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This map provides a snapshot of the state of public sector accounting in selected Asia Pacific countries.

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This article summarizes the requirements of IPSASB’s recently issued IPSAS 33 First-time Adoption of Accrual Basis IPSASs.

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The IPSASB Governance Review Group has published its final recommendations on the future governance of the IPSASB. In this article we summarize the main outcomes.

IPSASB update
Look here for an update on the active projects on the IPSASB’s agenda.

Resources
Look here for our IPSAS training and resources.

A message from Thomas Müller-Marqués Berger
Welcome to this month’s edition of IPSAS Outlook, which will bring you insights into the status of public sector accounting in Asia-Pac. Significant progress has been achieved in selected countries towards greater transparency and accountability. Additionally, consistent with previous editions of Outlook, we highlight recent IPSAS developments and emerging issues. We will continue to 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
Spotlight on Indonesia – from cash to accrual accounting

Since the Asian financial crisis in the late nineties, Indonesia has undergone a series of political and fiscal reforms, including enhancing the accountability and transparency of public finance management. Bapak Marwanto Harjowiryono, Director General of the Treasury at Indonesia’s Ministry of Finance spoke to EY about the drivers for Indonesia’s decision to move from cash to accrual accounting, the steps taken to implement this decision and the challenges encountered.

Timeline of Indonesia’s accounting reform for central and local governments

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003 - 04</td>
<td>Transformation from cash to accrual accounting is announced</td>
</tr>
<tr>
<td>2005</td>
<td>Issuance of Cash Towards Accrual (CTA) government accounting standards contained in Government Regulation No. 24</td>
</tr>
<tr>
<td>2005 - 14</td>
<td>Implementation of CTA</td>
</tr>
<tr>
<td>2008</td>
<td>Delay to full accrual accounting announced</td>
</tr>
<tr>
<td>2010</td>
<td>Issuance of Indonesian Government Accounting Standards (IGAS) in Regulation No. 71 requiring full accrual accounting by 2015</td>
</tr>
<tr>
<td>2015 onwards</td>
<td>Full accrual basis</td>
</tr>
</tbody>
</table>

Current government accounting practice

Indonesia’s central and local government accounts are currently prepared on a ‘cash towards accrual’ (CTA) government accounting standards basis2, which is a modified cash and partial accrual basis. Under CTA standards, revenue and expenses are recognized on a cash basis, while assets and liabilities are recorded on an accrual basis. The CTA standards require presentation of the following four reports:

► Cash basis Budget Realization Report (BRR)
► Statement of Financial Position (accrual basis)
► Cash flow statement
► Notes to the financial statements

CTA standards require records of cash transactions and events to be maintained and year-end adjustments to reflect the balances of receivables, inventories, investments and payables on the statement of financial position.

Indonesia’s Government implemented the CTA standards in order to overcome the difficulties of making an immediate transition from cash to accrual basis accounting. In this way, budget accountability reports can be easily produced using the existing cash-based budget model and accrual-based balance sheet.

Motivation to move to full accrual-based accounting standards

Indonesia’s politicians believe that full accrual-based financial reporting will enhance the Government’s transparency and accountability, as it will provide users with information about the Government’s cash flows, financial performance, and financial position.

The required presentation of the statement of operations will also reveal the full cost of government services, including financial activities, and not just their short-term cash impact.

Information generated from accrual-based accounting allows users to assess the accountability for all resources and the deployment of those resources, as well as the performance, financial position and cash flows of government units. This information is used to make decisions to allocate resources among various government units. It can also be useful in evaluating the Government’s performance and assessing its capacity. Finally, the Government can use the information to identify opportunities for the future use of resources and to measure the successful management of resources.

Country information - Indonesia1

GDP: USD 867.5 billion (2013)
Population: 253.6 million (2014)
Size and structure of government: Central government, 31 provinces, 1 autonomous province, 1 special region, more than 400 local governments (regencies and cities)

1 Source: The World Fact Book and Statistics Indonesia (Badan Pusat Statistik)

2 The CTA Government Accounting Standards set out in Government Regulation No. 24 year 2005, which has been replaced by Government Regulation No. 71 year 2010. CTA Government Accounting Standards is contained in attachment 2 of Government Regulation No.71 (2010).
Adoption process of full accrual-based accounting

Following the Government’s decision to reform the public accounting system in 2003, CTA standards were implemented from 2005 onwards. This was intended to be a transitional step towards the adoption of full accrual-based standards by 2010. However, by 2008, implementation of full accrual-based accounting was not deemed to be feasible, leading to the adoption plan being extended.

In 2010, Indonesian Government Accounting Standards (GAS) in Government Regulation No. 71 was issued, which required the implementation of the accrual basis of accounting by 2015, and the discontinuation of CTA accounting thereafter.

Since then, the Ministry of Finance has been gathering accrual financial information and preparing an implementation plan. Regulations and guidelines, business processes and accounting and IT systems have also been revised, and capacity building exercises have been undertaken.

The standard-setting process

Firstly, IPSASs were used as a basis for the development of Indonesian GAS as they were widely recognized as high quality accounting standards that are relevant for the public sector.

The independent standard-setter, the Indonesian Government Accounting Standards Committee (KSAP), was mandated under local law and established by presidential decree. Committee members include representatives from the ministries of finance and home affairs, local government, accounting professionals, and academics. During the drafting of the standards, feedback was also collated from the Supreme Audit Board (Badan Pemeriksaan Keuangan or BPK).

Impact of accrual accounting for cash budgeting

At the outset, it was decided that budgeting would be retained on a cash basis. The cash budgeting process will not be affected by the accounting reforms for accrual-based financial reporting. Aside from the statement of government operations, government accounting standards will also require the preparation of budget realization statements. The Government will prepare the Budget Realization Report (BRR) on a cash basis. The information systems that have been implemented allow for both cash-based budgeting and accrual-based financial reporting.

The BRR is prepared on a performance basis, with twin objectives of transparency and accountability. The BRR is also expected to produce useful information for decision makers to determine whether government output and outcomes are achieved effectively and efficiently.

Main challenges experienced so far and foreseen with the implementation of accrual GAS

The introduction of a new accounting system has presented a significant challenge in changing mindsets in Indonesia’s civil service; the complexity of recording transactions on an accrual basis cannot be underestimated. Many civil service staff have no experience of accrual accounting. As such, considerable time and effort were needed to develop a reliable system, especially as Indonesia covers a large territory with many government units. Having enough civil servants trained, in the region of thousands of civil servants, to operate the accrual basis system was one of the biggest challenges the Government faced in the adoption of an accrual accounting system. Effective training was key for the implementation of accrual accounting and included training on standards, regulations and IT applications.

The implementation of the new accounting framework also involved significant accounting reforms such as creating regulations, guidelines and policies for accrual accounting. These regulations were required for the central and local government accounting systems, the chart of accounts, standard journal entries and accrual accounting policies. Major changes were made to IT systems and processes to implement accrual accounting. Finally, the success of the implementation required a high level of commitment from government leaders and parliamentarians.

Bapak Marwanto Harjowiryono, started his career as a civil servant at the Ministry of Finance in 1983, was promoted to Head of Public Relations Bureau in the Secretariat General during 2004 – 2006. He also served as the Expert Staff of the Minister of Finance on State Expenditures and Executive Director of Bank Pembangunan Asia from 2009 – 2011. From January 2011, he was Director General of Fiscal Balance Ministry of Finance. He was appointed Director General of the Treasury in November 2013.
## Status of public sector accounting in selected Asia Pacific countries

### 1. China

<table>
<thead>
<tr>
<th>Data</th>
<th>Value/Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP1</td>
<td>USD 9.24 trillion (2013)</td>
</tr>
<tr>
<td>Population1</td>
<td>1.36 billion (2013)</td>
</tr>
<tr>
<td>Unemployment rate1</td>
<td>4.1% (2012)</td>
</tr>
<tr>
<td>Inflation1</td>
<td>2.6% (2013)</td>
</tr>
<tr>
<td>Public debt2</td>
<td>22.4% of GDP (2013)</td>
</tr>
<tr>
<td>Size and structure of government2</td>
<td>Central government, 23 provinces, five autonomous regions, four municipalities, two special administrative regions</td>
</tr>
<tr>
<td>Extent of IPSAS application</td>
<td>It is not required but adoption of IPSAS-based local GAAP is being considered</td>
</tr>
<tr>
<td>Budgeting basis</td>
<td>Cash</td>
</tr>
</tbody>
</table>

### 2. Australia

<table>
<thead>
<tr>
<th>Data</th>
<th>Value/Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP1</td>
<td>USD 1.56 trillion (2013)</td>
</tr>
<tr>
<td>Population1</td>
<td>23.13 million (2013)</td>
</tr>
<tr>
<td>Unemployment rate1</td>
<td>5.2% (2012)</td>
</tr>
<tr>
<td>Inflation1</td>
<td>2.5% (2013)</td>
</tr>
<tr>
<td>Public debt2</td>
<td>32.6% of GDP (2013)</td>
</tr>
<tr>
<td>Size and structure of government3</td>
<td>Federal government with 18 departments and 252 agencies Six state and two territory governments 565 local governments</td>
</tr>
<tr>
<td>State of public sector accounting3</td>
<td>IFRS with minor public-sector specific modifications</td>
</tr>
<tr>
<td>Extent of IPSAS application3</td>
<td>No commitment to adopt IPSAS, but the Australian Accounting Standards Board considers specific IPSAS and their adoption where there is no equivalent Australian Standard that deals with a public sector-specific issue</td>
</tr>
<tr>
<td>Budgeting basis</td>
<td>Accrual</td>
</tr>
</tbody>
</table>

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1. Source: The World Bank
2. Source: The World Factbook
### Malaysia

| | 
| --- | --- |
| **GDP**<sup>1</sup> | USD 312.4 billion (2013) |
| **Population**<sup>1</sup> | 29.72 million (2013) |
| **Unemployment rate**<sup>1</sup> | 3% (2012) |
| **Inflation**<sup>1</sup> | 2.1% (2013) |
| **Public debt**<sup>2</sup> | 54.6% of GDP (2013) |
| **Size and structure of government** | Federal government, 13 state governments, 151 local governments, 124 statutory bodies |
| **State of public sector accounting**<sup>4</sup> | Public sector entities used a mixture of modified cash, modified accrual and accrual standards |
| **Extent of IPSAS application**<sup>4</sup> | Agreement with IFAC to adopt Malaysian Public Sector Accounting Standards (MPSAS) based on IPSAS was signed in Feb 2013. Implementation of MPSAS by 2015 |
| **Budgeting basis** | Cash |

### Singapore

| | 
| --- | --- |
| **GDP**<sup>1</sup> | USD 297.9 billion (2013) |
| **Population**<sup>1</sup> | 5.4 million |
| **Unemployment rate**<sup>1</sup> | 2.8% (2012) |
| **Inflation**<sup>1</sup> | 2.4% (2013) |
| **Public debt**<sup>2</sup> | No external public debt |
| **Size and structure of government**<sup>5</sup> | 1 Singapore government, 16 ministries providing oversight over 66 statutory bodies |
| **State of public sector accounting**<sup>5</sup> | Accounting by ministries is guided by Government Instruction Manuals which are not publicly available information. Statutory bodies apply Statutory Board Financial Reporting Standards (SB-FRS) which are based on IFRS |
| **Extent of IPSAS application**<sup>5</sup> | No commitment to adopt IPSAS |
| **Budgeting basis** | Cash |

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<sup>1</sup> Source: The World Bank

<sup>2</sup> Source: The World Factbook


<sup>4</sup> Source: Malaysian Accountant General’s Department, [www.anm.gov.my](http://www.anm.gov.my)

First-time adoption of accrual basis IPSASs

Governments all over the world face the challenges to implement accrual accounting based on IPSAS or other accounting frameworks. The first-time adoption of accrual-basis IPSAS is a complex issue that often requires detailed guidance. To that end, the IPSASB has issued IPSAS 33 First-time Adoption of Accrual Basis IPSASs (the standard) to assist the transition.

Overview

Entities that are transitioning from the cash to the accrual basis and entities that already apply the accrual basis and are considering adopting IPSAS usually use the IPSASB’s Study 14 Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities for guidance on implementing IPSAS or accrual accounting. What was missing, however, was a set of explicit rules and principles for the first-time adoption of accrual-based IPSAS, similar to those in IFRS 1 First-time Adoption of International Financial Reporting Standards. On 29 January 2015, the IPSASB issued IPSAS 33 to assist with the transition process. IPSAS 33 is effective for periods beginning on or after 1 January 2017, with early application permitted.

The IPSASB used IFRS 1 as a point of reference for the development of its standard. However, as convergence was not the objective of the project, IPSAS 33 is substantially different from IFRS 1; the transitional exemptions replace many of the transitional provisions in IPSASs once they have been applied.

IPSAS 33 provides transitional exemptions to entities that are adopting accrual-based IPSAS for the first time. The aim of the standard is to provide relief to entities where the cost of complying with IPSAS would likely exceed the benefits to users of financial statements. A further objective of the standard is to enable first-time adopters to report their transition to accrual-based IPSASs transparently.

Scope of IPSAS 33

IPSAS 33 applies to entities that are adopting accrual-based IPSASs for the first time, during the period that they transition to accrual-based IPSASs. The period of transition is the period during which a first-time adopter applies one or more of the exemptions in the standards before it fully complies with accrual-based IPSASs, and before it is able to make an explicit and unreserved statement of compliance with IPSASs. The standard will be applicable to a first-time adopter that applies:

(a) Cash-based accounting (e.g., the Cash Basis IPSAS)
(b) Modified version of either cash or accrual-based accounting (e.g., an entity that applies some IPSASs, but not the full set)
Or
(c) Another accrual-based GAAP (e.g., an entity that has applied accrual accounting based on national public sector accounting standards) prior to the adoption of accrual-based IPSASs.

Opening statement of financial position

IPSAS 33 requires first-time adopters to prepare and present an opening statement of financial position at the date of adoption of IPSASs. This opening statement of financial position is considered as the starting point for accounting in compliance with accrual-based IPSASs.

Transitional exemptions: background

The standard requires that an entity complies with each effective IPSAS on the date of adoption. However, there are some exemptions from this requirement in specific areas. In general, on the date of adoption of accrual-based IPSASs, an entity is required to apply the IPSASs retrospectively except if required, or otherwise permitted, in IPSAS 33.

The standard distinguishes between two kinds of transitional exemptions:

(1) Transitional exemptions that do not affect fair presentation and compliance with accrual-based IPSASs during the period of adoption
(2) Transitional exemptions that affect fair presentation and compliance with accrual-based IPSASs during the period of transition.

If an entity uses the second category of exemptions above, it cannot make an explicit and unreserved statement of compliance with IPSAS.

The following chart summarizes the approach in IPSAS 33:

Transitional exemptions under IPSAS 33

- Exemptions that affect fair presentation and compliance with accrual-based IPSASs
- Exemptions that do not affect fair presentation and compliance with accrual-based IPSASs

During the period of transition the entity will not be able to make an explicit and unreserved statement of compliance with accrual-based IPSASs

Transitional IPSAS financial statements

During the period of adoption the entity will be able to make an explicit and unreserved statement of compliance with accrual-based IPSASs

First IPSAS financial statements
The transitional exemptions would affect fair presentation and compliance with accrual-based IPSASs until either: (a) the exemptions that provide the relief have expired; or (b) the relevant items are recognized, measured and/or the relevant information is presented and/or disclosed in the financial statements in accordance with the applicable IPSASs (whichever is earlier). To the extent that a first-time adopter applies the transitional exemptions that affect fair presentation and compliance with accrual basis IPSASs, it is not required to apply any associated presentation and/or disclosure requirements in the applicable IPSASs until the exemptions that provided the relief have expired or the relevant items are recognized and/or measured in the financial statements in accordance with the applicable IPSASs (whichever is earlier).

Highlights of exemptions that will affect fair presentation

In particular, entities that have used the cash or modified cash basis in their previous basis of accounting may not have complete information about the existence of all their assets and/or liabilities. IPSAS 33 permits a first-time adopter a period of three years to recognize and/or measure certain assets and liabilities. IPSAS 33 encourages (but does not require) entities to provide comparative information for the items that were recognized and/or measured during the period of transition, for which information is available within three years following the date of adoption of IPSASs.

Selected further exemptions that affect fair presentation and compliance with accrual-based IPSASs are listed below:

- A first-time adopter is not required to change its accounting policy in respect of the recognition and measurement of non-exchange revenue for reporting periods beginning on a date within three years following the date of adoption of IPSASs.

- A first-time adopter may in its consolidated financial statements elect not to eliminate all balances, transactions, revenue and expenses between entities within the economic entity for reporting periods beginning on a date within three years following the date of adoption of IPSASs. A similar exemption is also available to associates and joint ventures.

- In the case where an entity elects to not recognize and/or measure property, plant and equipment during a three year period, it is not required to recognize and/or measure the liability relating to the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located until the exemption in IPSAS 17 has expired, and/or the relevant asset is recognized and/or measured in accordance with IPSAS 17 (whichever is earlier).

- A first-time adopter may elect not to disclose related party relationships, related party transactions and information about key management personnel for reporting periods beginning on a date within three years following the date of adoption of IPSASs.

Highlights of exemptions that do not affect fair presentation

The deemed cost approach is one of the main exemptions that do not affect fair presentation and compliance with accrual-based IPSASs. The deemed cost approach assumes that the entity had initially recognized the asset or liability at the given date (e.g., at the date of adoption of IPSASs). Subsequent depreciation or amortization is based on that deemed cost on the premise that the acquisition cost is equal to the deemed cost.

For example, an entity may elect to apply the deemed cost approach for property, plant and equipment at the date of adoption of IPSASs, because cost information for these assets was not available on that date. The entity therefore will apply fair value as its deemed cost at that date. The standard states that the deemed cost approach can only be used if the reliable cost information of an asset is not available. The deemed cost will represent the basis for subsequent depreciation. The use of the deemed cost approach does not imply that a revaluation or fair value measurement approach has been elected for subsequent measurement purposes in accordance with other IPSASs.

Other exemptions that do not affect fair presentation and compliance with accrual-based IPSASs are listed below:

- A first-time adopter may measure an asset acquired through a non-exchange transaction at its fair value when reliable cost information about the asset is not available, and it may use that fair value as its deemed cost.

- An entity may measure investments in a controlled entity, joint venture or associate, in its separate opening statement of financial position at cost or deemed cost using fair value.

- A first-time adopter is required to classify existing leases as operating or finance leases on the basis of circumstances existing at the inception of the lease, only to the extent that these are known on the date of adoption of IPSASs.

- IPSAS 18 permits a first-time adopter a three-year relief period before it is required to present segment information following the date of adoption of IPSASs.

For the presentation of comparative information on first-time adoption, IPSAS 33 encourages (but does not require) entities to provide comparative information in their transitional IPSAS financial statements or their first IPSAS financial statements. In the case where an entity elects not to present comparative information, IPSAS 33 sets out the minimum requirements that apply to an entity’s first/transitional IPSAS financial statements. For a first-time adopter that takes advantage of the transitional exemptions that would affect fair presentation and compliance with IPSASs, comparative information for the year following the date of adoption of IPSASs would need to be adjusted only during the period of transition, for which information is available for the items that were recognized and/or measured during the transitional period.
Disclosures should be made to assist users in tracking progress upon adoption and identifying possible deviations from IPSAS accounting policies during transition.

An entity adopting accrual-based IPSASs for the first time is required to present the following information in the notes to its transitional IPSAS financial statements or its first IPSAS financial statements:

(a) A reconciliation of its net assets/equity reported in accordance with its previous basis of accounting to its opening balance of net assets/equity at the date of adoption of IPSASs.

(b) A reconciliation of its surplus or deficit in accordance with its previous basis of accounting to its opening balance of surplus or deficit at the date of adoption of IPSASs.

An entity that has applied the cash basis of accounting in its previous financial statements is not required to present such reconciliations.

IPSAS 33 includes implementation guidance illustrating the requirements in the standard. The transitional provisions provided in the current suite of IPSASs will be superseded by the transitional exemptions in IPSAS 33, except for those transition provisions that address changes to a standard that is already being applied by the entity.
The IPSASB Governance Review Group\(^1\) has published its final recommendations on the future governance of the IPSASB in March 2015.

The IPSASB has been the only standard-setter, out of IFAC’s four standard setting boards, which is not subject to oversight. This has been continuously criticized by stakeholders in the past – with agreement from the IPSASB itself. The objective of the Review Group therefore is to strengthen the governance arrangements of the IPSASB in a timely, cost-effective, and expeditious manner. Below are the highlights of its recommendations:

- The IPSASB should continue to operate under the auspices of the International Federation of Accountants (IFAC).
- A single governance body, the Public Interest Committee (the Committee), should be established to ensure that the public interest is served by the standard setting activities of the IPSASB.
- The Committee should be independent from IFAC and distinct from the existing governance bodies overseeing the IFAC’s private sector standard-setting activities – the Public Interest Oversight Board (PIOB) and Monitoring Group (MG).
- The Committee’s objectives should be to review and advise the IFAC and IPSASB on: (i) the terms of reference of the IPSASB; (ii) the arrangements for nomination and appointment of IPSAB members; and (iii) the procedures and processes for formulation of the IPSASB’s strategy and work plan and development of IPSASs to ensure that all are consistent with the public interest. The Committee should not have a direct role in the development, adoption and implementation of accounting standards.
- The Committee should conduct a first review of the IPSASB terms of reference, nomination procedures, and standard-setting arrangements no later than the first half 2015, and provide advice to the IFAC and IPSASB on any potential improvements.
- The initial membership of the Committee should include individuals with expertise in public sector financial reporting, and individuals with professional engagement in organizations that have an interest in promoting high quality, internationally comparable financial information. Additional members or observers, including other international and national bodies, may be admitted by consensus of the existing Committee members, taking into account the need to ensure balanced representation.
- To carry out its activities, the Committee should receive reports from the IFAC and the IPSASB regarding the procedures and processes followed in the appointment of IPSASB members, formulation of the IPSASB strategy and work plan, and development of individual accounting standards.
- IFAC must establish a separate Consultative Advisory Group (CAG) for the IPSASB. The role of the CAG should be to enable the IPSASB to receive direct feedback from interested public and private sector institutions on their strategy, work program and standard-setting activities. The CAG would also provide an opportunity for IFAC and IPSASB to hear from government representatives about the technical issues that may have impeded their adoption of IPSASs.

The Review Group has developed a draft Terms of Reference for the Public Interest Committee and plans to hold the inaugural meeting of the Committee by the end of March 2015 in Paris.\(^2\)

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\(^1\) The Review Group was formed to assess the IPSASB’s governance arrangements and to make recommendations to strengthen these processes and structures. It is chaired by the International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), and World Bank; members are representatives from the Financial Stability Board (FSB), International Organization of Securities Commissions (IOSCO), and International Organization of Supreme Audit Institutions (INTOSAI).

IPSASB update

What's new?
The IPSASB recently issued several publications. However, there are currently no publications published for comment:

<table>
<thead>
<tr>
<th>Projects</th>
<th>Publications</th>
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<tbody>
<tr>
<td>Improvements to IPSASs 2014</td>
<td>On 22 January 2015 the IPSASB issued Improvements to IPSASs 2014. This publication contains improvements to four standards (IPSAS 1, IPSAS 17, IPSAS 28, IPSAS 31).</td>
</tr>
<tr>
<td>First-time Adoption of Accrual Basis IPSASs</td>
<td>On 29 January 2015 the IPSASB published IPSAS 33, <em>First-time Adoption of Accrual Basis IPSASs</em>. The standard is intended to assist users that adopt accrual-based IPSASs for the first time. See page 6 of this issue of <em>IPSAS Outlook</em> for further details of this standard.</td>
</tr>
<tr>
<td>IPSAS on Accounting for Interest in Other Entities</td>
<td>On 30 January 2015 the IPSASB issued IPSASs 34 - 38. These five standards deal with interests in other entities and will replace IPSASs 6 - 8 and the current requirements. See <a href="http://www.ifac.org/news-events/2015-01/ipsasb-publishes-ipsass-accounting-interests-other-entities">http://www.ifac.org/news-events/2015-01/ipsasb-publishes-ipsass-accounting-interests-other-entities</a> for further details about the new standards.</td>
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IPSASB Meeting December 2014 – current discussions

<table>
<thead>
<tr>
<th>Projects</th>
<th>Publications</th>
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<tbody>
<tr>
<td>Reporting Service Performance Information</td>
<td>The IPSASB discussed a first draft of a Recommended Practice Guideline (RPG) for Reporting Service Performance Information. The IPSASB decided that the RPG’s proposed coverage of economical use of resources will be revised. In addition, the RPG’s approach to the identification of information for display and disclosure will be revised. At the IPSASB’s March 2015 meeting, a revised draft RPG will be considered by the Board for approval.</td>
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| Social Benefits                   | The IPSASB had a detailed discussion on this project at the December meeting. Here are the highlights of some of the tentative decisions made: Scope, definitions and examples of social benefit programs:  
► The IPSASB acknowledged that the discussion on scope and definitions might be difficult for readers who are unfamiliar with Government Finance Statistics (GFS). The chapter will therefore be simplified.  
► The main adjustments to the scope and definition chapter will include: adoption of the narrower scope in GFS, clarification that all social benefits are risk-based and provision of a better road map for readers of the Consultation Paper (CP).  
► The IPSASB acknowledged that the specific examples in the appendix are helpful and should be retained. Identification of approaches for treatment of social benefit programs:  
► There will be three approaches discussed in the CP – obligating event approach, social contract approach and the social insurance approach.  
► The Board decided that respondents’ views on the advantages and disadvantages of each approach will be sought (and not only which approach is supported). The IPSASB is expected to approve the CP at its next meeting in March 2015. |
An issues paper on Public Sector Combinations (PSCs) was discussed by the IPSASB. This paper considers the classification of PSCs and the rationale for distinguishing between PSCs under common control (UCC) and those not under common control (NUCC).

**Combinations UCC – Reorganizations**

The Board agreed to focus on the concept of control and guidance in IPSAS 35 *Consolidated Financial Statements* when considering the classification of combinations under common control.

**Combinations NUCC – Amalgamations**

The Board made the following tentative decisions:

► An amalgamation does not involve an exchange.
► Transferor accounting should be simplified in the proposed ED.
► Donations of operations should not be considered as combinations under this project and should be accounted for under IPSAS 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)*.
► Nationalizations should be treated as acquisitions if that is the substance of combination.

**Definitions**

The Board also tentatively agreed the following definitions:

► A **reorganization** is a public sector combination under common control.
► An **acquisition** is a public sector combination not under common control in which an entity exchanges value to gain control of an operation.
► An **amalgamation** is a public sector combination not under common control that is not an acquisition.

**Measurement**

For acquisitions, fair value will be the measurement basis. The acquisition method includes the recognition of goodwill encompassing both the generation of cash inflows and reduction in net cash outflows.

When accounting for reorganizations and amalgamations, the modified pooling of interests method is tentatively supported by the IPSASB. Some Board members supported the use of fresh-start accounting for amalgamations where it may be impracticable to apply the modified pooling of interest approach, for example where entities have very different accounting policies or have previously used cash accounting. The IPSASB will reconsider the provision of comparative information in respect of amalgamations and reorganizations at a future meeting.

**Strategy and Work Program**

This session contained two parts. One was a discussion about the responses to the IPSASB’s consultation on its strategy and the other was about the responses to the IPSASB’s planned work program.

**IPSASB strategy**

After reviewing the responses to the proposed strategic objective for 2015 onwards, the IPSASB confirmed the final wording of their strategic objective, as follows:

“Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSASs by:

► Developing high-quality public sector financial reporting standards;
► Developing other publications for the public sector; and
► Raising awareness of the IPSASs and the benefits of their adoption.”

The outcome to meet this strategic objective has been confirmed as, follows:

“That decision-making and accountability of public sector entities are improved and global fiscal stability and sustainability are enhanced by credible and transparent financial reporting that results from the adoption of accrual-based IPSASs.”
To achieve this outcome there will be a focus on the following outputs, which were strongly supported by stakeholders.

► Developing high-quality financial reporting standards and other publications for the public sector.
► Undertaking presentations, speeches and other outreach activities in order to engage with stakeholders.

On the way forward for *Cash Basis IPSAS*, the IPSASB agreed that a project on reviewing the *Cash Basis IPSAS* should be added to their work program. The IPSASB also stressed the importance of aligning the Cash Basis IPSAS with the transitional relief provided in IPSAS 33, signalling clearly that the Cash Basis IPSAS should be considered an interim step towards the adoption of accrual-based IPSASs only.

The stakeholders' feedback regarding the work program and project priorities indicated that the IPSASB should focus on public sector specific projects as well as maintaining the existing IPSASs. Many respondents also mentioned the importance of continued IFRS convergence.

The following “must-do” projects over the period 2015-2019 were identified (all of them can be considered public sector specific projects):

► Non-exchange expenses
► Revenues - exchange and non-exchange
► Measurement - public sector specific
► Heritage assets
► Infrastructure assets

Important projects to maintain existing IPSASs include:

► Employee benefits
► Leases
► Presentation of financial statements

The IPSASB will prioritize and set the agenda for the technical projects after considering summarized project briefs prepared by staff at the March 2015 meeting.

During this meeting, the IPSASB held an education session on Emissions Trading Schemes (ETSs). Staff presented the context for the project, recent developments and the financial accounting practices that have been identified so far. This will enable information on different types of ETSs and financial reporting by both ETS participants and administrators to be gathered. The project would entail the development of a Consultation Paper in collaboration with the International Accounting Standards Board (IASB) staff who are developing a Discussion Paper as part of the IASB’s research program. The collaborative approach will support a comprehensive discussion of participants’ accounting issues in the two different papers.

The next steps include further research on the topic and the development of an issues paper that will be considered by the IPSASB at its March 2015 meeting.
The IPSASB discussed several topics regarding the draft of the Consultation Paper (CP) for Public Sector Specific Financial Instruments.

Structure of the Consultation Paper
The IPSASB accepted the Task Based Group’s (TBG) proposal to re-order the chapters, as follows:

- Chapter 1: Introduction and Objective
- Chapter 2: Currency and Coin Issued by the Entity
- Chapter 3: Monetary Gold
- Chapter 4: IMF Special Drawing Rights and Other IMF Transactions
- Chapter 5: Statutory Receivables
- Chapter 6: Statutory Payables
- Chapter 7: Securitizations

Scope
The scope should be consistent with the Government Finance Statistics Manual definitions to the extent possible. However, the IPSASB would have leeway in developing accounting treatments. The analysis of monetary gold assets needs to be further developed to consider the purity of gold assets and the purpose for which they are held by monetary authorities.

Monetary Gold – Definitions
The IPSASB decided that further development of the monetary authority definition should be considered as well as further supporting discussion be added for all definitions. In addition, the service delivery objectives of central banks holding monetary gold will be emphasized and discussed.

Measurement
The purpose for which monetary gold assets are held impacts whether an entry value or exit value is the most appropriate measurement basis.

The draft CP currently only presents one option which is measurement at market value: a measure of financial capacity. However, there may be reasons other than financial capacity for which monetary gold is held. Further options should therefore be considered and developed for inclusion in the CP.

There are limited suitable measurement bases in the Conceptual Framework; only market value and historical cost appear to be appropriate.

Accounting for transaction costs and changes in value of monetary gold
The IPSASB staff were directed to further develop options for accounting for transaction costs and changes in the value of monetary gold, to be discussed at a future meeting.

Disclosures
At the CP stage, it is difficult to determine information for disclosures as decisions regarding recognition and measurement are still open. However, asking constituents about users’ information needs is important for the development of requirements for disclosures.
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 2015:

### IPSAS courses in the first half of 2015*

<table>
<thead>
<tr>
<th>Course</th>
<th>Date</th>
<th>Place</th>
</tr>
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<tbody>
<tr>
<td>Course 3000: IPSAS (Accruals Basis) - Immersion Workshop (8 days)</td>
<td>17 Mar–26 Mar 2015</td>
<td>London</td>
</tr>
<tr>
<td>Course 3010e: IPSAS Fundamentals - Accruals Basis (30 days, online)</td>
<td>08 Apr–07 May 2015</td>
<td>Online</td>
</tr>
<tr>
<td>Course 3020: IPSAS Fundamentals - Accruals Basis (4 days)</td>
<td>18 May–21 May 2015</td>
<td>London</td>
</tr>
<tr>
<td>Course 1750: IFRS for Non-Profit Entities (3 days)</td>
<td>19 May–21 May 2015</td>
<td>London</td>
</tr>
<tr>
<td>Course 3201: IPSAS - Financial Instruments (2 days)</td>
<td>26 May–27 May 2015</td>
<td>London</td>
</tr>
<tr>
<td>Course 3500: IPSAS - First-Time Adoption, Transition and Implementation (2 days)</td>
<td>26 May–27 May 2015</td>
<td>London</td>
</tr>
<tr>
<td>Course 3220: IPSAS - For Revenues (1 day)</td>
<td>28 May 2015</td>
<td>London</td>
</tr>
<tr>
<td>Course 3020: IPSAS Fundamentals - Accruals Basis (4 days)</td>
<td>2 Jun–5 Jun 2015</td>
<td>Lagos</td>
</tr>
<tr>
<td>Course 3500: IPSAS - First-Time Adoption, Transition and Implementation (2 days)</td>
<td>8 Jun–9 Jun 2015</td>
<td>Lagos</td>
</tr>
<tr>
<td>Course 3081: IPSAS - Technical Update (1 day)</td>
<td>9 Jun 2015</td>
<td>Geneva</td>
</tr>
<tr>
<td>Course 3500: IPSAS - First-Time Adoption, Transition and Implementation (2 days)</td>
<td>10 Jun–11 Jun 2015</td>
<td>Geneva</td>
</tr>
</tbody>
</table>

The publications below are available on ey.com/ipsas

### IPSAS Explained


### 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 International Public Sector Accounting Standards (IPSAS) in issue at 30 June 2013 and effective for annual periods beginning on 1 January 2013.

www.publicfinanceinternational.org

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 International Public Sector Accounting Standards Board’s (IPSASB) 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.

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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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ED None

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