1. Attendance, Opening Remarks, and Approval of Minutes

1.1 Attendance

Members

Present: Thomas Müller-Marqués Berger (Chair)
Rosa Aldea Busquets
Patricio Barra
Fabienne Colignon
Paul Gisby
Chai Kim
Bill Matthews
Vivek Ramkumar
Frans van Schaik
Luís Viana
Samih Yousef

Apologies: Daniel Boutin
Kathryn Cearns
Anwaruddin Chowdhury
Inge Grässle
Ahmed Idris
Firmansyah Nazaroedin
Bernard Ndungu
Kevin Page
Sunil Romooah
Karen Sanderson

IPSASB Staff

Present: Anon Dhliwayo, IPSASB
João Fonseca, IPSASB
Gwenda Jensen, IPSASB
Paul Mason, IPSASB
Ross Smith, IPSASB
Joanna Spencer, IPSASB
John Stanford, IPSASB
Dave Warren, IPSASB
The IPSASB CAG Chair, Mr. Müller-Marqués Berger welcomed the members of the IPSASB Consultative Advisory Group (CAG) to Toronto, Canada for the fifth meeting of the CAG.

The minutes of the December 4, 2017 IPSASB CAG meeting were approved.

The CAG Chair welcomed to the CAG the new member representing the European Commission Ms. Rosa Aldea Busquets.

The CAG Chair welcomed Mr. Mark MacDonald, EY Global Lead Partner, Public Financial Management; Government & Public Sector (Ontario), and thanked him for coming to discuss Blockchain-Impact on Public Financial Management and Accounting for Public Sector Transactions.

The CAG Chair thanked members for their input on the topics for the Agenda. Additionally the CAG Chair thanked those in attendance and highlighted the importance of regular attendance. It was noted that attendance at this June 2018 meeting was lower than previous meetings. The CAG Chair noted that attendance will be a consideration for reappointments and future appointments of CAG members. Further, he noted that with only two meetings each year, it is quite important that members make their best endeavors to attend each and every meeting. Further, the CAG Chair noted that it is his expectation that members who cannot attend, notify and the IPSASB staff as soon as they are aware of this.

2. Blockchain Presentation

Mr. Müller-Marqués Berger welcomed Mr. Mark MacDonald, EY Global Lead Partner, Public Financial Management; Government & Public Sector (Ontario) to share a presentation on Blockchain and the impact on Public Financial Management and Accounting for Public Sector Transactions.

The CAG members commented as follows:

- Mr. Müller-Marqués Berger thanked Mr. MacDonald for the presentation noting that as part of the IPSASB’s outreach for their Strategy and Work Plan, the Board heard about complexity of accrual accounting and why it is not being used. Since politicians are more interested in non-financial information, there is a lack of context in terms of outcomes, which Blockchain could help with.

- Ms. Aldea Busquets indicated she had limited background in Blockchain and had not appreciated the possibilities. She noted that one challenge is reporting combined financial reporting with non-financial reporting. The EU has 28 member states with different levels of government in each state. Non-financial information is what citizens and politicians need. What is not clear is who should take the first step when working with member states.

- Mr. Gisby indicated Estonia took the approach of retaining their legacy systems and implemented Blockchain over top of these systems. Mr. Gisby wondered how much of a Blockchain solution is just adding on to the current systems. He asked whether a scalability issue is created if you try to layer a Blockchain on to existing systems.

- Ms. Kim noted that other presentations on Blockchain she has received focus on the commonality of transactions and interaction between different systems. She inquired how all this information across different government organizations might be brought together. It is also interesting that existing Enterprise Resource Planning (ERP) systems can be integrated into a Blockchain solution. She noted that if you are adding Blockchain to a poorly designed and configured existing system, it is unlikely to result in more useful information.

- Mr. MacDonald indicated Blockchain does not fix such issues, nothing that the ‘garbage in, garbage out issue’ is not solved with Blockchain. He suggested addressing legacy system issues and data quality concerns during the initial implementation of a Blockchain solution.
Mr. MacDonald also noted it is possible to link different charts of accounts across different systems by performing reconciliations within a Blockchain. The Blockchain directs the interface to pull information from an underlying legacy system (or multiple systems) and then allows for an evaluation of whether the information is acceptable for it to be mapped and reconciled to the desired output. An understanding of the structure of the underlying data is required to create a reconciliation. For example, when an appropriation is approved in the legislature, it is tokenized in the Blockchain. That token is attached to the transaction, so when it is recognized, it can be mapped using the specific chart of accounts. In practice, if the token is used to note the transaction is capital in nature, you could ensure that the appropriation is only used for spent on expenses capital in nature.

- Mr. MacDonald responded to the specific Estonia question, and noted that you would not want to include all existing data in a Blockchain because it is more efficient to have different levels of the system hold the appropriate information.

- Mr. MacDonald added when determining who should take the first step in a Blockchain implementation solution, it is usually the entities closest to the transactional end of the spectrum, for example land registries which work best in a Blockchain.

- Mr. van Schaik noted IPSAS does not have a standardized process (XBRL). He asked whether a country reporting using an XBRL framework facilitates the use of a Blockchain.

- Mr. Matthews had the same thought on XBRL and wondered if Blockchain will have staying power. For example, XBRL never caught on in Canada. Mr. Matthews questioned if we are sometimes not measuring the wrong things, and therefore the data quality is questioned. He wondered if Blockchain might be a useful tool in evaluating the impact of a new standard by considering it not on its technical merits, but rather on its impact on the budget.

- Mr. MacDonald noted he had not considered XBRL and its possible application to Blockchain. With regards to measuring the right things versus wrong things, in the future, an impediment is the cost/time to measure it. Blockchain solutions can greatly reduce administrative time and resources, which should mean more time and resources are available to measure the right things.

- Mr. Barra indicated supreme audit institutions (SAIs) are interested in having all transactions coded. However, Central Banks have expressed concerns that Blockchain technology may assist those operating in the underground economy and help with tax evasion.

- Mr. Ramkumar had a particular interest in capturing service delivery information and non-financial information into reporting systems. If Blockchains allow this, significant value could be added. However, he noted a concern that front line workers may not have the skills or capacity to appropriately capture such data.

- Mr. Ramkumar further noted that donor organizations are reluctant to give to treasuries and would rather support specific individual projects. A potential benefit of Blockchain is the ability to accurately and easily track funds. If the Blockchain can use specific tokens to track transactions, it should be easier to show donors where and for what purpose the funds were used.

- Mr. Ramkumar noted that for the past two decades, disclosures have been promised as a means to develop better democracy, but this has not always been the result. He cautions pre-evaluating the benefits and promise of Blockchain solutions in supporting a better democracy.

- Mr. MacDonald agreed Blockchains may not be able to help democracy if the governments do not want it.
Mr. MacDonald responded to the question on donors and grants, and believes this is one of the most powerful potential Blockchain applications, noting that he is currently working with a US agency (working on disaster relief). Further, Blockchain can be used to track grants used for specific activities. This is one way you can tie financial and non-financial information together.

Mr. MacDonald also responded to the question in regards to the underground economy, noting it is technically possible to put these transactions on a Blockchain. However, the use of Blockchains can also reduce the underground economy. By tagging expenditures, you know wherever the money spent legally, and therefore restricting its use for illegal purposes.

Mr. Viana asked how Blockchain can help bring together the financial and non-financial information for reporting purposes.

Ms. Colignon noted Blockchain could help public financial management, and have an impact on auditing, but is unsure how Blockchain impacts standard setting.

Mr. Carruthers asks whether Blockchain is fundamental to an international standards setter. It is a difficult question because no two jurisdictions are the same. From a standard setter point of view, Mr. Carruthers asked, whether Blockchain has a direct impact, or just something to be aware of.

Mr. MacDonald notes it is still early days for integrating financial and non-financial reporting. However, there is an ability to develop this reporting in real time using Blockchain. At this stage, no-one knows whether this will directly impact standards or not.

Mr. MacDonald noted there are practical issues that need further consideration, including:

- Confidentiality;
- Control of access to information;
- Verification of information; and
- Autonomy.

Mr. Yousef asked if Blockchain is useful when governments use a single ERP system.

Mark MacDonald indicated it could still be useful because even with one ERP system. The government will still have transactions with entities that operate on a different ERP. The Blockchain could also be used to support the integration of financial and non-financial information.

Mr. Müller-Marqués Berger thanked Mr. MacDonald for his presentation and summarized the benefits of Blockchain include helping to address existing requirements that are too costly and complex, cash to accruals and accruals to budget reconciliations, and providing the context to make accrual information useful by linking it to non-financial information.

### 3. Implementation Issues: Presentation by CAG Member, Bill Mathews

Mr. Müller-Marqués Berger welcomed CAG member Mr. Bill Matthews to the table to share a presentation on Implementation Issues, specifically focusing on some challenges noted in Canada during its transition to, and implementation of, accrual accounting in the federal public sector of Canada.

Mr. Mathews delivered a detailed presentation of Canada’s implementation of accrual accounting in the early 2000’s. While Canada’s adopted a set of standards that was developed within Canada, Mr. Mathews focused on the successes, challenges and lessons learned that may be applicable for jurisdictions considering adopting IPSAS.
The CAG members commented as follows:

- Mr. Yousef wanted to confirm his understanding that self-sufficient entities use IFRS and non-self-sufficient use PSAB standards (line by line consolidation).
- Mr. Mathews noted if an entity is not applying Canadian Public Sector Accounting Standards (PSAS), the government entity is only required to account for the change in the controlled investment (equity consolidation).
- Mr. Gisby asked whether the government of Canada was able to quantify the benefits of the move to accrual accounting.
- Mr. Mathews noted no financial number has been determined. The real benefits were identified in setting budgets and public financial management. For example, because there is a cost of holding land with no productive use, the view now exists that unused land should be disposed of. The Treasury Department has also benefited from the adoption of accrual accounting as better information allows a more effective management of debt. While these benefits are not directly related to accrual accounting, they are attributed to project itself as it resulted in better financial management systems, which improved for example, internal controls.
- Mr. Van Schaik asks whether Canada is considering adopting IPSAS at a future date.
- Mr. Matthews noted PSAB currently is working on an international strategy which considers the question of whether to adopt IPSAS, and if so, how. The last time this was considered, the Canadian PSAS were considered more robust than IPSAS. However, it is difficult to continue to make this argument given the progress and development of IPSAS. The debate now focuses on the government’s sphere of influence and the cost of such a change.
- Mr. Van Schaik asks whether there are any IPSAS requirements that Canada does not like.
- Mr. Matthews noted there is nothing specific Canada does not like. However, he noted that Canadian prepares would surrender significant influence in the standard setting process if they moved from PSAS to IPSAS. There is also a considerable financial cost for initial adoption. However, now is a logical time to for the question to be asked again in Canada.
- Mr. Carruthers noted the history of Canada’s transition was interesting. He noted that the transition in the UK from national standards to IFRS as adopted for the public sector, were similar to those faced by Canada, when moving to accrual. You cannot just say accrual information is better, you need to explain why it is better. In the UK it was important to have the support of economists in the adoption process, as they are key users of the information. From an IPSASB perspective, the board is aware that government transfers is an important issues in Canada and the IPSASB needs to ensure the Canadian perspective is understood.
- Ms. Aldea Busquets noted it was reassuring to know other jurisdictions have similar issues. She noted an important issue is that the budget is the key financial document discussed by parliamentarians, not the IPSAS or other accrual based financial statements. What is nice about accrual accounting is that fact that even if the information it is not always used, it is always available. She noted an improvement in the financial management of pensions for example, resulting from the availability of accrual information.
- Mr. Matthews agreed and noted that if he was to go back in time 20 years, he would sell the move to accrual accounting in Canada based on the modernization of public financial management, rather than a change in accounting model.
- Mr. Barra asked which departments championed the change in financial reporting in Canada.
Mr. Matthews noted there were two departments; the Canadian Revenue Service and Veterans Affairs. Both departments had sophisticated systems and benefited from the better information provided by accruals.

IPSASB Technical Advisor for South Africa, Ms. Tshoke inquired how the split between entities applying IFRS and Canadian PSAS was determined, noting it was subjective in South Africa.

Mr. Matthews indicated judgement was to determine whether the entity was self-sufficient, or is it intended that the entity is self-sufficient. If the answer was yes, then IFRS was deemed to be the appropriate reporting model. If the entity was not self-sufficient, then PSAS was the appropriate reporting model. It may sound simple, but there were many debates between entities as to whether they were in fact, or intended to be self-sufficient. However, in the end it was up to the entity, but there was a lot of help from the federal government in making the determination.

Ms. Tshoke noted in the current economic environment in South Africa there are many entities that are supposed to be self-sufficient, but which require a lot of support at the moment.

Mr. Matthews noted this was addressed in Canada by looking backwards five years. If that was not conclusive, they looked forward as well to find out what would change.

Mr. Van Schaik asked if there was a regret that funding is on cash basis, but accounting is on an accrual basis.

Mr. Matthews notes in Canada the macroeconomic federal government budget is full accrual, but appropriations are modified cash. Historically appropriations were translated to accrual, but after spending years trying to educate legislators, it is too difficult. Politicians understand cash. It is okay to have two modules, but you need to be able to understand how to get from accrual to cash. The big regret is not giving the legislators enough education to make the link between accrual and cash.

Mr. Müller-Marqués Berger raised a point noted by Ms. Sanderson in her written comments about consolidation, the group boundary, and inter-entity eliminations. Are the issues similar in Canada?

Mr. Matthews answered noting the systems worked well with exception of intra-agency balances. There were data gaps, issues with assets, but this was not a system issue.

Mr. Müller-Marqués Berger asked what the process was for coming up with the first clean audit opinion.

Mr. Matthews indicated they involved their auditors early in the transition process and agreed on a generous materiality. While the auditors did not agree to give clean opinions without performing audits, they did allow for the option to go back to cash accounting if an adverse opinion was likely, which fortunately was not needed.

Mr. Müller-Marqués Berger noted that the discussion was very interesting. He proposed the CAG have a further discussion to consider some of the issues in greater detail in December 2018, with another CAG member(s) leading the session.


The CAG considered the IPSASB Work Plan presented by Mr. Stanford, IPSASB Technical Director. Mr. Stanford updated the CAG on the current progress of ongoing projects and provided an overview of significant changes since the December 2017 CAG meeting. Mr. Stanford noted that the changes were related to both technical and prioritization reasons. Mr. Stanford explained that the Heritage and Infrastructure projects had been paused in order to dedicate resources to completing the measurement
project. Mr. Stanford noted that IPSAS 41, *Financial Instruments* was expected to be approved at the June 2018 meeting, which would allow the improvements related to IFRS 9 to be brought forward. Finally, the publication of the 2017 Handbook had been further delayed as a result of technical issues with the new handbook development process.

The CAG members commented as follows:

- Mr. Van Schaik expressed concern that the IPSAS Handbook was only available in a locked format which is not helpful for practitioners, and not in the public interest in his opinion. He suggested providing the accounting firms access on a contractual basis.
- Mr. Stanford responded the Handbook was in locked PDF format to protect the IFAC copyright. Staff member, Ross Smith added that the concern raised by the CAG members would be shared with the IFAC intellectual property team.
- Mr. Barra asked whether translated versions were available.
- Mr. Carruthers noted a number of people have helped in translating various items into a variety of languages. Mr. Carruthers noted there is a difference between level of translation needed for final standard and a consultation document seeking constituent feedback.
- Ms. Aldea Busquets showed her support for more frequent IPSAS improvements.
- Mr. Stanford indicated the current approach is biennial, and improvements now go beyond IFRS updates. There are concerns that more frequent updates could overload preparers from both an implementation and consultation perspective.
- Mr. Carruthers indicated this was the feedback from the Manilla round table.
- Mr. Stanford provided additional details indicating issues arising from responses to the Heritage CP and IPSASB review of responses were being considered by staff, and a survey was being developed for the Infrastructure project.

### 5. Revenue

IPSASB Manager, Standards Development & Technical Projects, Joanna Spencer introduced the Agenda Item and provided the CAG with an overview of the 39 responses received in January 2018 to the Revenue Consultation Paper. Ms. Spencer reminded the CAG the consultation paper separated revenue transactions into three categories. Category A, no performance obligations; Category B, performance obligations, but do not meet the requirements of IFRS 15; Category C performance obligations which meet the requirements of IFRS 15. The IPSASB agreed in March 2018 to use IFRS 15 for Category C transactions and update IPSAS 23 for Category A transactions.

The CAG members commented as follows:

- Mr. Van Schaik noted using a binding arrangement concept is common in IPSAS. However, noted that when we talk about consideration, specifically the allocation of consideration, this may imply it is an exchange transaction.
- Ms. Spencer responded the IPSASB is considering moving away from an exchange/non-exchange approach, because of the practical application challenges preparers and users have noted. The focus is intended to use performance and non-performance obligations to differentiate transactions and accounting models. The goal is to recognize revenue consistent with what you are actually supposed to do with it.
- Mr. Matthews indicated the concept of enforcement mechanisms in the public sector is challenging to interpret when it relates to the ability to withhold funding. This is because a
government always has this right to withhold funding. He is not convinced that this is an enforcement mechanism.

- Ms. Spencer responded this is a contentious issue with the IPSASB. The current view is the transaction will have to be linked to binding arrangement.

- Mr. Carruthers indicated the challenge is to identify the line between a performance obligation/non-performance obligation. Evaluating enforceability by way of ‘withholding of funds’ is difficult.

Ms. Spencer moved on to the preliminary view that Category B transactions should use a Public Sector Performance Obligation Approach (PSPOA) and asked the CAG for their views.

- Ms. Aldea Busquets was supportive of the PSPOA and believes it is superior to using exchange and non-exchange to make a distinction between transactions.

- Mr. Gisby supports applying PSPOA for Category B transaction as it provides more consistency and clarity in application.

- Mr. Viana supports applying PSPOA for Category B transaction and noted it is necessary to have clear guidance.

- Mr. Matthews was generally supportive as he believes it is clearer than the exchange/non-exchange distinction. He raised concerns about the concept of “rights”.

- Ms. Colignon supports the proposed approach as it is becoming increasingly important to assess public finance management, and the PSPOA helps in this regard.

- Mr. Yousef supports the approach. He does not believe there should ever be an intergovernment transfer without an obligation attached. He suggests exploring further the difference resulting from transactions with commercial substance and those related to service potential and if the PSPOA can be applied to such transactions.

- Ms. Spencer responded the IPSASB will discuss the commercial substance at the June 2018 meeting, but the concept of commercial substance is required in IFRS 15.

- Mr. Müller-Marqués Berger noted Ms. Cearns and Ms. Sanderson both supported the application of PSPOA to Category B transactions in the written comments submitted in their absence.

- Mr. Van Schaik questioned how revenues would be allocated when there is no transfer of goods or services, and noted this should be considered further by the IPSASB. Mr. Müller-Marqués Berger noted this was an interesting question, but outside of the scope of this discussion.

- Mr. Carruthers agreed with Mr. Yousef. When one government transfers funds to another government, there should be an obligation. If a government wants to get rid of money at the end of the year, the IPSASB cannot stop that. But if that happens, it is should be recognized as revenue as it represents a windfall if there are not any performance obligations included in the agreement related to the revenue transfer.

- Mr. Yousef observed IPSAS 23 includes taxes and transfers in the title. He noted taxes and transfers can be removed from the title when Category A-C transactions are clarified. Ms. Spencer thanked Mr. Yousef for the comment and noted that a new title was being considered.

Ms. Spencer discussed the definition of a performance obligation indicating it is related to the transfer of a good or service. This presents challenges in the public sector because goods and services are not always included in a transfer (capital grants for example). Staff is in the process of
considering the options for expanding the definition of a performance obligation with the aim to include capital grants.

- Mr. Müller-Marqués Berger confirmed with Ms. Spencer the issue in applying IPSAS 23 is the accounting for capital grants is unclear whether the grant is recognized immediately or over time.

- Ms. Kim sought clarification from staff as to whether capital grants are a Category A, B or C transaction. Ms. Spencer responded capital grants are Category A transactions when there is no performance obligation.

- Mr. Viana stated it is important to clearly define capital grants and include them in PSPOA. In Portugal capital grants are recognized as net assets/equity and later recycled through surplus/deficit. He supports additional information to clearly define accounting for capital grants and notes this is an important issue in Portugal.

- Mr. Yousef noted transactions should be split when they are separate transactions. If a grant is provided to construct a building and provide a subsequent service, child care for example, the grant can be split accordingly.

- Mr. Smith noted there may be some confusion in the issues. The first question is whether the IPSASB should expand the PSPOA to include grants. If yes, Mr. Yousef’s issue is related to what should be in the grant agreement. Mr. Yousef agreed.

- Mr. Van Schaik questioned how the definition of PSOPA would be changed to include transfers. What do you do if the condition is so clear it is not included in the contract? Mr. Müller-Marqués Berger asked if expanding the PSPOA definition would solve the problem. Mr. Van Schaik indicated if the performance obligation relates to constructing the building, it would not fix the problem in his opinion. Mr. Müller-Marqués Berger responded the key is who is receiving the Performance Obligation. For example, a day care service is provided to the parents, not the government.

- Mr. Stanford noted the question is, can the IPSASB expand the current “transfer” definition to include grants with performance obligations.

- Ms. Colignon noted she generally supports PSPOA and expanding the definition would be a good path forward. It is important to move away from the exchange/non-exchange split. She also suggests considering whether there is a need to consider the benefit from the beneficiary perspective?

- Ms. Kim supports PSPOA as it seems like the best way to clarify the treatment and achieve consistent accounting.

- Mr. Müller-Marqués Berger noted Ms. Sanderson agrees with expanding the definition of performance obligation as it will support consistency, as noted in her written comments submitted in her absence.

- Ms. Aldea Busquets supported expanding the definition to include capital assets would also be helpful for consistency purposes.

- Mr. Heintges (IPSASB Member) noted that IFRS 15 requires costs incurred prior to transfer be expensed. His view is that the guidance for capital grants should be consistent.

- Mr. Gisby supports the extension of definition for consistency purposes.

- Mr. Smith indicated that Ms. Cearn views submitted in writing in her absence that she supports the PSPOA approach, but cautions whether this is the best way to deal with the issue.
Mr. Carruthers noted the IPSASB is trying to provide clear criteria in terms of accounting. That should lead to better grant arrangements, and better PFM.

Ms. Spencer moved on to services in-kind which are services provided by individuals to public sector entities in a non-exchange transaction. For example, a parent volunteering at a school.

- Mr. Matthews agrees with the direction proposed by staff. He cautioned that this area could create a lot of work when developing financial statements, for limited value.
- Mr. Gisby does not support a mandatory approach to accounting for services in-kind. While disclosures might be useful, it may be difficult to get information.
- Ms. Colignon supports retaining the current requirements, which permit, but do not require recognition of service in-kind.
- Ms. Kim also supports retaining the current requirements. She considers measurement to be the most challenging aspect of any changes as it is too subjective with too many assumptions. However, disclosure might be useful.
- Mr. Van Schaik believes that accounting for goods in-kind should be consistent with services in-kind. Just because a good is physical does not mean the accounting is different from a service. For example, peacekeeping provided by UN is paid for, as compared to donated services by NATO members.
- Mr. Viana supports retaining the current requirements.
- Ms. Aldea Busquets supports recognition if the transaction is material and can be measured.
- Mr. Ramkumar raised a concern that a gender dimension to the issue may exist. For example, women mainly volunteer time in schools.
- Mr. Müller-Marqués Berger indicated Ms. Sanderson agreed with the ability to recognize, but it should not be mandatory, as noted in her written comments submitted in her absence.
- Mr. Yousef supports, for consistency purposes, option (c) as presented in the staff paper.
- Mr. Van Schaik reminded members just because it hard to recognize does not mean you should not recognize. He is not convinced there is any reason to exclude recognition for measurement reasons.

6. Social Benefits

IPSASB Principal, Paul Mason introduced the Agenda Item and provided an overview of the staff analysis of constituents responses to key issues identified as part of the Social Benefits project.

The first issue staff highlighted to the CAG was the mixed support for the primary view presented in ED 63, and similarly for the alternative view. Because of the mixed responses, staff was seeking the views of the CAG to ensure the complete consideration of public interest issues. Staff proposed developing a Social Benefits standard based on that proposed in ED 63. This standard would be followed by a Post Implementation Review (PIR) 3 to 5 years following the effective date of the standard. Staff supported this view as restarting the project was not expected to yield a different result and it was unlikely that a strong consensus on the way forward would emerge.

The second issue related to the disclosure of future cash flows and the interrelation with RPG 1. Again staff indicated there were mixed views whether disclosure of the future cash flows was appropriate. Staff asks the CAG for their views as it relates to this issue.
The CAG members commented as follows:

- Mr. Müller-Marqués Berger noted it is very easy to identify the public interest issue. Should the standard be issued now in order to develop consistency in practice, or delayed in order to attempt to find a perfect solution.

- Mr. Mathews noted you will never have the perfect standard. He stated the IPSASB should take solace in the fact that nothing new was raised. He supports proceeding with the development of a standard based on ED 63. He also supports the use of PIRs, but it should not be used as a tool to redeliberate old issues. For a PIR to be useful is should be as focused as possible and look to see if the standard influenced behaviors.

- Mr. Gisby noted he does not support the principles put forward on a conceptual basis. However, he noted that this is the third time this project has advanced to this stage and come up against this issue, and it would seem pointless to start again and expect a different result. He supports completing the standard based on ED 63 and committing to a future PIR.

- Mr. Viana supports proceeding with a standard based on ED 63 and committing to a future PIR.

- Ms. Colignon also supports issuing a standard based on ED 63 and believes a PIR is a good way forward. She believes the IPSASB needs to make sure the standard has been applied by enough jurisdictions before proceeding with a PIR to ensure it is relevant and useful.

- Ms. Aldea Busquets was not surprised with consultation results. The system of social benefits is different from country to country. She is not convinced with the principles in the exposure draft and does not support proceeding on the basis of ED 63.

- Mr. Van Schaik indicated he is not convinced the controversial standard will be applied by everyone. He expects only people it works well for will apply the standard. For that reason he worries that a future PIR may not yield the anticipated benefits.

- Ms. Kim believes something needs to be issued. Given the complexity of the topic a longer implementation period maybe appropriate. She also supports committing to a future PIR.

- Mr. Müller-Marqués Berger indicated Ms. Sanderson agrees with the IPSASB to approve a standard and that a future PIR is a good idea, as noted in the written comments submitted in her absence.

- Mr. Smith indicated Ms. Cearn's view supports the alternative view put forward in ED 63. However, if the IPSASB proceeds on the basis of ED 63, it should think about definitions because they are similar to IFRS definitions. For example, the one approach noted in ED 63 is called the obligating event approach, however, the accounting put forward is not consistent with accounting for an obligating event.

- Mr. Carruthers indicated Social Benefits is the most challenging issue facing the IPSASB. This is the third time IPSASB has arrived at this point. Stakeholders are telling the IPSASB to provide guidance on a major area of government expenditures, and nothing has happened for 20 years. The IPSASB tried a stylized approach in the ED to flush out the issues. Ultimately, there was no consensus, however, it is important that the IPSASB proceeds to approval and publication of standard.

Mr. Mason moved the CAG on to the second issue related to disclosures of future cash flows and the interrelation with RPG 1.

- Ms. Aldea Busquets indicated she is not in favor of recognizing transactions based on cash flows in IPSASB financial statements.
● Mr. Mathews suggests focusing on broader sustainability reporting. He does not support individual cash flows being disclosed for individual programs.

● Mr. Gisby believes there should be disclosures related to future cash flows, but is unsure if 5 years is appropriate. He also believes sustainability reports are important, but that they should not be in the core statements.

● Ms. Colignon believes it is in the public interest to have this information. However, there is no reason to favor 5 years over longer term forward-looking information. In that sense, she would rather support focusing on the sustainability report than providing partial information in the financial statements.

● Mr. Van Schaik questioned whether constituents need to wait for the PIR for sustainability reporting. RPG 1 has been around for a while.

● Mr. Müller-Marqués Berger noted Ms. Sanderson believes more work should be performed in relation to sustainability reporting in advance of committing to a PIR, as noted in the written comments submitted in her absence.

● Mr. Carruthers noted this is a difficult area and noted there were discussions around making RPG 1 mandatory.

● Mr. Smith noted that Ms. Cearns written comments submitted in her absence noted that she believes the 5 year time horizon for cash flows seems arbitrary and does not reflect the long term nature of such cash flows. She suggests considering including qualitative requirements.

7. Non-Exchange Expenses

IPSASB Principal, Paul Mason introduced the Agenda Item and provided an overview of the project. Mr. Mason noted constituents have indicated they want guidance. IPSAS does not currently have any. This Agenda Item focuses on the other side of the transaction that Ms. Spencer covered in an earlier session. Mr. Mason noted there was support for the use of PSPOA for non-exchange expenses, but not to the same extent as for use in revenue transactions.

The CAG members commented as follows:

● Mr. Müller-Marqués Berger asked the question of the CAG as to whether it is in the public interest for an accounting requirement to exist that an expense be recognized when a PSPOA is satisfied.

● Ms. Aldea Busquets agreed with applying the PSPOA approach to non-exchange expenses as it will be familiar to constituents.

● Mr. Viana indicated symmetrical accounting is very important. Without symmetrical accounting consolidation is difficult.

● Mr. Van Schaik noted symmetrical accounting is appealing, but this is accounting, we look at the conceptual framework. There is no symmetrical accounting in the conceptual framework.

● Mr. Müller-Marqués Berger noted that in Ms. Sanderson’s written comments submitted in her absence, she understands the desire for symmetry, but the IPSASB should not pursue symmetry over practical or conceptual considerations. There may be differences in timing of recognition of revenue and expenses. However, she supports every effort be made to recognize revenue when goods/services delivered.

● Mr. Smith noted that Ms. Cearns written comments submitted in her absence indicated a desire for the symmetrical approach, but noted that accounting principles follow different rules based on the nature of the transaction and recognition of assets and liabilities.
- Mr. Mathews likes symmetry, but acknowledges it may not be possible. He does not think the Agenda Item makes a persuasive argument on why symmetry is important.
- Ms. Kim agrees symmetry may be a conceptually sound goal, but not always in practice.
- Ms. Colignon noted symmetry is a complex issue. From a practical point of view it appears appropriate, but it would require exploring further to justify for accounting.
- Mr. Yousef stated it is difficult to not have symmetrical accounting when two government entities transact with each other.
- Mr. Wermuth (IPSASB Member) stated without symmetry you may cause concerns among preparers.

Mr. Mason moved discussed the development of guidance for collective services. A number of options have been explored, however none appear ideal. Input from the CAG on an appropriate form of guidance would be helpful.

- Mr. Gisby struggled with including guidance in IPSAS 19. It is not intuitive for new users of IPSAS. However, he agreed other options are not ideal either. He suggested waiting until a wider non-exchange expenses standard is developed might be the best approach.
- Mr. Carruthers indicated he would rather not have a debate on the guidance location. The IPSASB’s constituents think this is important guidance so it is important that the IPSASB deal with it, even if the approach is pragmatic.
- Mr. Van Schaik noted the IPSASB has taken interpretations from IFRIC in the past, as such it seems appropriate to include an IPSASB interpretation.
- Mr. Viana believes the guidance should be included in a separate standard. IPSAS 19 is not the right standard to have this guidance. He suggests including the guidance in the wider standard of non-exchange standard.
- Ms. Colignon agrees IPSAS 19 is not the best option. She suggests that the requirements be incorporated in a standalone standard that would start as a work in progress document as the proposed accounting treatment is not controversial.
- Mr. Smith noted Ms. Cears supports staff proposal in the written comments submitted in her absence.
- Mr. Beardsworth (IPSASB Member) proposed another option is to add a BC on this in Social Benefits as this is where the related discussions arose.
- Mr. Müller-Marqués Berger noted Ms. Sanderson indicated in the written comments submitted in her absence that she supports the amendments to IPSAS 19. But only from a pragmatic approach because she believes the guidance would be helpful in the IPSAS as soon as possible.
- Ms. Aldea Busquets agreed with Ms. Colignon that IPSAS 19 is not the best option but understands to the approach is meant to be practical.
- Mr. Mason responded to Mr. Beardsworth noting he is always worried about standard setting in the Basis for Conclusions and that normally the IPSASB avoids including guidance in Basis for Conclusions.

8. Closing Remarks

Mr. Müller-Marqués Berger summarized the day’s discussions. He thanked the members in attendance for their great contributions. Mr. Müller-Marqués Berger noted that the CAG continues to evolve as a...
group and he noted that the discussions were focused and allowed the CAG to engage at the appropriate level on the topics on the day’s agenda.

Mr. Müller-Marqués Berger noted that this successful meeting can be attributed to the hard work of CAG members in preparing for the meeting and their strong engagement in the discussions during the sessions. Mr. Müller-Marqués Berger stressed a continued need for members to make their best endeavors to attend in person each meeting and again noted that he would appreciate members contacting him, and the IPSASB staff as early as possible when they are unable to attend. The meetings are set well in advance and should allow for early planning to attend. Mr. Müller-Marqués Berger thanked Mr. Mark MacDonald him for coming to discuss Blockchain-Impact on Public Financial Management and Accounting for Public Sector Transactions, which provided the basis for a very informative and interesting discussion. Further, Mr. Matthews was thanked for his insightful presentation on implementation challenges in Canada during their adoption and implementation of accrual accounting for the federal public sector.