

1st DISTRIBUTION AGENDA – BERLIN NOVEMBER 2003

INTERNATIONAL FEDERATION OF ACCOUNTANTS PUBLIC SECTOR COMMITTEE

A MEETING OF THE PUBLIC SECTOR COMMITTEE will be held at
Hilton Hotel
Mohrenstrasse 30, Berlin

Wednesday 5 November 2003 from 9:00am to Friday 7 November at 4:00pm

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INTERNATIONAL FEDERATION OF ACCOUNTANTS
MEETING OF THE PUBLIC SECTOR COMMITTEE
NOVEMBER 5-7 2003, BERLIN

Hosted by IDW (Institute of Public Auditors in Germany, Incorporated Association)

Name	Accompanied	Arrival	Departure
Australia			
Ian Mackintosh	Trish	1 Nov 2003	8 Nov 2003
Robert Keys		4 Nov 2003	8 Nov 2003
Argentina			
Carmen Giachino De Palladino			
Blanca Arazi			
Canada			
Richard J. Neville		3 Nov 2003	9 Nov 2003
Ron Salole			
Dan Duguay		4 Nov 2003	7 Nov 2003
France			
Philippe Adhemar			
Jean-Luc Dumont	Anne Dumont	6 Nov 2003	9 Nov 2003
Henri Giot			
Germany			
Norbert Vogelpoth			
Catherine Viehweger		4 Nov 2003	7 Nov 2003
Andreas Dörschell			
Hong Kong			
Man-to Shum			
Chi-Hung Tsang			
Yeung-Moon Chu			
Mexico			
Javier Perez Saavedra		3 Nov 2003	8 Nov 2003
Conrado Villalobos Diaz			
Netherlands			
Peter Bartholomeus		3 Nov 2003	8 Nov 2003
Aad Bac		3 Nov 2003	8 Nov 2003
Wilma Wakker			
New Zealand			
Kevin Simpkins		2 Nov 2003	8 Nov 2003
Simon Lee	Apologies		
Greg Schollum		2 Nov 2003	8 Nov 2003

INTERNATIONAL FEDERATION OF ACCOUNTANTS
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Name	Accompanied	Arrival	Departure
Norway			
Tom Henry Olsen			
Harald Brandsaas		4 Nov 2003	7 Nov 2003
South Africa			
Terence Nombembe		5 Nov	7 Nov
Erna Swart			
United Kingdom			
Mike Hathorn		4 Nov 2003	9 Nov 2003
John Stanford		2 Nov 2003	7 Nov 2003
Catherine Park	Jose Luis Hernandez		
United States			
Ron Points	Lois Points	1 Nov 2003	9 Nov 2003
David Bean	Carol Bean		
Mary M. Foelster	Apologies		
IFAC			
Paul Sutcliffe	Carolyn Sutcliffe	2 Nov 2003	8 Nov 2003
Matthew Bohun		4 Nov 2003	8 Nov 2003
Li Li Lian	Fusie Lian	3 Nov 2003	9 Nov 2003
Jerry Gutu			
Observers			
John Fretwell (INTOSAI - CAS)		4 Nov 2003	8 Nov 2003
Bert Keuppens (IMF)			
Jayantilal Karia (UN)			
Darshak Shah (UNDP)			
Simon Bradbury (World Bank)		4 Nov 2003	7 Nov 2003
P Y Chiu (ADB)			
Jon Blondal (OECD)			
Warren McGregor (IASB)			
Dieter Glatzel (EU)			

**PUBLIC SECTOR COMMITTEE - 2003
BERLIN MEETING TIMETABLE**

**HILTON HOTEL
MOHRENSTRASSE 30, BERLIN**

Wednesday 5 November 2003

8:45am – 9:00am	Coffee served	
9:00am – 9:15am	Welcome & Items 1 – 3 (¼ hour)	Procedural Matters
9:15am – 9:45am	Items 4 and 5 (½ hour)	Chairman’s Report and Secretariat’s Report including IFAC Liaison Report and External Review Update
9:45am – 10.15am	Item 6 (½ hour)	Report on the Standards Work Program including IASB Update
10:15am – 10.30am	Morning Tea (¼ hour)	
10:30am – 12:30pm	Item 9 (2 hours)	ITC Non-Exchange Revenue
12:30pm – 1:15pm	Lunch	
1:15pm – 3:45pm	Item 9 (2 ½ hrs)	ITC Non-Exchange Revenue (continued)
3:45pm – 4.00pm	Afternoon Tea (¼ hour)	
4:00pm – 5:30pm	Item 10 (1½ hours)	Budget Reporting
5:30pm – 6:00pm	Item 16 (½ hour)	Consultative Group Update

Thursday 6 November 2003

8:30am-11.30am	Item 8 (3 hours)	ITC Social Policy Obligations
11:30am-11:45am	Morning Tea (¼ hour)	
11:45am-12:45pm	Item 9 (1 hour)	ITC Social Policy Obligations (continued)
12:45pm – 2:15pm	Lunch	Consultative Group members will join PSC for discussions and lunch
2:30pm – 6.20pm	Seminar/Round Table Discussion (3 hours)	Presentations by PSC Chairman and Other Key members of CIGAR & IDW
7:30pm	<i>Dinner (to be confirmed)</i>	

Friday 7 November 2003

9.00am – 10.45am	Item 9 (1¾ hours) Items 11, 13, and 17	Progress Reports: Development Assistance – Update GFS/IPSAS/ESA 95 harmonisation – Report PSPs
10:45am – 11:00am	Morning Tea (¼ hour)	
11:00am-1:00pm	Item 14 and 15 (2 hours)	IPSAS – IFRS harmonisation First time adoption IPSASs
1:00pm – 1:45pm	Lunch (¾ hour)	
1:45pm – 3:00pm	Item 12 (1¼ hours)	Study 14 – Update
3:00pm – 3:30pm	Item 7 (½ hour)	Update on Country Reports
3:30pm – 4:00pm	Item 18 (½ hour)	Future Meetings and Other Business



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OF ACCOUNTANTS**

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DATE: 26 SEPTEMBER 2003
MEMO TO: MEMBERS OF THE IFAC PUBLIC SECTOR COMMITTEE
FROM: MATTHEW BOHUN
SUBJECT: **PSC MINUTES**

ACTION REQUIRED

- **Review** and **approve** the minutes of the PSC meeting in Vancouver in July 2003.

AGENDA MATERIAL

	Pages
2.2 Draft minutes of the PSC meeting in April 2003	2.2-2.35

BACKGROUND

The first draft of these minutes together with the draft action list were circulated to members and observers for comment on 13 August 2003. The attached draft has been marked-up to highlight amendments proposed by members and observers as a consequence of their review of the first draft of the minutes.

INTERNATIONAL FEDERATION OF ACCOUNTANTS
PUBLIC SECTOR COMMITTEE
MINUTES OF THE VANCOUVER MEETING
Held on July 16 - 18, 2003

ATTENDANCE

COUNTRY	MEMBERS	ATTENDEES	APOLOGY/NIA*
Australia	Ian Mackintosh (Chair) Robert Keys (Technical Advisor)	X X	
Argentina	Carmen Giachino Palladino (Member) Blanca Arazi (Technical Advisor)	X	X
Canada	Rick Neville (Member) Ron Salole (Technical Advisor) Dan Duguay (Technical Advisor)	X X X	
France	Philippe Adhémar (Member) Jean-Luc Dumont (Technical Advisor) Henri Giot (Technical Advisor)	X X	X
Germany	Norbert Vogelpoth (Member) Catherine Viehweger (Technical Advisor) Andreas Dörschell (Technical Advisor)	X X	X
Hong Kong SAR	Man-to Shum (Member) Chi-hung Tsang (Technical Advisor) Yeung-Moon Chu (Technical Advisor)		X X X
Mexico	Javier Pérez Saavedra (Member) Conrado Villalobos Diaz (Technical Advisor)	X X	
Netherlands	Peter Bartholomeus (Member) Aad Bac (Technical Advisor)	X X	

COUNTRY	MEMBERS	ATTENDEES	APOLOGY/NIA*
New Zealand	Wilma Wakker (Technical Advisor)		X
	Kevin Simpkins (Member)	X	
	Greg Schollum (Technical Advisor)	X	
Norway	Simon Lee (Technical Advisor)		X
	Tom Olsen (Member)	X	
South Africa	Harald Brandsås (Technical Advisor)	X	
	Terence Nombembe (Member)	X	
United Kingdom	Erna Swart (Technical Advisor)	X	
	Mike Hathorn (Member)	X	
United States	John Stanford (Technical Advisor)	X	
	Ron Points (Member)	X	
IFAC Board	David Bean (Technical Advisor)	X	
	Pat Barrett (Observer)	X	
ADB	ND Gupta (Observer)		X
	Ping Yung Chiu (Observer)	X	
EU	Dieter Glatzel (Observer)		X
IASB	Warren McGregor (Observer)		X
INTOSAI	John Fretwell (Observer)	X	
IMF	Bert Keuppens (Observer)		X
	George Kabwe (Observer)		X
OECD	Rifaat Basanti (Observer)	X	
	Jon Blondal (Observer)	X	

COUNTRY	MEMBERS	ATTENDEES	APOLOGY/NIA*
UN	Jay Karia (<u>Observer</u>)		X
UNDP	Darshak Shah (<u>Observer</u>)		X
World Bank	Simon Bradbury (<u>Observer</u>)	X	
IFAC	Ian Ball (<u>IFAC Staff</u>)	X	X (Wednesday)
	Paul Sutcliffe (<u>IFAC Staff</u>)	X	
	Matthew Bohun (<u>IFAC Staff</u>)	X	
	Jerry Gutu (<u>IFAC Staff</u>)	X	
	Ahmad Hamidi-Ravari (<u>IFAC Staff</u>)	X	
	Li Li Lian (<u>IFAC Staff</u>)	X	

* NIA- Not in Attendance

1. WELCOME AND APOLOGIES

The Chair opened the meeting and introduced Michel Guidon, president of the Certified General Accountants Association of Canada (CGA Canada), who welcomed the Members to Vancouver for the meeting on behalf of CGA Canada. In his address, Michel noted that this was the first PSC meeting to be held in Vancouver in many years. Michel also wished the PSC well in its endeavors noting that the recent financial scandals in the private sector have led to an increase in public concern over financial reporting both in the private and public sector. Michel took the opportunity to thank David Rattray for his work on the PSC over 10 years and to introduce Dan Duguay who is to be CGA Canada's technical advisor to Rick Neville. Rick Neville briefly addressed the PSC and welcomed the PSC to Canada on behalf of the Canadian Institute of Chartered Accountants (CICA).

The Chair noted the letters of welcome to the PSC from Gordon Campbell, Premier of British Columbia and Larry W. Campbell, Mayor of Vancouver.

The Chair welcomed the following technical advisors, observers and consultants to their first Committee meeting:

- Dan Duguay, Technical Advisor, Canada;
- Rifaat Basanti, Observer, International Monetary Fund; and
- Jesse Hughes, Consultant.

The Chair welcomed the return to the PSC of Ron Salole as Technical Advisor to Rick Neville, and Charles Coe, former observer for the Asian Development Bank, who has returned in the capacity of Consultant for the Development Assistance project.

The Chair also welcomed Pat Barrett, IFAC Board Member, and Ian Ball, Chief Executive of IFAC (attending Thursday and Friday), members of the Consultative Group, and the public gallery. The Chair welcomed in particular Consultative Group Members Ken Dye, former Chair of the PSC and David Rattray, who had served for ten years on the PSC as Member and Technical Advisor for Canada. It was noted that the three surviving Chairmen of the PSC would all be in attendance at this meeting (Ian Mackintosh, Ian Ball and Ken Dye).

The Chair noted the following apologies:

- Man-to Shum, Member, Hong Kong;
- Chi-Hung Tsang, Technical Advisor, Hong Kong;
- Yeung-Moon Chu, Technical Advisor, Hong Kong;
- Simon Lee, Technical Advisor, New Zealand;
- Mary Foelster, Technical Advisor, USA;
- Dieter Glatzel, Observer, European Commission;
- Jay Karia, Observer, United Nations;
- Darshak Shah, Observer, United Nations Development Programme; and
- Warren McGregor, Observer, International Accounting Standards Board.

The Chair also noted that Bernard Agulhas, former Technical Advisor for South Africa had changed jobs and would no longer be a Technical Advisor on the PSC.

The Chair advised that a delegation from Colombia had proposed making a presentation to the PSC on the last day of the meeting, to which he had agreed. However, the Colombian delegation had not confirmed their attendance. (Secretarial note: the Colombian delegation did not attend.)

2. CONFIRMATION OF MINUTES

The meeting received the minutes from the meeting held in Melbourne on 9 – 11 April, 2003. The minutes were confirmed subject to minor editorial amendments.

Action Required: *Amend minutes.*
Person(s) responsible: *PSC Staff.*

3. MATTERS ARISING

Ron Salole reported that with reference to Item 15 Ethics Committee Review, the staff at the CICA were not involved in an ethics review. However, an INTOSAI sub-committee chaired by the Auditor-General of Canada, a member of CICA, was developing a code of ethics for legislative auditors. The Chair directed that the minutes of the Melbourne meeting should be updated to correct this.

Paul Sutcliffe, PSC Technical Director noted that no action had been taken to develop a PSC prospectus, and he would welcome Members' input on funding.

Paul also noted in relation to the Action List, several slots on the Budget Reporting Steering Committee were still to be filled and that the Development Assistance Project Advisory Panel was still being developed.

Action Required: *Amend minutes.*
Person(s) responsible: *PSC Staff.*

4. CHAIRMAN'S REPORT

In addition to the written report in the agenda papers, the Chair reported that the IFAC Board had met at Québec City and this was a watershed meeting in many ways. The Board:

- continued the process to establish the Public Oversight Board for the IFAC standard setting Boards and Committees other than the PSC;
- agreed to an external review of the PSC. Ian Ball is considering who should Chair the review panel, and who its members should be. Ian Ball and Ian Mackintosh would both be on the review panel, however the remaining members are expected to represent the interests of funders, developed nations and developing nations. The terms of reference for the review have not been settled but would be circulated to the PSC before they are finalized; and
- agreed that the PSC could have two of its three meetings each year outside of New York if there were strong reasons for doing so, such as a concurrent regional public sector meeting.

The Chair also reported that he had attended:

- with Paul Sutcliffe, PSC technical director, a meeting in Washington DC to discuss the opportunities for convergence between IPSASs, GFSM 2001, SNA 93 and ESA 95; and
- a regional conference of eight Accountants-General in South Asia (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka) who are very enthusiastic to adopt the Cash Basis IPSAS for financial reporting.

Action required: *Circulate terms of reference for PSC External Review.*

Person(s) responsible: *Chair, PSC Technical Director.*

5. SECRETARIAT'S REPORT

The Committee received and noted:

- a report from the Secretariat; and
- an updated Members' Correspondence Distribution List.

Jerry Gutu spoke to the Secretariat's report identifying the activities he had been involved in since the last meeting of the Public Sector Committee of April 2003 in Melbourne, Australia. He noted he had been involved among other things in:

- finalizing the setting up of the Consultative Group;
- finalizing arrangements for this meeting;
- liaison with the PSP sub-committee on drafting of PSPs and sending them to IAASB;
- preparation and dispatch of progress reports to PSC Standards Program Funders including the World Bank, Asian Development Bank and International Monetary Fund; and
- arrangements for future meetings.

Clarification was sought regarding the attachment of Compliance material, item 5.5, Statement of Membership Obligations 5 (SMO 5). Paul Sutcliffe made reference to the IFAC Board Press Release, which had been circulated, and advised the meeting that a Compliance Working Group had drafted the attached SMO5 on IPSASs to which proposals for amendment had been provided by PSC Staff though the proposed amendments had not been effected. Paul further advised the meeting that the issues of concern would continue to be raised until they were addressed. IFAC Board Member, Pat Barrett pointed out there were still other issues of concern regarding the SMOs including cost implications, practicalities of implementation and the review mechanism.

Members' attention was drawn to the updated Correspondence Distribution List with a request to pass on to Jerry any amendments for updating.

Action Required: *Update PSC CDL with any changes. Finalize arrangements for November 2003 meeting and advise Members.*

Person(s) Responsible: *PSC Secretariat.*

6. REPORT ON THE STANDARDS WORK PROGRAM

The Committee received and noted:

- a memorandum from Paul Sutcliffe and Jerry Gutu regarding funding activities, promotion activities and status of IPSAS translations;
- a memorandum from Paul Sutcliffe on the Standards Development Work Plan;
- a report on the status of all PSC projects;
- an updated Work Plan for 2003;
- a projected work plan for 2003 through 2005; and
- a report on the status of IASB projects from Ahmad Hamidi-Ravari.

Paul Sutcliffe spoke to the materials and outlined funding, translation and promotional activities that had been undertaken since the last meeting and progress on technical projects including that:

- the Public Expenditure and Financial Accountability (PEFA) program had approved funding for the budget reporting program;
- Ron Points, the American Member and Staff had followed up with the InterAmerican Development Bank (IADB) on their undertaking to match the contribution by the ADB. Ron Points advised that the IADB funding had been approved at board level and was awaiting processing;
- additional funding from the World Bank for the project on Development Assistance as reflected in the project proposal agreed by the PSC had been approved and relevant documents signed;
- the Social Policy Obligations Steering Committee and the Non-Exchange Revenue Steering Committee had not met since the last PSC meeting. However, Steering Committee Chairs and Staff had spent considerable time developing the draft ITCs included in the Agenda for this PSC meeting, and drafts had been forwarded to all Steering Committee Members for comment. Paul noted that a summary of comments made by SC Members would be provided when the drafts were considered during the meeting;
- consultants, Dr. Jesse Hughes, Emeritus Professor of Accounting at Old Dominion University, Norfolk, Virginia, and Charles Coe, former Comptroller of the ADB, would make presentations on the Budget Reporting project, and development Assistance Project, respectively. Paul also noted that the Budget Reporting Steering Committee and the Development Assistance Project Advisory Panel were taking shape but had not yet been finalized; and
- substantial progress had been made in revising the Argentinean Occasional Paper. This paper would be considered in detail during the meeting. Paul also noted that Carmen Giachino Palladino, the Argentinean Member and primary author of the paper, and the Chair and French, Mexican and UK Members had agreed to meet following this meeting to assist in finalizing the paper.

Members noted and agreed the 2003 and 2003-2005 Work Plans, subject to revisions to reflect any decisions made regarding projects during the remainder of this meeting. Members also agreed that:

- the project on heritage assets should not be actioned as yet. It was noted that a study on heritage assets was being prepared by the ~~H.M. Treasury~~ [National Audit Office](#) in the UK and that the PSC should monitor the development of this study; and
- developing IPSASs based on IAS 39 *Financial Instruments: Recognition and Measurement* and revisions to IAS 32 *Financial Instruments: Disclosure and Presentation* are major issues and should be considered in the context of the mechanisms to be adopted for conversion of all IFRSs into IPSASs in the future, and the strategy for keeping up to date with IFRSs. It was noted that, in the meantime, the hierarchy of authoritative requirements in IPSAS 1 provided directions to constituents on sources of guidance and their relative authority. The PSC agreed that it should adopt the objective of having in place a stable platform of updated IPSASs by the end of 2005.

John Fretwell reported that INTOSAI was undertaking a survey on the application of IPSASs. It was noted that in some countries national requirements currently existed and/or were being developed which would be in accordance with the requirement of many IPSASs. It was also noted that in some cases the IPSASs may be used as a resource for the development of the national requirements which entities were required to comply with, and it would be useful to encompass these circumstances in the survey - to focus only on formal declarations of “compliance with IPSASs” may not give a full picture.

The presentations made by Members, technical advisors, observers and Staff since the last meeting to Staff out of session.

Paul updated Members on translation activities, including that:

- progress on translation of IPSASs into French and Spanish languages through the PSC-IASB co-operative arrangement was not progressing as had been anticipated. Members confirmed that the lack of progress was frustrating the process of adoption of the accrual basis IPSASs in France and a number of Latin American countries and that Staff should now consider an alternative mechanism to achieve a timely and quality translation. It was agreed that the Chair would write to the Chair of the IASB noting the less than satisfactory progress under this arrangement. It was agreed that the Argentinean, French and Mexican delegates would meet with Staff following the meeting to discuss alternative processes – but implementation of any alternative was to await a response from the IASB Chair;
- organizations which appeared capable of translating the Cash Basis IPSAS into French and Spanish had been identified in Australia. However, it was not yet known whether these organizations had experience in translating technical financial reporting documents. Staff also noted that given that certain sections of the text of the Cash Basis IPSAS was drawn from the accrual IPSASs, substantial synergies could be achieved by first translating the accrual IPSASs and identifying the common text; and
- the German delegation noted that the German and Swiss Member Bodies were considering whether a project to translate IPSASs into German should be actioned. It was noted that Staff had provided input on differences between IPSASs and IFRSs/IASs.

Members noted and agreed the agenda for the meeting with Members of the PSC Consultative Group and the agenda for the round table discussion with Canadian constituents on the afternoon of 18 July.

Paul advised that PSC Staff had been requested to complete the pro-forma service delivery statements prior to the PSC meeting, and had done so but had advised New York Staff that it reflected Staff views, and had not been approved by the PSC. Members agreed the 2004 projected service delivery outputs of the PSC, but raised the following concerns with the pro-forma documents:

- the use of the term “Pronouncements” in 4.1 did not appear appropriate since the item encompassed exposure drafts; and
- the document did not incorporate any indicators of the quality of output or the cost of pursuing the outputs.

Members also noted that whether or not an IPSAS on “first time application” was developed would be considered at this, and or the next, meeting.

Action Required: *Write to IASB Chair re translating IPSASs into French and Spanish. Explore translation of Cash Basis IPSAS into key languages. Consider alternatives to the IASB process for the translation of IPSASs into French and Spanish. Update register of funding, translation and promotion activities. Update work program. Continue monitoring of the IASB work program.*

Person Responsible: *Chair, Members, PSC Staff.*

6.7. STATUS OF IASB PROJECTS

The Committee received and noted a memorandum from Ahmad Hamidi-Ravari together with appendices on “the IASB project timetable” and “An Update on the Current IASB Project on Reporting Performance”.

Ahmad introduced the topic and noted that the IASB has recently published IFRS 1 *First-time Adoption of IFRSs* in line with the declared objective of having Standards ready for the “stable platform” date of 31 March 2004. It was noted that agenda item 15B deals with IFRS 1 and contains a summary of its requirements. Furthermore, the IFRSs arising from the General Improvement Project are due in the third quarter of this year and agenda item 15A examines the possible effect of the IASB’s decisions to date on existing IPSASs. Staff also updated the PSC on the status of the Financial Instruments Improvement Project. It was noted that relevant IFRSs are due in the third quarter of 2003, unless the IASB decides to re-expose some of its decisions, in which case related IFRSs are expected to be issued early in 2004.

Staff briefed the Committee on tentative changes proposed to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* arising from IASB’s Business Combinations II and Short-term Convergence projects. In particular, it was noted that the IASB has agreed to amend the definition of contingent assets and contingent liabilities to clarify that only “present rights” and “present obligations” can give rise to assets and liabilities. It was noted that under the proposed amended definitions,

items would be contingent if the past event had occurred but there was uncertainty as to the outcome of the confirming event. Staff also noted that the tentative decision that recognition criteria for contingent assets and contingent liabilities are to be based on the probability of inflow and outflow of resources, and the recognition of reimbursements would be based on the notion of “probability” rather than “virtual certainty”.

Staff noted that these decisions if reflected in the final IFRSs may have implications for current requirements of IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*. However it was stressed that these decisions are not final and they become mandatory only after going through the usual due process for publication of an IFRS.

Staff also briefed the Committee on current IASB projects on Leases and Revenue Recognition. It was noted that both these projects have adopted a conceptual approach to topics under consideration and are in the early stages of development. On the reporting performance project, Staff noted that the IASB continued its deliberations at its June 2003 meeting and an updated summary of decisions made will be provided at the next PSC meeting.

Staff noted that the IASB intends to issue two exposure drafts, ED 4 and ED 5, in the near future. ED 4 contains proposals on disposal of non-current assets and presentation of discontinued operations and ED 5 deals with Insurance Contracts.

Action Required: ***Continue monitoring the IASB work.***
Person(s) Responsible: ***PSC Staff.***

7. COUNTRY BRIEFING REPORTS

In addition to the reports submitted by the Members and circulated with the agenda papers a report on *Accrual Accounting in Central Government* prepared by the Netherlands Court of Audit was tabled.

Jon Blondal, OECD Observer, advised that the OECD was conducting a survey, including field-testing, on accrual budgeting and accounting in member countries. The survey results would be published later in the year. PSC Members advised that:

- Australia had been involved in a “field visit” in relation to the OECD Survey on Accrual Accounting. The “field visits” are not as in depth as the “field testing” done in other OECD countries; and
- New Zealand has been involved in the more in-depth “field-testing” with the OECD Survey.

Action Required: ***Prepare country reports for the PSC meeting in Berlin in November 2003, circulate with agenda materials.***

Person(s) Responsible: *Members, Technical Advisors, PSC Secretariat.*

8. DRAFT INVITATION TO COMMENT SOCIAL POLICY OBLIGATIONS

The Committee received and considered:

- a memorandum from Kevin Simpkins, the Chair of the Social Policy Obligations Steering Committee; and
- an updated draft Invitation to Comment (ITC) *Accounting for Social Policies of Governments*.

Kevin reported on the work of the Steering Committee since the PSC's last meeting in Melbourne in April. He noted that:

- the Steering Committee had not met since the April 2003 PSC meeting;
- he had met with the consultant on the project, Joanne Scott, and Paul Sutcliffe, the PSC Technical Director, and
 - reviewed all matters raised by Members at the April 2003 PSC meeting;
 - agreed a strategy for revising the draft; and
 - received advice from a legal officer on the types of government obligations that could be classified as legal obligations;
- Staff had restructured and revised the draft ITC to respond to matters identified by the PSC in April 2003; and
- the revised draft had been circulated to SC Members, with a request for comment. The UK, Australian, IMF and FEE Members had responded. All were very supportive of the changes, though the FEE Member proposed that further changes were necessary to reflect that "[View-Option 3](#)" may also apply to other benefits such as child endowment benefits and higher education.

Kevin noted that:

- the objective of the discussion of the redrafted ITC at this PSC meeting was to gain PSC approval for the SC to finalize the draft; and
- it was intended that a final draft be presented to the PSC for review and approval for issue at the PSC meeting in November 2003.

Kevin outlined the major changes to the draft, noting that all chapters had been amended to respond to PSC concerns but that the executive summary and the specific matters for comment would not be prepared until the contents had been finalized. He noted that the redrafted chapters included additional examples and sought Members' views on whether appendices dealing with recognition and measurement of certain benefits should be prepared. Members were of the view that the appendices should be prepared even if they did little more than draw out, and focus on, examples already referred to in the chapters. It was noted that the appendices need not be extensive but should highlight the difference between conclusions reached in Chapters 5 – 7 and Chapter 8.

Kevin outlined the revised ITC structure, noting that:

- the draft ITC continues to apply the definitions and recognition criteria from IPSASs;
- in determining how to group the potentially wide range of benefits for analysis purposes, the SC took its lead from IPSAS 19 and adopted a GFS type structure –

accordingly the structuring of Chapters 5 to 8 reflected the GFSM2001 grouping of benefits;

- a new Chapter 4 of the ITC has been included to explain the broad principles that were adopted by the SC, and to highlight that for purposes of analysis the SC had identified three views about the circumstances which could give rise to a present obligation; and
- Chapters 5 to 8 apply the principles established in Chapter 4 to a number of different types of benefits. Kevin also noted that in some cases, the SC's conclusions about which view should prevail changed based on the facts, however the SC considers the principles are applied consistently.

Prior to considering the draft ITC in detail, the PSC discussed the structure, format and nature of the ITC in broad terms and agreed that:

- the Chairs of the Non-Exchange and SPO Steering Committees should work with Staff to align the formats and styles of their documents, and this should establish broad parameters for future studies;
- a summary of the preliminary views should be included as part of, or with, the executive summary;
- Chapter 1 should include a brief summary of the status of relevant IASB projects that were likely to impact directly on the ITC. The focus of this section should be broad and should note that the IFRS "environment" within which the SC was preparing the ITC was ever changing;
- the disclosures chapter should not attempt to identify specific detailed disclosures, but should take a higher level approach and should develop guidance on the broad characteristics of likely disclosures;
- the disclosure chapter should acknowledge the links to the budget reporting project and place disclosures in the "historic" financial reports in the context of the suite of reports, including budgets, issued by governments;
- the specific matters for comment should note that different views may be possible, and seek comment on the views proposed by the ITC and include questions on:
 - the extent and location of disclosures;
 - audit issues that might arise in respect of disclosures included in the financial statements;
 - the work of the PSC/GFS/ESA95 convergence group and in particular draw out consequences of the SC views for the alignment of IPSAS and GFSM2001 requirements; and
 - whether pension plans to provide government employees with benefits as a consequence of their employment should be included in the scope of the ITC when those pension plans were not funded and pensions were to be paid from consolidated revenue;
- the ITC was much improved and provided more comprehensive and understandable arguments to support the preliminary views;
- notwithstanding the improvement in clarity, the ITC was still an extremely long document and would benefit from reduction in its length. Kevin noted that he felt the lengthy discussion of the GFS classification basis was not necessary and should be substantially reduced. Members agreed with this;
- where possible, Chapters 5 to 7 could also be cut down, by not fully discussing each type of benefit identified. Members noted that the conclusions were the same

for all the benefits discussed in each chapter and there may be the opportunity to condense; and

- the implications of adoption of options 2 and 3 in Chapters 5, 6 and 7 should be briefly noted. Members noted this would increase the length of the document but agreed this was justified.

Members continued to express concern with the majority view on when an obligating event arose in respect of pensions. Some Members noted that option 3 may be applied to other types of long-term benefits and that the views of some SC Members appeared to be inconsistent. They expressed the view that they did not find convincing the argument that it was the magnitude of the pension, and the significant extent to which individuals relied on pensions for their post-retirement income, which was critical in creating the present obligation at the time of work force entry. Kevin noted that the SC Members were generally of the view that the principles were applied consistently, but the facts and circumstances surrounding particular benefits were such that a different conclusion was justified. Members noted that:

- this was a complex issue and the majority views of SC Members themselves had evolved and changed as the draft was developed, and the narrative exposed additional arguments and dimensions to the issue; and
- this reinforced the need to explain the implications of the views not adopted, as well as those which were adopted.

Kevin noted that the redrafting and further development of the draft may well have exposed some inconsistencies in SC Member's views and he proposed that he reconfirm the views of all SC Members on this issue as the draft is finalized. Members agreed this would be appropriate.

The PSC then undertook a detailed page by page review of the document, and in the course of that review agreed:

- to cut back on GFSM2001 commentary;
- defined terms should be bolded and a glossary of the defined terms used in the text should be included as an appendix;
- the ITC should clarify the implications for the recognition by a government of social policy obligations as liabilities of that government being able to change the legislation that imposes the obligation;
- Chapter 2 references to non-exchange transactions involving two components should be redrafted to express the notion that an arrangement to provide benefits may encompass an exchange and a non exchange arrangement;
- paragraph 3.14 should be aligned with paragraph 4.15;
- paragraph 3.18 should be amended to make clear that the commentary related to the relevance of notions of constructive obligations to social policy obligations;
- figure 3.4 should be relocated;
- Chapter 3 should include a brief explanation of the broad characteristics of an actuarial valuation;
- the second last sentence of paragraph 3.30 should be deleted.
- refinements are needed to paragraphs 4.3, 4.9, 4.22, 4.23, 4.26, 4.42, 4.52, 4.56 and Preliminary View 2;
- the final bullet point of paragraph 4.8 on page 56 should be reflected in (or about) paragraph 4.6;

- paragraph 4.16 should make it clear that there may be a legal obligation for a future payment which is not currently due and payable;
- paragraph 4.31 should be eliminated;
- preliminary view 1 should reflect that there needs to be a present obligation, and should build in the notion that a legal obligation arises when a judgment can be sought and enforced by law;
- paragraphs 4.52 – 4.55 on measurement should be moved to Chapter 8 and should note that taxation revenue may arise from pensions. Members also noted they were not convinced by the “magnitude” argument (also in paragraph 4.44);
- Chapter 4 should include a figure which summarized the preliminary views around paragraph 4.66;
- paragraph 4.62 should make it clear that whatever option is adopted, disclosure will need to be dealt with;
- it should be made clear that the ITC does not deal with the amount or timing of recognition of revenue, whether from taxation or other sources, that may be available in the future to meet benefit obligations;
- amendments and refinements should be made to paragraphs 5.9, 5.37 and 5.38;
- the use of the term “universal” benefits in paragraphs 6.3 and 6.4 and elsewhere was likely to cause confusion as the benefits may not be universally available, and a different term should be adopted;
- paragraphs 6.18 and 6.19 or at least parts thereof should be deleted, and the final sentence of paragraph 6.29 rethought;
- the title of Chapter 7 should read: Discretionary Transfers and Other Benefits;
- paragraph 7.19 should be “tested” against the principles established in 4.28;
- the inclusion in paragraph 7.24 of the implications and rationale for not recognizing costs related to the ongoing activities of the government/entity (for example, the costs of maintaining an emergency services pool of employees) should be reconsidered. If retained, it should refer to incremental expenditures rather than direct expenditures;
- paragraph 7.28 should be clarified;
- paragraphs 7.32 and 7.33 should note that the PSC had actioned a project on development assistance and should consider whether a legal obligation would ever arise in respect of development assistance that had been “promised”;
- preliminary view 19(d) should note that there is no realistic alternative but to settle;
- paragraph 8.2 first dot point should be clarified to note that the benefits are funded from general revenue, and the second dot point should make it clear that the treatment of any guarantees are not dealt with in the ITC;
- refinements are to be made to paragraph 8.8;
- amendments are to be made to paragraphs 8.11, 8.15 and 8.35 to make clear that they refer to contingent liabilities, rather than constructive obligations. The ITC should clarify the Steering Committee’s views on contingent liabilities, and note that the past event applicable to the existence of a liability is not necessarily the same as the past event applicable to the existence of a possible liability. The ITC should also address the apparent inconsistency in the conclusions that a contingent liability should not be disclosed where it is not clear what the past event is, but that a liability for old age pensions should be recognized despite the fact that it may not be clear what the relevant past event is;

- references to “going concern” in paragraph 8.13 and other paragraphs are to be removed;
- the introduction to paragraph 8.27 is to be reworded;
- amendments are to be made to paragraphs 8.29, 8.30 and 8.38;
- paragraph 8.43 is to be amended to explain that GFS recognizes employer pensions but not other pensions;
- measurement options are to be dealt with in Chapter 8 rather than Chapter 4;
- Chapter 8 should acknowledge that some pension plans may be partially funded and that separate funds may be established;
- Chapter 9 should focus on the broad principles of disclosure and should:
 - note that disclosures about funding sources can provide useful information input for assessments of the sustainability of benefit programs;
 - clarify what are part of the accounts and what are supplemental disclosures;
 - note that the ITC does not mandate audit requirements; and
 - note that certain relevant information may be included in generational accounts, outline the broad characteristics of such accounts and note that the focus of such accounts is on future resource flows; and
- Chapter 1 should note that social benefits raised budgetary and policy issues which would be followed up in Chapter 9. Chapter 9 would then explain that disclosures can put in context the amounts recognized in the financial statements whether view 1, 2 or 3 is adopted and will provide input for fiscal sustainability analysis.

Members thanked Kevin and SC Members for their work in substantially improving the draft ITC, and agreed that it should be revised as indicated during the course of the meeting and presented to the November 2003 meeting of the PSC for approval to issue.

Action Required: *Update the draft ITC for presentation at the November 2003 PSC meeting for approval to issue. Confirm or otherwise the majority views of SC Members. Arrange Steering Committee meeting, if necessary.*

Person(s) Responsible: *SC Chair, PSC Staff, Consultant.*

9. DRAFT ITC REVENUE FROM NON-EXCHANGE TRANSACTIONS

The PSC received and considered:

- a memorandum from Rick Neville, the Chair of the Non-Exchange Revenue Steering Committee;
- a draft ITC *Revenue from Non-Exchange Transactions*; and
- comments from Steering Committee Members.

Rick Neville introduced the topic and advised that the Steering Committee had not met between the April PSC meeting and this meeting, but that Staff had undertaken a major rewrite of the draft ITC, which had been circulated to the Steering Committee. Some comments have been received from Steering Committee Members, but that time constraints meant that many Members had had only a limited opportunity to review the draft. Rick outlined the major changes that have been made to the draft, including:

- relocating the definitions to the introductory chapter;

- amending the flowchart and accompanying commentary; and
- the drafting of Chapter 4 – 7 and the appendixes.

Rick noted that Staff have proposed that the flowchart be amended further so that Contributions from Owners are treated as exchange transactions, although still considered within the ITC.

Rick advised that the Steering Committee had tentatively agreed to meet in Paris from 3 – 5 September.

Paul Sutcliffe, PSC Technical Director, noted that there would still need to be further refinements to the ITC so that both this ITC and the Social Policy Obligations ITC follow similar formats.

The PSC Chair led Members through a page-by-page review of the ITC, Members suggested that the Steering Committee:

- re-examine the title of the ITC in light of changes made to the chapter on transfers and grants;
- review the first specific matter for comment so that it reflects the intention of the Steering Committee. As currently drafted, it may not reflect the view that an increase in an asset that is fully reflected in an increase in a liability does not result in the accrual of revenue;
- clarify the third specific matter for comment on contributions from owners, the current drafting does not clearly state the view that contributions from owners do take place in the public sector;
- revise paragraph 1.3 to note that the PSC also recognizes the benefits of comparability of financial reporting between the public and private sectors;
- revise the definition in paragraph 1.14, deleting “public sector” before “entity” as this is not the terminology the PSC uses;
- include in Chapter 1, possibly at paragraph 1.15, a statement about the priority of substance over form. The notion is introduced in Chapter 5, but the concept is fundamental to the approach adopted by the Steering Committee;
- include in Chapter 1 a definition of “transfer” if it is intended that the term have the specific technical meaning that Chapter 5 suggests;
- revise the section on the IASB work, consider presenting a summary rather than the text of an IASB update, and mention that the IASB should review the ITC in developing its own work;
- review paragraph 2.2, the current drafting is odd because it suggests that some argue against the ITC that hasn’t been released as yet;
- revise the examples in paragraphs 2.5, 2.9, 2.16 and 2.19 to ensure consistency with material elsewhere in the ITC. All examples should be non-exchange transactions;
- include in paragraph 2.5 an acknowledgment of the alternative views of whether a single transaction should be componentized into an exchange component and a non-exchange component. (The majority view of the PSC is that a single transaction should not be componentized, and the PSC noted that the ITC should acknowledge that a part of a non-exchange transaction may give rise to a liability.);

- include a statement in paragraph 2.16, or Chapter 4, about whether or not the right to tax is an asset;
- provide in paragraph 2.22 fundamental arguments as to why IPSASs 12, 16 and 17 need to be changed and consider enhancing the specific matter for comment;
- revise paragraph 2.26, to clarify that transfers from controlling entities to controlled entities should be subject to substance over form principles but, because the controlling entity has discretion as to how to designate a transfer any transfer should be supported by appropriate documentation (such as loan agreements or equity instruments);
- review the material on contributions from owners in light of the Eurostat document on the fundamental characteristics of contributions from owners, and consider being less direct in the view that “contributions from owners” is not responsive (para 2.28) may wish to say “have reservations”;
- include a more explicit statement in paragraph 2.37 or 2.39 that revaluation is a remeasurement, not revenue;
- give consideration to including disclosure requirements in Chapter 2, for example requiring separate disclosure of revenue from exchange and non-exchange transactions, disclosure of information about measurement policies, and a reference to the disclosures required by IPSAS 1;
- review the location of paragraph 3.4 to give it more prominence in the definition of “stipulations”, which may make this chapter easier to read;
- review the location of paragraph 3.7;
- revise the use of the term “funds” – if the term is intended to mean “monetary assets” that term should be used, otherwise the new term should be defined. The PSC is not convinced that monetary and non-monetary assets should be treated differently;
- review the arguments in paragraphs 3.30 to 3.36 in relation to timing requirements – the PSC considers that the case in favor of timing requirements is not convincing and that if it is to be seriously proposed the arguments need strengthening;
- review the material on the “tax gap” in paragraph 4.8 – the PSC is divided as to whether it should be included or not and advocates an additional matter for comment on the “tax gap”. Clarify that “bad debts” are not really part of the tax gap;
- review paragraph 4.20 and consider reiterating more strongly that in some circumstances recognition of revenue under the accrual basis is when cash is received;
- revise preliminary view 5 – to clarify that “offsetting expenses against tax revenues should not be permitted”;
- revise paragraph 5.1 – “transfer” may need to be defined as many would consider that “transfer” can include a transaction where there is some consideration;
- revise paragraph 5.4 to 5.7 so that the material on appropriations is expressed less definitively, as appropriations vary so much from jurisdiction to jurisdiction;
- revise paragraph 5.16 to give more guidance on what constitutes the past event for a payment made from a central bank account;
- consider whether paragraph 5.20 is needed, or whether it should be repositioned with the other material on contributions from owners;
- review paragraph 6.8 – it currently suggests two alternative view viz that the gross inflows result in an increase in net assets, and that they do not if the asset sold is

- carried at higher than the sale price – the Steering Committee should ensure that all views are presented to ensure consistency;
- review paragraph 6.18 – a literal reading of IPSAS 17 would see that IPSAS applied irrespective of whether the transaction is an exchange or non-exchange transaction. Consider softening the wording of 6.18;
 - revisit the section on voluntary services and explain why the Steering Committee thinks that its approach should be adopted when it is inconsistent with the approach generally adopted in the ITC;
 - revisit the guidance in paragraphs A1.15 and A1.16 – whilst paragraph A1.16 is consistent with the approach in IAS 12 *Income Taxes* it may not be the approach that is appropriate on the revenue side, which may be more in line with paragraph A1.15; and
 - reconsider the inclusion of Appendix 2.

Rick Neville expressed his thanks to the Staff for their efforts in redrafting the ITC. The PSC thanked all involved in the preparation of this draft and agreed that it should be revised and presented to the November 2003 meeting of the PSC with a view to giving approval to issue.

Action Required: ***Proceed with the preparation of a draft ITC for the September 2003 Steering Committee and November 2003 PSC meetings. Arrange Steering Committee meetings and prepare Steering Committee papers.***

Person(s) Responsible: ***SC Chair, PSC Staff.***

10. PSC STEERING COMMITTEE - BUDGET REPORTING

The Committee received and considered:

- a memorandum from Paul Sutcliffe;
- the project brief on Budget Reporting;
- the Draft Research Report prepared by Dr Jesse Hughes;
- a list of potential Steering Committee Members; and
- a copy of presentation of slides to be used by Dr. Jesse Hughes.

Paul outlined the background to the project and progress made since the last PSC meeting in April 2003.

Ron Points, the Steering Committee Chair, noted:

- the Research Report would deal with the following three phases of budgeting– budget formulation, budget execution and budget reporting. He also noted that budget reporting would encompass consideration of general purpose reporting of the government’s budget and of information about budget execution/compliance;
- linkages between this project and the work of the SPO Steering Committee would arise in the context of disclosure of budget information;
- it was anticipated that the full draft report would be included on the agenda for the PSC’s November 2003 meeting for approval to issue;
- the Steering Committee membership was being finalized. It was noted that Norway and China had expressed great interest in joining the Steering Committee;

- the OECD had undertaken a survey of budget reporting practices in 60 countries and Jesse had had access to preliminary findings of that survey; and
- it was important that the PSC got much closer to the budgeteers on this project.

Ron introduced Jesse who made a presentation to the PSC on issues being addressed in the Study, progress to date and the certain features of the draft report as currently developed.

Members thanked Jesse for his presentation, expressed support for the broad issues and directions being developed in the Report and noted that the project was now gaining momentum. Jesse noted that there was still much work to do and he welcomed the input of PSC Members and, when established, the Steering Committee.

Members undertook a broad discussion of the project noting their views on the extent to which an IPSAS should be developed for reporting of budget information and compliance/execution purposes. There was general agreement that reporting compliance was within the PSC's mandate, but there were differing views about the role the PSC should have in respect of budgets. These views included:

- an IPSAS should be developed on budget reporting, because budget information was in the public domain and of a general purpose nature. In this sense, budget information in the public sector differed from that in the private sector;
- a concern that governments may not accept the PSC developing an IPSAS on budget reporting. However, some Members did not agree that this was an issue that should be given weight at this time, noting that as standards setters they had an obligation to develop standards for general purpose financial reporting and to convince constituents of the merits of the application of their standards for the discharge of accountability obligations and enhanced transparency. It was noted that six years ago the PSC was confronted with similar concerns when commencing its program to develop accounting standards for financial reporting by public sector entities, but the PSC moved through them then, and should do so now;
- was there any precedent for standard setters to develop standards for budget. It was noted that in some jurisdictions standards had been developed for prospective information, and that at the round table discussion with constituents it had been made clear that in British Columbia the budget was presented in accordance with "GAAP". Members noted this was also the case in a number of other jurisdictions. At the request of the Chair, the New Zealand delegation agreed to make available the New Zealand Standard on reporting prospective information;
- the PSC had completed its core accrual basis reporting standards, and now the PSC should focus on the development of standards requiring the budget to be reported on an accrual basis. The link between general reporting of the budget and actuals needed to be completed;
- the scope of the Research Report should not move beyond the legal mandate for financial reporting in each jurisdiction;
- the PSC did not have the skills or mandate to prescribe standards for budget formulation, and indeed it may not be appropriate that such standards be developed. In this context, the focus of the Research Report on identifying best practice in budget formulation was appropriate. However, the PSC had the skills and the mandate to develop standards for general purpose financial reporting of budget data and compliance with budget data;

- the conventional historical based financial reports were not sufficient to respond to the needs for general purpose financial reporting in the public sector, and the Research Report would provide an important insight into how financial reporting might develop in the future;
- the relationship between budgets based on GFSM2001 and compliance information needed to be further developed;
- it was important to note that the budget reporting issue also impacted at the individual entity level, and this should not be overlooked in the study;
- the PSC should not pre-judge the content of any possible standard on reporting of budget information and compliance with budget;
- the basis on which budgets were prepared might influence the basis of reporting, particularly if the budget was prepared on a cash basis. However, others disagreed, noting that the accrual basis IPSASs included a statement of cash flows which would accommodate comparisons with budgets, whether those budgets were prepared on a cash or accrual basis; and
- the issue needed to be addressed because it is a necessary component if public sector entities are to discharge accountability obligations. Some Members noted it may not in fact be a major step to deal with budget reporting.

Members agreed that it was not appropriate to pre-judge the outcome and that the research should continue.

Members agreed that the project should be progressed as currently proposed, noted that the project was very interesting and likely to be controversial, and expressed great interest in seeing the final draft report in November 2003.

Members agreed that as the project developed, it would be important to maintain a dialogue with economists and budgeteers.

Action Required: *Finalize Steering Committee membership. Prepare draft Research Report.*
Person(s) Responsible: *Chair, Members, SC Chair, PSC Staff, Consultant.*

11. ACCOUNTING FOR DEVELOPMENT ASSISTANCE

The Committee received and considered:

- a memorandum from Charles Coe and Paul Sutcliffe; and
- the Project Brief on Development Assistance;
- a draft Key Decision Questionnaire;
- a draft letter to potential Project Advisory Panel members, outlining role of Project Advisory Panels and inviting the recipient to join such a Panel.

Paul introduced the topic and reported that:

- as agreed at the November 2002 PSC meeting, the project will be developed in two stages. The first stage will deal with reporting under the cash basis;
- it was intended that, with input from a Project Advisory Panel (PAP), the PSC would prepare an exposure draft and subsequently an IPSAS;
- the PAP membership was still being developed but:
 - the Ian Mackintosh had agreed to chair the PAP; and

- it was proposed that the PAP comprise membership from the Multinational Development Banks Harmonization Group (MDB), the OECD Development Assistance Committee Financial Management Group (OECD-DAC), and Partner Countries (representing developing countries). Individuals representing each of these groups would be responsible for dissemination and co-ordination of materials. The PAP may also include two additional persons that Charles Coe had identified as having relevant expertise and expressing particular interest in the project. It was noted that this meant that while the PAP would encompass a potentially broad constituency, it would be operated through a small panel comprising Ian Mackintosh, coordinators for the MDB, OECD-DAC, and Partner Countries Groups; and two or three others.

The PSC agreed with these proposals and directed the consultant and Staff to proceed to develop the PAP. It was noted that the PAP would conduct its business electronically.

Charles Coe outlined the current status of the project and spoke to the Key Decision Questionnaire.

Members discussed each issue in detail and:

- re Issue 1(a) and 1(b): considered the interaction of this Project with the SC on Non-Exchange revenue and agreed that the project should remain focused on developing requirements for only the cash basis of financial reporting and that the ED should propose application of the IPSAS to all public sector entities which adopt the cash basis of financial reporting in accordance with the Cash Basis IPSAS. After some discussion, Members agreed that the Exposure Draft should be prepared as a separate IPSAS rather than as an amendment to the existing Cash Basis IPSAS. Members also agreed that issues 1(a) and 1(b) should be removed from the KDQ because it was not a matter for debate by the PAP;
- re Issue 2(a), 2(b), 2(c) and 2(d): agreed that the KDQ should be forwarded to the PAP with Staff proposals regarding the definition and composition of development assistance, except that note disclosure of non-cash development assistance is to be required rather than encouraged. It was also noted that some drafting refinements may be necessary to clarify:
 - that third party settlements are not “recognized” in the statement of cash receipts and payments, though they are displayed on the face of that statement;
 - whether, in issue 2(d), disaster relief provided directly to a government or government entity would constitute development assistance; and
 - whether the PAP was of the view that transitional requirements to support implementation of the IPSAS should be raised in the Exposure Draft, either in respect of this issue or as a more pervasive matter;
- re Issue 3: agreed that the Staff recommendation be forwarded to the PAP for comment, subject to any amendments consequential on decisions made in respect of Issue 2 above;
- re Issue 4: agreed that the KDQ be forwarded to the PAP with the Staff recommendations except that:
 - there should be additional explanation on how restrictions/conditions on accessing loan agreement funds should be disclosed to ensure that such disclosures are not excessive; and

- the requirement to disclose the five largest sources of undrawn loans/grants should be replaced with a requirement to simply disclose the major sources of undrawn loans/grants;
- re Issue 5: agreed that the KDQ be forwarded to the PAP with the Staff recommendation;
- re Issue 6: agreed that the KDQ be forwarded to the PAP with the Staff recommendation. Members also agreed that debt relief was within the scope of the project and that the KDQ should be further developed to make that clear and draw out any consequences thereof.

Members also noted that it should be made clear that the focus of the Exposure Draft and subsequent IPSAS was on reporting by the recipient of the assistance, rather than the donor entity. Members requested Charles to ensure that the KDQ that was issued to the PAP dealt with all the issues and potential disclosure requirements detailed in the Project Brief.

Charles advised Members that, if possible, a first draft exposure draft would be prepared for consideration by the PSC at its November 2003 meeting as proposed in the initial project schedule. Paul noted that given that the PAP had not yet been established, it may be more realistic to anticipate that in November 2003 there would be a report on the PAP's response to the KDQ. Members agreed that this was likely to be the case, and this was appropriate.

Members thanked Charles for his work and noted the importance of this project to many constituents.

Action Required: ***Finalize Project Advisory Panel membership and Key Decisions Questionnaire and forward to PAP. Prepare report on PAP responses for consideration at the next PSC meeting. Commence drafting the Exposure Draft.***

Person(s) Responsible: ***Ian Mackintosh, PSC Staff, Consultant.***

12. IMPAIRMENT OF ASSETS

The Committee received and considered:

- a memorandum from Ahmad Hamidi-Ravari;
- extracts of minutes of the PSC meeting in April 2003;
- draft ED XX *Impairment of Assets*, clean copy;
- draft ED XX *Impairment of Assets*, marked up copy; and
- project history sheet.

Ahmad introduced the topic and noted that, inter alia, the PSC considered various approaches to the determination of value in use of a non-cash-generating asset at the April 2003 meeting and agreed that:

- the “surrogate cash flow” and “market value” approaches should be deleted from the draft ED; and
- the “depreciated replacement cost”, “the restoration cost” and “the service units” approaches should be included in the draft ED.

It was also noted that in recent correspondence, the IASB's Observer on the PSC reiterated his previous view that property, plant and equipment carried at fair value at the reporting date need not be tested for impairment and that this principle is applicable to all assets measured at fair value. It was also noted that the IASB would not be considering this issue until its "Measurement Project" is much further advanced.

Staff noted that they have included the amendments agreed to at the April 2003 PSC meeting in the draft ED. It was noted that the draft ED also included amendments that were not specifically agreed to at the April meeting. These amendments, inter alia, related to rearrangement of the scope section of the draft ED, inclusion of an additional question in the Specific Matters for Comment section, inclusion of additional examples in Appendix B of the draft ED and revision of the section entitled "Commenting on this Exposure Draft" to note that all comments received from constituents on the ED are considered as a matter of public record.

Members considered the draft ED and agreed the amendments proposed by Staff. It was agreed that the following amendments should also be made before publication of the ED:

- amend the "Acknowledgement" section of the ED to explain that the ED deals with the impairment of all assets in the public sector rather than just non-cash-generating assets. Consequential amendments arising from this decision are to be made to other parts of the ED;
- include as a "specific matter for comment", a question on whether "reduction of demand" other than complete cessation, should be included as an indicator of impairment and an increase in demand should be included as an indicator of reversal of the impairment loss;
- amend item (d) of paragraph 1 to indicate that non-cash-generating property, plant and equipment carried at fair value under IPSAS 17 are excluded from the scope of the ED. The basis of conclusion should set out the reasons underlying this scope exclusion;
- delete the definition of the "value in use of a cash-generating asset" from paragraph 13;
- incorporate the concept of "significance" used in other indicators in the indicator of impairment described as "evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, worse than expected", set out at item (f) of paragraph 20. Clarification is also required that, in the case of this indicator, it is the poor operating performance of the asset that causes the service or output levels provided by the asset to be lower than those originally expected;
- include as a "specific matter for comment" a question on whether the three approaches to value in use are perceived as separate approaches, or whether the depreciated replacement cost approach encompasses the other two approaches. This is to canvass the constituents' opinion on an alternative view that suggests that, as a broad approach, depreciated replacement cost encompasses the other two approaches;
- delete paragraph 31 of the draft ED and amend the "Basis for Conclusions" for the consequential effects of this deletion;

- add commentary to explain circumstances in which a commitment to discontinue or restructure the operation to which an asset belongs (paragraph 54 (c) of the draft ED) acts as an indicator of reversal of the impairment loss;
- remove the phrase “service and /or the geographical” from paragraph 68 and item (d) of paragraph 69;
- amend the “Basis for Conclusions” by deleting any references to “surrogate cash flows approach” and include a brief explanation that such an approach was rejected;
- amend the second dot point in the “Comparison with IAS 36” section of the draft ED to state that IPSAS XX uses a different method of measurement in its approach to determining the value in use of non-cash-generating assets compared with that used by IAS 36 for measuring the value in use of a cash-generating asset; and
- add that the exclusion from the scope of IPSAS XX of non-cash-generating property, plant and equipment carried at fair value under IPSAS 17 is another difference between IPSAS XX and IAS 36 in the “Comparison with IAS 36” section of the ED.

The PSC unanimously approved the issuance of the ED subject to final amendment as decided at this meeting and review by the PSC Chair. The ED will have an exposure period of four months from the date of issue.

Action Required: *Amend the draft ED for approval to issue by the Chair.
Publish the ED.*

Person(s) Responsible: *Chair, PSC Staff*

13. STUDY 11 AND STUDY 14 UPDATE

The Committee received and noted:

- memorandums from Li Li Lian;
- a paper highlighting the main changes proposed to Study 14 (2nd edition);
- a proposed public notice *Summary of Main Changes to Study 14*;
- an illustration of the cover of the current hard copy edition;
- an illustration of the cover for Study 14 (2nd edition); and
- an updated foreword to Study 14.

Re: Study 11

Li Li introduced the topic and noted that, as directed by the PSC at its April 2003 meeting, Staff have prepared a paper outlining the extent to which Study 11 was out of date and issues to be considered in determining whether it should be “decommissioned”.

The PSC noted that:

- some information in Study 11 is still useful; and
- notwithstanding that studies may be out of date they continued to provide some preliminary consideration of concepts that underpin PSC’s work.

The PSC agreed that they would not withdraw Study 11. Rather a ‘health warning’ would be posted on the web to advise readers that the standards, guidance and practices discussed in Study 11 may have changed since it was published.

It was also noted that, subject to the availability of resources, other PSC Studies, Occasional Papers and Guidance on issue should be reviewed to determine whether a similar 'health warning' is appropriate for those publications.

Re: Study 14

Li Li introduced the topic and noted that the issues discussed will be based on the PSC's decision to update Study 14 on a continuous process rather than on a periodic basis every 2 years or so.

Members noted:

- the changes made to update Study 14; and
- it was anticipated that the 2nd edition of Study 14 will be published after the publication of the exposure draft on impairment of assets, but before the publication of the two ITCs prepared by the steering committees.

The PSC also agreed that:

- Study 14 will be updated as a web-based product. This does not preclude the publication of the updated Study 14 in hard copy. This will be considered every two or three years as considered appropriate by the PSC;
- the updated Study 14 will be known as Study 14 2nd edition (MM YYYY);
- it is anticipated that the Study will usually be updated annually;
- a 'health warning' will be posted on the web for those readers who request a hard copy of the first edition of Study 14. A label will also be fastened to the remaining hard copies similar to the 'health warning'. A similar 'health warning' could also be used for subsequent hard copies when they are printed;
- a paper summarizing the major changes to update Study 14 will be prepared for readers and it will be included in each updated edition;
- a drafting subcommittee will be set up to review the marked-up document and make recommendations to the PSC. The subcommittee will not be a standing committee, rather it will be actioned when the review of the Study is to be updated. Ian Mackintosh and Tom Olsen volunteered to be part of the drafting subcommittee and to conduct business electronically;
- PSC administration Staff will review and update the web links each quarter; and
- the Foreword to the Study will be revised such that it will be adaptable for most of the newer editions of the Study.

Action Required:

***Post 'health warning' for Study 11 on the web.
Prepare draft updated Study 14 (2nd edition).
Arrange for a drafting sub-committee to review the
changes to Study 14. Prepare 'health warning'
labels for the remaining hard copies of Study 14.***

Person(s) Responsible:

Chair, Drafting Subcommittee, PSC Staff.

14. GFS, ESA 95, IPSAS HARMONIZATION

The Committee received and considered:

- a memorandum from Paul Sutcliffe;
- the Agenda for the June 2003 Convergence meeting;

- a list of participants at the meeting; and
- a draft report of the meeting.

Paul Sutcliffe tabled a marked-up revised copy of the meeting report, and noted that the revised report incorporated additional comments from participants and had been cleared by the leaders of each delegation present at the June 2003 Convergence meeting. Paul noted that the major changes:

- highlighted that the reason the PSC had initiated the meeting was to seek mechanisms to enhance the convergence of IPSASs and GFSM2001 and, if possible, also ESA95; and
- made clear that while the primary focus of the larger OECD Task Force (see below) will be on the general government sector, IPSASs and GFSM2001 adopted a broader whole of government perspective.

Ian Mackintosh reported on the meeting noting that:

- the PSC had initiated the meeting primarily to further the convergence of IPSASs and GFS, as outlined in GFSM2001, and to explore the potential for also enhancing the convergence of IPSASs and the requirements of ESA 95;
- the meeting was chaired by the PSC Chair and attended by representatives of the IMF, OECD, Eurostat, the Australian Accounting Standards Board (AASB) and the UK Treasury and Office of National Statistics. Paul Sutcliffe had attended and acted as the secretariat for this meeting. Papers were tabled by all attendees. Copies of these papers are available to PSC Members on request. During the course of the meeting a presentation was also made on how South Africa was dealing with the need to develop information to comply with GAAP/IPSAS type financial statements and with GFSM2001;
- the meeting was very positive and constructive, with strong input from all participants. There was general acknowledgement that the work of each Group overlaps and it is desirable that the opportunities for co-operation and co-ordination of activities is increased;
- while in many cases, the same treatments would be adopted under each model, particularly for GFSM2001 and IPSASs which adopted a broad public sector/whole of government focus and a similar financial statement structure, there were many points of difference. In this context, the IASB project on performance reporting as it is currently developing may be very useful in resolving a range of differences;
- the objectives and reporting focus of IPSASs, GFSM2001 and ESA95 may differ in certain respects. Accordingly, full harmonization may not be possible nor, where it undermines the objectives of each system, desirable;
- ESA95 and GFS are developed within the context of SNA. Major changes to ESA95 and GFSM2001 can only occur when SNA is revised and the SNA is to be revised by 2008. It was also noted that interpretation of SNA could be made and this also provided an opportunity for convergence;
- a paper (based on the paper prepared by PSC Staff as input to this meeting) comparing the requirements of GFSM2001 and IPSASs will be updated and expanded by IMF Staff and will be made available to interested parties to publish, including to the OECD for inclusion on its Electronic Discussion Group website. Members agreed that it would be appropriate for the PSC to publish this paper as a PSC Occasional Paper;

- a second meeting of the Convergence Group would be held at the OECD in Paris in early October 2003. This meeting would again be chaired by the PSC Chair and would consider a submission to the ISWGNA (Inter Secretariat Working Group on National Accounts) on the issues that should be considered in the 2008 revision of the SNA. The ISWGNA will review potential issues in early 2004 with the objective of making recommendations for the amendment of SNA (and consequently GFS and ESA95). It was noted that PSC Staff had already responded on issues that should be submitted to the ISWGNA and provided their comments including, as requested, Staff views on the appropriate groupings and priorities of the issues. This list is available for PSC Members on request;
- the October 2003 meeting of the Convergence Group would also:
 - identify future action to progress harmonization/reconciliation of IPSASs and GFSM2001, and consider the potential to include convergence with ESA 95 as part of such action; and
 - make recommendations on the establishment and work program of a larger OECD Task Force on the harmonization of international standards on general government accounts, including recommendations for the membership and Chair of the Task Force;
- Australia had been invited to distribute relevant convergence papers prepared for consideration by the AASB or other bodies as appropriate to participants at the June meeting of the Convergence Group. If invited, participants may then provide comments on an individual basis and would indicate the extent to which they reflect an organization view. The Australian Technical Advisor confirmed that relevant parties in Australia had agreed this should be done; and
- Eurostat had prepared a paper on contributions by owners which may be of interest to the Steering Committee on Non-Exchange Revenue. It was also noted that the Eurostat observer on the PSC had led the Eurostat delegation at the June Convergence meeting and had noted that Eurostat had great interest in the work of the PSC Steering Committee on Non-Exchange Revenue. He had expressed interest in attending the next SC meeting as an observer and the PSC Chair had indicated that it would be appropriate. The Chair of the SC also welcomed the attendance of Eurostat at the next SC meeting.

The Chair noted that it is anticipated that the larger OECD Task Force will meet at the beginning of 2004 and again at the beginning of 2005, perhaps in conjunction with the Senior Budget Officials' meetings. It is intended that this Task Force include involvement from those attending the Washington June 2003 Convergence Group meeting (PSC, IMF, Eurostat, UK, Australia) as well as other countries and organizations. It was also agreed that the new OECD Task force will be the primary forum under which longer term SNA convergence issues are resolved and that it would be staffed by the OECD.

It was noted that the IMF was establishing an Electronic Discussion Group (EDG) on pension accounting and PSC Staff would prepare papers reporting on the status of the Social Policy Obligations Invitation to Comment. It was also noted that PSC Staff had acted as a conduit between the IMF and the IASB to ensure that a paper outlining progress on the IASB's revision of IAS 19 *Employee Benefits* will also be included in the EDG.

Members agreed that continuing the IPSAS-GFSM2001 convergence program was important and should be pursued. Members also indicated, subject to the availability of resources, support for PSC involvement in the broader OECD working group. Members also noted that the higher level strategic issues relating to avoiding differences emerging between IPSASs and GFS in the longer term have been deferred to be considered in light of the impending external review of the PSC.

Action Required: *Continue with the IPSAS-GFSM2001 Convergence working group.*
Person(s) Responsible: *Chair, PSC Staff.*

15. IPSAS REVIEW AND UPDATE – HARMONIZATION WITH IFRSs

15A. IASB IMPROVEMENT PROJECT

Members received and considered:

- a memorandum from Li Li Lian and Ahmad Hamidi-Ravari; and
- papers outlining anticipated differences between IPSASs and IFRSs as at March 2004.

Ahmad introduced the topic with a brief background on the IASB's General Improvement Project. It was noted that the PSC's submission on this project was prepared with two objectives – the first was to comment on proposed changes and the second was to keep abreast of developments so that the Staff would be well positioned to execute a similar project for existing IPSASs in the future should the Committee so decide.

It was noted that as directed at the last meeting, Staff had prepared papers identifying the anticipated differences between IPSASs and IFRSs as at March 2004. Staff noted that it was not intended to go through all the changes in detail at this meeting. Rather, the papers had been prepared to provide the PSC with a realistic picture of the extent of changes to IPSASs that Staff expect to arise from the IASB Improvement Project.

Li Li and Ahmad explained the pros and cons of actioning a project immediately. Members considered the implications of an IPSAS Improvement Project and the following views were expressed:

- the IPSAS Improvement Project could be considered in the external review of the PSC;
- some Members were of the view that an IPSAS Improvement Project should be actioned immediately and emphasized the need for IPSASs to maintain their relevance. Others expressed concern about actioning the project at this stage, noting that the first 20 accrual IPSASs had only recently been completed;
- some Members noted that the PSC should aim for a target date for completion of such a project and allocate resources accordingly;
- some Members suggested that the PSC obtain resources from major accounting firms, such as, a Staff secondment to the PSC to undertake an IPSAS Improvement Project. Norbert Vogelpoth noted that as a number of jurisdictions were intending to adopt IPSASs, they may be interested in seconding staff to the

PSC. He also agreed to contact Dr. Lüder, who translated IPSASs into German, to see if assistance can be secured for this project; and

- the PSC should make a final decision on the project at the November meeting.

The PSC agreed that it should further consider the process for aligning current IPSASs with improved IFRSs to the extent applicable to the public sector. Staff were directed to prepare a project proposal examining alternate approaches for updating IPSASs, together with their resource implications, for consideration by the PSC at its next meeting.

Action Required: *Prepare a paper on alternative approaches to updating IPSASs for changes proposed by the IASB. Contact Dr. Lüder for assistance with updating project.*

Persons Responsible: *PSC Staff, Norbert Vogelpoth.*

15B. FIRST-TIME ADOPTION OF IFRSs

Members received and considered:

- a memorandum from Ahmad Hamidi-Ravari and Li Li Lian;
- a summary of IFRS 1; and
- IFRS 1 *First-Time Adoption of International Financial Reporting Standards*.

Ahmad reported to the PSC that the IASB issued IFRS 1 *First-Time Adoption of International Financial Reporting Standards* on 19 June 03 and Staff were of the view that the PSC needed to consider if a similar IPSAS was necessary.

The PSC directed Staff to prepare a paper discussing the options available to the PSC and the reasons for, and approaches to issuance, of an equivalent IPSAS.

Action Required: *Prepare paper on the options of why and how the PSC could adopt IFRS 1.*

Persons Responsible: *PSC Staff.*

16. ETHICS COMMITTEE REVIEW

Members received and considered:

- a memorandum from Norbert Vogelpoth, PSC Member for Germany and PSC representative on the Ethics Subcommittee which had been established to revise Part C of the Ethics Code;
- a report on progress of the Subcommittee; and
- the draft of Part C of the Ethics Code.

Norbert Vogelpoth reported to the meeting that the IFAC Board had considered and approved for exposure the draft IFAC Ethics Code at its recent meeting in Quebec, Canada. He advised the PSC that he would coordinate and pass any comments the Members may have to the Ethics Committee during the 120 days exposure draft period.

Action Required: *Submit comments on Exposure Draft of the Ethics*

Code Draft to Norbert Vogelpoth.
Persons Responsible: *Members, PSC Subcommittee Representative.*

17. PSC CONSULTATIVE GROUP

Members received and considered:

- a memorandum from Jerry Gutu regarding the PSC Consultative Group nominations;
- the Consultative Group Operating procedures; and
- an action list on the Consultative Group nominations.

Jerry Gutu provided an update on the status of the Consultative Group, noting that 49 out of 65 individuals and organizations had confirmed their membership and participation in the group. He confirmed that the group had been activated and that access to the intranet for the group had been granted, with group members now able to access and participate on the identified PSC activities. Jerry pointed out that 16 appointments remained outstanding and additional submissions had been received from FEE. The meeting was advised and agreed that the applications for nominations from FEE would be handled initially by the PSC Members from Europe.

The meeting noted the presence of the Consultative Group members from North America and the People's Republic of China who had participated in a lunch meeting on the second day of the PSC meeting.

Action Required: *Finalize the remaining nominations to the Consultative Group including the additional nominations from FEE. Advise nominees, publicize the actioning of the Group and proceed to invite the group to the next meeting.*

Person(s) Responsible: *Members, PSC Secretariat.*

18. ARGENTINEAN OCCASIONAL PAPER

The Committee received and noted:

- a memorandum from Carmen Giachino Palladino; and
- a draft Argentinean Occasional Paper.

Carmen presented her Paper to the PSC entitled *The Governmental Accounting System in Argentina*. The Paper described the process on how and why the federal government of Argentina embarked on a change in their accounting system from a cash system to a substantially accrual based system. Among the main changes performed to date include:

- an integration of budgets with actual revenue and expenditure in the accounting system;
- integration of the net position of decentralized organizations, social security institutions and government business enterprises into the financial statements of the Argentinean federal government; and
- recognition of government assets which are valued at cost or at a property tax valuation (values appraised by the National Assessment Tribunal).

The PSC then proceeded on a page by page review of the Paper and agreed on the following revisions:

- the terms ‘income’ and ‘expenses’ used in the part 3 of the Paper should be replaced with ‘receipts’ and ‘expenditures’. This is to more accurately reflect that the government recognizes receipts and expenditures on a flow of funds basis;
- the terminology ‘fiscal valuation’ in part 3.3 of the Paper should be replaced with ‘property tax valuation’ to more accurately describe that the measurement of property is the value used by local and municipal governments;
- the terminology ‘compromise’ used when discussing certain budgetary practices of some South American governments should be replaced with ‘commitment’ to reflect the basis of which those countries recognize their budgets in their financial systems;
- references used in the Paper should reflect that the federal government of Argentina does not currently consolidate the financial statements of decentralized bodies, social security institutions, national universities and government business enterprises, but only combines (sums across) the net position of these organizations; and
- include commentary in the Paper to note that there is:
 - no law requiring the accounts to be adjusted to reflect the effects of operating in a hyperinflationary economy; and
 - a requirement to recognize depreciation of assets.

Other editorial comments included:

- the term ‘government enterprises’ in the Executive Summary should be replaced with the term ‘government business enterprises’;
- the terms ‘judiciary’ and ‘economic situation’ in the first paragraph in page 18.9 should be replaced with ‘legislature’ and ‘financial situation’; and
- the term ‘accrual principle’ in the 2nd paragraph in page 18.21 should be read as “accrual principle”.

The PSC approved the publication of the Paper, subject to final approval by the Chair. Javier Pérez Saavedra volunteered to review the document before it was sent for approval to the Chair.

<i>Action Required:</i>	<i>Update the Occasional Paper, send to Javier for review and finally to the Chair for approval for publication.</i>
<i>Person(s) Responsible:</i>	<i>Chair, Pérez Saavedra, Carmen Giachino Palladino, PSC Staff, Javier</i>

19. PUBLIC SECTOR PERSPECTIVES ON ISAs

Members received and noted:

- a progress report on the agreement for INTOSAI to deal with public sector interpretations of the pronouncements of the IAASB; and
- an update on the current Public Sector Perspectives (PSPs).

Jerry Gutu drew Members’ attention to an earlier report to the committee by Ron Points in which Ron confirmed that World Bank was providing the funding for the INTOSAI Secretariat which will be responsible for development of Audit Practice

Notes/Guidance/PSPs. The meeting was advised that preparations for the mechanism by which INTOSAI would deal with public sector interpretations by the end of the year were on course. Jerry explained that when these arrangements were in place the PSC would no longer prepare PSPs.

Jerry expressed appreciation to the PSP subcommittee for the assistance that they had given PSC Staff since the meeting in Melbourne. At the Melbourne meeting, it was agreed that draft PSPs would be circulated to all PSC Members, and Members need only respond if they disagreed or had further amendments to propose to the drafts.

Jerry advised that following the meeting, the subcommittee had assisted him in preparing two PSPs for ISA 220 *Quality Control* and ISQC 1 *Quality Control for Audit, Assurance and Related Service*. These PSPs had been circulated for comment to the full PSC. As agreed at the Melbourne meeting, the two PSPs were submitted to IAASB for incorporation into the draft ISAs thereafter. He also reported that the two PSPs on audit risk and assurance engagement ISAs approved by PSC in Melbourne, and the decision not to issue a PSP on the ED on *Audit of Interim Financial Statements*, had been communicated to IAASB.

In providing an update on the PSPs, Jerry made reference to an additional note he circulated on the current requests from IAASB, noting that it was anticipated that six ISAs/IAPs would require PSPs by the end of 2003. These included: a revised ISA 240 *The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements*, revised ISA 700 *The Auditor's Report on Financial Statements*, revised ISA 300 *Planning*, new IAPS on *Group Audits*, revised ISA 540 *Audit of Accounting Estimates*.

The committee noted that drafts PSPs would be compiled with the assistance of the subcommittee and circulated as per the agreed procedure prior to submission to IAASB.

Action Required:	<i>PSP subcommittee and Staff to draft PSPs and to circulate to PSC and forward the PSPs to IAASB.</i>
Person(s) Responsible:	<i>PSP Subcommittee, PSC Secretariat.</i>

20. FUTURE MEETINGS & GENERAL BUSINESS

The next meeting will be in Berlin, Germany on 5-7 November 2003. This will be the last PSC meeting for 2003.

Discussion was held on venues for the meetings for 2004. Members noted the position of the IFAC Board for all IFAC committees to hold half of their meetings in New York. Ian Ball confirmed the position of the Board, but indicated that where justified committees could hold more than half of their meetings away from New York. Members expressed their view that hosting meetings in member countries could be justified given the significant promotional impact of the work of the PSC in those countries. It was highlighted that PSC was finalizing the core suite of its IPSASs including the public sector specific standards on non-exchange revenue and social policy obligations and should be engaging in intense promotion of its standards and thereby providing ample justification.

Norway, through its PSC Member, Mr. Tom Olsen reiterated his country's interest in hosting a meeting for PSC in 2004. Indications were given that Japan at this stage was not able to host a PSC meeting but could be a possibility for 2005.

Members agreed that at this stage, the first meeting of 2004 should be scheduled for New York in March 24-26, 2004 with tentative venues for July and November 2004 meetings being Buenos Aires, Argentina and New Delhi, India respectively. The Argentinean Member noted that the Inter-American Development Bank would facilitate a meeting of those Latin American countries that have decided to implement the accrual basis IPSASs to coincide with the meeting in Buenos Aires. The Chair and Member from USA, and the World Bank observer indicated that the World Bank would facilitate a meeting of the countries in the South Asia region that were adopting the IPSASs as the basis for financial reporting to coincide with the PSC meeting in New Delhi. Members agreed that the timing of these meetings should be linked with regional meetings of Accountants and Auditors-General in the South American and South East Asian regions respectively and that accordingly meetings in these locations were justified based on the significant promotional and liaison opportunities this accords to IFAC and PSC for its IPSASs and other work.

The PSC Chair noted that this was to be Ahmad Hamidi-Ravari's final meeting as his term of secondment to the technical staff was now complete and he would be returning to the Australian Accounting Standards Board as soon as ED 23 *Impairment of Assets* was finalized. The PSC thanked Ahmad for his work over the past year and a half and wished him well for the future.

Action Required: *Arrangements to proceed on Berlin November 2003 meeting. PSC to continue work including justification letter to IFAC Board on venues outside NY and finalize arrangements for meetings.*

Person(s) Responsible: *Chair and PSC Staff.*

21. PSC ROUND TABLE

The PSC met with the following for a round table discussion:

- Peter Gregory CA, Deputy Auditor-General, Office of the Auditor-General of British Columbia;
- Dan Simunic CGA, Certified General Accountants' Professor, Saunderson School of Business, University of British Columbia;
- Wayne Strelieff CA, Auditor-General, Office of the Auditor-General of British Columbia;
- Gordon Ruth FCGA, Chief Financial Officer, Greater Vancouver Regional District;
- Irene Gordon FCGA, Associate Professor, Faculty of Business Administration, Simon Fraser University;
- Arn van Iersel CGA, Comptroller-General, Office of the Comptroller General of British Columbia;
- Barbara Reuther CGA, Director, Financial Reporting and Advisory Services, Office of the Comptroller-General of British Columbia;
- Terry Corrigan FCA, Director of Finance, City of Vancouver;

- Frank Barr FCA, President, Frank Barr & Associates;
- David Rattray FCGA, Assistant Auditor-General, Office of the Auditor-General of Canada, Consultative Group member;
- Dr Bob Freeman, Consultative Group Member;
- Mr. Ken Dye, Consultative Group Member;
- Jim Luedeke, Consultative Group Member; and
- Mr. Lou Hong, Consultative Group Member.

The round table discussion was introduced by the PSC Chair and began with brief presentations by PSC Members from France, USA and UK on the progress towards adoption of accrual accounting in those countries.

The round table meeting enabled participants to exchange views on a variety of subjects including:

- a conceptual framework for public sector accounting – in this context, the UK delegation made a presentation to participants outlining the proposals in the recently issued UK Discussion Paper *Statement of Principles for Financial Reporting - Proposed Interpretation for Public Benefit Entities*;
- the role of accounting in poverty reduction;
- Canadian and British Columbian experiences of public sector accounting;
- segment accounting;
- social obligations reported on the balance sheet;
- non-financial performance reporting;
- whole of government reporting; and
- the relationship between information reported in the financial statements and the information provided to Statistics Canada.

**PUBLIC SECTOR COMMITTEE
ACTION LIST FROM THE VANCOUVER MEETING**

Action Required	Person(s) Responsible	Date Due	Date Completed
1. Prepare, review and distribute minutes.	Chair, PSC Staff	August 2003	August 2003
2. Update the Committee's Action List and distribute with the minutes.	PSC Staff	August 2003	August 2003
3. Post approved minutes from the Melbourne meeting on the Web.	PSC Staff	August 2003	August 2003
4. Prepare PSC Update on Vancouver Meeting.	Chair, PSC Staff	August 2003	August 2003
5. Circulate Terms of Reference for PSC External Review	Chair, PSC Technical Director	September 2003	August 2003
6. Update PSC Correspondence, Distribution and Network Lists; and send to members.	PSC Secretariat	August 2003 and Ongoing	September 2003
7. Prepare IFAC Liaison Report.	PSC Secretariat	October 2003	September 2003
8. Update PSC Work Plan	PSC Staff	Ongoing	September 2003
9. Follow up on funding and promotion activities including follow up with IADB.	Chair, PSC Staff	Ongoing	Ongoing
10. Write to IASB Chair re translating of IPSASs into French and Spanish.	Chair, PSC Staff	August 2003	August 2003
11. Explore translation of Cash Basis IPSAS into key languages.	PSC Staff	September 2003 and ongoing	Ongoing
12. Update register of funding, translation and promotion activities.	PSC Staff	October 2003 and ongoing	September 2003
13. Prepare an update on IASB work program for inclusion in PSC Agenda materials.	PSC Staff	September 2003	September 2003

Action Required	Person(s) Responsible	Date Due	Date Completed
14. Prepare document to note the changes made in IFRSs to be in place by 2004 and identify the impact of those changes on existing IPSASs.	PSC Staff	September 2003	September 2003
15. Prepare country reports to be included in the Committee Agenda.	Members, PSC Secretariat	September 2003	September 2003 and ongoing
16. Update draft ITCs for presentation at the November 2003 PSC meeting for approval to issue. Confirm or otherwise the majority views of SPO SC members. Arrange SC meetings if necessary.	SC Chairs, PSC Staff	July 2003 and ongoing	August and September 2003
17. Finalize Budget Reporting Steering Committee membership.	Chair, SC Chair, PSC Staff	August 2003	August 2003 and ongoing
18. Update draft research paper and distribute to Budget Reporting Steering Committee.	SC Chair, Consultant	August 2003	August 2003
19. Finalize Project Advisory Panel membership for Development Assistance Project.	Chair, PSC Staff and Consultant.	August 2003	September 2003 and ongoing
20. Update key decisions questionnaire for Development Assistance Project and distribute to Project Advisory Panel.	Consultant	September 2003 and ongoing	September 2003
21. Commence drafting an Exposure Draft on Development Assistance	PSC Staff and Consultant	August 2003 and ongoing	Pending
22. Amend ED Impairment of Assets for approval by Chair. Publish ED.	Chair, PSC Staff	July/August 2003	August 2003
23. Monitor PSC and IASB concepts and definitions. Update PSC as necessary.	PSC Staff	Ongoing	Ongoing
24. Post "health warning" for Study 11 on the internet.	PSC Staff	August 2003	September 2003
25. Advise New York staff of perceived short comings in the pro-forma aervice delivery statements	PSC Staff	August 2003	August 2003

Action Required	Person(s) Responsible	Date Due	Date Completed
26. Prepare draft updated Study 14 for review by drafting subcommittee. Prepare “health warning” labels for hard copies of Study 14.	Chair, Drafting Subcommittee, PSC Staff	August 2003	September 2003 and ongoing
27. Continue with the IPSAS-GFSM2001 convergence working group.	Chair, PSC Staff	July 2003 and ongoing	September / October 2003
28. Prepare paper on convergence/harmonization with IASs/IFRSs. Contact Dr. Lüder for assistance with updating project.	PSC Staff, Norbert Vogelpoth	September 2003	September 2003 and ongoing
29. Prepare paper on IPSAS equivalent to IFRS 1	PSC Staff	September 2003	September 2003
30. Submit comments on Exposure Draft of the Ethics Code Draft to Norbert Vogelpoth.	Members, PSC Subcommittee Representative	October 2003	Ongoing
31. Finalize remaining nominations to the PSC Consultative Group and arrange to meet in Berlin.	Chair and PSC Secretariat	August 2003	September 2003
32. Update the Occasional Paper, forward to subcommittee for review and to the Chair for approval for publication	Chair, Carmen Giachino Palladino, Javier Perez Saavedra, Ian Mackintosh, Philippe Adhemar, Mike Hathorn, PSC Staff	August 2003	August 2003 and ongoing
33. Draft PSPs and circulate to PSC, forward final PSPs to IAASB	PSP Subcommittee, PSC Secretariat	July 2003 and ongoing.	August/ September 2003 and ongoing
34. Liaise with IDW and others as necessary to co-ordinate the November 2003 PSC meeting in Berlin.	PSC Secretariat	August 2003 and ongoing	August 2003 and ongoing



**INTERNATIONAL FEDERATION
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DATE: 26 SEPTEMBER 2003
MEMO TO: MEMBERS OF THE IFAC PUBLIC SECTOR COMMITTEE
FROM: IAN MACKINTOSH
SUBJECT: **CHAIRMAN'S REPORT**

Since the last International Federation of Accountants (IFAC) PSC meeting in Vancouver in July 2003, I have been involved in the following:

- Corresponded with IAASB Chair regarding AASB-PSC Translation process.
- Attended the IFAC Board meeting in September. I will provide a verbal report on the IFAC Board meeting in Berlin.
- Preparation of a Report to the IFAC Board on PSC activities since November 2003. This report is attached at item 4.4.
- Chaired the IPSAS-GFS-ESA 95 Convergence Meeting in Paris in October.
- Establishment of Development Assistance Project Advisory Panel. This is not yet complete. I will provide a verbal update on the status of the PAP at our meeting in Berlin.
- Preparation of welcome letters for members of the Budget Reporting Steering Committee.
- Preparation of the Terms of Reference for the PSC review. The latest draft is attached at item 4.5.
- Preparation of welcome letters to additional members of the PSC Consultative Group.
- Addressed the International Colloquium on Financial Management for National Governments. I will provide a verbal report on the Colloquium at our meeting in Berlin.
- Provided input to the AICPA's review of the Financial Accounting Standards Board (FASAB) in the USA.
- Participated in the national standards setters' meeting hosted by the IASB in London in September. I will provide a verbal report on this meeting at our meeting in Berlin.
- Review of final draft of ED23 *Impairment of Assets*, and approved its issue.
- Review of Occasional Paper 7 *The Governmental Accounting System in Argentina*.
- Review of revised Study 14.
- Finalisation of arrangements for the Berlin meeting.

DRAFT ONLY
PSC External Review – Terms of Reference (TOR)

OBJECTIVES OF REVIEW

Overall Objective

To make recommendations on the strategies to achieve PSC objectives in the long term, noting any specific strategic initiatives/developments that should be implemented in the short term, medium term and long term (1, 5 and 5+ years)

Component Objectives

- (1) To assess and make recommendations on whether the PSC's standards setting activities should continue to be supported.
- (2) To assess the appropriateness of the PSC's current objectives, mandate, governance arrangements, operating procedures and relationships with key stakeholders.
- (3) To assess the PSC's achievement of these objectives and the discharge of its mandate..
- (4) To make recommendations on whether, and if necessary how, the PSC's objectives, mandate, governance arrangements and key stakeholder relationships should change and develop, and the resources necessary to support its ongoing activities.
- (5) To assess the responsiveness the PSC's work program to its existing and proposed objectives.
- (6) To identify any extraneous factors (changes in underlying assumptions) that would/could influence the Review Panel's recommendations going forward.

Factors to consider in framing the objectives of the review

The needs of parties interested in issues of financial reporting and financial management in the public sector.

The current profile of the PSC and its IPSASs.

The objectives of IAPC review and IASB strategic review.

The information needed by potential external funders, to assist them in making funding support decisions.

Comment: 6 core evaluation questions often specified in project assessments are outlined below. They cut across a number of the specific review topics identified in the attached. Rather than use these questions as specific review headings for the survey instrument, it seems preferable to focus on individual issues and leave the review panel to draw them together and reach conclusions on the following in their report. For example assessments of:

Relevance, will be influenced by the objectives of the program and the specific output including convergence with IASs/IFRS and GFSM2001, and the extent to which public sector specific issues are dealt with.

Efficacy, will be influenced by the outputs and the relationship of those outputs to the objectives.

Efficiency, will be influenced by assessments of outputs and resources deployed.

Sustainability, (of benefits delivered by the outputs), will be influenced by outputs achieved, adoption of the IPSASs or at least their use as a resource and their ongoing promotion and maintenance.

Institutional Development Impact, will also be influenced by such factors as outputs and their adoption.

Process and Implementation, will involve consideration of due process and current and ongoing support and promotion of the IPSASs

I believe the Review Panel should also assess the adequacy or otherwise of the existing objectives and underlying premises that shape the work of the PSC.

NATURE OF REVIEW

The review is to be undertaken by a panel chaired by a person external to the IFAC–PSC and comprising membership from IFAC and from key constituencies.

The “clients” are those with a valid interest in enhancing and strengthening financial reporting and financial management by governments and other public sector entities, including IFAC, governments and their agencies, national and international aid and similar agencies, national and international standards setters and similar organizations (including accounting and statistical basis standards setters), and other potential stakeholders and external funders of the PSC’s activities.

PANEL COMPOSITION

A – Size: propose 6, including the following:

- 1) Chair : high profile, independent
- 2) Ian Ball: IFAC (representing IFAC)
- 3) Ian Mackintosh: Retiring PSC Chair
- 4) Member X : World Bank (representing external funders)
- 5) Member X : representing government constituents: developed nation
- 6) Member X : representing government constituents: lesser developing nation

STAFF SUPPORT

- Jerry Gutu Panel Secretary, support to consultant
- External Consultant to undertake analysis and drafting.

SPECIFIC MATTERS FOR CONSIDERATION

PSC STRUCTURE

PSC Structure/Governance –

The PSC is a committee of IFAC, funded by IFAC and, predominantly, international development agencies. Membership is approved by the IFAC Board on the recommendation of the IFAC nominating committee.

The PSC's voting members are drawn from IFAC member bodies. The PSC also includes representatives from the external funders and other significant international organizations as observers with full rights to the floor.

The PSC is accountable to the IFAC Board but has operational independence in respect of its standards setting role.

PSC Members, including its Chair, are part time members and are not remunerated for their services. This is also the case for other IFAC Boards and Committees. However, it is intended that the IAASB Chair will be a full-time member.

PSC STANDARDS SETTING OBJECTIVES

PSC Mandate

The PSC was formed to address, on a coordinated worldwide basis, the needs of those involved in public sector financial reporting, accounting and auditing. In this regard, the term “public sector” refers to national governments, regional (e.g., state, provincial, territorial) governments, local (e.g., city, town) governments and related governmental entities (e.g., agencies, boards, commissions and enterprises).

The terms of reference of the PSC require it to develop programs aimed at improving public sector financial management and accountability including:

- developing accounting and auditing standards and promoting their acceptance;
- developing and coordinating programs to promote education and research; and
- encouraging and facilitating the exchange of information among member bodies and other interested parties.

However, the PSC's work program over the past few years has focused on the development of IPSASs, with the PSC providing limited guidance on the applicability of International Standards of Audit to the public sector.

Need for International Public Sector Accounting Standard Setter

The need for a private sector international standard setter is well accepted. However the need for a public equivalent may not be as clear or as well understood. The PSC has argued that such a facility is necessary because:

- public sector debt is widely traded in international markets and good quality financial information about the entities that issue such debt will support the efficiency of debt markets;

- international standards are needed to support the governments of developed and developing countries which are enhancing accountability and transparency in financial reporting;
- the adoption of high quality financial reporting standards for external reporting purposes will also improve the quality of financial information available to management in many jurisdictions and, consequently, will support improvements in the management of public sector resources; and
- the availability good quality financial information about the financial position and performance of governments and their entities will support the efficient allocation of resources across, and strengthen the operation of, the “global” economy.

The PSC also argues that IPSASs represent a cost efficient means of developing an international benchmark of best practices in public sector financial reporting, and are an important resource for many countries and international agencies.

Separate international standards setters currently develop financial reporting standards for the public sector (the PSC) and for profit seeking entities (the IASB). This arrangement reflects the current stage in the evolution in standards setting for each sector, the relatively recent initiation of the PSCs standards program and the significant work loads of each standard setter. The international standards setters have a good working relationship at the member and the staff level. Further evolution of this relationship may be anticipated.

PSC COMPOSITION AND KEY RELATIONSHIP MANAGEMENT

PSC Composition

Currently, the PSC does not have a designated profile specifying representation by persons with particular expertise (for example, audit, preparer, user, academic etc) or on a regional (for example, North America, Europe, Asia, Latin America, Australasian) basis, or a developed or lesser developed economy basis. PSC membership is appointed on the basis of best person for the job. However, the nominating committee does consider these matters in making recommendations for appointment to the PSC.

The PSC currently comprises 13 members plus observers from the World Bank, IMF, ADB, UN and UNDP, EU, OECD, INTOSAI, IASB.

PSC membership includes auditors, preparers and consultants, has a wide geographic membership and a broad skill base. Users are represented by the members and also by the international agencies.

Key stakeholders and relationship there-to

The PSC is an IFAC Committee, but has close relationships with the World Bank, IMF, ADB, OECD, UN, EU, IASB, governments and international and national standard setters.

The PSC exchanges information with the international and national standards setters, and supports the promotion of IPSASs through international and national

organizations by actively participating in seminars, symposiums and discussion groups. The PSC has also initiated meetings with IMF, EU, OECD and some national statistical agencies with a view to progressing convergence of statistical and accounting bases to the extent appropriate. The PSC also acts as a conduit to bring together national standards setters concerned with a specific issue. This is occurring in respect of, for example PSC projects on social policy obligations, non-exchange revenues, budget reporting and development assistance.

Focus/applicability

The PSC develops IPSASs for application by public sector entities other than GBEs, which apply IFRSs. Its constituency encompasses governments and their individual reporting entities in developed countries and in lesser developed countries,. International non-profit entities such as the OECD, EU and NATO also apply IPSASs.

The IASB establishes IFRSs for financial reporting by profit seeking entities.

The responsibility for establishing financial reporting standards for private sector or other non-public sector not for profit entities is not explicitly identified in the terms of reference of either of the IASB or the PSC.

PSC OUTPUTS AND DUE PROCESS**PSC outputs**

The PSC has issued 20 accrual IPSASs, based on IASs/IFRSs to the extent appropriate for the public sector, and a comprehensive cash basis IPSAS. As noted above, (see focus/applicability) the IPSASs are for application by public sector entities other than GBEs. The PSC has supported these IPSASs with a number of Studies and Occasional Papers to provide guidance on, and country experiences in, moving to the accrual basis.

Currently few governments explicitly claim to apply IPSASs, though a number of national, state and local governments and their entities are considering their adoption. In addition, for other countries IPSASs provide the basis on which national requirements are being developed. Accordingly, a number of countries may be using the work of the PSC in developing national requirements that will result in financial reports being prepared in accordance with IPSASs.

Certain international non-profit entities (OECD, EU, NATO) also apply IPSASs.

The PSC completed this first stage of its standards development program in late 2002/early 2003 with the issuance of the last of the 20 core accrual IPSASs and the cash basis IPSAS. The PSC has not undertaken a substantive Study of the adoption of IPSASs or the requirements thereof by governments or other entities.

PSC due process

Currently, the PSC process includes:

- preparation and issue for comment of Invitations to Comment and Exposure Drafts (voting for issue of an ED requires a positive vote of 2/3 of members present at a meeting);
- issuance of IPSASs and Studies (voting for issue of a final IPSAS requires a positive vote of ¾ of members present at a meeting);
- communication and support of the proposed and final IPSASs, Studies, and the work program at seminars and conferences; and
- discussion of its work program and particular items with its Consultative Group – this is developing

PSC meetings are open to the public to observe, and key meeting documents can be viewed on the web prior to each meeting. The PSC has initiated the use of Steering Committees and Project Advisory Panels to expand its knowledge base early in the IPSAS development process. The PSC has also reactivated its Consultative Group.

The PSC process has not included public hearings or field testing.

Availability of Documents

PSC documents can be downloaded free of charge from the IFAC web site. In addition, the PSC mails approximately 2,000 hard copies of EDs and IPSASs to some 1,500 recipients.

IPSAS Technical Support Mechanisms

The PSC establishment does not provide capacity for the PSC to provide training facilities or for PSC staff to provide detailed response to individual queries. This is the responsibility of accounting firms and other relevant organizations.

Many standard setters have in place mechanisms to provide interpretations of the standards and guidance on issue, or guidance on issues not yet addressed by the standard setter. The PSC does not include mechanisms to provide such interpretations or guidance.

Translation

The PSC encourages national bodies to translate IPSASs into appropriate languages, but does not provide funding support for such translations. The PSC has in place an arrangement with the IASB to leverage off the expertise the IASB has in place to support translations – the PSC will fund interpretations that occur under this arrangement.

PSC Promotion and Support of Output

Technical outputs of the PSC are the IPSASs and Studies. The success of the standards setting program is dependent on the technical quality of the output and the extent to which IPSASs are adopted and/or how their requirements influence and shape national practices. The PSC mandate does not explicitly refer to the PSC's role in education and support of the IPSASs. Strengthening promotion and support roles have resource implications for the PSC and may overlap with the role of the Education Committee.

PSC WORK PROGRAM

Harmonization with IFRSs

IPSASs are currently based on IASs/IFRSs to the extent to which the requirements of these standards are appropriate for the public sector.

The PSC Work Program includes a mix of projects directed at ensuring that the IPSASs remain harmonized with IASs/IFRSs and that IPSASs deal with key public sector specific issues not dealt with by the IASB. The PSC has also acknowledged the need to develop, or co-ordinate the development with authoritative national bodies of, an explicit statement of the concepts that underpin financial reporting by public sector entities.

The IASB is better funded and better resourced, both in respect of the number of staff and the availability of Board meeting times. The IASB is re-issuing many of its existing IASs with improvements, and is developing new IFRSs. In addition, the PSC has not dealt with all IASs/IFRSs on issue that have relevance for the public sector.

Harmonization with statistical bases

The GFSM2001 issued by the IMF adopts an accrual basis and a suite of financial statements that are broadly similar to IPSASs. However, there are a number of differences. The PSC has initiated a consideration of the potential for convergence of IPSASs and GFSM and also the European statistical system – ESA 95.

PSC FUNDING AND RESOURCES

PSC Funding and resources

PSC strategy documents prepared in late 2000 projected funding requirements of one million USD per annum to support the program through to the end of 2005. This budget was predicated on 4 PSC meetings per year; and 3.5 equivalent full time experienced staff working out of Melbourne, Australia on the standards project, supported by consultants on key projects. The PSC's actual operating costs to date have been just over half of this amount.

The PSC currently meets three times each year for three days, one half day of which is devoted to interaction with local area constituents and promotion of IFAC-PSC documents and initiatives.

It is proposed that for 2004, the PSC is (will be) staffed by a Technical Director, and two full technical managers and a Committee Secretary..

PSC Staff location

PSC technical staff have been located in Melbourne, Australia. There are significant cost advantages in this location. It was also most beneficial to locate key staff in close proximity to the Chair.

However, there are also disadvantages in this location - for example, it is distant from many of the PSC's key constituents and significant travel time is incurred in servicing IFAC head office needs (New York), and maintaining appropriate liaison with key

constituents such as the World Bank and the IMF (Washington) and the IASB (London) and the OECD (Paris).

MATERIALS TO BE CONSIDERED BY REVIEW COMMITTEE

- Current PSC Terms of reference
- Initial Proposal re PSC Standards-setting Project
- PSC Strategy Document and related funding projections 2000
- PSC Internal Review of 2001, follow up reports and related minutes
- PSC current operating budget and work program
- Summary Paper on PSC Standards Program Background and Achievements
- IASB Review – Recommendations for Shaping IASB for the Future and Existing Mandate of the IASB
- IASB current resources, operating budget, outputs and processes
- IAPC Review Task Force – Transmittal Letter to the IFAC Board
- Mandate of Other IFAC Committees
- Proposals for Reform of IFAC

REVIEW PROCESS

The review process is to involve a survey of PSC members and key constituents supported by concurrent, and follow up, interviews by Review Panel members. A survey instrument based on that used by World Bank will be developed by the consultant at the direction of the Chair.

- 1) Survey questionnaire to be developed and distributed to key persons/organizations, including:
 - PSC Members and their technical advisors
 - PSC Consultative Group
 - International Agencies – that currently have status as observer on PSC
– that do not currently have such status
 - A selection of key individual in governments in developed and developing countries. (The OECD, Consortium, ESAAG, CAPA, World Bank, ADB, IADB, African Development Bank and UN can be used to source the individuals).
 - IASB and national standard setters, particularly those with a public sector brief/interest.

- 2) **Interviews**
Questionnaire to be supported by selective interviews by review panel members. Potential interviewees to be determined at first meeting of Panel. Additional interviews to be undertaken based on responses to questionnaire.

- 3) **Review Panel Meetings**
Review Panel to meet on three occasions:
 1. commencement of review, to agree TOR and matters of inclusion in questionnaire and responsibilities for specific interviews;
 2. to analyze results of questionnaire and establish responsibilities for developing recommendations, and issues to be included in, draft report
 3. to review and sign off on report

Location of meetings to be decided based on a convenient and cost efficient location for all members.

4) Staffing

Consultant to be appointed to support Chair.

Jerry Gutu to serve as secretarial support.

IFAC New York Office to provide secretarial and administrative support.

5) Funding

TBA

6) Timing

Panel to be agreed by 1 October 2003

Review to take place over two months

Report to be finished by end of January 2003.

TERMS OF REFERENCE OF IAPC REVIEW

Background

IAPC is a key IFAC Committee responsible for the development of International Standards on Auditing. IOSCO, representing the International Securities Regulators, has started a review of international standards to determine whether and under what conditions they would be able to endorse those standards. Based upon the conclusions reached by IOSCO in respect of International Accounting Standards and IASC, there are likely to be comments in respect of the content of individual standards, the coverage of international standards, the extent of compliance with standards and the membership, organisation and processes by which IAPC arrives at the standards. The European Commission and other agencies are also likely to be interested in such issues.

The leadership of IFAC, in discussion with the major firms, has agreed that it would be appropriate to institute a comprehensive review of the membership, organisation and processes of IAPC as a matter of urgency.

It has also been agreed that the Task Force should not consider technical issues or issues related to compliance with international standards. Given the central importance of International Audit Standard setting to the public interest objectives of IFAC, it is important that IAPC remains as an integral part of IFAC.

Terms of Reference

The objective of this review is to ensure that the IAPC meets the anticipated requirements of regulators and other external observers in terms of its efficiency, transparency and credibility as the recognised international auditing standard setter, within IFAC.

The Task Force should, accordingly, consider what changes in the selection, composition, processes and working practices of the IAPC are required to achieve this objective and, in so doing, should consider *inter alia*:

- The adequacy of membership selection processes
- The desirability of widening the spectrum of interests within the IAPC and of opening membership to non-members of IFAC member bodies
- The efficacy of the present consultative processes
- The desirability of opening meetings to the public and the holding of public hearings
- The desirability of liaison with national standard setters and of their being members of the IAPC
- Acceleration of the work programme, through outsourcing, increased numbers of sub-committees and groups of experts (whether members of the IAPC, or not) and otherwise
- The frequency and duration of meetings, the time requirements on members and the desirability of one or more members and/or the Chair being full-time and remunerated

- The adequacy of full-time and other technical resources available
- The need for translation of ISAs into key languages

The Task Force should seek to anticipate the requirements of securities and other regulators, by reference to their input in relation to international accounting standard setting, but without consulting them at this stage. It is hoped that the Report of the Task Force will enable IFAC to present a clear, coherent and credible proposal to regulators that will encourage IOSCO to accept that the setting of ISAs should remain in the hands of the IAPC as a committee of IFAC, and to move towards endorsement of ISAs.

The Task Force is invited to make an initial report to the Board of IFAC at its meeting on 8–11 April 2001, with a view to the submission of a final report to the Board at its meeting on 8–11 July 2001.

Tsuguoki (Aki) Fujinuma

President, IFAC



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DATE: 20 September 2003
TO: COUNCIL
FROM: Ian Mackintosh
CHAIR – Public Sector Committee
SUBJECT: REPORT

Section 1 – Introduction

1.1. This report outlines the activities of the IFAC PSC since November 2002, and the activities planned for 2004.

1.2. This is my last report as Chair of the PSC. My term of more than 6 years on the PSC, the last three and a half years as its Chair, will end in November 2003. It has been a challenging and rewarding period. As well as thanking IFAC for the wonderful opportunity and experience it has given me, I would like to thank my fellow PSC members, PSC staff and CPA Australia and the Australian Institute of Chartered Accountants for their support.

1.3. Since my last report, the PSC has met on three occasions: in Hong Kong in conjunction with the World Congress (immediately following the November 2002 Board Meeting), in April 2003 in Melbourne, Australia and in July 2003 in Vancouver, Canada. The PSC will meet next on 5–7 November 2003 in Berlin, Germany. That will be my last meeting.

1.4. The PSC has scheduled the following meetings for 2004: New York in April, Buenos Aries in July and New Delhi in November (specific dates are yet to be finalized).

Section 2 – PSC Strategy and Objectives

2.1. The PSC's Objective is to be accepted as the international accounting standards setter for public sector entities. To that end, the PSC engages in an extensive technical and promotional program

2.2. A key component of the PSC's promotional strategy has been to meet in proximity to its constituents and to promote, and participate in, round table discussions and seminars with these constituents. While demanding on the time of members and on staff resources, these meetings have been most successful in raising the profile of IFAC and the PSC amongst constituents in the various regions. I am of the view that the Board should encourage the PSC to maintain this initiative. I do not believe that having a majority of PSC meetings in New York is in the best interests of the Committee.

2.3. The PSC has completed the first phase of its standards setting program. It has issued twenty core accrual based International Public Sector Accounting Standards (IPSASs), one comprehensive cash based IPSAS *Financial Reporting Under The Cash Basis of Accounting* and a Study on the processes by which an entity may transition from the cash basis to the accrual basis. The PSC has also enhanced the transparency of its due process – it holds its meetings in public, makes its agenda papers publicly available on the IFAC web and has reinvigorated its Consultative Group.

2.4. The PSC is now undertaking a number of public sector specific projects in its standard setting program. It is using Steering Committees (SC) and Project Advisory Panels (PAP) to assist in the development stage of these projects. The SCs and PAPs, drawn from a wide range of interested parties, broaden the PSC knowledge base, and ensure that the PSC receives input during the development stage of an Exposure Draft from individuals with a varied range of relevant technical, geographical and institutional knowledge. The SC and PAP members also act to promote knowledge of IFAC and the PSC amongst their colleagues.

2.5. The PSC's mandate includes the development and promotion of auditing standards and education projects. The PSC is of the view that other IFAC Committees are better positioned to pursue these objectives. Consequently, the PSC has focused on providing input to these Committees rather than actively pursuing these aspects of its mandate.

2.6. With the completion of the first phase of its standards setting program, the IFAC Board and the PSC considered it appropriate to review its medium to long-term strategy, including its future funding needs, governance arrangements, operating objectives and processes. This review will be completed in early 2004 and will make recommendations on these matters.

Section 3 – Key achievement for 2003

3.1. Key achievements since the last report include:

- Completion of the first phase of the standards setting program' including the issuance of the cash basis IPSAS. This is a very major milestone in the life of the Committee;
- The decision of the European Commission (EC) to adopt IPSASs. The PSC supports the adoption of the IPSASs by the EC through the UK PSC representative who is a member of the European Union Standards Committee, which acts as a steering committee for the EC implementation of IPSASs;
- The ongoing communication and promotion program of the PSC - positive responses to the work of the PSC was received at presentations undertaken at the World Congress and other seminars and presentations made by PSC members and staff – Attachment 1 to this Report outlines PSC presentations made during late 2002 and 2003;
- The establishment of the Steering Committees, which make a significant contribution to the PSC as they deal with a range of difficult public sector specific issues. The Steering

Committees have also been most successful in raising the profile of the PSC and IFAC in governments and other organisations around the world;

- Strengthening of the relationship with the IMF, Eurostat and the OECD statistical divisions. The PSC initiated a meeting with key international accounting and statistical standards setting bodies and established a working group of those bodies directed at enhancing convergence of statistical and accounting reporting bases;
- The establishment of the PSC's Consultative Group. The North American Chapter of the Group met with the PSC and participate in discussions with key constituents in conjunction with the Vancouver meeting. The European Chapter of the Consultative Group will meet with the PSC in conjunction with the Berlin meeting in November.
- The preparation of public sector perspectives on Exposure Drafts of International Standards of Audit developed by the IAASB; and
- Strengthening of the co-operation and co-ordination of the work of the PSC and other IFAC Committees, with the PSC providing input to the review of Part C of the Ethics Code and to the development of Statements of Member Obligations and other aspects of the evolving IFAC compliance framework.

Section 4 – Outputs completed during 2003

4.1. Since my last report the PSC has issued the following documents:

- Cash basis IPSAS *Financial Reporting Under The Cash Basis*;
- Occasional Paper 6 *Modernization of Governmental Accounting in France*; and
- Exposure Draft ED 23 *Impairment of Assets*.

Section 5 – Work in progress

5.1 The following projects have been actioned by the PSC and documents are anticipated to be issued by the end of 2003 and/or early 2004:

- Invitation to Comment *Non-Exchange Revenue, Including Taxes, Grants and Transfers*;
- Invitation to Comment *Accounting for Social Policies of Government*;
- Occasional Paper 7 *The Governmental Accounting System of Argentina*;
- Research Report *Best Practice in Budget Reporting*;
- Exposure Draft *Accounting for Development Assistance Under the Cash Basis of Accounting*;
- Updated Study 14 *Transition to the Accrual Basis of Reporting*. This document is being updated for developments since it was first issued in April 2002. It is intended to make it available as only a web based product; and
- Occasional Paper *IPSASs and GFSM2001 - Similarities and Differences*, prepared in conjunction with IMF staff.

Section 6 – Planned activities for 2004

6.1. In addition to the items identified at section 5 above, the PSC plans to:

- Monitor developments by national and international authoritative bodies on the development of a Conceptual Framework for financial reporting by public sector entities; and

- Actively promote the translation of IPSASs and other key documents into languages other than English. The PSC is working in cooperation with the IASB on many of these. Translations into French, Spanish, Russian, Chinese, Arabic, Italian, Bahasa (Indonesian), Mongolian and Japanese have been completed or are under way. Enquiries regarding translations into a number of other languages have also been received by IFAC;

6.2. The PSC undertakes a watching brief over the work of the International Accounting Standards Board so that, to the extent appropriate for the public sector, the IPSASs and the International Financial Reporting Standards are harmonized. At its November 2003 meeting, the PSC will consider what action it should take in respect of:

- The 12 revised IASs/IFRSs which are anticipated to be issued as a result of the IASB's *Improvement Project*. These will impact 10 existing IPSASs;
- The recently issued IFRS 1 *First Time Adoption of IFRSs*. The PSC will consider whether a document providing guidance on first time adoption of IPSASs is needed, and the nature of that document; and
- Other IFRSs which have relevance for public sector reporting entities and which have not yet been dealt with by the PSC.

Section 7 – Conclusions

7.1. The PSC's activities continue to be focused on its standard setting agenda. This is in fulfillment of the contract with our major funders including the World Bank, the International Monetary Fund, United Nations Development Program and the Asian Development Bank. However, the PSC also provides input to other IFAC initiatives and developments from a public sector perspective as appropriate.

7.2. The PSC has been most successful in establishing itself as a credible International Standards Setter. This is evidenced not only by the increasing adoption and/or use of its standards and other documents, but also by the inclusion of discussion of its output in the agendas of the OECD and most other international groups that deal with public sector financial reporting. With that increased acceptance comes increased demands on members and staff to participate in technical sessions and to provide input to national and international developments.

7.3. IPSASs are currently based on IASs/IFRSs to the extent to which the requirements of these standards are appropriate for the public sector. The PSC Work Program includes a mix of projects directed at:

- ensuring that the existing IPSASs remain harmonized with IASs/IFRSs;
- dealing with IASs/IFRSs not currently addressed by the IPSASs; and
- dealing with public sector specific issues not dealt with by the IASB.

The PSC has also acknowledged the need to develop/co-ordinate development with authoritative national bodies of an explicit statement of the concepts that underpin financial reporting by public sector entities, and to explore harmonization/convergence of accounting and statistical reporting models.

7.4. The IASB is re-issuing many of its existing IASs with improvements, and is developing new IFRSs. It is better funded and better resourced than the PSC, both in respect

of the number of staff and Board meeting time. Therefore keeping-up with it, progressing public sector specific issues, and responding to the increased demand for PSC participation in national and international forums is not sustainable given current PSC resources. In my view, not only will PSC resources need to be increased to reflect the demands of its work program, but the PSC will also need to consider alternate strategies to achieve that work program.

7.5. That having been said, I am enormously proud of what the PSC has been able to achieve in my time as its chairman and I am confident that it will move on to achieve its objective of being clearly the international accounting standard setter for public sector entities in quite a short time frame.



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DATE: 17 SEPTEMBER 2003
MEMO TO: MEMBERS OF THE IFAC PUBLIC SECTOR COMMITTEE
FROM: JERRY GUTU
SUBJECT: **SECRETARIAT'S REPORT**

ACTION REQUIRED

The Committee is asked to:

- **receive and note** a report from the Secretariat;
- **receive and note** a report on IFAC Technical Committees;
- **receive and confirm** address details in the Members' Correspondence Distribution List;
- **receive and note** a timetable for the round table discussion/Seminar with IDW and CIGAR;

AGENDA MATERIAL:

	Pages
5.2 Report on Secretariat Activities	5.2
5.3 Report on IFAC Technical Committees	5.3
5.4 Members' Correspondence Distribution List	5.9
5.5 Timetable for Roundtable discussion/Seminar with IDW/CIGAR	5.16

Secretariat Report

For your information, as Secretariat to the Public Sector Committee (PSC) I have been involved in the following matters since the last International Federation of Accountants (IFAC) PSC meeting in Vancouver, Canada, July 16-18, 2003:

- Preparations and liaison with the hosts, IDW (Institute of Public Auditors in Germany, Incorporated Association) and others as necessary to coordinate the November 2003 PSC meeting in Berlin.
- Finalizing the remaining nominations to the Consultative Group. Welcome letters were sent out to the new organizations' representatives and individuals appointed to the Consultative Group. Invitations were sent to all the group's regional members in Europe to attend the PSC meeting in Berlin.
- Liaison with IFAC Committees including IAASB, Education, PAIB/FMAC, TAC and Ethics.
- Liaison with constituents translating PSC work including IPSASs for an update. These include constituents from Latin America, China, Indonesia, Arab countries, Russia and Switzerland.
- Various other secretarial and support issues including responses to queries on PSC work on standards, guidelines, studies, updating the Network list and CDL.

IFAC Committees Liaison Report

The Committee is asked to note the activity reports of the other IFAC Committees summarized below under this item.

Transnational Audit Committee (TAC)

TAC Audit Quality Initiatives

The TAC has developed a number of other audit quality initiatives designed to support the Forum's objective to support and implement high quality audit standards and performance. A brief description of each initiative follows:

- **Application of IFRS** – The TAC has undertaken a study of current practices in provisional member firms which support consistent, high quality application of IFRS across their global networks. A survey has been sent to all TAC members and responses have been received from the majority of members. The surveys have been reviewed and summarized into a report which will be reviewed by the TAC's Quality Assurance Subcommittee. Areas of focus will include: Training, Consultation, Tools, Client support and Monitoring.
- **Globally directed inspection programs** – The QA Subcommittee has undertaken a study of current practices in regards to globally directed internal inspection programs. Visits to the firms of each Subcommittee member were completed by the end of June 2003. Information obtained during these visits has been summarized and will be reviewed by the QA Subcommittee.

Involvement with the IFAC Proposals for Reform

The TAC and the Forum were involved in reviewing and commenting on the IFAC Proposals for Reform. The TAC reviewed several drafts of the Reform Proposals and submitted a listing of significant issues to IFAC leadership. The TAC and FoF Chairs actively participated in the discussions with the regulators and presented the firms' comments and concerns regarding the proposals.

Future scope of FoF and TAC

The TAC plans to discuss its future scope and work plan over the next several months. The TAC and Forum have had to re-evaluate their work plan in the changing regulatory environment which has caused the Forum not to pursue International Quality Assurance Reviews given their self-regulatory

Ethics Committee

In July 2003 the IFAC Board considered and approved for exposure drafts of Parts A, B and C of the Code presented by the Ethics Committee for consideration by the IFAC Board at the July 2003 meeting. The Board approved the drafts as exposure drafts for a 120 day period up to the end of November 2003.

PSC was represented on the Ethics Subcommittee which focused on revision of Part C by Norbert Vogelpoth.

The Ethics Committee will meet February 2-3, 2004 to consider comments received during the exposure period. Preliminary meetings of the subcommittees including subcommittee C will be held in January in preparation for the February meetings.

Education Committee

The Education Committee is focusing on the following matters

New Education Standards to be released in 2003

In keeping with its mission to enhance the profession through the development of high quality standards, IFAC has undertaken initiatives to develop a series of International Education Standards for Professional Accountants. A number of proposed standards addressing pre-qualification education and training and continuing professional development were exposed for comment in July 2002.

Key achievements for 2003

International Education Standards for Professional Accountants

In mid October 2003, the first International Education Standards for Professional Accountants (IES) will be issued. The development of the Standards has been the main focus of the Committee's activities since late 2001, with the Standards released as exposure drafts in July 2002, and the final Standards approved in August 2003. The Committee received many excellent high quality responses to the exposure drafts which the Committee has carefully considered in finalizing the Standards.

The Standards focus on the following key areas:

- IES 1, *Entry Requirements*, lays down the entry requirements for entry to an IFAC member body's program of professional accounting education.
- IES 2, *Content of Professional Accounting Education Programs*, prescribes the knowledge content of professional accounting education programs that candidates need to acquire to qualify as professional accountants.
- IES 3, *Professional Skills*, prescribes the mix of skills that candidates require to qualify as professional accountants.

- IES 4, *Professional Values, Ethics and Attitudes*, prescribes the professional values, ethics and attitudes to be acquired during the education program leading to qualification as a professional accountant.
- IES 5, *Practical Experience Requirements*, prescribes the practical experience IFAC member bodies should require their members to obtain before qualification as a professional accountant.
- IES 6, *Assessment of Professional Capabilities and Competence*, prescribes the requirements for a final assessment of a candidate's professional capabilities and competence before qualification.

In addition, the following two introductory documents will be released:

- *Framework for International Education Statements for Professional Accountants* sets out the background about the Education Committee, the nature, scope and authority of Education Committee statements, the consultative process and the glossary of terms used in Education Committee statements.
- *Introduction to International Education Standards* provides background information on the development of the IES, describes the scope of issues to be covered in the Standard, and discusses ways the Standards may be adopted and applied to the education programs of IFAC member bodies.

Various communications initiatives are being undertaken to promote the Standards. The Standards will be distributed to all IFAC member bodies, regional accountancy organizations, development banks, regulators, key academics and other relevant groups, together with a special four-page newsletter promoting the Standards.

It is also planned that in the next 12 months, the Standards be launched and publicized through the various regional accountancy organizations, taking opportunities to gain speaking engagements at regional conferences and other relevant gatherings of the profession or accounting educators.

Outputs completed during 2003

International Education Standards for Professional Accountants

As noted above, the first six International Education Standards for Professional Accountants will be issued in October 2003.

Revised Exposure Draft, *Continuing Professional Development*

As part of the Standards project, the Committee developed a Standard regarding continuing professional development (CPD), which was released as an exposure draft in July 2002. The Comments received prompted the Committee to reconsider its approach for this Standard. The Standard has undergone a full revision and will be released for comment as an exposure draft in October 2003, with comments requested by 31 December 2003. The Committee expects to issue the final standard by May 2004.

IEG 11, *Information Technology for Professional Accountants*

In February 2003, the Committee released the updated IEG 11, *Information Technology for Professional Accountants*. IEG 11 continues to be one of the Committee's key documents which provide guidance to assist member bodies in preparing professional accountants to work in the information technology environment. The latest version presents a revised set of capabilities (i.e., knowledge and skills) professional accountants require relating to IT.

IEP 2, *Towards Competent Professional Accountants*

In April 2003, the Committee released IEP 2, *Towards Competent Professional Accountants*. This paper provides advice to member bodies looking to adopt a competence-based education and training program. The paper identifies the objectives of the competence-based approach, defines competence, and describes different types of statements of competence.

Work in progress

Assessment Methods Project

The Committee has commissioned a research project by Robert Gordon University to explore the range of methods of assessing competence through the education and training process, and recommend the best approaches for the different aspects of the process. The Committee recently received a draft final report from the researchers presenting their findings. The Committee plans to use the research to develop guidance for member bodies, educators, and other interested parties, to be released in 2004. This is an area of great interest for many member bodies and will assist them in meeting the Education Standards.

Education for Specialist areas

The Education Standards released in October focus on the knowledge, skills, and values required of all professional accountants, concentrated at the general entry level. Many member bodies already offer, and others are considering offering, education and training in specialist areas. The Committee is working to develop guidance as to how to go about considering and implementing specialist classes of membership.

In addition, the Committee has agreed to develop an International Education Standard on education and training for auditors. This Standard would prescribe specific requirements for the education and training of professional accountants working in audit, including transnational audit work.

Promotion of International Education Standards

As noted above, the Committee will continue to work to promote the International Education Standards.

Implementation Guidance

Having released the first set of International Education Standards, the Committee is now turning its focus to consider what additional guidance is required to assist member bodies to implement the requirements set down in the Standards. The recent meeting in Cape Town resulted in a number of suggestions, and further work is now required to prioritise the projects.

International Auditing and Assurance Standards Board (IAASB)

Endorsement of ISAs

The process of obtaining global acceptance and recognition for the ISAs by IOSCO, the European Union (EU), The International Organization of Supreme Audit Institutions (INTOSAI) and other stakeholders continues.

The INTOSAI Auditing Standards Committee has approved the INTOSAI/IAASB Memorandum of Understanding. The Memorandum has been submitted to the IAASB for approval at its October 12-17, 2003 meeting. The memorandum formalizes the establishment of a project structure and co-operation process that will facilitate participation of experts in the field of public sector auditing in the projects of the IAASB.

The next meeting of the IAASB Consultative Advisory Group is scheduled for November 6-7, 2003 in Brussels

Meetings, Projects and Output

EXPOSURE DRAFTS

The exposure draft of a proposed ISA on “Review of Interim Financial Information Performed by the Auditor of the Entity” was approved subsequent to the March 2003 IAASB meeting. The exposure draft does not contain a Public Sector Perspective.

The following exposure drafts were approved at the July 2003 IAASB meeting:

- Revised ISA 300, “Planning the Audit”
- Revised ISA 240, “The Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements”

Both exposure drafts contain Public Sector Perspectives.

TERMS OF REFERENCE AND PREFACE

The IFAC Board approved an Interim Terms of Reference for the IAASB during July 2003, and the IAASB approved the “Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services” at its July 2003 meeting.

OCTOBER 2003 IAASB MEETING

The following have been submitted for approval at the October 2003 IAASB meeting:

- Final Audit Risk Standards
- Final Revised IAPS 1005, “The Special Considerations in the Audit of Small Entities”

- Exposure draft of a proposed revised ISA 700, “The Independent Auditor’s Report on General Purpose Financial Statements” and related confirming changes
- Exposure draft of a proposed Policy Statement – Translation of International Standards and Related Practice Statements Issued by the IAASB
- INTOSAI/IAASB Memorandum of Understanding
- Project Proposal – Revision of ISA 800, “The Auditor’s Report on Special Purpose Audit Engagements”

FUTURE IAASB MEETINGS

The next meeting of the IAASB is scheduled for December 8-12, 2003 in Berlin.

The dates and locations (where known) of the 2004 IAASB meetings are as follows:

- February 16-18 New York
- April 19-23 New York
- June 14-18 To be confirmed
- September 13-17 New York
- December 6-10 :To be confirmed

Compliance Committee

At its July 2003 meeting, the IFAC Board approved an IFAC Membership Compliance Program designed to provide clear benchmarks to current and potential IFAC member organizations to assist them in ensuring high quality performance by accountants worldwide. The primary focus of the compliance function will be on improvement and encouragement.

Statements of Membership Obligations (SMOs) will serve as the foundation for the Membership Compliance Program. Currently, seven SMOs are being exposed for comment. The SMOs cover Quality Assurance, IAASB pronouncements, Ethics Standards, International Public Sector Accounting Standards (IPSASs), Investigation and discipline and IFRSs.

The IFAC staff, reporting to the IFAC Chief Executive, will have responsibility for development and implementation of the, Membership Compliance Program.

The Membership Compliance Program will be overseen by a Compliance Advisory Panel consisting of five experts in compliance matters. The members of the panel will be selected from a broad geographic area, be nominated by member bodies for consideration by the IFAC Nominating Committee and recommended by the Nominating Committee to the IFAC Board for approval.

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Public Sector Committee 2003
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Program for Seminar/Discussion with CIGAR & IDW, November 6, 2003

Time	Activity
14:30 – 14:40	Welcome WP/StB/RA Dr. Harald Ring, Krefeld Chairman of the IDW Board of Directors
14:40 – 15:10	Presentation on the work of the IFAC Public Sector Committee FCA/FCPA Ian Mackintosh, Washington DC Chairman of the IFAC Public Sector Committee
15:10 – 15:50	Accounting of the Public Sector – Perspective of the European Commission Dr Michael Schreyer, Brussels Member of the European Commission
15:50 – 16:30	Reform of Government Accounting in Europe Prof. Dr. Dr. h.c. Klaus Luder, Speyer German University of Administrative Science, Speyer
16:30 – 16:50	Tea/Coffee Break
16:50 – 17:20	Demands for the Setting of Public Sector Accounting Standards in Germany Prof. Dr. Jens Harms, Berlin President of Landesrechnungshofs Berlin
17:20 – 17:50	Comparison between the IPSAS and the German Public Sector Accounting Approach WP/StB Dr. Norbert Vogelpoth, Essen German Member of the IFAC Public Sector Committee
17:50 – 18:20	Plenary Discussion Chair: FCA/FCPA Ian Mackintosh, Washington DC Lead discussant: WP/StB Dr. Norbert Vogelpoth, Essen
18:20	End of technical program
19:30	Dinner at the Dachgartenrestaurant of the Deutscher Bundestag

Jerry Gutu
PSC Secretariat

PUBLIC SECTOR COMMITTEE CONSULTATIVE GROUP MEETING

BERLIN, THURSDAY, NOVEMBER 6, 2003

12:45 – 2:15 PM

FORMAT	Brief Presentation by PSC Chair and Discussion and Questions from Consultative Group Members This meeting will take place over lunch to which the Consultative Group Members are invited by PSC Chairman, Mr. Ian Mackintosh.
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**SESSION 12:45 - 2:15 PM, PSC WORK PROGRAM AND ROLE OF
CONSULTATIVE GROUP**