## Contents

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developments of public sector accounting in Colombia</td>
<td>p2</td>
</tr>
<tr>
<td>Public sector accounting in selected Latin American countries</td>
<td>p4</td>
</tr>
<tr>
<td>IPSASB seeks feedback on social benefits</td>
<td>p6</td>
</tr>
<tr>
<td>Update on EPSAS</td>
<td>p9</td>
</tr>
<tr>
<td>Special Announcement</td>
<td>p12</td>
</tr>
<tr>
<td>IPSASB Update</td>
<td>p13</td>
</tr>
<tr>
<td>Resources</td>
<td>p17</td>
</tr>
</tbody>
</table>

## Developments of public sector accounting in Colombia

Dr Pedro Luis Bohórquez Ramírez, the Accountant General for Colombia, talks to us about the state of public sector accounting and ongoing accounting developments in Colombia.

## Status of public sector accounting in selected Latin American countries

Take a look here at the developments in public sector accounting in selected key economies in Latin America.

## IPSASB seeks feedback on accounting for social benefits

In this article, we summarize the proposals in the IPSASB’s consultation paper on social benefits.

## Update on European Public Sector Accounting Standards (EPSAS)

We provide the background of EPSAS and highlight recent key developments of EPSAS.

## Special announcement

**IPSASB project update**

## Resources

**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
Developments of public sector accounting in Colombia

Dr Pedro Luis Bohórquez Ramírez leads the implementation of IPSAS in Colombia. In this article, he talks to us about the state of public sector accounting and ongoing accounting developments in Colombia.

Biography

Dr Pedro Luis Bohórquez Ramírez is the Accountant General for Colombia. He has extensive public sector experience from his role as Deputy Managing Director for the Colombian Regulatory Commission for Drinking Water and Sanitation and as Dean of the School of Public Accounting at Universidad San Martín. In his distinguished public sector career, he has been advisor to the Office of the Deputy Minister for Labour and held a number of senior positions in the Attorney General’s Office and in the Office of the Comptroller General of Colombia. Dr Bohórquez obtained his accountancy qualifications from Universidad de La Salle, and advanced his studies in Management, Internal Control, Administration and Credit Management at Universidad de los Andes, Universidad Militar Nueva Granada and the National School of Habitação and Poupança (Brazil).

Pedro, could you tell us about the current status of public sector accounting in Colombia?

Certainly, Colombia has come quite a long way since the implementation of the accrual-based General Plan of Public Accounting back in 1996. In 2007, IPSAS recognition, measurement and disclosure requirements were incorporated into our domestic GAAP applied by public sector entities, based on IPSAS that were effective then. Our latest set of consolidated government accounts includes the results of the federal government, 32 state departments, the Central Bank and General System of Royalties.

At present, we are transitioning into the current IPSAS, and have an implementation plan in place to adopt the current IPSAs in 2017. The implementation plan is spearheaded by the Colombian National General Accounting Office (Contaduría General de la Nación, CGN). The CGN is the governmental organization that is responsible for improving the quality of financial reporting for the Colombian public sector. In addition, the financial statements of public sector entities in 2015 and 2016 are the transition periods and the financial statements will be issued in preparation for the full implementation in 2017. Resolution 533, which establishes the accounting Regulatory Framework for Government Entities, was passed in October 2015. As mentioned earlier, Colombia has been using accrual-based accounting standards for some time. Therefore, the task of implementing full IPSAS should potentially be less onerous, but it does come with some challenges.

Considering Colombia’s history of applying accrual-based accounting standards, what are the drivers for implementing full IPSAS and are there any challenges that can be shared with our readers?

The main driver for implementing IPSAS is to enhance the quality of financial reports through the adoption of international leading practices, which would, in turn, improve the transparency of public expenditure for our constituents. Public finance managers will have a clear picture of both current and future rights and obligations, which would enable them to make better fiscal decisions for the country. The users of the government’s accounts for public financial management purposes include the Department of National Planning, Department of National Statistics, the Colombian Family Welfare Institute, the Ministry of Finance and Public Credit and the Central Bank, among others.

One of the key challenges for the implementation is the change to the organizations’ information systems. The CGN, with the support of the Swiss Economic Cooperation and Development Division (SECO) carried out a thorough assessment of the current information systems platform and developed solutions for the consolidation process, to ensure information needed to comply with the new standards is captured. As part of the assessment, the CGN has also looked into the disclosure requirements, and how the information systems can be revamped to produce the required information. The CGN has issued guidelines to the entities transitioning to the new standards, in order to help them determine the ideal platform or technological solution for their requirements.

1 The General System of Royalties is a mechanism for the collection and allocation of royalties from extractives activities. More information is available on http://www.oecd.org/publications/oecd-territorial-reviews-columbia-2014-9789264224551-en.htm
Another challenge facing Colombia’s public sector is that some of the consolidated state-owned enterprises will be applying full IFRS or IFRS-equivalent standards. Therefore such entities would need to take into account the need for reconciliations or adjustments between IFRS and IPSAS when choosing a suitable system for providing the appropriate information for the consolidated financial statements at the whole of government level.

As mentioned earlier, the implementation of IPSAS is quite an extensive change to the current systems and accounting practices for many public sector entities. How did CGN engage with stakeholders for a project of this level and scale?

The CGN is actively engaging with the various stakeholders of this accounting change. One of its initiatives was the launch of a nation-wide program to conduct and facilitate training for all departmental financial controllerships. Furthermore, the CGN has proposed the introduction of a training scheme for all new public sector managers, to coincide with the change of departmental governors, which is due to take place in the near future. The aim of this training scheme is to emphasize and establish the important role that accounting information plays in public sector management.

The CGN is designing an extensive training program in 2016 that will be rolled out at the regional level, in order to help government entities get familiar with the new requirements, which will be quite a paradigm shift from the current accounting regulation.

From your description of the training programs and information system changes anticipated, the level of commitment and investment of resources to this accounting change initiative is quite considerable. So what are the expected benefits from this exercise?

As I mentioned earlier, the implementation of IPSAS, and the establishment of a regulatory framework to underpin them, will impact on the financial statements. The information derived from the financial statements will directly impact the decisions that our government entities make, which will affect our country’s economic survival. About 15 years ago, the Government relaxed economic controls to allow the advancement and expansion of our technology, communications and manufacturing sectors. This expansion has shown the Government the need for accounting standards that would enable entities, and therefore the national economy, to adapt to the demands of globalization.

Governments around the world are competing in a global market nowadays, and in order to meet the needs of investors, Colombia has to keep up with the rest of the world.

It is clear that the adoption of IPSAS does not only have financial repercussions for entities, it also directly impacts the country’s economy in particular, where state resources are concerned and how the resources are managed. For this reason, international public sector standards are a necessary tool to establish and direct institutional practices and decisions, and to enhance the comparability of financial information.

Therefore, the CGN is also working to promote accounting as a management tool, essential to public entities’ decision-making processes, which can be used to develop budgets, make financial projections and, in turn, contribute to the establishment of government policies.

Talking about the other areas that financial reporting or accounting information can be used for, would the implementation of IPSAS impact on the budgetary process? If so, in what way would it change?

CGN started collaborative efforts with the Colombian Ministry of Finance and Public Credit - National Budget Office in 2012, to establish budgetary practices which would provide suitable inputs and support for financial accounting purposes.

The CGN has recently produced a report with the support of SECO. The report discussed how the state financial information systems should be assembled, as well as the need for the audit of the budget and public finances under international auditing standards, which will enhance the credibility of the financial reports produced by the government. The report is believed to have contributed to a fundamental change in the perspective of top level management within the government budget office.

Are there any collaborative efforts amongst countries in the Latin America region?

With the support and financing of entities such as the World Bank and the Inter-American Development Bank, the CGN has participated in three international public accounting forums, together with several Latin American public accounting offices. In November 2014, the Forum of Governmental Accountancies of Latin America (FOCAL) was established; the globalization of public sector accounting was one of the important topics that FOCAL addressed.

As part of the regional efforts, CGN is also conducting IPSAS training courses for a number of Latin American countries including Honduras and Dominican Republic. The courses will cover topics such as consolidation systems. Columbia is the front runner in Latin America where consolidation systems are concerned.
Status of public sector accounting in selected Latin American countries

Colombia country profile

Colombia is the fourth largest country in South America and has significant natural resources. Its main exports include petroleum, coffee, coal, gold, emeralds, sugar, livestock, cut flowers and cotton products. 

Population: 46.7 million (July 2015 est.)

GDP (purchasing power parity): estimated (est. 2014) at USD 640.1 billion

Public debt: 41.9% of GDP (2014 est.)

Government structure: National government, 32 state departments, 1,119 municipalities

Inflation rate: 2.9% (2014 est.)

Unemployment rate: 9.1% (2014 est.)

Brazil country profile

Brazil is the largest and most populous country in South America. Its main exports include iron ore, coffee, transport equipment, automobiles and transport equipment. Brazil’s government and public sector entities are currently reporting on a modified accrual basis and are expected to implement IPSAS for financial reporting purposes by 2020.

Population: 204.3 million (July 2015 est.)

GDP: USD 3.263 trillion (2014 est.)

Public debt: 59.3% (2014 est.)

Government structure: Federal government, 26 states, 5,570 municipalities

Inflation rate: 6.3% (2014 est.)

Unemployment rate: 4.8% (2014 est.)

Chile country profile

Chile is the largest world producer of copper and is one of Latin America’s strongest and most stable economies. Besides copper, its main exports include agricultural produce, wood products, iron and steel. The government and public sector entities currently report using a modified accrual basis and are expected to implement IPSAS by 2019.

Population: 17.5 million (July 2015 est)

GDP: USD 409.3 billion (2014 est.)

Public debt: 16.5% (2014 est.)

Government structure: Federal government, 15 regions, 54 provinces and 346 communes

Inflation rate: 4.4% (2014 est.)

Unemployment rate: 6.4% (2014 est.)

Information is gathered from the CIA World Factbook, BBC and UN website.
**Mexico country profile**

Mexico is a major oil producer and has the second largest economy in Latin America. Its main exports include machinery, crude oil, mineral fuels and lubricants and livestock. Mexico’s government and public sector is currently reporting on a cash basis and is expected to implement IPSASs by 2020.

**Population:** 121.7 million (July 2015 est)
**GDP:** USD 2.141 trillion (2014 est.)
**Public debt:** 41% (2014 est.)
**Government structure:** Federal government, 31 states, 2,438 municipalities
**Inflation rate:** 4% (2014 est.)
**Unemployment rate:** 9.4% (2014 est.)

---

**Peru country profile**

Peru is the world’s second largest producer of silver and third largest producer of copper. The Peruvian economy has grown steadily at an average of 5.6% from 2009-2013. Its main exports besides commodities include crude petroleum, coffee and other fruits and vegetables. The Peruvian government and public sector is currently reporting on a modified accrual basis and is expected to implement IPSAS by 2016.

**Population:** 30.5 million (July 2015 est)
**GDP:** USD 371.1 billion (2014 est.)
**Public debt:** 15.9% (2014 est.)
**Government structure:** Federal government, 25 regions, 194 provincial municipalities and 1,826 district municipalities
**Inflation rate:** 3.2% (2014 est.)
**Unemployment rate:** 6% (2014 est.)
IPSASB seeks feedback on accounting for social benefits

The delivery of social benefits to constituents is one of the main objectives of government and public sector entities. This means that expenditure on social benefit programs is a significant proportion of government and public sector entities’ budgets. For example, social spending accounts for more than 30% of GDP in France, which is the highest amongst OECD countries. In Germany it is 25.6% of GDP and, in Australia, it is 19%. IPSAS currently do not provide guidance on how to account for social benefits. This information gap is considered a serious shortcoming of IPSAS. Therefore, the IPSASB’s consultation paper, Recognition and Measurement of Social Benefits (the CP) is seen as a positive development in helping to resolve this shortcoming.

What you need to know

- The proposed recognition and measurement treatments are intended to be applicable to social benefits that are provided to protect the entire population, or a particular segment of the population, against social risks. For example, social assistance and social security benefits (in cash or in kind) would be in the scope of this proposal.
- The IPSASB has tentatively taken the view that a combination of the obligating event approach and the insurance approach may be appropriate, to reflect the different economic circumstances arising in respect of different types of social benefit schemes (details of both approaches are described in this article).
- Comments on the CP are due by 31 January 2016.

Scope and definitions

In developing the scope of the CP, the IPSASB considered the approach to social benefits taken in Government Finance Statistics (GFS) and System of National Accounts 2008 (SNA), and decided to align the definition of social benefits in IPSAS with the definition used in GFS and SNA. Accordingly, the scope of this project is limited to benefits that are provided to protect the entire population, or a particular segment of the population, against social risks. Social risks are defined in the CP as events or circumstances that may adversely affect the welfare of households either by imposing additional demands on their resources or by reducing their income. These social needs may occur due to sickness, unemployment, retirement, housing, education or other family circumstances. Households may benefit from social protection in different ways, such as:

- Households could receive benefits, without making any contributions, when they meet certain eligibility criteria that originate from a social risk.
- Households could make contributions and receive benefits as transfers receivable, in the event of the occurrence of the specified social risks.
- Households could make contributions to a scheme to accumulate entitlements to benefits, from which they withdraw in the event of the occurrence of the specified social risk. Therefore, there is relatively little redistribution among the various contributors, but rather redistribution over time for the contributor.

In accordance with the SNA, social benefits (in cash and in kind) are described as social assistance and social insurance. Social insurance comprises social security schemes and employment-related schemes. Social assistance provides benefits similar to social insurance schemes, but these benefits are provided without any formal requirement to participate as evidenced by payment of contributions. Access to benefits under social assistance will be determined by whether the prescribed eligibility criteria have been met.

Social insurance would require formal participation by the beneficiaries, evidenced by contributions (actual or imputed) in order to secure entitlement to benefits. The SNA identifies two categories of social insurance schemes, namely social security schemes and employment-related schemes. Social security schemes operate outside an employer-employee relationship (e.g., unemployment benefits); these schemes will usually cover wider groups than employment-related schemes. Employment-related schemes arise from employer-employee relationships. Where a government provides employment-related schemes, these only cover its own employees and are scoped out of this project as they are dealt with under IPSAS 25 Employee Benefits.

---

3 Social spending information is available on the OECD’s Social Expenditure Database http://www.oecd.org/social/expenditure.htm
4 The CP is available on https://www.ifac.org/publications-resources/recognition-and-measurement-social-benefits
The following diagram illustrates the scope of this CP:

Source: IPSASB CP Recognition and Measurement of Social Benefits

Glossary of key terms used in the CP

‘Social benefits’ - benefits provided to individuals and households, in cash or in kind, to mitigate the effect of social risks.

‘Social risks’ - events or circumstances that may adversely affect the welfare of individuals and households either by imposing additional demands on their resources or by reducing their income.

‘Social benefits in cash’ - social benefits paid in cash, by or on behalf of a public sector entity, that allow individuals and households to use this cash indistinguishably from income from other sources. Social benefits in cash do not include reimbursements.

‘Social benefits in kind’ - goods and services provided as social benefits to individuals and households by or on behalf of a public sector entity, and all reimbursements for the costs incurred by individuals and households in obtaining such goods and services.

‘Social insurance’ - the provision of social benefits where the benefits received are conditional on participation in a scheme, evidenced by way of actual or imputed contributions made by or on behalf of the recipient. Social insurance may form part of an employer-employee relationship (employment-related social insurance) or may arise outside an employer-employee relationship (social security).

‘Social security’ - social insurance that arises outside the employer-employee relationship, and provides benefits to the community as a whole, or large sections of the community. Social security is imposed and controlled by a government entity.

‘Social assistance’ is the provision of social benefits to all persons who are in need without any formal requirement to participate as evidenced by the payment of contributions.

Three possible approaches for recognizing and measuring social benefits

The obligating event approach

This approach considers social benefits by reference to the definitions of a liability in the IPSAS Conceptual Framework. Under this approach, obligations to pay social benefits are seen as no different (in principle) from other obligations. The key issue is to identify when a present obligation arises. The CP identifies five distinct points at which a case can be made for recognizing an obligation in the financial statements: i) key participatory events have occurred; ii) threshold eligibility criteria have been satisfied; iii) the eligibility criteria to receive the next benefit have been satisfied; iv) a claim has been approved; and v) a claim is enforceable:

Source: IPSASB CP Recognition and Measurement of Social Benefits

The IPSASB’s previous work on social benefits has shown that the difficulty in applying this approach has been the identification of an obligating event. The point at which an obligating event arises will determine the recognition of a liability. There is also discussion of the nature of the social benefit schemes and how that might affect the timing of when an obligating event occurs. In particular, the CP talks about contributory versus non-contributory schemes.

Some argue that contributory schemes, by their nature, create a valid expectation that an individual or household will receive benefits based on those contributions, and such schemes give rise to quasi-exchange transactions. However, the issue of whether or not a scheme is contributory is not necessarily the point at which an obligating event occurs. Although individuals may receive information on the benefits they’re likely to receive, the projected benefits payable depend on the future viability of the fund from which those benefits are paid.

Moreover, governments have the ability to amend or repeal legislation, e.g., deferring the age at which benefits are first received. Hence, there may be uncertainty around a valid expectation of benefits being paid in the future. In this CP, the IPSASB has not expressed a view on when an obligating event is deemed to have occurred, and has asked respondents for their views. Under this approach, the IPSASB has expressed a preliminary view that the social benefits liability be measured using the cost of fulfilment measurement basis. ⁵

⁵ ‘Cost of fulfilment’ is defined in the IPSASB’s Conceptual Framework as “the costs that the entity will incur in fulfilling the obligations represented by the liability, assuming that it does so in the least costly manner.”
Social contract approach

Under this approach, social benefits are analogized to executory contracts. As such, government obligations to provide social benefits and the rights of individuals or households to receive the benefits are acknowledged as commitments. However, these governmental obligations are effectively offset by the ongoing duty of individuals or households to contribute taxes and other sources of finance. Under this model, unless an executory contract is considered onerous, no liability would be recognized. A liability is only recognized in the event that an enforceable or approved claim exists, and similar to the obligating event approach, it is measured at the cost of fulfilment basis.

In general, the entities that provide social benefits are often different from the entities that receive taxes and other sources of funding. The CP discussed that, at the whole of government level, the fact that different entities are involved does not affect the assessment of the social contract. Under this approach, the funding entity would be deemed as an agent for the entity providing the social benefits. Therefore, the contribution of taxes and other sources could be treated as an obligation to the entity providing the social benefits. The IPSASB has expressed a preliminary view that the social contract approach would not be consistent with the Conceptual Framework and unlikely to meet the objectives of financial reporting.

Insurance approach

The insurance approach is described in the CP as applicable to two types of social security schemes – subsidized schemes and unsubsidized schemes. The IPSASB has drafted its proposals based on the IASB’s Insurance exposure draft (ED) ED/2013/7 Insurance Contracts (June 2013). The CP proposes that social security schemes would be recognized at the earlier of the beginning of the coverage period or the date on which the first contribution from, or on behalf of, the participant becomes due. The CP clarifies that coverage is not the same as eligibility. An individual may be covered by an unemployment insurance scheme to which they contribute, but will only become eligible for benefits should they become unemployed and satisfy any further eligibility criteria.

Unsubsidized schemes

For unsubsidized social security schemes that are designed to be fully funded from contributions, i.e., to operate without a tax subsidy, the CP proposes that, on initial recognition, any expected surplus from the scheme and an estimate of the amount of discounted future net cash flows should be presented on the balance sheet. In cases of an expected deficit, the CP proposes recognition of an expense on initial recognition. In some cases, a scheme may operate without a subsidy from taxation over the life of the scheme, but there may be periods of net negative cash flows. Entities running such schemes may borrow from the government during these periods and make repayments during periods of net positive cash flows. The CP proposes that such borrowings be reflected in the present value calculations.

Subsidized schemes

For subsidized schemes that are not designed to be fully funded by contributions, and designed to operate with a tax subsidy, the CP presents three possible approaches for the treatment of the expected deficit. The first approach requires the government to recognize a liability and expense on initial recognition and, subsequently, recognize scheme expenses equal to the scheme revenue in each year.

The second approach requires the entity to recognize the scheme deficit as a liability on initial recognition and, subsequently, amortize the expense on a systematic basis over the coverage period.

The third approach treats the planned subsidy as a form of contribution and cash flow adjustments are made accordingly.

The IPSASB has tentatively taken the view that a combination of the obligating event approach and insurance approach may be appropriate for the accounting of social benefits, to reflect the different economic circumstances arising in respect of different types of social benefit schemes. The IPSASB has also discussed two possible measurement bases in the CP: the cost of fulfilment basis and the assumption price basis and seeks feedback on these proposed measurement bases.

How we see it

The extent to which liabilities in respect of social benefits arise and the recognition and measurement of such liabilities are pertinent to most governments and account for a sizeable proportion of their expenditure. We believe that bringing these liabilities onto the balance sheet would provide users of a government’s financial statements with a better picture of the government’s financial obligations. However, as discussed in the CP and also in this article, the timing of recognition and the measurement approaches are complex and we encourage all stakeholders to carefully consider the IPSASBs’ proposals, and provide feedback to the Board. The consultation period for the CP will end on 31 January 2016.
Update on European Public Sector Accounting Standards (EPSAS)

The ongoing sovereign debt crises in the EU have revealed the need for more rigor and transparency in the public finances of European Union (EU) Member States. Moreover, in order to facilitate the proper functioning of the EU single economic market and monetary union, transparent and comparable fiscal data and underlying public accounts are imperative. The development of EPSAS will greatly support this initiative for accounting reform. We highlight the key developments of EPSAS in this article.

Background

The European Commission (EC) was tasked with assessing the suitability of IPSAS for EU Member States in 2012. As part of that process, Eurostat, commissioned by the EC, initiated a public consultation to assess the suitability of IPSAS for Member States. About 69% of the respondents supported the development of European public sector accounting standards by using IPSAS as a basis.

Following this consultation, Eurostat asked EY to conduct a study to collect and compare the relevant information on the existing public accounting and auditing practices for the then 27 EU Member States.

The study revealed that the accounting framework or regimes applied by the governments of EU Member States varied significantly. The majority of the EU Member States at that time applied their respective domestic GAAPs, mainly for independence reasons, and these standards differ greatly and have little resemblance to IPSAS.

Thereafter, the EC issued a report, in March 2013, called, Towards implementing harmonised public sector accounting standards in Member States. In this report, the EC explained the need for harmonized accrual-based public sector accounting standards. Although the report concludes that IPSASs represent an indisputable reference framework for a set of harmonized EU-wide accounting standards, IPSAS cannot be implemented directly in their current form.

The report recommended the development of EPSAS - a single set of accrual-based accounting standards tailored for the EU and applied throughout all levels of government in the EU.

Additional consultations and studies commissioned by the EC

With broad support found for EPSAS, in 2013 and 2014, Eurostat conducted a consultation on the Governance for EPSAS. Feedback from respondents to this consultation showed that a majority of the respondents did not think that additional oversight was necessary.

Respondents thought that additional oversight would only increase the bureaucracy and cost of standard setting. Some suggested alternatives to ensure oversight from the European Court of Auditors, Economic and Financial Committee, special Commission of the European Parliament and possibly include deputy ministers.

Eurostat also conducted a second study to gather information on:

- The potential impact, including costs of implementing accrual accounting in the public sector
- A technical analysis of the suitability of individual IPSAS

In this study, the cost of implementation throughout the EU was estimated at between EUR1.2 billion and EUR6.9 billion. The study highlighted that most governments are relatively positive about using IPSAS as a primary reference for developing EPSAS, as the existing standards are generally of good quality. Furthermore, adopting IPSAS accounting principles that are recognized globally will give greater credibility to government financial statements in the eyes of investors and other fund providers.

The Commission Staff Working Document accompanying the report identified a group of IPSAS that might be implemented with minor or no adaptation and would be suitable for direct adoption into the suite of EPSAS. The remaining IPSAS would need modification before they could be incorporated into EPSAS. A differentiation between standards “for which a selective approach is needed” and standards “that are seen as needing to be amended for implementation” was made.
### Summary timeline of key events

<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>- Council directive to investigate use of accrual accounting standards for EU Member States</td>
</tr>
</tbody>
</table>
| 2012 | - EC Public consultation issued: Assessing the suitability of IPSAS (International Public Sector Accounting Standards)  
- EY study for Eurostat assesses the public accounting |
| 2013 | - EC Report on the evolution to harmonized accounting standards in the EU Member States  
- Eurostat Brussels conference: Towards implementing European Public Sector Accounting standards |
| 2014 | - EC Eurostat Consultation issued: Governance structure of EPSAS  
- Second study for Eurostat on the potential impact, implementation costs and technical analysis of the suitability of IPSASs |
| 2015 | - Establishment of EC EPSAS working group and first cell (FTI)  
- EC tender on preparation of issues papers and impact assessment of EPSAS implementation |

### EPSAS working group and task force

As part of the development of EPSAS, an EPSAS Working Group was established. The objective of the EPSAS Working Group is to provide the EC with advice and expertise in the preparation of harmonized European public sector accounting and general purpose financial reporting standards on an accrual basis (including for central government, state government, local government and social security funds). At a later stage, the working group’s objective will be to advise on the introduction and operation of EPSAS.

A task force - Cell on First Time Implementation (the FTI Cell) - was also established to discuss specific transition and first-time implementation issues.

The initial objective of the FTI Cell is to support Eurostat in the preparation of technical working documents, based on the experience and expertise of a smaller group of experts. The Cell is not a decision-making body, but its discussions will be considered by the EC in developing a proposal for the first-time implementation of EPSAS.

A more concrete deliverable by the FTI Cell is outlined, as follows:

- Development of a draft guidance note on first-time implementation for the opening balance sheet by mid-2016
- Identification in the guidance note of what would be the necessary level of guidance to EU Member States and what simplifications can be offered on transition

A second task force cell on EPSAS governance principles has been established and their first meeting is scheduled on 16 December 2015. More cells are planned for the future.
**Latest developments**

Based on the diverse picture of public sector accounting practices in European Member States, it is envisaged that EPSAS can realistically be implemented in the medium-term (5-10 years). Moreover, a staged approach may be more feasible for some Member States still accounting on a cash basis.

In terms of next steps, the following is the potential roadmap:

In establishing the potential roadmap, the EC was of the view that the legal basis for EPSAS should be established in a Framework Regulation. Whether a Framework Regulation is necessary to achieve the objectives of the EPSAS project is still being debated. EPSAS would possibly take the form of binding legal acts, developed by a Committee that is composed of representatives of Member States and chaired by the EC. The committee would be supported by technical working groups and task forces. Input from other stakeholders could be in the form of consultations or through appointment of observers on the committee.

**How we see it**

We strongly support the EC’s pursuit of harmonized public sector accrual-based accounting standards based on IPSAS that are tailored for the EU environment. This is a crucial step towards fiscal transparency and accountability in management of public funds. EY is contributing in a tangible way through Thomas Müller-Marqués Berger’s appointment to the EPSAS Working Group (in his role as Chair of the FEE Public Sector Group).

In our view, there is no doubt that in the early stages, practical implementation guidance would be helpful to EU Member States.
Thomas Müller-Marqués Berger appointed as inaugural Chairman of the new Consultative Advisory Group (CAG) to the IPSASB

The Public Interest Committee (PIC) has appointed Thomas Müller Marqués Berger as the inaugural Chairman of the new Consultative Advisory Group (CAG) to the IPSASB. Thomas was formerly a member of the IPSASB from January 2009 - December 2014.

The formation of the CAG marks an important milestone in the strengthening of the governance of the IPSASB. The CAG’s objective is to provide a consultation forum for the IPSASB to consult with stakeholders of the IPSASB’s work. The CAG will also advise on the IPSASB’s strategy, work program and agenda, as well as provide input on its standard-setting technical projects. Therefore, the IPSASB’s interactions with the CAG will form an important part of the standard-setting due process.

As CAG Chairman, Thomas Müller-Marqués Berger will provide leadership in ensuring that the IPSASB receives timely and effective input which will contribute to the development of high-quality IPSAS, encouraging broader adoption globally.
IPSASB project update

What’s new?

The IPSASB has recently issued two publications:

**Exposure Draft (ED) 57 Impairment of Revalued Assets**
ED 57 was issued on 14 October 2015. It proposes to bring property, plant and equipment, and intangible assets in the revaluation model within the scope of the two standards on impairment — IPSAS 21 *Impairment of Non-Cash-Generating Assets* and IPSAS 26 *Impairment of Cash-Generating Assets*. The comment period for the ED ends on 15 January 2016.

**ED 58 Improvements to IPSASs 2015**
ED 58 was issued on 14 October 2015. 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). The comment period for the ED ends on 15 January 2016.

### IPSASB Meeting September 2015

**New IPSASB chair**
The current Chair, Andreas Bergmann, acknowledged the appointment of IPSASB member, Ian Carruthers, as the Chair of the IPSASB from 1 January 2016 and the reappointment of Jeanine Poggiolini as Deputy Chair for the year commencing 1 January 2016. The Chair also noted the appointment of new members from Australia, Austria, China, Germany and Switzerland.

**Cash Basis IPSAS review**
The IPSASB considered the draft ED proposing amendments to the *Financial Reporting Under the Cash Basis of Accounting IPSAS* (Cash Basis IPSAS).

The amendments aim to:

- **Consolidation** - The Cash Basis IPSAS will include in part 2 of the standard, the requirements for the preparation of consolidated financial statements. The amendments will also encourage controlling entities to present financial statements which at least consolidate sub-groups of controlled entities, if they are currently not consolidating any of their controlled entities. The amendments will also encourage disclosures of information of the consolidated entities.

- **External Assistance** - The disclosure requirements for external assistance will also be included in part 2 of the Cash Basis IPSAS and will encourage disclosure of matters such as the amount and form of assistance received during the financial year. The ED will encourage disclosure of information about the purposes for which the assistance was provided as well as the amount of any undrawn assistance that is available to the entity at reporting date.

- **Third Party Payments** - Part 1 Cash Basis IPSAS will not include requirements for the disclosure of third party payments, rather the IPSAS will include additional explanations of the arrangements that may be in place for managing the cash flows that result from the activities of individual government departments or other government entities. Part 2 will, however, include the disclosure requirements for goods and services acquired by an entity that was paid on their behalf by a third party.

The IPSASB has also identified a number of housekeeping amendments in order to harmonize the requirements between the cash-basis and accrual-basis IPSAS.
<table>
<thead>
<tr>
<th>Projects</th>
<th>Publications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector financial instruments</td>
<td>The IPSASB considered and agreed with proposed changes to the definition of “tangible gold” and included an additional description noting that financial instruments that result in the physical delivery of gold is also included in the scope of project. Furthermore, the IPSASB expressed concerns on the revised definition of “domestic currency in circulation” and directed that the term “domestic” be removed in order to avoid confusion where economies use foreign currencies as the domestic currency. The IPSASB considered the options that were presented in the draft chapter on “Currency in Circulation” and concluded that the chapter needs further development. The IPSASB concluded that the options focused too much on the current practices of preparers and needed greater consideration of users’ perspectives.</td>
</tr>
<tr>
<td>Impairment of revalued assets</td>
<td>The IPSASB considered proposals to bring property, plant, and equipment and intangible assets on the revaluation model within the scope of the IPSASB’s standards on impairment (IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash-Generating Assets). These changes seek to provide users with relevant information on impairment losses to property, plant, and equipment and intangible assets. They also seek to clarify that impairments to individual assets within a class do not necessitate a revaluation of the entire class to which that impaired asset belongs. The IPSASB concluded that it is best to bring property, plant and equipment and intangible assets in the revaluation model within the scope of the standards on impairment. Thus, the IPSASB reviewed Exposure Draft (ED 57), Impairment of Revalued Assets, to ensure these objectives were achieved.</td>
</tr>
<tr>
<td>Improvements</td>
<td>The IPSASB discussed and considered Exposure Draft 58, Improvements to IPSASs 2015 (ED 58) for approval and included the following proposed improvements: Part I: Consequential Amendments Arising from Chapters 1-4 of the Conceptual Framework  ► Appendix A on qualitative characteristics (QCs) and constraints on relevant and reliable information in IPSAS 1 was deleted and references were amended in other IPSAS to refer to the Conceptual Framework QCs and constraints.  ► The requirements and guidance relating to the selection and application of accounting policies were amended where there is no IPSAS dealing with a transaction.  ► Included an explanation in a footnote for the term “reliable”. Part II: General Improvements to IPSASs  ► Removed references to international or national standards dealing with non-current assets held for sale and discontinued operations in a number of IPSASs.  ► Aligned the requirements regarding the classification of assets in IPSAS 32, Service Concession Arrangements, and IPSAS 17, Property, Plant, and Equipment. Part III: IPSAS/GFS Alignment  ► Replaced the term “ammunition” in IPSAS 12, Inventories, with military inventories”  ► Replaced the term “specialist military equipment” in IPSAS 17, Property, Plant, and Equipment, with “weapons systems” Part IV: IASB Improvements  ► Incorporate amendments to IPSAS 17 Property, Plant, and Equipment and IPSAS 27 Agriculture, derived from the IASB narrow scope amendment Agriculture: Bearer Plants</td>
</tr>
</tbody>
</table>
Public sector combinations

In this meeting, an issues paper on the classification of public sector combinations was presented. This paper considers additional factors indicating when an entity is deemed to have gained control of operations.

The issue paper outlined two approaches:

- **Rebuttable presumption approach:** under this approach, when one party to the combination gains control of an operation, there is a rebuttable presumption that the combination is an acquisition.

- **Individual weighting approach:** under this approach, the weighting given to the gaining of control, consideration and decision making is a matter for professional judgment based on the individual circumstances of the combination.

The IPSASB agreed to include the rebuttable presumption approach due to the fact that it provides greater clarity. However, the IPSASB also noted that the rebuttable presumption approach would take into account the economic substance of a combination by reference to the qualitative characteristics and constraints in the Conceptual Framework.

Non-Exchange Expenses

The IPSASB continued discussions of the Non-Exchange Expenses project focusing particularly on the impact that any decisions made in the Revenue and Social Benefits project might have on the Non-Exchange Expenses project.

Discussions also included whether approaches for the project should focus on distinguishing between exchange and non-exchange transactions, or rather, distinguishing between transactions with and without performance obligations. The IPSASB, however, suggested that both approaches should be explored at this stage.

The IPSASB discussed the types of transactions to be considered in the project as well as some potential clarifications to the definition of non-exchange transactions.

Furthermore, the IPSASB discussed the following issues, and provided direction for the future coordination and development of the Non-Exchange Expenses and Revenue projects:

- Example transactions and variations
- Applicability and potential challenges of using a performance obligation approach to revenue recognition in the public sector
- Additional factors present in non-exchange transactions that may affect the recognition of the transaction

The next steps of the project are for the Staff to develop an issues paper for the December 2015 meeting.

Revenue

The IPSASB considered an issues paper on the requirements for revenue from non-exchange transactions. The paper considered the main issues that have been raised on non-exchange revenue. The IPSASB agreed that the performance obligation approach should be explored, using the definition in IFRS 15 *Revenue from Contracts with Customers* as the starting point with appropriate modifications made for the public sector. These modifications are considered appropriate due to the fact that, in the public sector, the person receiving the benefit is not always the same as the person receiving the funds.

The IPSASB agreed that the performance obligation approach and IPSAS 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)* should be applied to examples of transactions, in order to compare and contrast each approach. This is to ensure that the focus is placed on the substance of each transaction while taking into account practical issues as well as the extent of any judgement involved.

In addition, the IPSASB indicated that services in-kind should be re-examined, taking into account the Conceptual Framework. This is due to the fact that there might be instances where services in-kind should be recognized where there is control and those services can be measured reliably.

The IPSASB also agreed that capital grants should be re-examined under the performance obligation approach, particularly focusing on presentation and disclosure.

The IPSASB discussed tax revenue issues and agreed they should be considered in the Revenue project. This includes whether or not to define taxation.
The IPSASB considered three issues for development of the Emissions Trading Schemes (ETSs) consultation paper (CP):

- IASB staff is developing a new accounting approach, which treats Emission Allowances (EAs) granted to ETS participants as loans from the ETS administrator. The IPSASB emphasized the desirability of developing a coherent accounting approach that reflects the economic substance of transactions from both, administrator and participant perspectives. The proposed timeline for the approval of the discussion paper is 2016.
- The IPSASB reviewed a draft description of the public policy objectives of an ETS and identified revisions. This document provides important context for alternative accounting treatment and the IPSASB directed staff to develop the description into a background paper.
- The IPSASB then discussed five alternative accounting approaches for ETS administrators and noted that one or more further approaches may emerge. This is due to the different ways in which participants receive EAs. Therefore, the staff was directed to further develop accounting approaches.

Next steps are for the staff to transform the description of public policy objectives into a background paper and develop a further issues paper for the IPSASB’s December 2015 meeting.


In maintaining convergence with IAS 19 the following decisions were taken:

- The IPSASB agreed to eliminate the option for the corridor approach in IPSAS 25 and also agreed to a number of other recent amendments to IAS 19 relating to definitions, recognition and measurement.
- The IPSASB did not decide whether to adopt the net interest approach in the revised IAS 19, but instructed staff to bring proposals to the December 2015 meeting.
- The IPSASB decided to include the disclosure objective and the disclosures in IAS 19 in to the revised version of IPSAS 25. However, the IPSAS disclosure will also consider GFS guidelines.
- The IPSASB decided not to revise IPSAS 25 with regard to shared risk plans. It was decided that the IPSASB will first wait for a revision on IAS 19 on this matter before any amendments are made.

The IPSASB decided that the ED should have a specific matter for comment on the existing requirements and guidance on composite social security programs in order to ascertain whether these requirements and guidance are useful.
## Resources

### Upcoming IPSAS Training

EY, the Chartered Institute of Public Finance & Accountancy (CIPFA), and IASeminars jointly offer a comprehensive range of training courses on IPSAS. The following table provides an overview of the upcoming IPSAS courses in 2016 (until April 2016):

<table>
<thead>
<tr>
<th>Course</th>
<th>Date</th>
<th>Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>Course 3011: IPSAS Fundamentals - Comprehensive Workshop (5 days)</td>
<td>18 Jan–22 Jan 2016</td>
<td>London</td>
</tr>
<tr>
<td>Course 3081: IPSAS - Technical Update (1 day)</td>
<td>15 Feb 2016</td>
<td>Brussels</td>
</tr>
<tr>
<td>Course 3401: IPSAS - Presentation, Disclosure and Financial Reports (2 days)</td>
<td>16 Feb–17 Feb 2016</td>
<td>Brussels</td>
</tr>
<tr>
<td>Course 3100: IPSAS Overview with IFRS Comparison (2 days)</td>
<td>18 Feb–19 Feb 2016</td>
<td>Brussels</td>
</tr>
<tr>
<td>Course 3011: IPSAS Fundamentals - Comprehensive Workshop (5 days)</td>
<td>22 Feb–26 Feb 2016</td>
<td>Zanzibar</td>
</tr>
<tr>
<td>Course 3011: IPSAS Fundamentals - Comprehensive Workshop (5 days)</td>
<td>22 Feb–26 Feb 2016</td>
<td>Miami</td>
</tr>
<tr>
<td>Course 3500: IPSAS - First-Time Adoption, Transition and Implementation (2 days)</td>
<td>29 Feb–1 Mar 2016</td>
<td>Zanzibar</td>
</tr>
<tr>
<td>Course 3000: IPSAS (Accruals Basis) - Immersion Workshop (8 days)</td>
<td>7 Mar – 16 Mar 2016</td>
<td>London</td>
</tr>
<tr>
<td>Course 3030: IPSAS (Accruals Basis) - Overview (2 days)</td>
<td>17 Mar – 18 Mar 2016</td>
<td>London</td>
</tr>
<tr>
<td>Course 3011: IPSAS Fundamentals - Comprehensive Workshop (5 days)</td>
<td>11 Apr – 15 Apr 2016</td>
<td>Lagos</td>
</tr>
<tr>
<td>Course 3011: IPSAS Fundamentals - Comprehensive Workshop (5 days)</td>
<td>18 Apr – 22 Apr 2016</td>
<td>Accra</td>
</tr>
</tbody>
</table>

Visit [http://www.iaseminars.com/courses/partners/CIPFA](http://www.iaseminars.com/courses/partners/CIPFA) for registration and further details on the courses.
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.
Public Finance International is a website supported by EY and developed in conjunction with the Chartered Institute of Public Finance and Accountancy to provide informed news and comment on developments in public financial management internationally, raise awareness of the need for good governance and connect a global community of like-minded public financial management professionals.

IPSAS Poster

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

EY’s Public Sector Accounting webcast: IPSAS Update 2014

We hosted a discussion on the latest developments in the area of international public sector accounting back in December 2014. In this webcast, we provide a progress update on key projects currently on the IPSAS Board’s agenda, as well as developments in its governance and oversight.

We also cover IPSAS adoption and implementation around the world, including the status of EPSAS (European Public Sector Accounting Standards) for EU Member States and New Zealand’s progress on implementing IPSAS.

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

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.

© 2015 EYGM Limited.
All Rights Reserved.

EYG No. AU3657

ED None

In line with EY’s commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com