

**Approved Minutes of the Meeting of the  
INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD**

**Held on December 5–8, 2017 in Toronto, Canada**

**1. Attendance, Opening Remarks, and Approval of Minutes**

**1.1 Attendance**

**Voting Members**

Present: Ian Carruthers (Chair)  
Stuart Barr  
Mike Blake  
Lindy Bodewig  
Michel Camoin  
Francesco Capalbo  
Robert Dacey  
Sebastian Heintges  
Kenji Izawa  
Aracelly Méndez  
Rod Monette  
Leonardo Nascimento  
Chris Nyong  
Bernhard Schatz  
Adriana Tiron Tudor  
Marc Wermuth  
Juan Zhang  
**Member Apologies:**  
Angela Ryan (Deputy Chair)

**Technical Advisors**

Clark Anstis (Mr. Blake)  
Claudia Beier (Mr. Wermuth)  
Amanda Botha (Ms. Bodewig)  
Takeo Fukiya (Mr. Izawa)  
Baudouin Griton (Mr. Camoin)  
Anthony Heffernan (Ms. Ryan)  
Leona Melamed (Mr. Monette)  
Fabrizio Mocavini (Ms. Tiron Tudor)  
Ayres Moura (Mr. Nascimento)  
Renée Pichard (Mr. Barr)  
Jakob Prammer (Mr. Schatz)  
Gillian Waldbauer (Mr. Heintges)  
David Watkins (Mr. Carruthers)  
Haifeng Yang (Ms. Zhang)

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**Non-Voting Observers**

Present: Sagé de Clerck (IMF)  
Claire Goulet<sup>1</sup> (United Nations)  
Jerry Gutu<sup>2</sup> (United Nations)  
Chai Kim (ADB)  
Martin Koehler (European Commission)  
Jani Laakso (World Bank)  
Thomas Müller-Marqués Berger (CAG Chair)  
John Verrinder (Eurostat)

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Apologies: Samuel Agbevem (Mr. Nyong)  
Dinara Alieva (UNDP)  
Guohua Huang (IMF)  
Delphine Moretti (OECD)  
Juan Moreno Real (Ms. Méndez)  
Takatsugu Ochi (IASB)  
Giovanni Parente (Mr. Capalbo)  
Chandramouli Ramanathan (UN)  
Darshak Shah (UNDP)

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**IPSASB/IFAC Staff**

Present: João Fonseca, IPSASB  
James Gunn, Managing Director, Professional Standards  
Gwenda Jensen, IPSASB  
Ross Smith, IPSASB  
Joanna Spencer, IPSASB  
John Stanford, IPSASB  
Paul Mason, IPSASB  
Mushfiq Mazhar<sup>3</sup>

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<sup>1</sup> Claire Goulet attended the meeting on behalf of the United Nations

<sup>2</sup> Jerry Gutu attended the meeting in place of Chandramouli Ramanathan

<sup>3</sup> Mushfiq Mazhar is the Technical Assistant to the IPSASB

The Chair welcomed members, technical advisors (TA) and observers to the final meeting of the year in Toronto. He said that there were a busy few days ahead with two documents for approval—Leases on the first day and the Strategy and Work Plan Consultation Document later in the meeting. A great deal of work had been done on both documents since the September meeting. He noted that the CAG had met on the day before the IPSASB meeting and that there was a more detailed session on the current work plan, which underpins the Strategy and Work Plan Consultation Document.

The Chair noted an apology from Angela Ryan. He welcomed Mushfiq Mazhar, who had joined IPSASB as a Research Analyst in July following studies at the Rotman School of Management of the University of Toronto. The Chair noted that the results of Mushfiq's work on the use of NVivo software for analyzing responses and on analyzing the responses to the Heritage Consultation Paper would be discussed later in the meeting. The Chair also informed members that Neema Mssusa, the incoming member from Tanzania with effect from January 1, 2018, would be attending for part of the meeting and he asked members to welcome Neema.

The minutes of the meeting from September 19-22 2017 were approved, subject to clarification that Chris Nyong was absent for the votes on both the Cash Basis IPSAS and Heritage Consultation Paper (CP). In response to a question the Technical Director informed the Board that staff had developed a webinar on Revenue and Non-Exchange Expenses and that this should be posted to the website shortly. The webinar focused on the IPSASB's Preliminary Views and aimed to prompt listeners to respond to the CP. The Technical Director apologized that it had not been completed more quickly.

John Verrinder provided an update on the European Public Sector Accounting Standards Project. John reiterated the points made at previous meetings that the EPSAS project was:

- Firstly focusing on increasing accounting transparency in the Member States (MSs) by promoting the implementation of accrual accounting, and IPSAS, in the short to medium term; and
- In parallel developing the EPSAS framework, then looking to ensure comparability in the medium to longer term.

Since the last update at the IPSASB meeting in September the following meetings had taken place:

- The EPSAS Cell on Principles related to EPSAS Standards met on September 27-28 2017 in Luxembourg;
- The Cell discussed an outline of the EPSAS Conceptual Framework, which covers the IPSAS qualitative characteristics and the constraints as well as the considerations from IPSAS 1, *Presentation of Financial Statements*. In some instances the IPSAS text was to be simplified and slightly amended, but without significantly departing from the substance. The Cell's report was available on CIRCABC, the collaborative European Commission platform, for the distribution and management of documents;
- There was a first discussion on the definitions of elements including deferred inflows and outflows; and
- The Cell also had a first discussion on recognition/ derecognition and the measurement bases to be considered for the EPSAS framework.

The fifth meeting of the EPSAS Working Group (WG) took place on November 21-22 in Luxembourg. Among other topics the WG discussed:

- The report from the Cell on Principles related to EPSAS Standards;
- Financial support to accrual accounting reforms;

- Work on impact assessment considerations; and
- Reports on issues papers prepared by PricewaterhouseCoopers on (all available on CIRCABC):
  1. Grants and other transfers;
  2. National harmonization of charts of accounts;
  3. The accounting treatment of discount rates;
  4. Principled approach to disclosures; and
  5. Intangibles.

John noted that the IPSASB Technical Director had circulated the above papers. The Technical Director acknowledged the help of Keith Hayes at Eurostat in forwarding the papers to him. John suggested that the discussion on the issues papers may also be helpful to IPSASB's work program discussions.

There was also a presentation by Italian delegates on their heritage project.

The WG considered two further studies presented by contractors (both available on CIRCABC):

1. EY study on the opportunity cost of non-IPSAS (to support impact assessment work); and
2. PwC study on measurement and monitoring transparency of financial reporting.

The IPSASB Chair had updated the WG on the current IPSASB program and strategic challenges and proposed strategic themes for 2019–2023. Eurostat welcomed the proposals, in particular that, while maintaining convergence with IFRS, public sector specific issues appeared as the first strategic theme driving the work program for the coming years.

John informed the IPSASB that the next WG meeting is planned for May 2018.

Eurostat had recently signed a new contract with EY to provide support with preparing the impact assessment required for the IPSAS project.

Eurostat would continue to provide support and work closely together with the European Commission's Structural Reform Support Service to provide financial support for the modernization of public accounting systems on an accrual basis in the MSs.

Subject to the availability of resources Eurostat would continue communicating with stakeholders and participating at various stakeholders' events in Europe.

The Chair thanked John and noted that the issues papers were an increasingly useful source for the IPSASB. He explained that the IPSAS Conceptual Framework was meant to have legal force and that this explained the possible inclusion of deferred inflows and deferred outflows as elements. It was confirmed that the issues papers highlighted above were in the public domain and Eurostat welcomes their broader circulation.

The CAG Chair noted that debate was still continuing on whether there should be a hierarchy of QCs and the role of prudence. DG FISMA had made a presentation on the latter at an earlier WG meeting. These issues might be relevant to the review of the IPSASB's Framework proposed in the Strategy and Work Plan. In response to a question on the public interest John noted that outreach had taken place with the wider stakeholder community and that this would continue. Governance structures were designed to reflect the public interest.

The IPSASB noted the summary of the IASB Work Plan, the IFRS Tracking Table and the GFS Tracking Table.

## **2. Report on Activities/Communication Activities (Agenda Item 2)**

The Chair welcomed Adriana Tiron-Tudor to talk about the academic community. Adriana provided a survey of the academic landscape and discussed how to maintain contact and increase engagement with academics with an interest in accrual reporting and IPSAS.

Adriana discussed research in Europe on accrual accounting and broader public financial management. Academics are involved in a range of activities including working with finance ministries to implement performance measurement and review national accounts. Academics are also involved in the projects of international organizations such as the Organisation for Economic Cooperation and Development and the World Bank and in developing collaborative responses to IPSASB consultations. In this regard Adriana mentioned the Intergovernmental Consortium on Governmental Financial Management. Some academics have links with the large financial services firms.

There are numerous formal and informal networks. Adriana highlighted the Comparative International Government Accounting Research Network (known as CIGAR), chaired by Eugenio Caperchione. CIGAR promotes at least two conferences and workshops a year. The European Group for Public Administration has a broader remit which extends to areas of public financial management and taxation.

There are a number of research groups publishing in a number of journals– the University of Ghent is supported by EY and the Zurich University of Applied Sciences coordinated by Andreas Bergmann has a particular focus on IPSAS implementation. Academic networks are also active on social media

It was noted that the European Accounting Association planned a public sector conference in 2018.

Adriana had contacted academic colleagues for views on how IPSASB could increase its salience in the academic community and areas for collaboration. The following topics had been highlighted:

1. Budgetary accounting including commitment recording
2. Harmonization of IPSAS accrual and statistical reporting in Europe and internationally.
3. Relationship between IPSAS and IFRS and applicability of business accounting practices in public sector.
4. Practical governmental accounting approaches.
5. Simplifying the language in accounting standards
6. Standards for small or low risk entities
7. Additional accounting reports for citizens
8. Reporting using XBRL

The Chair thanked Adriana for indicating the wealth of academic activity. The Chair noted the challenge of engaging the academic community on the Strategy and Work Plan. Academics could play a particularly important role in developing the evidence base on the adoption of IPSAS and its beneficial impact.

Francesco Capelbo said that the review of academic research activities on public sector accounting had been very full. Francesco also advocated engagement with academic teaching, so that today's students, who will be tomorrow's accountants, are taught about IPSAS. He noted that there are some Masters programs focusing on public sector accounting. Members and TAs discussed their experiences of trying to ensure that public sector accounting is on the syllabus in tertiary institutions in Zimbabwe and Nigeria. In

the United States there are post-graduate governmental programs in a couple of universities. However, there is some questioning of how popular such programs will be.

The Chair noted this. Engagement with the academic community is a long-term challenge. However, the growing adoption of IPSAS will generate interest and demand for teaching of IPSAS.

Sebastian Heintges noted the report of the Federal Court of Auditors in Germany on the EPSAS project and accrual reporting more generally. He offered to report on Germany in the Outreach session at the March 2018 meeting. The IPSASB accepted this offer. Prompted by the Chair the Technical Director agreed to circulate this report. The CAG Chair said that the IDW, a German member body of IFAC, had developed a response to the Federal Court of Auditors report, which has been translated into English.

The Chair noted that the Outreach schedule in its revised format was very interesting with a number of themes identified as emerging from outreach activities. He asked staff to summarize the main emerging themes.

The Chair mentioned his and the Technical Director's presentations at the CPA Canada Public Sector Conference, the UNCTAD IPSAS workshop with participation from over 100 different stakeholders. The Chair noted the importance of considering how to engage with constituents in Francophone Africa was raised as well as the need more broadly to have up-to-date translations of the IPSAS.

The IFAC Council in Brussels in November had been addressed by two members of the PIC. The International Public Accountability Index developed by CIPFA and Accountability Now with the support of the Zurich University of Applied Sciences had also been launched at the IFAC Council—the initiative maps the extent of accrual adoption and the use of IPSAS. It is a work in progress. The help of members, TAs and observers in updating and broadening information would be valuable, including information on further planned public sector reform initiatives. A publication is planned for the World Congress of Accountants in November 2018.

The Technical Director informed the Board that the Social Benefits webinar had been published in Portuguese with the translation and recording done by João Fonseca. A limited number of small documents, including a summary of ED 63, *Social Benefits*, and some staff Q& A documents had been translated into Spanish.

The Chair acknowledged the lead role of Aracelly Mendez in her capacity as Chair of FOCAL in the initiative to develop joint responses on IPSASB Consultations. The first results of this would be seen in the Heritage item later in the meeting. The World Bank had also played a very important role in the initiative by financing a translation of the Heritage Consultation Paper.

### **3. Governance (Agenda Item 3)**

IPSASB Staff updated members on governance items as follows:

#### *October 5<sup>th</sup> Public Interest Committee (PIC) meeting*

The main purpose of this meeting was to review and provide advice on the draft Strategy and Work Plan 2019–2023. The PIC provided comments on the due process related to the development of the next Strategy, as well as comments related to specific issues on the draft of the Consultation Document. In the context of due process the PIC:

- Questioned whether the role of the Public Sector Standard Setters Forum should be clarified and formalized;

- Asked for more detail on the IPSASB's plan to receive formal input during the consultation period from a broad constituency (i.e. non-accountancy community); and
- Provided views on the attendees and logistics for the planned Roundtables.

The following discussion points were raised:

- In regards to the IFAC Nominating Committee, the PIC discussed how regional and gender balance can be achieved on the IPSASB;
- The IPSASB reported on actions by the IPSASB on recommendations from past PIC meetings; and
- The IPSASB Technical Director presented a paper on the considerations and factors used to judge when it is appropriate to include a consultation paper phase as part of project development.

#### *October 6<sup>th</sup> Consultative Advisory Group (CAG) teleconference*

The teleconference was held to allow CAG members an opportunity to discuss and provide advice to the IPSASB on the draft Strategy and Work Plan 2019–2023 Consultation. The points made and how they had been addressed were summarized in the Board paper.

#### *December 4 CAG meeting*

The 4<sup>th</sup> meeting of the CAG received a presentation from Renzo Merino, Assistant Vice President for Sovereign Risk at Moody's. It was noted during the discussions following the presentation that Moody's does not look for, or put a premium on, accrual-based financial reports or independent audited financial reports, when developing sovereign credit ratings, although they do look for transparency. A further presentation was made to the CAG by member Karen Sanderson, on Implementation Issues relating to the preparation of Whole of Government Accounts in the UK and New South Wales. The CAG also received an update on the IPSASB's work plan, and there were sessions on the Heritage and Infrastructure projects, as well as the Strategy and Work Plan, where the approach to outreach to support the upcoming consultation was discussed.

James Gunn, Managing Director, Professional Standards, updated the IPSASB on the recently issued Monitoring Group Consultation Paper: *Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest*. Mr. Gunn noted that although the report is not directly relevant to the IPSASB at this time, it was important to consider the implications of the Monitoring Group's comments on:

- The balance between the Boards' strategic thinking and focus on technical details;
- The speed of the standard-setting process;
- Using the right 'tool kit', including Task Forces where necessary, to progress projects;
- Initiatives to improve operations and efficiency;
- Ensuring the Work Plan is nimble and responsive to emerging issues; and
- Maintaining strong relationships within the IPSASB, between the IPSASB and staff, and between the IPSASB, PIC and CAG.

## **4. Technical Director's Report on Work Plan (Agenda Item 4)**

### *Introduction of Work Plan Review on Day One*

The Technical Director introduced the current work plan, noting that the main review of the work plan would take place on Day Three. The Technical Director reported that, following the IPSASB's September 2017 meeting:

- (a) The revised *Cash-Basis IPSAS* had been published in November 2017.

- (b) Exposure Draft (ED) 63, *Social Benefits*, had been published on October 31, 2017. ED 63 was complemented by two webinars (an introduction to ED 63, and an introduction to the insurance approach for recognition and measurement) that had been prepared by staff. Staff had also translated the first of these into Portuguese and the translation is available on the website.
- (c) The *Leases* ED was not approved at the September 2017 meeting. This was now expected to be approved at the December 2017 meeting. As a consequence, projected approval of the final IPSAS had been delayed until June 2019.

The Technical Director informed the IPSASB that the publication of the 2017 Handbook had been delayed. IFAC has its processes and initiated a move to more streamlined processes for the electronic versions of the handbooks for all the standard-setting boards. The first results from the conversion process undertaken by the contractor arranged by the IFAC Communications team had been unsatisfactory, with a number of formatting errors. Consequently, the pdf versions of the 2017 Handbook had been taken down from the web site. The IFAC Communications Team is working on providing pdf files for the IPSASB staff to review.

The Chair commented that the disruption to the publication of the Handbook is a significant reputational issue for the Board, and expressed concerns over the difficulties being experienced. The Chair noted that while it was understood that there may be transitional difficulties, it was important that the issue with the Handbook's processing is resolved in order to avoid similar delays in 2018.

#### *Detailed Review of Work Plan on Day Three*

The Technical Director introduced the review of the work plan, noting that the IPSASB had requested this more detailed review at its September 2017 meeting. He reported that, as requested by the IPSASB, the review had identified issues and dependencies between projects. The revised work plan included in the Agenda papers was based on discussions between staff and the Chair.

The Technical Director outlined the assumptions that underpinned the work plan:

- (a) IPSASB preliminary views (PVs) in consultation papers and proposals in EDs are generally supported by respondents.
- (b) There is a full staff complement from March 2018 and minimal delay in filling vacancies.
- (c) Agenda items are scheduled for all meetings unless the meeting is during a consultation period. The deferral of the Heritage and Infrastructure projects until December 2018 are exceptions to this assumption. It may be necessary to reduce the number of projects discussed at some meetings in order to manage both the agenda and staff resources.

The Technical Director summarized the analysis of the time taken to complete previous projects provided in the agenda papers. He noted that the proposed work plan, while challenging, is broadly consistent with the analysis. The Technical Director reported that the most resource intensive phase of a project is the development of an ED. Staff noted that the development of an ED was less resource intensive when the project was an IFRS convergence project. Public sector specific projects tend to be more resource intensive. The Technical Director said that most current projects, and those proposed for inclusion in the *Strategy and Work Plan* consultation, are public sector specific projects.

The Technical Director noted that he had circulated a paper that had been presented to the PIC in September, which summarizes the approach to deciding whether a project should go through a Consultation Paper (CP) stage. He noted that there is no formal process for making this decision, but that the paper sets out the factors that are taken into consideration.

Members expressed a view that the work plan is ambitious. Members asked staff to consider developing a sensitivity analysis, particularly in relation to the assumption that IPSASB proposals and preliminary views would be supported. The Technical Director responded that a lack of support for PVs and proposals could result in a need to re-expose a document. While the re-exposure period might be short, time would be required to develop alternative proposals. The time required would depend on the extent of any changes. The Technical Director also commented that including a CP stage could add 18 months to a project, but this had to be weighed against the risk that going straight to an ED might result in proposals not being supported and the ED having to be re-exposed, which would probably involve more delays in finalizing a pronouncement.

The Chair noted that the PIC is asking the IPSASB to consider the development time for projects, and to be deliberate in deciding on the approach to be taken. He noted that the approach agreed in respect of the *Public Sector Measurement* project was more explicit in having different options for progressing the project.

The Managing Director, Professional Standards discussed the need for program management. This included the need to prioritize projects, so that there was a public understanding of which projects would be deferred in order to progress higher priority projects. He noted that projects could be delayed for both internal and external reasons.

The Chair noted that, in terms of managing risk, it was important to make progress with the *Public Sector Measurement* project as this will help other projects, particularly Heritage and Infrastructure, move forward in a timely manner.

A member asked whether staff would be continuing to work on the *Heritage* and *Infrastructure* projects even though the IPSASB would not discuss them again until December 2018. The Technical Director noted that some minimal work may be undertaken, but that most of this will be done through the Task Forces. Staff resources would not be available for the *Heritage* project in the short term, to ensure sufficient resources are available to progress the *Public Sector Measurement* project. The survey planned for the *Infrastructure* project is not expected to require significant staff resources. The Technical Director noted there is no contingency built into the work plan, and so any urgent issues that arise may require other projects to be re-prioritized.

A member noted that, while it was helpful to constituents to develop IFRS-converged standards quickly, there was a risk that, in doing so, the IPSASB would lose the benefit of the private sector's experience in implementing the IFRS standards.

A member noted that no consultations are planned for the second half of 2018, and asked if deferring the *Improvements* project from approval of an ED in March 2018 would be helpful. Staff noted that staff resources are available for this project in the period until March, but that the staff resources would be needed elsewhere later in the year. The Technical Director also informed members that some preliminary work had already been carried out. The IPSASB accepted this, and no changes were made to the *Improvements* project timeline.

A member expressed concern that the message that developing a CP could add 18 months to the development of a project might result in pressure to move straight to ED even when this was not appropriate. The Technical Director confirmed that discussions with the PIC had emphasized that moving straight to ED increased the risk of proposals not being supported, and the project having to restart, and taking longer overall. The member emphasized the need to communicate the reasons for project prioritization. Another member noted that the format of the agenda papers had been developed to highlight

the decisions taken within a project. Members noted that the 18 months impact was an average, and could vary from project to project.

The CAG Chair commented that projects needed to be managed in such a way that respondents understood the IPSASB's proposals, and to ensure that the Board could take decisions in a timely manner. The Chair acknowledged this, and noted that more research and development would be needed in developing project proposals and project briefs for new projects.

The Technical Director presented staff's analysis in respect of the individual projects, which was set out in the agenda papers.

The Chair noted that the timeline for the *Public Sector Specific Financial Instruments* project is based on the IPSASB's tentative decision to limit the project to the issues discussed in the CP, and not to expand the project into a wider project on accounting for central banks. The Chair also noted that progression of the financial instruments projects is dependent on staffing.

A member commented that it would be helpful to recruit staff with experience of implementing IPSAS in developing countries to enrich the staff experience. The Technical Director noted there needed to be a balance between technical expertise and public sector experience. The Chair noted that the use of Task Forces to draw on the experience of national standard setters and public sector finance staff would also help with this.

A member commented that there were dependencies between the *Leases* and *Revenue* projects in terms of revenue recognition. The Chair acknowledged that there may be an imperfect intermediate state until the *Revenue* projects are completed.

The Chair noted that although the work plan had identified three streams for the *Revenue* project, this did not necessarily mean that there would be three revenue standards. The future direction of the project is also dependent on the responses from stakeholders. The CAG Chair commented that some CAG members had noted that there would be some connectivity between the streams and that this would need to be taken into account. Members supported the proposed approach, noting that the interconnectivity between projects would need to be monitored.

A member highlighted the fact that the responses from stakeholders may not result in a consensus on the appropriate approach to revenue. The June 2018 meeting will be important in this respect. The Chair acknowledged these points. He requested that staff, ahead of the March 2018 meeting, consider whether the SMCs and PVs can be mapped to a single project stream, or whether some will cross a number of streams.

The Chair noted that the timelines for the *Revenue* and *Non-Exchange Expenses* projects were linked, reflecting the fact that similar issues arise in both. This was the IPSASB's rationale for covering the two projects in the same CP.

The Technical Director noted that the *Heritage* and *Infrastructure* projects had been discussed earlier in the meeting. He also outlined the timelines for the *Strategy and Work Plan* project.

The Technical Director proposed that the work plan should continue to be reviewed at each meeting, with a detailed review (similar to this meeting) taking place each December. In 2018, the detailed review will be at the same meeting as approval of the *Strategy and Work Plan*.

The CAG Chair noted that the June 2018 CAG meeting had a very heavy schedule, and that the staff had agreed to review this with a view to balancing the workload across meetings.

The IPSASB approved the work plan.

## 5. Leases (Agenda Item 5)

Staff presented an issues paper and draft Exposure Draft (ED) 64, Leases.

### *Restructuring of ED 64, Leases*

The IPSASB considered that the revised structure of ED 64 improved its understandability and responded to the IPSASB's concerns expressed at the September 2017 meeting. Therefore, the IPSASB agreed with the restructuring of ED 64, including:

- (a) Additional guidance to explain the classification and recognition of leases at market terms and concessionary leases;
- (b) New Implementation Guidance section to explain the relationship between leases with other types of transactions; and
- (c) Amendments to simplify the requirements for sale and concessionary leaseback transactions.

### *Lessor—Options to account for the subsidy component in a concessionary lease*

Staff presented three options to account for the subsidy component in a concessionary lease for lessors, as follows:

Options	Measurement basis	Recognition
Transaction price (Option 1) (draft ED 64)	Historical cost	No recognition of the subsidy component in a concessionary lease
Liability (unearned revenue) (Option 2) (Appendix C of Agenda Item 5.2.2)	Fair value	<ul style="list-style-type: none"> <li>• Debit – Expense</li> <li>• Credit – Liability (unearned revenue)</li> </ul>
Net assets/equity (Option 3) (Appendix C of Agenda Item 5.2.2)		<ul style="list-style-type: none"> <li>• Debit – Expense</li> <li>• Credit – Net assets/equity</li> </ul>

The IPSASB considered that the subsidy component of the credit entry does not meet the definition of net assets/equity in IPSAS 1, *Presentation of Financial Statements*, because it is not consistent with any of the four components of net assets/equity. As a consequence, the IPSASB rejected Option 3.

When discussing Options 1 and 2, the IPSASB considered the economics of the right-of-use model when applied to concessionary leases from the lessor's perspective.

When a lease contract is signed, it creates a new resource (the right-of-use asset) separate from the underlying asset. As the creation of the new resource occurs at the same time as its transfer to the lessee, the lessor never recognizes the new resource in its statement of financial position. In other words, a lease under the right-of-use model is in substance a sale of an unrecognized right-of-use asset.

In this context, the items that the lessor recognizes in its financial statements are the result of transferring the new resource to the lessee, as follows:

- (a) If the lease is at market terms, then the market lease payments are the same as the contractual lease payments (cash inflows).
- (b) If the lease is at below market terms (concessionary lease), then the market lease payments are higher than the contractual lease payments (cash inflows).

Therefore, at initial recognition of a concessionary lease measured at fair value:

- (a) The credit entry can be viewed as the full economic value of the resource created (the right-of-use asset) with two components:
  - (i) An exchange component, which corresponds to the future cash inflows (contractual lease payments) to be received by the lessor; and
  - (ii) A non-exchange component, which corresponds to the difference between the full economic value of the right-of-use asset created by the lease and the future cash inflows (contractual lease payments); and
- (b) The debit entry can be viewed as the use or transfer of the economic value that resulted from the creation of the right-of-use asset, again with two components:
  - (i) An exchange component, which corresponds to the cash inflows (contractual lease payments) to be received by the lessor; and
  - (ii) A non-exchange component as a day one expense or contribution from owners, which corresponds to the value of the subsidy in kind transferred to the lessee.

The IPSASB concluded that a performance obligation to provide access to the underlying asset exists regardless of the amount of cash being transferred. This means that the lessor's liability (unearned revenue) encompasses both the exchange and non-exchange components in a concessionary lease.

The IPSASB also considered that Option 2 is consistent with the:

- (a) Definitions of revenue and liability in the *Conceptual Framework* because they apply to non-exchange transactions;
- (b) Principles in the *Conceptual Framework*, IPSAS 16, *Investment Property*, IPSAS 17, *Property, Plant, and Equipment*, IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* and IPSAS 29, *Financial Instruments: Recognition and Measurement* to measure non-exchange transactions at fair value; and
- (c) Accounting for the subsidy:
  - (i) In concessionary loans as an expense or contribution from owners on day one and as (interest) revenue over the loan term; and
  - (ii) By lessees in concessionary leases.

Therefore, the IPSASB decided to propose Option 2 in ED 64.

However, the IPSASB acknowledged that recognizing lease revenue in excess of the lease receivable can be considered counter-intuitive by those who view lease revenue as directly linked to cash inflows (contractual lease payments). This might raise understandability issues, because some users may find it difficult to understand that recognizing an expense for the subsidy implies recognizing lease revenue in excess of the cash inflows over the lease term.

The IPSASB also acknowledged that some preparers may find that the cost of providing information about lease revenue in concessionary leases at fair value is higher than its benefits, especially when some users might not understand the meaning of recognizing lease revenue in excess of the cash inflows. Costs also include gathering sufficient information to determine whether leases are at below market rates.

Although the IPSASB decided that, on balance, it was appropriate to include Option 2 in ED 64, it acknowledged others could come to a different conclusion. The IPSASB therefore agreed to seek feedback from its constituents as to whether the conceptual reasons for recognizing the subsidy in concessionary leases are outweighed by understandability and cost-benefit considerations and include a specific matter for comment on this issue in ED 64.

*Lessor and Lessee—Presentation*

*Lessor—Display*

The IPSASB agreed with the requirements on display with minor editorial amendments.

*Lessor—Note Disclosure*

The IPSASB agreed with the requirements on note disclosure with minor editorial amendments. The IPSASB decided to move the requirement on the purpose and terms of the various types of concessionary leases to paragraph 55 of draft ED 64.

*Lessee—Display*

The IPSASB agreed with the requirements on display with minor editorial amendments.

*Lessee—Note Disclosure*

The IPSASB agreed with the requirements on note disclosure with minor editorial amendments. The IPSASB decided to move the requirement on the purpose and terms of the various types of concessionary leases to paragraph 109 of draft ED 64.

*Transitional Provisions*

The IPSASB agreed with the requirements on transitional provisions in draft ED 64 with minor editorial amendments.

*Amendments to Other IPSAS*

The IPSASB agreed with the requirements on Amendments to Other IPSAS in draft ED 64 with minor amendments. The IPSASB decided to explicitly refer to leases at market terms when dealing with leases that become onerous before the commencement date of the lease when applying IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*.

The IPSASB decided to publish only the amendments to IPSAS 16, *Investment Property*, and not a full marked-up IPSAS 16 because the amendments, although extensive, do not impact its understandability. This approach is consistent with IPSASB's practice in other projects.

*Specific Matters for Comment in Exposure Draft 64*

The IPSASB decided to include four specific matters for comment (SMC) on:

- (a) Lessee accounting (SMC 1);
- (b) The departure from IFRS 16 on lessor accounting (SMC 2);
- (c) The proposed model for lessor accounting in ED 64 (SMC 3); and
- (d) The accounting for the subsidy component on concessionary leases for lessors and lessees (SMC 4).

Some IPSASB members made suggestions on the drafting of the SMCs. Staff will coordinate with the IPSASB Chair on the final wording of the SMC in order to ensure consistency with other IPSASB's publications.

*Approval of draft ED 64, Leases and Exposure Period*

The IPSASB approved ED 64, *Leases*. 17 members voted in favor. There was one absentee. The IPSASB agreed a consultation period expiring on June 30, 2018. The ED will be issued in January 2018.

Following the vote, the Chair thanked staff for their work in developing the papers.

## **6. Public Sector Measurement (Agenda Item 6)**

*Outline for the Public Sector Measurement Exposure Draft*

The Chair of the Public Sector Measurement (PSM) Task Force, Mr. David Watkins, presented an outline for the PSM exposure draft (ED), which the IPSASB discussed.

The IPSASB's discussion highlighted the following points:

- (a) The PSM standard should articulate measurement principles and address public sector issues, with each subsection kept short (one to two paragraphs). Consequential amendments to IPSASs will be dealt with separately.
- (b) The "measurement on derecognition" section will address coverage in IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, from a public sector perspective. The South African experience with a public sector equivalent for IFRS 5 will be considered.
- (c) The subsection for impairment will provide a cross-reference to the two IPSASs on impairment, rather than subsume their requirements into the PSM Standard.
- (d) ED development should not assume that IFRS 13, *Fair Value Measurement* (IFRS 13) text can be used without revision. A public sector specific valuation hierarchy may be necessary, given the difficulties that Australian public sector entities have experienced in applying IFRS 13.
- (e) Both explicit and implicit restrictions on the use of assets are important for their valuation. A public sector hierarchy should consider restrictions earlier than does the IFRS 13 hierarchy, given experiences in Australia and the United Kingdom.
- (f) The initial measurement section will include principles for deemed cost (a current value used as a surrogate or proxy for cost), while the subsequent measurement section will address the relatively straightforward issues raised by the historical cost model (e.g. depreciation) as well as the more challenging issues around revaluation.

The IPSASB Chair emphasized that terminology in the Standard must be used consistently with its definitions in other existing guidance, with different terminology where necessary. The term "fair value" would be defined in the same way as in IFRS 13 and only used in situations where this was appropriate in the public sector context. He explained that, at this point, the question is whether the ED outline covers all necessary topics. Their order may change during development. IPSASB members had suggested two changes that would be revisited as work progresses:

- (a) Locate measurement on derecognition under subsequent measurement.
- (b) Group coverage under two main headings (historical cost and current value) rather than the four headings proposed.

The Consultative Advisory Group (CAG) Chair, Mr. Thomas Müller-Marqués Berger, provided a summary of CAG members' comments at their June 2017 discussion of the PSM project. CAG members had strongly supported the project, but were unsure of its intended output. If the aim was to help users to understand measurement in financial statements and provide principles linking the Conceptual Framework (CF) and IPSASs, would an IPSAS be binding or non-binding? Some CAG members supported a Standard similar to IFRS 13, which would be very detailed. A second CAG concern, already addressed by the IPSASB Chair, was that terminology should be used consistently. One CAG proposal was to illustrate the IPSAS application, using, for example, a decision tree to show how measurement bases relate to different types of assets and liabilities and the measurement objective.

The IPSASB Chair noted that the comments of CAG members support the need for a Standard that makes sense of the disparate material spread through IPSASs and not linked to the CF. The Task Force's challenge is to develop succinct narrative and diagrams that clarify measurement concepts and their application. The resulting IPSAS will have both public sector specific (PSS) measurement and IFRS 13's definition of fair value, because both are relevant. The Task Force will focus on definitions and their relationships, rather than lengthy narrative.

The CAG Chair fully supported that focus, noting that the PSM project is a unique opportunity for the IPSASB to explain that IPSAS measurement is broader than corporately-based fair value accounting.

The PSM Task Force Chair agreed, and noted that the discussion had validated the IPSASB's September decision that the PSM Standard will not be a converged IFRS 13, which would have otherwise reinforced the perception that IPSAS deals mainly with fair value accounting.

The IPSASB Chair **directed** the Task Force to consider definitions used in International Valuation Standards (IVS) and Government Finance Statistics (GFS). For example, there are different meanings for depreciated replacement cost (DRC), with some meanings more public sector oriented, while others are market based.

IPSASB members emphasized that the selection of measurement bases should support decision making and accountability, rather than to achieve a particular reporting outcome or to make use of easily accessible data and techniques. One member explained that in his jurisdiction, Canada, there is a damaging view that standard setters aim to force public sector entities to behave like private sector entities, without considering entities' capacity to implement standards. He suggested that the IPSASB articulate the issues in simple language, acknowledging entities' concerns.

The IPSASB Chair noted that the IPSASB's draft Strategy and Work Plan considers implementation needs and Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities* (Study 14), could be revised to discuss these issues.

#### Summary of Discussion

The IPSASB Chair summarized the discussion by saying that the PSM Standard should be a useful tool, which shows how to interpret the CF at standards level and addresses the use of fair value. He concluded that the ED Outline covered the necessary topics.

#### *Outline for the Public Sector Measurement Consultation Paper*

The Task Force Chair then presented an outline for the Consultation Paper (CP), which will wrap around the ED. The CP will discuss issues that arise during the ED's development. The IPSASB Chair noted that the CP has a heading for borrowing costs and transaction costs, which reflects the IPSASB's previous direction that these topics should be covered in the CP, rather than the ED.

The IPSASB's discussion raised the following points:

- (a) The CP will discuss liability revaluation, including applicable measurement bases.
- (b) Possible questions for constituents include:
  - (i) Whether constituents agree with the ED's contents;
  - (ii) Questions around transaction costs and borrowing costs; and
  - (iii) Whether the ED is useful, adequately addresses PSM issues, and has any areas that are unclear or would benefit from more guidance.

The Task Force Chair noted that specific matters for comment will be identified as the ED develops, and these should prompt constituents to look at the relevant ED coverage.

The IPSASB Chair summarized that the CP outline provides a good way forward.

#### *Discount Rates Issues as Project Subcomponent*

The Task Force Chair presented a summary of actual and planned progress by national standard setters on discount rates, for consideration of whether this should be covered in the PSM project. His view was that there was insufficient material for the ED, but there could well be enough for a discussion in the CP. The IPSASB Chair agreed that PSM project should address discount rates, if this can be done without impeding its progress.

IPSASB were generally supportive of the proposed approach, although one member noted that the issue is no longer urgent, because many national jurisdictions, including his own jurisdiction of Switzerland, had developed their own solutions. He cautioned that the IPSASB should not underestimate this topic's size. The IPSASB's Technical Director commented that this is a very complex issue, and recommended a dedicated project. The IPSASB Chair suggested that one way to proceed is to cover some aspects of the issue, as the IASB did with their work on financial instruments.

The CAG Chair stated that its June 2017 discussion on discount rates highlighted their impact on financial performance. A second issue was how to determine the appropriate discount rate. His advice was to treat the impact of changes in measurement due to discount rates as a separate project from the selection of appropriate discount rates.

The Eurostat observer, Mr. John Verrinder, described the GFS community's experience with discount rates. The significant issues were (a) scope to move from a short-term to a long-term rate, and (b) whether it is appropriate to have one rate or a spectrum of rates. He recommended being clear that discount rates for cost-benefit analyses are a separate issue, because otherwise the project would be even more complex.

The IPSASB Chair emphasized the importance of signposting that the IPSASB sees this topic as important. He **directed** the PSM Task Force to monitor developments and bring a paper on discount rates to the IPSASB's September 2018 meeting, for a final decision on taking the topic forward.

#### *Revised Route Planner for the PSM Project*

The Task Force Chair then presented a revised project route planner, with two alternative routes in 2019; Route 1 and Route 2. Route 1 generates an IPSAS earlier, without coverage of consequential amendments to other IPSASs. Route 2 has a later date for the IPSAS, which would include consequential amendments.

IPSASB members noted for Route 1 that:

- (a) The PSM IPSAS's effective date should be after issuance of consequential amendments.

- (b) There is a risk with Route 1 that the IPSASB's consideration of consequential amendments could lead to fundamental changes to the PSM IPSAS.

The CAG Chair supported Route 1 on the basis that it provides certainty as soon as possible.

The IPSASB Chair summarized the discussion as allowing for the work plan assumption that the IPSASB has adopted Route 1, although a decision will be taken at a later stage.

*Issue 2, Review Approach Applicable to Individual IPSASs*

Staff introduced a review approach for individual IPSASs, with three components: (1) an override for Public Sector issues; (2) maintain an IPSAS's basic measurement rule, if broadly consistent with the CF, and (3) a rebuttable presumption that fair value has the IFRS 13 meaning in IFRS-converged IPSASs, except where an amendment has occurred to address a Public Sector Specific issue. Three examples (IPSAS 12, *Inventories*, IPSAS 16, *Investment Properties*, and IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*), illustrated the approach.

The IPSASB did not endorse the rebuttable presumption approach in the agenda paper. IPSASB comments highlighted that:

- (a) The review approach should apply a rebuttable presumption that existing measurement requirements and references to fair value will need revision for consistency with the CF.
- (b) Revisions to fully align with the CF will be necessary if the current measurement approach is only "broadly consistent" with a measurement basis in the CF. Measurement requirements in IPSAS 12 and IPSAS 19 are likely to require amendment, to reflect the CF measurement bases.
- (c) When an IPSAS uses the revaluation model a first step will be to determine whether the value is an exit value or an entry value:
  - (i) Where an IPSAS refers to fair value, but the measurement is an entry value, the IFRS 13 definition will be inappropriate and another measurement basis will be necessary. If the asset is non-specialized then market value could be used, while replacement cost could be used for specialized assets. Restrictions on asset use and location are integral to deciding whether or not an asset is specialized.
  - (ii) If an IPSAS's reference to fair value represents an exit value, then apply the IFRS 13 fair value definition. The financial instruments project demonstrated that an IFRS 13 definition for fair value worked in many areas.
- (d) Another factor to consider is whether a value should be entity-specific or a non-entity specific approach is needed. For example, the value of an office building is non-entity specific, while that for a museum is entity-specific. This could depend on whether the entity is free to dispose of the asset and whether there are restrictions on the asset's use. Location is important.
- (e) The Task Force should monitor the IASB's post implementation review of IFRS 13 to pick up on any lessons learned.

The CAG Chair commented that basic measurement rules may need to change, because the project's aim is to apply PSM principles.

Further comments raised different options to address inventory measurement.

The IPSASB Chair **directed** the Task Force to review IPSASs against the CF.

*Contextual Paper for IPSASB's Information*

Staff introduced a background paper, which discussed the boundary between information in the financial statements and other General Purpose Financial Reports (GPFRs) and the Conceptual Framework's coverage of measurement and its implications for the PSM project.

IPSASB members commented that:

- (a) The purpose of financial statement information versus other types of reporting is important. For example, China plans to prepare accrual public sector reports by 2020, with instructions from the National People's Congress to also report on state-owned assets. We need to understand the different purposes and measurement for each type of report.
- (b) The background paper highlights challenges in measurement, including a need to examine conceptual issues and practical concerns and distinguish between measurement at first-time recognition and on-going measurement.
- (c) Preparers' capacity to comply with IPSAS is important. Even with Study 14 and IPSAS 33 many governments remain on cash accounting and view adoption of accrual accounting as too difficult. The IPSASB should provide simple guidance and not rely on what the IASB has done, because it has different objectives. Public sector measurement has a much broader purpose than private sector measurement.

An IPSASB member asked for clarification on whether there is a hierarchy for the three uses of measurement in the CF's measurement objective (assessment of financial capacity, operational capacity and cost of services). The Technical Director explained that there is no hierarchy.

The Chair emphasized that the project's focus during 2018 will be measurement principles to guide users. Measurement should be focused and practical, taking account of the needs of first-time adopters, while avoiding complexity for the sake of complexity. He commented that the PSM project will be tough but very interesting and far reaching.

*Summary of Discussion by IPSASB Chair*

The Chair summarized the discussion as providing **direction** on outlines for the ED and CP, with an initial discussion on questions to include in the CP. With respect to the project's timeline, Route 1 will be used for planning purposes. The discount rates issue will be kept under review. The IPSAS had also provided **direction** on the review approach, to the effect that there should be no presumption that current measurement requirements should continue. Next steps are for the Task Force to develop ED sections for the March 2018 IPSASB meeting.

## **7. Heritage (Agenda Item 7)**

The IPSASB Chair introduced the review of responses to the IPSASB's Consultation Paper (CP), *Financial Reporting for Heritage in the Public Sector*. The IPSASB had decided that application guidance on heritage recognition will be provided in IPSAS 17, *Property, Plant and Equipment*, while application guidance on measurement will be in the new IPSAS, *Measurement*. The need for a heritage definition will depend on its potential usage in measurement and recognition decisions. The CAG discussion highlighted that any definition would need to be developed in the context of its purpose.

Staff then provided an overview of responses on Preliminary Views (PVs) and Specific Matters for Comment (SMCs) in the CP.

#### *Overview of Responses Received*

40 comment letters had been received, with a good mix of respondents' functions, perspectives, expertise, and financial reporting backgrounds. There were responses from the major geographic regions, with a Latin American response (from FOCAL<sup>4</sup>), which represented eight Latin-American countries.

The majority of responses came from jurisdictions where English is the official or most commonly spoken language. Staff highlighted the group responses, which included an Italian response representing seven government organizations, the United Nations system response for 20-plus organizations, and one representing 15 researchers.

The IPSASB asked about outreach to museums. One response was from the Council of Australasian Museum Directors (CAMD), which represents the principal museums in Australia and New Zealand. Staff said that there had been no special outreach for museums. An IPSASB member explained that CAMD is developing a valuation framework for collections, and he will keep the IPSASB informed on progress.

The CAG Chair reported that CAG members support the IPSASB's structured outreach approach for the Strategy and Work Plan consultation, and would like the IPSASB to use the same approach for other consultations. The IPSASB Chair noted this could be done for the ED stage of the Heritage project.

#### *Heritage Items*

Staff then provided an overview of responses to the CP's SMC—Chapter 1 (heritage characteristics and their consequences for financial reporting), PV—Chapter 2.1 (a description of heritage items), and PV—Chapter 2.2 (the meaning of natural heritage). 22 respondents agreed with SMC—Chapter 1, while nine partially agreed and eight did not agree. The main reasons for disagreement were that the CP had missed important heritage characteristics or understated the special nature of heritage items and their financial reporting consequences. Respondents emphasized measurement difficulty.

For the description of heritage items 22 respondents agreed while nine partially agreed, and eight did not agree. Respondents' views included proposals to:

- (a) Strengthen the description so that it could be used as a definition;
- (b) Distinguish between operational and non-operational heritage items; and
- (c) Amend the idea that heritage items are "intended to be held indefinitely."

The IPSASB Chair commented that the United Kingdom approach to heritage recognition distinguishes between operational heritage—used for purposes other than pure heritage—and non-operational, used for heritage appreciation only. The presumption is that you can value operational heritage. By contrast there are more measurement issues for museum collections, which are non-operational.

The CAG Chair reported that the CAG's discussion provided a very clear steer that the heritage description should take a principles-based approach, rather than a "list of attributes" approach. A shorter description is better, and the IPSASB should consider the Government Finance Statistics (GFS) definition. Many CAG members supported the operational/non-operational distinction as very useful. CAG members were neutral on whether heritage items should be described as "held indefinitely".

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<sup>4</sup> FOCAL stands for "Foro de Contadores Gubernamentales de América Latina", i.e. "Forum of Government Accountants of Latin America."

The IPSASB Chair agreed that the definition should be kept short.

An IPSASB member asked who determines that something is heritage. Staff explained that there are a variety of factors involved. Operationalization of a heritage definition could involve reference to expert opinion, textbooks, etc.

The IPSASB Chair noted that the purpose of a definition is important, including its consequences.

Staff reported that the majority of respondents (60%) disagreed with the IPSASB's PV that living plants and organisms should be excluded from natural heritage. 11 agreed, while four partially agreed. The main reasons for disagreement were that living plants and organisms are part of natural heritage, fulfil the description of heritage items, and/or should be considered heritage for accountability purposes.

The CAG Chair reported that CAG members agreed that living items should be included. He recommended that the IPSASB first define heritage, then consider whether there is an asset, with reference to control. IPSASB members noted that natural heritage differs from natural resources, which includes mineral wealth.

#### *Heritage Assets*

The majority of respondents (80%) agreed with the IPSASB's PV that the special characteristics of heritage items do not prevent them from being assets for financial reporting purposes. The main issue raised was that some heritage items will not be assets, due to lack of control or lack of service potential or future economic benefits.

The IPSASB Chair noted that the significance of heritage items depends on an entity's perspective. They are more significant at the level of a museum in comparison to the whole of government level.

The Chair of the Heritage Task Force, Mr. Bernhard Schatz, highlighted that some respondents raised measurement issues within the context of asset existence. The CP's logical flow was from heritage items to heritage assets followed by recognition criteria, which includes measurability. Respondents found this difficult. But there was strong agreement that heritage items can be assets for financial reporting purposes.

Claire Goulet, representing the United Nations (UN) system's IPSAS Task Force, explained that UN system organizations apply the definition of an asset to determine whether to recognize their heritage items. Such items may not provide economic benefits or service potential from the entity's perspective.

South Africa has issued a financial reporting standard on heritage assets, which became effective three years ago. In the first year of its application all museums received qualified audit opinions, with the main problem being that they did not have complete records for their collections. Standard setters need an objective way to identify heritage, but this is an emotional topic and objectivity can be difficult. A different approach is to ask "what should be in the financial statements?" and consider narrative and numbers.

An IPSASB member said that the CP had begun with the idea of heritage, when it should have focused on whether or not there is an asset, and only then considered whether it is heritage. If there is an asset then a special approach may not be needed, because IPSASs have sufficient guidance to measure assets.

The CAG Chair reported that CAG members agree a first consideration should be whether an item is an asset. The CAG recommends that heritage reporting focus on assets.

The IPSASB Chair summed up by saying accountability should be the focus, and a numerical value may be necessary to demonstrate this, but this will not always be the case. He noted that the CAG supported a pragmatic approach, together with the use of the operational/non-operational categorization.

### *Recognition and Initial Measurement of Heritage Assets*

For responses on recognition and measurement of heritage assets staff highlighted that the majority of respondents:

- (a) Disagreed with measurement using one currency unit (1 CU), with only 28% agreeing; and
- (b) Agreed that heritage assets should be recognized, if they meet the recognition criteria, with 78% agreeing.

Staff noted that respondents' views on heritage asset measurability have implications for recognition. For example, 67% of respondents said that there are situations in which recognition should not occur, because heritage assets cannot be measured.

With respect to the IPSASB's PV that "In many cases it will be possible to assign a monetary value to heritage assets, and appropriate measurement bases are historical cost, market value and replacement cost" there was only 35% agreement. Some of the disagreement related to the particular measurement bases identified, rather than the ability to assign a monetary value.

The IPSASB discussed whether responses on cost-benefit as a reason against heritage asset recognition were higher for preparers compared to other respondents. An Italian survey with 3,000 responses found that 80% agreed that information on the value of heritage assets is relevant. Staff said that responses had not been analyzed into preparers and others. CAMD, a preparer group, raised valuation costs as a significant issue, while the Australasian Council of Auditors-General (ACAG), which has more of a financial statement users' perspective, also expressed concern about the cost.

Further IPSASB discussion highlighted that:

- (a) Measurement and recognition are interconnected, with respondents arguing that lack of historical cost information results in non-recognition for heritage assets;
- (b) Financial reporting requirements could be entity-specific to reflect the accountability and decision-making information for different types of organization; and
- (c) Subsequent expenditure on heritage that meets the recognition criteria should be capitalized.

The CAG Chair suggested that a matrix approach could be helpful, classifying heritage assets first as operational or non-operational and second as either having, or not having, a market value available. The aim should be to identify principles, without over-engineering. A relaxation of valuation rules for heritage assets could be warranted. Those who support measurement at 1 CU argue that it allows recognition of heritage assets.

The IPSASB Chair commented that capitalization of subsequent expenditures is a recognition issue rather than a measurement issue, and something for the Heritage Task Force's consideration. Use of 1 CU as a basis for capitalization of future expenditures could be a pragmatic approach. Information for accountability and decision-making should be the starting point, followed by consideration of a pragmatic approach rather than one that is conceptually ideal. It will be important to develop tools for measurement of non-operational heritage assets, applying principles identified by the Public Sector Measurement project.

### *Topic 5: Subsequent Measurement of Heritage Assets*

Staff reported that only 37% of respondents agree with the IPSASB's PV that subsequent measurement of heritage assets will need to address changes in heritage asset values that arise from subsequent expenditure, consumption, impairment and revaluation, and can be approached in broadly the same way

as subsequent measurement for other, non-heritage assets. 62% of respondents agreed that guidance should be developed on one or more subsequent measurement areas, including how to treat depreciation when an asset has an indefinite useful life, revaluation, and use of non-financial reports to report on maintenance needs.

IPSASB members raised further issues for consideration, including:

- (a) Treatment of prior expenditures—leading up to recognition—such as the costs of an archeological dig or search for an historic ship;
- (b) Timing of recognition, where an item can evolve into heritage and become valuable; and
- (c) Distinguishing between subsequent expenditure on items that are not heritage versus the heritage asset itself, for example expenditure on a building to protect an historic ship.

#### *Heritage-Related Obligations and Presentation of Information*

Staff reported that 77% of respondents agreed with the IPSASB's PV that the special characteristics of heritage items, including an intention to preserve them for present and future generations, do not, of themselves, result in a present obligation such that an entity has little or no realistic alternative to avoid an outflow of resources. Only four respondents disagreed. Some respondents noted that there may be other factors that result in an obligation, such as project funding requirements to perform.

The IPSASB noted the strong support and the link between the Heritage project and the IPSASB's Revenue project, which is considering financial reporting for project-related grants.

For the IPSASB's PV that heritage information should be presented in line with existing IPSASB pronouncements, 57% of respondents agreed, 7% partially agreed, and 28% disagreed. Many respondents identified other information to present, including both additional note disclosures in the financial statements and information outside of the financial statements.

IPSASB discussion highlighted that some national jurisdictions require supplementary, stewardship information, rather than monetary-based information. Depending on the entity heritage-related service performance information could be presented. Arguably the IPSASB's existing pronouncements provide sufficient tools, unless something inherent in heritage suggests otherwise.

#### *Concluding Discussion and Next Steps*

The Task Force Chair stated that responses show constituents' line of thought, which is very helpful. To address the lack of heritage measurement guidance the operational versus non-operational assets distinction and the Public Sector Measurement project are important. The Task Force needs to understand which non-measurement issues need further work, e.g. the heritage definition. Museum collections may be able to be valued as a whole rather than item-by-item.

The IPSASB Chair's summary noted a need to identify the heritage information gap. An RPG would be a different project from that presently in-progress. The responses support the IPSASB's September decision that the focus going forward should be on application guidance for heritage recognition and measurement, and its view that many heritage items are assets and should be recognized. The main issue is measurement. Applying the operational versus non-operational distinction potentially narrows this difficult area to non-operational heritage. The challenge will be valuation of museum collections.

Responses show that no further work is needed on heritage-related liabilities. Consideration of the need for guidance on presentation of heritage-related information will need to occur at a later stage of the project, with decisions taken in the light of other work plan priorities.

Next steps are for the:

- (a) Public Sector Measurement project to develop generic measurement principles; and
- (b) Heritage Task Force Chair to write a brief, high level summary for constituents on:
  - (i) How responses have informed next steps, explaining where heritage issues will be addressed (e.g. Public Sector Measurement or Heritage project);
  - (ii) Prompts from the CAG discussion of responses to the CP; and
  - (iii) Consideration of whether future work on information outside the financial statements may be needed, in addition to guidance already available in RPGs 2 and 3.
- (c) Results from trialing an Italian Government heritage valuation methodology will be provided to the IPSASB, once they are available.
- (d) Heritage will next be considered by the Board at its December 2018 meeting.

## **8. Infrastructure (Agenda Item 8)**

Staff updated members on the IPSASB's Consultative Advisory Group (CAG) discussion on December 4 2017, on the Infrastructure Assets project and noted that the CAG raised several issues that had not previously been identified in relation to accounting for Infrastructure Assets. These issues included:

- (a) Control of assets regarding economic ownership and financing arrangements;
- (b) Characteristics of infrastructure assets e.g., whether assets need to be immovable to be infrastructure;
- (c) Complexity of network assets;
- (d) Service concession arrangements and the access to information during construction;
- (e) Capital inventory and whether to depreciate or not;
- (f) Land under water (as well as under roads);
- (g) Impairment during construction/development;
- (h) Asset retirement obligations;
- (i) Identifying when to commission an asset;
- (j) Performance information for public interest purposes;
- (k) Determining useful service potential that may be affected by climate change or other natural events or disasters; and
- (l) Transitional arrangements.

The discussion revolved around the need to define the scope of the project because some of the issues raised relate to assets in general and not infrastructure assets specifically. The Task Force Chair suggested that a matrix could be developed to cross-reference the issues and any relevant IPSAS that addresses that issue. The Board agreed staff and the Task Force chair will develop this matrix. It was also noted that the project would next be on the agenda in December 2018 but that staff will continue with research and will consider issuing a survey to gain constituent input into issues with accounting for infrastructure assets.

## **9. Strategy and Work Plan Consultation (Agenda Item 9)**

Staff reviewed the process to develop the Strategy and Work Plan 2019–2023 Consultation Document thus far, and presented an overview of the session for the day, including a discussion of the format for the afternoon breakout sessions to discuss the approach to outreach supporting the Document during the comment period.

### *Issue 1: IPSASB CAG and PIC Feedback*

The Chair and Deputy Director introduced the draft Strategy and Work Plan 2019–2023 Consultation Document, which had been revised for comments received from the PIC and CAG at their respective October 2017 meetings. The IPSASB agreed with the proposed actions by staff and the Task Force to address the comments received from the PIC and the CAG, subject to minor edits.

### *Issue 2: Amendments to the Draft Strategy and Work Plan 2019-2023*

An IPSASB member suggested that the document should be modified to be more explicit on what is meant by “high quality” standards. It was agreed that text from the footnote in the Consultation Document should be elaborated on and incorporated into the Managing Delivery section of the document, and that the final wording and placement in the Document would be reviewed by the Chair and the Task Force.

The IPSASB also agreed to change the wording related to the project selection criterion of “feasibility”, based upon a member’s suggestions to make the label and description clearer, which were accepted by the Board.

It was agreed that in order to keep the size of the Document manageable, Appendix B would not be included in the Document. Instead Appendix B will be made available on the Strategy Consultation publication page of the IPSASB website.

Amendments were agreed to make it clear that the Natural Resources project would consider all types of natural resources during the project research phase. Amendments to the text suggested by an IPSASB member were agreed by the Board and will be incorporated into the final Consultation document.

The IPSASB reviewed and agreed a number of other minor proposed amendments to the Consultation Document as outlined in Agenda Item 9.2.2, subject to minor editorials.

### *Issue 3: Strategy Outreach Approach and Breakout Sessions*

To support the Consultation Document during the comment period, three regional round tables are planned which will be used to gather formal input from attendees. The Roundtables will be held in Africa (tentatively in early May 2018 in Addis Ababa), Europe (March 28, 2018 in Brussels) and South East Asia (tentatively in late May 2018 in Manila). The Chair and staff are also working with the IPSASB members from Latin America to see how an event in that region might be facilitated (although it will not be one of the ‘formal’ Roundtables).

Members, technical advisors, observers, staff and others then split into four breakout groups to discuss: the Roundtables, Local/National Events, letter writing campaign, and other ideas to promote the Consultation and obtain feedback. Each group was organized in a broad geographical area – Africa, Europe, Asia/Middle East and the Americas. Feedback from the break-out sessions was broadly similar and included:

- Invitees to the Roundtables should include high level decision makers, as well as preparers/users. However, the Roundtable agenda might need to be tailored because topics of interest to one group

might not be of interest to all. Consideration of a way to split the agenda between general/strategic issues and more detailed technical issues was recommended;

- The possibility for some sort of real-time electronic voting, and the need to ensure that the events capture information in a common format, so that the feedback is comparable;
- A recommendation to use the Roundtables as education sessions;
- A need was highlighted to be aware of cultural sensitivities and differences;
- A need for translation of some materials into other languages – for example, French and Portuguese for Africa and Spanish for Latin America;
- There should be support from IPSASB staff in the form of checklists, or toolkits, for members and technical advisors, to use for any local or national events, to ensure that those facilitating such events cover common points in a consistent manner;
- For the letter writing campaign, ensuring that letters are addressed to the right person and sent from an appropriate person. A strong recommendation to rely on and use the networks and relationships that the IPSASB already has at its disposal (For example, IFAC member bodies, and IFAC and its committees and the IFAC-facilitated standard-setting boards); and
- Targeting the media, parliamentary committees, budget officials, researchers, and supporting all media efforts with social media.

#### *Issue 4: Specific Matters for Comment (SMCs)*

The IPSASB discussed and agreed the SMCs subject to minor editorials.

#### *Issue 5: Approval of Draft Strategy and Work Plan 2019–2023*

The IPSASB approved the Strategy Consultation document, subject to a final review of editorials by the IPSASB Chair and the Task Force. Seventeen members voted in favor with one absentee. The IPSASB agreed a comment period ending on June 15, 2018.

## **10. Process for Reviewing Responses (Agenda Item 10)**

Staff presented a new approach to the collation and summary of responses, using software (NVivo) to improve the analysis. As an overview, the staff highlighted the following key aspects that the IPSASB should consider:

- (a) For a number of years, there has been little change in how the IPSASB staff review responses. Staff believes that it is time to embrace technology to improve the review of responses.
- (b) Use of the NVivo Software, will enable staff to provide a more in-depth review of responses to the Board. Staff will be able to spend more time analyzing and thinking about the issues. Use of the software will replace a substantial amount of time spent on the administrative tasks previously required to provide the IPSASB with a review of responses.

Staff noted that the software had been successfully trialled on the *Heritage* project, where the software had been used in parallel with the previous process.

The staff highlighted certain features of NVivo software to illustrate the advantages of using the software. Staff also informed the IPSASB that the International Audit and Assurance Standard Board (IAASB) had already adopted the use of the NVivo software, and found it very useful in analyzing complex information and qualitative data.

The staff noted that there are a number of analytical tools that would enhance the quality of review of responses. They are described below.

### *Manual coding*

Manual coding permits staff to associate parts of a response with any theme or themes they think relevant. Staff emphasized that manual coding allows the analysis that has traditionally been produced for the IPSASB to be replicated using the NVivo software.

### *Auto-coding*

Staff identified this feature as an important way the software could add value. Staff noted that auto-coding uses a frequency analysis algorithm to identify recurring words and phrases in responses, assisting staff to identify key themes. Auto-coding can be used both as an initial prompt for staff, and to ensure no key themes have been overlooked by staff.

Staff noted that the auto-coding can be run against all the topics, for each particular topic, or in a customized way to help staff better understand the inter-relationships between topics.

### *Other tools*

Staff informed the IPSASB that there are other analytical tools, including word tree, word cloud, mind maps, and memo. Word tree illustrates associations between words and phrases. Word cloud provides a visual representation of the most frequently used terms. Mind maps and memos can be used to brainstorm ideas and track the progress of a project. Staff noted that they are still researching the use of these tools, but that they have the potential to provide additional information as part of the review of responses.

Staff reported that the software can generate a wide variety of reports. The format used in previous reviews of responses can be replicated; alternatively the analysis can be grouped and sorted in a variety of ways.

The IPSASB supported the implementation of NVivo software by the IPSASB staff, to enhance review of responses. Board members confirmed that they would like staff to use the software when reviewing future responses and qualitative research.

The Board acknowledged the potential for the software to enrich the quality of the review of responses. Some IPSASB members conveyed their positive experiences in using similar software.

The IPSASB members expressed confidence in the staffs' capability to use technology and envisioned a roadmap towards fewer papers. Also, IPSASB agreed that staff would be able to use the tool to find deeper correlations between different topics which will help in decision-making.

IPSASB members highlighted some issues with the use of the software that staff would need to manage:

- (a) The software can generate a large volume of information, and staff would need to ensure that the information given to IPSASB members was manageable and did not result in delays to the review of responses.
- (b) Consideration needs to be given to what information is appropriate to be presented to the IPSASB, and what information should be available to members on request.
- (c) Staffs would need to manage requests from IPSASB members for additional reports; however, staff indicated that the software should facilitate the rapid production of such information without these requests becoming a distraction.
- (d) Some members questioned whether there would be capacity constraints when using the NVivo software. Other members who have used the software confirmed that it can handle a large volume of information.

The IPSASB considered that it was too early to decide what kind of report would be most useful for the Board. Different reports will be produced as part of a trial run with the responses to ED 62, *Financial Instruments*, at the March 2018 meeting.

The IPSASB supported the staff collaborating and pooling resources with the other standard-setting boards to develop best practices.

### **Closing Remarks and Conclusion of the Public Meeting**

The Chair noted that all meeting dates had been set for 2018. The December meeting will be from December 4–7 in Kuala Lumpur with the CAG meeting on December 3. The hosts, the Malaysian Institute of Accountants, are organizing an outreach event on December 10–11. It would be helpful if as many members, TAs and observers as possible could stay for this.

The Technical Director acknowledged that former member Mariano D'Amore had represented the IPSASB at an event organized by the Lebanese Association of Certified Public Accountants during the week of the IPSASB meeting to which the Chair had been invited. The Chair noted that it is important that retiring members remain part of the IPSASB family and, along with the Board, acknowledged Adriana Trion-Tudor and Kenji Izawa and expressed a hope that they would remain a part of the IPSASB community.

The Chair said that the year had been tremendously productive, with the approval of a revised Cash Basis IPSAS, three Exposure Drafts, three Consultation Papers and the Strategy and Work Plan Consultation Document. He thanked the Board, TAs and staff for all their hard work during the year and wished them the compliments of the season. The Chair then closed the meeting.

### 13. Appendix 1 – December 2017 Action List

Action Required	Person(s) Responsible	Date to be Completed
<b>1. Communications</b> <ul style="list-style-type: none"> <li>Action List posted to IPSASB Extranet</li> <li>Draft minutes circulated to IPSASB for comment</li> <li>Update IPSASB Summary of IASB Work Plan and Tracking Table</li> <li>Update GFS Tracking Table</li> </ul>	Leah Weselowski Leah Weselowski Ross Smith João Fonseca	December 15  February 16  February 9
<b>4. Technical Director's Report on Work Plan</b> <ul style="list-style-type: none"> <li>Updated Work Plan sent to Communications for posting to website</li> <li>Technical Director's Report on Work Plan for March 2018 meeting posted to website</li> <li>Map SMCs and PVs in Revenue and Non-Exchange Expenses CP to project streams</li> </ul>	John Stanford/Paul Mason	December 15  January 31 February 16
<b>5. Leases</b> <ul style="list-style-type: none"> <li>Exposure Draft 64, <i>Leases</i> published</li> </ul>	João Fonseca	January 31
<b>6. Public Sector Measurement</b> <ul style="list-style-type: none"> <li>Agenda papers posted</li> </ul>	Gwenda Jensen	February 10
<b>7. Heritage</b> <ul style="list-style-type: none"> <li>Develop heritage responses summary</li> </ul>	Gwenda Jensen	January 31
<b>8. Infrastructure</b> <ul style="list-style-type: none"> <li>Develop survey, issue for comment and analyze responses (TBD)</li> <li>Continue research</li> </ul>	Joanna Spencer	September 30
<b>9. Strategy and Work Plan Consultation</b> <ul style="list-style-type: none"> <li>Strategy Consultation published</li> </ul>	Ross Smith	January 30
<b>10. Process for Reviewing Responses</b> <ul style="list-style-type: none"> <li>Start using NVivo Software for next responses</li> <li>Clarify budget implications for 2018</li> </ul>	Mushfiq Mazhar/Paul Mason	January 10

14.

**Vote #1– Approve Strategy and Work Plan Consultation**

Vote #1– Approve Strategy and Work Plan Consultation

Agenda Item 9                      Minutes Item 9                      Date Vote Taken                      December 7, 2017

Description                      Consultation Document                      Strategy and Work Plan Consultation                      Approved at meeting

Final Standard ■	ED □	CP □	Other □	ABSENT	TOTAL
IPSASB MEMBER	FOR	AGAINST	ABSTAIN		
Ian Carruthers, Chair	√				
Angela Ryan, Deputy Chair				√	
Stuart Barr	√				
Mike Blake	√				
Lindy Bodewig	√				
Michel Camoin	√				
Francesco Capalbo	√				
Robert Dacey	√				
Sebastian Heintges	√				
Kenji Izawa	√				
Aracelly Méndez	√				
Rod Monette	√				
Leonardo Nascimento	√				
Chris Nyong	√				
Bernhard Schatz	√				
Adriana Tiron Tudor	√				
Marc Wermuth	√				
Juan Zhang	√				
<b>TOTAL</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>18</b>

**Vote #2– Approve Leases**

Vote #2– Approve Leases  
 Exposure Draft

Agenda Item 5                      Minutes Item 5                      Date Vote Taken                      December 8, 2017

Description                      *Exposure Draft*                      Leases                      Approved at meeting

Final Standard <input type="checkbox"/>	CP <input type="checkbox"/>	ED <input checked="" type="checkbox"/>	Other <input type="checkbox"/>	<b>ABSENT</b>	<b>TOTAL</b>
<b>IPSASB MEMBER</b>	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>		
Ian Carruthers, Chair	√				
Angela Ryan, Deputy Chair				√	
Stuart Barr	√				
Mike Blake	√				
Lindy Bodewig	√				
Michel Camoin	√				
Francesco Capalbo	√				
Robert Dacey	√				
Sebastian Heintges	√				
Kenji Izawa	√				
Aracelly Méndez	√				
Rod Monette	√				
Leonardo Nascimento	√				
Chris Nyong	√				
Bernhard Schatz	√				
Adriana Tiron Tudor	√				
Marc Wermuth	√				
Juan Zhang	√				
<b>TOTAL</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>18</b>