



IPSASB

International Public
Sector Accounting
Standards Board®

PROVISIONS AND CONTINGENT LIABILITIES— IPSASB PERSPECTIVES

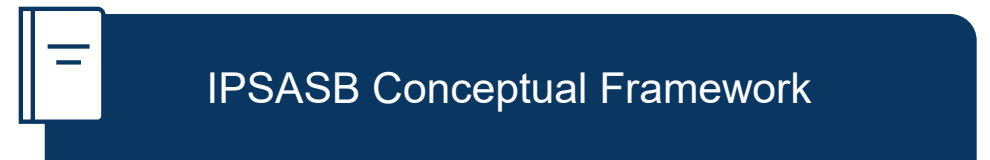
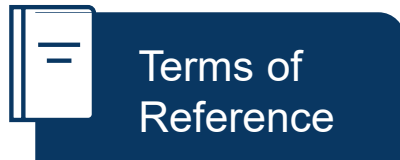
Ross Smith, IPSASB Program and Technical Director

PULSAR Meeting - Vienna
December 3, 2024

IPSASB Financial and Sustainability Standards

Strategic Objective

Strengthening Public Financial Management (PFM) and sustainability development globally through increasing adoption and implementation of accrual IPSAS and international public sector sustainability reporting standards



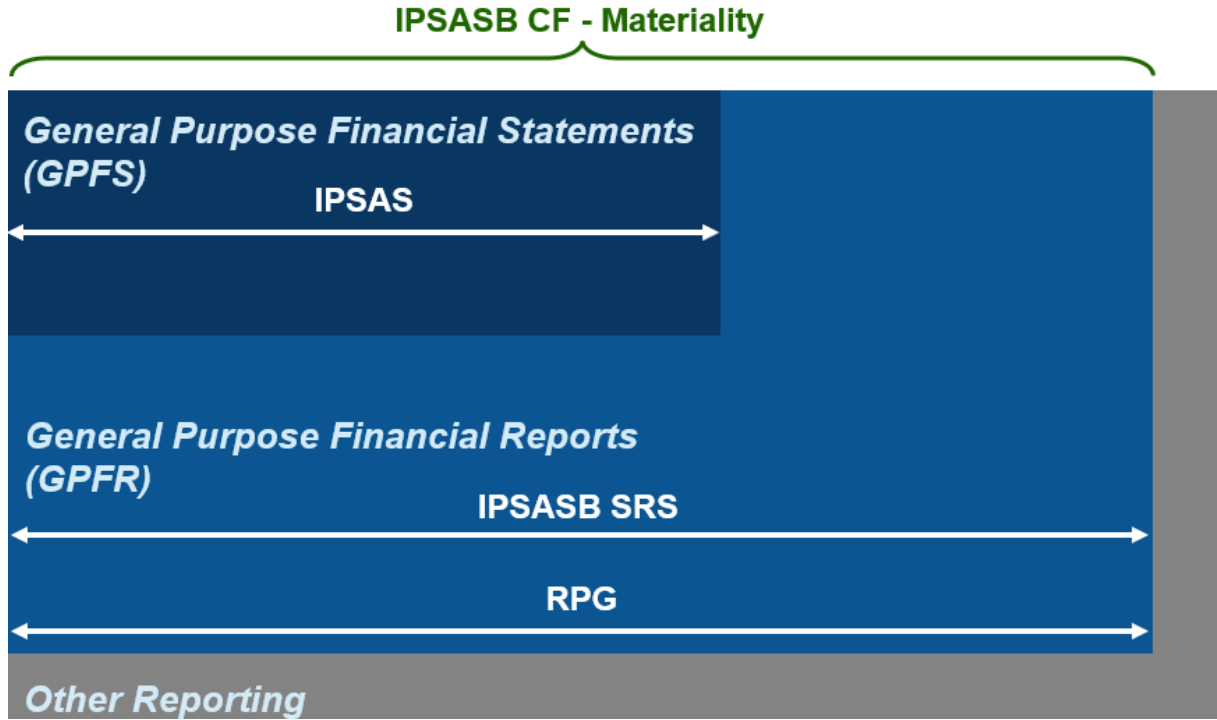
To serve the public interest by developing high-quality accounting and other publications for use by public sector entities around the world in the preparation of GPFRs.

Extend to GPFRs, which are broader than GPFs because they can include information that:

- Enhances
- Complements
- Supplements the GPFs

Information in GPFs remains at the core of GPFRs.

Connected Reporting Information



Other Resources – Provisions, Contingencies & Guarantees

- Effective PFM requires transparency of the economic reality of an entity
- Including the nature of transactions and their risks, such as those related to:
 - Contingencies
 - Financial Guarantees (loan guarantees)

IPSASB[®] **STAFF QUESTIONS AND ANSWERS**
May 2023

ACCOUNTING FOR CONTINGENCIES AND FINANCIAL GUARANTEES

How do IPSAS deal with contingencies and financial guarantees?

Insight into how International Public Sector Accounting Standards™ (IPSAS™) reflect the accounting consequences of contingencies and financial guarantees.

Effective public financial management requires transparency and a strong understanding of the economic reality of an entity. In response to the COVID-19 pandemic, many governments and public sector entities were innovative in how they provided interventions to deliver support, including using what are called contingencies in the System of National Accounts (SNA 2008) and the Government Finance Statistics Manual (GFSM 2014) that include transactions such as loan guarantees which have specific guidance in IPSAS. The use of contingencies and loan guarantees to intervene and provide support may be seen as “costless” because of the lack of initial cash outflows. However, such interventions introduce significant financial risks that should be appropriately reported.



To provide a complete and more transparent picture of an entity’s economic position and a better understanding of its risks, the accounting for contingencies and loan guarantees under IPSAS often occurs at the inception of these items. This is because these items can introduce significant financial risks which need to be considered to understand the true financial position of the entity.

- Q&A includes guidance on:
 - Identifying types of contingencies and guarantees addressed in IPSAS
 - Accounting for contingent liabilities
 - Accounting for financial guarantees, including measurement of loss allowances
 - Alignment between IPSAS and IFRS
 - Alignment with statistical reporting frameworks

Other Resources – Climate Change Impacts

- GPFR are the cornerstone of sound financial management
- GPFR include GPFS, and other relevant financial and non-financial information that enhances, complements and supplements GPFS

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STAFF QUESTIONS AND ANSWERS

June 2020

CLIMATE CHANGE: RELEVANT IPSASB GUIDANCE

This Questions & Answers (Q&A) publication is issued by the staff of the International Public Sector Accounting Standards Board® (IPSASB®) to discuss the relevance of International Public Sector Accounting Standards™ (IPSAS™) and related Recommended Practice Guidelines (RPG) to reporting on both climate change and the United Nations' (UN's) Sustainable Development Goals (SDGs) in the general purpose financial reports (GPFR) of public sector entities.

The objective of this document is to summarize the accounting requirements and recommended practice guidelines that may be applicable to climate change.

This publication is not an authoritative pronouncement, and it is not an interpretation of an authoritative IPSASB pronouncement. It does not amend or override the requirements of existing IPSAS or provide further implementation guidance. This Q&A is not exhaustive and is not a substitute for reading the full text of IPSAS or RPG.

Background

General purpose financial reports are a cornerstone of sound financial management. The objective of GPFR is to provide users with information required for accountability and decision making. GPFR typically include the general purpose financial statements (financial statements), as well as other relevant financial and non-financial information that may be useful to readers. As part of its objective to serve the public interest, the IPSASB develops IPSAS, which are the accounting standards to be applied in the preparation of financial statements of public sector entities. The IPSASB also develops RPG, which provide guidance and best practices that public sector entities are encouraged to follow when preparing their broader GPFR. Both IPSAS and RPG are intended to enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making.



- Q&A includes guidance on:
 - How financial reporting supports delivery of UN SDGs
 - Existing IPSASB literature relevant to financial reporting of climate change
 - Reporting on the impact of climate change on service delivery
 - How climate change may impact IPSAS financial statements; including *provisions, contingent liabilities and guarantees*

IAS 37 – Targeted Improvements

IPSAS 19 Aligned with IAS 37

- IASB Published in November 2024
Proposed Amendments to IAS 37 to:
- Update provision recognition criteria
 - Update measurement of provisions related to estimation of costs and discount rate

Potential IPSAS Impact

If the IAS 37 amendments proceed, highly likely IPSAS 19 will be updated to maintain alignment

Links to Additional Resources

IPSASB Staff Q & A-Accounting for Contingencies and Financial Guarantees:

<https://www.ipsasb.org/publications/staff-questions-and-answers-accounting-contingencies-and-financial-guarantees>

IPSASB Staff Q & A-Climate Change: Relevant IPSASB Guidance:

<https://www.ipsasb.org/publications/climate-change-relevant-ipsasb-guidance>

IPSASB Sustainability Reporting Information Page: <https://www.ipsasb.org/focus-areas/sustainability-reporting>

IPSASB SRS Exposure Draft 1, Climate-related Disclosures:

<https://www.ipsasb.org/publications/ipsasb-srs-exposure-draft-1-climate-related-disclosures>

The Conceptual Framework For General Purposes Financial Reporting by Public Sector Entities:

<https://www.ipsasb.org/publications/conceptual-framework-general-purpose-financial-reporting-public-sector-entities-2023>



Questions?

