

Meeting: International Public Sector Accounting Standards Board

Meeting Location: Toronto, Canada

Meeting Date: December 5–8, 2023


Agenda Item 11



For:
 Approval
 Discussion
 Information

NAVIGATING IPSAS – PRACTICAL SUPPORT MATERIAL

Initiative summary	The objective of this initiative is to facilitate the development of practical support material by a strategic partner organization to help public sector entities better access, understand, and apply the accounting requirements in IPSAS.	
Initiative staff lead	<ul style="list-style-type: none"> Eileen Zhou, Principal 	
Meeting objectives Project management	Topic	Agenda Item
	Update	11.1.1
	Instructions up to Previous Meeting	11.1.2
	Decisions up to Previous Meeting	11.1.3
Decisions required at this meeting	Proposed Feedback Statement	11.2.1

**NAVIGATING IPSAS – PRACTICAL SUPPORT MATERIAL:
 UPDATE**

Topic	Past Meetings	December 2023
Overall Project Management		
Conduct research and scoping activities	✓	
Discuss findings from research and scoping activities	✓	
Determine direction/approach		
• Options to address the public need	✓	
• Objective	✓	
• Output	✓	
Review feedback statement		

Legend	
✓	Task Completed
	Planned IPSASB Discussion
	Page-by-page Review

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
September 2023	1. Draft a feedback statement to communicate the IPSASB's reasons for deciding to develop practical support material rather than to adopt a standard-setting solution.	1. Agenda Item 11.2.1
September 2023	2. Identify a strategic partner organization to develop the proposed practical support material and establish the User/Preparer Panel.	2. Ongoing – volunteers are encouraged to contact staff

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
September 2023	1. The development of practical support material more pragmatically and effectively addresses the public need raised by constituents. Three members voted against a non-standard-setting approach because in their view, it may not provide expected relief, as it would not necessarily address the resource and capacity challenges faced by public sector entities in applying full accrual IPSAS, nor provide additional guidance on the application of materiality.	1. n/a
September 2023	2. Practical support material shall be developed by a strategic partner organization, subject to appropriate quality control processes, to help public sector entities better access, understand, and apply the accounting requirements in IPSAS.	2. n/a
September 2023	3. A User/Preparer Panel comprised of volunteers shall be established to provide inputs and feedback into the development of the practical support material.	3. n/a – volunteers are encouraged to contact staff
June 2023	1. Providing other forms of guidance, in lieu of a standard-setting solution, could more appropriately and effectively address the need expressed by constituents, and it will take a final decision on the output of the project in September, specifically the form of non-standard-setting guidance, based on further staff analysis.	1. n/a
March 2022	1. The IPSASB decided, based on responses to the Mid-Period Work Program Consultation, to add the exploration of a differential reporting model to the work program starting with a research and scoping phase.	1. n/a

Proposed Feedback Statement

Purpose

1. To present the IPSASB with a draft feedback statement, which aims to communicate the IPSASB's decision relating to its former Differential Reporting project, and collect substantial comments.

Background

2. The IPSASB added a project on Differential Reporting to its work program in March 2022, based on responses to the 2021 Mid-Period Work Program Consultation. Since then, the IPSASB and staff actively engaged in, and considered advice and feedback from, its research and scoping activities.
3. In June 2023 ([Agenda Item 14](#)), the IPSASB reflected on the various challenges faced by public sector entities in adopting full accrual IPSAS, which prompted interest in a potential international differential reporting model, and considered how best to address the public need.
4. Based on further deliberations in September 2023 ([Agenda Item 9](#)), the majority of IPSASB members were in favor of developing practical support material, as it more pragmatically and effectively addresses the public need. This practical support material, tentatively titled *Navigating IPSAS*, is intended to be developed by a strategic partner organization to help public sector entities better access, understand, and apply the accounting requirements in full accrual IPSAS.
5. In light of this decision, the IPSASB officially completed its research and scoping activities and removed the Differential Reporting project from its formal Work Program, as it is no longer a standard-setting project. The IPSASB decided to issue a formal feedback statement to clearly communicate why the majority of its members supported the proposal to develop practical support material rather than a standard-setting solution. The IPSASB also asked staff to identify and work with a strategic partner organization to develop this practical support material and manage quality and review as it is developed.

Analysis

6. Feedback mechanisms (such as feedback statements or consultation summaries) enable the IPSASB to communicate to constituents its thinking when taking important decisions that relate to its Strategy and Work Program. The IPSASB has effectively used feedback mechanisms in the past:
 - (a) [Strategy and Work Program 2019-2023](#) – A consultation summary highlighted key changes to the proposed 2019-2023 Strategy and Work Program based on constituent comments and feedback, and summarized the IPSASB's final decisions;
 - (b) [2021 Mid-Period Work Program Consultation Summary](#) – A consultation summary highlighted key changes to the Work Program based on constituent comments and feedback, and summarized the IPSASB's final decisions;
 - (c) [Other Lease-Type Arrangements](#) – A feedback statement summarized the IPSASB's findings based on constituent feedback to its 2021 Request for Information on *Concessionary Leases and Other Arrangements Similar to Leases*, and the IPSASB's decisions resulting from its technical analysis of issues raised by constituents.

7. An effective feedback statement provides constituents with a clear narrative of the IPSASB's journey leading to its final decisions. For this specific project/initiative, now tentatively called the “Navigating IPSAS – Practical Support Material” initiative, an effective feedback statement should discuss:
 - (a) **A brief project history:** Why the IPSASB initiated the Differential Reporting project;
 - (b) **Understanding the public need:** How the IPSASB undertook research and scoping activities to explore the potential for an international differential reporting model, and established a clearer understanding of the public need;
 - (c) **Addressing the public need:** What the IPSASB has decided, based on the results of its research and scoping activities and thorough deliberations, to best address the public need; and
 - (d) **The way forward:** What the IPSASB intends to do, as next steps.
8. In September 2023, a few IPSASB members emphasized the importance of clearly explaining why this initiative is no longer a standard-setting project, and instead endorses development of practical support material that overall supports adoption and implementation of IPSAS. These members requested the feedback statement reflect that:
 - (a) The practical support material is intended to help entities navigate the IPSAS Handbook, which can be overwhelming for some entities as it provides comprehensive guidance for all potential public sector transactions;
 - (b) The practical support material should continue to evolve, contingent on constituent support and feedback; and
 - (c) The IPSASB itself is not involved in developing the practical support material. Quality assurance of any outputs will be achieved through IPSASB staff review and participation of any Board members who volunteer to join an independent User/Preparer Panel.
9. Staff have drafted a feedback statement which reflects the points in paragraphs 7-8, in [Appendix 1](#).
10. This feedback statement does not, and is not intended to, introduce any new ideas or views that have not previously been presented and discussed by the IPSASB. Rather, the content of this feedback statement is based on existing analysis, discussions, and decisions made by the IPSASB between September 2022 and September 2023, and provides an overview of the key considerations leading to the final decision.
11. To communicate the results of its 2023 deliberations in a timely manner, staff recommend the IPSASB release the feedback statement in early 2024. This ensures sufficient time to make revisions based on member comments received at the December 2023 IPSASB meeting.

Appendix 1 – Proposed Feedback Statement

[Note for reviewers: This draft proposed feedback statement is based on existing analysis, discussions, and decisions made by the IPSASB between September 2022 and September 2023, and provides a high-level summary of key considerations. It does not, and is not intended to, introduce any new ideas or views not previously presented and discussed by the IPSASB. Please feel free to send any editorial comments on this draft to staff in advance of the December IPSASB meeting.]

Differential Reporting **FEEDBACK STATEMENT**

[January 2024]



Feedback Statement Purpose

The IPSASB added Differential Reporting to its work program in March 2022, based on constituent responses to the [2021 Mid-Period Work Program Consultation](#). The aim of the project was to explore the potential development of an international differential reporting model. The first stage of any major standard-setting project is to conduct research and scoping activities.

The purpose of this Feedback Statement is to provide an overview of the project initiation, key outcomes from research and scoping activities, and the deliberations leading to the IPSASB's decision to support the development of practical support material instead of an international differential reporting model.

A Brief History

The IPSAS literature includes a single set of accruals-based standards for all entities in the public sector.¹

Public sector entities vary substantially in size, complexity, and capacity, and therefore may face challenges with adoption and implementation of the accrual IPSAS suite of standards. These adoption and implementation challenges generated interest in exploring whether an international solution, such as an international differential reporting model, is possible so that entities could obtain the benefits of accrual accounting without applying full IPSAS.

The IPSASB initially consulted on adding a differential reporting project during the strategic consultations between 2012-2018 but received limited constituent support. The IPSASB received greater constituent support in response to its 2021 Mid-Period Work Program Consultation. However, some constituents still shared concerns regarding whether an international standard-setting solution was achievable and feasible. The IPSASB decided in March 2022 to undertake research and scoping work to explore differential reporting, and to determine the nature and extent of a future project.

¹ The IPSASB literature also includes an IPSAS for Financial Reporting Under the Cash Basis of Accounting (Cash Basis IPSAS), which is comprised of two parts: Part I is mandatory, and Part II is encouraged but not mandatory. The Cash Basis IPSAS plays an important role in enhancing the quality of financial reporting by entities on cash basis of accounting and supporting entities in their transition to accrual IPSAS. The IPSASB encourages governments to progress to the accrual basis of accounting.

Understanding the Public Need

CONDUCTING RESEARCH AND SCOPING ACTIVITIES

The IPSASB undertook research and scoping activities through an open and inclusive process to better understand the issues, which included:

- a) **Reviewing existing differential reporting models**, to understand the different regimes in various public sector jurisdictions and in the international private sector, as well as in relevant academic research papers;
- b) **Further considering constituent feedback** to the 2021 Mid-Period Work Program Consultation received in formal public comment letters and from regional roundtable attendees from over 75 countries;
- c) **Analyzing the inputs provided** from international public sector representatives from approximately 40 countries with diverse perspectives (from different functional backgrounds, including preparers, auditors, academics, parliamentarians, standard setters, and others) at outreach events; and
- d) **Obtaining advice** from the IPSASB Consultative Advisory Group (CAG).



These activities explored the issues and challenges of developing an international differential reporting model, to help the IPSASB better understand the public need, and identify the best solution to address it, in its role as the global public sector standard setter. These activities also explored characteristics of entities that may be eligible to apply such a model, and what financial reporting approaches may be appropriate to provide relief to such entities.

REFLECTING ON FEEDBACK AND UNDERSTANDING THE PUBLIC NEED

Several key considerations were identified through research and scoping activities which did not support development of an international differential reporting model for the public sector:

<p>Is it conceptually achievable?</p>	<p>Likely no – Feedback highlighted the importance of remaining consistent with the IPSASB’s existing work. IPSASB members had a rigorous debate, and considered whether an international differential reporting model in the public sector would be consistent with its <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework)</i>. Ultimately, the IPSASB concluded that since all public sector entities are inherently publicly accountable, a conceptually-sound model is likely unachievable as a separate or different set of financial reporting requirements would not faithfully represent the substance of public sector transactions.</p>
<p>Is it practically feasible?</p>	<p>Likely no – An international differential reporting model must reflect public sector realities and transactions. While public sector entities are all publicly accountable, they still vary substantially within, and across, jurisdictions. The IPSASB concluded that it might be difficult, if not technically infeasible, to determine a characteristic(s) to practically identify which entities could apply differential reporting at the international level. From a practical perspective, national standard setters are better able to make their own determinations based on their jurisdiction’s needs.</p>
<p>Does it address the public need?</p>	<p>Likely no – At its core, the IPSASB concluded that the public need is not for an international differential reporting model, but rather for additional practical support with adoption and implementation challenges. These challenges are magnified by an entity’s capacity and resource limitations, which impede on the ability to understand and apply accrual IPSAS. Public sector entities often need additional practical support materials to better access and understand IPSAS and identify accounting guidance applicable to its transactions. However, an international differential reporting model likely would not appropriately or effectively address this public need nor mitigate challenges and could instead add other new challenges. Therefore, alternative solutions should be considered.</p>

IPSASB members acknowledged that the IPSAS Handbook is lengthy, as it provides comprehensive guidance for all potential public sector transactions. These entities may find it challenging to identify which pieces of accounting guidance are relevant and applicable to their entity’s transactions. Considering this public need, the IPSASB unanimously agreed that some form of support must be provided to help public sector entities better access and understand IPSAS, thereby supporting broader public financial management reform programs. The IPSASB considered how best to proceed, in its role as a standard setter, to support public sector entities in navigating, understanding, and applying IPSAS.

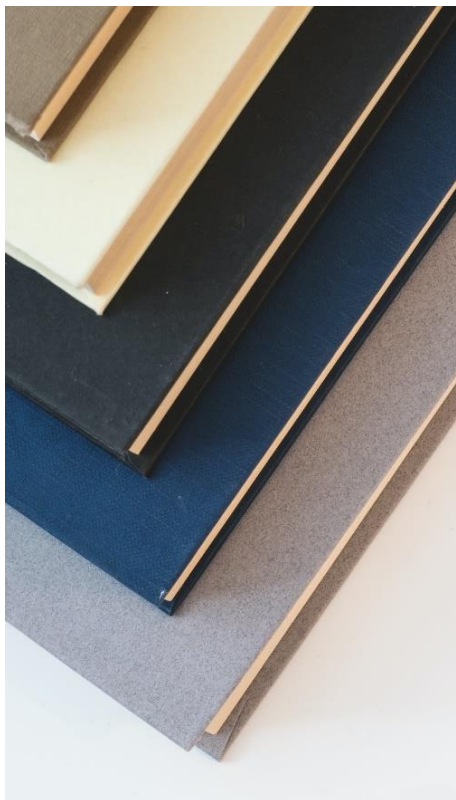
Addressing the Public Need as a Standard Setter

The transition to IPSAS rarely occurs in isolation, but rather as part of a larger public financial management reform program, and adoption and implementation support is an important issue for many public sector entities. However, the IPSASB's core role and capabilities are as a standard setter, and adoption and implementation issues cannot be addressed by IPSASB on its own. As a standard setter, the IPSASB is not able to resolve the resource and capacity constraints of public sector entities but strives to create and maintain accounting guidance that is understandable, applicable, and appropriate.

Considering the public need and the IPSASB's role and capabilities as a standard setter, the majority of IPSASB members² concluded that they would support the development of practical support material to address the public need effectively and pragmatically, while avoiding potential technical and conceptual inconsistencies with the IPSASB's existing work and potential reputational challenges.

The IPSASB concluded that practical support material could help public sector entities better access, understand, and apply IPSAS. This would improve access to the relevant guidance in the full accrual IPSAS and help ease the burden of adopting and implementing IPSAS, particularly for entities with resource and capacity constraints. Practical support material would serve as a guide to help an entity consider its transactions in the context of materiality, identify IPSAS requirements relevant to those transactions, and obtain a high-level understanding of the accounting principles.

² Three members voted against a non-standard-setting approach because in their view, it may not provide expected relief, as it would not necessarily address the resource and capacity challenges faced by public sector entities in applying full accrual IPSAS, nor provide additional guidance on the application of materiality.



The Way Forward

The IPSASB plans to engage a strategic partner, knowledgeable with IPSAS and implementation challenges, to develop the practical support material. This approach will help public sector entities to better navigate, understand, and apply IPSAS. The IPSASB has taken such an approach to develop other products with strategic partners to help address resource and capacity issues in the public sector, such as those developed under IFAC adoption and implementation of international standards activities, including [Pathways to Accrual](#), [Train the Trainer materials](#), and [COVID-19 Intervention Assessment Tool](#). These practical support materials have and can continue to evolve with the IPSASB Standards and constituent feedback.

In light of its decision, the IPSASB officially completed its research and scoping activities and removed the Differential Reporting project from its formal Work Program, as it is no longer a standard-setting project. The IPSASB tasked IPSASB staff with engaging a strategic partner organization to execute the envisioned practical support material on its behalf, to ensure the quality and vision of the proposed support material.

Appendix A – Additional Information: Analyses and Decisions

The IPSASB and its Consultative Advisory Group (CAG) discussed this initiative throughout 2022 and 2023. The following table provides direct links to the IPSASB's analyses and decisions, and CAG advice.

Meetings	Analysis (Issue Papers)	Decisions or Advice (Minutes)
IPSASB September 2022	IPSASB papers	IPSASB minutes
IPSASB CAG December 2022	CAG papers	CAG minutes
IPSASB June 2023	IPSASB papers	IPSASB minutes
IPSASB September 2023	IPSASB papers	[Link pending IPSASB's approval of September minutes at its December 2023 meeting]