



International Public Sector Accounting Standards Board (IPSASB)

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IFAC IPSASB

Overview

- Background -IFAC & IPSASB
- IPSASB Strategic themes
- Project updates – past, present, future

IFAC

Who is IFAC?

- Expanding organization – about 157 member and associate bodies in 123 countries and jurisdictions
- Represents 2.5 million accountants in public practice, education, government service, industry and commerce

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IFAC

IFAC's Mission

– To serve the public interest, IFAC will continue to strengthen the worldwide accountancy profession and contribute to the development of strong international economies by...

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IFAC's Mission

- Establishing and promoting adherence to high quality professional standards
- Furthering the international convergence of such standards
- Speaking out on public interest issues where the profession's voice is most relevant

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Standard Setting Activities

- Auditing and Assurance Standards (IAASB)
- Ethics Standards (IESBA)
- Accounting Education Standards (IAESB)
- **International Public Sector Accounting Standards (IPSASB)**
- Compliance Program for member bodies

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IPSASB

- Develops International Public Sector Accounting Standards (IPSASs) - cash and accrual
- Supported by the UN, World Bank, OECD, NATO and others
- Facilitates convergence of national and international public sector standards

Background

- Public Sector Committee established 1986 - reconstituted as IPSASB Nov. 2004
- Standards program 1996 – phase 1 completed 2002
 - Primary focus on accrual basis, but also develop/support Cash Basis IPSAS

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IPSASB Process

- Meetings 3 times per year
- Open to the public
- All materials publicly available – posted on internet

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IPSASB Members 2008

Accounting Profession -15 members
UK (Chair), South Africa (Deputy Chair), Australia, Canada, Israel, Japan, China, Kenya, New Zealand, Netherlands, Norway, France, Turkey, USA (2)

Public Members -3
Switzerland, Italy, Canada

Observers
ADB, EU, Eurostat, IASB, IMF, INTOSAI, OECD, UN, UNDP, World Bank

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Objectives

- Strengthen governance framework
- Enhance accountability and transparency
- Provide framework for audit

IPSASs - A “resource” for national standards setters and others to use

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Mandate

- Issue standards (IPSASs)
- Promote adoption/convergence to IPSASs
- Issue other documents to provide guidance on issues

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IPSASB Approach

- Promote adoption of an accrual basis
- Acknowledge wide use of cash basis
 - Develop/Support Cash Basis IPSAS
- Develop guidance e.g. transition to accrual basis (Study 14)

Developing Standards

- Accrual basis standards based on IFRSs
- Convergence with IFRSs unless public sector specific reason for departure
- Current hierarchy – where no IPSAS exists consider IASB standards or national standards
- Public sector specific standards
- Cash basis IPSAS

Transparent “Due Process”

- Consultative documents - for comment
- Exposure drafts: at least 4 months for comment
- Meetings in public, agenda materials on web
- Steering Committees, Task Forces, Project Advisory Panels (PAP)
- Consultative group
- Regional Seminars/round table discussions in conjunction with each IPSASB meeting

Current IPSASs

- 26 accrual IPSASs
- 1 Comprehensive Cash Basis IPSAS, including recent amendments relating to the disclosure of external assistance.

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Available on the IPSASB Web Site:

- All IPSASs
 - (including Spanish and French translations)
 - (Brazil is working on Portuguese translation)
- All current Exposure Drafts and other publications
- IPSASB Updates on most recent IPSASB meetings
- IPSASB meeting papers (before each meeting)

FREE OF CHARGE AT: WWW.IPSASB.ORG

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Challenges

- Broad spectrum of practice internationally –from cash basis to full accrual
- Availability of resources within jurisdictions
- Previous limited resources for IPSASB has delayed full standard setting program

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Adoption

- UN
- OECD, NATO, EC, IFAC, INTERPOL
- A number of countries in process

Strategic Themes

- Conceptual framework for public sector
- Public sector specific issues including convergence with statistical bases where appropriate
- IFRS convergence
- Promotion & communication

Conceptual Framework

Objective:

To develop a public sector conceptual framework

Divergence from IASB framework only where necessary to reflect public sector differences

Conceptual Framework

- Concepts/definitions/principles – embedded in IPSASs
- No explicit explanation – articulate/inter-relationships
- Collaborative Project
- IASB platform for IPSASs – neither replicating IASB C/F nor diverging except where necessary

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Conceptual Framework single ED

Group 1
Objectives, scope, qualitative characteristics, reporting entity

Group 2
Definitions, elements, scope consequences

Group 3
measurement, presentation and disclosure

Group 4
Cash basis

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Public Sector Specific Projects Recent IPSASs/EDs

- Non-exchange revenues (IPSAS 23)
- General government sector (IPSAS 22)
- Budget reporting (IPSAS 24)
- Impairment of Cash Generating Assets (IPSAS 26)
- External assistance (Cash Basis IPSAS)

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General Government Sector Disclosures IPSAS 22

Applies to whole of government - accrual basis

- Disclosure not required but “Rules” if elect to disclose
- Disaggregate Gov Consolidated Fin Statements
- “GGS” as defined in statistical reporting bases
- Reconcile GGS to the IPSAS financial statements
- Does not require/preclude reconcil’n to GFS numbers
- Applies for periods commencing 1 January 2008

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Budget Reporting

- IPSAS 24 “Presentation of Budget Information in Financial Statements” accrual basis
- Amendments to Cash Basis IPSAS – additional section 1.10 “Presentation of Budget Information in Financial Statements”

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Budget Reporting

- Prior – budget information comparison encouraged only if on same basis
- Entities making budgets publicly available (does not require public availability)
- Basis of preparation does not need to be the same
- Comparison is on the basis of the budget
- Effective date January 1 2009 – earlier adoption encouraged

Budget Reporting

- Comparison of actual amounts to both original and final budget (separate financial statement if not same basis)
- Explanation of material differences - financial statements or x-ref public documents
- Reconciliation of budget based actual with financial statement actual when bases differ
- Explanation of differences between original and final budget - financial statements or x-ref public documents

Public Sector Specific Projects Current and Future

- Social Benefits
- Fiscal Sustainability
- Service Concession Arrangments (PPPs)
- Heritage assets

Social Policy Obligations

- ED 34, “Social Benefits: Disclosure of Cash Transfers to Individuals and Households”
 - Proposes disclosure of amounts to be paid, information about programs, and how to determine the amounts to be disclosed
- Consultation Paper, “Social Benefits: Issues in Recognition and Measurement” sets out the IPSASB’s strategy for addressing recognition and measurement of social policy obligations.
- Consultation Paper and ED 34 open for comment until July 15.

Fiscal Sustainability

- Project Approved November 2007
- Grew out of the Social Benefits Project
- Aims to develop reporting requirements including disclosures about the long term fiscal sustainability of government programs
- Includes both inflows and outflows
- All public sector entities other than Government Business Enterprises

Service Concession Arrangements

- Consultation Paper issued Mar 08
- Explores accounting and financial reporting issues
- Focuses on the grantor
- Presents the proposals made to the IPSASB for financial reporting by public sector entities.

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Heritage Assets

- Currently no requirement to recognize
- If recognize, disclose based on IPSAS 17
- February 2006 Consultation Paper –based on UK ASB Discussion Paper
- Range of Responses on issues – some agreement; some polarization
- Considerable support for additional disclosures regardless of recognition and measurement
- Issues paper to IPSASB later in 2008

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IFRS Convergence Program Recent IPSASs and EDs

- General improvements project
- IPSAS 4 The Effects of Changes in Foreign Exchange Rates
- IPSAS 25 Employee benefits
- IPSAS 26 Impairment of cash-generating assets
- ED 33 Borrowing Costs

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General Improvements Project

- December 2003 - IASB's Improvements Project – reduce or eliminate alternative, redundancies and conflicts
- Deal with some convergence issues
- Black and grey letters equal authority
- Clarify hierarchy
- Make other improvements to 11 IPSASs
- Approved November 2006, effective Jan 1, 2009
- Improvements included in 2007 Handbook

IPSAS 4, The Effects of Changes in Foreign Exchange Rates

- Issued April 2008 replaces December 2006 edition
- Technical update that clarifies position regarding monetary items held by foreign operations.

Employee Benefits

- ED Issued: October 2006/Comments by 28 February 2007
- Based on IAS 19
- Discount rate - government bonds unless high quality corporate bonds better reflection of risk free rate
- Corridor
- Composite social security program
- 5 years “transition” period for adoption
- Approved November 2006, issued February 2008

Impairment of Cash-Generating Assets

- ED Issued: October 2006/Comments by 28 February 2007
- Based on IAS 36
- Corporate assets and non-cash-generating assets contributing to cash-generating units
- Goodwill
- Definition of cash-generating assets
- Complements IPSAS 21 Impairment of non-cash generating assets
- Approved November 2007, publication February 2008

Borrowing Costs

- Draft ED considered by IPSASB based on IAS 23
- IPSASB does not think IAS 23 should be applied to noncash generating assets of public sector entities
- IPSASB disagrees with mandatory capitalization of borrowing costs by public sector entities
- Will consider a further draft in June – expense borrowing costs – option for cash generating assets

IFRS Convergence Program Future

- IFAC and IPSASB committed to global convergence of financial reporting standards
- A case has to be made for a public sector difference
- Standards not yet addressed (e.g. FI, business combinations, intangibles)
- IPSASs related to current IASB projects
- IPSASs that need updating

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IFRS Convergence program New and Future

- Financial instruments
- Business combinations
- Intangible assets
- Continuous general improvements project
- Others?

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The Good News

- IPSASB now fully resourced with staff
- Significant new funding commitments
- Canadian government support (\$1M)
- Other funders – CICA, World Bank, ADB, SECO, EC, UN, China
- Relocation from Melbourne to Toronto

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Other Potential Projects

- Reporting long term fiscal sustainability
- Operations review (MD&A)
- Applicability of fair value to governments
- Survey on adoption of IPSASs and implementation issues
- Reporting financial performance
- Non-financial performance reporting

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