

Agenda Item 6: Social Benefits

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IPSASB Meeting

September 16-19, 2013

Toronto, Canada

Objective of Session

- Approve project brief on social benefits

Accounting for Social Benefits: Section 1 (1)

- Objective: develop requirements and guidance on accounting for social benefits
- Social benefits scoped out of IPSAS 19
- Considerable work carried out by PSC and IPSASB
 - ITC, *Accounting for Social Policies of Government (2004)*
 - ED, *Social Benefits: Disclosure of Cash Transfer to Individuals or Households (2008)*
 - *Consultation Paper , Social Benefits: Issues in Recognition and Measurement (2008)*

Accounting for Social Benefits: Section 1 (2)

- **Classification:**
 - Collective goods and services
 - Defense, criminal justice
 - Individual goods and services
 - Healthcare, education, housing
 - Cash transfers
 - Social assistance and social insurance (non-contributory & contributory)
- **Approach:**
 - Minor variant of “due and payable” for cash transfers
 - No present obligation for individual and collective goods and services

Accounting for Social Benefits: Section 1 (3)

- Approach reassessed: November 2006
 - Contributory programs
 - FASAB Discussion Paper
- Project deactivated 2008
 - Conceptual Framework
 - Long-Term Fiscal Sustainability project initiated

Project Rationale and Objectives: Section 2 (1)

- Public sector specific issue
- Major expenditure item
- Gap in literature
- Issues Identified
 - Provide definitions of social benefits and sub-categories of social benefits
 - Determine when expenses and liabilities arise for these sub-categories
 - Determine how to measure liabilities that arise in respect of these sub-categories
 - Identify appropriate disclosure requirements

Project Rationale and Objectives: Section 2 (2)

- Objectives
 - Consultation Paper (?)
 - Exposure Draft
 - IPSAS
- Link to IFAC and IPSASB Strategic Plans
 - Public sector critical project
 - Commitment to development, implementation & adoption of international standards
 - Enhanced focus on public sector financial reporting

Key Issues: Section 3 (1)

- Key Issue 1: Approach to project
 - Level of preliminary research necessary
- Key Issue 2: Appropriate scope
 - Collective goods and services to be included?
- Key Issue 3: Present obligations
 - Timing
- Key 4 (a): Distinction between contributory and non-contributory programs
 - Different in character (?)

Key Issues: Section 3 (2)

- Key Issue 4(b): Programs that are both contributory and non-contributory
 - Complexity
 - Need for special focus (?)
- Key Issue 5: Revalidation of eligibility criteria
 - Recognition criterion or measurement attribute?
- Key Issue 6: Disclosure requirements
 - QCs and Constraints

Key Issues: Section 3 (3)

- Key Issue 7: Theoretical Frameworks
 - IPSAS 19 primary framework
 - Executory contract approach
 - Legal obligations
 - Insurance accounting

Implications for Specific Person or Group: Section 4

- IASB
 - No IFRS
 - IPSAS 19 primarily drawn from IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*
 - IFRS 4, *Insurance Contracts* (if insurance accounting progressed)
- Other IPSASB Standards, Projects
 - Conceptual Framework: Elements & Recognition
- Other-Government Finance Statistics
 - Approaches in GFSM

Timetable: Section 5

- Research: October/November 2013-February 2014
- Discussion of Issues: March 2014-September 2014
- Approve Consultation Paper (CP): September 2014
- Review of Responses to CP and development of Exposure Draft: April 2015-March 2016
- Approve ED: March 2016
- Review of Responses to ED & Development of IPSAS: April 2016-Late 2016/Early 2017

Timetable

Project Milestones	Expected Completion
Project Brief	September 2013
Consultation Paper Approval	September 2014
Exposure Draft Approval	March 2016
IPSAS Approval	Late 2016/Early 2017

Factors Related to Complexity and Length: Section 6

- Wide range of social benefit programs
- Complexity of social insurance programs
- Complexity of social security systems, esp. those delivering both social assistance and operating as multi-employer pension plans
- Complexity of insurance accounting

Important Sources of Information : Section 7 (1)

- Invitation to Comment, *Accounting for Social Policies of Governments* (2004)
- Consultation Paper, *Social Benefits: Issues in Recognition and Measurement* (2008)
- ED 34, *Social Benefits: Disclosure of Cash Transfers to Individuals or Households* (proposed defined terms only) (2008)
- *Pension Systems and Retirement Incomes across OECD* (edited Richard Disney and Paul Johnson (2001)
- Various consolidated financial statements of national governments

Important Sources of Information: Section 7 (2)

- Government Finance Statistics Manual 201 (revised 2012)
- System of National Accounts 2008
- European System of Accounts
- New Zealand Treasury, Application Guidance on Determination of Present Obligations (2013)