

Breakout Group 3 Worksheet

Policies: Relevancy of Fund accounting – Issues and Challenges related to

- Identification
- Recognition
- Measurement
- Disclosure

Implementation Strategies:

- Opening Balance (Data Collection)
- Migration

As we go through the following interactive discussion; the main purpose is to consider the Malaysian circumstance and framework, both current and proposed, with a view to establishing the range of strategy options available.

Please direct our conversation along lines which you may see as more relevant to your outstanding queries.

Policies

Issues and Challenges related to Fund identification

Group Task	Group Response
FUND IDENTIFICATION	
What do we mean by a Fund?	
List main categories of Funds in use by the Malaysian Government.	
For each Fund category, list purpose of its existence as a separate Fund category, and clarify the differences in purpose.	

For each Fund category, estimate the number of individual funds and suggest why it was necessary they were set up.	
Are there additional or other monies which are held by Government under some specific obligations, not called a "fund"? How are these managed?	
For each Fund category, or other monies held, list the sources of records for these funds.	

Policies

Issues and Challenges related to Funds recognition

Group Task	Group Response
FUND RECOGNITION	
Define what is meant by the term 'recognition'	

What conditions are needed for a Fund to be recognised under an accrual framework?	
Which entity will recognise funds?	
Where will Trust funds be recognised?	

Policies

Issues and Challenges related to Funds measurement

Group Task	Group Response
FUNDS MEASUREMENT	
What do we mean by measurement of a fund?	

List the policies which affect how a fund should be measured	
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Policies

Issues and Challenges related to Funds disclosures

Group Task	Group Response
FUNDS DISCLOSURES	
Define what is meant by the term 'disclosure'	
List the policies or rules which affect how a Fund should be disclosed. Under cash reporting? Under accrual reporting?	
How are the current Consolidated Fund, Loan Fund, Trust Funds disclosed?	
How should Funds be disclosed under an accrual framework?	

Are there other funds issues not yet touched on in this Workgroup?	
Drawing these conclusions together to contribute to an implementation strategy.	

Implementation Strategies: Opening Balance (Data Collection)

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Group Task	Group Response
List all Funds in operation and obtain most recent financial report of each fund, and showing source of data.	
Determine whether the fund should continue to operate as a separate fund. Consider transparency and stewardship priorities, or other reason why each should continue.	
Consider whether each fund might qualify as a separate reporting entity Refer to IPSAS 1 (Par3) for definition of a reporting entity	

<p>Consider which entity should recognise each fund, if it not determined to be a separate reporting entity in its own right, Ref IPSAS 7 (Par28) (page 197) for discussion on control</p>	
<p>If fund is not a reporting entity, or a discrete activity, and should continue to operate as a fund, consider options</p>	
<p>What resources are in the fund? Do we need to understand what assets and liabilities are part of a fund? What is the state of data? Do we need to establish opening values for assets and liabilities?</p>	
<p>Are there other funds implementation issues not yet touched on in this Workgroup?</p>	
<p>Drawing these conclusions together to contribute to an implementation strategy.</p>	

Implementation Strategies: Migration

Group Task	Group Response
Define what is meant by the term "migration"	
List what aspects of migration apply to funds.	
Are there other funds migration issues not yet touched on in this Workgroup?	

IPSAS 1**Scope**

3. General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. Users of general purpose financial statements include taxpayers and ratepayers, members of the legislature, creditors, suppliers, the media, and employees. General purpose financial statements include those that are presented separately or within another public document, such as an annual report.

IPSAS 7**Determining Whether Control Exists for Financial Reporting Purposes**

38. Public sector entities may create other entities to achieve some of their objectives. In some cases, it may be clear that an entity is controlled, and hence should be consolidated. In other cases, it may not be clear.

Paragraphs 39 and 40 provide guidance to help determine whether or not control exists for financial reporting purposes.

39. In examining the relationship between two entities, control is presumed to

exist when at least one of the following power conditions and one of the following benefit conditions exists, unless there is clear evidence of control being held by another entity.

Power Conditions

- (a) The entity has, directly or indirectly through controlled entities, ownership of a majority voting interest in the other entity.
- (b) The entity has the power, either granted by or exercised within existing legislation, to appoint or remove a majority of the members of the board of directors or equivalent governing body, and control of the other entity is by that board or by that body.
- (c) The entity has the power to cast, or regulate the casting of, a majority of the votes that are likely to be cast at a general meeting of the other entity.
- (d) The entity has the power to cast the majority of votes at meetings of the board of directors or equivalent governing body, and control of the other entity is by that board or by that body.

Benefit Conditions

- (a) The entity has the power to dissolve the other entity and obtain a significant level of the residual economic benefits or bear significant obligations. For example the benefit condition may be met if an entity had responsibility for the residual liabilities of another entity.
 - (b) The entity has the power to extract distributions of assets from the other entity, and/or may be liable for certain obligations of the other entity.
40. When one or more of the circumstances listed in paragraph 39 does not exist, the following factors are likely, either individually or collectively, to be indicative of the existence of control.

Power Indicators

- (a) The entity has the ability to veto operating and capital budgets of the other entity.
- (b) The entity has the ability to veto, overrule, or modify governing body decisions of the other entity.
- (c) The entity has the ability to approve the hiring, reassignment, and removal of key personnel of the other entity.
- (d) The mandate of the other entity is established and limited by legislation.
- (e) The entity holds a golden share¹ (or equivalent) in the other entity that confers rights to govern the financial and operating policies of that other entity.

Benefit Indicators

- (a) The entity holds direct or indirect title to the net assets/equity of the other entity, with an ongoing right to access these.
- (b) The entity has a right to a significant level of the net assets/equity of the other entity in the event of a liquidation, or in a distribution other than a liquidation.
- (c) The entity is able to direct the other entity to cooperate with it in achieving its objectives.
- (d) The entity is exposed to the residual liabilities of the other entity.

¹ Golden share refers to a class of share that entitles the holder to specified powers or rights generally exceeding those normally associated with the holder's ownership interest or representation on the governing body.