September 2016

IPSAS Outlook

IPSAS issues for public finance management executives

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Conversation with Kris: public sector accounting in Australia

We speak to Ms Kris Peach, chair and CEO of the Australian Accounting Standards Board (AASB) about the state of public sector accounting and ongoing developments in Australia.

IPSASB finalizes its amendments on GBEs

In this article, we summarize the amendments the IPSASB recently made on *The Applicability of IPSASs*.

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We highlight the proposed requirements on public sector combinations in this exposure draft (ED).

IPSASB proposes changes to Cash Basis IPSAS

Read this article for a summary of the changes proposed by the IPSASB on Cash Basis IPSAS.

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A message from Thomas Müller-Marqués Berger

Welcome to this month's edition of *IPSAS Outlook*, which will bring you insights into recent IPSAS developments and emerging issues. In addition, we will bring you regular reports on IPSAS projects from around the world as we share some of the experiences of our Global IPSAS network. I hope you will find this of assistance to your organization.

We welcome your feedback on *IPSAS Outlook*. Please contact us at thomas.mueller-marques.berger@de.ey.com.

Thomas Müller-Marqués Berger, IPSAS Global Leader

EY

Building a better working world

Conversation with AASB Chair Kris Peach

The Australian government has been reporting on an accrual basis since 1999 and is generally seen as one of the forerunners of financial management reforms. In 2002, the Australian Financial Reporting Council (FRC) mandated that IFRS be adopted for the country's private, public and not-for-profit sectors. Ms Kris Peach, current Chair and CEO of the AASB shares with us Australia's experience of IFRS implementation in the public sector and ongoing public sector accounting developments.

Biography

Kris has extensive experience in accounting standards setting. She has previously served on the Australian Accounting Standards Board (AASB) as both a member and as the Deputy Chair, and as a member of the Australian Urgent Issues Group. Kris was previously a partner in KPMG's International Standards Group and Australia's Department of Professional Practice, interpreting complex technical accounting issues for a wide range of public and private entities. She also had a number of international financial reporting leadership roles within the firm.

Australia was one of the first few countries in the world to implement accrual accounting in the public sector back in the early 1990s. Kris, what are the benefits of moving to accrual accounting then, and the subsequent move to IFRS in 2005 for the public sector?

The key benefit of accrual accounting in the Australian public sector is having better information available for decision making. Asset and liability management has improved and there is more focus on the intergenerational impacts of current decisions. The AASB has received no feedback suggesting winding back the clock to the days of cash accounting. Budgeting and forecasting at the entity level is generally done on an accrual basis. However, the main budget focus at the whole of government level remains on cash outcomes.

The AASB has begun the process of gathering feedback from public sector stakeholders on IFRS adoption, and feedback to date has supported taking a transaction-neutral approach to standard setting and strong support for using IFRSs as the foundation standards. There has been ready acknowledgement that IFRS has been a useful way of keeping Australia up-to-date in addressing financial reporting issues, and there is currently no better alternative approach.

What were the challenges moving to IFRS and could you share with us some of the ongoing challenges of applying IFRS in the public sector?

IFRSs are written from a for-profit entity perspective and some of the transactions and accounting policies that are prevalent in the public sector are either not addressed by IFRS or not addressed well. These include grants and transfers and the fair valuation of property, plant and equipment. Accordingly, the AASB needed to carefully consider when to add material to the IFRS to enable their application in the public sector without departing from the principle of transaction-neutrality.

At a basic level, IFRSs employ language that is oriented toward for-profit entities – so that has posed a challenge. Examples include IFRS 3 *Business Combinations* using the term 'business', and the focus on 'economic benefits' in the IFRS Conceptual Framework, rather than 'service potential'. However, public sector constituents have largely come to understand that the terms need to be read broadly.

Could you highlight some of the lessons learned from the Australian experience?

Starting with a bit of background, Australia had the benefit of having a transaction-neutral approach to standard setting since the 1990s. We began with some 'special' public sector standards on local government, government departments and whole of government and, once accrual accounting became established, we gradually went to a more complete set of transaction-neutral standards.

I think some of the key lessons learned include, laying down the groundwork carefully and engaging with key stakeholders and supporters in the process. Those with different views also need to be listened to and their concerns addressed to the extent feasible. In Australia's case, the groundwork was laid over a period of years.

The combination of IFRS adoption and the AASB's transaction neutral approach has meant significant benefits for the mobility of people with financial reporting experience. The pool of suitably experienced consultants that entities from both sectors can draw on is also much larger than it would otherwise be. The skills and training of staff and consultants are far more readily transferable between employers in different sectors than is the case in jurisdictions with completely separate sets of standard applying to for-profit and not-for-profit entities.

As you mentioned earlier Australian Accounting Standards are sector-neutral, how does that work with IFRS being the local GAAP for public sector entities whilst IFRSs are written primarily for the for-profit sector?

Our process works in a similar way to the IPSASB. As part of considering a new IFRS or amendment in Australia, we specifically consider whether there should be a public sector, or more broadly not-for-profit, specific amendment made. We have a 'rules of the road' policy that must be considered when proposing such amendments and then feedback is sought. Amendments are usually made where there is a type of transaction that is unique to the public sector or the prevalence/importance of the transaction to the public sector is disproportionately greater. Generally such amendments have not been as a result of IPSASB amendments to IFRS as IPSASB usually makes its assessments at a later time.

To date there have not been a large number of amendments made to IFRS. We have however provided application guidance in Appendices to assist public sector users to apply the standards, most notably in AASB 10 Consolidated Financial Statements. We are currently working on using IFRS 15 *Revenue from Contracts with Customers* to introduce a performance obligation approach to recognising revenue from grants and donations. Feedback from the public sector indicates the performance obligation approach is seen as more intuitive and practical than the current exchange/non-exchange approach that is being used. Most guidance is around clarifying how the for-profit terminology applies in the not for profit sector.

The AASB is currently reviewing the implementation of its transaction-neutral policy, given it is 10 years since IFRS has been adopted in Australia. We are also currently benchmarking the AASB public sector requirements against IPSASB, New Zealand (NZ) and the United Kingdom (which also uses IFRS as a base), to see where further amendments should be made.

Historically, the Australian and New Zealand (NZ) accounting standards boards have worked closely together. In recent years, the NZ and Australia Prime Ministers released in a Joint Statement of Intent, to achieve a single economic market across NZ and Australia in relation to for-profit entities' general purpose financial statements. Are there any such plans to converge the accounting requirements in the public sector for Australia and NZ?

There are currently no plans to converge public sector accounting requirements in Australia and NZ. However, the AASB actively monitors the NZ Accounting Standards Board agenda, and other public sector standard setters to ensure that any relevant accounting guidance is being considered for the Australian public sector. Given that NZ has moved to base its public sector standards off IPSASs, which are still based on IFRSs, it is not my expectation that public sector accounting in Australia and NZ will be fundamentally different.

Is there an intention to apply IPSASs for the Australian public sector in the future given that there is an IPSAS Conceptual Framework for public sector accounting now in place; the IPSASB's focus on public sector specific issues; and an oversight body (CAG) established to improve the governance of the IPSASB?

The AASB has a stated objective that, when appropriate, IPSASB standards should be considered for Australia. Whilst the IPSASB has reduced a number of significant impediments to adoption, one of the remaining difficulties is that IPSASB has taken some time to amend IFRS based standards, and the Australian public sector is currently up to date with IFRS.

Therefore, transition to IPSASB may involve reversing some recent IFRS changes. The AASB is currently looking at what the transitional issues might be. The impacts on mixed groups of both profit and not-for profit entities also need to be considered. Whilst I don't think it will occur in the immediate future, I do expect that it will occur. The AASB's current review of IFRS implementation will provide more public sector feedback on their views regarding moving to IPSASB.

The AASB has started the process to consider adopting IPSAS 32 *Service Concession Arrangements: Grantor* and the IPSASB's RPG on Service Performance Reporting. What are the IPSASB projects that the AASB would prioritise and that the IPSASB ought to tackle?

The feedback from our public sector is that the key area of concern is valuations. In Australia, public sector entities are required to fair value all assets permitted to be fair valued under the accounting standards, including non-financial assets. In practice the public sector uses depreciated replacement cost (DRC) for many specialised assets, and whilst IFRS 13 *Fair Value Measurement* has guidance on the cost approach that is seen as compatible with DRC, more detailed guidance on restricted assets (including heritage assets) and how to determine obsolescence has been requested. Other areas of concern not currently on the IPSASB agenda include appropriate discount rates, as the public sector has numerous large, very long-tailed obligations and small changes in discount rates can have a significant impact on the financial results. Items that are on the IPSASB agenda that are of particular concern include revenue from non-exchange contracts and non-exchange expenses. As mentioned above, the AASB is working on a not for profit income project based on an IFRS 15 performance obligation approach, rather than an exchange/non-exchange approach.

The accounting for social benefits has been a contentious topic and the lack of guidance in the IPSASB's literature has been seen as a major shortfall in the suite of IPSASs. What are some of the feedback from Australian constituents regarding this project and what are your sentiments regarding the IPSASB's project on social benefits?

The public sector feedback has been that they would prefer not to deal with social benefits in the financial statements, as long term fiscal sustainability reporting is preferred. However, the AASB recognises that this is an important issue for the public sector, given the potential numbers involved and is closely monitoring this project. This will be an area that the AASB addresses, and is likely to use IPSASB as a starting point.

DISCLAIMER: The views expressed above are those of the interviewee and should not be attributed to the AASB.

IPSASB finalizes its amendments on GBEs

The IPSASB issued amendments across its suite of standards in April 2016 to remove the term and definition of Government Business Enterprise (GBEs) in IPSAS 1 *Presentation of Financial Statements* and consequential amendments in IPSASs and RPGs. This article summarizes these changes.

Background

IPSAS 1 *Presentation of Financial Statements* previously included the definition of a Government Business Enterprise (GBE) for the purposes of scoping out commercial, for-profit public sector entities from IPSASs. Due to feedback received from constituents that there is a wide range of entities being described as GBEs, some of which do not meet the IPSASB's definition of a GBE. Secondly, there are also diverse interpretations of the definition of a GBE. The IPSASB in August 2014 issued a Consultation Paper and proposed two approaches to address this issue:

- Approach 1: deleting the definition of GBE and providing a high-level description of the characteristics of public sector entities for which IPSASs are intended
- Approach 2: retaining and modifying the definition of a GBE in IPSAS 1 in order to resolve problems in its application

The IPSASB and responses from constituents supported Approach 1, which is a high level, principles-based approach that draws on the IPSASB's Conceptual Framework and acknowledges the role of regulator and other relevant authorities in determining which entities should apply IPSASs.

In August 2015, the IPSASB issued ED 56 *The Applicability of IPSASs* which reflected the decision to delete the definition of a GBE. The ED reflected largely the proposals in Approach 1 and introduced the term 'commercial public sector entities' as a replacement for the term 'GBE'.

Summary of amendments

The amendments issued by the IPSASB on *Applicability of IPSASs* are effective for periods beginning on or after 1 January 2018 with early application permitted. The amendments made are mainly in IPSAS 1, *Preface to International Public Sector Accounting Standards* with consequential amendments to the suite of IPSASs and RPGs. The final amendments removed the term 'GBE' but the IPSASB was of the view that only removing that term would leave a vacuum in the IPSASB's literature as the public sector comprises entities that IPSASs are designed for and commercial entities. Therefore, where the term GBE was used, the IPSASB has replaced it with 'commercial public sector entities', and acknowledge that regulators can interpret the term taking account of jurisdictional factors. Many jurisdictions develop their own criteria to decide which entities should apply IPSASs, and these criteria could vary for legal, economic or fiscal reasons.

The amendments made to the Preface to IPSASs outlined the type of entities that IPSASs are designed for:

- Entities responsible for the delivery of services to benefit the public and/or to redistribute income and wealth
- Entities that mainly finance their activities directly or indirectly through taxes and/or transfers from other levels of government, social contributions, debt or fees
- Entities with no primary objective to make profits

How we see it

In our comment letter to the IPSASB, we have expressed support on the removal of the term 'GBE'. We also agreed with the IPSASB's decisions to provide, in the Preface to International Public Sector Accounting Standards, a description of the characteristics of public sector entities for which IPSASs are intended, and to base the proposed description on the IPSASB's Conceptual Framework. In most jurisdictions, regulatory bodies or government would be the ones to determine which entities should apply IPSASs. Therefore adopting a high-level principles-based approach is seen as the most suitable approach.

IPSASB issues ED on public sector Combinations

The purpose of this IPSASB project is to establish requirements for classifying, recognizing and measuring public sector combinations. This article outlines the IPSASB's proposed requirements.

Background

Reorganizations in the form of mergers and amalgamations are common occurrences in the public sector. Currently, IPSASs does not provide specific guidance for such transactions. In the absence of specific IPSAS guidance, IPSAS reporters are directed to other international or national accounting standards. However, IFRS 3 *Business Combinations* requires all combinations to be accounted for as acquisitions conducted at fair value.

In developing IFRS 3, the International Accounting Standards Board (IASB) concluded that 'true mergers' in which none of the combining entities obtains control of the others are virtually non-existent in the private sector. Consequently, the IASB decided that separate accounting requirements for such combinations were not necessary. In contrast to this view, many in the public sector consider that mergers or amalgamations are the most common form of combination in the public sector. As a result, IFRS 3 has been seen as having limited relevance to the public sector.

This absence of accepted guidance means that there may not be consistent or appropriate reporting of public sector combinations in the general purpose financial statements (GPFSs) of public sector entities. Consequently, users may not be able to obtain the information needed to evaluate the nature and financial effect of a public sector combination.

The IPSASB believes the proposals in ED 60 would promote consistency and comparability in how public sector combinations are reported as the proposal establishes requirements for classifying, recognizing and measuring public sector combinations.

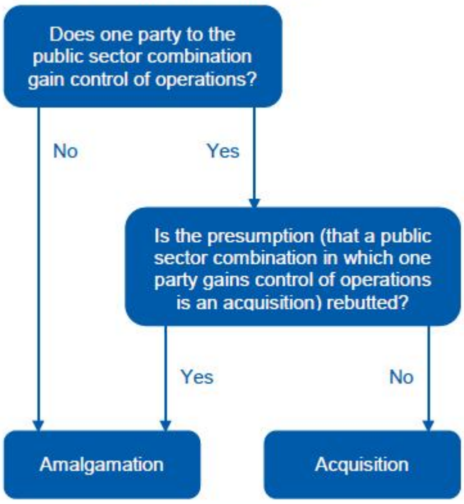
Scope

The scope of this ED covers both combinations arising from exchange and non-exchange transactions. It also covers public sector combinations under common control. Therefore this proposal covers all public sector combinations with limited exceptions. The ED defines a public sector combination as the bringing together of separate operations into one entity. This definition refers to the bringing together of operations rather than entities, as public sector combinations, in common with business combinations, which may involve part of an entity that can be managed separately from the rest of the entity.

Classification approach

The ED classifies public sector combinations as either amalgamations or acquisitions taking into account control and other factors using a two-step process. Firstly, a party to the combination must gain control over an operation for it to be treated as an acquisition rather than an amalgamation, but control in itself is not sufficient to determine that a combination is an acquisition.

Figure 1: Classification Approach



Source: IPSASB's *ED 60 At A Glance* document

Instead, gaining of control over an operation creates a rebuttable presumption that the combination is an acquisition. In Step 2, if the acquisition presumption is rebutted, then the transaction is treated as an amalgamation.

The following indicators need to be considered in determining whether the acquisition presumption is rebutted:

- Assessing the economic substance of the transaction
- Consideration is paid for reasons other than to compensate those with an entitlement to the net assets of a transferred operation for giving up that entitlement
- Consideration is not paid to those with an entitlement to the net assets of a transferred operation or consideration is not paid because there is no entity with an entitlement to the net assets of a transferred entity
- The combination is imposed by a third party without any party to the combination being involved in the decision-making process
- The combination is subject to approval by each party's citizens through referenda
- A combination of operations under common control occurs

Where, after consideration of the indicators and the nature of the public sector combination, there is insufficient evidence to clearly determine whether the presumption should be rebutted, the presumption shall not be rebutted. The public sector combination shall be classified as an acquisition.

Recognition and measurement

Accounting for amalgamations

For recognition and measurement of amalgamations, the ED proposes use of the modified pooling of interests method of accounting. This method recognizes the amalgamation on the date it takes place.

The proposal outlines the steps in applying the modified pooling of interests method:

- Identifying the resulting entity;
- Determining the amalgamation date;
- Recognizing and measuring the assets received, the liabilities assumed and any non-controlling interest in the combining operations
- Recognizing and measuring the residual amount and other adjustments from an amalgamation.

The resulting entity:

- Recognizes the assets, liabilities and any non-controlling interests that are recognized in the financial statements of the combining operations as at the amalgamation date;

And

- Measures them at their carrying amounts in the financial statements of the combining operations.

The carrying amounts are adjusted to conform to the resulting entity's accounting policies. The modified pooling of interests method of accounting recognizes the amalgamation on the date it takes place. Consequently, no restated comparative information is required.

A residual amount might arise as a result of an amalgamation which represents:

• For amalgamations not under common control, the past financial performance of the combining operations.

• For amalgamations under common control, the financial consequences of decisions made by the controlling entity in setting or accepting the terms of the amalgamation.

This approach, in substance, recognizes that a new entity (the resulting entity) is formed on the date the amalgamation takes place. To ensure consistency with this timing, the IPSASB agreed that it is appropriate to recognize all items in net assets/equity as part of the residual amount, as the new entity would not have generated other components of net assets/equity such as accumulated surplus or deficit, or revaluation surplus.

The IPSASB accepted that this approach may have consequences for some entities. For example, any future revaluation decreases are more likely to be recognized in surplus or deficit.

Accounting for acquisitions

For acquisitions, the ED proposes use of the "acquisition" method of accounting, applying the same approach in IFRS 3.

Applying the acquisition method of accounting requires:

- Identifying the acquirer;
- Determining the acquisition date;
- Recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired operation
- Recognizing and measuring goodwill, a gain or a loss from an acquisition.

This is also supplemented with guidance for public sector-specific situations. For example, in the public sector, an entity sometimes obtains control of an operation in a non-exchange transaction. In such cases, the consideration transferred does not approximate the fair value of the acquired operations, assets and assumed liabilities. Such circumstances include compensated appropriations/seizures of operations/entities and transfer of an operation to the acquirer by a donor for nominal consideration. Where the presumption that the combination is an acquisition is not rebutted, and classified as an acquisition, such non-exchange acquisitions are proposed to be treated as bargain purchases where an immediate gain on the purchase is recognized.

How we see it

We support and welcome the IPSASB's proposal on this topic as guidance on public sector reorganisations and mergers have been lacking in the IPSAS literature.

Identifying the factors that distinguish an amalgamation from an acquisition would require judgement and highly dependent on the specific facts and circumstances under which the combinations took place.

In applying acquisition accounting for acquisitions, the IPSASB explained that any goodwill as a result of that exercise should be considered a cash-generating asset for the purposes of impairment and good will could arise from acquisition of a non-cash-generating operation. However, that does not address the fundamental questions - what does goodwill represent in the public sector context? Is goodwill simply a residual amount and is there an alternative approach to treat this 'residual' for public sector entities?

Consultation period for this ED ended on 30 June 2016. The IPSASB is expected to commence discussions of the feedback from constituents in Q4 2016.

IPSASB proposes changes to Cash Basis IPSAS

The *Cash Basis IPSAS* currently includes specific disclosure requirements in order to assert compliance with *Cash Basis IPSAS*. ED 61 *Amendments to Financial Reporting under the Cash Basis of Accounting (the Cash Basis IPSAS)* proposes that some of these requirements be revised and classified as non-mandatory.

Overview

The primary objective of this ED is to propose removal of major obstacles to the adoption of the Cash Basis IPSAS. The requirements for preparation of consolidated financial statements and for disclosure of information about external assistance and payments made by third parties have been identified as major practical obstacles to full adoption of the Cash Basis IPSAS. This ED is open for public consultation until 31 July 2016.

Background

The Cash Basis IPSAS has an important role to play in enhancing the quality of financial reporting by entities reporting on the cash basis of accounting, and in supporting those entities as they transition to the accrual IPSASs.

Many respondents to the IPSASB's strategy consultation in 2014 identified the need for the Cash Basis IPSAS to be included in the suite of IPSASs to enhance financial reporting by governments in developing economies, and as a basis for the transition to the accrual basis of financial reporting and adoption of accrual IPSASs.

The Cash Basis IPSAS comprises two parts. Part 1 identifies the requirements that must be adopted by a reporting entity that wishes to claim its financial statements comply with the IPSAS. Part 2 identifies encouraged disclosures which provide additional information useful for accountability and decision-making purposes and support entities transitioning to the accrual basis of financial reporting and adoption of accrual IPSASs.

The requirements for preparation of consolidated financial statements and for disclosures of information about external assistance and payments made by third parties included in Part 1 of the Cash Basis IPSAS have been identified as the major obstacles to full adoption of the IPSAS by many constituents.

ED 61 proposes that the requirements in Part 1 of the Cash Basis IPSAS for preparation of consolidated financial statements and for disclosures of information about external assistance and payments made by third parties be revised and recast as encouragements in Part 2 of the IPSAS. These amendments will overcome major obstacles to adoption of the Cash Basis IPSAS and establish a clear and achievable transition path to adoption of the accrual IPSASs.

ED 61 also proposes some "housekeeping" type amendments to ensure that the requirements and encouragements in the Cash Basis IPSAS better align with the equivalent accrual IPSASs where appropriate. This is will support entities transitioning to adoption of the accrual IPSASs.

Overview of proposed amendments	
Consolidation	► The requirement that controlling entities prepare and present consolidated financial statements that consolidate all controlled entities are no longer mandatory, but as voluntary disclosures. ► Entities that do not consolidate all controlled entities are encouraged to prepare financial statements that reflect a budget sector, general government sector or other representation of core government activities.

External assistance and third party payments	► Current requirements that require reporting entities to disclose information about external assistance and third party payments are no longer mandatory, but proposed to be voluntary disclosures.
	► Entities are encouraged to make the following voluntary disclosures:
	    ► External and other assistance received as cash, and the amount of undrawn assistance
	    ► Third party payments, including those made as external or other assistance, when the entity has been formally advised, or otherwise verified, that payments have been made to directly settle its obligations or purchase goods and services for its benefit from third parties

Role of Cash Basis IPSAS	► Clarify that the role Cash Basis IPSAS is intended to play in the IPSASB's overall standard-setting strategy is primarily as a step on the path to adoption of the accrual basis IPSASs, rather than as an end in itself

IPSASB project update

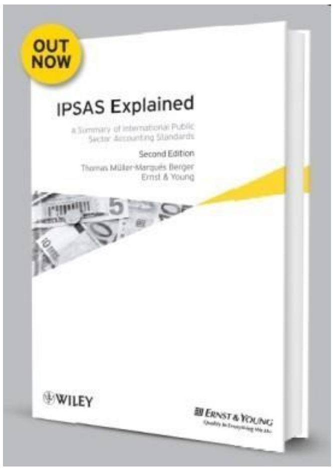
What’s new?

The IPSASB has recently issued the following publications:

Projects	Publications
IPSAS *Improvements to IPSASs 2015*	The IPSAS *Improvements to IPSASs 2015* was issued on 18 April 2016.This is the first IPSASB improvements project to consider broader improvements resulting from the Conceptual Framework and alignment with government finance statistics, in addition to amendments arising from maintaining convergence with International Financial Reporting Standards (IFRS). Amendments of this IPSAS shall be applied for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged.
IPSAS *The Applicability of IPSASs*	The IPSAS *The Applicability of IPSASs* was issued on 21 April 2016. The objective of this IPSAS is to remove the Government Business Enterprise (GBE) definition in IPSAS 1 *Presentation of Financial Statements* and propose consequential amendments in IPSASs and RPGs. The effective date of the standard is January 1, 2018 and earlier application is encouraged. The revised Preface to IPSASs is effective immediately. See page 4 for more details on this pronouncement.
Consultation Paper (CP) *Public Sector Specific Financial Instruments*	The Consultation Paper *Public Sector Specific Financial Instruments* was issued end of July 2016. The Consultation Paper considers the issues related to public sector specific financial instruments such as currency in circulation, monetary gold, the IMF quota subscription, Special Drawing Rights (SDR) Holdings and SDR Allocations and proposes approaches to accounting for them. Comments relating to this Consultation Paper can be provided to the IPSASB until 31 December 2016.
IPSAS 39 *Employee Benefits*	IPSAS 39 *Employee Benefits* will replace IPSAS 25 *Employee Benefits* on January 1, 2018, with earlier adoption encouraged. IPSAS 39 reflects amendments made by the IASB to IAS 19 *Employee Benefits*, up to December 2015. The main differences between IPSAS 39 and IPSAS 25 are the removal of an option that allowed an entity to defer the recognition of changes in the net defined benefit liability (so-called “corridor approach”), the introduction of the net interest approach for defined benefit plans and amendments of certain disclosure requirements for defined benefit plans and multi-employer plans. IPSAS 39 also addresses a number of other issues raised (e.g. accounting for the risk-sharing features of defined benefit plans, the classification of employee benefits, recognition and measurement of other long-term employee benefits, the point in time when termination benefits are recognized).
IPSAS *Impairment of Revalued Assets (Amendments to IPSAS 21, Impairment of Non-Cash-Generating Assets, and IPSAS 26, Impairment of Cash-Generating Assets)*	The IPSAS *Impairment of Revalued Assets* (Amendments to IPSAS 21 *Impairment of Non-Cash-Generating Assets* and IPSAS 26 *Impairment of Cash-Generating Assets*) brings property, plant, and equipment and intangible assets on the revaluation model within the scope of IPSASB’s two standards on impairment, IPSAS 21 and IPSAS 26. These amendments also clarify that impairments to individual assets, or a group of assets within a class of property, plant, and equipment, in IPSAS 17 *Property, Plant, and Equipment*, do not necessitate a revaluation of the entire class to which that impaired asset or group of assets belongs.

IPSASB Meeting March and June 2016

Projects	Publications
Governance	From 1 January 2016, Ian Carruthers commenced his role as the new Chair of the IPSASB. Also new members were appointed from Australia, Austria, China, Germany and Switzerland. At the June 2016 meeting, the IPSASB reviewed the Terms Of Reference for the changes mainly related to enhanced governance processes, and other changes related to past IFAC bylaw and constitutional reviews. The IPSASB received confirmation of approval by its Public Interest Committee (PIC) of the IPSASB's Due Process and Working Procedures.
Consultative Advisory Group	The IPSASB Consultative Advisory Group (CAG) held its inaugural meeting on Monday, June 20, prior to the IPSASB meeting. The CAG advises on IPSASB's strategy, work program and agenda; projects from both technical and adoption and implementation perspectives; and other matters relevant to standard setting. The CAG discussed its role, method of operating, and value proposition. The CAG also made recommendations on IPSASB's projects on Social Benefits, Revenue, and Non-Exchange Expenses.
Employee Benefits	At the June 2016 meeting the IPSASB approved IPSAS 39 *Employee Benefits*, which will replace IPSAS 25 *Employee Benefits* on January 1, 2018, with earlier adoption encouraged. For more details see the section "What's new?".
Public Sector Specific Financial Instruments	At the June meeting the IPSASB also approved the Consultation Paper (CP) *Public Sector Specific Financial Instruments*. For more details see the section "What's new?".
Impairment of Revalued Assets	The IPSASB approved the IPSAS *Impairment of Revalued Assets* (Amendments to IPSAS 21 *Impairment of Non-Cash-Generating Assets*, and IPSAS 26 *Impairment of Cash-Generating Assets*) in its June 2016 meeting. The amendments have an effective date of January 1, 2018. For more details see "What's new?" above.
Improvements	At the March 2016 meeting the IPSASB approved *IPSAS Improvements to IPSASs 2015*. For more details see "What's new?" above.
The Applicability of IPSASs	At the March 2016 meeting the IPSASB approved the IPSAS *The Applicability of IPSASs*. For more details see "What's new?" above and page 4 of this edition of Outlook.
Social Benefits	At the March and June meetings, the IPSASB reviewed the responses to the IPSASB Consultation Paper *Recognition and Measurement of Social Benefits*. The IPSASB agreed to further develop the obligating event approach and the insurance approach. However, the social contract approach will not be progressed. The insurance approach shall only be applicable to fully funded schemes. Preparers shall be referred to the forthcoming IFRS on insurance for the requirements.
Leases	At its June meeting the IPSASB approved a project brief on leases. The IPSASB formed a view that the recognition requirements of lessee accounting according to IFRS 16 *Leases* are appropriate for public sector financial reporting. The appropriateness of the risks and rewards model for lessor accounting in IFRS 16 was considered to be a key issue for public sector financial reporting. Staff was directed to carry out an in-depth analysis of the right-of-use model for lessor accounting and the relationship with IPSAS 32 *Service Concession Arrangements: Grantor*.
Heritage	At the March and June meetings, the IPSASB reviewed draft chapters of the envisaged CP on *Financial Reporting of Heritage in the Public Sector*. The IPSASB supported a preliminary view that heritage items could be assets for financial reporting purposes. The chapter on measurement of the CP shall be refocused on measurement for different heritage use objectives.
Revenue and Non-Exchange Expenses	At the March and June meetings, the IPSASB continued its discussion on the development of the Revenue and Non-Exchange Expenses CP. At the June meeting, the IPSASB considered an early draft of the Revenue and Non-Exchange Expenses CP. The IPSASB discussed implementation issues related to IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, and options for dealing with them, particularly multi-year financing, taxes received in advance, and services in-kind. The IPSASB also agreed that transactions without performance obligations should be given more prominence.



Projects	Publications
Update to Financial Instruments	The IPSASB had an education session on financial instruments that highlighted areas of significant change introduced by IFRS 9 *Financial Instruments*. The IPSASB acknowledged that the project is an IFRS convergence project which will likely result in the issuance of a new standard to replace IPSAS 29 *Financial Instruments*, and amendments to IAS 32 *Financial Instruments: Recognition and Measurement*, and IFRS 7 *Financial Instruments: Disclosure*.
Emissions Trading Schemes	At the March meeting, the IPSASB directed staff to revise the Emissions Trading Schemes (ETS) Background Paper on public policy objectives, choice of interventions and their economic impact. It is envisaged that this Background Paper will be published as a staff paper. IPSASB staff are collaborating with International Accounting Standards Board (IASB) staff working on the IASB's "Pollutant Pricing Mechanisms" (PPM) project. The IPSASB noted that IASB work on accounting for PPMs is now linked to the IASB's Conceptual Framework project. It reconfirmed that the ETS project should be coordinated with the IASB's PPM project, so that ETS accounting options for both administrators and participants can be provided. Consequently, it was decided that the IPSASB will pause the project following publication of the Background Paper, until the IASB has drafted a set of accounting options. IPSASB's staff will continue to monitor IASB developments.

Resources

The publications below are available on ey.com/ipsas

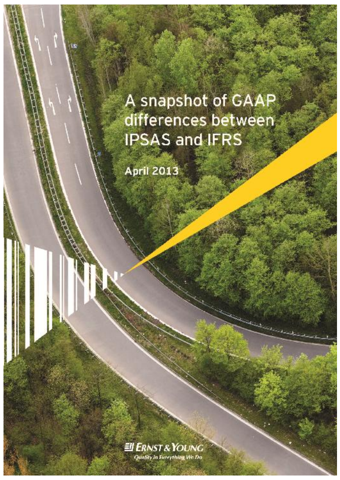
IPSAS Explained

We have published an updated second edition of our practical guide to IPSAS, *IPSAS Explained*. This guide provides decision-makers in the public sector with an overview of IPSAS and the International Public Sector Accounting Standards Board. This book is available for purchase from Wiley, at www.ey.com/ipsas

Toward transparency

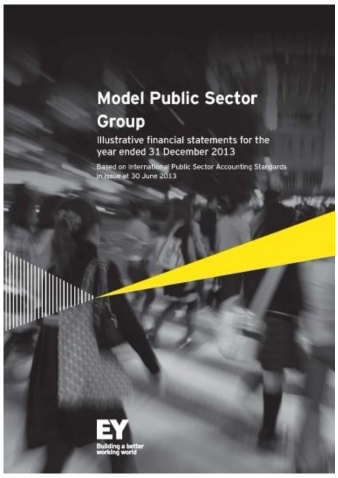
EY has undertaken a study to assess the current state of public sector accounting from a global perspective. This new research provides a better understanding of what governments are doing well, and where there is scope for improvement.

A snapshot of GAAP differences between IPSAS and IFRS



This publication summarizes the key differences between IPSAS and IFRS. It further explains the sources and reasons for differences between the two frameworks.

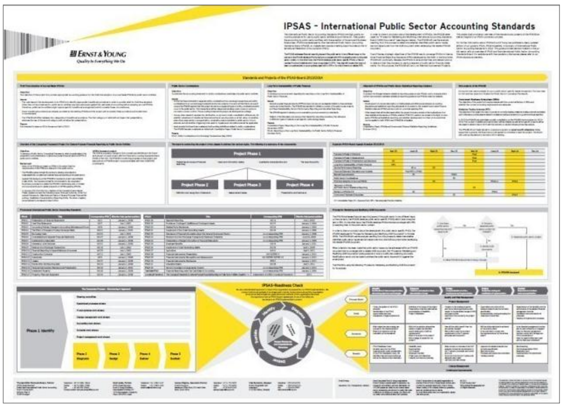
Model Public Sector Group



The aim of this set of financial statements is to bridge the gap between the ’theory’, as outlined in the standards and the way such information needs to be presented in the financial statements.

This first edition of illustrative annual consolidated financial statements of Model Public Sector Group are prepared in accordance with IPSAS in issue at 30 June 2013 and effective for annual periods beginning on 1 January 2013.

IPSAS Poster



Since 2010 EY has published a poster outlining key facts about IPSASs and ongoing IPSASB projects.

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The move to International Public Sector Accounting Standards (IPSAS) is an important initiative in public sector accounting, the impact of which stretches far beyond accounting to affect every key decision you make, not just how you report it. We have developed the global resources – people and knowledge – to support our client teams. And we work to give you the benefit of our broad sector experience, our deep subject matter knowledge and the latest insights from our work worldwide. It's how Ernst & Young makes a difference.

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