

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Abu Dhabi, UAE

Meeting Date: March 11–14, 2013

Agenda Item 10

For:
☐ Approval
☒ Discussion
☐ Information

Strategy and Work Planning

Objective(s) of Agenda Item

1. You will recall that the IPSASB had initial discussion in December 2012 of the responses to the work program consultation for 2013-2014 (see agenda papers for item 9 of that meeting). In addition, the IPSASB had a more general discussion of the factors that would be considered and weighed in selecting projects to be added to the work program. Members generally agreed with the staff recommendation that only two additional projects be added to the work program. However the board sought to understand more fully the staff complement and project allocations and to also consider whether currently committed projects should be revisited.
2. For purposes of this meeting staff proposes that the IPSASB undertake a more detailed discussion and analysis of the responses to the Consultation Paper (CP). Subsequently, factors that are relevant in prioritizing projects should be considered, elaborating on the preliminary discussions in December. This will lead to a discussion about some possible projects to add to the work program. It is proposed that all decisions about which projects will be added to the work program will be finalized no later than June 2013.
3. This agenda session will be structured as follows:
 - (a) Oversight and governance – update of activities
 - (b) Work plan– further discussion and analysis of responses to consultation paper;
 - (c) Strategy for 2013 and 2014 – reiterating the strategic areas of focus;
 - (d) Discussion of factors that impact work plan and tentative decisions; and
 - (e) Strategy review post 2014 – discussion of approach to developing and timing.
4. The planned schedule for further work plan discussions over the next year is as follows:
 - (a) March 2013 – complete review of responses to work plan consultation; reiteration of strategy for 2013-2014; discuss possible joint IASB projects; update re public interest oversight.
 - (b) June 2013 – decisions on work plan; decisions on approach to public interest oversight.
 - (c) September 2013 – update on public interest oversight; development of project on comprehensive strategy review for post 2014, including establishing TBG.
 - (d) December 2013 – update on timing of implementation of public interest oversight; discussion of comprehensive strategy review post 2014.
 - (e) March 2013 – approve comprehensive strategy review post 2014; public interest oversight possibly implemented.

Material(s) Presented

Agenda Item 10.1	Analysis of Responses to Consultation on IPSASB Work Program 2013-14
Agenda Item 10.2	Strategic Priorities for 2013-2014
Agenda Item 10.3	Work Planning – Factors and Decisions
Agenda Item 10.4	Strategy review post 2014

Matter for Consideration

1. The IPSASB is asked to consider the approach to strategy and work planning including proposed timing and provide feedback on any issues or concerns.

Oversight and Governance

5. At the December 2012 meeting the Chair provided an update on various activities that are ongoing related to public interest oversight and governance of the IPSASB. It was highlighted that this would be discussed at a February 2013 meeting of the Monitoring Group (MG) in the context of the Public Interest Oversight Board (PIOB) undertaking this role. In December it was noted that the MG position seemed to be somewhat neutral and therefore an alternative approach to oversight of the IPSASB might need to be developed.
6. On February 27, 2013 the MG held a roundtable on public interest oversight of the IPSASB. Participation was by invitation and included Andreas Bergmann as Chair of the IPSASB and Ian Ball, now former IFAC CEO. In addition Jim Sylph, the Executive Director of Professional Standards and Fayez Choudhury, IFAC CEO, attended as observers. The roundtable was attended by members of the MG, a number of members of the PIOB, organizations such as the World Bank, IMF and OECD as well as other representatives of standards setters and regulatory organizations.
7. The Chair will report on the outcome of the roundtable as well as meetings being held by the MG on February 28, 2013 to discuss the issues further.

Work Plan 2013-2014**Background**

1. You will recall that the IPSASB had initial discussions in December 2012 of the responses to the work program consultation for 2013-2014 (see agenda papers for item 9 of that meeting). For purposes of this meeting staff proposes that the IPSASB undertake a more detailed discussion and analysis of the responses to the Consultation Paper (CP). This will provide context to further discussions on work planning.

Consultation on IPSASB Work Program 2013-2014**Analysis of responses**

2. As noted in the agenda papers for the December 2012 IPSASB meeting thirty-eight responses were received on the *Consultation on IPSASB Work Program 2013-2014*, issued in July 2012. The CP included three specific questions for respondents for assessing priorities. These were:
 1. Considering the additional potential projects identified above and described in Appendix C, are there any other projects that you think need to be added to the list of potential projects?
 2. Which projects do you think the IPSASB should prioritize for 2013-2014? In your response you could consider providing your assessment of the 3 most important projects or a ranking of all projects on the list. Please explain the reasons for your answers.
 3. Please provide any further comments you have on the IPSASB's Work Program for 2013-2014.

For purposes of this analysis members may want to refer to agenda paper 9.2 from the December 2012 IPSASB meeting which provides a detailed "cut and paste" analysis of responses.

Responses of a general nature

3. Of the thirty-eight respondents, twenty-nine provided comments of a general nature. Most of these were extremely supportive of the IPSASB's decision to consult publicly. Some also specifically commented on the IPSASB's intent to undertake a more comprehensive strategy review for the period post 2014 and indicated their support for that consultation.
4. Some respondents expressed support for the public consultation process but also expressed suggestions or reservations about certain aspects. For example one respondent (023) expressed reservations about the IPSASB addressing projects for GPFs. It is noted that other respondents (009, 038) specifically supported the IPSASB doing work in these other areas. One respondent (024) commented on the need to consult beyond accountancy bodies while another (029) encouraged more collaborative work with national standard setters. One respondent (036) suggested the IPSASB include more work specific to international organizations since this is a key constituency.
5. Two respondents (004, 013) expressed support for the consultation process but had reservations about the nature of the consultation. The respondents both highlighted that the consultation paper

does not address the full work program for 2013-2014 but rather addresses only the additional potential projects to be added. As such, the respondents noted it to be of less relevance.

6. Overall respondents to the CP were extremely supportive of the fact that the IPSASB issued a public consultation. It is clear that taking this approach for the more comprehensive strategy review will be important and necessary.

Responses to question 1

7. Twenty-one of the thirty-eight respondents provided feedback on question 1, related to other projects that should be added to the list of potential projects. Of these, seven respondents (006, 011, 012, 028, 032, 035, 038) did not have any projects to be added to the list of potential projects. These respondents generally commented that the list of potential projects was comprehensive for these purposes. Seven respondents supported projects that are already included in the IPSASB's work program as committed projects, including first time adoption (003, 025), key characteristics (004), the update of IPSASs 6-8 (017, 023, 026) and disclosures (015). Three respondents (017, 026, 030) proposed the addition of a project on fair value though this project was on the list of potential projects included in Appendix C. It is noted however that the list of potential projects was first outlined in Section IV of the CP and the project on fair value measurement was not included which may have led to confusion.
8. Respondents who proposed new projects to be added to the list of potential projects generally did not think these should be prioritized in the short-term but should be considered for the more comprehensive review post 2014. One respondent (002) proposed that a review of IPSAS 25 be undertaken in the short-term.
9. In terms of projects to be added to the list of potential projects, one respondent (003) proposed that the IPSASB expand its scope to include not-for-profit entities. Another respondent (015) suggested the IPSASB undertake a project to consider the criteria to differentiate when a project results in an IPSAS, an RPG or some other form of guidance. Related to this, that respondent also proposed a review of the terms of reference to clarify the nature of such documents and their applicability. One respondent (010) proposed that the IPSASB deal with IASB interpretations more consistently.
10. In addition to these proposals, there were thirteen other projects that respondents proposed be added to the list of potential projects. As noted previously, respondents did not consider these a priority in the short-term. These additional projects (in alphabetical order) are:

- Biological assets (022)
- Cost accounting (022)
- Infrastructure assets (019, 022)
- Interim financial reporting (025)
- Investment grants (002)
- IPSAS 11, *Construction contracts* (019)
- Leasehold rights (002)
- Military assets (020, 022)

- Natural resources (019)
- Role of government as owner versus government (016)
- Rate regulated industries (016)
- Sovereign wealth funds (016)
- Trust funds (019)

Analysis of responses to question 1

11. The list of potential projects included in the CP was derived from a) the IPSASB's discussions during work planning sessions; b) analysis of existing IPSASs and maintenance work needed; c) analysis of the current IASB work program and gaps that need to be addressed; and d) analysis of existing IPSASs and their alignment with GFS. The goal of asking this question was to identify projects that constituents think are important that have not already been identified through the IPSASB's processes. Ultimately the intention is that these potential projects will be added to the longer "laundry list" of potential projects. During the development of the comprehensive strategic review and related work planning all of the potential projects on the list will be reviewed and considered for prioritization by constituents. Similar to the CP, brief descriptions of the projects will be developed to assist respondents in assessing and prioritizing the projects.
12. Of those potential projects highlighted in the paragraphs above, staff notes that a project on developing criteria to differentiate when a project results in an IPSAS, an RPG or some other form of guidance has been initiated for initial discussion at this meeting (see agenda item 3). This project will be developed similar to the "Rules of the Road" project as a staff project for discussion by the IPSASB with the goal of developing a document that will guide future discussions across projects.
13. Staff propose that all of the other potential projects proposed by respondents be added to the laundry list of projects for the time being. These will be reviewed and considered at length as the more comprehensive strategy review is undertaken.

Matter for Consideration

1. Do members agree with the staff proposal to add all proposed potential projects to the laundry list for future consideration in the development of the comprehensive strategy review?

Responses to question 2

14. Of the 38 respondents, 34 provided feedback on the projects that should be prioritized in the period 2013-2014. Six respondents (003, 007, 008, 026, 028, 031) did not think that the IPSASB should undertake any further projects over the period. These respondents generally agreed with the IPSASB's current work program particularly the priority given to the conceptual framework project. Respondents highlighted the importance of completing the conceptual framework project in a timely fashion and noted that its current completion date of 2014 already reflects some delays from original plans. The respondents preferred that any spare resources be dedicated to the conceptual framework project to ensure its timely completion in 2014. On that basis these six respondents did not support adding any projects to the IPSASB's work program for 2013-2014.

15. Thirty-four respondents provided feedback on the priority of projects in the list provided. Some respondents provided their ranking of the top three or four projects while others ranked only their most urgent priority. Agenda item 9.2 from the December 2012 meeting provides a detailed analysis of the comments by respondent.
16. In December, staff provided a numerical summary of potential projects prioritized as high by respondents as set out in the table below. It is noted that one respondent (002) prioritized a project not on the list provided in the CP and this has been included at the end of the table below. The table is only intended to provide a numerical summary of the respondents' comments regarding specific projects. A detailed analysis of comments has also been undertaken and is discussed further in the paragraphs below.

Additional Potential Projects (from Appendix C of CP)	Respondents who rated high priority	Total
Borrowing Costs (Update of IPSAS 5 - underlying standard IAS 23)	016, 035	2
Emissions Trading Schemes	005, 014, 015, 017, 029, 030, 033, 035	8
Extractive Industries (IFRS 6 interim standard but no comparable IPSAS)	011	1
Fair Value Measurement (IFRS 13 but no comparable IPSAS)	none	0
Heritage Assets (Public sector specific)	004, 011, 013, 019, 020, 023	6
Improvements to IPSAS 23 – Non-Exchange Revenues	002, 004, 010, 029, 030, 034, 036	7
Insurance Contracts (IFRS 4 interim standard but no comparable IPSAS)	006	1
Leases	005, 012, 015, 016, 029, 035, 036	7
Non-current Assets Held for Sale and Discontinued Operations (IFRS 5 but no comparable IPSAS)	none	0
Presentation of Financial Statements (Update of IPSAS 1 - underlying standard IAS 1)	002, 006, 009, 024, 038	5
Related Party Transactions (Update of IPSAS 20, underlying standard IAS 24)	016	1
Revenue Recognition	005, 012, 015, 025, 036	5
Segment Reporting (Update of IPSAS 18, underlying standard IAS 14, superseded by IFRS 8)	024	1
Small and Medium Enterprises (SMEs)	009, 019	2

Additional Potential Projects (from Appendix C of CP)	Respondents who rated high priority	Total
Social Benefits	001, 004, 010, 011, 013, 014, 019, 020, 022, 023, 029, 032, 034, 038	14
Sovereign Powers and their Impact on Financial Reporting	004, 010, 013, 014, 020, 023, 034	7
Additional Potential Projects (not on Appendix C)		
IPSAS 25	002	1

17. In reviewing the respondents' comments the diversity in comments is noted as well as the fact that almost all projects received at least some support from constituents. On one hand this makes analyzing the comments challenging, even more so because some respondents, though not all, also indicated which projects they considered low priority. On the other hand, it is somewhat reassuring that the list of potential projects has been developed in a way that meets constituents' needs. The challenge in a resource constrained environment is determining the most appropriate way to narrow down the list in order to make decisions on projects. The IPSASB agreed in its discussions in December that considering absolute numbers is not an appropriate methodology and risks the perception that project selection is simply a "popularity context". In addition, this does not take into account the specific comments made by other constituents about a project's relatively low priority.
18. To that end staff has prepared a descriptive summary of the responses for each project that was supported including comments where applicable that did not support the project. It is expected that this summary would ultimately be considered by the IPSASB as one of the factors to be considered in making project selections.

Borrowing Costs

19. Two respondents indicated that a project on borrowing costs would be in their top three priorities. One respondent (016) noted that governments are extensive borrowers for both investments in assets and to cover operating deficits. The respondent expressed concern about distinguishing between cash generating and non-cash generating assets for capitalizing or not capitalizing interest costs. Another respondent (035) noted this as a project that is complex and a priority of the G20.
20. It is noted that three respondents rated this project as a low priority. Two of the respondents (015, 036) did not provide an explanation for their assessment. One respondent (010) noted that in their jurisdiction they issued an equivalent standard they followed IAS 23, which requires the capitalization of borrowing costs, rather than IPSAS 5. Upon implementation constituents indicated problems with the IAS 23 based standard on both conceptual and practical grounds. In that jurisdiction an exposure draft has been issued that brings a revised standard in closer alignment with IPSAS 5. Based on this the respondent noted that while the issue is important from their experience the current guidance is appropriate and there are more urgent issues to address.

Emissions Trading Schemes

21. A project on ETS was identified by eight respondents as high priority. ETS are a prominent public sector issue and becoming increasingly important globally. In addition, since such schemes exist and there are no related accounting standards, governments are already developing their own practices for ETS. Respondents cited concerns about divergent accounting practices and the need to develop consensus. The lack of consensus is bound to become problematic in the fairly short-term especially in areas like Europe.
22. Respondents also highlighted the opportunity to work with the IASB on this project as contemplated under the IASB MOU. The IASB has reactivated its project and respondents noted that this would be an ideal time to work together.
23. One respondent (036) ranked this project as not relevant and therefore low priority. The respondent is an international organization and ETS are strictly an issue related to governments. One respondent (010) noted that in their jurisdiction there are no or almost no occurrences of ETS and so the project is not high priority jurisdictionally. However, the respondent acknowledged the significance of these schemes in other jurisdictions and encouraged the IPSASB to work with the IASB in developing guidance if this project is selected. This would maximize resources and ensure symmetry in accounting.

Extractive Industries

24. One respondent rated this project in its top three priorities. The respondent was from an IFAC member body and noted that in a public sector global forum in 2012 members identified accounting for natural resources as a significant issue in countries such as Africa. The respondent noted that countries that have extractive industries account for a significant share of exports and rising commodity prices have boosted economic growth and exports in these countries. The respondent acknowledged this is likely an area of substantial research but supported the project as a priority.
25. One respondent (015) rated this project as a low priority with no further explanation. Another respondent (036) rated this project as not relevant since the respondent is an international organization. One respondent (010) noted little relevance to their specific jurisdiction due to a limited amount of mining or extractive industries. The respondent highlighted however that in consultation with the African Organization of English speaking Supreme Audit Institutions it was noted that revenues arising from mining and extractive industries is an area of concern in a number of African countries, corroborating the views of respondent 011 outlined above. The respondent proposed that this be a future project but not a priority at this time.

Fair Value Measurement (IFRS 13)

26. No respondents identified this project as a high priority. One respondent (015) rated this as a medium priority with no further explanation. It is noted that while this project was included in Appendix C of the CP it was omitted in error from the project listing in section IV of the paper. As a result, three respondents proposed adding this to the list of potential projects though none of these considered it a high priority.

Heritage Assets

27. This public sector specific project would develop accounting and disclosure requirements for heritage assets. Six respondents cited this as a high priority. Respondents noted that this is often raised by stakeholders adopting the IPSASs as an area for further guidance. Its significance to the public sector makes it highly relevant. One respondent noted its universal relevance to governments in both developed and developing countries. While it has been challenging and controversial in the past the advancement of the elements phase of the conceptual framework may be helpful. Respondents said that as a public sector standard setter it is an area the IPSASB needs to address.
28. One respondent (010) noted that in their jurisdiction they have a standard on heritage assets which requires recognition when they can be measured reliably. The respondent generally supported adding this to the IPSASB's work program due to its relevance across jurisdictions. However, the respondent also noted that the information needs of users are currently being met through other reports such as stewardship reports. For this reason the respondent identified other projects to be of higher priority. Two respondents (015, 036) rated the project as low priority with no further explanation.

Improvements to IPSAS 23 – Non-Exchange Revenues

29. Seven respondents identified this project as a high priority. Respondents who favoured this project focused on the experiences of those already adopting IPSAS 23 and some of the practical challenges being encountered. The responses highlighted the need for clarifications noting that in some cases there are wide interpretations of the standard. The respondents noted that this is a critical area for the public sector and its significance in that context supports it being addressed. They also pointed out the need for consistency between IPSAS 23 and other IPSASs and noted that link with the elements phase of the conceptual framework. As work there has progressed it could be an opportune time to address the problems being faced with applying IPSAS 23.
30. One respondent (015) rated this project as a medium priority with no further explanation.

Insurance Contracts

31. One respondent rated this project as third in priority (behind social benefits and presentation of financial statements). The respondent noted that governments often write substantial amounts of insurance and financial guarantees. The respondent noted that as the IASB project progresses it is logical that the IPSASB address this area in order that insurance accounting be more standardized.
32. One respondent (015) rated this project as a low priority with no further explanation while one respondent (036) rated this as not relevant due to the respondent's status as an international organization. One respondent (010) noted the challenges of accounting for insurance schemes in the public sector given some peculiarities that exist. The respondent expressed the view that while the project may be important in certain jurisdictions it should be postponed until the IASB has completed its insurance project. The IASB is planning to issue a re-exposure draft on insurance contracts in the first half of 2013.

Leases

33. Seven respondents identified leases as a high priority. Respondents who supported a project on leases being added to the work program noted their significance in the public sector but also that they are sector neutral transactions that should be accounted for similarly to the private sector. They thought that alignment with the underlying IFRS was important. Respondents noted the completion of the IASB's new standard on leases and thought that this would be an ideal time to update the related IPSAS 13.
34. One respondent (010) supported a project on leases but did not think this should be undertaken until the IASB project on leases is completed. The respondent noted the time taken by the IASB in addressing this project and suggested that it would be preferable to defer work at this time. At the recent IASB-IPSASB Liaison meeting it was noted that an ED will be issued by the IASB in the second quarter of 2013 and a final revised standard will not be issued before mid-2014.

Non-Current Assets Held for Sale and Discontinued Operations (IFRS 5)

35. No respondents rated this project as a priority. Two respondents (015, 036) identified this project as a low priority with no further comments. One respondent (010) provided feedback about their jurisdiction's experience with implementing a local equivalent of IFRS 5. The respondents outlined a number of difficulties constituents are having, to the point that the standard setting board is revisiting the standard. The respondent does not support the development of an IFRS 5 equivalent standard but did urge that the IPSASB consider whether disclosures in existing IPSASs are sufficient. The respondent also urged the IPSASB to consider developing presentation and disclosure requirements for discontinued operations in light of the project on public sector combinations. It is noted that while the respondent expressed some support for the project, they did not include this as one of its top three priorities.

Presentation of Financial Statements (Update of IPSAS 1)

36. Five respondents identified this as a high priority project. Respondents cited the importance of understanding and interpreting the financial statements. Respondents also highlighted that such a project could have a substantial impact on the readability of financial statements and would enhance transparency and comparability. Respondents generally thought this was a public sector specific issue and that uniform and consistent presentation of financial statements and the national debt are fundamental.
37. Two respondents (015 and 036) identified this as a low priority project with no further information. One respondent (010) noted that many of the changes that would be required to align IPSAS 1 with IAS 1 relate to comprehensive income and other issues with limited relevance to the public sector. The respondent suggested that it would be more resource efficient to wait until the conceptual framework project has been completed so that IPSAS 1 can be revised to reflect public sector specific issues related to presentation of financial statements.

Related Party Transactions

38. One respondent listed this as a priority. The respondent noted that in some countries the identification and reporting of government related party transactions are matters of continuous discussion. The respondent proposed broader and wider exemptions in IPSAS 20 and proposed

limiting these disclosures. One respondent (015) rated this project as low priority with no further explanation.

39. One respondent (036) identified this project as a moderate priority. The respondent noted that convergence with IFRS is not ideal in this case and that the project should focus on the specifics of relationships between public sector entities in determining related parties. Another respondent (010) noted that changes to the related IFRS should be considered at some point but that they did not consider this project a high priority.

Revenue Recognition

40. Five respondents identified revenue recognition as a high priority. One respondent (015) rated this project first in priority but did not provide any further explanation. Two respondents (005, 012) selected this project because the IASB is amending the underlying IFRS and respondents supported convergence being maintained. One respondent cited relevance to the GBE project in terms of similarity in accounting for revenues regardless of the type of organization. Finally one respondent (036) noted that the principal versus agent treatment has not been completely covered in the current standard.
41. One respondent (010) supported convergence with private sector standards similar to the standards on lease as exchange revenue transactions should be sector neutral. The respondent did not think resources should be dedicated to the project until the IASB project is completed given the significant resources and time they have expended to date. The respondent generally supported projects at this time that are not dependent on the actions of external parties.

Segment Reporting

42. One respondent rated this project as a priority. However the respondent did not elaborate on the reasons for this. One respondent (015) rated this as a low priority without further explanation. One respondent (036) identified a project on segment reporting as a moderate priority. The respondent noted that convergence with IFRS would not be appropriate and that the standard should address the fundamental differences between private and public sector entities. It is noted that this is an IPSAS that is not converged with IFRSs at this time.
43. One respondent (010) noted that in their jurisdiction they developed a Standard on segment reporting based on IPSAS 18. As the project developed constituents indicated the information required by IPSAS 18, particularly in relation to segment assets and liabilities could not be reported because of system constraints. In contrast, constituents supported an IFRS 8 approach more favourably. The respondent supported an IFRS converged IPSAS on segment reporting but noted that they do not see this as a priority for the 2013-14 period.

Small and Medium Enterprises (SMEs)

44. Two respondents selected SMEs as a priority. One respondent (009) noted the large number of small and medium public sector entities and thought that a project on SMEs might serve to clarify how the IPSASs can be applied on smaller entities. Another respondent (019) highlighted the challenges in implementing IPSASs for small and medium governmental entities. The respondent proposed that a simplified framework would assist and address capacity limitations.

45. One respondent (015) rated this a low priority without further explanation while another respondent (036) rated this as not relevant. The respondent is from an international organization that adopts IPSASs. One respondent (010) provided a summary of their experience in assessing whether differential reporting in the public sector is appropriate. Ultimately they concluded that it is not appropriate because the users of the financial statements are the same for all entities. As a result, it would be inappropriate to report different information to the same users as this would be to the detriment of accountability and decision-making taken as a whole across government.

Social Benefits

46. Fourteen respondents rated this project a high priority – the most by far. Views expressed were that it is a unique public sector issue and that its sheer significance to governments means it must be addressed. Respondents noted that with the ED on elements now issued adequate clarity has been achieved towards a liability definition that a project on social benefits could be commenced. Respondents also noted that though it is complex, given the critical nature of such a project to the public sector the IPSASB's credibility will be enhanced by addressing such a fundamental issue. The respondents who supported this project considered it the most critical project the IPSASB could undertake.
47. One respondent (015) rated this project as low priority with no further explanation while one respondent (036) indicated this project is not relevant.

Sovereign Powers and their Impact on Financial Reporting

48. Seven respondents rated this project as high priority. The project was identified as a result of the conceptual framework project and is intended to consider the question of whether a government's sovereign powers are assets that should be measured and reported. Respondents who ranked this project highly noted the potential significance of the issue in the public sector. They also highlighted growing complexities in the area and the fact that the elements phase of the framework is adequately advanced to consider these in the context of the definition of an asset.
49. One respondent (015) rated this project as low priority with no further explanation while one respondent (036) indicated this project is not relevant.

IPSAS 25 Employee Benefits

50. While a project to update IPSAS 25 was not identified on the list of potential projects, one respondent rated it a high priority. The respondent noted that changes to the related IFRS, IAS 19, mean that amendments will be required to IPSAS 25. Given the importance of public sector employee benefits the respondent thought this should be prioritized.

Analysis of responses to question 2

51. As noted, it is challenging to analyze the responses given the diversity in comments as well as the fact that almost all projects received at least some support from constituents. As a starting point staff considered the rationale respondents provided to support their selection where possible. In reviewing the rationale staff noted certain themes emerging. Respondents often based their selection on one or more of the following:
- (a) the fact that the project is public sector specific;

- (b) the fact the project relates to IFRS convergence; some respondents cited the current position of the IASB's project as a reason to delay work or highlighted opportunities to collaborate with the IASB as a reason to commence a project;
 - (c) the fact the project had been previously deferred because of the conceptual framework but could now be reasonably progressed.
52. Each of these themes is consistent with the IPSASB's strategic priorities as outlined in the CP though the emphasis by a respondent may be different since assigning priorities to projects is a relative exercise and relevance will vary by jurisdiction. Respondents may assign priorities differently depending on whether they are from a developed or developing country or based on the stage of progress of implementing accrual accounting standards and/or IPSASs.
53. Staff considered that all projects on the list might be reviewed by the IPSASB in the context of various criteria as discussed in December. However, in analyzing the priorities and rationale staff tried to establish a methodology for distilling the list of potential projects down to a reasonable number for the IPSASB to further evaluate. Staff propose that the long list of projects be narrowed down to a short list and that the IPSASB evaluate the shorter list of projects in the context of a variety of criteria as laid out in agenda paper 10.3.

Distilling potential projects to a shorter list

Group 1 – Projects with support of 0-2 respondents

54. As a start to getting to a shorter list, staff grouped those projects that were supported by 0-2 respondents together and then proceeded to consider the rationale provided by respondents for prioritizing those projects. Staff notes that the fact that a low number of respondents prioritized a project is not in and of itself adequate reason not to add it to the work program. Staff used this simply as a first filter so to speak and then further considered the specific comments of respondents.
55. Two projects were not rated as a priority by any respondents – fair value, and non-current assets held for sale and discontinued operations. No rationale was provided for not selecting the fair value project. Based on this it would be difficult for the IPSASB to add this project to the work plan based solely on the feedback from constituents. For the project on non-current assets held for sale and discontinued operations, one respondent noted this as potentially important as a public sector specific project. The respondent noted the possibility of addressing part of this in the public sector combinations project. However the respondent specifically commented that it would be of lower priority in this environment. Again, with no positive support expressed for this to be on the work plan for 2013-2014 it would be difficult for the IPSASB to support this project based solely on constituents' views.
56. Staff therefore proposes that neither of these projects be further evaluated at this time but that they are maintained on the longer list of potential projects that will be considered in the more comprehensive strategy and work plan review.
57. Five projects were supported by a single respondent. These were extractive industries, insurance contracts, related party transactions, segment reporting and amendments to IPSAS 25. The respondent who supported extractive industries cited the significance of these in certain jurisdictions specifically Africa - this was corroborated by another respondent. This could be a

somewhat jurisdictional issue though further work would need to be undertaken to determine if this is the case. The related IFRS 6 is an interim standard that could be applied though the respondent indicated some public sector specific issues. Staff proposes that this project not be initiated at this time given it may be jurisdictional and the fact that the IASB may undertake work on this in the future. At that time it may be possible to collaborate with the IASB.

58. Insurance contracts are acknowledged to have some relevance in the public sector and may be significant in some jurisdictions. However given the fact that the IASB is planning to issue a re-exposure draft on insurance contracts in the first half of 2013 staff proposes that this project be reconsidered only once the IASB project is complete. For related party transactions, the respondent who supported this project commented on the ongoing discussions in certain jurisdictions of who are government's related parties. In addition there were two respondents who ranked the project as low priority in a resource constrained environment. Given that an IPSAS exists (i.e., this would not be addressing a gap) staff proposes that this project not be added to the shorter list at this time.
59. While one respondent supported the segment reporting project as a priority, the respondent did not provide a rationale for this. Other respondents who rated this project as a low priority had conflicting views, one noting it should not be an IFRS convergence project and the other citing the need to eventually converge with IFRSs. Given that an IPSAS exists (i.e., this would not be addressing a gap) staff proposes that this project not be added to the shorter list at this time.
60. Finally with respect to amendments to IPSAS 25, the respondent cited the need to consider changes to IAS 19 as the reason to do this project. Staff notes that this is an IPSAS that is just in the beginning stages of being implemented. As a result of implementation other issues may arise that will warrant revisiting the IPSAS at a future time. Staff proposes that the project not be added to the shorter list at this time to allow application of the IPSAS to develop.
61. Projects on borrowing costs and small and medium enterprises were supported by two respondents each. Respondents who prioritized borrowing costs indicated that governments are large borrowers and that there is therefore a need to address the standard. The respondents generally favoured convergence with the related IFRS. Respondents who rated this as low priority cited challenges in their jurisdiction with applying the related IFRS. Staff notes that the IPSASB did issue an ED on this project in 2008 and views were polarized. Given scarce resources the IPSASB decided at that time to defer the project until the conceptual framework was completed. Staff proposes that this project not be added to the shorter list since an IPSAS exists and there was no significant call for change to current practice among respondents.
62. With respect to SMEs, respondents who supported this focused primarily on reducing complexity for smaller public sector entities. The project was considered in the initial stages of the conceptual framework project (differential reporting) but any further decisions deferred until completion of the framework. Staff considers that this would be a very resource intensive project in terms of staff time. It is likely to take significant time and resources to define the boundaries of SMEs in the public sector. Given the resource constraints of the IPSASB and the fact that there was no significant call for the project, staff proposes it not be added to the shorter list at this time.

Matter for Consideration

2. The IPSASB is asked whether it agrees that the shorter list of potential projects to be evaluated for inclusion in the work plan *should not include* the following projects:
- (a) Borrowing costs;
 - (b) Extractive industries;
 - (c) Fair value measurement;
 - (d) Insurance contracts;
 - (e) Non-current assets held for sale and discontinued operations;
 - (f) Related party transactions;
 - (g) Segment reporting;
 - (h) Small and medium enterprises; and
 - (i) Amendments to IPSAS 25.

Group 2 – Remaining projects

63. Having addressed those projects in group 1, staff turned their attention to the 8 remaining projects on the list. These projects have various levels of support but could be loosely sub-grouped into two categories – those related to IFRS convergence, and those considered public sector specific projects. After classifying these into sub-groups staff then reviewed the rationale of respondents for their support.

IFRS convergence projects

64. Two projects can be classified as straight IFRS convergence projects – leases and revenue recognition. Respondents supported the principle of sector neutral accounting for both of these projects and indicated that convergence with the IASB was a factor in their selection.

Public sector specific projects

65. Staff consider that six projects are straight public sector specific projects – emissions trading schemes, heritage assets, improvements to IPSAS 23, presentation of financial statements, social benefits and sovereign powers. Respondents who supported these projects commented generally on the significance of these issues to the public sector, in some cases the lack of equivalent private sector standard and the fact that progress on the conceptual framework is such that these projects could reasonably be commenced or revisited.

Should all of these projects be further evaluated?

66. Staff considered the eight remaining projects and proposes that each of them be further evaluated in the context of various criteria as set out in agenda paper 10.3. Given the level of support respondents indicated for these projects and their strong rationale for prioritization, staff suggests that the IPSASB evaluate each project further. On that basis staff proposes that these eight projects be included in the shorter list that is analyzed in agenda paper 10.3

Matter for Consideration

3. The IPSASB is asked whether it agrees that the shorter list of potential projects to be evaluated for inclusion in the work plan *should include* the following projects:
- (a) Emissions trading schemes;
 - (b) Heritage assets;
 - (c) Improvements to IPSAS 23;
 - (d) Leases
 - (e) Presentation of financial statements;
 - (f) Revenue recognition;
 - (g) Social benefits; and
 - (h) Sovereign powers and their impact on financial reporting.

Responses to question 3

67. Sixteen of the 38 respondents provided feedback on the third question in the CP. Five of these respondents (015, 020, 030, 032, 035) commented on the importance of maintaining alignment or convergence with the IASB where appropriate and tracking the work of the IASB as an element in work planning. Some of these respondents highlighted the MOU with the IASB and encouraged the boards to work more cooperatively on areas of joint interest. One respondent (004) commented negatively on the current alignment with IFRSs and the resulting instability this leads to in Europe. The respondent also noted that once the conceptual framework is complete there will be inconsistencies.
68. Four respondents reiterated the importance of projects already on the IPSASB's committed agenda, specifically first time adoption (011) presentation of financial statements (029) and the conceptual framework project (023, 028). Two respondents proposed expanding the scope of a project to improve IPSAS 23, Revenue from Non-Exchange Transactions. One respondent (022) proposed separating accounting from transfers from accounting for tax revenue as well as revising IPSASs 9 and 11 for changes to the related IFRSs at the same time. The other respondent (036) proposed adding the issue of accounting and reporting donated rights to use assets where nominal or no rent is paid to the scope of the project to improve IPSAS 23 or alternatively adding this as a separate new project.
69. One respondent (003) commented on the need for enhanced resources for the IPSASB. Another respondent (017) thought that the IPSASB should clarify the start and end of its work program years. Another respondent (025) suggested that completed projects be reported on in terms of the timing of their completion compared to plan. The respondent also proposed that the descriptions of potential projects should include details on why they were proposed and the expected timing for completion.
70. Lastly, one respondent (038) highlighted three longer term issues. The respondent commented on the need for research activities with academics in order to anticipate future standard setting needs. In addition the respondent noted the potential future importance of integrated reporting and the need to monitor developments. Finally, the respondent emphasized the need for oversight of the IPSASB and encouraged continued engagement with stakeholders, acknowledging the current efforts being undertaken.

Analysis of responses to question 3

71. In terms of the responses to question 3, the continued importance of convergence and working with the IASB is a point that needs to be further considered as a factor in assessing priorities. This will be further discussed in agenda paper 10.3. In terms of the other comments staff has noted the comments on potential scope expansions to the project to improve IPSAS 23 and will consider these when the comprehensive strategy review and work plan are being developed. At that time staff will also consider the project descriptions and enhancing these to include why the projects were proposed and the proposed timing. With respect to the comments on clarifying the timing of the work program staff are working on including an interactive work program on the website and will ensure that the timing is clear. Completed projects are reported on in the relevant project pages. Since the project pages include an ongoing summary of the project, delays in meeting milestones are reflected as are changes in the project plan that may result in adjustments. At this time staff do not propose to change this reporting but note that it may be something to consider in the future.
72. The need for research activities is acknowledged but given current resources this will need to be further considered at a future time. The project on integrated reporting has been noted and the IPSASB received a presentation on this in December. Staff will continue to monitor developments. Lastly activities related to oversight on ongoing and this is expected to be resolved and implemented in the next 12-18 months.

Matter for Consideration

4. Do members agree with the staff analysis of responses to question 3 of the CP and proposed activities?

Other issues raised by respondents

73. A number of respondents provided comments on various issues. A general analysis of each of these is set out below. Staff considers that this analysis should provide context in understanding various factors that will impact the IPSASB's selection of projects to add to the work program. Agenda paper 10.3 provides this context and where appropriate the comments included below have been reflected in that analysis.
74. The other issues respondents provided feedback about can be grouped as follows:
- (a) Conceptual framework and other current projects
 - (b) IASB/IFRSs
 - (c) Statistical accounting/GFS
 - (d) Governance and oversight
 - (e) Adoption of IPSASs
 - (f) Interpretations
 - (g) Other miscellaneous issues

Conceptual framework and other current projects

75. Fifteen respondents commented on the conceptual framework project. All respondents expressed strong support for the project and agreed that it is the IPSASB's most crucial project. Respondents encouraged the IPSASB to remain committed to its completion. Nine respondents commented specifically on other projects in the IPSASB's current work program. Two respondents (001, 034) reiterated support for the review of the cash basis IPSAS. Five respondents (009, 014, 019, 025, 034) supported the project to align IPSASs and GFS. Three respondents (005, 019, 029) supported projects on financial instruments, both the amendments to IPSASs 28-30 as well as a project on public sector specific financial instruments. One respondent (005) supported the ongoing improvements project, one (019) supported the project to update IPSASs 6-8, while another (025) supported first time adoption. One respondent (009) supported projects on long-term fiscal sustainability and service performance reporting. Another respondent (013) highlighted these as projects that should be deferred.

IASB/IFRS

76. Similar to the responses to question 3 highlighted above, four respondents (007, 012, 017, 024) provided feedback on the IPSASB's strategy to maintain alignment with IFRSs where appropriate. All comments emphasized the importance of minimizing divergence from the IFRSs except for public sector specific reasons. Some respondents also encouraged the IPSASB to work closely with the IASB in the development stages of a project where possible.

Statistical accounting/GFS

77. Four respondents (001, 015, 018, 026) commented on alignment of the IPSASs with GFS. The respondents were generally supportive of the alignment project and highlighted the challenges of preparing multiple reports under two different frameworks. Respondents highlighted gaps in statistical reporting and the value of alignment in order to enhance transparency and accountability.

Governance and oversight

78. Seven respondents (013, 014, 015, 020, 031, 034, 038) provided comments on governance and oversight of the IPSASB. All respondents acknowledged the importance of public interest oversight of the IPSASB. One respondent (013) commented that oversight by the PIOB is not appropriate and that a public sector specific solution would be preferred. The remaining respondents were either explicit in their support of PIOB oversight of the IPSASB or did not specifically comment on the mechanism for oversight.

Adoption of IPSASs

79. Three respondents (024, 027, 034) provided feedback related to adoption of the IPSASs. Two of these respondents (024, 027) commented that adoption and implementation guidance is critical to increasing the uptake of IPSASs and asked that the IPSASB provide more guidance. One respondent (034) requested a disaggregated picture of adoption broken down by various categories. Staff have been preparing some information of this nature for the IPSASB members' private use. It is a resource intensive exercise and difficulties in verifying the information persist.

Interpretations

80. Three respondents commented on some aspect of interpretations. One respondent (010) urged the IPSASB to deal with IASB interpretations in a more comprehensive and consistent manner. Two respondents (014, 034) encouraged the IPSASB to implement an interpretations function to address technical issues, acknowledging resource constraints that would make this difficult. Staff propose that this be added to the list of potential projects or initiatives to be considered in the more comprehensive strategy review.

Other miscellaneous issues

81. A number of respondents provided comments of a singular nature on a variety of issues. These are set out in Agenda paper 9.2 from the December 2012 meeting (see pages 114-123). Staff has reviewed the various issues and indicated a proposed response on agenda paper 9.2. Certain issues relate to current projects and where appropriate have been forwarded to project staff for analysis. Some respondents commented on the need for a stable platform and staff propose that this would be included for discussion in the more comprehensive review.
82. One respondent (015) expressed concern about transparency and due process specifically with respect to changes in the terms of reference to expand the scope to GPFRs. The respondent expressed concern that the due process had not been followed with respect to the changes in the terms of reference. Staff note that changes to the terms of reference are approved by the IFAC board. Since they are not standards they are not subject to the standard-setting due process and therefore proposed changes were not exposed for comment. However, staff notes that the changes were a direct outcome of feedback to the conceptual framework phase 1 exposure draft and therefore reflect the IPSASB's decisions taking into account views of constituents expressed in responses to the ED.
83. For the standard setting boards subject to public interest oversight, changes to the terms of reference are approved by the PIOB. Once public interest oversight of the IPSASB is implemented the terms of reference would be subject to approval by the oversight body and this should be a less significant issues moving forward. It is noted that staff did correspond directly with the respondent in this regard.

Strategy and Work Planning

Strategic Priorities 2013-2014

1. Based on the discussions during the December 2012 IPSASB meeting the Chair and staff thought it would be worthwhile for the IPSASB to review its strategic areas of focus for the period 2013-2014. This is important in providing context for the discussions on the work plan for this period and will be helpful in making decisions among projects given resource constraints.
2. For the period 2010-2012 the IPSASB has been focused on the following strategic priorities:
 - (a) Developing a conceptual framework for the public sector;
 - (b) Public sector critical projects, including public sector specific projects, IFRSs convergence projects and maintenance of existing IPSASs; and
 - (c) Communications and promoting adoption and implementation.
3. These were described in the June 2012 Consultation Paper on the IPSASB Work Program 2013-2014 as follows:
 - (a) **Developing a public sector conceptual framework** - This is the IPSASB's most important project until its completion. The objective of the IPSASB's project is to develop a public sector conceptual framework that makes explicit the concepts, definitions, and principles that underpin the development of IPSASs. While the work on the International Accounting Standards Board (IASB) Framework is being closely monitored the IPSASB's project is not a convergence project but rather is focused on having a well-developed public sector conceptual framework. This is seen by many national standard setters and others as critical in establishing credibility as the international standard setter for the public sector.
 - (b) **Public sector critical projects** - In 2009 the IPSASB completed its project to substantially converge IPSASs with IFRSs issued at December 31, 2008. While it was already dedicating significant resources to addressing public sector specific issues, the IPSASB decided to focus even more resources on projects that are public sector specific and for this reason the IPSASB's current work program is heavily weighted towards such projects.

The IPSASB will continue to develop standards and guidance on projects it assesses as critical for the public sector. These projects may include public sector specific projects - projects that are specific to the public sector, where there is no equivalent accounting standard in the private sector due to the lack of relevance of the topic, e.g. Reporting on the Long-Term Sustainability of Public Finances. Some public sector specific projects might also address convergence with statistical bases where appropriate.

Public sector critical projects may also be IFRS convergence projects where IFRSs, for which there is no related IPSAS, are assessed using the "rules of the road" analysis to determine whether any public sector specific issues exist.

Finally with a robust body of standards now in place the IPSASB's work program must include ongoing resources to maintain all existing IPSASs (whether based on underlying

IFRSs or public sector specific). This ensures that the quality of the existing suite of standards is maintained.

- (c) **Communications and promoting adoption & implementation** - In recent years there has been a significant increase in the adoption of IPSASs and, as a consequence, the IPSASB has dedicated significant resources to its outreach activities to support this. There is a strong program of communications and outreach activities undertaken by members and staff. In addition, early in 2011 a third edition of IPSASB's Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*, was issued. This study has proven to be a strong resource for adopters of IPSASs.

IPSASB members will continue with their ambitious outreach program and focus on global regions of strategic significance in order to enhance awareness of IPSASB and adoption efforts. Strategic partnerships with a number of international organizations will continue to be fostered.

4. It is proposed that, for the period 2013-2014, these be the priorities that continue to guide the IPSASB. The IPSASB's current work program balances these priorities and feedback from the consultation on the work program did not indicate any major disagreement with these strategic priorities for the period.
5. While it is proposed to extend these strategic priorities for the period, there is some question about whether some minor amendments may be appropriate at this time. Specifically, the priorities as articulated in short form do not explicitly mention alignment with GFS, though this is mentioned in the fuller description (see end of second paragraph in 3(b) above). However, since the IPSASB has identified alignment with GFS as a key area of focus throughout the period, staff proposes that this be added to the short-form version of the second strategic priority as a further example of a public sector critical project. This would read as follows:

Public sector critical projects, including public sector specific projects, projects to align with GFS, IFRSs convergence projects and maintenance of existing IPSASs

Matter(s) for Consideration

1. The IPSASB is asked to approve the following strategic priorities for 2013-2014:
 - a) Developing a conceptual framework for the public sector;
 - b) Public sector critical projects, including public sector specific projects, projects to align with GFS, IFRSs convergence projects and maintenance of existing IPSASs; and
 - c) Communications and promoting adoption and implementation.
2. Members are asked to provide any suggestions for minor amendments to the strategic priorities.

Work Planning - Factors and Decisions**Background**

1. Assessing priorities is challenging given differing experiences and disparate views. At the December 2012 IPSASB meeting members discussed various factors and criteria that should be considered and weighed in ultimately selecting projects to be added to the work program. Members deferred any decision on those projects until a further discussion of factors and criteria could be undertaken.
2. Staff proposes that at this meeting the IPSASB further discuss various factors and criteria that will impact decision-making on project selection to ensure that members have a common understanding of these. Staff also proposes that the IPSASB start to apply the proposed criteria to potential projects in order to start narrowing down decisions on which specific projects to initiate over the period.

Items to consider

3. In considering the IPSASB's discussions related to the future work program staff considers that this is somewhat of a two-step process. Firstly the IPSASB must consider its strategic priorities along with some of the resource constraints on its operations, such as committed projects and staff complement. This will allow the IPSASB to determine the number of projects it can ultimately add to its work program. Secondly the IPSASB needs to evaluate potential projects, considering the priorities of constituents and applying a number of criteria that will be weighed in selecting the IPSASB's priorities.

*Step 1 – strategic priorities and resource constraints***Strategic priorities**

4. Agenda paper 10.2 provides a summary of the IPSASB's strategic priorities proposed for the period 2013-2014. They are:
 - (a) Developing a conceptual framework for the public sector;
 - (b) Public sector critical projects, including public sector specific projects, projects to align with GFS, IFRSs convergence projects and maintenance of existing IPSASs; and
 - (c) Communications and promoting adoption and implementation.
5. These reflect an extension of the strategic priorities that the IPSASB has been guided by for the past three years. This agenda paper has been prepared on the assumption that the IPSASB agrees that these strategic priorities should be extended.

Committed projects

6. In preparing the CP on the 2013-2014 work program the IPSASB renewed its commitment to all projects that had been approved, both those in progress as well as to those that had been

approved but not yet started. At the December meeting members articulated a desire to reassess all committed projects to evaluate whether work should indeed continue.

7. As a reminder the current projects on the IPSASB's work program are:
 - Public Sector Conceptual Framework;
 - Reporting on the Long-Term Sustainability of Public Finances;
 - Financial Statement Discussion and Analysis;
 - Reporting Service Performance;
 - Public Sector Combinations;
 - IPSASs and Government Finance Statistics Reporting Guidelines;
 - Revision of IPSASs 6-8;
 - First Time Adoption of Accrual IPSASs;
 - Government Business Enterprises;
 - Public Sector Financial Instruments;
 - Improvements;
 - Amendments to IPSASs 28-30; and
 - Review of Cash Basis IPSAS
8. Since the CP was issued virtually all projects in progress have moved forward. The one exception to this is the project to review the cash basis IPSAS. The IPSASB made a decision to defer this project in 2010. At the time the IPSASB acknowledged the importance of the project but in a resource constrained environment decided that it should focus its efforts and resources on the public sector conceptual framework and the projects to develop accrual IPSASs. Attempts have been made to seek project specific funding for continuing the cash basis review but to date this has not been successful. You will recall that at the December 2012 meeting the IPSASB heard from the International Consortium of Government Financial Managers (ICGFM) on the importance of the cash basis IPSAS in assisting developing countries to start the transition process to full accrual accounting.
9. In terms of projects that were approved but not yet started when the CP was issued, these are GBEs, public sector financial instruments and amendments to IPSASs 28-30. Since that time work has started on the GBEs project. Work has not yet started on any aspect of financial instruments partly because staff resources were below complement for the last quarter of 2012 when a Senior Technical Manager left the IPSASB and her projects had to be reallocated to other staff. This staff position has now been filled and the intention at this time is that the projects on financial instruments can be commenced, subject to determining the most appropriate timing based on the IASB's work on their IFRSs.
10. Staff notes that in the responses to the CP many commented specifically on various projects on the current work program. While some respondents questioned allocating resources to projects such as long-term sustainability, FSDA and service performance reporting since they are outside the GPFS, others specifically highlighted the importance of these projects. As noted in paragraph 75 of agenda paper 10.1 two respondents reiterated support for the review of the cash basis IPSAS. Three

respondents supported projects on financial instruments, both the amendments to IPSASs 28-30 as well as a project on public sector specific financial instruments. Supportive comments were also received on the projects to update IPSASs 6-8, first time adoption, GBEs and the alignment with GFS.

11. In terms of considering whether any of the committed projects should be revisited, staff notes that for many of these projects a significant amount of time has already been invested by staff, the IPSASB and constituents. Therefore staff proposes that any project that has reached the stage of any public consultation be continued. In addition, two projects are close to public consultation and are being staffed by national standard setters - the revision of IPSASs 6-8, and first time adoption. Staff does not think that either of these projects should be deferred at this time.
12. In reviewing the project list this leaves GBEs, public sector financial instruments and the amendments to IPSASs 28-30. As noted above the project on GBEs has started and will be discussed at this IPSASB meeting. The projects on public sector financial instruments and amendments to IPSASs 28-30 have both been identified by at least some constituents as important, though timing could be an issue.
13. Overall the responses to the CP yielded no strong call to delete any committed projects. Staff proposes that all committed projects continue and that the IPSASB focus its work planning discussions on new projects to be added to the work program for 2013-2014. Staff acknowledges also the challenges related to the review of the cash basis IPSAS. Staff proposes that the project continue to be deferred but that efforts to obtain project specific funding are enhanced.

Matter for Consideration

1. The IPSASB is asked whether it agrees with continuing to defer the cash basis review but enhancing efforts to seek project specific funding.
2. The IPSASB is asked whether it agrees that all other committed projects should continue.

Staff Complement/Resources

14. At the December meeting the IPSASB sought to understand more fully the staff complement and project allocations in order to assist in making work plan decisions. The current IPSASB staff complement is 7.5 full time equivalents (FTEs), including our executive assistant. Staff undertake work on specific work plan projects as well as having a number of other responsibilities that support the work of the IPSASB and are fundamental.
15. The following table summarizes the current complement and the actual or planned work allocations for each staff member based on the committed projects:

Staff	Projects	Admin/Other
Fox	<ul style="list-style-type: none">• Strategy• Oversight and governance• Work plan	<ul style="list-style-type: none">• Budget• Funding• Liaison with IFAC leadership• Outreach• Review of staff materials

Stanford	<ul style="list-style-type: none"> Public sector conceptual framework project coordinator Long-term fiscal sustainability coordinator 	<ul style="list-style-type: none"> IASB liaison Outreach Review of staff materials
Davis	<ul style="list-style-type: none"> Long-term fiscal sustainability Financial statement discussion and analysis Public sector combinations Criteria for pronouncements 	<ul style="list-style-type: none"> IPSASB Handbook IASB tracking table Action list and meeting highlights
Jensen	<ul style="list-style-type: none"> Phase 4 Presentation Alignment with GFS Service performance reporting 	<ul style="list-style-type: none"> Liaison with Communications (e.g. press releases) Staff mentoring
Macrae	<ul style="list-style-type: none"> Phase 2 Elements Government business enterprises (GBEs) 	<ul style="list-style-type: none"> Developing case studies
Smith	<ul style="list-style-type: none"> Improvements (liaising with Davis) Public sector financial instruments Update of IPSASs 28-30 	<ul style="list-style-type: none"> Assisting with IPSASB Handbook Website update/social media Annual report 2013
Sutcliffe (half-time)	<ul style="list-style-type: none"> Cash basis review Review of public sector combinations Review of government business enterprises 	
Weselowski	<ul style="list-style-type: none"> Formatting and posting all agenda materials Meeting planning and organization – all aspects Coordinating IPSASB communications report Coordinating minutes of IPSASB meetings Reports to IFAC Board e.g. dashboards and service delivery Accruals and assist with budget All other administrative functions as they arise 	

16. It is important to highlight also that the IPSASB's work program could not be completed without the assistance of national standard setters and other organizations who have contributed staff resources. It is fair to say that without these resources the IPSASB's current work program would not be as extensive and some projects would have to be deferred.
17. We have previously had secondments in Toronto from the Ministry of Finance in China and from Ernst and Young Germany which allowed a number of projects to progress. In addition, various national standard setters have provided staff resources. Most recently the GASB in the USA provided staff resources on the service performance reporting project. The term of this secondment has ended and the project has been allocated to Gwenda Jensen. The New Zealand External Reporting Board (XRB) provides the staff resource on the project to update IPSASs 6-8. Lastly, the South Africa Accounting Standards Board (ASB) will be providing the staff resource to replace Jens Heiling, (whose term was finished) on the first time adoption project.

18. As a general comment, at any point in time the technical staff normally have responsibility for two to four projects at various stages of progress. The allocation takes into account the resource intensity of the project and ideally balances this with the individual skills of staff members. Project work always takes priority in terms of time allocations and the other administrative responsibilities are managed around the project work. All staff also prepare the minutes of IPSASB meetings for their projects and provide the materials to update the project pages and to prepare the action lists and meeting highlights subsequent to each meeting.
19. In determining the number of projects that could be commenced over the period staff considers the timing of various projects and stage of progress. For example, when a project is out for consultation this frees up staff time to undertake other project work including research for new projects. The analysis provided to the IPSASB in December indicated that no more than two additional projects could be initiated during the period. This was due partly to the unfilled staff position and the reallocation of staff resources needed. In addition it is noted that activities around oversight and governance are increasing and comprehensive review of the strategy and work plan are time consuming. Since December the staff position has been filled with a technical manager and the South Africa ASB has provided the staff resource to the first time adoption project.
20. Based on the preliminary analysis of the current work program, and assuming that all committed projects will continue, as recommended above, staff has assessed that one senior technical manager should be able to commence work on a new project in the latter half of 2013. Two other senior technical managers may be in a position to commence work on new projects in the first half of 2014. This will to some extent depend on progress on current projects including the public sector conceptual framework and whether project milestones are met or whether delays necessarily arise.
21. Staff proposes that in order to allow flexibility, the IPSASB select three possible projects but specifically prioritize these in the event that only two projects can be initiated. It is noted also that it will be important to manage the expectations of constituents around this since it is likely that two of these projects will not commence until 2014.

Matter for Consideration

3. The IPSASB is asked whether it agrees with prioritizing three projects for initiation over the period 2013-2014.

Step 2 – applying the criteria

22. As a second step in the process the IPSASB needs to evaluate potential projects, applying a number of criteria and considering the priorities of constituents in order ultimately to prioritize projects to be added to the IPSASB's work program for the period.

Priorities identified by respondents to work plan consultation

23. Agenda paper 10.1 provides the detailed analysis of responses to the CP. Staff has proposed in that agenda paper that the analysis of respondents be used as a first filter to distil the long list of potential projects to a shorter list. Staff proposes that the IPSASB evaluate this shorter list against a number of criteria, as discussed in December in order to make decisions on project priorities. There are eight projects on this shorter list. They are:

- (a) Emissions trading schemes;
- (b) Heritage assets;
- (c) Improvements to IPSAS 23;
- (d) Leases
- (e) Presentation of financial statements;
- (f) Revenue recognition;
- (g) Social benefits; and
- (h) Sovereign powers and their impact on financial reporting.

Criteria Used in Project Prioritization

24. In December the IPSASB discussed a number of criteria that should be considered to evaluate potential projects and prioritize them. These potential criteria are identified and briefly described below. Where possible examples have been provided but it is not intended that example be mutually exclusive - some examples may apply to multiple criteria.

- (a) The project address gaps in standards – the project addresses an issue that has not previously been addressed in the standards. This could relate to an IFRS convergence project or a public sector specific project. An example might be insurance contracts.
- (b) Significance for the public sector – generally this would be a public sector specific project that has high relevance to the public sector likely for which there is no equivalent private sector issue. An example might be social benefits.
- (c) MOU with the IASB/IFRS convergence – the project allows the IPSASB to collaborate with the IASB thereby meeting the terms of the MOU with the IASB. Or the project would meet the goal of convergence with the IASB where deemed appropriate. This would allow leveraging resources. An example might be emissions trading schemes.
- (d) Alignment with GFS – the project works to reduce divergence between the IPSASs and GFS. An example might be consolidations (update of IPSAS 6).
- (e) Urgency of the issue – developments globally may result in an issue increasing in importance. For example, as a result of the global financial crisis in 2008 the IPSASB accelerated work on IPSASs 28-30 as it deemed it important to have standards on financial instruments.
- (f) Likelihood of success – this relates to whether it is reasonable to expect that a standard or other guidance can be developed, agreed upon and accepted by constituents. For example, without a public sector conceptual framework it might be more difficult to garner consensus on changes in presentation of financial statements since these might depend on the outcome of the conceptual framework project.
- (g) Changes in the environment – the environment the IPSASB operates in presents various risks and opportunities and these can change over time. This means that at any point in time certain projects may become more or less important depending on the environmental influences. For example, as the momentum in adoption of accrual IPSASs increases a project on first time adoption of accrual IPSASs is considered more fundamental.

- (h) Jurisdictional issues – some issues have high relevance in certain jurisdictions but may be less relevant in other jurisdictions. As an international standard setter the IPSASB needs to consider jurisdictional issues and assess whether they are sufficiently significant on a global scale to be addressed. This may mean at times that certain jurisdictional issues may not be addressed.
25. In addition to these criteria, the IPSASB also needs to consider various constraints that will affect decision making including:
- (a) The capacity of the IPSASB and the system to cope with new standards – this relates to the constraints of the IPSASB's total meeting days (currently 16 per year) and necessary preparation time for meetings. This also relates to the ability of constituents to respond to public documents. Related to this may be the need for non-English constituents to translate documents as well as the volume of documents issued.
 - (b) Balancing the work program between shorter-term and longer-term projects – it is necessary to balance the work program between longer term and shorter term projects and those that are highly resource intensive compared to less resource intensive projects. Factors that may affect this include technical complexity, and polarization of views among constituents. A public sector specific project for which no standard currently exists would generally be expected to require more research and require more time for constituents to form views. In contrast a straight IFRS convergence project might require less time.

Matter for Consideration

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| <p>4. The IPSASB is asked whether it agrees with the criteria identified above and the description of those criteria.</p> |
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Applying the criteria

26. In order to evaluate the projects staff has developed an initial matrix approach to apply the criteria to the short list of projects identified in paragraph 24 above. It is noted that this is a somewhat subjective exercise that necessarily entails an element of judgment.
27. Staff prepared the matrix to attempt to provide a picture of the applicability of various criteria to individual projects. Staff wants to stress that it is not intended that a numerical summary of the number of criteria that are deemed to apply be done. The fact a criterion applies is only one factor for consideration. Based on experiences and personal views the weight of various criteria will be assessed differently by members. For example, some members will deem IFRS convergence and/or the fact a project meets the MOU with the IASB as important while others may perceive the alignment with GFS as a more significant criterion.
28. At times the significance of a single criterion may be enough to persuade members that a project should be initiated. Likewise the fact that a criterion is not applicable is not adequate reason to dismiss a project from the work plan.
29. When prioritizing the projects, the IPSASB will also need to consider the constraints of capacity and balancing the work program in ultimately deciding which projects are to be added to the work program. Staff's assessment of the criteria against the short list of projects is set out in the table below.

Matrix of Application of Criteria to Potential Projects

Criterion	Project							
	ETS	Heritage assets	IPSAS 23 Improvements	Leases	Presentation of F/S	Revenue recognition	Social benefits	Sovereign powers
Addresses gap in standards	yes	yes	no	no	no	no	yes	yes
Significant for public sector	yes	yes	yes	yes	yes	no	yes	yes
Meets MOU/IFRS convergence	yes	no	no	yes	partially	yes	no	no
Urgent	somewhat	no	somewhat	no	no	no	somewhat	no
Success likely	yes	questionable	yes	yes	yes	yes	questionable	questionable
Reflects change in environment	yes	no	no	no	no	no	yes	yes
Jurisdictional issue	somewhat	no	no	no	no	no	no	no

30. As noted, the matrix above is only intended to provide an overall picture of the applicability of various criteria to the specific projects being evaluated. The IPSASB will assess capacity and balance in the work program but in some cases will also need to consider other factors, such as the timing of the IASB's work program.
31. Considering the applicability of the criteria, the need to consider capacity and balance in the work program as well as other external factors, staff has evaluated the short list of eight projects as follows:
- (a) Emissions trading schemes (grantor) – rated highly on most criteria; timing is such that it allows the IPSASB to collaborate closely with the IASB and meet the MOU, which was supported at the recent IASB liaison meeting; the project would address the public sector specific issues while ensuring symmetry with private sector accounting; issue is highly significant in Europe and would therefore be important in the context of the EU. The ability to collaborate with the IASB and leverage off of work they have already done means that it would be a medium intensity project in terms of resources.
 - (b) Heritage assets – has high significance to the public sector and is often articulated as a high priority project by constituents since no specific standards currently exist. Previous experience indicates that garnering consensus could be extremely challenging. This is likely to be highly resource intensive.
 - (c) Improvements to IPSAS 23 – the interaction between IPSAS 23 and a number of IPSASs has resulted in inconsistencies in dealing with non-exchange issues which highlights the fact that this project is highly significant for the public sector. As more and more governments adopt the IPSASs the inconsistencies are likely to become a more fundamental issue. This is considered to be a fairly technical project with medium intensity in terms of resources.
 - (d) Leases – the project is an IFRS convergence project that will align IPSAS 13 with the new standards being developed by the IASB. Leases are prominent in the public sector but accounting for them in the same way as the private sector is accepted as reasonable given the sector neutral nature of such transaction. The resource requirements are likely to be relatively low.
 - (e) Presentation of financial statements (update of IPSAS 1) – This project could include an evaluation of the applicability of comprehensive income to the public sector. It is an important project since it relates directly to the GPFS. The completion of phase 4 of the public sector conceptual framework project – presentation- may have implications for this project. This is likely to be medium to high in terms of resources required.
 - (f) Revenue recognition – the project is an IFRS convergence project that will replace IPSASs 9 and 11 and align the IPSASs with IASB's revised standards. There is little opportunity to collaborate with the IASB as they are in the late stages. A final standard is planned for the third quarter of 2013. The resource requirements are likely to be relatively low.
 - (g) Social benefits – the project has high significance to the public sector. It has been stated that the lack of standards on social benefits reflects poorly on the IPSASB's credibility. Previous delays in the project have been due to the need to further develop the elements phase of the conceptual framework. Now that this has progressed there is less rationale for deferring the

project further. Previous work indicates this project will be high in terms of resources and will be a long-term project in order to build consensus.

- (h) Sovereign powers – this project has high relevance to the public sector and addresses an issue where standards are lacking. It has not been previously addressed due to the interaction with the elements phase of public sector conceptual framework. However now that this has progressed there is less rationale for deferring the project. This is likely to be controversial and resource intensive.
32. As noted, the evaluation of various projects is a subjective exercise and requires judgment. It is acknowledged also that individuals will evaluate projects differently even with the same criteria due to their disparate views on the weighting that various criteria should have.

Should the IPSASB approve any projects now?

33. Staff notes that given that only one project can commence in 2013 it is not urgent that the IPSASB decide on projects at this time. However staff believes that there is a persuasive case at this time for the IPSASB to approve in principle the initiation of a project on emissions trading schemes. This project meets virtually all of the criteria the IPSASB discussed. In addition the timing is such that it offers a unique opportunity to collaborate with the IASB. In fact, this is likely the only opportunity of this nature in the short-run and is seen to be important strategically. The ability to leverage off the work the IASB has done as well as to consider public sector specific work done in some jurisdictions mean that this project is uniquely situated compared to other projects on the short list.
34. Staff is therefore recommending that the IPSASB agree that a project on ETS be added to the work program for 2013-2014. It is assumed that this would be a collaborative project with the IASB. The project would likely commence in late 2013 subject to discussions with the IASB as to the timing that is most beneficial to both organizations.
35. Staff also proposes that discussion of the other projects on the short list be continued in June 2013 and decisions on those projects be made at that time.

Matter for Consideration

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| <p>5. The IPSASB is asked to agree that a project on emissions trading schemes should be added to the IPSASB's work program for 2013-2014.</p> |
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Strategy Review Post 2014

Background

1. The Consultation on IPSASB Work Program 2013-2014 signaled to constituents the IPSASB's intent to undertake a public consultation of the IPSASB's broad strategic direction post 2014. The period of 2013-2014 is seen as one of transition as work on the public sector conceptual framework is progressed with the goal of completion in 2014. In addition, as noted, discussions around public interest oversight and related governance changes are ongoing and current plans are that these can be implemented in 2014-2015.
2. With such fundamental changes taking place, it is important that the IPSASB have a clear vision and strategy for the period subsequent to 2014. In order to do so the IPSASB will consult publicly with its constituents on its broad strategic direction in an environment where a public sector conceptual framework is complete and where public interest oversight is implemented. At this stage it is proposed that the period for that plan would be three years, i.e., 2015-2017. The final strategy will guide the IPSASB's operations and work planning for the period 2015-2017 and therefore will serve as a key resource for IPSASB members and staff.
3. In order to have a clear sense of its vision and strategy for the period 2015-2017 it is important that the IPSASB issue a public consultation paper on a proposed strategic plan early in 2014. In this way constituents can provide their feedback and a final strategy can be approved in late 2014. Working back from that timing, it will be necessary to develop this draft plan in 2013 with a view to approval in March 2014.
4. At this meeting staff proposes that the IPSASB have a brief discussion of the approach to developing the consultation paper on the broad strategic direction of the IPSASB for 2015-2017. Staff would like to hear initial views of members on how to approach the project including establishing a TBG and setting timelines for the year. Staff will use the feedback at this meeting to develop an outline of the comprehensive strategy review which will be discussed in greater detail at future meetings, especially September and December 2013. At that time it is anticipated that the direction of progress on public interest oversight of the IPSASB will be clearer.

Matter(s) for Consideration

1. Members are asked whether they agree with the comprehensive strategy review being applicable for three years, i.e. 2015-2017?
2. Do members agree that there should be a TBG for the strategy review?
3. Members are asked to provide initial thoughts on matters to be addressed in the comprehensive strategy review.