

**Meeting:** International Public Sector Accounting Standards Board

**Meeting Location:** Toronto, Canada

**Meeting Date:** June 13–16, 2023

# Agenda Item 6

For:

Approval

Discussion

Information

## IMPROVEMENTS

<b>Project summary</b>	To propose improvements to IPSAS and the IPSASB’s Policy Paper, <i>Process for Reviewing and Modifying IASB Documents</i> .	
<b>Project staff lead</b>	<ul style="list-style-type: none"> <li>João Fonseca, Principal</li> </ul>	
<b>Task Force members</b>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">Improvements: Project Roadmap</a>	<a href="#">6.1.1</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">6.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">6.1.3</a>
<b>Decisions required at this meeting</b>	<a href="#">Process for Identifying Improvements to IPSAS</a>	<a href="#">6.2.1</a>
	<a href="#">IFRS Alignment Improvements to IPSAS Included in [draft] ED 85</a>	<a href="#">6.2.2</a>
	<a href="#">IFRS Amendments not Included in [draft] ED 85</a>	<a href="#">6.2.3</a>
	<a href="#">Approval of ED 85, <i>Improvements to IPSAS, 2023</i></a>	<a href="#">6.2.4</a>
	<a href="#">Update of the Policy Paper—<i>Process for Reviewing and Modifying IASB Documents</i></a>	<a href="#">6.2.5</a>
<b>Other supporting items</b>	<a href="#">[Draft] Exposure Draft (ED) 85, <i>Improvements to IPSAS, 2023</i></a> (Required Reading)	<a href="#">6.3.1</a>
	<a href="#">[draft] <i>Process for Reviewing and Modifying IASB Documents—Update</i></a> (Required Reading)	<a href="#">6.3.2</a>

**IMPROVEMENTS:  
PROJECT ROADMAP**

<b>Meeting</b>	<b>Completed Actions or Discussions / Planned Actions or Discussions:</b>
June 2023	<ol style="list-style-type: none"><li>1. Process for Identifying Improvements to IPSAS</li><li>2. IFRS Alignment Improvements to IPSAS Included in [draft] ED 85</li><li>3. IFRS Amendments <u>not</u> Included in [draft] ED 85</li><li>4. Approval of ED 85, <i>Improvements to IPSAS, 2023</i></li><li>5. Update of the Policy Paper—<i>Process for Reviewing and Modifying IASB Documents</i></li></ol>
September 2023	<ol style="list-style-type: none"><li>1. Document out for comment</li></ol>
December 2023	<ol style="list-style-type: none"><li>1. Review of Responses to ED 85</li><li>2. Approval of <i>Improvements to IPSAS, 2023</i></li></ol>

**INSTRUCTIONS UP TO PREVIOUS MEETING**

<b>Meeting</b>	<b>Instruction</b>	<b>Actioned</b>
December 2021	Update the IPSASB's <i>Process for Reviewing and Modifying IASB Documents</i> in light of developments and experience since it was established in 2008.	<a href="#">Agenda Items 6.2.5</a> and <a href="#">6.3.2</a>
	Develop guidance to assess potential improvements to determine when an item should be included in improvements or when a narrow-scope project is needed.	Staff will present process followed during the June 2023 meeting.

**DECISIONS UP TO PREVIOUS MEETING**

<b>Meeting</b>	<b>Decision</b>	<b>BC Reference</b>
N/A	N/A	N/A

## **Process for Identifying Improvements to IPSAS**

### **Purpose**

1. To convey the process for identifying amendments to be included in [draft] Exposure Draft (ED) 85, *Improvements to IPSAS, 2023*.

### **Background**

2. The Improvements project considers:
  - (a) General improvements to IPSAS which are identified by stakeholders and staff;
  - (b) GFS alignment improvements to IPSAS; and
  - (c) IFRS alignment improvements to IPSAS.

### **Analysis**

#### *General Improvements to IPSAS*

3. Staff did not identify potential amendments that could be included in [draft] ED 85. Additionally, staff did not receive any suggested amendments from its constituents (national standard-setters, preparers, IFAC member bodies, etc.).
4. Therefore, no general improvements to IPSAS are proposed in [draft] ED 85.

#### *GFS Alignment Improvements to IPSAS*

5. A project to update the [System of National Accounts 2008](#) and the [Balance of Payments and International Investment Position Manual – Sixth Edition](#) is currently underway. IPSASB staff has been participating in this process by:
  - (a) Attending as an observer the Advisory Expert Group on National Accounts (AEG);
  - (b) Being a member of four task teams<sup>1</sup>; and
  - (c) Contributing to the development of [guidance notes](#) for publication consultation.
6. However, so far it has not been identified any potential amendments to IPSAS related to GFS alignment that could be included in [draft] ED 85.

#### *IFRS Alignment Improvements to IPSAS*

7. [Agenda Item 6.2.2](#) presents the IFRS alignment improvements to IPSAS included in [draft] ED 85 and [Agenda Item 6.2.3](#) presents the IFRS alignment improvements to IPSAS not included in [draft] ED 85.
8. [Agenda Item 6.3.1](#) will be reviewed page-by-page during the June meeting.

### **Decision Required**

9. No decision required. For information purposes only.

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<sup>1</sup> Current Account Task Team (CATT), Financial and Payments Systems Task Team (FITT), Wellbeing and Sustainability Task Team (WSTT), and Communication Task Team (CMTT).

## **IFRS Alignment Improvements to IPSAS Included in [draft] ED 85**

### **Question**

1. Does the IPSASB agree with the staff's recommended IFRS alignment improvements to IPSAS included in [draft] ED 85, *Improvements to IPSAS, 2023* identified in [Appendix A](#)?

### **Recommendation**

2. Staff recommends the IFRS alignment improvements to IPSAS, identified in [Appendix A](#), be included in [draft] ED 85.

### **Analysis**

3. [Appendix A](#) sets out the proposed amendments to IPSAS based on the IASB's recent publications.
4. The items considered for inclusion in [draft] ED 85 are those items related to IASB's narrow scope amendments projects published since the last *Improvements to IPSAS, 2021* project commenced in June 2021<sup>2</sup>.

### **Decision Required**

5. Does the IPSASB agree with the staff's [recommendation](#)?

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<sup>2</sup> The IASB's publications issued between February 2021 and October, 2022 (the last IASB publication at the date of this Agenda Item was finalized) have been considered.

**Appendix A—List of Staff’s Recommended IFRS Alignment Improvements to IPSAS Included in [draft] ED 85 and Respective Rationale**

IASB’s Publication	Subject of Amendment	Staff’s Rationale
<ul style="list-style-type: none"> <li>• <i>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</i> (Issued in January 2020)</li> <li>• <i>Classification of Liabilities as Current or Non-current—Deferral of Effective Date (Amendment to IAS 1)</i> (Issued in July 2020)</li> <li>• <i>Non-current Liabilities with Covenants</i> (Issued in October 2022)</li> </ul>	<p>The amendments clarify the principles related to:</p> <ul style="list-style-type: none"> <li>• The right to defer settlement for at least twelve months (with or without covenants); and</li> <li>• The meaning of ‘settlement’ when a liability is rolled over under and existing loan facility.</li> </ul>	<p>Staff did not identify a public sector-specific reason not to provide the same clarification related to:</p> <ul style="list-style-type: none"> <li>• The right to defer settlement for at least twelve months (with or without covenants); and</li> <li>• The meaning of ‘settlement’ when a liability is rolled over under and existing loan facility.</li> </ul> <p>(see <a href="#">Part 1</a> in [draft] ED 85)</p>
<p><i>Definition of Accounting Estimates (Amendments to IAS 8)</i> (Issued in February 2021)</p>	<p>Introduced the definition of accounting estimates to distinguish changes in accounting estimates from changes in accounting policies.<sup>3</sup></p>	<p>Staff did not identify a public sector specific reason not to clarify the distinction of changes in accounting estimates and changes in accounting policies in IPSAS 3 (see <a href="#">Part 2</a> in [draft] ED 85). Staff notes that the IPSASB considered this improvement in the 2021 Improvements cycle and had decided to wait for the finalization of the Conceptual Framework project<sup>4</sup>, which is expected to be finalized at the June 2023 meeting.</p>

<sup>3</sup> *Definition of Accounting Estimates* (Amendments to IAS 8) also added implementation guidance on applying the definition of accounting estimates to fair value of cash-settled share-based payment transactions (see Example 5). Staff did not include this implementation guidance in [draft] ED 80 because there is no equivalent IPSAS for IFRS 2, *Share-based Payment*.

<sup>4</sup> See [minutes of the June 2021 meeting](#) (Agenda Item 4).

IASB's Publication	Subject of Amendment	Staff's Rationale
<p><i>Definition of Material</i> (Amendments to IAS 1 and IAS 8) (Issued in October 2018)</p>	<p>Introduced new guidance to help entities make materiality judgements.</p>	<p>Staff did not identify a public sector specific reason not to introduce new guidance to help entities make materiality judgements in IPSAS 1 (see <b>Part 3</b> in [draft] ED 85) and make the consequential amendment in IPSAS 3 (see <b>Part 4</b> in [draft] ED 85). Staff notes that the IPSASB considered this improvement in the 2019 Improvements cycle and had decided to wait for the finalization of the Conceptual Framework project<sup>5</sup>, which is expected to be finalized at the June 2023 meeting.</p>
<p><i>Interest Rate Benchmark Reform—Phase 2</i> (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (Issued in August 2020)</p>	<p>Added a practical expedient in IFRS 16, <i>Leases</i> for accounting for lease modifications that occur because of the reform.</p>	<p>Staff did not identify a public sector specific reason not to add a practical expedient for accounting for lease modifications in IPSAS 43, <i>Leases</i> (see <b>Part 5</b> in [draft] ED 85). Staff notes that the:</p> <ul style="list-style-type: none"> <li>• Remaining Interest Rate Benchmark Reform amendments to other IPSAS have already been incorporated in the last Improvements to IPSAS cycle in 2021 (before the approval of IPSAS 43); and,</li> <li>• Relevant paragraphs in IPSAS 43 do not exist in IPSAS 13, <i>Leases</i> and, therefore, it is not possible to introduce this amendment in IPSAS 13.</li> </ul>

<sup>5</sup> See [minutes of the June 2019 meeting](#) (Agenda Item 6).



IASB's Publication	Subject of Amendment	Staff's Rationale
<i>Lease Liability in a Sale and Leaseback</i> <i>Amendments to IFRS 16</i> (Issued in September 2022)	IPSAS 43, <i>Leases</i>	Amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right-of-use it retains (see <a href="#">Part 6</a> in [draft] ED 85).

**IFRS Alignment Improvements to IPSAS not Included in [draft] ED 85**

**Question**

1. Does the IPSASB agree with staff's recommendation not to include the IFRS amendments identified in [Table 3](#) in [draft] ED 85, *Improvements to IPSAS, 2023*?

**Recommendation**

2. Staff recommends not to include the IFRS amendments identified in [Table 1](#) in [draft] ED 85.

**Detail**

3. [Table 1](#) sets out the IFRS amendments not included in [draft] ED 85 and the staff's rationale.

*Table 1: List of IFRS Amendments not Included in [draft] ED 85 and Staff's Rationale*

#	IASB's Publication	Subject of Amendment	Staff's Rationale
1.	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> (Issued in May 2021).	The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	There is no equivalent IPSAS for IAS 12.
2.	<i>Initial Application of IFRS 17 and IFRS 9—Comparative Information</i> (Issued in December 2021).	Reduce the accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of the two Standards.	There is no equivalent IPSAS for IFRS 17.
3.	<i>Disclosure of Accounting Policies, (Amendments to IAS 1 and IFRS Practice Statement 2)</i> (Issued in February 2021).	Various amendments to IAS 1, Presentation of Financial Statements and Practice Statement 2 related to the IASB's ongoing disclosure initiative project.	These amendments are the second amendments to IAS 1 resulting from the ongoing IASB disclosure initiative project. Staff is of the view, that the proposed changes are more than minor amendments. The first set of amendments were also not included in IPSAS 1.

**Decision Required**

4. Does the IPSASB agree with the staff's [recommendation](#)?

## **Approval of ED 85, *Improvements to IPSAS, 2023***

### **Questions**

1. Does the IPSASB agree to:
  - (a) Approve ED 85, *Improvements to IPSAS, 2023* for exposure; and
  - (b) A 60-day consultation period.

### **Recommendation**

2. Staff recommend ED 85 be approved for exposure with a 60-day consultation period.

### **Detail**

#### *Structure and content of ED 85*

3. The structure and content of ED 85 has been developed according to previous editions of improvements to IPSAS and consistent with staff's recommendations in Agenda Items [6.2.2](#) and [6.2.3](#).

#### *Consultation Period*

4. The normal consultation period for the *Improvements to IPSAS projects* is 60 days.<sup>6</sup> Staff expects to publish ED 85 by the end of July with a consultation period end date of September 30, 2023. This would allow staff to bring back to the December 2023 meeting the analysis of the responses to ED 80 and for the IPSASB to approve the final *Improvements to IPSAS, 2023*.
5. Staff expects that the new pronouncement will be published in January 2024.

### **Decision Required**

6. Does the IPSASB agree with staff's [recommendation](#)?

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<sup>6</sup> The IPSASB's [Due Process and Working Procedures](#) states that Improvement's exposure drafts generally have a 60-day exposure period as a result of the consequential nature of the changes.

## **Update of the Policy Paper, *Process for Reviewing and Modifying IASB Documents***

### **Question**

1. Does the IPSASB agree with the staff's recommended amendments to the Policy Paper, *Process for Reviewing and Modifying IASB Documents* identified in [Agenda Item 6.3.2](#)?

### **Recommendation**

2. Staff recommend the IPSASB to approve the marked-up editorial changes to the Policy Paper, *Process for Reviewing and Modifying IASB Documents* identified in [Agenda Item 6.3.2](#).

### **Background**

3. The IPSASB's Policy Paper, *Process for Reviewing and Modifying IASB Documents* was published in 2008. Since then, the IPSASB has published the *Conceptual Framework* and the Policy Paper, *Process for Considering GFS Reporting Guidelines During Development of IPSAS*.
4. During the development of the *Improvements to IPSAS, 2021*, the IPSASB instructed staff to update the IPSASB's [Policy Paper, \*Process for Reviewing and Modifying IASB Documents\*](#) taking into consideration the publication of [The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities Conceptual Framework](#) (The Conceptual Framework) and IPSASB's [Policy Paper, \*Process for Considering GFS Reporting Guidelines During Development of IPSAS\*](#), as well as other warranted editorial changes.
5. This paper addresses the IPSASB's instruction to update the Policy Paper, *Process for Reviewing and Modifying IASB Documents*.

### **Analysis**

6. [Agenda Item 6.3.2](#) shows the tracked changes version to the Policy Paper, *Process for Reviewing and Modifying IASB Documents* to make it consistent with the Conceptual Framework, the GFS Policy Paper, and other editorial changes consistent with IPSASB's instruction.
7. Staff recommend the IPSASB to approve the tracked changes to the Policy Paper, *Process for Reviewing and Modifying IASB Documents* identified in [Agenda Item 6.3.2](#).
8. [Agenda Item 6.3.2](#) will have a page-by-page review of the proposed amendments at the meeting.

### **Decision Required**

9. Does the IPSASB agree with the staff [recommendation](#)?

**Supporting Document 1 – [draft] Exposure Draft 85, *Improvements to IPSAS, 2023***

1. This supporting document includes the proposed amendments to IPSAS.

**Supporting Document 2 – [draft] *Process for Reviewing and Modifying IASB Documents—Update (Tracked Changes Version)***

1. This supporting document includes a tracked changes version of the Policy Paper, *Process for Reviewing and Modifying IASB Documents* originally published in 2008 (see [here](#) the original version).