



COLLECTIVE AND INDIVIDUAL SERVICES AND EMERGENCY RELIEF (AMENDMENTS TO IPSAS 19)

Issued 31 May 2019

ICAEW welcomes the opportunity to comment on *Collective and Individual Services and Emergency Relief (Amendments to IPSAS 19)* published by the International Public Sector Accounting Standards Board (IPSASB) in January 2019, a copy of which is available from this [link](#).

We agree with the proposed amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* to provide guidance on accounting for collective and individual services and emergency relief.

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KEY POINTS

SUPPORT FOR AMENDMENTS TO IPSAS 19

1. We agree with the proposed amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* to provide guidance on accounting for collective and individual services and emergency relief. We support IPSASB's project to provide guidance on accounting for non-exchange expenses as it supports their strategic objective of setting standards on public sector specific issues.

PRINCIPLES-BASED STANDARDS

2. IPSASB have previously recognised that the boundary between social benefits and other non-exchange expenses, such as individual services, will not always be obvious. As such, there are a number of paragraphs in the ED devoted to explaining the differences between the various expenditure types. As per AG 6, the table shows that the only differentiating factor between social benefits and individual services is whether the benefit is paid in cash (or equivalent) or not. Using cash as a relatively crude differentiating factor seems too simplistic and arbitrary in some instances. We believe that IPSASB should review this as part of the PIR on social benefits.
3. The ED also contains a plethora of paragraphs explaining whether a provision should or should not be recognised. Looking at the substance of the transactions and taking all relevant information into consideration should enable preparers to make a judgement regarding the recognition of provisions, particularly given the vast range of possible circumstances in different countries. Principles-based standards should allow for more consistent outcomes, making the boundary between individual and collective services, social benefits and emergency relief less important. We therefore believe that the IPSASB should simply take the principles of IAS 37 and apply them to a few relatively common and standard transactions, to indicate what the process should be to determine the accounting treatment, rather than assuming the label on the transaction should drive the accounting outcome.
4. We are of the opinion that IPSAS should be underpinned by a robust set of conceptually coherent and clearly articulated principles so that preparers applying the standards around the world can reach broadly consistent conclusions. IFRS provides such a basis in most cases and the principles of the standard should not be subverted or muddled by guidance which may turn out not to be universally applicable.

ANSWERS TO SPECIFIC QUESTIONS

Specific Matter for Comment 1

Do you agree with the definitions of collective services and individual services that are included in this ED?

If not, what changes would you make to the definitions?

5. We agree with the definitions of collective services and individual services.
6. We supported IPSASB's decision to exclude collective and individual services from the scope of social benefits. We also recognise IPSASB's efforts to maintain a principles-based standard that distinguishes between social benefits and other non-exchange expenses, acknowledging that the lines are blurred and that any differentiation can be somewhat artificial in nature.

7. The ED differentiates between social benefits and individual services by stating that the former are paid for via cash transfers (AG 7). However, eligibility criteria and mitigating social risks also play a key role in defining social benefits. Individual services do not necessarily have their eligibility criteria linked to social risks; in many cases they are based on residency and citizenship. The wider eligibility criteria often mean that universal healthcare and education are available to everyone, excluding them from the definition of social benefits as the eligibility criteria are not based on social risks. This difference has not been explored in the ED.
8. We believe that IPSASB should look at the wording in the ED more closely as there is currently too much emphasis on the payment methodology of social benefits (ie, cash transfer). This may lead to accounting outcomes that are not principles-based and this may, in turn, have unintended consequences.
9. The definition of individual services states that they are goods and services, yet the examples provided only relate to services (healthcare and education). Although a more minor point, we suggest including an example of a good.

Specific Matter for Comment 2

***Do you agree that no provision should be recognised for collective services?
If not, under what circumstances do you think a provision would arise?***

Specific Matter for Comment 3

***Do you agree that no provision should be recognised for individual services?
If not, under what circumstances do you think a provision would arise?***

10. Collective and individual services can be seen as a general contract that a government has with its citizens to provide on-going goods and services in return for tax payments. We generally agree that the on-going provision of these goods and services should not result in the recognition of provisions.
11. Whilst this is perhaps stating the obvious, preparers of IPSAS financial statements should be recognising provisions when they meet the recognition conditions as set out in paragraph 22 of IPSAS 19. Individual transactions would need to be reviewed and evaluated to ensure consistent application of the principles that underpin the standards, whatever they are labelled as in particular jurisdictions.
12. As long as the definition of a liability is being applied consistently, the boundaries between individual and collective services, social benefits and emergency relief are less important.

Specific Matter for Comment 4

***Do you agree with the proposed accounting for emergency relief?
If not, how do you think emergency relief should be accounted for?***

13. Underlining our point made in paragraph 11, the circumstance in which a provision may or may not be recorded for emergency relief will depend on the individual circumstances of the entity recording the transaction.
14. We agree that the provision of emergency relief as an ongoing activity should not result in a provision being recognised since the definition of a liability is unlikely to be met (future obligations rather than past obligations). By contrast, the response to a specific emergency could meet the definition as explained by AG 20.