



HM Treasury

Financial Reporting Advisory Board Paper

HM Treasury consideration of IPSASB adaptations for non-current assets held for sale

Issue:	As an action from June FRAB, HM Treasury were requested to compare the FReM guidance on non-current assets held for sale to the recently published IPSASB standard.
Impact on guidance:	None.
IAS/IFRS adaptation?	None.
Impact on WGA?	None.
IPSAS compliant?	Yes, after comparing FReM and IPSASB guidance on non-current assets held for sale HMT believe the two sets of guidance are consistent.
Interpretation for the public-sector context?	None.
Impact on budgetary regime and Estimates?	None.
Alignment with National Accounts	No impact on the National Accounts.
Recommendation:	That the Board note HM Treasury's consideration on IPSASB guidance for non-current assets and concur no adaptation to the FReM is required.
Timing:	N/A

DETAIL

Background

1. As part of the IPSASB update at June 2022 FRAB, the IPSASB adaptation of the Non-Current Assets Held for Sale Standard was discussed. In May 2022, IPSASB issued IPSAS 44 Non-Current Assets Held for Sale and Discontinued Operations. IPSAS 44 is based on IFRS 5 and the effective date of IPSAS 44 is January 1 2025.
2. It was noted that IPSAS 44 aligns closely with IFRS 5 with a single adaptation and minor details to note. The 'Comparison with IFRS 5' Section in [IPSAS 44](#) details the specific IFRS differences. At FRAB 147, IPSASB's Technical Advisor presented two specific items:
 - Extending the 12-month sales period threshold, considered challenging in the public sector because delay could be caused by events or circumstances outside the entity's control (even if the entity is still committed to its plan to sell the asset); and,

- Requiring additional disclosure where an entity is holding an asset at the carrying value, but the fair value (less cost to sell) is materially different, to provide useful information to users of financial statements for accountability purposes. An entity shall disclose this information in the notes to the accounts.

Comparison of IPSAS 44 adaptation and the FReM interpretation of IFRS 5

3. The FReM applies IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) as interpreted for public sector.
4. There is a single interpretation in the FReM for IFRS 5, which states: *'In order to qualify as 'discontinued operations', the activities must cease completely: that is, responsibilities transferred from one part of the public sector to another (such as machinery of government changes) are not discontinued operations'*.¹ Besides this, IFRS 5 is applied without any adaptation.
5. At FRAB 147 'extending the 12-month sales period, considered challenging in the public sector' was identified as a specific public sector issue; however, on review of the 'Comparison with IFRS 5' section in IPSAS 44 this item was not identified as a difference. IFRS 5 already recognises events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control. The IPSASB Technical Advisor later confirmed this was a key discussion point by IPSASB but not an adaptation. Therefore, FReM and IPSASB guidance are consistent in this area.
6. IFRS 5, and so the FReM, state non-current assets classified as held for sale are measured at *'the lower of carrying amount and fair value less costs to sell'*.² IFRS 5 states that additional disclosures about non-current assets classified as held for sale may be necessary to comply with the general requirements of IAS 1 (Presentation of Financial Statements), in particular paragraph 125. This states an entity shall disclose information about the assumptions it makes, including details of the carrying amount of assets and liabilities where there is significant estimation uncertainty. Therefore, although IPSAS 44 has introduced a specific adaptation for non-current assets held for sale, such disclosure is partially covered under IAS 1 ensuring useful information is provided to users of financial statements.
7. IPSASB's basis for conclusions³ highlighted the importance of transparency and accountability when a public sector entity decides to sell non-current assets. As global standards, IPSAS are intended for global application. This includes those jurisdictions where there is a higher risk that assets are intentionally sold under market value (e.g., fraud, bribes, sales to related parties and business associates). The UK has a lower inherent fraud risk and a more effective control environment, compared to some other jurisdictions that apply IPSAS standards. Consequently, the conclusions reached by HM Treasury and FRAB in adapting IFRS 5, may differ from IPSASB's conclusions.
8. The other noted differences noted in the 'Comparison to IFRS 5' (in IPSAS 44) were minor and related to adjustments for public sector terminology and acknowledgment of public sector differences. These did not impact measurement or disclosure.

¹[The Government Financial Reporting Manual 2022-23 \[section 8.2, Table 2\]](#)

² <https://www.iasplus.com/en-gb/standards/ifrs-en-gb/ifrs5>

³ Refer to BC14 in <https://www.ifac.org/system/files/publications/files/IPSAS-44-Non-current-Assets.pdf>

9. With the exception of the interpretation and the minor adaptation discussed above, the FReM and IPSAS 44 have the same measurement, disclosure and presentational requirements for Non-Current Assets Held for Sale.

Thematic Review – valuation for non-investment assets

10. The scope of the thematic review on non-investment asset valuation excludes IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations), IAS 40 (Investment Property), and all financial instruments. Therefore, HM Treasury confirm that this issue is out of scope of the ongoing thematic review.

Recommendation

That the Board note HM Treasury's consideration on IPSASB adaptations for non-current assets and concur no adaptation to the FReM is required.

That the Board note that non-current assets held for sale are out of scope of the ongoing thematic review on non-investment asset valuation.

HM Treasury

24th November 2022