, is not traditional financial statement information. [Respondent 32] is particularly concerned that in some</p>	<p>Staff notes the respondent’s reasons for not supporting the approach in the CP.</p> <p>Comments regarding the approach or approaches to be included in a future IPSAS (including the comments on revalidation) will be considered with the full review of responses in the June 2016 meeting.</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>countries, the extent and complexity of social benefits would mean that such disclosures will result in information which is too voluminous and or/too complex for the vast majority of users to be able to use effectively.</p> <p>[Respondent 32] is also concerned that the proposed expansive collection information on social benefits could impose significant costs on governments particularly in an environment where public sector agencies are required to become more efficient and are operating in fiscally constrained environments.</p> <p><i>Objective (b)</i></p> <p>[Respondent 32's] view is that objective (b) is imprecise as to its intent, and that even if read narrowly to mean the impact on operating statement and balance sheet, is unachievable from the proposal.</p> <p><i>Strategic Objectives Clarity</i></p> <p>Firstly, the CP could benefit from providing clearer strategic objectives as well identification of the key problem that would be addressed as a result of this body of work and what may constitute a vision for success. In the current proposal, it is unclear as to which strategic objective is being targeted. Is it that the reporting and inclusion of long term social benefit liabilities in financial statements would provide improved information about:</p> <ul style="list-style-type: none"> • fiscal sustainability issues of social benefit commitments of governments, or • would enable better international comparison of social benefit commitments of governments, or • is it intended to enable improved assessment of specific social benefits schemes in jurisdictions through efforts to standardise recording of liabilities? <p>As the means of addressing each of these implies different accounting and/or disclosure, the objectives need to be better defined.</p> <p>There is no doubt information about long term social benefit obligations would help governments to better understand fiscal risks including their capacity to fund social benefits in the future as well changes they may need to consider to ensure the programs are sustainable. However, any long term social benefits liabilities that is disclosed would need to meet qualitative tests of reliability, comparability, verifiability and be provided on a timely basis to support accountability and decision making objectives of financial reporting.</p>	

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>Secondly, the objectives proposed in the CP will only partially provide users information about social benefits obligations due to adoption of a narrower scope in this project than previous works, the scope being limited to benefits paid only to individuals or households in cash and in-kind to mitigate effect of social risks. Furthermore, it should be recognised that there are different structures through which social benefits are provided. The scope of this project includes social assistance and social insurance, but excludes employment-related social insurance, other transfers in kind and collective goods and services. Consequently, partial disclosure of social benefit obligations could present an unjustifiably positive fiscal outlook, resulting in users making incorrect social policy choices and resources allocation decisions.</p> <p>Adoption of GFS classification and definition social benefits</p> <p>IPSASB's adoption of the GFS classification and definitions for social benefits, which is essentially intervention or social protection provided to relieve households and individuals of the burden of a defined set of social risks, is a positive step in achieving alignment between reporting frameworks. However, in practice this results in a significant number of government expenditures such as in health and education not being included as they are deemed to not address social risks, i.e. they do not affect the household budget. The inclusion of part of social assistance obligations could present a more positive financial position of a government that is an unfaithful representation of information, and may mislead users into committing to new policy priorities or amending policies.</p> <p>Additionally, the exclusion of future taxation revenues and only the inclusion of long term liabilities for some social benefits would present a misleading view of the financial health of a government. This is a direct contravention of objective (b) proposed in the CP. It could be argued that governments have inherent sovereign right to raise taxes and to not include the right to raise taxes as an asset would seem to be an inconsistency in the accounting policy being proposed. However, the inclusion of both social benefit liabilities and the taxation revenue may also render the financial information rather meaningless due to the resulting almost zero net result.</p> <p>3 Options - Recognition Long Term Social Benefits</p> <p>The three options proposed for recognising long term social benefit liabilities include: Obligating Event; Social Contract; and Insurance respectively suit specific social benefit regimes.</p> <p><i>Obligation Event Option:</i></p>	

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	<p>Under the Obligating Event option, a number of sub options could be deemed as obligating events that could result in a present obligation for recognising social benefit liabilities. The earlier the obligating event, the greater the liability will be. In [our] context only in very limited circumstances are income-support social benefits provided on a “set and forget” basis. Consequently, the most appropriate obligating event that results in social benefit liabilities for most social benefits in [our jurisdiction] would be the “Eligibility Criteria Met to Receive Next Benefit”. Application of this sub option would result in recognition of future benefits based on citizens continuing to meet the eligibility criteria requirements for social benefit payments. However, application of the liability definition to other benefits, other contexts and other countries may result in a different outcome.</p> <p><i>Social Contract Option</i></p> <p>Under the social contract option, there is an imputed social contract between state and citizens under which citizens agree to pay taxes to enable the state to provide social benefits and it is analogous with executory contracts under which the net position is recognized (possibly nil). It would be complex and difficult to determine legally binding obligations for the broad demographics even with actuarial analysis. Therefore any liabilities could only be recognised when claims are enforceable and have to be paid or claims are approved and yet to be paid. In [our] context while there is a broad societal principle of a “safety net” support for all citizens, it would be difficult to impute that this would constitute formal binding obligations for social benefits under the social contract option.</p> <p><i>Insurance Approach Option</i></p> <p>Under the Insurance Approach option, this may be suited to contributory and exchange-based social benefits schemes. Even so, [Respondent 32] is concerned that mandatory application of these principles will be costly - the application of insurance accounting will require complex accounting calculations including Net Present Value (NPV) of future cash flows for benefits payments as well as for contributions received, determination of discount rates for calculation of NPV and accounting treatment of potential deficits over coverage periods. Further complexities associated with subsidised and unsubsidised schemes are also to be considered. In [our] context, a very limited number of social benefits are provided on a contributory basis. For these schemes, often the insurance approach or a quasi-insurance approach for accounting for liabilities is already applied.</p> <p>Given that each option has a better fit to a particular type of social benefit scheme, it would be logical to suggest that the application of options would depend on the type of social benefit scheme in the jurisdiction. As already noted,</p>	

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	<p>different countries have different schemes so any efforts to standardise calculation and disclosure of social benefit liabilities will be complex and costly particularly as different countries have different systems for administering and reporting social benefits.</p> <p>CP paragraph 2.19 - Revalidation</p> <p>[Respondent 32] would like to make a particular point in respect of revalidation. The CP in paragraph 2.19 suggests that the legal form varies between countries and retrospective changes to entitlements are permissible in some countries. However, to [Respondent 32], the CP seems to imply that revalidation of eligibility would result in prospective recalculation of obligations for social benefits, and this is used to justify the existence of a liability until the next revalidation point.</p> <p>In practice in [our jurisdiction] for most income-support social benefits, when an individual's circumstances change, social benefits have to be recalculated retrospectively. For example, a change in an individual's income (or a policy change) may result in the family benefits paid being recalculated for the full year, and they may be required to repay all or part of the benefit actually received. This in effect can mean that the individual's entitlement to benefits could be retrospectively removed and this would then put the individual in a position where they were never entitled to the benefits. This potential outcome is fundamental to understanding [Respondent 32's] view, that in such cases the maximum liability that could be recorded is the entitlement to the next payment through meeting all the substantive eligibility criteria.</p> <p>Recognition of Liability</p> <p>Related to the discussion on paragraph 2.19 above is that [Respondent 32] notes that it is important to record as liabilities only obligations that have a present (legal or constructive) obligation and that are expected to result in an outflow of resources. All these elements must be present to recognise a liability. Some of the methods discussed under the obligating event approach and the views expressed in support of them appear to lack all of these elements and in extreme cases, propose recognition of a liability purely on the basis that it is possible to actuarially calculate some future (but not present) obligation.</p> <p>Recognition of a liability based on a constructive obligation is problematic. The practical application of the definition in both public and private sector has led to inconsistencies that do not provide a clear practical guide to when a constructive obligation exists. There is some discussion in the CP that a constructive obligation might exist for social</p>	

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	<p>benefits because there is some general expectation within the community that benefits will be paid. [Respondent 32] is of the view that this expectation is more akin to some overall political or societal expectation, that in many cases does not result in an unavoidable obligation necessary for recognition of a liability, in the way that the term constructive obligation is intended to operate in the for-profit sector. It is particularly difficult to impute a constructive obligation in circumstances where the government retains and exercises the right to alter social benefit schemes through legislation, since the government certainly does not view the obligation as unavoidable.</p> <p>In conclusion, on the basis of the points made above and if the objective is the need for governments to be cognisant of long term fiscal sustainability, the inclusion of long term social benefit liabilities and commensurate right to taxation revenues should be retained within long term sustainability reporting. In [our] context the Intergenerational Report (Long Term Fiscal Sustainability Report) produced periodically has provided government with useful insights into fiscal sustainability issues around social benefits with a number of policy changes ensuing to address the issues such as increased workforce participation for the working age population and increasing pension eligibility age for older citizens.</p>	
33	<p>Importance of the project</p> <p>[Respondent 33] supports the work of IPSASB and the board's vision of high quality global public sector accounting standards. The development of an accounting standard for social benefits will make an important contribution to the realisation of this vision. It deals with a public sector accounting and financial reporting topic of crucial importance.</p> <p>Governments are naturally wary of adopting accounting standards that will result in the recognition of significant liabilities. It is therefore particularly important to reach a consensus about which accounting solutions are reasonable, cost effective and capable of being applied consistently to the myriad of social benefit schemes in place across the world.</p> <p>A principles-based social benefits standard</p> <p>Given the very wide range of circumstances to which the standard will need to apply, any future standard on social benefits must, above all, be principles-based. A rules-based approach would not be a workable solution. The new standard also needs to be underpinned firmly by IPSASB's conceptual framework (CF) to allow for successful implementation.</p>	<p>Staff notes the respondent's view that a future IPSAS should be principles based. Staff supports this view.</p> <p>Staff notes the respondent's view that further research is required. The IPSASB's view will be sought on this.</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>More detailed empirical evidence is needed</p> <p>The complexity of the issues underlying accounting for social benefits should not be underestimated. IPSASB has made a good start, but we strongly recommend that the board now gathers further detailed empirical analysis regarding the following aspects:</p> <ul style="list-style-type: none"> • The different benefits available from governments and how these are administered; • The degree of clarity of the link between the benefits paid by a social security scheme and the revenue that finances the scheme; • The materiality of benefits that are fully funded; • Specific laws and regulations that will impact on the recognition criteria for social benefits; • The scope of the benefits to be covered. Empirical evidence will help with the scoping of the standard. <p>The empirical analysis should be further developed along the lines of Appendix A of the current consultation paper (CP), to include a reasonable spread of countries and types of social benefits. The empirical evidence may be difficult to obtain in some instances. It could take some time to accumulate and will require assistance from national authorities and other key stakeholders. But this is a crucial step to facilitate international acceptance of a new standard, as well as for ensuring a good quality end product.</p> <p>We therefore recommend that IPSASB carry out field analysis for all the options outlined in the CP, to allow both preparers and users of the accounts to gain an appreciation of how the accounting and financial reporting would work in practice. This might be achieved through a questionnaire approach to accountancy institutes or other parties in a range of jurisdictions, which could be fairly limited in number as long as it was reasonably representative of the breadth of types of social benefit that a new standard might cover. This could also form the basis for any future attempt at cost: benefit analysis, which should be based on real world data with good coverage, both in terms of different types of benefits and different funding mechanisms. The empirical evidence gathered will be the core data to underpin this analysis.</p> <p>It would help IPSASB if the sample of countries selected included those where some work has already been done on these issues, to determine the social benefit disclosure when the three options outlined in the CP are applied.</p>	

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	Exploring the impact by applying the five different obligating event points for the obligating event approach option, for example, would inform the debate on the suitability of the various trigger points, and indeed the option as a whole.	
34	<i>No general comments identified</i>	
35	<p>Currently, the recognition criterion for social benefits in [our jurisdiction] is transaction-based.</p> <p>In [our jurisdiction], like in many other countries, social benefits are paid or subsidized by tax from individuals and entities. The social benefits are financed through general taxation and therefore the amount of taxation specified for social benefits cannot be separated from other taxation; additionally there is no recognition of future taxes.</p> <p>Furthermore, social benefits are paid as gross payments that are taxed this leads to a consideration how to measure an obligation. If a method of net valuation shall be used, it will require information about the specific part of the benefit, the part that does not contain future taxation.</p> <p>If social benefits should be recognized and measured as an obligation, following one of the models in the Consultation Paper, the revenue and expenses related to social benefits would differ. The accounting then is to estimate an obligation for future social benefits, but the financing generated through taxation is not estimated at the same time.</p> <p>The obligation related to social benefits, will always contain estimated values that can be difficult to review. This can stipulate a rise in administration costs that has to be compared to the increased information in the financial statement. We are not sure if these initiatives will improve the financial statement enough, compared to the related administration costs.</p> <p>If more obligations are implemented in the financial statement, here among social benefits, the expenditure policy might need to be reconsidered [...].</p> <p>Furthermore, the definitions in this CP have been sought to align with the existing definitions in government finance statistics (GFS). However, the recognition suggested in this CP is not in line with the current form of recognition in the GFS. For instance sub-option A in the obligating event approach will recognize the social benefit at a very early point of time, while the GFS focus at the point of time when the transaction occurs. This would yield a need for adjustment between the financial statement and the GFS.</p>	<p>Staff notes the comments regarding the recognition of liabilities without the equivalent tax revenue.</p> <p>Staff also notes the comments regarding the interaction of tax with measurement.</p> <p>These comments will be reviewed at the June 2016 meeting when the accounting approaches are considered.</p> <p>Staff notes the comments regarding alignment with GFS on definitions but not recognition and measurement. This IPSASB had accepted this</p>

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	<p>Additionally from the year 2017 [our] GFS will recognize obligations for civil service pension schemes and pre-retirement schemes within a supplement table [...].</p> <p>The convergence between IPSAS and GFS is a potential issue to be considered, in the general approach to the implementation of a standard for social benefits.</p>	<p>consequence in developing the CP. The IPSASB may wish to reconsider this when the accounting approaches are considered.</p>

Specific Matter for Comment 1

In your view:

- (a) Is the scope of this CP (i.e., excluding other transfers in kind, collective goods and services, and transactions covered in other IPSASs) appropriate?

...

Please explain the reasons for your views.

Summary of Responses to Specific Matter for Comment

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	02, 04, 06, 10, 11, 13, 17, 18, 20, 21, 22, 23, 27, 28, 30, 34, 35	17
B – PARTIALLY AGREE	01, 07, 12, 14, 24, 33	6
C – DISAGREE	03, 05, 08, 09, 16, 19, 26, 29, 32	9
SUB-TOTAL OF THOSE PROVIDING COMMENTS		32
D – DID NOT COMMENT	15, 25, 31	3
TOTAL RESPONDENTS		35

In your view:

...

(b) Do the definitions in Preliminary View 1 provide an appropriate basis for an IPSAS on social benefits?

Please explain the reasons for your views.

Summary of Responses to Specific Matter for Comment

STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	02, 10, 11, 12, 13, 18, 20, 21, 22, 23, 27, 28, 34	13
B – PARTIALLY AGREE	01, 04, 06, 07, 14, 17, 24, 30, 33, 35	10
C – DISAGREE	03, 05, 08, 09, 16, 19, 26, 29, 32	9
SUB-TOTAL OF THOSE PROVIDING COMMENTS		32
D – DID NOT COMMENT	15, 25, 31	3
TOTAL RESPONDENTS		35

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
01	(a) B (b) B	<p>(a) Yes, the scope of this CP is appropriate. Nevertheless, the exclusion of other transfers in kind and collective goods and services does not seem sufficiently justified.</p> <p>In our view, we may justify this exclusion by the fact that the production of collective goods and services, benefiting to the whole community, is the core activity of public sector. It forms the major part of its operating and investment expenditures. For collective goods and services, the final beneficiary is not the direct recipient of expenditures achieved by public administrations (staff expenses for education or defense, investments expenditures for roads and hospitals, etc). In this case, other transfers in kind and collective goods and services are provided to the whole community. Consequently, identify one beneficiary is impossible. Moreover, the IPSASB Conceptual Framework for General Purpose Financial Reporting states that the identification of an external party is an indication of the existence of an obligation giving rise to liability, even if this knowledge is especially necessary for the payment of the obligation (see § 5.18).</p> <p>Hence, those transfers cannot be recognized as an obligation giving rise to liability. These elements justify the exclusion of other transfers in kind and collective goods and services from the scope of this CP.</p> <p>(b) Distinction made by GFS between other transfers in kind and collective goods and services seems, for us, artificial. Indeed, according to the CP, education and health are “other transfers in kind”, while defense are “collective goods and services”.</p> <p>In our view, these concepts address the same economic reality: production of collective goods and services by public administrations. Hence, distinguish these concept is not relevant for accrual based accounting, as reflected in the IPSASB conceptual framework which establishes the predominance of the economy of the transaction on its legal form in order to fulfill the faithful representation criterion of financial information (see § 3.8 and 3.10) .</p> <p>Therefore, subsequently in our response, the term "collective goods and services" covers the two concepts ("other transfers in kind" and "collective goods and services").</p>	<p>Staff considers that Respondent 01 generally supports the scope of the project, albeit for different reasons than those given in the CP. Staff notes the general comment that “Nevertheless, the scope of the CP seems too restrictive” and considers that the respondent sees a need to co-ordinate the approaches in the social benefits and non-exchange expenses projects.</p> <p>Staff considers that Respondent 01 generally supports the definitions and terms used in the CP with the exception of</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
			collective goods and services and other transfers in kind.
02	(a) A (b) A	<p>(a) In its Comments on the Consultation Paper IPSASs and Government Finance Statistics Reporting Guidelines of December 2012 [Respondent 02] stated that convergence of IPSASs with the GFS is desirable. Therefore [Respondent 02] welcomes the idea that the scope of this CP should be consistent with the definition of social benefits in Government Finance Statistics (GFS). The scope of this CP is actually in line with the definition of social benefits under GFS. This is something [Respondent 02] strongly supports.</p> <p>It would, however, like to point out that the content of the box “Employment related Social Insurance” in Diagram 2 (page 26) should be more specific. The wording should better reflect that this box concerns the case in which the public entity (e.g. a government) acts as employer. In other words, the considerations listed in the text (§ 2.34 or better § 2.18) should be better emphasised in the diagram.</p> <p>(b) [Respondent 02] is of the opinion that the proposed definitions provide an appropriate basis for a standard on social benefits.</p>	Staff considers that Respondent 02 supports the scope in the CP, but identifies opportunities to improve the presentation of that scope.
03	(a) C (b) C	<p>(a) Scope of the CP</p> <p>While we fully support the scope exclusion of transactions that are covered by other IPSASs, we have reservations as to the current rationale for the exclusion of collective goods and services from the scope of the project. Based on the current proposals, we find it difficult to assess whether it is relevant to exclude collective goods and services from the scope of the project. Our main concern is that scoping out collective goods and services might entail different accounting treatments where in substance transactions are similar from the accrual accounting perspective of establishing a reporting entity’s financial statements.</p> <p>We observe that such exclusion is currently based on definitions from GFS. More specifically, collective goods and services are not considered within this project because they do not meet the definition of social risk. We understand the need in the national accounts to segregate social benefits from collective goods and services provided to an entire population that cannot be individualised. The aim is to insure proper matching and eliminations when it comes to aggregating market and non-market production. However, we are unsure that segregating public spending depending on the nature of those who benefit from such spending (individuals or</p>	Respondent 03 does not support the scope of the CP, primarily because “scoping out collective goods and services might entail different accounting treatments where in substance transactions are

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		<p>households versus a group of beneficiaries) is relevant for the purpose of accrual accounting, primarily destined to reflect inflows and outflows derived from the rights and obligations of a reporting entity.</p> <p>At this point, we struggle to identify differences between social benefits as defined in the project and collective goods and services. To add to the confusion, we note that the Consultation Paper Social Benefits: Issues in Recognition and Measurement, published in March 2008, describes collective goods and services using references to social benefits and social risks in its paragraph 17:</p> <p><i>Collective goods and services</i> are social benefits in the form of goods and services provided to the entire population or to a particular segment of the population in any jurisdiction, to protect the population or one of its segments against certain social risks. Collective goods and services include national defence and most aspects of the criminal justice system. [Emphasis added]</p> <p>Therefore, from an operative point of view, while we fully support bringing in definitions to help setting up the scope, we are unsure that attaching the notion of social risk to that of social benefits is workable. For instance, one could reason that absent the provision of defence, a population could turn to hiring private security which would adversely affect its welfare by reducing its income: as such, defence as a collective good would meet the definition of social benefits mitigating the effect of social risk. Whether providing protection against social risk is a relevant criterion is all the more important that it is assumed that such criterion drives the accounting treatment.</p> <p>Though we do fully understand that, from a practical standpoint, dealing only with social benefits defined by reference to social risk, is a simpler way to address a complex issue, we think that it is too weak a rationale to be the starting point of the analysis.</p> <p>Therefore, for the sake of clarity, we would encourage the IPSAS Board to further explore in what collective goods and services are different from other social benefits from an accrual accounting perspective rather than from a GFS perspective.</p> <p>(b) Proposed definitions</p> <p>With respect to the proposed definitions, as currently drafted, we struggle to see the link between the proposed definitions and the approaches to account for social benefits. We would therefore recommend that the development in section 2 should be better articulated with sections 3 to 6 that expose the proposed approaches.</p> <p>Generally, we observe that public spending may not cover the same economic reality across different jurisdictions. In some jurisdictions for instance, contracts are the prevailing source of operations, whereas in</p>	<p>similar from the accrual accounting perspective of establishing a reporting entity's financial statements."</p> <p>Respondent 03 struggled to see the link between the definitions and the various approaches in the CP. Staff notes that the definitions relate primarily to the scope of the CP, and were intended to apply to all the approaches. Once the IPSASB has agreed on the approach or approaches to be included in an ED, it may be possible to revise the definitions to better</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		other jurisdictions, laws and regulations are the overall framework under which the central government acts. Usually, it is a mixture of both to varying degrees; however, we believe that listing the prevailing features of the systems under which governments might operate should be the primary focus of the scope section of the project. For that matter, our view is that the description of the economic circumstances that could give rise to a liability for social benefits is of critical importance.	align with the approach or approaches.
04	(a) A (b) B	<p>a) We agree that transfers in kind and collective goods and services should be excluded in order to provide a narrower and more defined scope to this standard.</p> <p>b) We do not agree with all of the definitions provided.</p> <p>We disagree that social benefits are all related to financial need. The definitions should reflect that social benefits are paid to those individuals that a government entity determines should receive them; such payments may be made to all individuals that qualify, whether or not they are in financial need. Consequently, we have suggested changes to the definitions of social benefits and social assistance to reflect this.</p> <p>In addition, as the benefits provided as a result of an employer-employee relationship arise from an exchange transaction, we believe that such benefits should be excluded from the definitions in this CP. Our suggestion is to remove the definition of social insurance entirely, given that it includes benefits arising as a result of an employer-employee relationship for which guidance is provided in IPSAS 25 Employee Benefits, and to modify the definition of social security to combine the relevant elements of social insurance that relate to these benefits. Consequently we suggest the following changes to the definitions:</p> <p>Social benefits: Benefits provided by a public sector entity (or entities) to individuals and households, in cash or in kind, to mitigate the effect of certain social risks.</p> <p>Social assistance is the provision of social benefits to qualifying individuals or households without any formal requirement to participate, as evidenced by the payment of contributions.</p> <p>Social Security is the provision of social benefits to the community as a whole, or large sections of the community, that is conditional on participation in a scheme imposed and controlled by a public sector entity, as evidenced by way of actual or imputed contributions made by or on behalf of the recipient.</p> <p>Social insurance: remove definition</p>	Staff considers that Respondent 04 supports the proposed scope of this project, but does not support all of the definitions.

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05	(a) C (b) C	<p>The scope of the future standards results from the combination (overall) of the IPSAS 19 entitled "Provisions, contingent liabilities and contingent assets" and the IPSAS 25 "Employee benefits".</p> <p>This ITC focuses on accounting for those social benefits specifically excluded from the scope of IPSAS 19 by paragraph 1(a). That is, those social benefits where the entity does not receive approximately equal value in return, including the circumstances where a charge is levied with respect to the benefit but there is no direct relationship between the charge and the benefit received...</p> <p>IPSAS 19 paragraphs 7 to 11 describe the types of social benefits that are excluded from the Scope of the Standard...</p> <p>And IPSAS 19 applies to all public sector entities other than Government Business Enterprises.</p> <p>The tree of decision pulled (fired) by the previous works of the IFAC summarizes the scope of this invitation to comment.</p> <p>[See Response #05 for the decision tree]</p>	<p>Staff considers that Respondent 05 is suggesting that the scope of the project should be those social benefits specifically excluded from the scope of IPSAS 19. This is different to the (narrower) scope proposed in the CP.</p> <p>Respondent 05 does not comment on the definitions. As this are aligned with the scope in the CP, staff has inferred disagreement.</p>
06	(a) A (b) B	<p>(a) Scope</p> <p>We consider the scope appropriate, subject to the comments below.</p> <p>The IMF Government Finance Statistics Manual 2014 (GFSM 2014) in Annex 2 identifies two major classes of social protection:</p> <ul style="list-style-type: none"> a. Pensions and other retirement benefits b. Non-pension social benefits. 	<p>Staff considers that Respondent 06 supports the scope. Staff notes that the comments regarding the definition of</p>

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		<p>Pensions are specifically included in the GFS definition of social benefits (GFS 2014 Para 2.46 and Annex 2). However, the treatment of liabilities for pensions and for other social benefits is potentially different. IPSAS 25 has defined the approach for employment pension liabilities and logically should be the basis for defining the approach for funded state pensions and other retirement benefits.</p> <p>We therefore consider it important that the two categories of social benefits as above are defined so that consideration can be given as to whether they are to be treated differently.</p> <p>(b) Definitions</p> <p>The use of the GFS definitions is strongly supported. In principle we consider that only in exceptional circumstances should the IPSAS use different terminology or definitions to those used in GFS.</p> <p>Our comments on specific definitions relate to two important issues:</p> <p>a. In Europe social benefits would be regarded as citizen entitlements rather than acts of charity. Persons become entitled to social benefits when they meet certain conditions in many cases without regard to their personal circumstances, e.g. disability and related social benefits are paid irrespective of an individual's income or financial status, e.g. in the [some jurisdictions] even the richest are entitled to a state pension. Therefore, the definitions should refer to entitlement rather than need.</p> <p>b. It is our view that the treatment of funded benefits (social insurance) should be different from the treatment of unfunded payments. Therefore, it is necessary to define what is meant by funded benefits.</p> <p>Definition of funded schemes (social insurance)</p> <p>It is our view, as indicated below, that schemes that are fully or mainly funded are different in nature, and therefore in accounting treatment, from unfunded schemes. For this purpose, we would define funded schemes quite narrowly, e.g. <i>"A funded age related or other benefit is one where an individual has over time made payments to a fund represented by specific assets, which assets are administered separately from other government assets through an independent agency, and such agency is able to generate its own balance sheet separate from the balance sheet of general government. Furthermore, the revenues generated from the funds assets are expected mainly or entirely to meet the costs of the anticipated social benefits payable from the fund."</i></p> <p>Such funded schemes create an implied contract between the potential beneficiary and the fund to pay the social benefits. Furthermore, citizens in general may assume that the fund has sufficient resources to make such payments and hence there will be no charge on citizens in general. This makes it important to identify and</p>	<p>pensions affects the definitions question, not the scope of the project.</p> <p>Staff notes the comments regarding the use of "entitlement" rather than "need" in the definitions.</p> <p>Other comments provided in response to SMC 1 (such as the view that funded benefits should be treated differently from unfunded benefits) will be considered when responses to the other SMCs are reviewed.</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>disclose in the financial reports any fund surplus or deficit on such funded schemes. We would regard the entitlement to benefits under such funded schemes as a constructive liability of the government.</p> <p>2.41 Social benefits</p> <p>For the reason indicated in (a) above the definition should refer to entitlement, i.e. <i>“Benefits provided to individuals and households, in cash or in kind, when they meet the conditions entitling them to such benefits.”</i></p> <p>2.42 Social risks</p> <p>Social risks include events that entitle a person to certain benefits even though there may be no worsening in their financial situation, e.g. pensions are payable in [some jurisdictions] even if a person continues in employment earning a very high income.</p> <p>Therefore, we would prefer a definition that refers to entitlement to benefits rather than making assumptions about an individual’s financial circumstances, e.g. <i>“Events or circumstances that make an individual or household entitled to social benefits”</i></p> <p>2.49 Social assistance</p> <p>Similarly, social assistance should be defined in terms of entitlement to benefit rather than because of an individual need, e.g. <i>“The provision of social benefits to all persons who are entitled without any formal requirement to participate as evidenced by the payment of contributions”</i> .</p>	
07	(a) B (b) B	<p>(a) Is the scope of this (i.e., excluding other transfers in kind, collective goods and services, and transactions covered in other IPSASs) appropriate?</p> <p>We broadly agree with the scope as described in the Consultation Paper, although we have the impression that the title of the Consultation Paper is not fully in line with this scope. The title refers to ‘social benefits’, whereas the scope seems to be limited to social benefits by public sector entities excluding employment-related social insurance benefits. In that regard, we think it would be clearer to define the title of the project ‘social benefits under social assistance and social security’ or ‘social benefits other than employment-related benefits’ to clearly distinguish it from benefits described under IPSAS 25. In saying that, it would be interesting to see how the rules under this CP would relate to the guidelines for employment-related benefits. If they would also be applicable to them, it may not be needed to have two separate sets of accounting standards. In that regard, we do not think</p>	Staff notes the comments regarding the title. Regarding the possibility of using this project to include employment-related benefits, staff notes that employment-related benefits

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>that transactions covered in other IPSASs should be excluded beforehand, but that these should be reviewed in conjunction with these new guidelines.</p> <p>Looking at the scope itself, we agree that it is appropriate to exclude 'collective goods and services' as these do not relate to individual households and consequently should not be regarded as social benefits. However, with regard to the exclusion of 'other transfers in kind', it is not fully clear to us what this would entail. Paragraphs 2.23 and 2.24 of the CP elaborate on that, but seem to contain some inconsistencies, at least in reference to the 2008 SNA. Paragraph 2.23 explains that "certain significant government expenditures for goods and services provided to individuals, and households fall outside of the SNA definition of social benefits" as they "cover other risks that would not impact on household's budget". It is stated that within the SNA these transfers are treated as "social transfers in kind". However, we don't think this is correct. "Social transfers in kind" are regarded as social benefits in the 2008 SNA (see 2008 SNA paragraph 17.79) and the two examples presented in paragraph 2.24 on health and education services are indeed treated as such in the SNA and should, in our view, be included in the scope of the project. Therefore, we think other examples should be included in the CP with reference to benefits "provided to individuals and households other than to protect against a social risk". By definition these types of benefits are not 'social transfers in kind' according to the 2008 SNA, but 'other current transfers' (SNA code D7). In this, one has to realise that the related amounts (with regard to benefits from government to households) are usually small.</p> <p>(b) Do the definitions in Preliminary View 1 provide an appropriate basis for an IPSAS on social benefits?</p> <p>Most of the definitions seem appropriate in our view. However, we think that two of them are too narrow as they already seem to be limited to the public sector. This is the case for the definition of 'social benefits in cash' and 'social benefits in kind' that state that these are paid "on behalf of a public sector entity". However, according to the 2008 SNA, social benefits can also be paid by employers, financial corporations (both only in cash) and non-profit institutions serving households (both in cash and in kind) (see paragraph 17.86). Furthermore, in relation to the scope of the project, we think it would also be good to include a definition of employment-related social insurance, to clearly distinguish it from social security (see also comment under 1a).</p> <p>More fundamentally, we think that additional definitions may be needed to provide further guidance to help determining when to recognize an obligation for social benefits. The definition of a liability that is used in the CP</p>	<p>arise out of contractual arrangements. This may result in different recognition or measurement to social benefits.</p> <p>Staff notes the comments relating to other transfers in kind.</p> <p>Staff notes the comments that the definitions of social benefits requires them to be paid on or behalf of a public sector entity, and that this differs from the GFS treatment.</p> <p>However, social benefits paid by or on behalf of third parties are outside the scope of this project as they do not give rise to an</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>refers to a 'past event' that creates a 'valid expectation'. This is defined in IPSAS 19 as "an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation". However, this may still give rise to interpretations, as various past practices may lead to varying expectations. It will in our view depend on the event in combination with the characteristics of the scheme whether it indeed leads to an accrual of an entitlement. Some expectations will be based on the combination of events that have already taken place (meeting necessary and sufficient eligibility criteria) and past practices or statements of government (giving rise to 'unconditional' expectations), whereas past practices or statements of government may also give rise to future expectations but with the knowledge that it still requires actions (or specific events) by the participants, such as tax or premium payments (giving rise to 'conditional' expectations). In the case of the 'unconditional' expectations, in our view an entitlement has indeed accrued for future benefits, whereas in the case of 'conditional' expectations the accrual will take place in the future, depending on other triggering events. We think it would be good to clearly distinguish between these two types of expectations and link them to the concept of accrual accounting. In our view, looking at the accrual principle, it will come down to the question whether a scheme creates a valid expectation of future entitlements on the basis of events in the current period. If the premiums (or taxes) or triggering events accrue an entitlement only for the same period, it will only give rise to a liability for the same period (a current liability that would be paid off within the next reporting period). However, if the premiums (or taxes) or triggering events accrue expected benefits for a point in time in the future, a liability will be created. As we think that the concept of accrual accounting is closely related to coverage and eligibility criteria of schemes, we think it may also be good to provide some clearer guidance on these concepts.</p> <p>[See Response #07 for additional examples provided in footnotes]</p>	<p>expense or liability of a public sector entity.</p> <p>Staff considers that comments relating to additional definitions will need to be considered when other SMCs are reviewed, and the approach or approaches that the IPSASB agrees to adopt will determine which (if any) additional definitions are required.</p>
08	(a) C (b) C	<p>(a) Scope</p> <p>No. We do not consider the scope of the CP to be sufficiently well defined or entirely logical. We assume that the intention is to exclude directly government-financed national health services, as otherwise it would follow that all government expenditure should be included. However, there are many different forms of legislated health insurance programs which are similar in nature to other social insurance programs and may involve cash payments towards prescriptions, medical consultations, reimbursement of medical costs, etc. To the extent that health-related services are collective goods and services or transfers in kind, they appear to be specifically excluded – but there is no clear distinction made between health insurance which reimburses monetary amounts</p>	<p>Respondent 08 does not consider that the scope of the CP is sufficiently well defined, and the specific comments</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>and health services which provide only benefits in kind. Sometimes benefits may take the form of services and sometimes financial contributions toward the cost of the service. Some of the same considerations apply to long-term care.</p> <p>In some countries, workers' compensation is a social benefit program but it is not clear from the scope of the CP whether or not this is included. Other government-supported social benefit programs in some countries include flood insurance, crop insurance, terrorism insurance and government intervention in case of earthquake, tsunami or other catastrophe peril. It is unclear whether these would be in scope.</p> <p>(b) Definitions</p> <p>In our view the definitions in the CP are unclear even with regard to pensions and similar provisions, because they include within social insurance some employer-sponsored benefit provisions (that which 'forms part of an employer-employee relationship'), which the Consultation Paper describes as 'employment-related'. The CP defines social insurance which arises "outside the employer-employee relationship" as social security. In our view this could create confusion, since in most jurisdictions social security is intimately connected to the employment relationship and benefits and contributions are contingent on employment status.</p> <p>We would prefer to see a clear distinction between social security on the one hand and 'employer-sponsored benefits' on the other, the latter referring to benefit programs where the government is acting as employer for public sector workers. Provision of pension and other benefits where a government is acting as the employer and providing benefit programs solely for government employees similar to those provided by non-government employers for their employees should not be included under this social benefit standard. However, in some countries programs for specific groups of public sector workers, such as civil servants, municipal employees, public utility companies are operated in much the same way as social security is operated in other countries, so provision may need to be made in the standards for employer-sponsored benefits for programs which operate as social security.</p> <p>The term 'social security' would then be confined to public benefit systems which apply to the whole population or significant sub-sections of the population, including both public and private sector workers or just private sector workers. These systems would in many countries arise in connection with the employer-employee relationship, i.e. by virtue or participation in the labour force. The term 'social insurance' should be used to define</p>	<p>about health services.</p> <p>Staff notes the comments regarding employer-related schemes. Staff considers that employer-sponsored benefits may be more clearly understood in some jurisdictions.</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>the subset of 'social security' where there is a close link between payment of contributions and receipt of benefits.</p> <p>Examples of "social insurance" would include unemployment benefits and contributory pension schemes with employee/employer contributions defined by legislation and which are a responsibility of public entity and not an individual employer (for example ATP [...] and CPP [...]). Membership of many such programs is contingent on being in employment.</p> <p>Long-standing definitions of social security exist in [international] publications and statistics and it would be useful to align the definitions in the standard with those as far as possible. In addition to the definitions given, Goods and Services should be defined if they are to be specifically excluded.</p>	
09	(a) C (b) C	<p>(a) We have reservations about the scope of the project, and in particular, that certain schemes that are in substance the same, may be treated differently. See our response to Preliminary View 1 [below].</p> <p>(b) We believe that the definitions are appropriate, but question the need for all the definitions, and have identified certain definitions that may require amendment or further explanation. See our response to Preliminary View 1 [below].</p> <p>Although not related to the types of social benefits within the scope of the Consultation Paper, certain aspects of the scope of the accounting and reporting requirements have not been considered in the Consultation Paper. In particular, derecognition is not discussed. Careful consideration will need to be given to the derecognition requirements for social benefit obligations as the project progresses.</p> <p>Response to Preliminary View 1:</p> <p>We broadly support the definitions, but have reservations about the following issues:</p> <ul style="list-style-type: none"> • the implications for the scope of the project based on the current definition of a social benefit; • whether all the definitions are needed, particularly those describing social insurance, social security and social assistance; • what a social risk constitutes and how it should be considered; • clarity on the application of the definitions of social benefits in cash and in kind; and • the classification of benefits when they are paid by an agent. 	<p>Staff notes the concerns regarding the scope of the project and the proposal to base the scope on eligibility rather than social risk.</p> <p>Staff notes the comments regarding the definitions. Staff supports the proposal to review the definitions as the project develops.</p> <p>As this respondent disagrees with the</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>These issues are discussed below.</p> <p>1. <i>Implication of definition of social benefits on scope of project</i></p> <p><u>Issue 1 – Potential inconsistent treatment of programmes that have the same economic substance</u></p> <p>The definition of social benefits makes it clear that only those benefits that are provided to mitigate social risks are in the scope of the Consultation Paper. The Consultation Paper also explains that “universal” benefit programmes, for example, free healthcare or free education provided to all, i.e. individuals or households do not need to meet any eligibility criteria to qualify for the service, are excluded from the scope of the Consultation Paper.</p> <p>We are concerned that this is going to result in potentially different accounting treatments for benefit programmes that are in substance the same. As a consequence of the definitions and the scope, some jurisdictions may treat these as social benefits in this Consultation Paper, while others will potentially apply the accounting proposed in the IPSASB’s project on non-exchange expenses, yet the substance of the good or service provided is the same. In both instances, government will need to procure the services of employees and the goods necessary to provide these benefits. As a result, there should be no difference in their treatment from an accounting perspective. We also believe that applying different accounting requirements, or even different IPSASs, may be overly complex.</p> <p>We urge the IPSASB to reconsider the scope to ensure that benefits or programmes that have the same economic substance are not treated differently. We suggest including those programmes that are in substance the same, e.g. healthcare and education, in the non-exchange expenses project.</p> <p><u>Issue 2 – Schemes that are both universal in nature and require the satisfaction of eligibility criteria</u></p> <p>We have identified a number of schemes where they include both a “universal” component, in that a certain amount of benefits are made freely available to all citizens, and thereafter additional goods and services are provided to eligible participants.</p> <p>As an example, each resident within a particular municipality is entitled to 6kL of free water per month as access to water is considered a basic human right. If more than 6kL of water is required by a resident, but they cannot afford to pay for the water, they can apply to receive additional water at a substantially subsidised rate. In these instances, residents need to meet certain eligibility criteria to qualify for the subsidised benefits. Where residents do not qualify, they are supplied with water at the applicable tariff charged by the municipality.</p> <p>It is unclear in these circumstances how the scheme should be classified.</p>	<p>scope of the project, staff considers they also disagree with fundamental definitions such as that of a social benefit.</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>We propose that the IPSASB includes guidance to accompany the definitions to explain that the substance of these arrangements needs to be considered, and whether they are predominantly a universal programme, or a social benefit as defined.</p> <p><i>2. Need for all the proposed definitions</i></p> <p>While the definitions are generally supported, it is questioned whether all the definitions are necessary. While some of the definitions may be useful in classifying information for statistical purposes in GFS, they do not assist in distinguishing or classifying transactions for accounting purposes. In addition, the number of definitions makes both definitions and scope difficult to understand.</p> <p>In particular, the definitions of social insurance, social assistance and social security appear to be “umbrella” terms for grouping together certain types of benefits or classifying types of entities. The main distinctions between these terms appear to relate to whether a scheme is contributory or not (social assistance versus social security); and when the scheme is contributory, whether it relates to an employer-employee relationship or not (social insurance).</p> <p>In our view, whether schemes are contributory may affect the potential accounting, but does not create a distinct feature that requires separate definitions. Likewise, we believe that the scope of any Standard developed could exclude any benefits dealt with in other Standards, such as those arising from employer-employee relationships, negating the need for a separate definition.</p> <p>As a result, we do not support retaining definitions of social insurance, social security and social assistance in developing an IPSAS. It may however be useful to discuss in the Basis for Conclusions, if an IPSAS is developed, that it is explained that these definitions were used as the starting point for the classification of social benefits in the GFS, and how they were used to derive the formal definitions in the proposed Standard.</p> <p><i>3. Considering “social risks” in identifying social benefits</i></p> <p>If the IPSASB retains the definitions and scope in the Consultation Paper in progressing the project, we have identified an area that requires clarification in relation to the definition of “social benefits”.</p> <p>One of the key features of the benefits which are within the scope of the Consultation Paper is that beneficiaries must demonstrate the benefits are provided to mitigate a social risk. The concept of a social risk is not well understood in the accounting community, and may lead to a high degree of judgement being applied if an entity needs to assess whether additional demands are being placed on an individual's or household's resources.</p>	

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		<p>Paragraph 2.43 explains when benefits might be provided to individuals and households. A core part of this discussion is that an individual or a household needs to be eligible to receive the benefit by meeting certain eligibility criteria. In our view, even a requirement to make contributions to be eligible for a benefit can be seen as a form of eligibility criteria.</p> <p>There may be merit in using the concept of meeting eligibility criteria to limit the scope of any IPSAS developed in this area, so as to move the focus away from assessing exposure to a social risk (which may be judgemental), to satisfying eligibility criteria (which is more definitive).</p> <p>We therefore suggest that the IPSASB consider limiting the scope of this IPSAS to only those benefits where eligibility criteria need to be satisfied.</p> <p><i>4. Clarity on the application of the definition “transfers in cash”</i></p> <p>Questions were raised during the consultation process on whether coupons or credits for certain goods and services would be classified as “in cash” or “in kind” transfers. While the Consultation Paper does mention this briefly, it should be clear in the definitions, or the explanatory text to the definitions, whether such items are in cash or in kind benefits.</p> <p>In addition, the definition of benefits in cash refers to the individuals or households being able to use the cash “indistinguishably” from other forms of cash. It is unclear why this reference is included in the definition, and whether or not it imposes yet another consideration on an entity to assess in distinguishing in kind and in cash benefits.</p> <p>Some stakeholders indicated that the rationale for separate definitions of in kind and in cash benefits is unclear. We have assumed that these may be necessary as the recognition and measurement approaches are developed, and possibly for presentational purposes. We ask the IPSASB to consider the relevance of these terms as the project progresses and whether they are in fact needed.</p> <p>It was also observed that the inclusion of a separate definition of reimbursements may be inappropriate as readers may believe it is a separate category of transactions, rather than being part of transfers in kind. We propose deleting the definition of reimbursements, and instead using this as a supplementary description to what is included in transfers in kind.</p> <p><i>5. Classification of benefits when paid by an agent</i></p>	

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>The definition of social benefits currently refers to benefits being paid to individuals or households by public sector entities. Frequently, other parties are used as disbursement agents. If read literally, it may imply that the payments are not made to the individuals or households but to another party.</p> <p>We suggest that a discussion be included in the future IPSAS outlining that agents may be used to disburse or provide benefits, but that this does not mean that they are not social benefits as defined.</p>	
10	(a) A (b) A	<p>(a) Scope Yes the scope of the CP is appropriate. Figure 2 articulates the scope well.</p> <p>(b) Definitions The definitions are clear and precise.</p>	Staff notes the support for the proposals.
11	(a) A (b) A	<p>(a) Scope We believe that the scope limitation proposed by the IPSASB is appropriate and agree with the proposal to deal with other transfers in kind and collective goods and services in a separate project on non-exchange expenses as the substance of such transactions, which do not aim to mitigate the effects of social risks, is different. We also welcome the closer alignment with GFS guidelines which is one of the IPSASB's strategic objectives.</p> <p>In addition, this limitation in scope would facilitate timely issuance of a standard on social benefits, which we strongly encourage as it will fill one of the most important remaining gaps in the suite of IPSAS standards. This will further enhance the relevance and usefulness of the IPSAS framework for governments, and therefore should contribute to the wider acceptability and adoption of IPSAS.</p> <p>(b) Definitions We believe that the definitions in Preliminary View 1 provide an appropriate basis for a standard on the accounting for social benefits.</p>	Staff notes the support for the proposals.
12	(a) B (b) A	<p>We generally agree with the scope of this CP. To avoid overlapping, the requirements specified in other IPSASs and issues considered under other IPSASB projects should be excluded from the scope of this CP. We believe that this CP fully explains this point.</p>	Staff notes the comment that additional clarification of the

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>In [our jurisdiction], however, “other transfers in kind” described in paragraph 2.23 of the CP might be implemented for the purpose of “protecting a particular segment of the population against certain social risks” as defined in the SNA.</p> <p>Under the mandatory education system, all of the pupils of elementary school age in [our jurisdiction] can receive public elementary education for free. The expenses for lunch (equivalent to 30 to 50 US dollars per month) provided at the schools, however, are partly incurred by the parents or guardians, with some subsidies from the government. School lunches have several objectives, such as maintaining and developing the health of pupils and enhancing their understanding of the importance of appropriate eating habits. The school lunch system functions as an important social risk-mitigation measure, as children in low-income families can take the meals they need during their growing years at a low cost. Does this system fall within the definition of “other transfers in kind?” If so, we should determine whether the system should be addressed in a non-exchange expenses project or social benefit project. In determining the relevant project, we believe that the scope of “other transfers in kind” should be clarified. This comment also relates to the “Specific Matter for Comment 6.”</p> <p>We believe that all of the definitions in Preliminary View 1 would be appropriate. It would be desirable to maintain consistency between the definitions in a future IPSAS on social benefits and the definitions in the Government Finance Statistics (GFS) in light of the policy paper on the Process for Considering GFS Reporting Guidelines during Development of IPSASs. We also believe that the definitions and explanations of terms in this CP, developed based on the definitions of terms in the GFS, would be consistent with the notion underlying the scope of this CP and could be incorporated in a future IPSAS on social benefits.</p>	<p>scope may be requires.</p>
13	(a) A (b) A	<p>We agree about the scope of the CP. We also believe that the definitions in Preliminary View 1 provide an appropriate basis for an IPSAS on social benefits.</p> <p>This is very much in line with how [our jurisdiction] has regarded these questions. We have generally built our routines and regulations on classification of social benefits (transfers and grants) in agreement with the SNA as much as possible. This of course makes it easier to report and classify for everyone involved, and also to without much recalculations or adaptations use the accounting information for statistical purposes.</p>	<p>Staff notes the support for the proposals.</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
14	(a) B (b) B	<p>(a) Scope of the CP</p> <p>We note that the IPSASB intends to address the issue of accounting for expenditure on items termed collective goods and services (e.g., national security) in a separate project on non-exchange expenditure, and support the proposed exclusion from this narrow-scope project at this time.</p> <p>We further note that IPSASB intends to address other (related) issues including presentation and disclosure matters after the IPSASB has reviewed responses to this consultation, and look forward to contributing to further discussions in due course.</p> <p>On this basis, whilst we agree that the scope of this CP is generally appropriate, we believe that it should not exclude social benefit contributions or benefits in kind (para. 6.12), where these are merely an alternative to cash transfers but otherwise equivalent.</p> <p>We appreciate the fact that as this Consultation Paper purposely has a narrow scope, it is important to have the particular issues addressed before advancing the project further.</p> <p>(b) Definitions</p> <p>With one exception, we accept that there is likely to be merit in a future IPSAS using the definitions already established in Government Finance Statistics (GFS), due to the fact that these should be familiar to many constituents. We agree that it would not be appropriate for the IPSASB to create different terminology or to devise different definitions without good reason.</p> <p>In our opinion it needs to be clear that for a social benefit scheme (or component of a scheme) to meet the definition of social insurance the scheme must: a) be designed as self-financing; b) actually prove to be self-funding over time, i.e. it is not, in substance, subsidized through transfers from other sources of revenue; and c) cover a specific risk or a similar set of risks. The IPSASB should be careful not to create a form of quasi-insurance; rather individual schemes need to be analyzed and, where applicable, insurance components separated from components that are subsidized by funding external to the scheme, such that the latter can be accounted for accordingly as social assistance.</p> <p>[Respondent 14] is not sufficiently familiar with the differences between IPSASs and GFS, but believes the Board will need to consider the different objectives of IPSAS and GFS (CF introduction, paragraphs 23-24) in exploring any need for further amendment to the GFS definitions.</p>	<p>Staff notes the comment that the scope of the project should not exclude social benefit contributions or benefits in kind. Staff notes that paragraph 6.12 only states that the insurance approach is not suitable where contributions in kind are received by a public sector entity; it does not suggest that contributions or benefits in kind are outside the scope of the project.</p> <p>Staff notes the comments regarding an insurance scheme. Staff considers that these comments</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>We generally agree with the IPSASB's preliminary view as to the descriptions cited above. However, in responding to SMC1, we provide comments on the definition of social insurance, since we believe that the insurance approach, whereby expected future liabilities are offset by expected future contributions, should be applied for schemes that are fully self-funding such that the level of benefits can be aligned to future contributions to which the entity will be entitled. We suggest that further clarification is needed to prevent (mis)application of the insurance approach to social benefit schemes that are, in substance, subsidized from other sources. Furthermore, for a particular scheme, there may be a component that is fully funded by an insurance mechanism (expected contributions will cover expected expenditures) but another part is expected to be covered by transfers from other sources of income, such as general taxation (the social assistance component). In terms of financial statement presentation, it is important that in these cases the insurance component and social benefit component be clearly distinguished from one another (much like certain financial instruments that have both a debt and equity component that need to be disclosed separately in the financial statements).</p> <p>We would also like to emphasize that pension obligations on the part of a public sector entity for that entity's own current and former employees should not fall within this project (see para. 2.18 and 2.34 of the CP). Consequently, the differentiation between social security (covered in this project) and social insurance arising from an employer-employee relationship (e.g., civil servant pensions covered in IPSAS 25, Employee Benefits) needs to be very clear, to prevent misunderstandings.</p>	may need to be taken into account when reviewing later SMCs dealing with the approach or approaches to be adopted.
15	(a) D (b) D	<i>No comments identified</i>	
16	(a) C (b) C	<p>For purposes of our comments on this Consultation Paper, we participated in the Task Group that was set up by [Respondent 09].</p> <p>Our comments are reflected in [Respondent 09's] comment letter as submitted to the IPSASB, and we will not submit a separate comment letter.</p>	See staff comments under Respondent 09
17	(a) A (b) B	<p>(a) Scope</p> <p>The explanations in the CP use the terms "employment-related social insurance" "fully financed by contributions" with reference to the limit of IPSAS 25 employee benefits in a way that is not completely clear to us. As we</p>	Staff notes the comments about the terms, and considers that

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>presently understand it, at the federal level only the PP (Occupational benefit plan) and any other ‘employee benefits’ from the Confederation as an employer must be shown under IPSAS standard 25.</p> <p>(b) Definitions</p> <p>In our judgement, the definitions in the CP do not correspond completely to the definitions used in [our jurisdiction] or internationally, which hinders the understanding of the CP. It should be noted in particular that the social insurances often encompass different types of benefits (and different calculation factors: see also Comment 13).</p> <p>Moreover, the CP only mentions the “invalidity insurance system” in Section A.33; explanations and examples in Appendix A are missing. However, we assume that the specific benefits of the disability insurance have a significant influence on the assessment of the methods. Wherever possible, we have accounted for this starting situation in our comments on the individual questions. [...]</p> <p>As mentioned in [Respondent 02’s] position on Specific Matter of Comment 2 (Section 4.1 a), the question arises of how to report social insurances in a pay-as-you-go system. As we understand it, the special features of a pay-as-you-go system should be stated precisely in the standard. When are accruals recognized (e.g. if the legal basis for the benefit entitlement changes)? From our present point of view we ask ourselves to what degree the IPSAS standard “Cash Basis” offers further details on accounting for a pay-as-you-go system. What is the difference between the terms “redistribution principle” (see Section 2.18) and “pay-as-you-go” (Sections 4.57 and A.34)? We recommend that a definition of “pay-as-you-go system” be included in the future standard. It is for the reason that a suitable approach has to be defined for social insurances that use a pay-as-you-go system.</p>	<p>these may need to be addressed with the definitions.</p> <p>Staff considers this respondent supports the scope of the project as they generally support the views of Respondent 02.</p> <p>Staff notes the comments regarding the definitions and the need for “pay as you go” to be defined.</p>
18	(a) A (b) A	<p>a). Is the scope of this CP (i.e., excluding other transfers in kind, collective goods and services, and transactions covered in other IPSASs) appropriate?</p> <p>Response: The scope of this CP is appropriate to the extent that it covers all other benefits that are not covered by another IPSAS, and also all kinds of social benefit that may arise in different jurisdiction. For example, this CP does not cover concessionary student loans which is deemed as a benefit as it is covered under financial instruments.</p> <p>(b) Do the definitions in Preliminary View 1 provide an appropriate basis for an IPSAS on social benefits?</p> <p>Response: Yes. The definition in Preliminary View 1 provides an appropriate basis for IPSAS on social benefits as its highlights the key elements that constitute social benefits. However, in addition to the key word ‘protect’, the</p>	<p>Staff notes the support for the scope and definitions, along with the drafting proposal.</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		definition can incorporate 'improve' as benefits go to improve the standard of living of individuals and the populace as a whole. Thus, the definition of social benefits should include both 'protection' and 'improving' standard of living.	
19	(a) C (a) C	<p>(a) Scope</p> <p>No, a broader reflection should be engaged about the notions of «Transfers» and «Intervention expenditure», in order to be consistent with IPSAS 23 requirements.</p> <p>(b) Definitions</p> <p>Cf. our above mentioned remarks in the cover letter [shown below].</p> <p>The proposed definition for social benefits is: "benefits payable to individuals and households, in cash or in kind, to mitigate the effect of social risks."</p> <p>Two concerns should be taken into account:</p> <ul style="list-style-type: none"> • "social risks" is a very imprecise concept; in the CP, those risks are defined as "events or circumstances that may adversely affect the welfare of individuals or households either by imposing additional demands on their resources or by reducing their income." That definition can cover a number of situations, that should more precisely be described in the CP; • the issues addressed in the CP could concern other entities than individuals or households, for example transfers to business enterprises or other public entities; in [our jurisdiction], notions like "transfers" and "intervention expenses" are currently used, with similar accounting approaches to social benefits; those issues should been addressed in the CP. 	<p>Staff notes that Respondent 19 disagrees with the proposed narrow scope of the project. Staff considers the scope proposed by Respondent 19 would encompass all non-exchange expenses, to mirror IPSAS 23.</p> <p>Staff notes the comments regarding social risks. Staff notes that the second definitional issue raised by Respondent 19 would be consistent with their proposed scope but not that of the CP.</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
20	(a) A (b) A	We are supportive of the scope.	
21	(a) A (b) A	<p>a) [Respondent 21] agrees that the proposed scope is appropriate. Concentrating on individuals has the effect of focussing on a coherent set of issues to help achieve a resolution, and probably addresses the more urgent gap in IPSAS standards. Broadening the scope to encompass both exchange and non-exchange transactions may make the development process more straightforward, and should help the Board to develop a treatment which reduces problems relating to edge cases.</p> <p>The other types of expenditure pose different reporting challenges and it makes sense to deal with them separately. Moreover, while collective goods and services are an important category of public sector expenditure, it is less clear to us that there is a significant gap in current reporting, and perhaps the main issue is in connection with the non-financial assets linked to this expenditure, which is substantially dealt with through the inclusion of service potential in the recognition of public sector assets.</p> <p>Even the reduced scope will stimulate significant debate on this important topic, and keeping the discussion focussed will help the Board to avoid undue delay.</p> <p>(b) The definitions in Preliminary View 1 generally provide an appropriate basis for an IPSAS on social benefits. However, we suggest that the word 'additional' should be deleted from the definition of social risks. As drafted, the implication is that social risks only arise where there is a change in the welfare of a household or individuals. This articulation may not be helpful if applied to circumstances which reflect long term poverty, or the circumstances of individuals born into conditions of deprivation. Social risks may also be subject to environmental factors and factors arising from technological innovation or societal change.</p>	<p>Staff notes the support for the scope of the CP.</p> <p>Staff notes the proposed drafting amendment to the definition of social risks.</p>
22	(a) A (b) A	<p>a) Yes, the scope of this Consultation Paper (CP) is appropriate.</p> <p>Reason(s):</p> <p>The Consultation Paper focuses on aspects of Public Sector Reporting i.e., social risks and benefits, not covered by other Standards. It captures the recognition and measurement of social benefits, which may or may not arise from exchange transactions but were preceded by social risks.</p>	Staff notes the support for the scope and definitions.

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>Whilst IPSAS 19 excludes social benefits arising from non-exchange transactions, IPSAS 25 deals with social benefits arising from exchange transactions. The Consultation Paper covers social risk, recognition and measurement of social benefits not covered by the aforementioned Standards.</p> <p>The inclusion of other transfers in kind and collective goods and services within the scope of this Consultation Paper will pose a challenge in recognition and measurement of the obligation and social benefits on the part of the relevant entities.</p> <p>b) Yes, the definitions in Preliminary View 1 provide an appropriate basis for an IPSAS on social benefits.</p> <p>Reason(s):</p> <p>A review of some of the examples of social benefits in Appendix A and practices within our jurisdiction illustrates the adequacy of the CP's definitions of the various categories of social benefits and thus provides an appropriate basis for IPSAS on social benefits.</p>	
23	(a) A (b) A	<p>In our view, we agree with the scope of the CP. We agree that collective goods need to be excluded from the scope of social benefits as they relate to goods and services provided to the entire population or a segment of the population such as national defense, fire protection etc. To add on, collective goods and services are consumed automatically by all or part of the population and are not normally subject to the satisfaction of the eligibility criteria.</p> <p>We also agree with the abovementioned definitions.</p>	Staff notes the support for the scope and definitions.
24	(a) B (a) B	<p>(1) Objective and scope for the measurements of social benefits</p> <p>Under sections 2.31 to 2.50, it is understood that the main purpose for measurement of social benefits falling in the category of "non-exchange transactions" is to provide the general public with transparent and useful information on the size and the financial situation related to social benefits. As the paper indicates, these social benefits in general often refer to a sizable proportion of the public expenditure in many countries and their delivery is the primary objective of many governments. This is an objective which [Respondent 24] welcomes as each country adopts its own social objectives and it needs to ensure the regular and sustainable financing that will enable delivering the social benefits expected in the long-term through its decisions and laws.</p> <p>It is noted that the selection of social benefits in the scope of the Consultation Paper is restricted to in cash and in kind social security benefits whereas your definition of "social security" is further explained as contributory social insurance that arise outside of an employer-employee relationships providing benefits to the community as a</p>	Staff considers that this respondent is, in general, supportive of the scope and definitions within the CP, but raises some issues for further consideration.

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>whole, or large sections of the community, and imposed and controlled by a government entity. [Respondent 24] welcomes that further work at a later stage will embrace the accounting of the social benefits not covered here.</p> <p>As highlighted in your historical perspective of previous similar projects submitted for public consultation, [Respondent 24] suggests carefully exploring the relevance of accounting for social benefits, namely when they fall under the general mandate of the state and are subject to regular revisions in line with political and conjuncture elements.</p> <p>(2) Non-recognition of non-contributory social benefits in public accounts</p> <p>[Respondent 24] appreciates that the project does not address what it considers as non-contributory social benefits that are usually financed from general revenues through annual budget laws and allocations which are in many ways similar to other public expenditure and budgetary items (such as education) and are the subject of potentially substantial adjustments in the future depending on the decisions of successive governments. Their discounting beyond a short- to medium-term horizon could be of limited reliability. We therefore welcome that such social benefits should not be recognized in the framework of public sector accounting.</p> <p>(3) Selective recognition of social benefits in public accounts</p> <p>We take note of the detailed definitions and nuances when addressing contributory social benefits, namely social insurance benefits, and which are consistent with GFSM 2014 and SNA 2008. This will assist in bringing coherence across the different practices areas. From our experience, social security / social insurance benefits (other than for public sector and government employees) are paid in return of social insurance contributions, earmarked specifically for specific benefits to be paid in the future conditional to the occurrence of certain risks and contingencies. They are usually managed through separate public or semi-public administrations such that inclusion into government budgeting frameworks varies across countries.</p> <p>[Respondent 24] notes how countries adopt at different points in time parametric or structural reforms when the financial sustainability as measured by actuarial estimates indicate a current or projected financial disequilibrium. This is especially relevant for long-term benefits such as old age, invalidity and survivors' pensions whose assessment require a long-term horizon extending for decades and with complex time lags between the time periods during which contributions are paid and the period over which benefits are paid out. While the reflection of the financial position of such long-term benefit schemes is important for public finances, care must be exercised not to distort the picture of their true financial position by adopting coherent accounting approaches in line with</p>	

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		actuarial techniques. One element of concern is the adoption of accounting methodologies that will reflect the effect of adopted reforms on the future financial position of the social security The situation of short-term social benefits may be different and would not require to be reflected into public accounts.	
25	(a) D (b) D	<i>No comments identified</i>	
26	(a) C (a) C	<p>[Respondent 26] appreciates the efforts of the IPSASB to ensure that the project is not too unmanageably wide, and that alignment occurs as much as possible with the GFS. However, we believe that the proposed scoping is:</p> <ul style="list-style-type: none"> • Insufficiently clear • Creates boundary issues with other standards (both current and proposed) • Invites the possibility that transactions with similar economic substance will be treated differently. <p>Insufficiently Clear</p> <p>Clarity issues in the scope of the proposed definitions involve:</p> <ul style="list-style-type: none"> • reliance on the term “social risks” which means that only benefit payments made to address “events or circumstances that may adversely affect the welfare of individuals and households” (per GFS definition) are included within the scope. There seems little rationale to exclude benefit payments being made to take advantage of opportunities. Such a distinction would require preparers and auditors to debate this distinction, for example whether a job seeker benefit provides an opportunity to the recipient or reduces their risk. Such debates have little merit in affecting accounting treatment. • the distinction is unclear between social benefits in kind (in scope) and other transfers in kind (not in scope). • the proposed definition of social benefits being limited to benefits being provided to individuals and households, whereas the proposed definition of social benefits in kind brings into scope the reimbursement for the costs incurred for the provision of benefits in kind, which may be paid to corporates. • the distinction between collective i.e. benefit payments related to public goods and services, and households i.e. benefit payments for the benefit of households is conceptual rather than an operationally practical distinction. Most public goods have private aspects and vice versa. 	<p>Staff notes that this respondent disagrees with the scope of the CP, and consequently with the definitions.</p> <p>The alternative approach suggested is discussed in the Issues Paper.</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p><i>Boundary Issues</i></p> <p>As a consequence of the insufficient clarity of the definitions, if they stand, preparers and auditors will be trapped into resource wasting debates as to whether items are in or out of scope, and thus whether the putative Social Benefit standard applies, in contrast to IPSAS 19, or the standard that results from the non-exchange expense standard or some other standard.</p> <p><i>Possibility of dissimilar treatments</i></p> <p>Not only are such avoidable costs unwelcome, the risk is exacerbated that transactions with similar economic substance will be treated differently and that transactions with dissimilar economic substance will be treated the same, leading to reduced reliability and understandability of the financial statements.</p> <p>In seeking a way to meet the IPSASB's desire to have a manageable project, [Respondent 26] suggests that it would be helpful to focus less on the community purpose of the expenditure, and more on the economic impact of the expenditure on the entity reporting, i.e. on the rights and obligations for the entity arising from social benefit. It seems to [Respondent 26] that this would be more in accordance with IPSASB's own conceptual framework.</p> <p>There are a limited number of possibilities under this approach:</p> <ul style="list-style-type: none"> • Social benefits may be distributed with no residual rights retained by the public sector entity. Most income support payments will be in this category. If the ex ante criteria is met, the benefit is income to the beneficiary and the public sector entity has no rights or controls over how the beneficiary will spend it. • Social benefits may be distributed with implicit ex post residual rights retained by the entity. This is most often effected through grant payments. If the grant is not used as intended, then the relationship between the grantor and grantee may change in the future, but any resulting consequences are not explicit at the time of the grant. • Social benefits may be distributed with some explicit ex post residual rights retained by the entity. This is most often effected through a voucher system. The ex ante criteria are required before a voucher is issued, but only if the voucher is used ex post as intended, will the voucher be reimbursed by the public sector entity. • Social benefits may be distributed without transferring any rights to the recipient. The individual recipient has little or no say in what services are provided, when or at what price. In such cases the in-kind services 	

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>are controlled directly by the public sector entity. This may for example be the case with health and education services (and provides a much better basis for their exclusion if that is what IPSASB desires).</p> <p>The economic substance of these four sets of transactions is different. It is feasible and practical to differentiate them. The IPSASB could clearly and validly decide which of these transactions should fall within this “Social Benefits” project and which of these transactions should be covered by the “Non-exchange expenses” project.</p> <p>In terms of alignment with GFS, [Respondent 26] suggests that the distinctions made in the GFS literature (e.g. to respond to social risks or to encourage social benefit, between social assistance and social security, between households and sectors supporting households etc) are matters of classification of items that may have a similar economic impact on the reporting entity. Consistency with the classification system of GFS should certainly be encouraged, but consistency with the classification decisions that statisticians make should not drive the scoping of IPSAS projects.</p> <p>If the approach we are recommending is taken, then a revised title, to better reflect the IPSASB’s scope, would be suggested. e.g. Transfer Expenses</p>	
27	(a) A (b) A	<p>There are both advantages and disadvantages to adopting the same definition in IPSAS as in Government Financial Statistics (GFS). The advantage is an increase in comparability between statistical reporting and the financial statements, which was a problem. However, this should not be at the expense of reducing the value of the financial statements. In this case we do not consider that such a risk exists. The definition in the GFS, which is what the IPSASB proposes, seems to be reasonable.</p> <p>However, it is a matter of interpretation when a particular benefit is considered to constitute a “social risk”. Every country has its unique form of transfers to households to address social risks and in some countries it may be the case that a larger proportion is dealt with through employment [...]. A standard should be principles-based so that it can be adapted to various conditions prevalent in these countries and our assessment is that the proposed definition allows this. Since all countries report their statistical outcome, which is based on the common definition in GFS, in all likelihood this should facilitate definition and interpretation of what is a social benefit. The proposal to exclude general central government commitments, such as defence, infrastructure, education, health etc. seems reasonable, as well as social benefits regulated through employment.</p>	<p>Staff considers that this respondent supports the scope and definitions within the CP.</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
28	(a) A (b) A	<p>(a) Scope</p> <p>[Respondent 28] thinks that the scope of the CP, already having been the subject of considerable debate within the IPSASB, is appropriate. We consider that, in particular, collective goods and services pose different accounting challenges to the provision of the benefits dealt with in this CP and agree that these issues should be dealt with separately. We also welcome the closer alignment to Government Finance Statistics that this restriction of scope brings.</p> <p>From a practical point of view, restricting the scope of the project should assist with its more timely conclusion. Concluding the social benefits project in the shortest time possible is especially important at a European level, where it has been argued that the lack of an IPSAS on social benefits reduces the applicability and usefulness of the IPSAS suite of standards as a whole.</p> <p>(b) Definitions</p> <p>[Respondent 28] believes that the definitions in Preliminary View 1 do provide an appropriate basis for an IPSAS on social benefits.</p>	<p>Staff notes the support for the scope and definitions, and the specific support for the alignment with GFS.</p>
29	(a) C (b) C	<p><u>Specific Matter for Comment 1(a)</u></p> <p>The scope of benefits considered in the Consultation Paper is narrower than the previous consultation paper and exposure draft. Although this has made it easier for the IPSASB to focus on a specific set of social benefits and has made the project more manageable, it also creates boundary issues, especially with the non-exchange expenses project. The boundary is important if there is different accounting between social benefits and non-exchange expenses.</p> <p>The accounting treatment should be consistent for similar transactions and events, irrespective of the project in which the IPSASB has chosen to consider the transaction or event. Given the desirability of consistent accounting for similar types of benefits (regardless of whether they address a social risk) it might have been better to deal with all non-exchange expenses in one project. For example, social benefits in kind and other transfers in kind give rise to the same issues. The scope of the Consultation Paper creates an artificial boundary between social benefits and non-exchange expenses. We encourage the IPSASB to monitor the direction of these two projects so that there is consistent accounting where appropriate.</p>	<p>Staff notes that this respondent disagrees with the scope of the project. Staff considers that the application of the scope and definitions to actual benefits will prove useful information for the IPSASB.</p> <p>Staff notes the comments made regarding</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>In order to engage with the proposals in the Consultation Paper, we have applied the Consultation Paper's proposed scope and definition to social benefits in [our jurisdiction]. We used the Government Finance Statistics classifications for social benefits in [our jurisdiction] to guide this process. Nonetheless, we have found distinguishing between social benefits, as defined in the Consultation Paper, and other non-exchange expenses quite difficult in practice. It has been hard to differentiate expenses within the scope of this project from expenses associated with other ongoing activities of the government such as education, housing etc.</p> <p>The Consultation Paper (paragraph 2.28) notes that the universal provision of services such as education and health is considered to be an ongoing activity of the government. In the System of National Accounts, providing these services does not give rise to an obligation prior to the delivery of services. This is an interesting concept as a primary purpose of the government is the provision of cash, goods and services for community and social benefit. We don't recognise liabilities for future obligations for ongoing activities because they are not present obligations. Any proposals to recognise liabilities for social benefit obligations must explain why those obligations are present obligations rather than future obligations. This means that we need to consider what is different about this subset (social benefits) of government promises to households and individuals.</p> <p>We can illustrate some of the difficulties we have experienced in determining what would fall within the scope of the Consultation Paper by looking at [our] Superannuation and education. [Our] Superannuation, which is a benefit provided to people aged 65 and over, falls within the scope of the Consultation Paper. By contrast, free education for children aged between 6 to 16 is outside the scope of the Consultation Paper. However, both [our] Superannuation and free education provide support to individuals so that they can either buy essential services, or receive essential services. We are not sure of the merits of considering these two form of assistance separately.</p> <p>The Consultation Paper (paragraph 2.27) notes that the System of National Accounts identifies different categories of social benefits with potentially different economic consequences for a public sector entity. The Consultation Paper explains that the differing consequences result in different treatment within the System of National Accounts, and might justify different accounting requirements with a future IPSAS. The Consultation Paper further discusses this in paragraph 2.29 where it considers it possible that different factors may arise in the recognition and measurement of transactions that address specific social risks and those transactions that do not. Although we understand that using the Government Finance Statistics definition of a social benefit has made it easier for the IPSASB to identify a specific group of benefits for consideration in this project, we do not think that this should be</p>	<p>improvements to the definitions. Given this respondent's view of the scope of the project, staff considers that they also disagree with fundamental definitions such as that of a social benefit.</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>used to justify different recognition and measurement requirements for transfers in kind which may be very similar in nature.</p> <p><u>Specific Matter for Comment 1(b)</u></p> <p>The definitions used in the Consultation Paper come from the System of National Accounts and Government Finance Statistics. Some constituents will not be familiar with the statistical definitions and classifications. Therefore, we would suggest that guidance on the definitions and classifications would be required in a standard. In particular, we think that more guidance would be required on “an event or circumstances that may adversely affect the welfare...”. As we have noted above, we found it difficult to apply the definitions in practice.</p>	
30	(a) A (b) B	<p>(a) Scope</p> <p>Yes, the scope of this CP appears to be appropriate.</p> <p>(b) Definitions</p> <p>The definition of social benefits needs to comprise not just benefits provided to mitigate the effect of social risks, but also creation of social opportunities for socially or economically disadvantaged individuals or households. In many cases, there may be no real social risk that a benefit mitigates, but it would certainly create social opportunities for development e.g. providing bicycles to girl children so that they attend school. Not providing a bicycle need to necessarily expose a girl child to social risk, but certainly provides enhanced social opportunities for individual development.</p> <p>It may also be appropriate to include “groups of individuals” and “groups of households” along with “individuals and households” as the target recipients of social benefits. In certain cases, governments may provide social benefits to a group rather than an individual/household for efficiencies or better impact. E.g. Self Help Groups in the [our] context, in [certain] states.</p> <p>A definition of who or what constitutes a household may be helpful too</p>	Staff notes the comments regarding the definitions.
31	(a) D (b) D	<p>(a) Scope</p> <p>We believe that it is important that the International Public Sector Accounting Standards Board's (IPSASB) position for recognizing and measuring non-exchange social benefits is conceptually consistent with the position that the board will take relating to its current project for recognizing and measuring other non-exchange expenses. The objective of the non-exchange expenses project is to develop a standard(s) that will provide recognition and</p>	Staff notes the comments that the scope of this project should be aligned with that of

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>measurement requirements that are applicable to non-exchange transactions, with the exception of social benefits. As the board develops these two standards, it is essential that they are consistent to avoid differences in the recognition treatment for conceptually similar programs and the user confusion that would likely result. We urge the board to consider the extent to which the standards for non-exchange social benefits and other non-exchange expenses should be developed in tandem.</p> <p>(b)</p> <p>We do not have specific comments on the definitions.</p>	<p>the non-exchange expenses project. Staff does not consider that this respondent had expressed a view on the scope of this project in isolation.</p>
32	(a) C (b) C	<p>(a) Scope</p> <p>[Respondent 32] considers the proposed scope is problematic. [Respondent 32] describes this issue as “problematic” as it does not believe recognition of liabilities in financial statements is appropriate for non-cash social benefits (refer our above general comments about long-term fiscal sustainability).</p> <p>The adoption of a narrow definition of Social Benefits as “Benefits provided to individuals and households, in cash or kind, to mitigate the effect of social risks” results in exclusion of some key social assistance provided to citizens by governments such as health and education. The CP posits that a large number of government expenditures such as universal health care and education services do not address social risks, i.e. they do not affect the household budget. In practice expenses incurred for health care and education can significantly affect household budgets.</p> <p>In [our jurisdiction], health care is available to all citizens. Citizens are reimbursed through the health care system set amounts for particular medical conditions covered under scheme. Under the CP, these costs for health care would be excluded. However, sickness allowance payments made as social assistance would be included. Two scenarios are provided below to explain the complexities that may arise in implementation of this proposal.</p> <p>Scenario 1- A person may be ill and unable to work for a period but the person is employed and so his/her house budget is essentially not affected. The individual would receive health care reimbursements (Medicare rebate) through the health care system but this form of social assistance in kind would be deemed out of scope under the scope and definitions proposed in the CP.</p>	<p>Staff notes that this respondent disagrees with the scope of the project because “does not believe recognition of liabilities in financial statements is appropriate for non-cash social benefits”</p> <p>Staff notes the comments regarding different medical benefits, some of which are in the scope of this project and some</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>Scenario 2 - In another scenario, a person who is medically unwell and receives social assistance such as sickness allowance payment would be considered to be within scope because the sickness allowance is a form of social assistance provided to an individual to meet medical costs. However, medical bills incurred on the person's behalf by government as well as the Medicare rebate to the individual would be deemed out of scope under the proposals in the CP.</p> <p>Two social benefits that are in substance the same, both providing social benefits for medical reasons to citizens, will be treated differently for recognition of liabilities. The health care rebate could collectively represent significant transfers from government as social assistance but the liabilities will be excluded under the current proposal, however, the sickness payment will have its liabilities recognised. The two scenarios could cause confusion for constituents and users of financial statements.</p> <p>If the purpose of this paper is to provide information about government's future obligations for social assistance, then all forms of social assistance should be comprehensively considered. Partial information about some social benefit liabilities in financial statements could present an unjustifiably favourable financial position and mislead users into making incorrect policy and resource allocation decisions.</p> <p>(b) Definitions</p> <p>[Respondent 32] considers the definitions in Preliminary View 1 do not provide appropriate basis for an IPSAS on recognising liabilities for social benefits.</p> <p>The definitions included in this CP are largely aligned with definitions in the Government Financial Statistics (GFS), are logical and achieve greater consistency, and thus are a reasonable basis of analysis. GFS uses these definitions to classify schemes.</p>	<p>of which are outside the scope of this project. Staff considers that the concerns raised will be addressed by the non-exchange expenses project. The IPSASB may also wish to consider whether alignment of the effective dates of the future IPSASs would be desirable.</p>
33	(a) B (b) B	<p>(a) Scope</p> <p>The scope of the CP is reasonable. The relatively narrow definition of social benefits should facilitate a timely conclusion to this important project and capture the essence of what social benefits entail.</p> <p>The definition in the CP makes no distinction between social benefits that are exchange transactions and those that are non-exchange transactions (with the exception of employee benefits), although those benefits provided through exchange transactions are more likely to be covered by other standards. The final standard should be explicit as to whether it only relates to non-exchange transactions or to both (as made clear in the original 2008 definition (2.8)). If exchange transactions are included, the issue of whether they should be dealt with by this or</p>	<p>Staff notes that this respondent generally supports the scope and definitions within the CP.</p> <p>Staff also notes the respondent's</p>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
		<p>another standard will need to be considered. It will therefore be of the utmost importance for IPSASB to complete the work it is doing on the standards on exchange and non-exchange transactions to ensure that the suite of standards meets the financial reporting needs of government entities.</p> <p>The gathering of empirical evidence and the carrying out of detailed case studies as described above will inform decisions about the scope and definitions to be applied to the new standard. The detailed case studies should apply different scope criteria to assess the varying impact that social benefit liabilities have on the statement of financial position.</p> <p>(b) Definitions</p> <p>The definitions are an appropriate basis for an IPSAS on social benefits, although as noted above, it is not very clear in the CP whether the proposed IPSAS on social benefits relates to social benefits that are purely non-exchange. For example, the definition of social benefits would include employee benefits (which are exchange transactions), but these are only excluded from scope as they are covered by another standard. Whether exchange transactions are included or not, and if they are, the basis on which they are dealt with by other standards rather than this standard (or vice versa) should be clarified.</p>	<p>comments regarding the distinction between exchange and non-exchange transactions. This issue was raised in the Issues Paper (see SMC 6), and will be considered at the June 2016 meeting.</p>
34	(a) A (b) A	<p>(a) Scope</p> <p>Yes. The scope of this CP (i.e., excluding other transfers in kind, collective goods and services, and transactions covered in other IPSASs) is appropriate.</p> <p>(b) Definitions</p> <p>Yes. The definitions in Preliminary View 1 provide an appropriate basis for an IPSAS on social benefits. However, I understand that Social Benefits depends of Government Programs by citizens, independent if federal, state or local government.</p> <p>Although, I observe complexity to integrate internationally, so, I suggest for the Board's if agrees, that consults in the Key International Regulators and International Organizations, to know which is percentage of national budget the countries spend with social benefits in each area by region, for this, can be option to mitigate impact of social risks in the Financial Statements for public sector and to attend IPSASs.</p>	<p>Staff notes the comment regarding consultation with regulators and international organizations.</p>

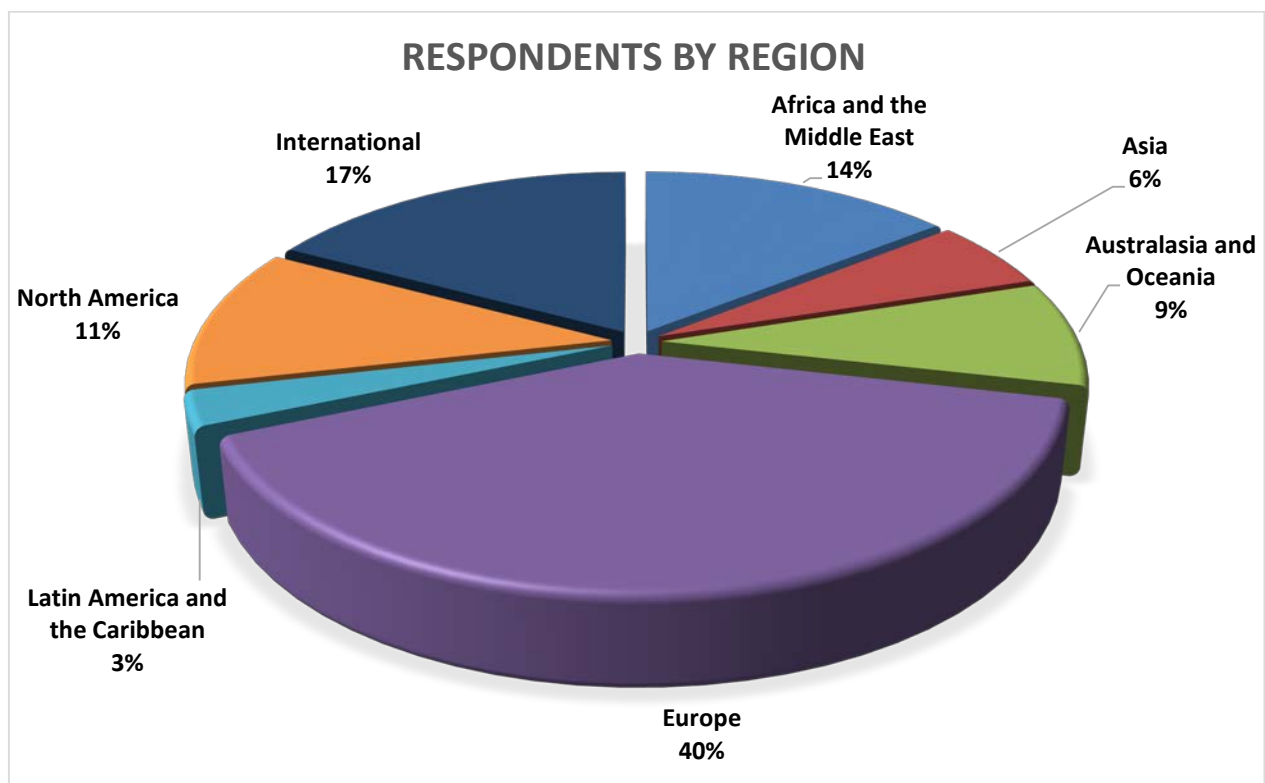
R#	C #	RESPONDENT COMMENTS Specific Matter for Comment	STAFF COMMENTS
35	(a) A (b) B	<p>Generally, the definitions in this CP on Social Benefits can be agreed upon.</p> <p>However, to the definition of “Social Risk”, there have been some challenges related to some [of our] social benefits, here among [our] student grants scheme [...]. This is a benefit granted by the government for active students, due to their participation in educational schemes. The “Social Risk” is difficult to identify, as the benefit arguably has similarities to an employee relationship. The student, sort of, contributes in kind by studying, which can be compared to working. On the other hand, the benefit is meant to minimize the risk of future unemployment, or current risk of maintaining an appropriate level of welfare while studying, which is within the CP scope. [Our] student grants scheme and similar benefits have been suggested as within scope.</p> <p>Furthermore, there have been some challenges related to the categorizing (in or out of scope) of some [of our] injury benefits, due to considerations whether the benefits correlate to an employment relationship or not. [Our] injury insurance is provided either by a private insurance company, or through the employment relationship. The question arises, when the [...] government is the (former) employer, for instance the veterans-scheme of [our] Ministry of Defense. It is debatable, whether this would be categorized as a social benefit or part of an employer-employee relationship. These injury benefits have been suggested as being outside of scope, primarily based on the employment status.</p> <p>Social benefits are defined as services paid in cash or kind. Unemployment benefits are examples of a set of benefits, where the services are delivered to the individual as cash or kind. The cash can be received by unemployed individuals available to the workforce, when specific criteria have been met. One criterion is that the individual must attend certain programs with the purpose of getting a job. These programs can be seen as benefits in kind but the value is difficult to measure. The same schemes are registered as subsidies by the [...] GFS.</p> <p>Social benefits in kind are generally difficult to measure; there are no similar benefits to compare, the administration costs cannot be divided among the participants, and the number of participants is unknown until the day the program is initiated.</p>	<p>Staff notes the general support for the scope and definitions, and the concerns raised regarding the definition of social risk. The examples explain these concerns well.</p>

SOCIAL BENEFITS

Analysis of Respondents by Region, Function, and Language

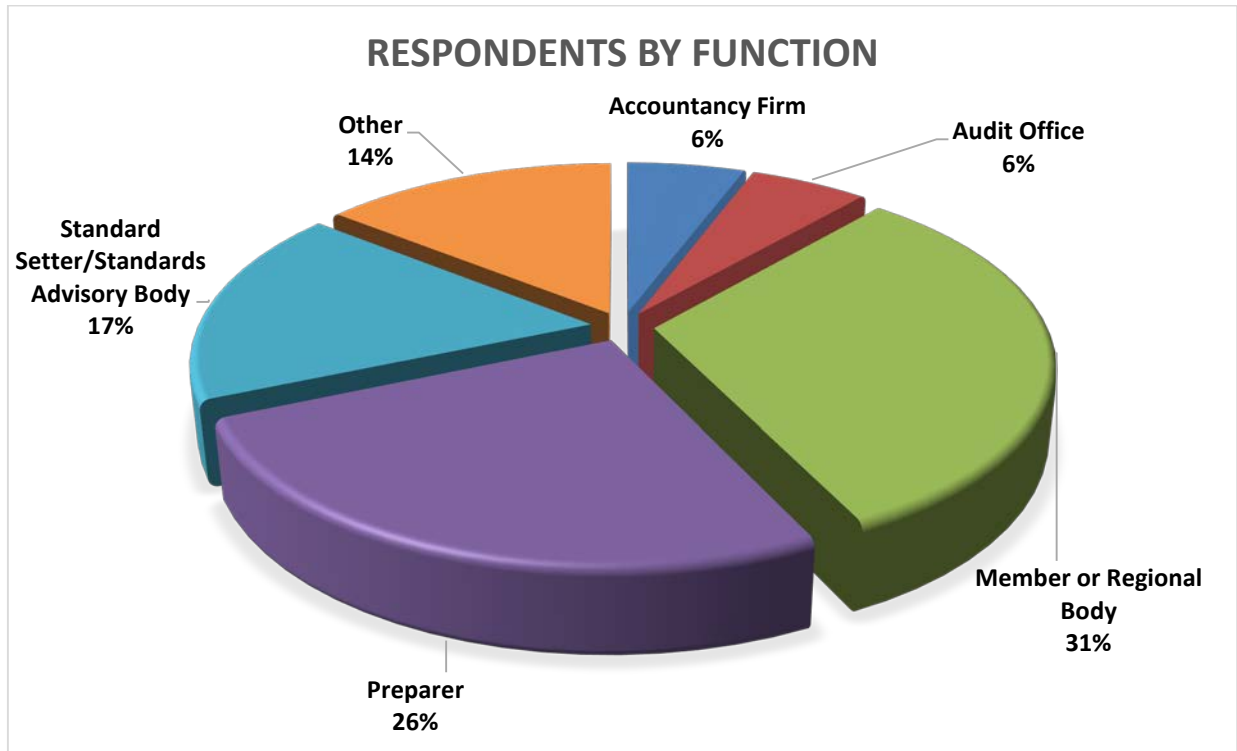
Geographic Breakdown

Region	Respondents	Total
Africa and the Middle East	09, 16, 18, 22, 25	5
Asia	12, 30	2
Australasia and Oceania	26, 29, 32	3
Europe	01, 02, 03, 05, 13, 14, 15, 17, 19, 20, 21, 27, 33, 35	14
Latin America and the Caribbean	34	1
North America	04, 06, 10, 31	4
International	07, 08, 11, 23, 24, 28	6
Total		35



Functional Breakdown

Function	Respondents	Total
Accountancy Firm	11, 23	2
Audit Office	19, 27	2
Member or Regional Body	12, 14, 15, 16, 18, 20, 21, 22, 28, 30, 33	11
Preparer	01, 04, 07, 17, 25, 26, 31, 32, 35	9
Standard Setter/Standards Advisory Body	02, 03, 09, 10, 13, 29	6
Other	05, 06, 08, 24, 34	5
Total		35



Linguistic Breakdown:

Language	Respondents	Total
English-Speaking	06, 18, 20, 21, 22, 26, 29, 31, 32, 33	10
Non-English Speaking	01, 02, 03, 05, 12, 13, 14, 15, 17, 19, 25, 27, 34, 35	14
Combination of English and Other	04, 07, 08, 09, 10, 11, 16, 23, 24, 28, 30	11
Total		35

