

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Kuala Lumpur, Malaysia

Meeting Date: December 4–7, 2018

From: Paul Mason

Agenda Item 6

For:

☒ Approval

☒ Discussion

☒ Information

COLLECTIVE AND INDIVIDUAL SERVICES AND EMERGENCY RELIEF

Project summary	The aim of the project is to develop a standard(s) that provides recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits.	
Meeting objectives	Topic	Agenda Item
Project management	Decisions up to September 2018 Meeting	6.1.1
	Instructions up to September 2018 Meeting	6.1.2
	Non-Exchange Expenses Road Map	6.1.3
Decisions required at this meeting	Outstanding Issues with Exposure Draft 67	6.2.1
	Approval of Exposure Draft 67	6.2.2
Other supporting items	Draft Exposure Draft 67, <i>Collective and Individual Services and Emergency Relief</i>	6.3

DECISIONS UP TO SEPTEMBER 2018 MEETING

Non-Exchange Expenses

Date of Decision	Decision
September 2018	The term “individual services” should be adopted, rather than the term “universally accessible services.”
September 2018	Include definitions of “collective services” and “individual services” in the core text of IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> , based on the descriptions in the first sentences in paragraphs AG2 and AG4 of the draft ED.
September 2018	The revised section of the draft ED should refer to emergency relief rather than disaster relief.
September 2018	The Public Sector Performance Obligation Approach (PSPOA) could be applied to some non-exchange expenses.
September 2018	Where the PSPOA is applied, this may involve the recognition of an asset for the right to have goods and services transferred to a third party.
June 2018	No additional disclosure requirements for collective services are required.
June 2018	Guidance on collective services will be provided as Application Guidance to IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> .
June 2018	The IPSASB confirmed its view that there is no obligating event related to non-exchange transactions for collective services.
June 2018	Additional guidance on disaster relief (which remains outside of the scope of social benefits following the decision to retain the reference to “social risks” in the definition of social benefits) should be provided in IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> .
June 2017	All decisions up to the June 2017 meeting were reflected in the Consultation Paper, <i>Accounting for Revenue and Non-Exchange Expenses</i> .

Agenda Item

6.1.2

INSTRUCTIONS UP TO SEPTEMBER 2018 MEETING

Non-Exchange Expenses

Meeting	Instruction	Actioned
September 2018	Redraft the <i>Collective and Individual Services and Emergency Relief</i> ED to discuss collective services and individual services separately; the IPSASB agreed that the accounting may be the same but considered the rationale for that accounting to be different.	Agenda Item 6.2.1 Agenda Item 6.3
September 2018	Add additional guidance related to the table in paragraph AG6, to explain the sequence as it applied to collective and individual services.	Agenda Item 6.2.1 Agenda Item 6.3
September 2018	Draft a Basis for Conclusions paragraph discussing the coverage of other standards.	Agenda Item 6.2.1 Agenda Item 6.3
September 2018	Provide a revised draft of the disaster relief section of the draft ED on Day 4 that focused on when a provision should be recognized over and above any liability to suppliers. This should cover cash transfers, goods and services and refer to the requirements on provisions in IPSAS 19.	
September 2018	Include a reference to emergency relief in the core text of IPSAS 19.	Agenda Item 6.2.1 Agenda Item 6.3
September 2018	Add "By contrast" at the beginning of paragraph AG20.	Agenda Item 6.2.1 Agenda Item 6.3
September 2018	Reconsider the reference to emergency relief not being ongoing expenditure, particularly in the context of some jurisdictions having relief agencies.	Agenda Item 6.2.1 Agenda Item 6.3
September 2018	Consider whether a government announcement or government action gives rise to a provision or contingent liability.	Agenda Item 6.2.1 Agenda Item 6.3
September 2018	Include a cross-reference to the guidance in IPSAS 19 on measurement uncertainty.	Agenda Item 6.2.1 Agenda Item 6.3
September 2018	Under the PSPOA, give further consideration to when a liability should be recognized (specifically whether this should be when a binding arrangement is entered into, or when the performance obligation has been satisfied).	To be discussed at a future meeting.
September 2018	Develop guidance on enforceability to reflect the subsequent discussions on the PSPOA in the context of the Revenue project.	To be discussed at a future meeting.
September 2018	Develop examples to illustrate the operation of the PSPOA.	To be discussed at a future meeting.

Meeting	Instruction	Actioned
June 2018	The IPSASB instructed staff to incorporate descriptions of collective services and universally accessible services (or another, more appropriate term for these transactions) in the Application Guidance. Definitions are not required.	
June 2018	The IPSASB instructed staff to consider amending the draft guidance in respect of collective services to refer to “resources” rather than “assets”.	
June 2018	The IPSASB instructed staff to amend the draft guidance in respect of collective services to clarify that liabilities only arise in respect of the purchase of goods and services.	
June 2018	In respect of collective services, the IPSASB instructed staff to include a lead-in to the Application Guidance, and Basis for Conclusion paragraphs that provide the context for including the guidance in IPSAS 19.	
June 2018	The IPSASB instructed staff to consider practical examples alongside the conceptual analysis of the PSPOA.	
June 2018	The IPSASB instructed staff to further develop the conceptual basis for applying the PSPOA to non-exchange expenses, focusing on the possible existence and nature of an asset. Staff should also provide options for the IPSASB to consider if it decides that the resource provider does not have an asset for the service potential represented by the goods or services to be transferred by the resource recipient.	
June 2018	The IPSASB instructed staff to ensure that the further development of Step 1 (identify the binding arrangement) and Step 2 (identify performance obligations) for revenue transactions were equally appropriate for non-exchange expense transactions.	
June 2018	With regards to the additional guidance on disaster relief, the IPSASB instructed staff to consider the application of emergency relief provided in some jurisdictions.	
March 2018	The IPSASB instructed staff to review the responses regarding the public sector performance obligation approach (PSPOA) again once the IPSASB has agreed a future direction, to see whether this direction addresses some of the concerns raised.	
March 2018	The IPSASB instructed staff to develop the non-exchange expenses side of the revenue examples relating to the PSPOA.	

Meeting	Instruction	Actioned
March 2018	<p>The IPSASB instructed staff to:</p> <ul style="list-style-type: none"> • Develop clear definitions of collective services and universally accessible services, taking into account the responses to ED 63. • Develop clear descriptions of how the three way relationships (resource provider, resource recipient and beneficiaries) give rise to assets, liabilities, revenue and expenses for collective services and universally accessible services. The IPSASB considered that collective services should be more straightforward, and should be addressed first. This should include draft paragraphs for an ED. • Review the previous papers to draw on previous work and examples dealing with these issues. 	
December 2017	As part of the review of the Work Plan, the IPSASB instructed staff to consider non-exchange expenses as two separate streams, <i>Collective and Individual Services</i> , and <i>Grants and Other Transfers</i> .	
December 2017	The IPSASB requested staff consider how the Specific Matters for Comment and Preliminary Views relate to the different revenue and non-exchange expenses project streams.	
June 2017	All instructions up to the June 2017 meeting were reflected in the Consultation Paper, <i>Accounting for Revenue and Non-Exchange Expenses</i> .	

Agenda Item

6.1.3

NON-EXCHANGE EXPENSES ROAD MAP

Meeting	Objective: IPSASB to consider:	
	Collective and Individual Services	Grants and Other Transfers
December 2018	1. Review of draft ED 2. Approval of ED	1. Discussion of issues (as part of time requirements discussion)
March 2019	Consultation Period	1. Discussion of issues 2. Review first draft of proposed ED
June 2019		1. Review of draft ED
September 2019	1. Review of responses 2. Initial discussion on issues raised 3. Review first draft of proposed IPSAS	1. Review of draft ED 2. Approval of ED
December 2019	1. Review of draft IPSAS 2. Approval of IPSAS	Consultation Period
March 2020		
June 2020		1. Review of Responses
September 2020		1. Initial discussion of issues raised
December 2020		1. Further discussion of issues raised
March 2021		1. Review first draft of proposed IPSAS
June 2021		1. Review of draft IPSAS 2. Approval of IPSAS

Agenda Item

6.2.1

Outstanding Issues with Exposure Draft 67

Questions

1. The IPSASB is asked to agree staff's recommendations on the revised drafting of Exposure Draft (ED) 67, *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19), or to provide alternative drafting.

Detail

2. At its September 2018 meeting, the IPSASB discussed a draft of ED 67. The IPSASB made a number of decisions, and gave a number of directions to staff regarding the drafting of ED 67.
3. At the IPSASB's September 2018 meeting, a small group of members volunteered to review a revised draft of ED 67. The draft of ED 67 included at [Agenda Item 6.3](#) has been further revised to reflect the comments received from that group. Changes made to the draft of ED 67 since the September 2018 meeting are shown in mark-up. A clean version of ED 67 is available from staff on request.
4. The following table sets out the significant changes identified by staff. The IPSASB is asked to agree these changes.

Paragraphs (in IPSAS 19)	Changes made
6A, 18, 18A	Definitions of collective services and individual services have been added to the core text of IPSAS 19. Cross references to the Application Guidance paragraphs have been added for both collective and individual services and emergency relief.
AG7 AG23 BC17	Additional guidance on distinguishing between collective services, individual services and social benefits has been added. The guidance provided is in the reverse order to the table in AG6, as some members indicated that this would be helpful. The guidance in respect of emergency relief is restated in that section of ED 67.
AG10–AG12 (Collective services) AG13–AG16 (Individual services) BC11–BC13	The rationale for not recognizing a provision for a collective service has been separated from the rationale for not recognizing a provision for an individual service. The revised rationale for collective services is that “any obligations that may arise for collective services are not independent of the entity’s future actions.” The rationale for individual services remains the same. Greater emphasis to an entity’s ability to defer the provision of services has been included, and the additional guidance that “satisfaction of the eligibility criteria by an individual prior to the individual service being accessed does not give rise to a liability” has been added.
AG18	Additional guidance that financial liabilities are accounted for in accordance with IPSAS 41, <i>Financial Instruments</i> has been added.

Paragraphs (in IPSAS 19)	Changes made
AG19	The guidance on situations where there is no specific IPSAS that addresses the transaction has been amended to refer to IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .
AG20–AG22	Guidance has been added on the application of IPSAS 1, <i>Presentation of Financial Statements</i> to collective and individual services.
AG25–AG32 BC19	The guidance on accounting for emergency relief has been extended to distinguish between emergency relief that is an ongoing obligation of government, and emergency relief that is not an ongoing obligation of government, based upon whether there is existing budgetary provision for the emergency relief.
AG33–AG35	Guidance has been added on the application of IPSAS 1 to emergency relief.
IPSAS 42, 5A and 36A	An amendment to IPSAS 42 has been added to provide a cross reference to the guidance included in ED 67.

5. Additional minor changes have been made to the text, either in response to comments received or to ensure consistency with the changes discussed above. The IPSASB is asked to review these changes and raise any issues on an exceptions basis.

Decisions required

6. Does the IPSASB support the staff recommendations on the revised drafting of ED 67, *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19)?
7. Where the IPSASB does not support the staff recommendations, it is asked to provide alternative drafting.

Agenda Item

6.2.2

Approval of Exposure Draft 67

Questions

1. The IPSASB is asked to:
 - (a) Agree the Specific Matters for Comment (SMCs) to be included in Exposure Draft (ED) 67;
 - (b) Review any parts of the ED not discussed under the previous Agenda Item;
 - (c) Approve ED 67 for issue; and
 - (d) Agree the consultation period.

Detail

Specific Matters for Comment

2. Staff is proposing the following SMCs:

Number	Specific Matter for Comment
1	Do you agree with the definitions of collective services and individual services that are included in this Exposure Draft? If not, what changes to the definitions would you make?
2	Do you agree that no provision should be recognized for collective services? If not, under what circumstances do you think a provision would arise?
3	Do you agree that no provision should be recognized for individual services? If not, under what circumstances do you think a provision would arise?
4	Do you agree with the proposed accounting for: <ol style="list-style-type: none"> (a) Emergency relief that is an ongoing obligation of government; and (b) Emergency relief that is not an ongoing obligation of government? If not, how do you think emergency relief should be accounted for?

Consultation Period

3. Under the IPSASB's due practice, the normal consultation period is 120 days (effectively four months). Assuming the ED is issued towards at the end of January (alongside IPSAS 42, *Social Benefits*), this would result in a consultation period ending May 31, 2019.
4. Taking into account the IPSASB's cycle of meetings, staff considers that it would be possible for the consultation period to extend to the middle of June 2019 without impacting the preparation of Agenda Items for the September 2019 meeting.

Decisions required

5. Does the IPSASB support the SMCs proposed by staff? If not, what SMCs should be included in the ED?
6. Are there any sections of the ED that the IPSASB considers need to be further reviewed?
7. The IPSASB is asked to approve ED 67.
8. The IPSASB is asked to decide the consultation period for ED 67.

Exposure Draft 67
[Issued]
Comments due: [Date]

IPSAS®

*Proposed International Public Sector Accounting
Standard®*

Collective and Individual
Services and ~~Disaster~~
Emergency Relief
(Amendments to IPSAS 19)

IPSASB

International Public
Sector Accounting
Standards Board®



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The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective the IPSASB sets IPSAS® and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

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REQUEST FOR COMMENTS

This Exposure Draft, *Collective and Individual Services and ~~Disaster-Emergency~~ Relief* (Amendments to IPSAS 19), was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by [DATE].**

Respondents are asked to submit their comments electronically through the IPSASB website, using the [“Submit a Comment”](#) link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

This Exposure Draft forms part of the IPSASB’s project on Non-Exchange Expenses.

Objective of the Exposure Draft

The objective of this Exposure Draft is to propose improvements to the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about collective services, individual services and emergency relief.

Guide for Respondents

The IPSASB would welcome comments on all of the matters discussed in this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

The Specific Matters for Comment requested for the Exposure Draft are provided below.

Specific Matter for Comment 1:

Do you agree with the definitions of collective services and individual services that are included in this Exposure Draft?

If not, what changes to the definitions would you make?

Specific Matter for Comment 2:

Do you agree that no provision should be recognized for collective services?

If not, under what circumstances do you think a provision would arise?

Specific Matter for Comment 3:

Do you agree that no provision should be recognized for individual services?

If not, under what circumstances do you think a provision would arise?

Specific Matter for Comment 4:

Do you agree with the proposed accounting for:

(a) Emergency relief that is an ongoing obligation of government; and

(b) Emergency relief that is not an ongoing obligation of government?

If not, how do you think emergency relief should be accounted for?

COLLECTIVE AND INDIVIDUAL SERVICES AND **DISASTER** **EMERGENCY** RELIEF (AMENDMENTS TO IPSAS 19)

CONTENTS

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COLLECTIVE AND INDIVIDUAL SERVICES AND **DISASTER EMERGENCY** RELIEF (AMENDMENTS TO IPSAS 19)

Objective

1. The objective of this Exposure Draft (ED) is to propose amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, to provide guidance on accounting for collective and individual services and **disaster-emergency** relief. These transactions were previously encompassed in the wide description of social benefits ~~included~~ in IPSAS 19. Following the publication of IPSAS 42, *Social Benefits*, the IPSASB has adopted a narrower definition of social benefits that excludes collective and individual services and **disaster-emergency** relief. Subsequently, the IPSASB decided to provide guidance for these transactions through the amendments proposed in this Exposure Draft
2. This ~~Exposure-draft~~ED forms part of the IPSASB's project to address non-exchange expenses.

Request for Comments

3. The IPSASB would welcome comments on all the changes proposed in the Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

IPSAS Addressed

<i>IPSAS Standard</i>	<i>Summary of Proposed Change</i>
IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Provide guidance on accounting for collective and individual services and disaster-emergency relief.
<u>IPSAS 42, <i>Social Benefits</i></u>	<u>Consequential amendment to provide a cross reference to the additional guidance included in IPSAS 19 for transactions outside the scope of IPSAS 42.</u>

EXPOSURE DRAFT 67, COLLECTIVE AND INDIVIDUAL SERVICES AND DISASTER-EMERGENCY RELIEF (AMENDMENTS TO IPSAS 19)

Amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*

Paragraphs 6A, 18A, 111HJ and AG1–AG35 are added and paragraph 18 is amended. New text is underlined

...

Scope

6A. This Standard applies to provisions for emergency relief. Paragraphs AG23–AG35 provide additional guidance on accounting for emergency relief.

Definitions

18. The following terms are used in this Standard with the meanings specified:

Collective services are services provided by a public sector entity simultaneously to all members of the community.

...

Individual services are goods and services, provided to individuals and households, by or on behalf of a public sector entity, that are intended to address the needs of society.

18A. Paragraphs AG2–AG22 provide guidance on accounting for collective services and individual services.

...

Effective Date

...

111HJ. Paragraphs 6A, 18A and AG1–AG35 AG28 were added and paragraph 18 was amended by [draft] IPSAS [X] [ED 67], *Collective and individual Services and Disaster-Emergency Relief* (Amendments to IPSAS 19), issued in [Month YYYY]. An entity shall apply these amendments for annual financial statements covering periods beginning on or after [MM DD, YYYY]. Earlier application is encouraged. If an entity applies the amendment for a period beginning before [MM DD, YYYY] it shall disclose that fact and apply IPSAS 42, *Social Benefits*, at the same time.

...

EXPOSURE DRAFT 67, COLLECTIVE AND INDIVIDUAL SERVICES AND DISASTER-EMERGENCY RELIEF (AMENDMENTS TO IPSAS 19)

Appendix A

Application Guidance

This Appendix is an integral part of IPSAS 19

Introduction

AG1. This Appendix provides guidance on accounting for collective and individual services, and on accounting for disaster-emergency relief. These transactions are non-exchange expense transactions that do not meet the definition of social benefits in IPSAS 42, *Social Benefits* (and are therefore outside the scope of that Standard) but which were previously considered to be social benefits by this Standard. This Appendix addresses the question of whether a provision needs to be recognized for these transactions before the services are delivered.

Collective and Individual Services

Scope of eCollective Services and iIndividual sServices

AG2. This Standard defines Ccollective services ~~areas~~ services provided by a public sector entity simultaneously to all members of the community. The provision of a collective service to one individual does not reduce the amount available to other individuals; there is no rivalry in the consumption of collective services. Consumption of collective services is usually passive and does not require the explicit agreement or active participation of those benefiting from the service.

AG3. Examples of collective services include street lighting and defense ~~services~~.

AG4. This Standard defines iindividual services ~~are-as~~ goods and services, provided to individuals and households, by or on behalf of a public sector entity, that are intended to address the needs of society. Public sector entities provide individual-such services ~~by purchasing goods-services~~ ~~from~~ through the labor of their employees or by purchasing goods and services from third party providers and delivering (or having the third party deliver) those goods or services to individuals or households. The provision of an individual service to one individual may reduce the amount available to other individuals, or may delay the receipt of those services by some individuals to comply with budgetary restrictions; there is generally-commonly rivalry in the consumption of individual services. Consumption of individual services requires the explicit agreement or active participation of those benefiting from the service, for example by attending a clinic or school.

AG5. Examples of individual services include healthcare services and education services.

AG6. The following table illustrates the distinction between social benefits, individual services and collective services.

EXPOSURE DRAFT 67, COLLECTIVE AND INDIVIDUAL SERVICES AND ~~DISASTER-EMERGENCY~~ RELIEF (AMENDMENTS TO IPSAS 19)

	Social Benefits	Individual Services	Collective Services
Involves a cash transfer <u>to the beneficiary</u> ?	✓	✗	✗
Provided to individuals rather than to a community?	✓	✓	✗
Addresses the needs of society?	✓	✓	✓

AG7. Social benefits, individual services and collective services all address the needs of society as a whole. This distinguishes them from some other services provided by government (for example, emergency relief which addresses the needs of specific individuals and households rather than the needs of society as a whole). Collective services are provided to a community rather than to individuals, which distinguishes them from individual services and social benefits. Individual services involve the provision of services to individuals and/or households, which distinguishes them from social benefits that involve cash transfers (including cash equivalents such as pre-paid debit cards).

AG7-AG8. In some jurisdictions, individuals may pay for services, for example healthcare, and subsequently be reimbursed by a public sector entity. The substance of these reimbursements is that the public sector entity is paying for the services, and the transaction is an individual service rather than a social benefit.

AG8-AG9. In some jurisdictions, a public sector entity may provide vouchers to individuals and households that can be subsequently exchanged for specific goods or services. The provider of the goods or services will be reimbursed by the public sector entity. The substance of these transactions is that the public sector entity is paying for the goods or services, and the transaction is an individual service rather than a social benefit, which is a cash transfer in accordance with the definition in IPSAS 42, Social Benefits.

No Provision Recognized for Collective Services

AG10. Paragraph 27 of this Standard states that it “is only those obligations arising from past events existing independently of an entity’s future actions (that is, the future conduct of its activities) that are recognized as provisions.”

AG11. Collective services are ongoing activities of the public sector entity that provides the services. Entities will have discretion as to the level of services provided, and/or the manner in which those services are provided. Consequently, any obligations that may arise for collective services are not independent of the entity’s future actions, and in accordance with paragraph 27 of this Standard, no provision is recognized.

AG12. In providing collective services, a public sector entity incurs expenses and acquires resources through exchange transactions. Examples include the electricity used in providing street lighting, the salaries paid to acquire the services of defense staff, and the acquisition of non-current assets used in delivering those services. These transactions are accounted for in accordance with other IPSAS, as explained in paragraphs AG17–AG19.

EXPOSURE DRAFT 67, COLLECTIVE AND INDIVIDUAL SERVICES AND ~~DISASTER EMERGENCY~~ RELIEF (AMENDMENTS TO IPSAS 19)

~~Accounting for collective and~~ No Provision Recognized for Individual sServices

AG9-AG13. Similarly, ~~in providing both collective services and~~ individual services, a public sector entity incurs expenses and acquires resources through exchange transactions. ~~For collective services, examples include the electricity used in providing street lighting, the salaries paid to acquire the service of defense staff, and the acquisition of non-current assets used in delivering those services. For individual services, e~~Examples include the electricity used in delivering services, the medical supplies used in delivering healthcare, the salaries paid to acquire the services of teachers and the acquisition of non-current assets used in delivering those services.

AG10-AG14. The public sector entity uses these resources to deliver ~~collective services and~~ individual services in non-exchange transactions. The public sector entity may have a number of future obligations relating to the provision of these ~~collective services and~~ individual services. Such obligations are an aspect of the ongoing activities of the public sector entity. However, only present obligations give rise to liabilities. The expected future sacrifice of resources does not of itself give rise to a present obligation. This is because, ~~although beneficiaries may have an expectation that collective services and individual services will be provided,~~ the public sector entity (the resource provider) can vary the level of such services so that the availability of those services may be limited, or the provision of those services deferred until such time that budgetary circumstances permit the delivery of those services. Consequently, no liability for the non-exchange transaction arises prior to the services being delivered, and the entity ~~only~~ accounts for the use of the resources as it delivers ~~collective services and~~ individual services. While an individual may meet the eligibility criteria to access an individual service, the public sector entity's obligation is a future obligation until such time as the service is accessed. Satisfaction of the eligibility criteria by an individual prior to the individual service being accessed does not give rise to a liability.

~~AG11. The public sector entity may incur liabilities for the purchase of goods or services used in providing collective services and individual services, for example where these goods or services are delivered prior to the entity making payment.~~

AG12-AG15. As a result, the consumption of the resource recognized through the exchange transaction and the expense recognized through the non-exchange transaction for the provision of ~~collective individual~~ services occur simultaneously, as these examples demonstrate:

(a) Consumption of electricity in providing ~~street lightings~~services. In the exchange transaction, the entity acquires a resource (the electricity) and accepts a financial liability to pay the electricity provider. In the simultaneous non-exchange transaction, the entity consumes the resource (the electricity) and recognizes an expense.

(a)(b) Consumption of medical supplies in providing healthcare. In the exchange transaction, the entity acquires a resource (the medical supplies, initially recognized as inventory) and accepts a financial liability to pay the supplier. In the non-exchange transaction, the entity consumes the resource (the medical supplies), derecognizes the inventory and recognizes an expense.

(b)(c) Consumption of services provided by ~~defense teachers~~staff. In the exchange transaction, the entity acquires a resource (the services) and accepts a financial liability to pay the staff. In the simultaneous non-exchange transaction, the entity consumes the resource (the services) and recognizes an expense.

EXPOSURE DRAFT 67, COLLECTIVE AND INDIVIDUAL SERVICES AND ~~DISASTER-EMERGENCY~~ RELIEF (AMENDMENTS TO IPSAS 19)

~~(e)~~(d) Consumption of non-current assets. In the exchange transaction, the entity acquires a non-current asset (for example, ~~street lights or aircraft~~ hospital) and accepts a financial liability to pay the provider. In the non-exchange transaction, the entity consumes the asset over time as it provides collective services; the entity recognizes an expense (depreciation or amortization) to reflect this consumption. The consumption of the asset reflects the provision of collective services, whether this is on a straight line basis (for example, ~~street lights~~ buildings) or on another basis such as usage of the asset (for example, ~~flight hours for aircraft~~ usage for medical equipment).

AG16. Where there is a simultaneous acquisition and consumption of a resource, an entity does not separately recognize the simultaneous acquisition and derecognition of the resource. Instead, the entity recognizes an expense for the consumption of the resource used in providing the collective services and individual services. Simultaneously, the entity recognizes a financial liability (or derecognizes cash where payment is made at the same time). These transactions are accounted for in accordance with other IPSAS, as explained in paragraphs AG17–AG19.

Recognition of Expense and Liability for Collective Services and Individual Services

~~AG13-AG17.~~ In recognizing an expense and a liability for collective services and individual services, an entity applies other IPSAS. These include, but are not limited to:

- (a) IPSAS 12, *Inventories*;
- (b) IPSAS 13, *Leases*;
- (c) IPSAS 17, *Property, Plant, and Equipment*;
- (d) IPSAS 31, *Intangible Assets*;
- (e) IPSAS 32, *Service Concession Arrangements: Grantor*; ~~and~~
- (f) IPSAS 39, *Employee Benefits*; and
- ~~(f)~~(g) IPSAS 41, *Financial Instruments*.

~~AG14. Where the provision of a collective service or an individual service gives rise to a provision or contingent liability, an entity applies this Standard.~~

AG18. The public sector entity may incur financial liabilities for the purchase of goods or services used in providing collective services and individual services, for example where these goods or services are delivered prior to the entity making payment. These financial liabilities are accounted for in accordance with IPSAS 41, *Financial Instruments*.

AG19. Where there is no specific IPSAS that addresses the transaction, an entity applies ~~the relevant international or national accounting standard dealing with the transaction. Where there is no international or national accounting standard dealing with the transaction, the entity applies the general principles of accrual accounting included in the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*.~~ the requirements on the selection and application of accounting policies in IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

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Presentation and Disclosure of Collective Services and Individual Services

AG20. An entity shall present and disclose information about collective services and individual services in accordance with other IPSAS, including IPSAS 1, *Presentation of Financial Statements*, and IPSAS 2, *Cash Flow Statements*.

AG21. IPSAS 1 requires an entity to “present, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is faithfully representative and more relevant.”

AG15-AG22. Where information is presented based on the nature of expenses, collective services and individual services will be included in items such as employee benefit costs. Where information is presented based on their function within the entity, collective services and individual services may be presented as individual line items, or amalgamated with similar items depending upon their materiality.

Emergency Relief

Scope of Emergency Relief

AG16-AG23. Governments may provide emergency relief to individuals and/or households who have been adversely affected by circumstances that are not related to social risks (as defined in IPSAS 42). Examples of circumstances that are not related to social risks include:

- (a) Natural disasters such as flooding, earthquakes, famine and volcanic eruptions; and
- (b) The displacement of individuals and/or households as a result of war, civil war or economic failure.

Goods and services provided through emergency relief address the needs of specific individuals and households rather than the needs of society as a whole. This distinguishes emergency relief from collective services and individual services.

AG17-AG24. Governments provide emergency relief to individuals and/or households through the following types of transaction:

- (a) The provision of services;
- (b) The provision of goods;
- (b)(c) The replacement of assets and
- (c)(d) Cash transfers.

Accounting for Emergency Relief

AG25. Paragraphs ~~AG1-AG16~~22 provide guidance on accounting for collective services and individual services. These ongoing obligations of government may give rise to future obligations. However no present obligation to the recipients of the services arises prior to the services being delivered, and an entity only accounts for the use of the resources as it delivers collective services and individual services.

AG18-AG26. Similarly, emergency relief may be provided as an ongoing obligation of government. Emergency relief is provided as an ongoing obligation of government where a government routinely

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provides emergency relief through the use of agencies, budget appropriations and similar mechanisms. For emergency relief to be considered as an ongoing obligation of government, the government must have already committed the necessary resources. This may be in the form of a specific budget appropriation, continuing budget approval or similar budgetary mechanism. In such circumstances, an entity accounts for the use of the resources as it provides emergency relief.

AG27. By contrast, ~~its nature,~~ emergency relief that has not already been committed through a specific budget appropriation, continuing budget approval or similar budgetary mechanism is not an ongoing obligation of government. ~~Emergency relief that is not an ongoing obligation of government may occur where a government does not routinely provide emergency relief, on where the resources required exceed the level of emergency relief that a government routinely provides and for which budgetary provision exists.~~

AG19-AG28. The delivery of emergency relief that is not an ongoing obligation of government requires a specific decision to be made by a government. The communication of this decision, which may be when legislation is enacted, may (individually or in combination with other government actions) give rise to a present legal or constructive obligation⁴ whereby it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

AG20-AG29. Paragraphs ~~22–34~~ of this Standard provide guidance on the recognition of a provision. ~~Where a government announcement of emergency relief~~ Examples of events that could give rise to a present obligation that satisfies the criteria for the recognition of a provision in respect of emergency relief that is not an ongoing obligation of government include government announcements of emergency relief, additional budget appropriations for emergency relief, legislation for the provision of emergency relief and government actions to provide emergency relief. ~~Where such an event gives rise to a present obligation that satisfies the criteria for the recognition of a provision,~~ an entity shall apply paragraphs 22–34 of this Standard.

AG30. In considering whether the recognition criteria for a provision have been satisfied, an entity considers whether a reliable estimate of the amount of the provision can be made (see paragraphs 33 and 34 of this Standard). The measurement of provisions for emergency relief that are not ongoing obligations of government is likely to involve significant uncertainty. Paragraphs 44–62 of this Standard provide additional guidance on measuring provisions.

AG31. Where ~~a government announcement of emergency relief~~ an event in respect of emergency relief that is not an ongoing obligation of government as described in paragraph AG29 does not give rise to a present obligation that satisfies the criteria for the recognition of a provision, an entity shall consider whether paragraphs 35–38 of this Standard require the disclosure of a contingent liability. The nature of the obligation may change as a result of later government announcements or actions, such as the enactment of legislation. An entity will need to reassess at each reporting date whether the cumulative effect of the decisions and announcements is sufficient to give rise to a provision.

~~AG21.—~~

⁴ ~~The term “constructive obligation” (rather than the Conceptual Framework term “non-legally binding obligation”) is used in this Application Guidance because this guidance will form part of IPSAS 19, which uses the term “constructive obligation” (see for example IPSAS 19, paragraph 22(a)).~~

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AG32. Where no provision ~~in respect of emergency relief that is not an ongoing obligation of government~~ is recognized, an entity applies other IPSAS in accounting for the goods, services and cash transfers provided as part of emergency relief.

Presentation and Disclosure of Emergency Relief

AG33. An entity shall present and disclose information about emergency relief in accordance with other IPSAS, including IPSAS 1, *Presentation of Financial Statements*, and IPSAS 2, *Cash Flow Statements*.

AG34. IPSAS 1 requires an entity to “present, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is faithfully representative and more relevant.”

AG35. Where information is presented based on the nature of expenses, emergency relief will be included in items such as employee benefit costs. Where information is presented based on their function within the entity, emergency relief may be presented as individual line items, or amalgamated with similar items depending upon materiality.

~~AG22.—~~

...

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 19.

...

Revision of IPSAS 19 as a result of [draft] [ED 67] *Collective and Individual Services and ~~Disaster Emergency~~ Relief* (Amendments to IPSAS 19) issued in [Month and Year]

Collective and Individual Services

BC6. When IPSAS 19 was first issued, “provisions and contingent liabilities arising from social benefits provided by an entity for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits” were excluded from the scope of the Standard. IPSAS 19 described social benefits in wide terms as ~~referring to~~ “goods, services, and other benefits provided in the pursuit of the social policy objectives of a government. These benefits may include:

- (a) The delivery of health, education, housing, transport, and other social services to the community. In many cases, there is no requirement for the beneficiaries of these services to pay an amount equivalent to the value of these services; and
- (b) Payment of benefits to families, the aged, the disabled, the unemployed, veterans, and others. That is, governments at all levels may provide financial assistance to individuals and groups in the community to access services to meet their particular needs, or to supplement their income.”

BC7. IPSAS 42, *Social Benefits*, was issued in **[January 2019]**. IPSAS 42 amended IPSAS 19. IPSAS 19 now excludes from its scope social benefits “within the scope of IPSAS 42” (which only covers cash

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transfers provided to mitigate the effect of social risks, rather than the wider range of transactions previously referred to as social benefits). A consequence of this amendment was to bring within the scope of IPSAS 19 any provisions and contingent liabilities arising from transactions that were previously excluded from the scope of IPSAS 19, but which are not within the scope of IPSAS 42. The IPSASB therefore agreed to provide guidance on accounting for these transactions. As was previously noted in IPSAS 19, a key issue for stakeholders was whether a provision arose in respect of those transactions.

- BC8. The transactions that were previously excluded from the scope of IPSAS 19, but which are not within the scope of IPSAS 42 were referred to in the IPSASB's Consultation Paper (CP), *Accounting for Revenue and Non-Exchange Expenses*, as "collective services" and "universally accessible services." In that CP, the IPSASB expressed a preliminary view that "non-exchange transactions related to universally accessible services and collective services impose no performance obligations on the resource recipient." As a result, a performance obligation approach to recognizing a non-exchange expense for these transactions would not be appropriate. Respondents to the CP generally supported that preliminary view.
- BC9. In the CP, the IPSASB noted that "a public sector entity may have a number of future obligations relating to the provision of universally accessible services and collective services. Such obligations are an aspect of the ongoing activities of governments and other public sector entities; however, only present obligations give rise to liabilities. The expected future sacrifice of resources does not of itself mean that there is a present obligation. This is because although beneficiaries may have an expectation that services will be provided, governments (resource providers) can vary the level of such services so that the availability of those services may be limited, or the provision of those services deferred until such time that budgetary circumstances permit the delivery of those services. Therefore, the IPSASB was of the view that universally accessible services and collective services do not give rise to obligating events and therefore liabilities or expenses do not arise prior to the delivery of those services to beneficiaries."
- BC10. Respondents to the CP also generally supported this view, and the IPSASB agreed to provide Application Guidance on accounting for these transactions in line with the approach set out in the CP. The IPSASB agreed that, because liabilities or expenses for the provision of universally accessible services and collective services do not arise prior to the delivery of those services to beneficiaries, it is appropriate to account for the provision of these services in accordance with other IPSAS. For example, IPSAS 39, *Employee Benefits*, covers the expenses incurred in employing staff to provide these services, and IPSAS 12, *Inventories*, covers the expenses incurred in providing goods to individuals and households, and IPSAS 41, *Financial Instruments*, covers the financial liability that may be incurred in acquiring goods or services.
- BC11. In agreeing that liabilities or expenses for the provision of these services do not arise prior to the delivery of the services to beneficiaries, the IPSASB noted that the reasons a provision did not arise were different for collective services and universally accessible services. The IPSASB agreed that the guidance should reflect this.
- BC12. The IPSASB noted that any obligations that may arise for collective services are not independent of the entity's future actions. Consequently, the IPSASB agreed that recognizing a provision for collective services would be contrary to the requirements of paragraph 27 of this IPSAS 19.
- BC10-BC13. The IPSASB noted that, for universally accessible services, the public sector entity (the resource provider) can vary the level of such services so that the availability of those services may

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be limited, or the provision of those services deferred until such time that budgetary circumstances permit the delivery of those services. This ability to defer, perhaps indefinitely, the provision of services indicates that the public sector entity has a realistic alternative to settling any obligation. This IPSASB therefore agreed that no provision should be recognized for universally accessible services.

BC11-BC14. In agreeing to provide guidance in line with the approach set out in the CP, the IPSASB noted that some respondents considered that the term “universally accessible services” was confusing. The IPSASB agreed to avoid this term, and instead adopted the term “individual services”, which is consistent with the term used in Government Finance Statistics (GFS) and with the term used in the IPSASB’s earlier work on social benefits.

BC12-BC15. The IPSASB considered whether specific disclosures for collective and individual services were required, and concluded that the existing requirements in IPSAS 1, *Presentation of Financial Statements*, IPSAS 18, *Segment Reporting*, and the various IPSAS dealing with the specific transactions would provide sufficient information to meet users’ needs. Consequently, the IPSASB agreed not to require any specific disclosures for collective and individual services.

Emergency Relief

BC13-BC16. As noted in paragraph BC6 above, when IPSAS 19 was first issued a wide range of social benefits were excluded from the scope of the Standard. Emergency relief was included in that wide range of social benefits excluded from the scope of IPSAS 19. Following the amendments to IPSAS 19 made by IPSAS 42 (described in paragraph BC7 above), emergency relief is no longer excluded from the scope of IPSAS 19. The IPSASB therefore agreed to provide guidance on accounting for these transactions, in particular addressing the question of when a provision arises in respect of emergency relief.

BC14-BC17. In developing IPSAS 42 and the Consultation Paper, *Accounting for Revenue and Non-Exchange Expenses*, the IPSASB identified disaster relief as a type of non-exchange expense transaction that is outside the scope of IPSAS 42. This is because disaster relief does not address social risks, as explained in IPSAS 42, and addresses the needs of specific individuals and households rather than the needs of society as a whole.

BC15-BC18. In developing *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19), the IPSASB noted that some governments provide similar relief in additional circumstances to natural disasters. For example, some governments provide food to farming communities in periods of poor harvests. The IPSASB considered that the accounting for such relief would be the same as for relief provided following natural disasters. The IPSASB therefore agreed to extend the scope of this guidance to include all emergency relief that does not satisfy the definition of a social benefit in IPSAS 42.

BC16-BC19. The IPSASB considered the nature of disaster relief. The IPSASB noted that in some jurisdictions, emergency relief is provided as an ongoing obligation of government. This occurs where a government routinely provides emergency relief through the use of agencies, budget appropriations and similar mechanisms. For emergency relief to be considered as an ongoing obligation of government, the government must have already committed the necessary resources. This may be in the form of a specific budget appropriation, continuing budget approval or similar budgetary mechanism. The decision to commit resources to emergency relief is made as part of

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the budget process, and authority to use the resources is often delegated to the relevant agency or equivalent organization.

BC17-BC20. In such circumstances, the IPSASB concluded that an entity should account for the use of the resources as it provides emergency relief. No provision need be recognized for emergency relief provided as part of the ongoing obligations of government.

BC18-BC21. The IPSASB also noted that some emergency relief is not an ongoing obligation of government. This may occur where a government does not routinely provide emergency relief, on where the resources required exceed the level of emergency relief that a government routinely provides (and which are included in the budget appropriation).

BC19-BC22. The IPSASB noted that the delivery of such emergency relief requires a specific policy decision to be made by a government. The communication of this decision, which may be when legislation is enacted, may (individually or in combination with other government actions) give rise to a present legal or constructive obligation -whereby it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation. This differs from emergency relief provided as part of the ongoing obligations of government, where the decisions that are made are more likely to be of an operational nature and where budgetary resources have already been committed.

BC20-BC23. The IPSASB reviewed the requirements of ~~this Standard~~ IPSAS 19 regarding the recognition and measurement of provisions, to determine whether these requirements provided sufficient guidance for entities to assess whether a provision should be recognized for emergency relief that is not an ongoing obligation of government. The IPSASB concluded that the requirements of ~~this Standard~~ IPSAS 19, including the additional guidance provided in paragraphs AG23-AG47-AG35-AG26, were sufficient for entities to assess whether a provision should be recognized for emergency relief that is not an ongoing obligation of government. The IPSASB therefore agreed not to develop any further requirements.

BC24-BC24. The IPSASB also considered whether specific disclosures for emergency relief were required. The IPSASB noted that in many cases, emergency relief will be material either because of the amounts involved or because of its nature. The IPSASB therefore concluded that the existing requirements in IPSAS 1, ~~and~~ IPSAS 18 ~~and~~ IPSAS 19 would provide sufficient information to meet users' needs. Consequently, the IPSASB agreed not to require any specific disclosures for emergency relief.

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Amendments to IPSAS 42, *Social Benefits*

Paragraphs 5A and 36A are added. New text is underlined

...

Scope

...

5A. Collective services and individual services (as defined in IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*) and emergency relief are not social benefits. Guidance on accounting for these transactions is provided in IPSAS 19.

...

Effective Date

...

36A. Paragraph 5A was added by [draft] IPSAS [X] (ED 67), *Collective and Individual Services and Emergency Relief* (Amendments to IPSAS 19). An entity shall apply this amendment at the same time as it applies *Collective and Individual Services and Emergency Relief*.

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