
**Intergovernmental Working Group of Experts on
International
Standards of Accounting and Reporting
(ISAR)**

36th SESSION

30 October – 1 November 2019
Room XIX, Palais des Nations, Geneva

Friday, 1 November 2019
Morning Session

**Agenda item 4. Review of current developments in
international standards of accounting and reporting in the
public and private sectors**

Presented by

Luzvi Chatto
Member

International Public Sector Accounting Standards Board

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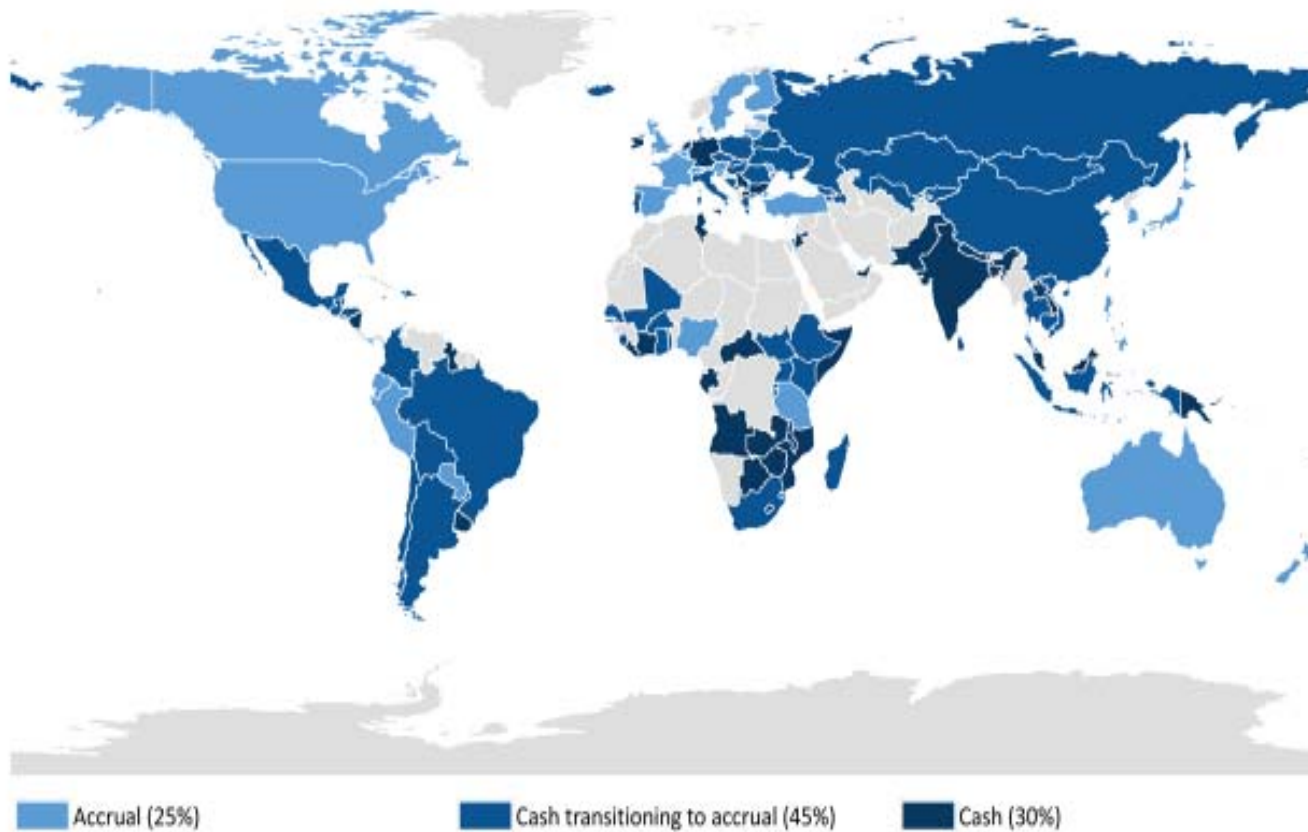
IPSASB Update 2019

Luzvi Pangan Chatto

Member, IPSASB &
Assistant Commissioner
Government Accountancy Sector
Commission on Audit
Republic of the Philippines

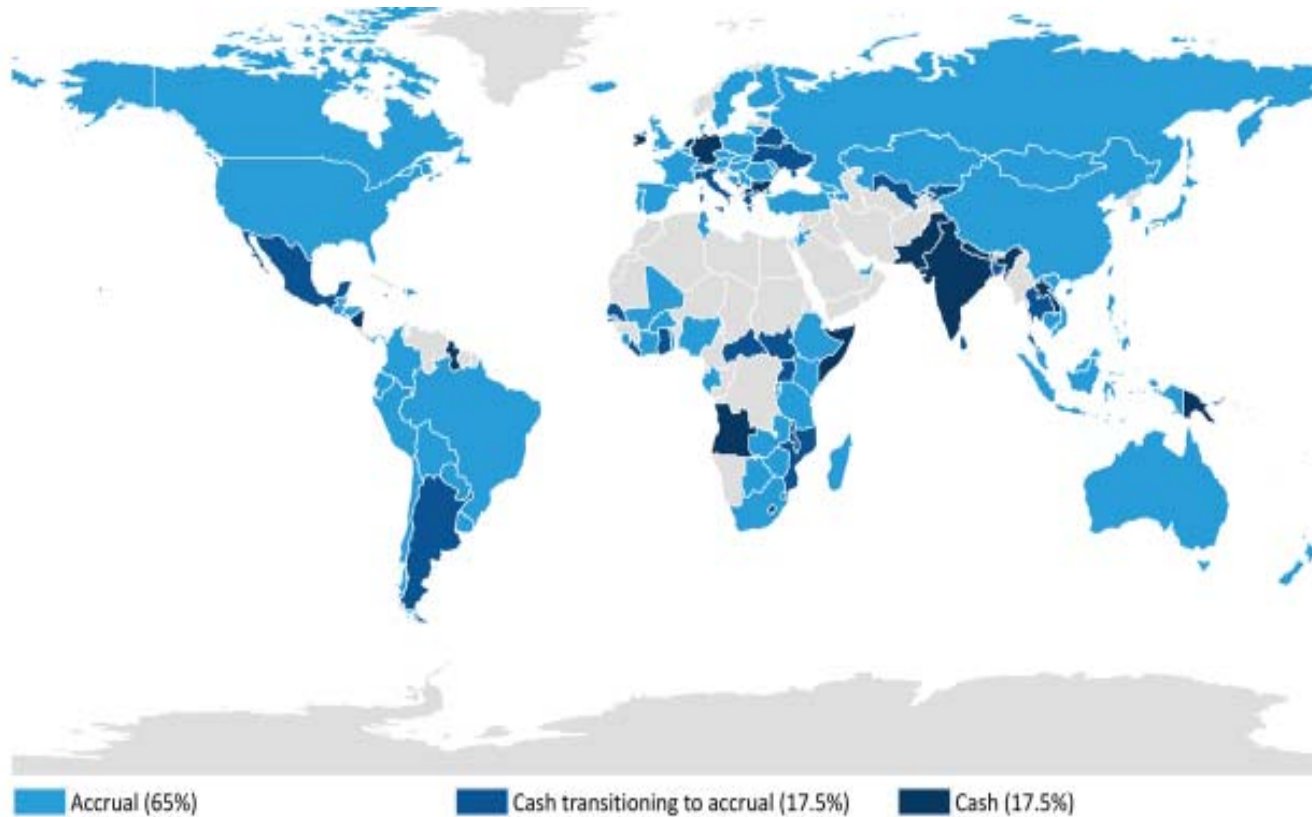
UNCTAD-ISAR 36th Session
Geneva
1st November 2019

In 2018 25% of governments reported on accrual.....



Source: IFAC / CIPFA
International Public Sector
Financial Accountability Index
Data from 150 countries

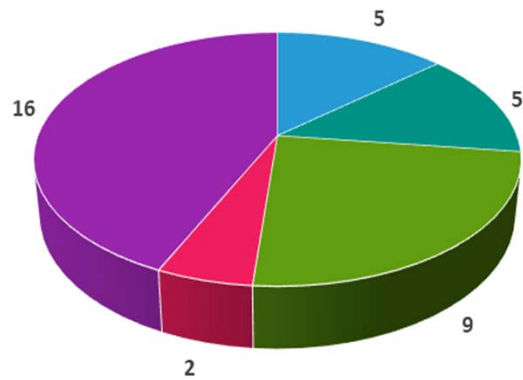
.....within 5 years 65% will report on accrual



Source: IFAC / CIPFA
International Public Sector
Financial Accountability Index
Data from 150 countries

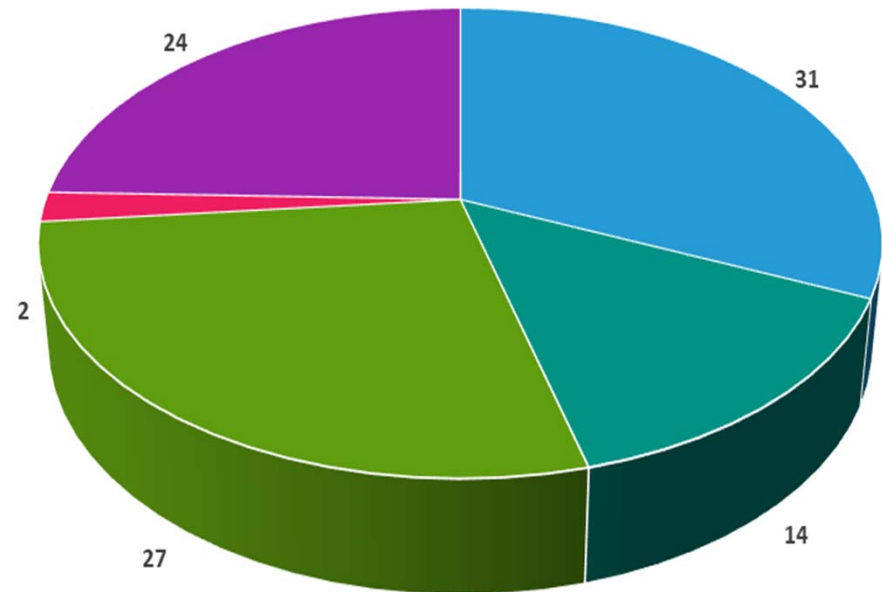
Changes will increase IPSAS usage and influence: Raising IPSASB's profile and stakeholder expectations

2018 – 37 governments



- International Public Sector Accounting Standards (IPSASs) adopted directly
- IPSASs adopted indirectly via national standards
- National standards using IPSAS as a reference point
- National standards based on IFRSs
- Other national financial reporting standards

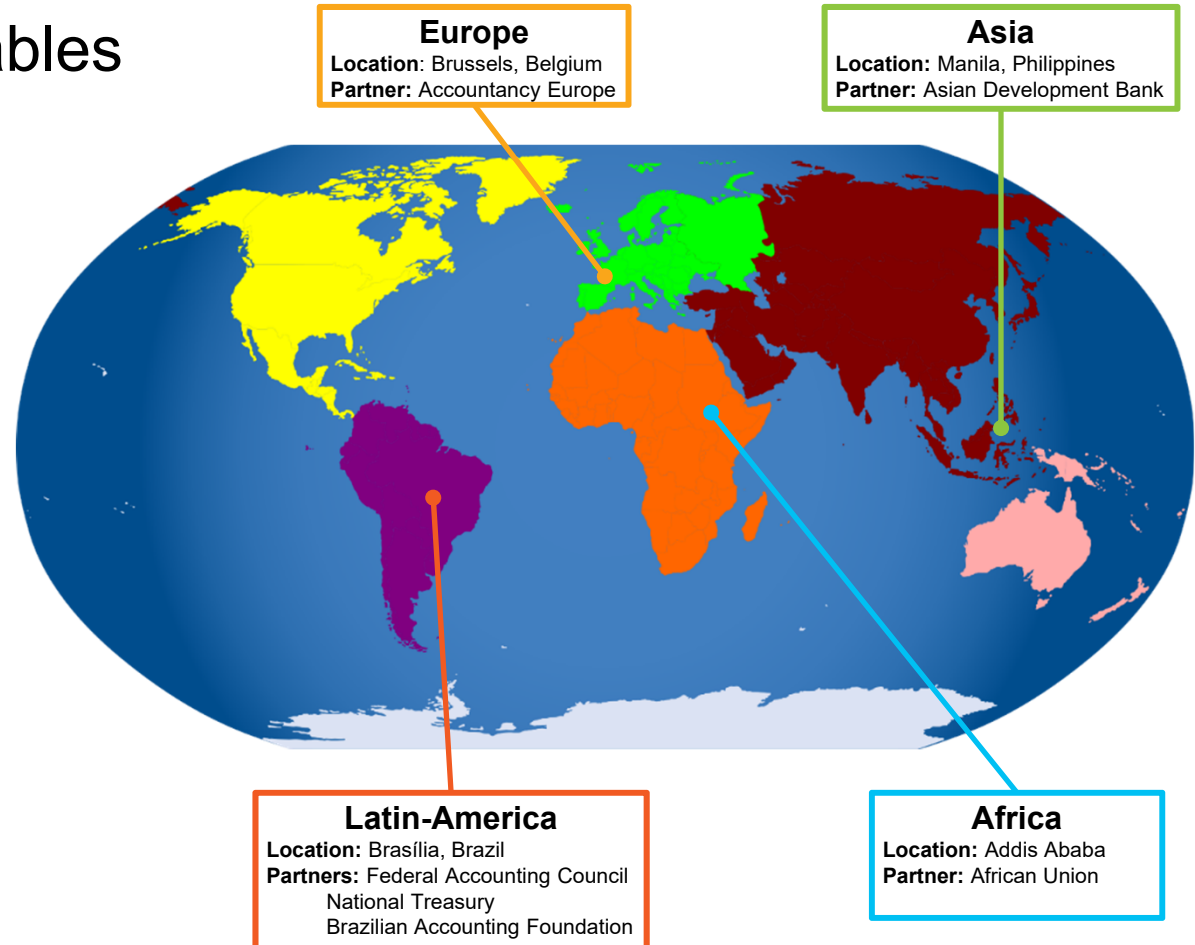
2023 – 98 governments



2019-23 Strategy and Work Plan: Impact of regional engagement

4 Regional Roundtables

In total...	
Attendees	384
Organizations	300+
Countries	108



2019-2023 Strategy and Work Plan: Delivering Global Standards. Inspiring Implementation.

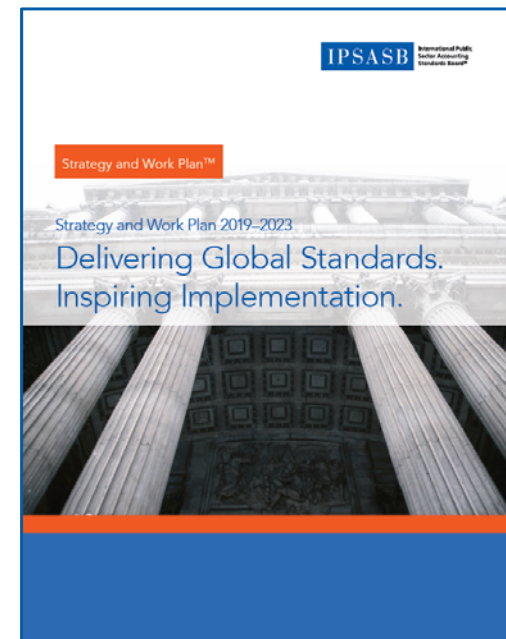
Strengthening Public Financial Management (PFM) globally through increasing adoption of accrual-based IPSAS.



This Strategic Objective will be delivered through two main areas of activity both of which have a public interest focus:

Delivering Global Standards:
Developing and maintaining IPSAS and other high-quality financial reporting guidance for the public sector

Inspiring Implementation:
Raising awareness of IPSAS and the benefits of their adoption



2019-23 Strategy and Work Plan: Delivering Global Standards



Theme A

- Natural Resources
- Conceptual Framework – limited-scope review

Theme B

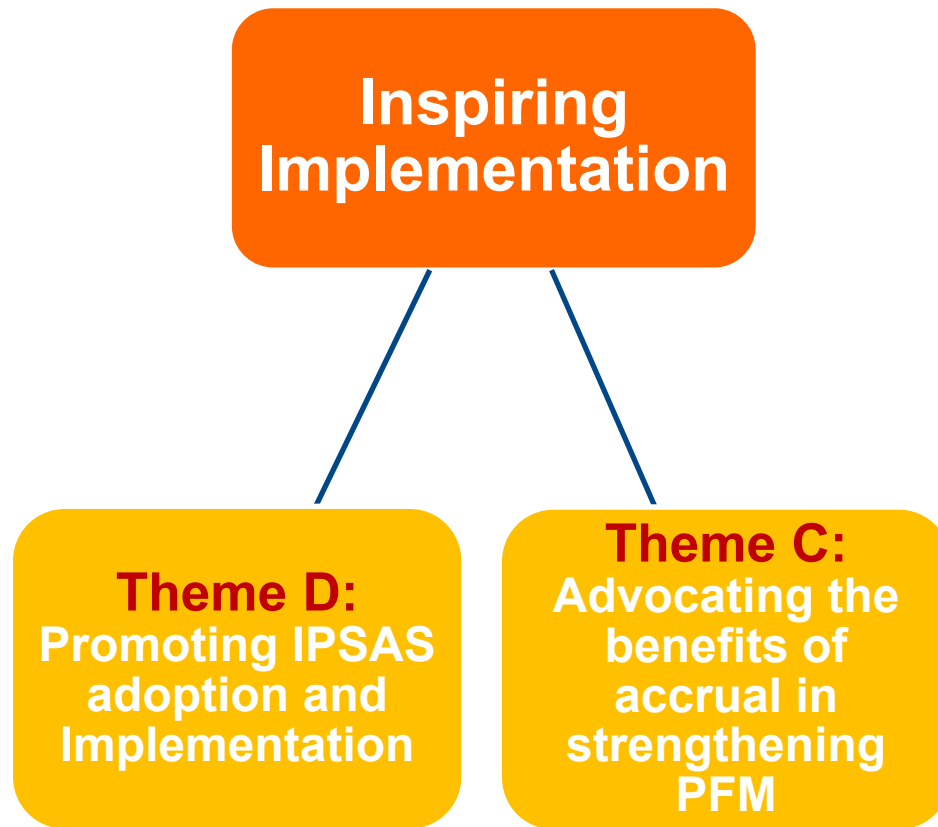
- Annual improvements
- Limited scope projects

Theme C

- Actively monitor developments
- No specific projects currently

Mid-period review 2021

2019-23 Strategy and Work Plan: Inspiring Implementation



Theme D and E

- Build relationship with and support actors in PFM landscape
- Raise awareness of IPSAS and benefits of their adoption
- Update of Study 14: *Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities*.

Mid-period review 2021

IPSASB Update

Strong progress during last year

3 Final Approvals

- 2019-23 Strategy and Work Plan
- IPSAS 42, *Social Benefits*
- plus 'Improvements to IPSAS 2018'

3 Exposure Drafts

- Collective and Individual Services and Emergency Relief (ED 67)
- 'Improvements to IPSAS 2019' (ED 68)
- Public Sector Specific Financial Instruments (ED 69)

Consultation Paper

- Measurement

....and considerable work on:

- Revenue
- Transfer Expenses
- Leases

IPSASB Update

Active projects

Project	Public sector specific	IFRS alignment
Revenue - IFRS 15 aligned (replacing IPSAS 9 & 11) - IPSAS 23 update	✓ ✓	✓
Non-Exchange Expenses - Transfer Expenses - Collective and Individual Services (IPSAS 19 amends)	✓ ED 67	✓
Measurement	CP/[ED]	✓
Heritage	✓	
Infrastructure Assets	✓	
Leases	✓	✓
Financial Instruments (Public Sector Specific)	✓	IPSAS 41

IPSASB Update

Planned position at December 2019

Project	Public sector specific	IFRS alignment
Revenue - Revenue With Performance Obligations (IFRS 15 aligned) - Revenue Without Performance Obligations (IPSAS 23 update)	ED 70 ED 71	✓
Non-Exchange Expenses - Transfer Expenses - Collective and Individual Services (IPSAS 19 amends)	ED 72 IPSAS	✓
Measurement	CP/[ED]	✓
Heritage	✓	
Infrastructure Assets	✓	
Leases	??	??
Financial Instruments (Public Sector Specific)	ED 69	IPSAS 41

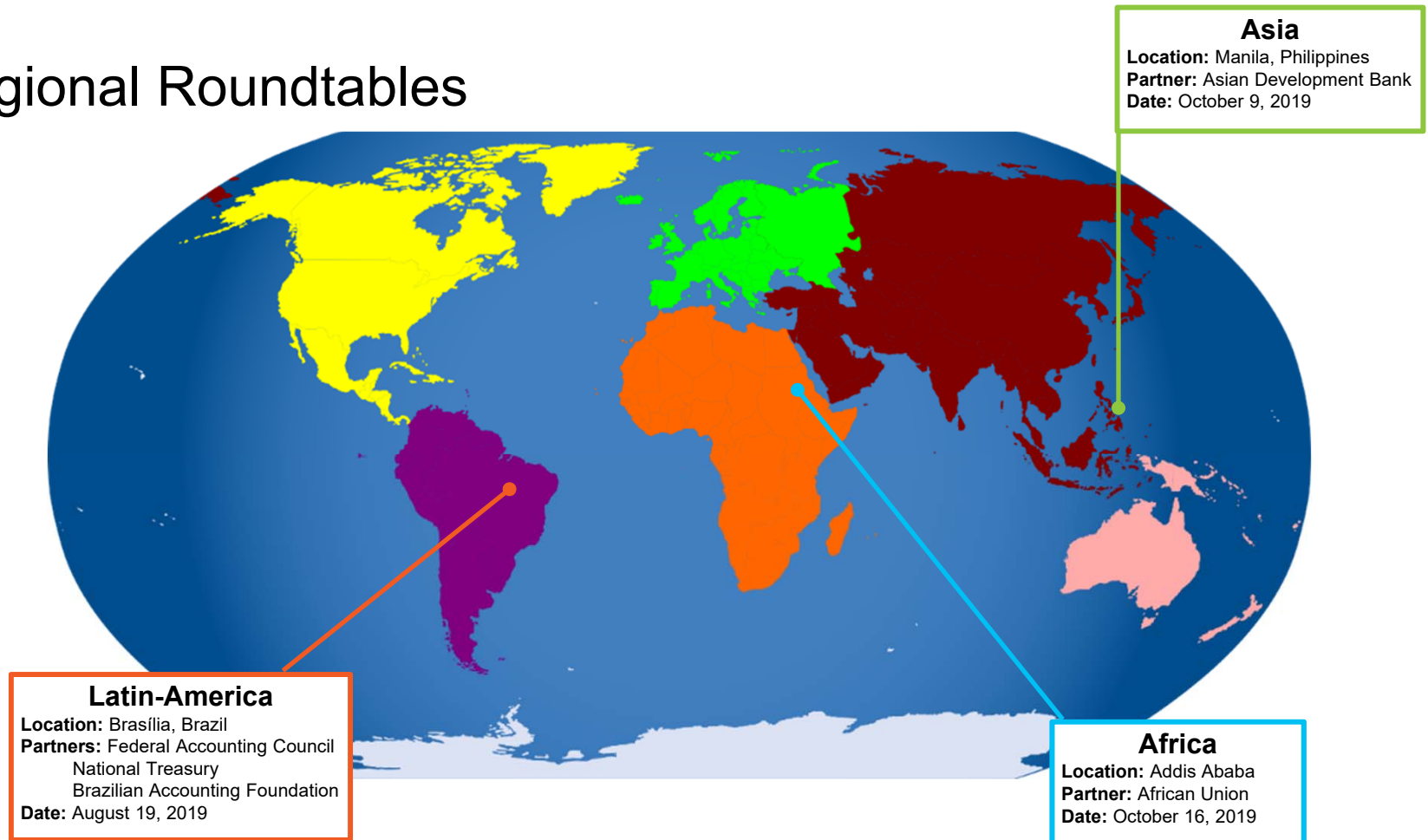
IPSASB Research Topics

- Projects selected for research / scoping in advance of mid-period Work Plan consultation (H1 2021):
 - Discount rates
 - Differential reporting
 - Presentation of financial statements in the public sector
 - Tax expenditures
- IPSASB to facilitate rather than undertake research itself
- Research ‘facilitation’ approach discussed at June 2019 Board meeting and Public Sector Standard Setters Forum
- Initial discussion of research topics at Forum
- Research / Scoping to be completed by mid 2020 for Autumn 2020 Board discussions on Work Plan consultation document
- Volunteers needed to lead or participate in research groups!

IPSAS Strategy Implementation

Building partnerships and stakeholder profile

3 Regional Roundtables



IPSASB Conceptual Framework (CF)

Limited-scope review scoping issues

- IPSASB CF approved September 2014 - No review timeline
- IASB finalized its CF project in March 2018
- Key changes in updated IASB CF:
 - Acknowledgement of Prudence in context of neutrality in Faithful Representation QC
 - Finalization of element definitions
 - Unit of account
 - Measurement
 - Significantly revised approach to Measurement
 - High level distinction between Historical Cost and Current Value
 - Current Value measures identified: Fair Value, Value-in-use (assets) and Fulfilment Value (liabilities) and Current Cost
 - Capital maintenance

IPSASB Conceptual Framework: Issues encountered in practice

Elements

- Use of term non-legally-binding obligation (Revenue)
- Need for other resources and other obligations in light of Revenue project

Measurement

- Very oblique reference to fair value in Measurement chapter (Financial Instruments)
- Relationship between Fair Value (IFRS 13) and Market Value

Qualitative Characteristics

- Non-demarcation of fundamental and enhancing characteristics

IPSAS Strategy Implementation

Theme A: New project - Natural Resources

Why is accounting for Natural Resources an important public sector issue?

Government Finance Statistics

- GFSM 2014 requires recognition and measurement of natural resources
- 2018 IMF Fiscal Monitor (natural resources assets equal to 38% of GDP)

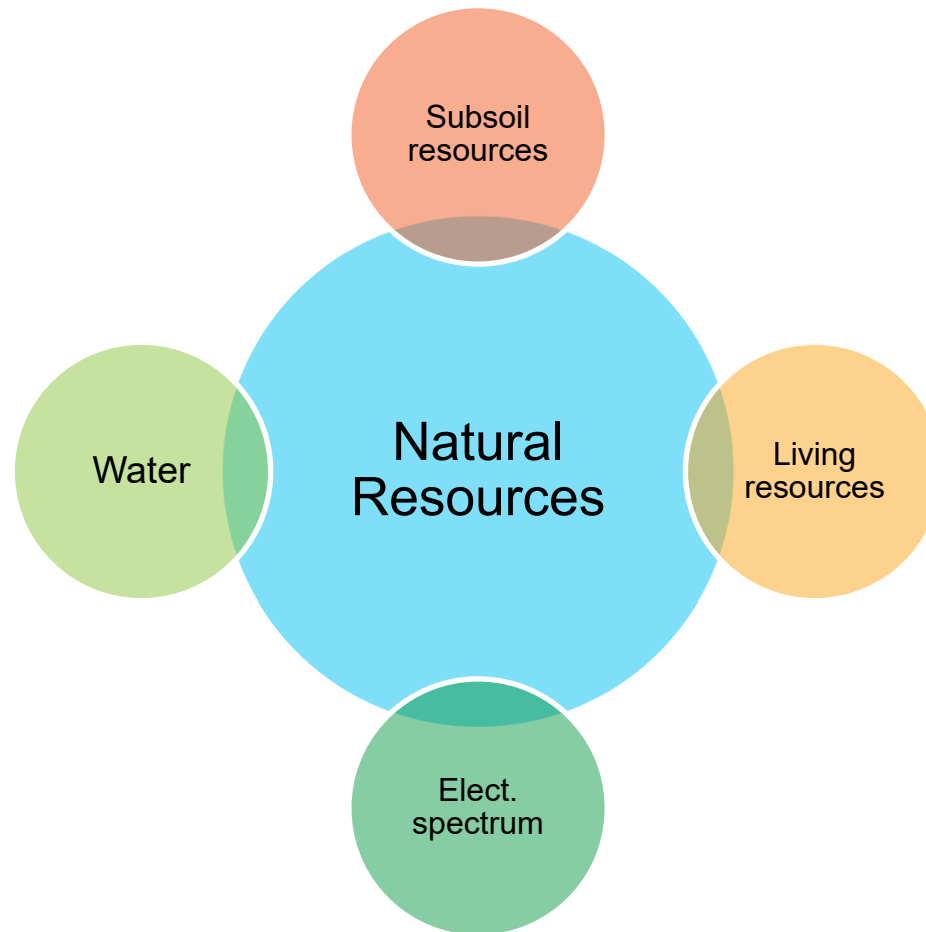
Lack of guidance in IPSAS

- Important issue for resource rich countries
- Important scoping phase of the project—links with Conceptual Framework, IPSAS, IFRS 6, *Exploration for and Evaluation of Mineral Resources*, and GFS

IPSAS Strategy Implementation

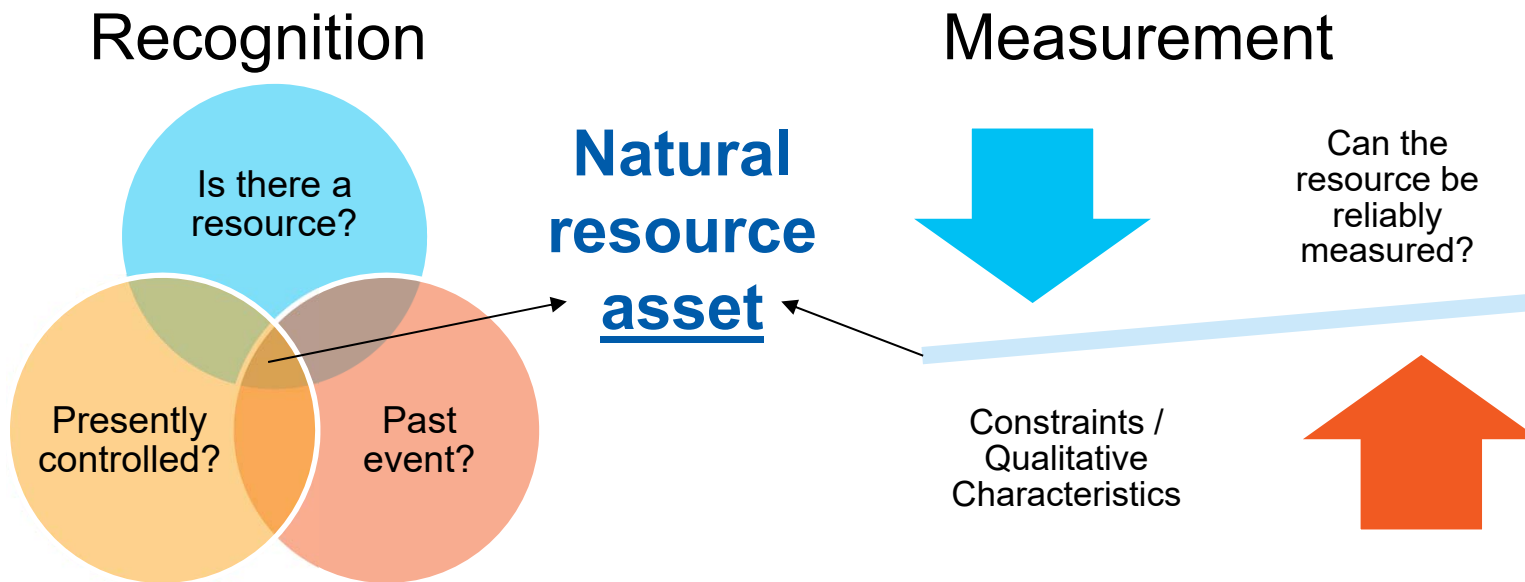
Theme A: New project - Natural Resources

Key scoping question:
What should the scope of the IPSAS Natural Resource project be?



IPSAS Strategy Implementation

Theme A: New project - Natural Resources



IPSAS Strategy Implementation

Theme A: New project - Natural Resources

Initial feedback from research and scoping considerations:

- What are the accounting issues and financial reporting objectives for natural resources?
- How to keep the scope manageable – focus on the specific public sector challenges related to financial reporting
- Further thinking needed on the public sector relevance of IFRS 6, *Exploration for and Evaluation of Mineral Resources*
- Broad group of interested stakeholders with high expectations that extend beyond financial reporting. Very important to clearly communicate at the outset what the project aims to achieve

Revenue projects: Context

Categorization of transactions

Current classification	Non-Exchange		Exchange
CP Revenue	Category A	Category B*	Category C
Characteristics	No performance obligations or stipulations	Enforceable agreements, with performance obligations or stipulations to use or consume resources in a particular way; and/or other agreements requiring resources to be used over a specified period of time	Enforceable agreements, with performance obligations to transfer goods or services to customers on commercial terms
Examples	Taxes, transfers	Funding to deliver a specified number of vaccinations to the public	Sale of goods or services on commercial terms

* Whether Category B transactions are considered to be exchange or non-exchange can differ depending on how the characteristics of the transaction are interpreted.

Session 3: Revenue Projects: Decisions made

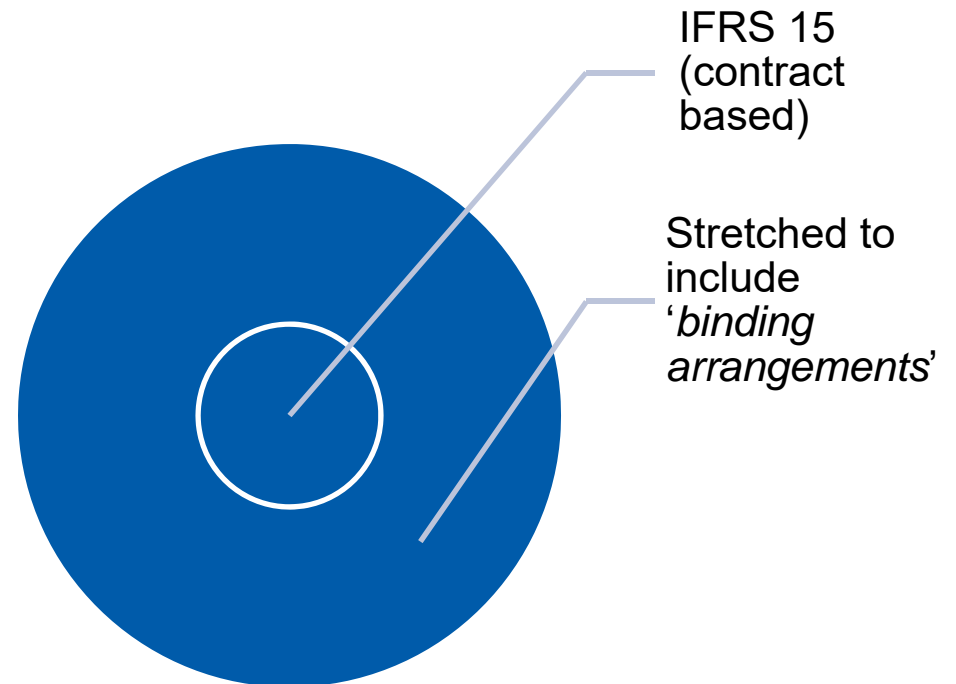
ED 70, *Revenue with Performance Obligations* (aligned with IFRS 15, *Revenue from Contracts with Customers*)

- Replaces IPSAS 9, *Revenue from Exchange Transactions*, & IPSAS 11, *Construction Contracts*
- Accounting approach developed from IFRS 15 includes additional guidance for public sector
- Transactions in scope of ED 70 are those that have performance obligations, defined as: *a promise in a binding arrangement with a purchaser to transfer to the purchaser or third-party beneficiary either:*
 - *A good or service (or bundle of goods or services) that is distinct; or*
 - *A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the purchaser or third-party beneficiary*

ED 70 - IFRS 15-aligned IPSAS

'Revenue With Performance Obligations'

- IFRS 15-aligned core text
- Definitions 'stretched' to include binding arrangements, but clear link to IFRS 15 definitions
- Transaction 'filter' mechanism:
 - Step 1: Binding arrangement?
 - Step 2: Performance obligation?
- Public Sector Application Guidance (mainly on Steps 1 and 2)
- IFRS 15 examples reviewed for public sector
- Additional public sector examples developed

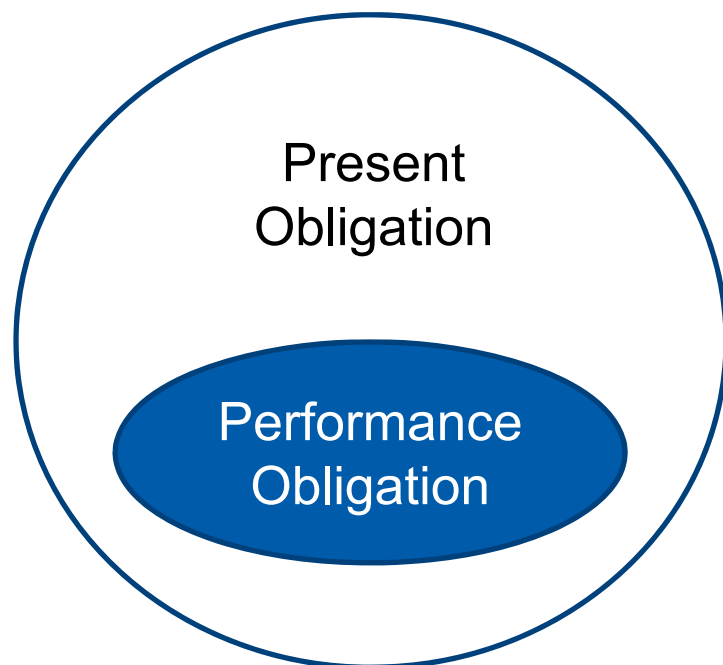


ED 71, *Revenue without Performance Obligations*

- Update IPSAS 23 – to address application issues and interface with new IFRS 15-aligned standard
- ED 71, includes:
 - Transactions that do not arise from a binding obligation (e.g. taxes and fines) – maintain IPSAS 23 approach
 - Transactions arising from a binding arrangement that include a present obligation which is not a performance obligation (e.g. transfers)
- Guidance included for capital transfers
- Services in kind – maintain IPSAS 23 approach

Difference between Performance Obligation and Present Obligation

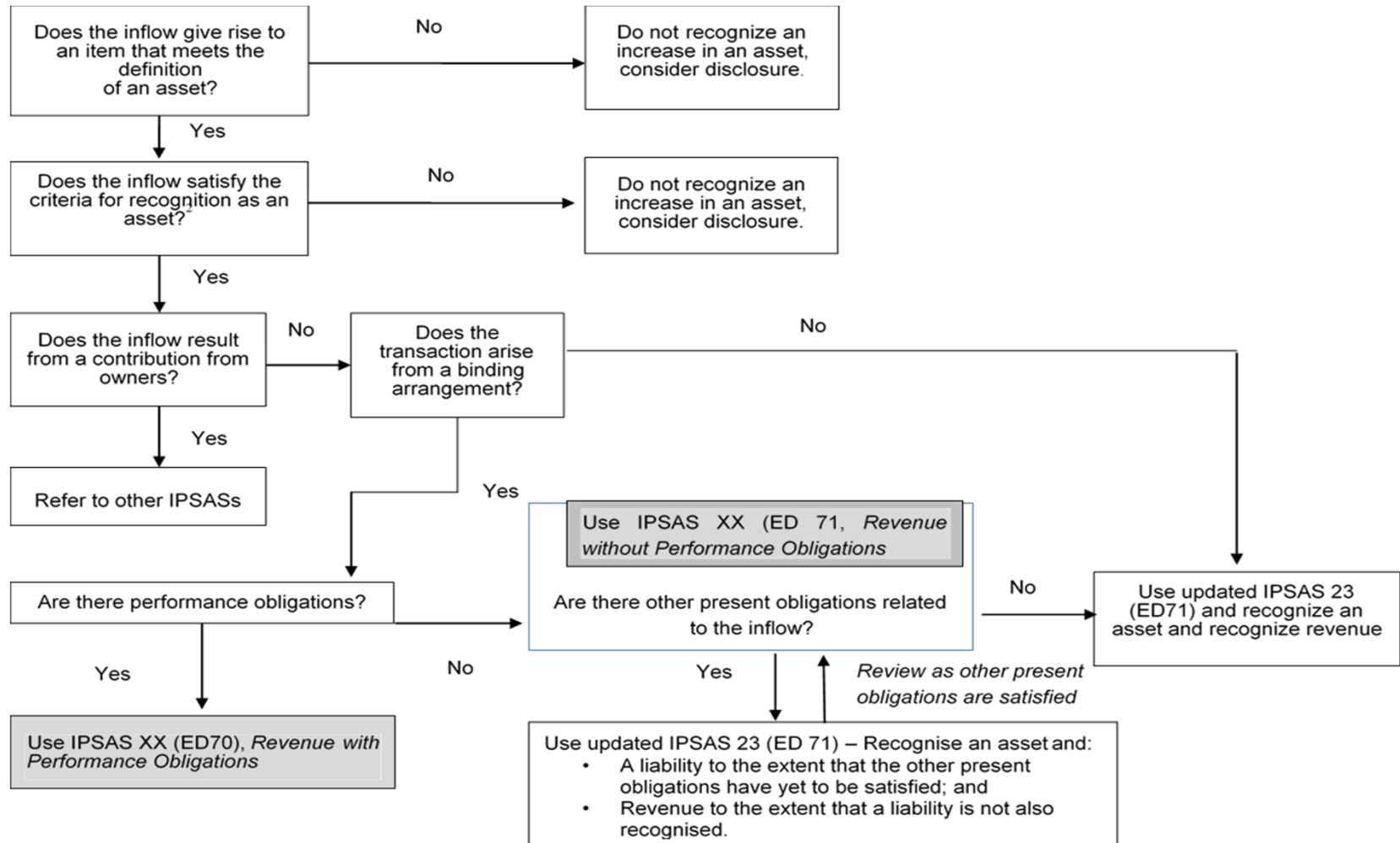
- ED 70 – Performance Obligation
- ED 71 – Present Obligation



- *Performance obligation* specifically defined in ED 70, must include:
 - A transfer of goods or services to a purchaser or third-party beneficiary
 - Goods or services must be distinct
- *Present obligation* is broader:
 - Terms of the arrangement set out how the revenue recipient must act or perform in a certain way – no explicit requirement to transfer goods or services to purchaser or third-party beneficiary

ED 71 – Updated IPSAS 23

‘Revenue Without Performance Obligations’



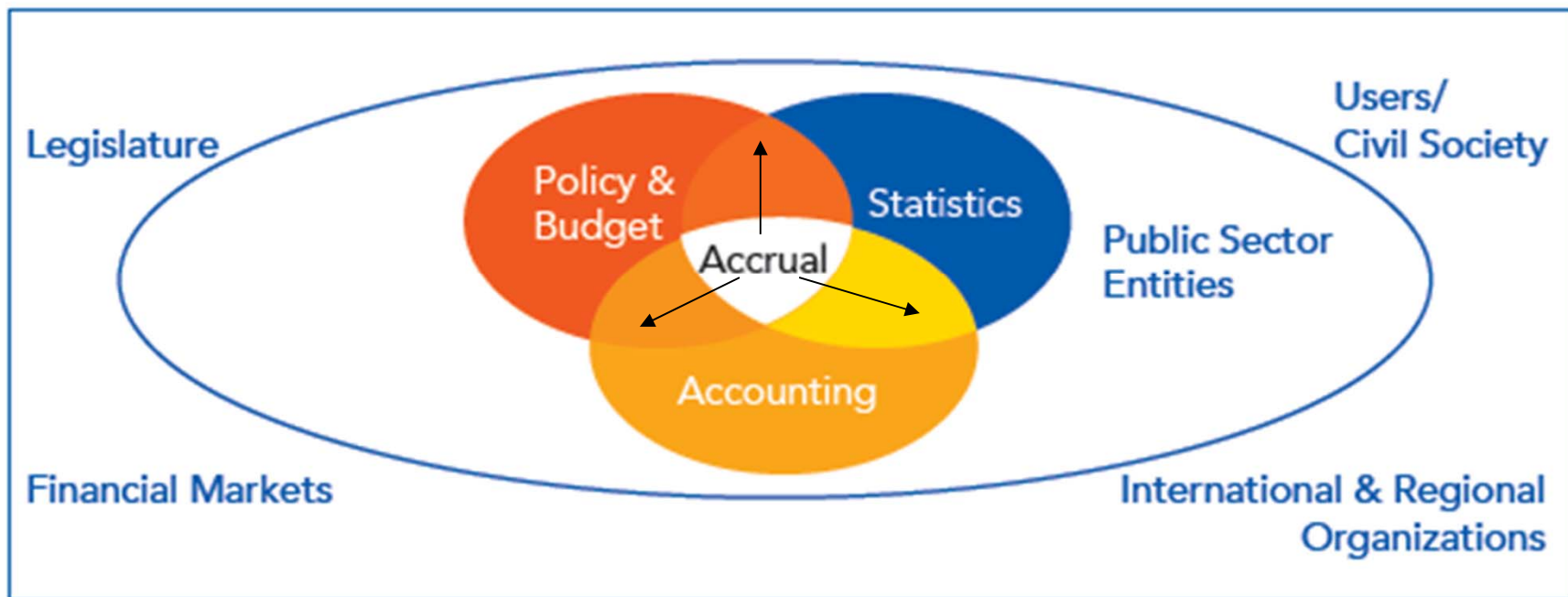
ED 71 Pattern of Revenue Recognition

- Transactions arising from binding arrangements without performance obligations – revenue recognized in accordance with terms of the arrangements, as:
 1. ‘Enforceable actions’ set out in the arrangements
 2. ‘Eligible expenditure requirements’ set out in the arrangements
- Key IPSASB tentative ED 71 decision - Capital transfers to be accounted for consistent with other transactions arising from binding arrangements without performance obligations

Inspiring Implementation-Advocating the benefits of accrual in strengthening PFM

In order to maximize the benefits of accrual-based information, it should be used for as many purposes as possible:

Uses/Users of accrual in PFM



Inspiring Implementation

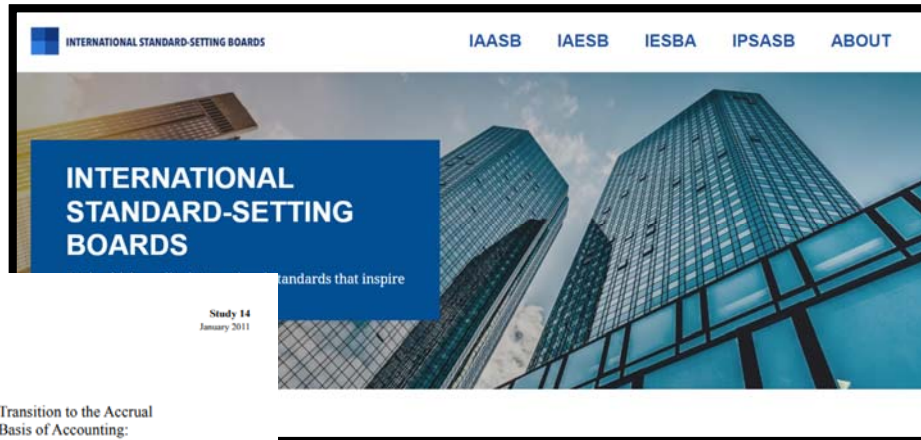
IFAC Study 14 – Transition to the Accrual

Activity	IPSASB	PAOs	Governments	Consultants / Contractors	Supranational & Regional Organizations	Auditors
Promoting adoption	✓	✓	✓	✓	✓	✓
Supporting IPSAS implementation						
Financial Support			✓		✓	
Capacity Development		✓	✓	(✓)	(✓)	
Technical Guidance	✓	(✓)	✓			(✓)
Practical Guidance		(✓)	✓	✓	(✓)	(✓)
Continuing Professional Development		✓	✓			

(✓) Not primary role, but potential for influence and/or involvement.

Inspiring Implementation

Promoting Adoption and Supporting Implementation.



International Public Sector Accounting Standards Board

Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities
Third Edition

Study 14
January 2011

standards that inspire

International Federation of Accountants

What's planned ?



Implementation and Interpretation Issues

Inspiring Implementation

What is Study 14?

Study 14-Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities

- Part I: Introduction
 - Managing the process
 - Skills assessment and training
- Part II: General financial reporting issues
- Part III: Elements
- Part IV: Specific topics

Link Study 14: <https://www.ifac.org/system/files/publications/files/IPSASB-study-14-3e.pdf>

Inspiring Implementation

IPSASB Study 14: Important tool for IPSAS adopters/implementers

Feedback from various constituents highlights issues for consideration in modernizing/updating Study 14, including:

- Need for a clarified scope and mandate for Study 14
- How to manage key success factors related to an IPSAS adoption and implementation project:
 - Political commitment (including resources)
 - Key officials (buy-in by decision makers)
 - Legislation (political announcements and implementation)
- Adequate resources:
 - IT / information systems
 - Human resources / training
 - Financial support
- Effective project management
- Housekeeping – Update with current IPSAS literature
- Paper based guidance format limiting – technology could make more dynamic

Inspiring Implementation

Study 14 – Update proposals

What will be considered in the Study 14 update?

- Audience
- User-friendliness
- Linkages and context
- Implementation topics and examples

How will issues be considered/addressed?

- Consultation with Study 14 users / IPSAS stakeholders
- Establishing a virtual project Working Group / Task Force
- Ensuring consistency with IPSAS literature and on-going projects

What might an updated Study 14 include:

- Short introductory document and an interactive web portal



Thank you!

Please take the time to submit formal
comments to IPSASB Consultations

The IPSASB needs your input!