



Project:	IPSASB Update	Meeting	AASB September 2020 (M177)
Topic:	Report on June-July 2020 Meeting of the IPSASB	Agenda Item:	13.4.1
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		Decision-Making:	Low
		Project Status:	Report

Introduction

The second meeting for 2020 of the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) was held via teleconference. Six sessions were held, on 4, 23-26 and 30 June 2020. The IPSASB also held a follow-up teleconference meeting on 28 July 2020.

Mike Blake (Australian member, and also IPSASB Deputy Chair) and Clark Anstis (Technical Advisor) attended all sessions of the meetings by video link.

This report summarises possible implications for the AASB arising out of the key technical matters and outcomes from the IPSASB meeting.

The next meeting of the IPSASB will also be held via teleconference, in September 2020. The international Public Sector Standard Setters Forum planned for September has been cancelled due to COVID-19 concerns and will now be held in 2021.

Possible Risks and Opportunities for the AASB

The AASB should monitor the following IPSASB developments. Divergence with Australian Accounting Standards as applicable to public sector entities might arise, if different requirements in International Public Sector Accounting Standards (IPSAS) are not considered appropriate for incorporation into Australian Accounting Standards. Alternatively, IPSASB developments may complement AASB work underway or provide opportunities the AASB may wish to take on board.

- Public Sector Specific Financial Instruments – at the follow-up meeting in July, the IPSASB reviewed draft amendments to add non-authoritative guidance to IPSAS 41 *Financial Instruments* to address monetary gold, currency in issue and IMF special drawing rights. The guidance, expected to be approved at the September meeting, would have relevance for central banks and governments.
- Leases – the IPSASB leases project will now be an IFRS 16 *Leases* alignment project (Phase 1), under which a Request for Information will be issued to seek details of public sector-specific matters that should be addressed in Phase 2. Of relevance to the AASB is

that this second phase is expected to address concessionary leases, with an ED providing the opportunity for the AASB to comment.

- Infrastructure – the IPSASB is developing an exposure draft of an “updated” IPSAS 17 *Property, Plant and Equipment*. General measurement aspects are expected to be removed from the Standard and relocated in the IPSAS on measurement. Issues relating to infrastructure, such as land under or over infrastructure assets, the distinguishing characteristics of infrastructure assets, depreciation versus renewals accounting, and costs to dismantle infrastructure assets are being considered. The infrastructure-related guidance and illustrative examples should be monitored to assess whether they might be proposed by the AASB as useful additions to AASB 116.
- Heritage – the IPSAS 17 update ED will also address issues relating to heritage assets. The current scope exclusion for heritage assets will be removed. The ED will also propose that IPSAS 17’s depreciation requirements apply to heritage assets, although in certain circumstances depreciation could be zero, and that heritage assets can be impaired and should be subject to normal impairment reviews. The heritage-related guidance and illustrative examples should be monitored to assess whether they might be proposed by the AASB as useful additions to AASB 116, even though heritage assets are already subject to AASB 116.
- Limited Scope Update of the IPSASB’s Conceptual Framework:
 - Phase 1 of this project will consider measurement issues, including measurement models and bases (techniques will be covered in IPSAS). Fair value will be added to the CF as a measurement basis. The selection of measurement bases is to be linked to the measurement objective (usually financial capacity or operational capacity) rather than to entry or exit values.
 - Phase 2 (to start in 2021) will address additional topics: asset and liability definitions, unit of account, executory contracts, prudence, materiality and capital maintenance. This could provide a basis for reconsidering the exemption for not-for-profit entities from the disclosures regarding an entity’s management of its capital in AASB 101 *Presentation of Financial Statements* (paragraphs 134-136).
- Public Sector Measurement – this project could inform the AASB’s current Public Sector Fair Value Measurement project as it is addressing fair value as one of the measurement bases. Other measurement bases to be considered include historical cost, current cost and fulfillment value or cost. Replacement cost is likely to be classed as a measurement technique. The IPSASB project could lead to changes in the measurement techniques specified in IPSAS, resulting in different measurement requirements to AASB Standards.
- Non-Current Assets Held for Sale and Discontinued Operations – the IPSASB has decided to develop an IPSAS that is based on IFRS 5. Transfers of assets between public sector entities will be excluded from the scope. This project should identify any other issues with public sector application, reflecting upon the public sector experience with AASB 5.
- Natural Resources – this project will be conducted in phases. The initial focus will be on developing a consultation paper to address subsoil resources, living resources and water. Phase 2 might develop an exposure draft on subsoil resources. Further phases may be undertaken after that. This work potentially could establish recognition requirements for resources that currently are ignored in financial statements.

IPSASB Work Program – Exposure Drafts

The IPSASB anticipates approving five significant Exposure Drafts at the December 2020 meeting, on the following topics:

- Conceptual Framework – limited scope update;
- measurement;
- property, plant and equipment (IPSAS 17 update – covering measurement, infrastructure assets and heritage assets);
- leases; and
- non-current assets held for sale and discontinued operations.

The ED on the final topic might be approved at the September meeting, but if so, will be published with the other EDs following the December 2020 meeting. This will place a heavy burden on stakeholders who typically respond to the IPSASB EDs, with so many open for comment at the same time.

The IPSASB also decided at the June meeting to issue two EDs prior to the December set:

- an ED proposing a one-year deferral for new Standards and requirements with a 1 January 2022 application date (such as IPSAS 41 *Financial Instruments* and IPSAS 42 *Social Benefits*) due to COVID-19 disruptions – comments were due mid-August, following a short exposure period; and
- an ED addressing improvements to IPSAS 5 *Borrowing Costs* arising out of the Measurement Consultation Paper – publication is expected in October. The comment period will overlap that of the December EDs.

The IPSASB deferred to the December 2020 meeting its initial consideration of potential projects to propose in the mid-period Work Program Consultation. The AASB will have the opportunity to raise public sector issues for consideration through that process.