

New IPSAS Update

Practical implementation Issues

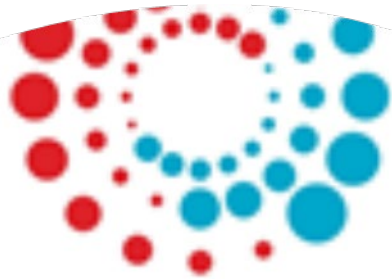
June 2024



SALAM CONSULTING



- 30 years experience in public sector
- UK Central Govt: HMRC , Home Office, DCLG/HMT & local govt
- CIPFA – Central Govt & Financial Management
- ACCA – Global Head of Public Sector
- Consultant – IPSAS training, IPSAS/ accrual accounting implementation, Conferences, Author, Coach



KALAR CONSULTING

Final Pronouncement
January 2022

IPSAS[®]

International Public Sector Accounting Standard[®]

IPSAS 43, *Leases*

IPSASB International Public
Sector Accounting
Standards Board[®]

Final Pronouncement
May 2023

IPSAS[®]

International Public Sector Accounting Standard[®]

IPSAS 45, *Property, Plant, and
Equipment*

IPSASB International Public
Sector Accounting
Standards Board[®]

Final Pronouncement
May 2023

IPSAS[®]

International Public Sector Accounting Standard[®]

IPSAS 47, *Revenue*

IPSASB International Public
Sector Accounting
Standards Board[®]

Final Pronouncement
May 2022

IPSAS[®]

International Public Sector Accounting Standard[®]

IPSAS 44, *Non-current Assets
Held for Sale and
Discontinued Operations*

IPSASB International Public
Sector Accounting
Standards Board[®]

Final Pronouncement
May 2023

IPSAS[®]

International Public Sector Accounting Standard[®]

IPSAS 46, *Measurement*

IPSASB International Public
Sector Accounting
Standards Board[®]

Final Pronouncement
May 2023

IPSAS[®]

International Public Sector Accounting Standard[®]

IPSAS 48, *Transfer Expenses*

IPSASB International Public
Sector Accounting
Standards Board[®]

IPSASB Meeting (June 2023)

Agenda Item 12.3.4

Draft Pronouncement
June 2023

IPSAS[®]

Proposed International Public Sector Accounting Standard[®]

IPSAS 49, *Retirement Benefit Plans*

IPSASB International Public
Sector Accounting
Standards Board[®]

Page 1 of 33

Final Pronouncement
May 2023

IPSAS[®]

Conceptual Framework Update

Chapter 5, *Elements in Financial Statements*

IPSASB

International Public
Sector Accounting
Standards Board[®]

Final Pronouncement
May 2023

IPSAS[®]

Conceptual Framework Update

Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*

IPSASB

International Public
Sector Accounting
Standards Board[®]

Updates to Conceptual Framework



▶ IPSAS 43: Leases

Objective: IPSAS 4 (the why?)

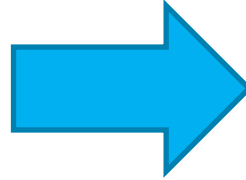
The objective is to ensure that lessees and lessors provide **relevant information** in a manner that **faithfully represents** those transactions.

This information gives a basis for users of financial statements to **assess the effect that leases** have on the financial position, financial performance and cash flows of an entity.

IPSAS 43: What's Changing?

Lessor Accounting

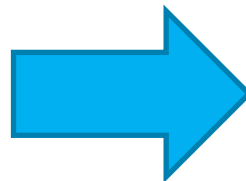
- Substantially carry forward IPSAS 13 accounting requirements
- Some additional disclosure requirements



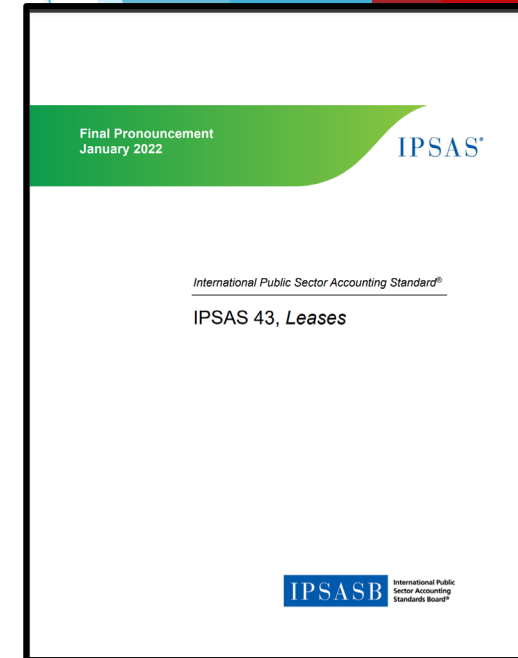
No change

Lessee Accounting

- Right-of-use asset
- Former operating leases capitalized
- All leases on balance sheet (Accounting similar to current finance leases)
- Exemptions for short-term leases and leases of low-value assets
- Lease liability includes index-linked variable payments

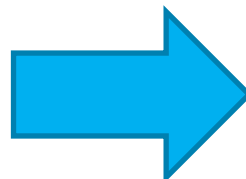


Substantial Changes



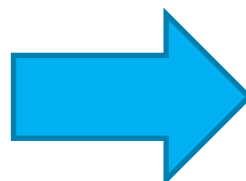
IPSAS 43: What's Changing?

Lessor Accounting

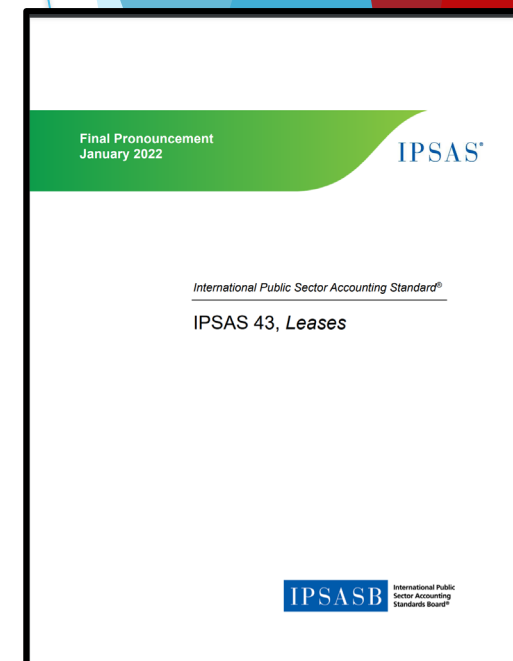


Risks &
Rewards
Model

Lessee Accounting

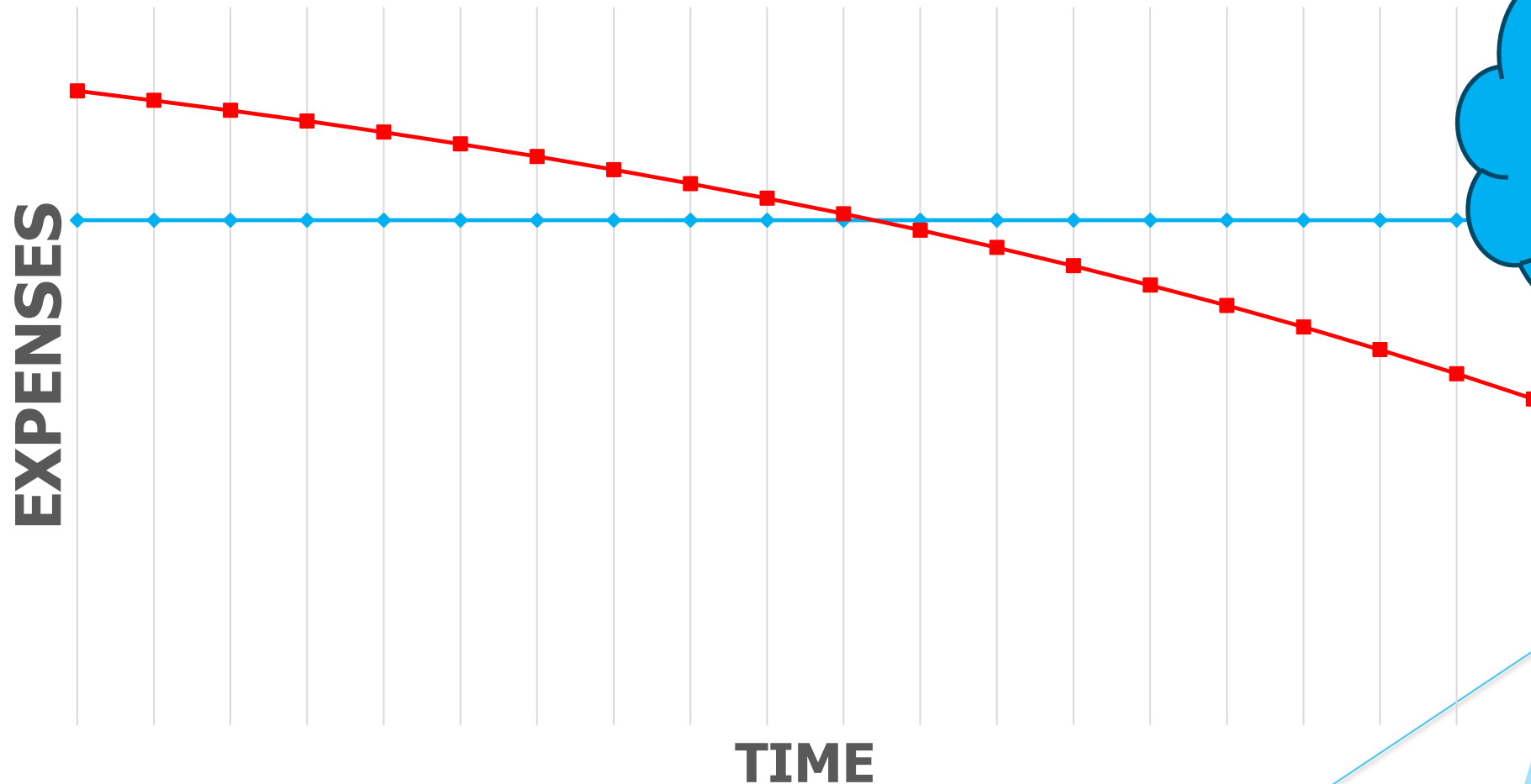


Right of Use



Lease Expenses over Time

—◆— IAS 17 Operating Lease Expense —■— IFRS 16 Lease Total Expense



Budgetary Impact too

Practical Issues

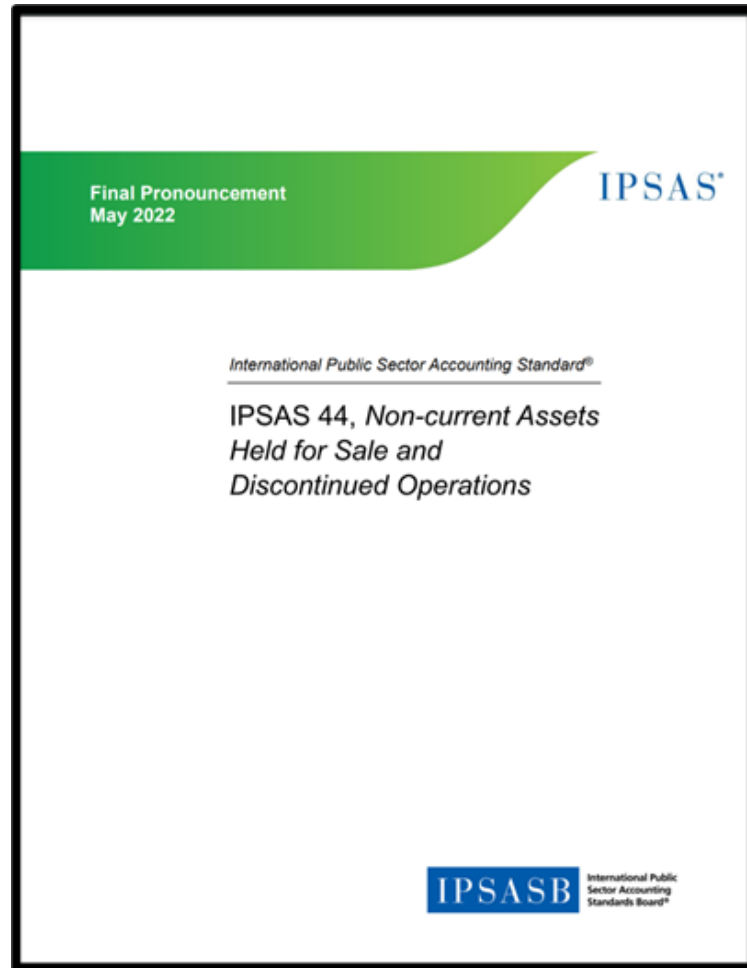
- Data gathering
- Availability of information
- Separating out lease and non-lease components
- Separate calculation and disclosure of depreciation and interest charges
- Budget implications
- Audit evidence





IPSAS 44: Non Current Assets & Discontinued

▶ Operations



Why?

Increased transparency related to the sale of public sector assets, and provide guidance;

Enhanced consistency and comparability between public sector entities related to the sale of public sector assets; and

Enhanced disclosures related to discontinued operations and disposals of non-current assets.

IPSAS 44: Non-current assets held for sale

- ▶ Based on IFRS 5
- ▶ IPSAS 44 covers:
 - ▶ accounting for assets held for sale
 - ▶ Presentation and disclosure of discontinued operations

Assets held for sale

Measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets to cease

Presented separately in the statement of financial position

Discontinued operations

Measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets to cease

Presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

Definitions

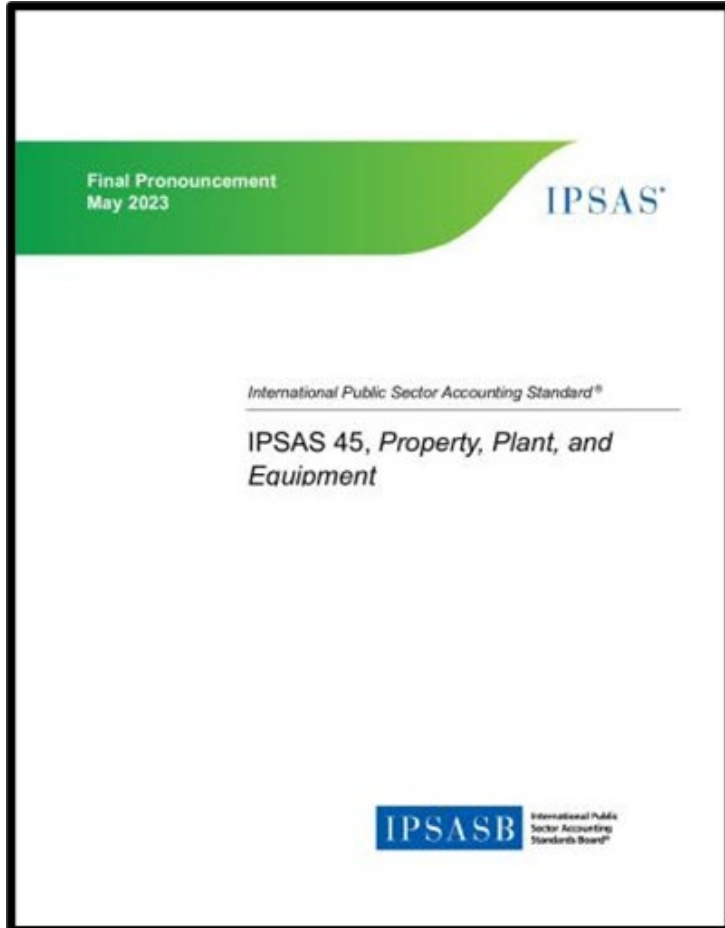
Key principle: carrying amount is recovered through the sale of the asset;

- Asset is available for immediate sale
- Sale is highly probable

- What is meant by available for immediate sale?
 - All approvals met?
- What if sale is not realised in 12 months?
 - Can be counted as AFS if there is evidence of delay is outside of PSE's control and still committed to sell



▶ IPSAS 45: Property, Plant & Equipment



Key changes

Replaces IPSAS 17

Provides additional guidance

Brings together other longstanding projects:

- Infrastructure
- Heritage assets – choice to require measurement has been removed
- New current operational value

Aligned to changes in measurement methodologies (chapter 7 limited scope Conceptual Framework)

Infrastructure Assets

- ▶ Helpful Application Guidance
 - ▶ Use asset management plans for financial reporting information
 - ▶ Control and valuation of land under and over infrastructure assets
 - ▶ Under maintenance of assets
 - ▶ Identifying significant parts of infrastructure assets

Heritage Assets



Photo by [Uliana Sova](#) on [Unsplash](#)

Issues to consider

- ▶ Review infrastructure assets
- ▶ Review heritage assets
- ▶ Review assets and determine whether they are:

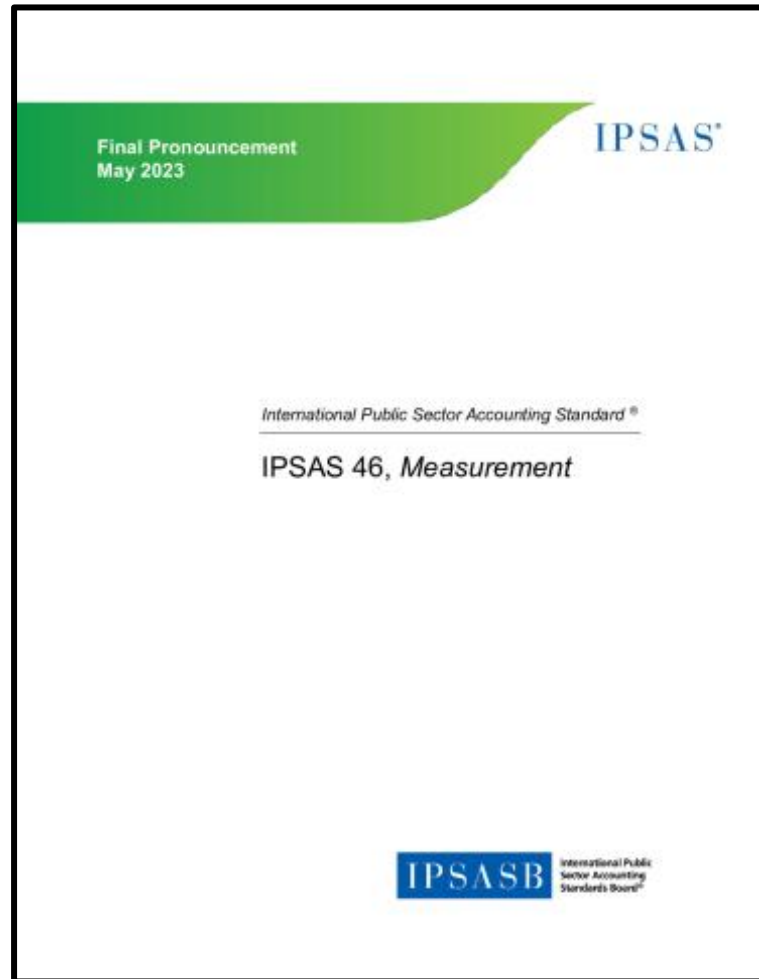
Financial: use fair value

Operational: use current operational value...





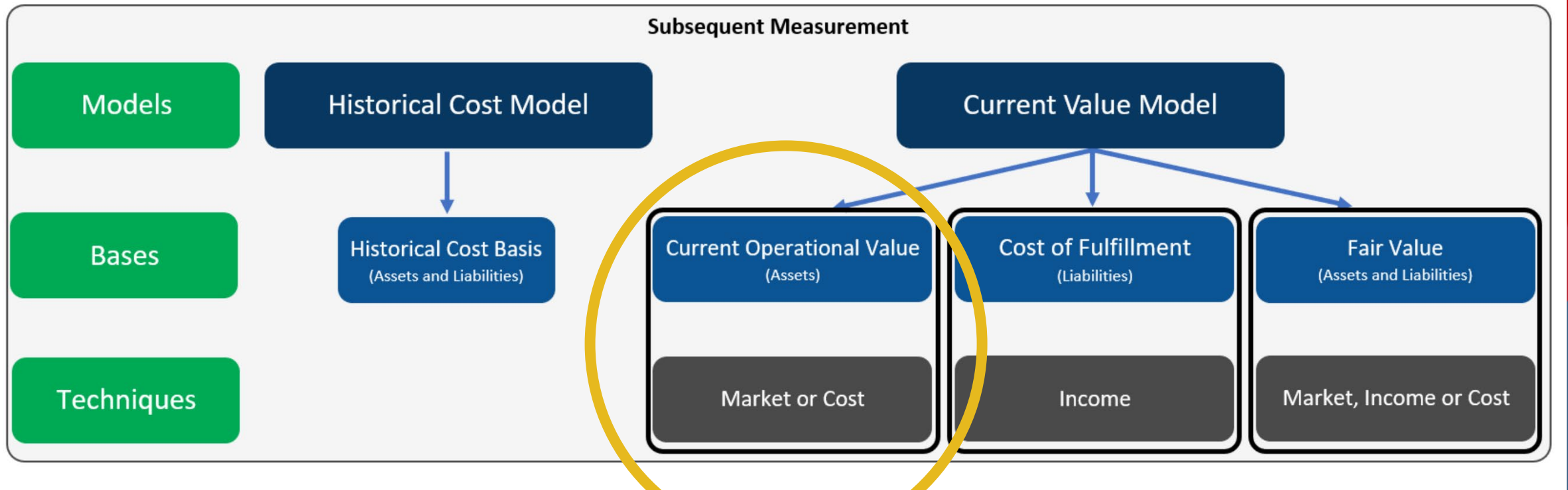
- ▶ IPSAS 46: Measurement



IPSAS 46 Measurement

Addressed gap in IPSAS literature
Aligned with IFRS 13 Fair Value
But FV does not always apply to public sector contexts..

Relationship between Model, Bases and Techniques



Objective

To define the measurement bases that assist in reflecting fairly the cost of service, operational capacity, and financial capacity of financial asset and liabilities

Definition

Current Operational Value

The amount the entity would pay for the remaining service potential of an asset at the measurement date.

Para 25 explains:


Is explicitly an entry price as it includes all costs that would be paid for the remaining service potential of an asset

Reflects the value on an assets in its existing use, rather than the highest and best use

Is entity specific



St Thomas' Hospital

 KING'S HEALTH PARTNERS

An Academic Health Sciences Centre for London

Pioneering better health for all

24 Hour Emergency Department (A&E)

 Evelina London


We're
smoke-free

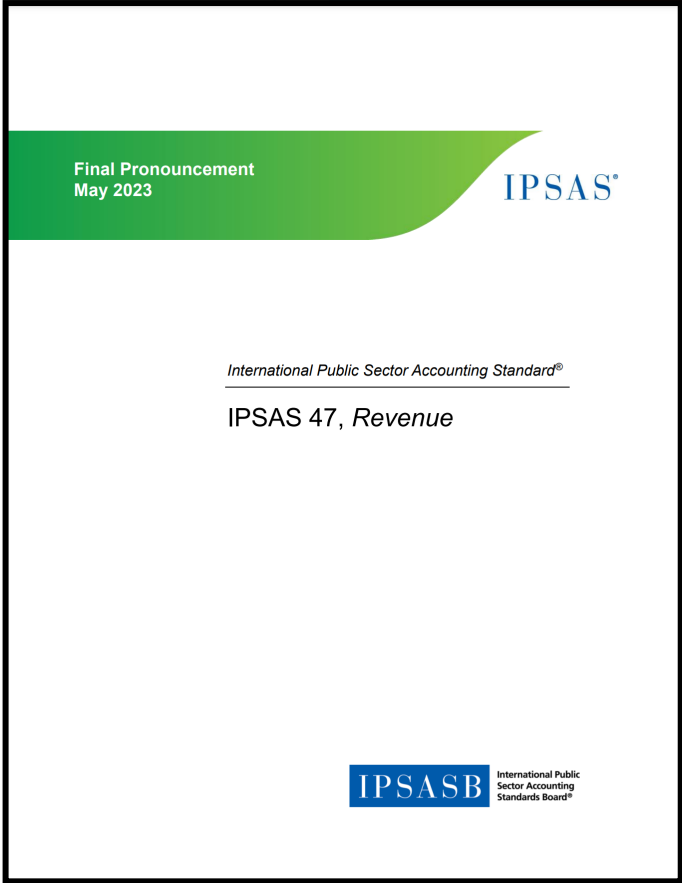
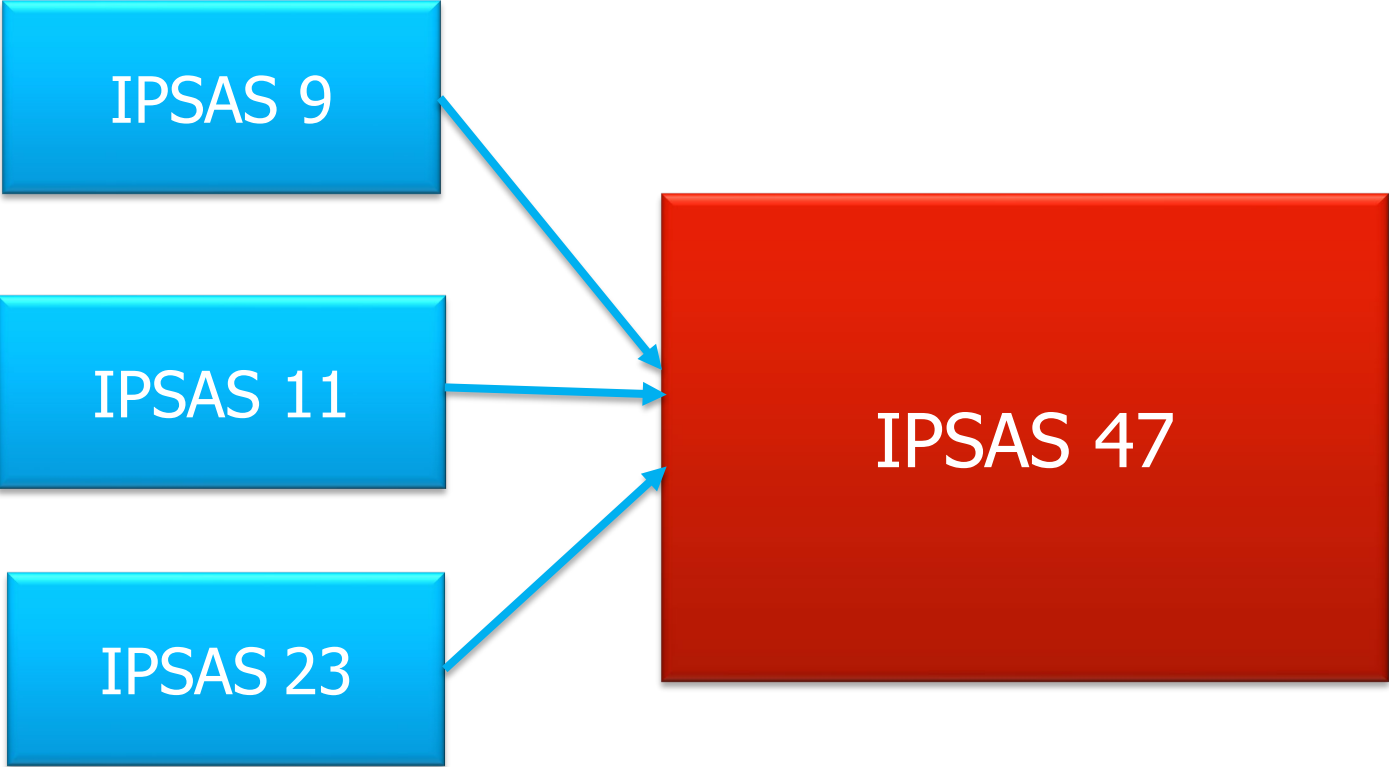
St Thomas' Hospital





▶ IPSAS 47: Revenue

IPSAS 47



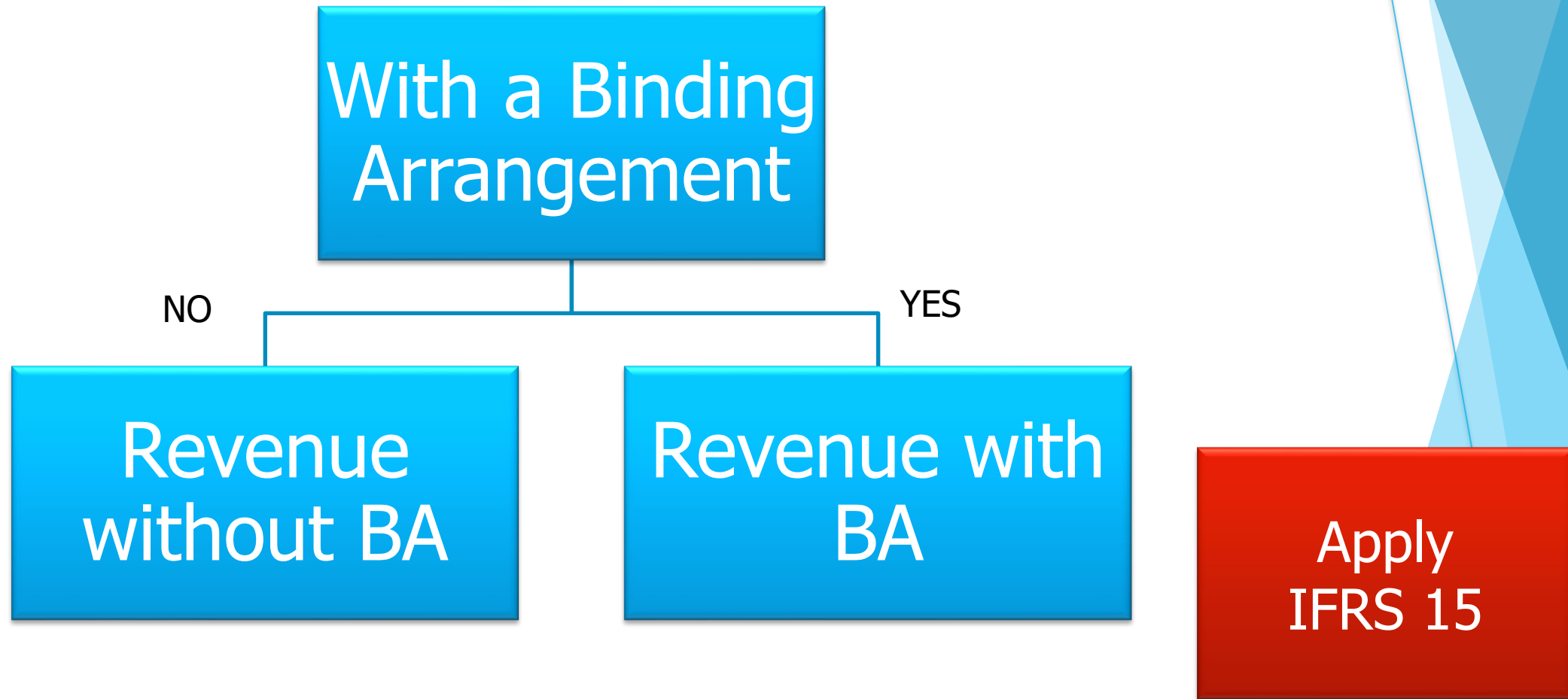
Definition

Binding arrangement

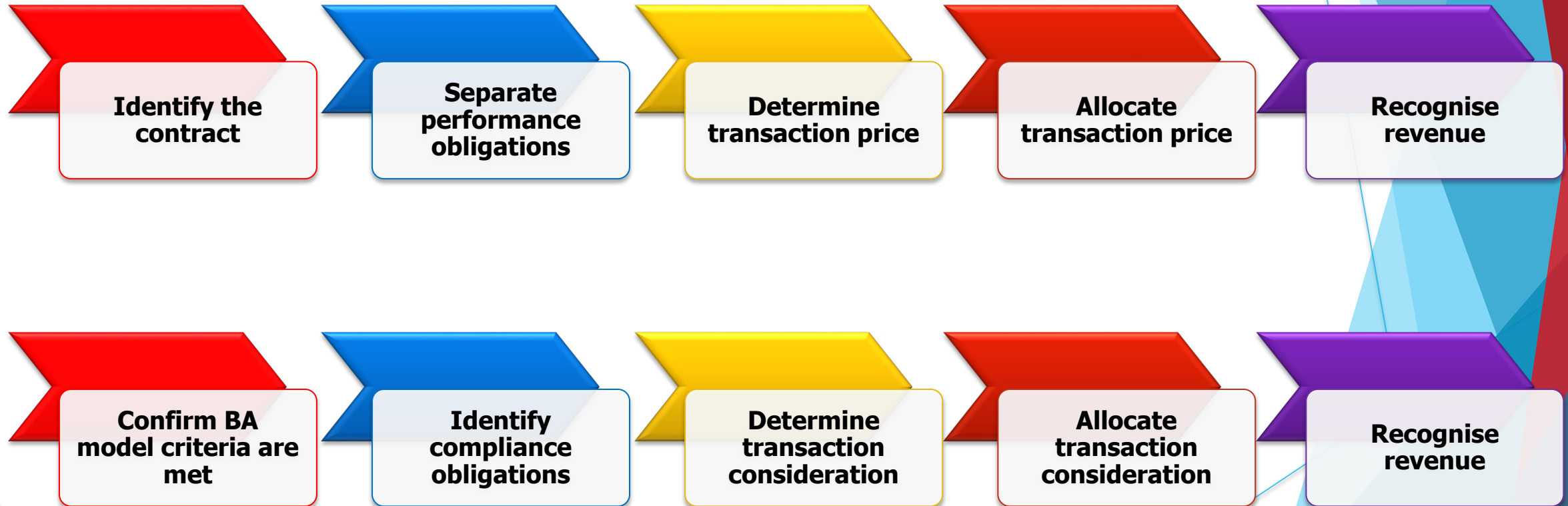
An arrangement that confers both rights and obligations, enforceable through legal or equivalent means on the parties of the arrangement.

An entity must have at least have at least an enforceable right and enforceable obligation.

Identify the revenue transaction



IFRS 15: Revenue Recognition 5 step model



Recognition of tax revenue

An entity shall recognize an asset in respect of taxes, which include other compulsory contributions and levies, when the taxable event, ~~occurs~~ **or other event giving rise to other compulsory contributions and levies,** and the asset recognition criteria are met.

Issues to consider

- Good: no real changes for taxes
- How to measure performance?
- System required to monitor grant performance
- Across govt tiers need good information flows.
- Timing differences = consolidation issues





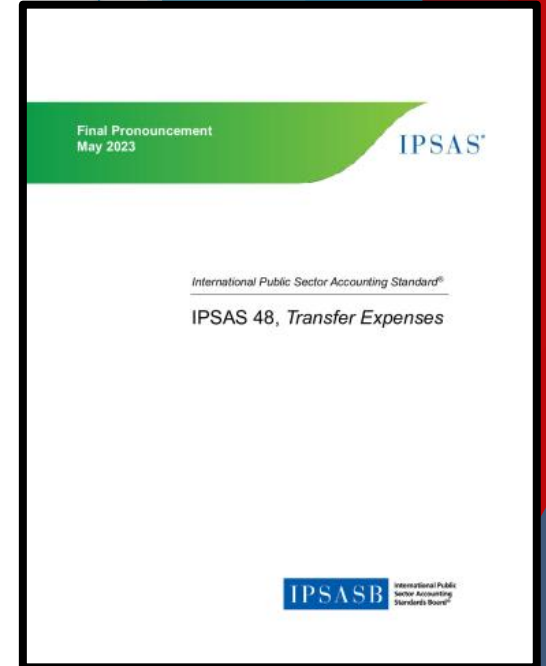
▶ IPSAS 48:

Definitions

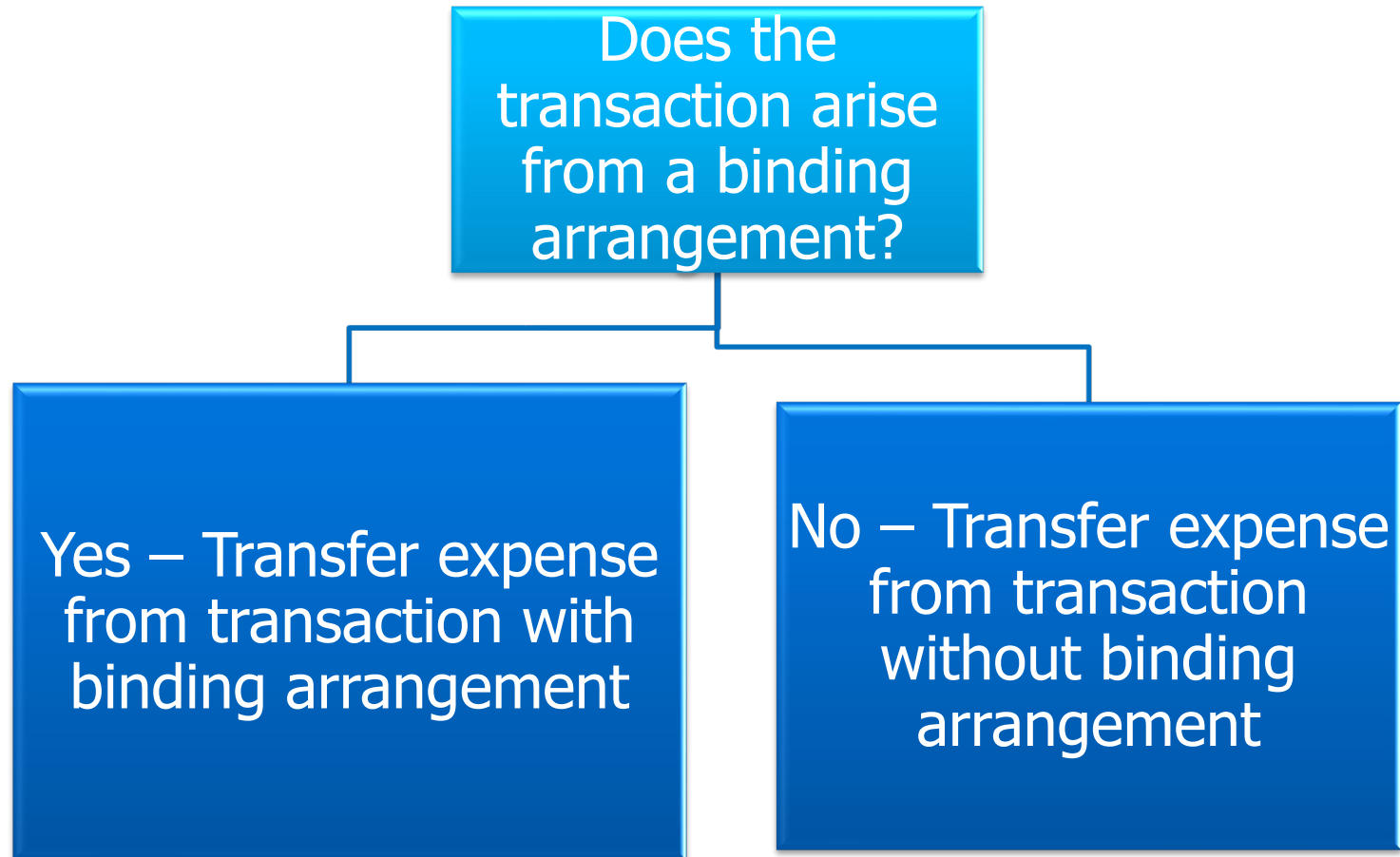
A **transfer expense** is an expense arising from a transaction, other than taxes, in which an entity provides a good, service, or other asset to another entity (which may be an individual) without directly receiving any good, service, or other asset in return.

A **transfer right** is an entity's enforceable right to have the transfer recipient satisfy its obligation in a manner as specified in a binding arrangement or face the consequences as specified in the binding arrangement.

A **transfer obligation** is an entity's obligation in a binding arrangement to transfer resources in a specified manner.



Types of Transfer Expense



Binding Arrangement

A **binding arrangement** is an arrangement that confers both rights and obligations, enforceable through legal or equivalent means, on the parties to the arrangement.

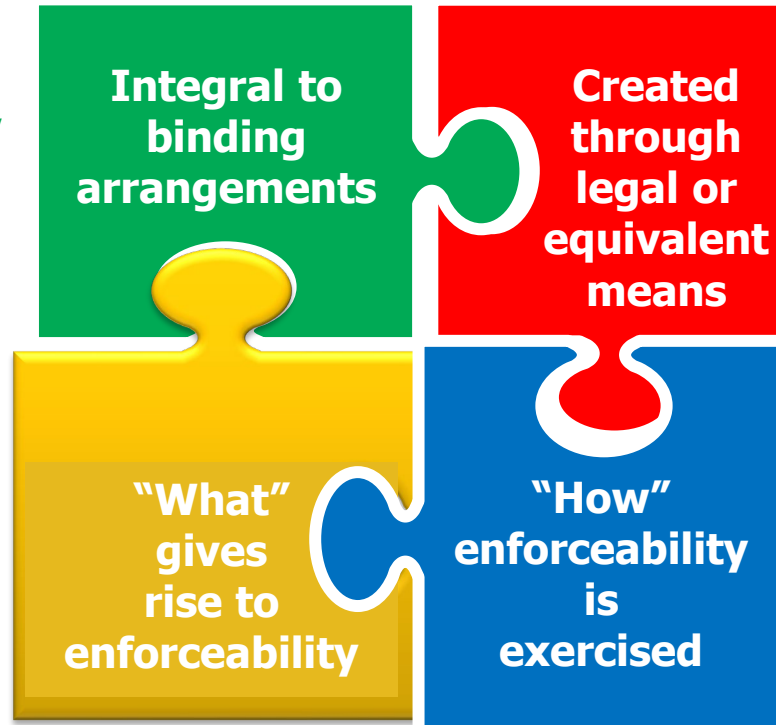
Enforceability

Enforceability...

- Makes an arrangement *binding*
- Holds the involved parties *accountable*
- Is based on *ability*, not probability

Enforceability...

- Can arise from *various mechanisms*
- Should be determined by assessing *all relevant factors*



Enforceability...

- From *legal* or *equivalent* means (consistent with 'legal obligations' in IPSASB Conceptual Framework)

Enforceability...

- *Compels completion* of unfulfilled obligation(s) or
- *Imposes consequences* of non-completion

Examples

- Grants to lower levels of government
- Assets donated by international organizations
- Funding for training courses to be provided to beneficiaries

Accounting for Transfer Expenses without Binding Arrangements

When a transfer does not involve a binding arrangement:

Upon loss of control of transferred resources

- Transferred asset is derecognized
- Transfer expense is recognized

OR

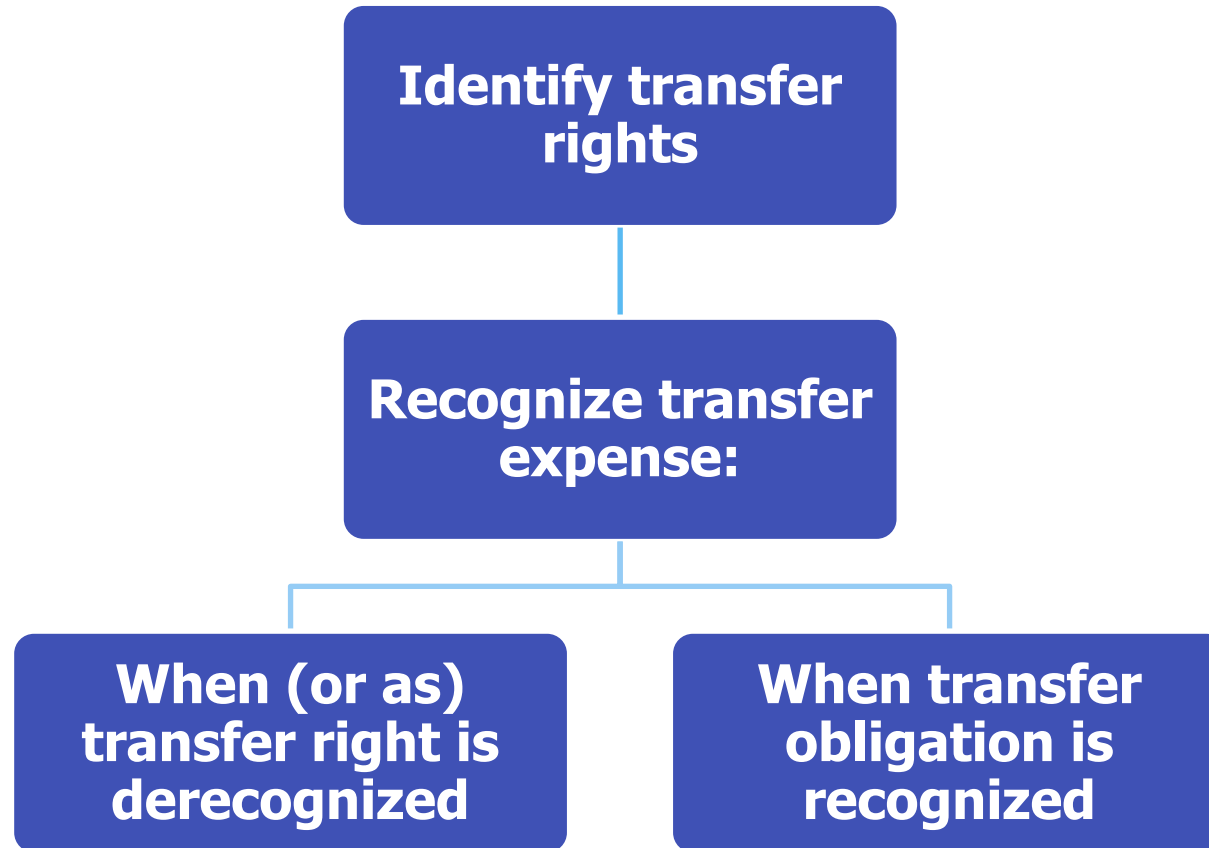
Facts and circumstances result in a constructive or legal obligation to transfer resources

- Recognize a provision and expense in accordance with IPSAS 19
- Subsequent transfer of resources results in derecognition of the transferred asset and a corresponding reduction of the provision

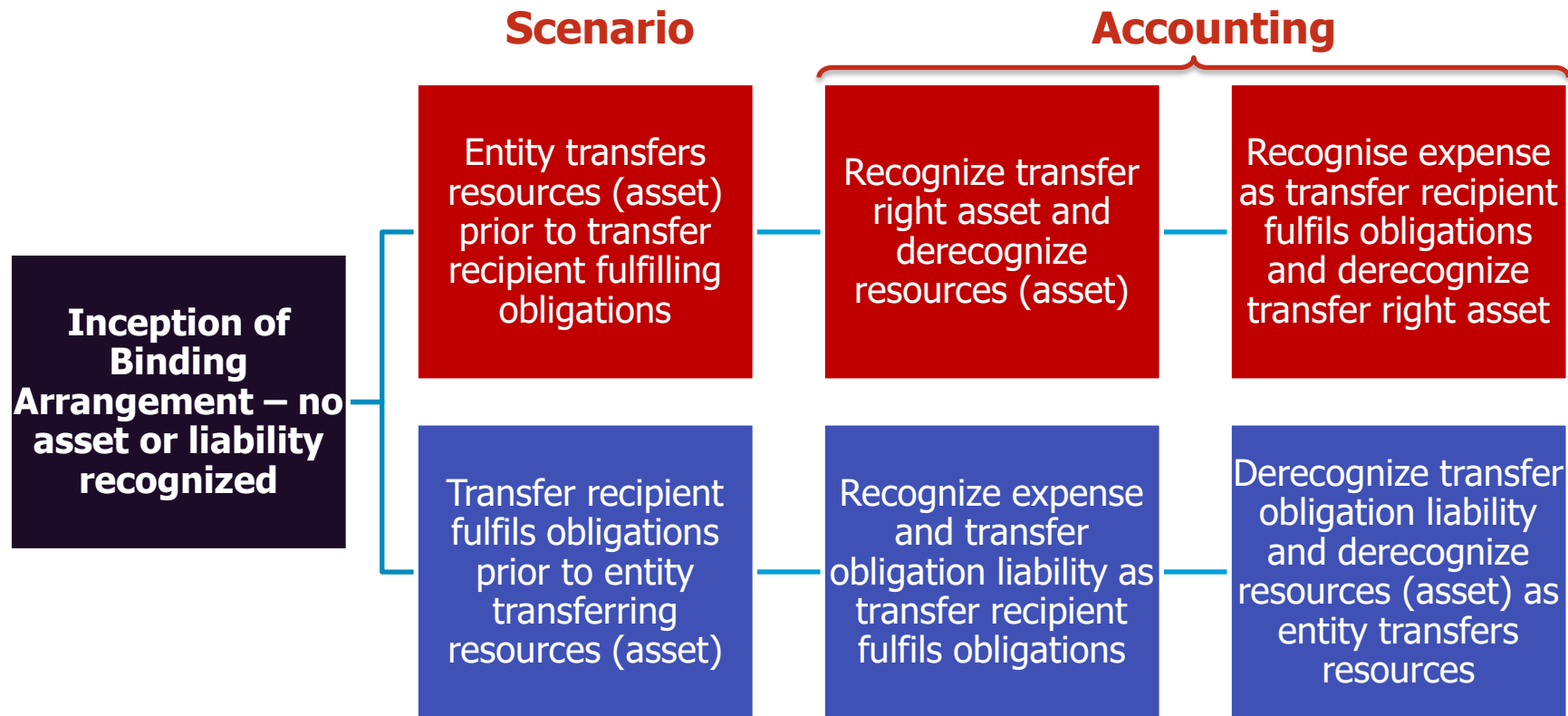
Measurement of Transfer Expenses without Binding Arrangements

- When a provision is recognised when a constructive obligation or legal obligation to transfer resources arises, the provision is initially and subsequently measured in accordance with IPSAS 19.
- When an entity recognises an expense at the time it ceases to control the resources, the entity shall measure the expense at the carrying amount of the transferred resources.

Accounting for Transfer Expenses with Binding Arrangements



Recognizing Transfer Expenses with Binding Arrangements



Practical Issues

- Data gathering
- Availability of information
- Consolidation /intra-govt elimination issues and timing differences
- Audit evidence



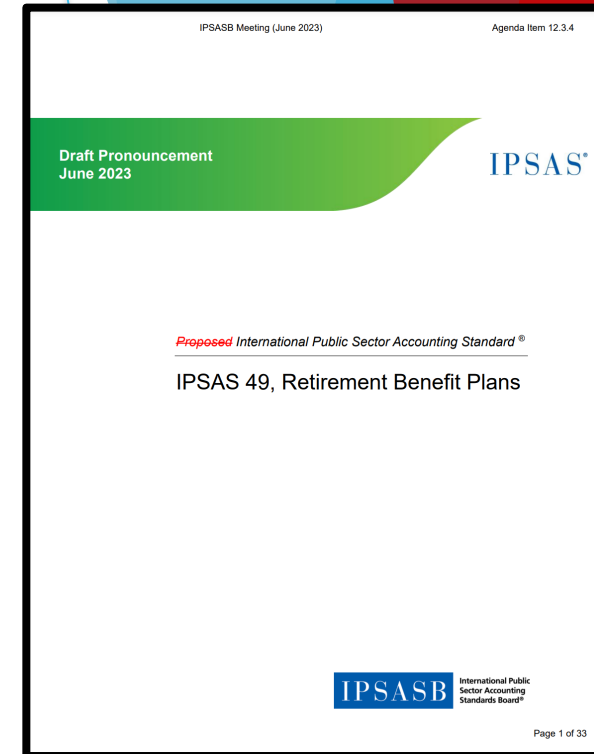
IPSAS 49: Retirement

▶ Benefit Plans

Session 10

IPSAS 49: Retirement Benefit Plans

- ▶ Greater alignment with private sector guidance (IAS 26)
- ▶ But: different disclosures proposed (on the face of the Financial Statements, i.e. no choice)
- ▶ Plan assets measured at Fair Value (aligns to other standards IPSAS 39 & 41)
- ▶ Use of projected salaries as a measure (not current)
- ▶ Required to prepare separate cash flow statement for pension liabilities



Final Pronouncement
May 2023

IPSAS[®]

Conceptual Framework Update

Chapter 5, *Elements in Financial Statements*

IPSASB

International Public
Sector Accounting
Standards Board[®]

Final Pronouncement
May 2023

IPSAS[®]

Conceptual Framework Update

Chapter 7, *Measurement of Assets and Liabilities in Financial Statements*

IPSASB

International Public
Sector Accounting
Standards Board[®]

Updates to Conceptual Framework

Why?

- Align with IASB Conceptual Framework (2018)
- Only Assets and Liabilities
- Differences between IASB and IPSASB CF remain
 - IASB CF: economic resource
 - IPSASB CF: resource

Elements

ASSETS

REVENUE

OWNERS
CONTRIBUTION

LIABILITIES

EXPENSES

OWNERS
DISTRIBUTIONS

Assets

Service potential or ability to generate economic benefits

Ability to use resource or direct others to use / to derive benefit of service or economic benefits

A **resource** presently controlled by the entity as a result of a **past event**

Past transaction, activity or event

Assets

Right to either Service
potential or ability to
generate economic
benefits

Ability to use resource or
direct others to use / to
derive benefit of service
or economic benefits

A **resource presently controlled** by the entity
as a result of a **past events**

Past transactions,
activities or events

Liabilities

Legal and non legally binding obligation

A **present obligation** of the entity for an **outflow of resources** that result from a **past event**

Has to be an outflow otherwise it is not a liability

Past transaction, activity or event

Liabilities

Legal and non legally
binding obligation

A **present obligation** of the entity
to **transfer** resources as a result of **past events**

Transfer of resources

Additional Resources

[CAREERS](#)[CONTACT](#)[EVENTS](#)[INTERNATIONAL EDUCATION STANDARDS](#)[LANGUAGE](#)[NEWS](#)[LOGIN OR REGISTER](#)[STANDARD-SETTING BOARDS](#) [WHO WE ARE](#) | [WHAT WE DO](#) | [KNOWLEDGE GATEWAY](#)

PUBLIC SECTOR

Train the Trainer: Introduction to IPSAS

NOVEMBER 9, 2020

Implementation of accrual accounting in the public sector is a significant priority across many jurisdictions. Accrual accounting promotes more transparency, improves accountability and provides better information for decision-making purposes. According to the [International Public Sector Financial Accountability Index, in 2020](#) only 30% of governments in the 165 jurisdictions included in the Index reported on an accruals basis, but this is projected to increase to 50% by 2025 and 73% by 2030.

To assist governments and government entities wishing to report in accordance with the accrual based [International Public Sector Accounting Standards \(IPSAS\)](#), IFAC has developed *Train the Trainer: Introduction to IPSAS*, a package of training materials that provide an introduction to the current suite of IPSAS.

The course is aimed primarily at entities currently using a cash basis of accounting and transitioning to accrual IPSAS. The materials are designed to be used flexibly by trainers and can be tailored to the needs of training participants.

How to use the materials

[Click here to access the guide to using these materials.](#)

A video explainer of the materials is also available by [clicking here](#).

Training materials

The course is structured over ten modules and each module is broken down into topics that are, as far as possible, stand alone, so that they can be delivered as individual sessions. Each module consists of a training manual and an accompanying set of

Explore other topics

Public Sector 

Recent Articles

[Insights for SMPs on Sustainability Service Delivery](#)

MAY 24, 2024

[Case Study: The CFO's Role in Ensuring Sustainability and Excellence at UCT](#)

MAY 16, 2024 | LAURA LEKA

[The Journey Towards Adoption & Implementation of the ISA for LCE Requires](#)



Questions?

Thank you

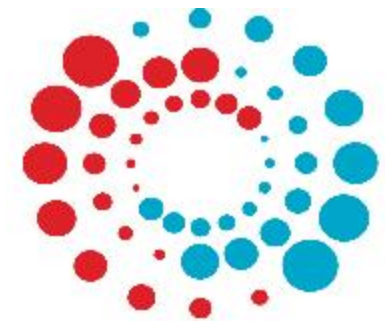
Manj Kalar



Email address Manj@kalarconsulting.com

Contact info +44 (0) 7740 305 978

Social media [@ManjKalar](#)



KALAR CONSULTING