

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Toronto, Canada

Meeting Date: June 17–20, 2013

Agenda Item 8

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 and a more detailed discussion in March 2013. In addition, the IPSASB discussed various criteria that might be considered and weighed in selecting projects to be added to the work program. Members generally agreed with the staff recommendation that two to three additional projects be identified for prioritization for the work program for 2013-2014.
2. Based on the discussions in March 2013, staff has refined the criteria, acknowledging that these are simply meant to assist with the assessment of various projects for selection. At the March meeting the IPSASB agreed that the Chair should discuss the possibility of undertaking a joint project on emissions trading schemes with the IASB during the IASB liaison meeting held in May.
3. This agenda session will be structured as follows:
 - (a) Update on criteria and staff resources;
 - (b) Update on discussions with IASB on emissions trading schemes (ETS);
 - (c) Discussion of potential projects and approval of 2-3 projects; and
 - (d) Strategy review post 2014 – TBG, proposed approach.
4. As a reminder the planned schedule for further strategy and work plan discussions over the next year is as follows:
 - (a) March 2013 – update on public interest oversight (final report scheduled for completion); approve comprehensive strategy review post 2014 for public comment.
 - (b) June 2013 – update on public interest oversight; decisions on work plan 2013-2014
 - (c) September 2013 – discussion of comprehensive strategy review for post 2014.
 - (d) December 2013 – update on public interest oversight; discussion of draft paper for comprehensive strategy review post 2014.

Material(s) Presented

Agenda Item 8.1 Strategy and Work Planning

Update on Public Interest Oversight of IPSASB

5. At the March IPSASB meeting the Chair reported on developments from the Monitoring Group (MG) roundtable on IPSASB governance held in New York City on February 28, 2013. As reported the MG decided against IPSASB oversight by the PIOB. As highlighted at the March meeting it was decided that a new IPSASB Governance Review Group (the Review Group) be created to address issues of IPSASB oversight.
6. The Review Group is chaired by the IMF the World Bank and the OECD and includes members from the Financial Stability Board (FSB), IOSCO and INTOSAI. There are various observers to the Review Group including the IPSASB, IFAC, and the EU. The terms of reference of the Review Group will be finalized imminently.
7. The Review Group met May 31, 2013. That meeting was attended by the IPSASB Chair as well as IFAC senior leadership represented by Fayez Choudhury, CEO, Ian Ball, Senior Advisor and former CEO and Jim Sylph, Executive Director, Professional Standards and External Relations. The Review Group is in the process of preparing a consultation paper to be issued by the end of June 2013 with plans to issue final recommendations in the spring of 2014.
8. At this meeting the Chair will provide a verbal update on the meeting of the Review Group in order to keep the IPSASB apprised of ongoing developments in this area.

Strategy and Work Planning

Background

1. At the March IPSASB meeting it was agreed that members would further consider potential projects to be added to the work plan and would approve 2-3 projects. Staff has prepared this agenda paper to facilitate further discussions with the view to approval.

Significant Issues

Update on criteria and staff resources

2. At the March meeting members proposed some refinements to the criteria the IPSASB had identified as useful guidance in assessing potential projects. Staff agrees with the IPSASB's comments that these criteria are simply guides to assist in discussions and are still largely subjective since they will be weighed differently based on experiences and perceived significance. In other words, the criteria are useful as a qualitative source of information rather than providing any real quantitative analysis.
3. Based on the discussions in March staff has amended the list of criteria and these are included in Appendix A to this agenda paper. It is not proposed that any further analysis of the criteria against the potential projects be undertaken at this time. However staff considers that these criteria might be considered in the future possibly for inclusion in the broader strategic review. It may be helpful to solicit feedback from constituents on these as one of the tools for project selection.
4. Since the last IPSASB meeting one Senior Technical Manager has resigned, resulting in a need to reallocate her project responsibilities. Recruiting is underway for a replacement and it is anticipated that this position will be filled by the third quarter of 2013. In the short run this has resulted in deferring certain projects until the work plan can be evaluated in the context of existing and new staff resources. The most notable impact is for public sector combinations which has been deferred from this meeting and will be reevaluated subsequently. Staff will keep the IPSASB informed of developments in this regard. This could ultimately have some longer term impact on the work plan for 2013-2014 and staff therefore considered whether only two projects should be approved for addition to the work plan. Staff recommends that the IPSASB identify three projects nonetheless but recommends that these be prioritized so that if only two projects can be initiated the IPSASB is clear on which ones to commence.

Update on discussions with IASB re ETS

5. At the IPSASB-IASB Liaison meeting held Monday May 13, 2013 the Chair raised with the IASB the possibility of a joint project on ETS. These discussions were around a potential collaborative joint project that might be undertaken, which would be consistent with activities envisioned in the MOU with the IASB.
6. As a general comment the IASB was receptive to a joint project on ETS provided this is limited to a research phase that would result in a consultation or discussion paper. A project on ETS is not on the active agenda of the IASB and while they are interested in undertaking a research project they

do not currently have any mandate to take it further than that. The project would include both participants (recipients of permits and allowances to emit) and administrators. The IASB carried out significant research focused on accounting for participants before an earlier project on ETS was deactivated in 2010 and IASB staff made a presentation on ETS at the IPSASB's March 2012 meeting. Accounting for administrators is significant in the public sector. Such a project would likely commence sometime in late 2013 though the exact timing was not discussed.

7. The Chair and staff see some distinct advantages to this type of work with the IASB. Firstly, given the nature of a project on ETS, significant research is necessary to fully understand the various schemes and related accounting issues. The ability to leverage staff resources to undertake this research would be valuable. In addition, having no commitment beyond the consultation paper means that the IPSASB is not locked into the IASB's ultimate approach but rather, has the flexibility to make its own decisions on how to proceed subsequently. The responses to the consultation paper would of course inform any subsequent activities.
8. On balance staff believes that this is a favourable approach to a project on ETS and that the IPSASB should consider this in approving projects for addition to the work plan.

Potential projects

9. At the March meeting the IPSASB confirmed the strategic priorities for 2013-2014 as follows:
 - (i) Developing a conceptual framework for the public sector;
 - (ii) Public sector critical projects, including public sector specific projects, projects to align with GFS, IFRSs convergence projects and maintenance of existing IPSASs; and
 - (iii) Communications and promoting adoption and implementation.
10. The conceptual framework project continues to have the highest priority until completion. Additional projects to be added to the work plan for 2013-2014 would be expected to meet the other strategic priorities in some way. The standard setting projects being considered from the responses to the work plan consultation would all be categorized as primarily meeting the second strategic priority of public sector critical projects.
11. At the March meeting there was a preliminary discussion of the narrowed down list of potential projects that was developed from respondents' comments and which staff evaluated in the context of the criteria. Staff has updated this analysis for purposes of this meeting and proposes that the IPSASB further discuss the potential projects with a view to approving 2-3 of them for prioritization on the work program. Those projects not identified at this time would remain on the general "laundry list" of potential projects and these will be included as part of the broader strategic review for the period post 2014.
12. The projects (in alphabetical order) to be considered are:
 - (a) Emissions trading schemes (grantor) – this would be a collaborative research project with the IASB. As noted the IASB would not be committed beyond a consultation paper. The IPSASB would have the flexibility to make decisions on a public sector specific project beyond the consultation paper based on respondents' comments. This issue is highly significant in Europe and would therefore be important in the context of the EU.

- (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. There could be some challenge starting this project prior to completion of the conceptual framework.
- (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. This is considered to be a fairly technical project with medium intensity in terms of resources. The elements phase of the conceptual framework could have some bearing on this depending on decisions related to deferred inflows and deferred outflows.
- (d) Leases – the project is an IFRS convergence project that would 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. In May 2013 a revised exposure draft was published by the IASB (comments due September 13, 2013). Based on this the earliest date for completion of a revised IFRS would be late in 2014.
- (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 virtually complete. The final standard is in the final approval stages and will be issued in 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.

Analysis of potential projects

13. Staff has considered the list of projects above and believes that there are certain projects that should not be prioritized during the 2013-2014 period due to their interrelationship with the conceptual framework. Staff proposes that the projects on heritage assets, improvements to IPSAS

- 23, presentation of financial statements and sovereign powers should not be commenced until the conceptual framework is completed. All of these projects would be re-evaluated at that time.
14. Staff also proposes that a project on leases not be commenced until the IASB finalizes their project. Given the uncertainty around the timing of this and the past challenges of this IASB project, staff proposes that this project be deferred for consideration to the period post 2014 since it is uncertain at this stage that the project will be completed by the IASB before the end of 2014.
15. This leaves three projects remaining: social benefits, emissions trading schemes, and revenue recognition. In assessing these projects with a view to identifying 2-3 for prioritization staff notes the following:
- The lack of standards on social benefits is seen as a significant gap in the literature and the high relevance of this to the public sector means this is a high profile project. It could start with research of current practices which would be undertaken while the elements phase of the framework progresses. This is likely to be a resource intensive project but the sense is that the “payback” in terms of the IPSASB’s credibility would be high.
 - As noted, a research project on ETS undertaken with the IASB would provide a unique opportunity to leverage resources and would be a significant activity under the MOU with the IASB. The proposed approach of commencing with a joint research project gives the IPSASB flexibility in terms of next steps.
 - Of these projects, the revenue recognition project is the only IFRS convergence project. It would update IPSASs 9 and 11, which are of lower relevance and therefore low impact in the public sector. The fact that the IASB has now completed the project means it could proceed fairly quickly to an ED with minimal resources.
16. Weighing the various criteria and information is a somewhat subjective process but at this stage staff considers that the two highest priority projects that can reasonably be commenced are social benefits and ETS. On this basis staff recommends that the IPSASB approve these two projects to be added to the work program. In terms of the revenue recognition project, staff proposes that the IPSASB identify this as its third priority in the event that staff resources allow the project to proceed.

Matter(s) for Consideration

1. The IPSASB is asked to **approve** the following projects for addition to the work plan for 2013-2014:
- Social benefits
 - ETS
 - Revenue recognition

Strategy Review Post 2014

17. At the March IPSASB meeting members agreed that the project to undertake a broader strategic review should have a task based group (TBG) to assist staff with developing the consultation paper. The TBG will commence work over the summer months with a view to having a comprehensive

discussion of the strategy review at the September meeting. The following IPSASB members have accepted to be members of the TBG:

- Andreas Bergmann, Chair;
- Ron Salole, Deputy Chair;
- Ian Carruthers; and
- Thomas Müller-Marqués Berger.

18. As far as the broader strategy review the goal is to develop a consultation paper to issue for public comment in March 2014. It is anticipated that a first draft of that paper will be reviewed at the December 2013 meeting with a view to final approval in March 2014. The following is the planned timeline for developing the paper:

IPSASB Meeting	
September 2013	Discussion of strategy review; review of outline of paper; content;
December 2013	Review of first draft of paper
March 2014	Approval of final paper for public comment; proposed response date August 15, 2014
September 2014	Review responses; revise strategy as needed
December 2014	Approve final strategy review

19. As noted in agenda paper 8, it is anticipated that public consultation on the IPSASB's broader strategy post 2014 will be issued at approximately the same time as the IPSASB Governance Review group's final recommendations on IPSASB oversight and governance (planned spring 2014). A draft report is planned for late 2013. This will allow the IPSASB to consider the recommendations as it develops the broader strategy. It will also allow constituents to consider the proposed strategy in the context of the final recommendations for oversight and governance. At this stage it is hoped that changes to the oversight could be implemented effective January 1, 2015, the same time period that the broader strategy commences.
20. At the March IPSASB meetings members provided some preliminary suggestions for items to be included in the broader review. Staff proposes that over the next few weeks the TBG will work with staff to develop an outline of the proposed strategy which will serve as the basis for a comprehensive discussion at the September IPSASB meeting. If members have any further suggestions at this time they are asked to share them with staff.

Appendix A: Criteria Used in Assessing Potential Projects

- i. ***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.
- ii. ***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.
- iii. ***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.
- iv. ***Alignment with GFS*** – the project works to reduce divergence between the IPSASs and GFS. An example might be consolidations (update of IPSAS 6).
- v. ***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.
- vi. ***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.
- vii. ***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.