

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Ottawa, Canada

Meeting Date: December 2-5, 2013

Agenda Item 7

For:

☐ Approval

☒ Discussion

☐ Information

Strategy

Objectives of Agenda Item

1. The objective on this agenda item is to review the draft Strategy consultation paper for the period from 2015 forward and the related consultation on the IPSASB work program for the period 2015-2019 and provide direction to staff on the content and approach.

Material Presented

Agenda Item 7A Draft IPSASB Strategy Consultation and Work Program Consultation Paper

Background

2. The IPSASB discussed an initial draft of the consultation document on its strategy and work program for the period from 2015 forward in September and provided initial direction to staff. A revised draft has been prepared based on the feedback which reflects a number of changes. This draft has been reviewed by the Task Based Group who, along with staff, is keen for more input into the draft.
3. At the September meeting the IPSASB indicated that it preferred more separation between the consultation on the strategy and the work program consultation. Staff has kept the documents together but made a clear separation both in the language used in the introduction and by changing the formatting. The revised draft also reflects the IPSASB's preference that the duration of the strategy be open-ended and that the duration for the work program be for a 5 year period.
4. Based on discussions by the IPSASB to date, staff has a number of items to raise on which further clarification is needed. In addition staff highlights that there are some outstanding items in the draft that are not being proposed for discussion at this meeting:
 - (a) Governance and oversight – the draft includes a section on this in the description of the IPSASB's environment. This will need to be updated once the IPSASB Governance Review Group Report has been issued but at this stage the timing of that is unknown.
 - (b) Descriptions of potential projects in draft work program consultation – these descriptions have not been updated or completed at this stage but will be further developed prior to the next draft.

Items to Discuss

5. As noted there are a number of areas that staff is seeking feedback about. These items have been split between those that relate to the consultation on the strategy and those that relate to the consultation on the work program.

Items Related to the Strategy

Strategic Objectives

6. In September members provided feedback that the strategic objectives proposed needed reworking. Specifically, members noted the need to revisit the objectives using language that was less activity oriented and more objective focused. Members also wanted more richness around the discussions about outreach activities and the need to engage with stakeholders.
7. In revisiting this area of the draft, the TBG came to a tentative view that a single strategic objective could be articulated to represent the IPSASB's aspiration going forward:

Contributing to stronger Public Financial Management globally through developing and maintaining a high-quality public sector financial reporting framework

8. This objective reflects the role of engagement with stakeholders as an integral aspect. As noted in the draft, engagement encompasses both outreach and "in-reach" that would seek feedback from adopters and other stakeholders.
9. Staff seeks the IPSASB's feedback on this single objective and whether it appropriately reflects the Board's vision for the period from 2015 forward.

SWOT Analysis

10. At the September meeting one member noted the absence of a SWOT analysis and staff was directed to include this. Staff and the TBG had mixed views on the usefulness of a traditional SWOT analysis. A brief SWOT analysis has been included as an appendix to the draft strategy. Staff seeks the Board's views on the analysis and its positioning as an appendix to the draft.

Operationalizing the Strategy

11. Some of the details included in the strategic objectives of the previous draft have been removed on the rationale that they related to how a strategy would be implemented. With the revisions to rework the language to be objectives focused, it seemed that including information about the types of IPSAS projects (e.g. public sector specific, IFRS convergence) was a level of detail not needed for a description of the strategic objective.
12. Staff therefore raises the question of how some of these operational issues should be addressed. The current draft is written with the view that once a strategy has been developed it will be necessary to ensure that processes and procedures exist to operationalize the strategy. The elements of an operational plan are a more detailed level than would normally be articulated in a strategic plan. Staff is seeking the IPSASB's views on this approach, specifically whether the Board agrees or whether the Board wants also to consult on an operational plan. Of note, the IASB consultation on its agenda did not include anything akin to an operational plan nor have the recently issued consultations by other IFAC standard setting boards.

Other Matters

13. There were two other matters raised during the discussions in September related to the strategy that have not been specifically addressed in the revised version as staff did not have clear direction on these items. A suggestion was made that the strategy include as an appendix a list of all existing IPSASs with their titles. Staff seeks the IPSASB's direction on whether this should be added to the draft. The second item not addressed related to a suggestion that the previous strategy be included when issuing this consultation paper. Staff considers that this could be achieved by including in the draft as background a brief section on the previous strategic priorities and how they have been achieved. Again, the direction on this issue was unclear and staff would like views on this approach.

Items related to the Work Program

Staff Allocations

14. In discussing the draft work program consultation it is important that the IPSASB has an understanding of the current staff situation including how committed projects will be addressed to completion. The IPSASB has been short staffed for much of 2013 but recent recruiting efforts have been successful and as of January 6, 2014 the IPSASB will be fully resourced. It is also acknowledged that the current work program could not be completed as planned without the staff contributions being provided by the NZ XRB and the SA ASB. The draft is prepared on the assumption that these projects will continue to be staffed in this manner to completion.
15. In terms of specific allocations for existing projects, each Senior Technical Manager or Technical Manager has at any point in time two to three projects they are responsible for, depending on the specific projects. The following table outlines the current plan for staffing the existing projects, including those being presented for approval at this meeting, to ensure they are completed:

Project	Staff Member
Public sector conceptual framework	John Stanford Project Coordinator
<i>Elements</i>	John Stanford/Paul Sutcliffe
<i>Measurement</i>	John Stanford
<i>Presentation</i>	Gwenda Jensen
<i>Preface (near final)</i>	John Stanford
Reporting Service Performance	Gwenda Jensen
Review of IPSASs 6-8	Joanne Scott, NZ XRB
First Time Adoption	Amanda Botha, SA ASB
Public Sector Combinations	João Fonseca and Ross Smith
Government Business Enterprises	João Fonseca
Public Sector Financial Instruments	Ross Smith
Update of IPSAS 28-30 (timing uncertain)	Ross Smith
GFS Alignment	Gwenda Jensen
Improvements	Ross Smith
Social Benefits	Paul Mason
Emissions Trading Schemes (ETS)	Paul Mason
Strategy & Work Program	Stephenie Fox
Governance & Oversight	Stephenie Fox

16. In addition to project work staff members also have other responsibilities, for example communications activities, staff mentoring, Handbook preparations, and preparation of the IASB tracking table.
17. The 2012 consultation paper on the work program listed the committed projects other than ETS and social benefits. All committed projects were supported during that consultation. Social Benefits and ETS were prioritized following consideration of the consultation responses. This broader consultation on the work program for 2015-2019 is based on the assumption that at the end of 2014 IPSASB staff resources will be freed up when the conceptual framework project is completed and as the service performance project is completed. In addition, GBEs and public sector combinations are both scheduled to finish in 2015.
18. The work program consultation is prepared based on the assumption that all committed projects will be completed.

Cash Basis Review

19. At the September meeting the IPSASB discussed the cash basis IPSAS project that is listed as a committed project but deferred. Members will recall that work was undertaken to identify critical or problematic areas and the task force recommended that an exposure draft be prepared to address these. At that time (June 2010) the IPSASB decided that it did not want to divert resources to work on the cash basis IPSAS and wanted to focus on accrual IPSASs. Efforts were made to get project funding for the work but no funding has been secured.

20. During the September discussions members generally agreed that this should be identified as a specific issue in the draft and that stakeholders should be asked specifically to comment in it. The discussions in September revolved around the various options related to the cash basis IPSAS. Some members suggested that perhaps the IPSASB should withdraw the cash basis IPSAS. Others noted its importance in some jurisdictions and thought that it would be premature to withdraw it. There was also considerable discussion about whether further work should be undertaken to make the amendments proposed by the task force, noting that this would detract from work on the accrual IPSASs.
21. The general consensus that emerged was that the IPSASB needs to consult on the issue and that it should be a specific area for discussion. It has been identified separately as an item in Section II of the work program related to existing commitments. Staff highlights that notes from the meeting prepared by staff indicated that there was a reluctance generally to withdraw the cash basis IPSAS at this time. More likely, the options would be to a) suspend the project, leaving the cash basis IPSAS in the Handbook but doing no further work on it or b) to undertake to complete the project as started and issue an exposure draft on the changes the task force recommended. The consultation draft has been prepared reflecting this line of thought and the TBG was generally happy with this.
22. Feedback on the minutes indicates that this was not the recollection of some IPSASB members on the discussions. Rather, some thought that the IPSASB expressed some view that there are only two options - either to withdraw the cash basis IPSAS or to complete the project; that leaving the cash basis IPSAS in the Handbook without any change is not feasible.
23. Staff highlights this only to be sure that when discussing the issue at this meeting the IPSASB is clear on the options it considers and provide clear direction to staff on how this should be articulated in the paper. Note that based on the discussion in this paper regarding staff allocations a decision to do further work on the cash basis IPSAS would require staff resources to be diverted from either a currently committed project or a new project.

GFS Project Considerations

24. During this meeting the IPSASB will be discussing recommendations from the task force on GFS Alignment and potential implications for the work program. Staff has prepared the draft work program on the assumption that the decisions for future work on that project are included within the committed projects list. The timing of any recommended future work would of course need to be addressed but the draft has been prepared on the assumption that there is enough flexibility in the work program to accommodate any decisions made about the GFS project.

Actions Requested

1. The IPSASB is asked to review the draft Strategy Consultation and Work Program Consultation Paper and provide direction on the way forward.

International Public Sector Accounting Standards Board

IPSASB Strategy Consultation



Introduction

The International Public Sector Accounting Standards Board (IPSASB) is pleased to present this IPSASB Strategy Consultation for the period from 2015 forward. With this consultation we hope to gather views from our stakeholders on the future strategic direction of the IPSASB.

Related to this, we are also interested in the views of our stakeholders on the priority of individual projects on the IPSASB's work program for the five-year period from 2015-2019.

The IPSASB's mission is:

To serve the public interest by developing high-quality accounting standards and other publications for use by public sector entities around the world in the preparation of general purpose financial reports.

High-quality, robust and effective accrual-based financial reporting systems, such as those based on International Public Sector Accounting Standards (IPSASs), are integral in enhancing accountability and transparency in government financial reporting. In the wake of the sovereign debt crisis the IPSASB is facing increasing demands for its standards as well as pressures for adoption and implementation guidance to address these issues. This has resulted in an increased focus on prioritizing the IPSASB's limited resources to suit stakeholder needs.

The objective of this consultation is to give our stakeholders an opportunity to provide their views on the strategic direction of the IPSASB for the period from 2015 forward. We believe that a formal public process is necessary to contribute to the IPSASB's public accountability and legitimacy, and that, in doing so the credibility of IPSASs globally will be enhanced.

In addition to providing feedback on the strategy of the IPSASB, we would also like you to provide your views regarding our work program for the period 2015-2019. We want to ensure that our work program continues to support the development of high-quality accounting standards for the public sector as well as other publications that will serve the objectives of financial reporting by public sector entities, providing information about the entity that is useful for accountability and decision-making purposes. The feedback we receive from this consultation will help shape and focus our thinking about how to allocate scarce resources.

The consultation period extends to July 31, 2014. During this period IPSASB members and staff will engage in a number of activities to gather input from stakeholders as well as considering formal written responses to this request for comments. We will actively monitor the recommendations of the IPSASB Governance Review Group including plans for their implementation. We anticipate that the IPSASB will approve a final Strategy for the period from 2015 forward at its December 2014 meeting. At that time the IPSASB will also prioritize projects for its work program for 2015-2019.

We encourage you to respond to this public consultation on the IPSASB's Strategy as it is your opportunity to help shape the work of the IPSASB. We are also interested in knowing what projects you think the IPSASB should add to its work program for 2015-2019.

We look forward to receiving your views on both matters as we continue to respond to the global financial reporting needs of governments and other public sector entities.

DEVELOPING THE IPSASB'S STRATEGY

I The IPSASB's Environment

In order to assess the broad strategic direction the IPSASB should take for the period from 2015 forward, there are a number of key environmental aspects that need to be considered and ultimately factored into any discussion of the IPSASB's strategic objectives. In addition to the issues discussed below, Appendix A to this consultation paper sets out an analysis of the IPSASB's strengths, weaknesses, opportunities and threats (SWOT).

Increased focus on public sector financial management

The sovereign debt crisis continues to be a major cause for concern and emphasizes the seriousness of the results of poor financial management and financial reporting in the public sector. The lack of reliable information about government finances is an area of major concern leading to a growing emphasis internationally on improved governmental financial reporting and increased demand for government accountability, as well as increasing concerns about sustainability of key government programs. There is also a greater awareness of the quantitative and qualitative relevance of public sector borrowers for the global financial markets.

Momentum in adoption globally

Related to the increased focus on public sector financial management the IPSASB is facing increasing demands for high-quality standards and adoption and implementation guidance to address these issues as support for the global adoption and implementation of IPSASs is building.

Over the past 3 to 5 years there has been an increasing interest in the IPSASs and a strong trend towards their adoption; this trend is anticipated to continue. Currently over 80 countries have either adopted or have processes in place to adopt IPSASs, directly or indirectly, including New Zealand, South Asian countries like Thailand, Indonesia and Malaysia, African countries such as Nigeria, and South Africa, Latin and South American countries such as Peru and Brazil and some European countries, Switzerland, Austria, Lithuania and Estonia among them. The EC report issued during 2013 considered the suitability of IPSASs for the member states and described the standards as an "indisputable reference" in the development of EPSASs. Other countries like Russia, India and China have also signaled their intention to adopt, though specific deadlines have not been set.

Completion of the public sector conceptual framework

The *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) establishes and makes explicit the concepts that are to be applied in developing IPSASs and RPGs applicable to the preparation and presentation of general purpose financial reports (GPFRs) of public sector entities.

This continues to be the IPSASB's most important project until its completion, planned for later this year, and is critical in establishing credibility as the international standard setter for the public sector. Currently approximately half of the IPSASB's agenda time is devoted to the development of the Conceptual Framework. Once it is completed this will free up a significant amount of the IPSASB's resources in terms of meeting time as well as staff resources currently devoted to the project.

Governance and oversight

To sustain the IPSASB's growing credibility as the international standard setter for the public sector it is necessary to implement public interest oversight of the IPSASB, something the IPSASB has been working towards for several years. It is important that the IPSASB has public interest oversight in order that those adopting the standards are assured that the IPSASB is acting in the public interest and that its standards result from widespread and carefully considered comment from interested stakeholders around the world. Creating an oversight regime will also help provide assurance that the IPSASB can independently and rigorously address public sector financial reporting issues.

An IPSASB Governance Review Group (the Review Group) was established, chaired by representatives of the IMF, the OECD and the World Bank. Its members include the FSB, IOSCO and INTOSAI. In addition, the observers to the Review Group include representatives from the European Commission/Eurostat, IFAC and the IPSASB.

The Review Group has agreed that the review will consider oversight arrangements as well as the broader questions of IPSASB governance, including measures to enhance the perceived relevance, quality and legitimacy of IPSASB. The Review Group issued a consultation paper in the fourth quarter of 2013 with responses due January 31, 2014. These responses will be analyzed and the Review Group's plans to issue its final recommendations later this year.

These proposed changes will need to be incorporated into the IPSASB's operations and will have an impact in terms of resources, including board time as well as staff resources. Ultimately however this is a positive step that will add credibility to the IPSASB's processes and the changes in terms of providing protection against undue influence on these processes will be beneficial.

Resource constraints

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants (IFAC). The IPSASB's operating budget is funded approximately fifty percent by IFAC with the remainder coming from external funders. Support in-kind, through staff secondments, has previously been provided by some governments and other organizations. In addition the IPSASB receives in-kind contributions of staff resources on specific projects, currently from two national standards setters.

As the adoption of IPSASs increases, the need to address even more financial reporting issues also increases. For example, the IPSASB needs to address major public sector specific issues such as social benefits and public sector financial instruments, both of which are underway and are likely to be resource intensive. The IPSASB continues to monitor the outputs of the IASB with a view to maintaining convergence. Since the IASB is a fully compensated board with significantly higher staff resources it is challenging keep pace with their outputs.

It is also worthy to note that pressures for a mechanism to address urgent or emerging accounting issues and provide interpretations of IPSASs are building. This would require significant capacity in terms of staff resources.

In addition, the current structures and processes mean that a standard-setting project takes a minimum of 18 months, with the average project taking 24 to 30 months. More challenging projects take 36 to 48 months to completion. If urgent issues arise the IPSASB is challenged to be able to address these within a short period of time and without diverting already scarce resources.

Lastly, the governance and oversight changes highlighted above are likely to result in a need for increased resources to create the necessary structures and support processes.

The result is an environment with increased competition for the IPSASB's resources. Given the high public interest aspect to the IPSASB's work it is incumbent that the IPSASB have sustainable funding over the long term. This paper has been developed in the basis that, at a minimum, the current level of funding will be maintained.

II The Strategic Objective – the IPSASB's tentative view

Considering these aspects, the IPSASB has developed a tentative view on a single strategic objective that should shape its work for the period from 2015 forward. If our stakeholders agree with this, certain processes and procedures to operationalize the strategic objective within the IPSASB's current resources will be needed. This consultation paper is focused on seeking feedback on the strategic objective with the acknowledgement that a detailed operational plan will be developed by the IPSASB to implement the strategy.

Strategic Objective

Contributing to stronger Public Financial Management globally through developing and maintaining a high-quality public sector financial reporting framework

Strong and transparent financial reporting is in the public interest. It has the potential to improve public sector decision-making, hold governments more accountable to their citizens and enhance global fiscal stability and sustainability. The sovereign debt crisis has made clear, as never before, the importance of improved and more consistent financial reporting by governments worldwide. The crisis has shown that poor financial management by governments can have dramatic consequences, such as loss of democratic control, social unrest and the failure by governments to meet their commitments today and in the future.

Adoption of accrual accounting is a fundamental step governments can take to improve their financial reporting and public finance management. Accrual-based accounting practices improve the quality of financial information for all stakeholders along with the quality of financial management. They reinforce the principles of transparency and accountability, provide an accurate and comprehensive picture of fiscal performance and position and reduce the risk of financial reporting fraud. Developing a high-quality reporting framework for the public sector will enhance public finance management.

This public sector financial reporting framework will include accrual-based IPSASs for general purpose financial statements of public sector entities as well as Recommended Practice Guidelines (RPGs) that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. RPGs generally relate to areas that are public sector specific, often in areas of practice that may still be evolving or developing where having authoritative standards may be an impediment to adoption.

By developing accrual-based IPSASs and RPGs the IPSASB will be assisting governments in “getting the numbers right” and thereby addressing a fundamental aspect of enhancing public finance management.

As the international standard-setter for the public sector, the IPSASB 's role is to provide governments and other organizations in the public sector with a strong reporting framework that will enhance public finance management. Integral to this is the need to engage with our stakeholders in order to

- (a) persuade governments to use the reporting framework; and
- (b) to encourage users of government financial reports to demand better information from governments – information that would be available by using the IPSASB's public sector reporting framework.

The IPSASB has a number of stakeholders –preparers and auditors, ministries of finance, national standard setters, international organizations, development banks and others. To date the IPSASB has dedicated significant resources to outreach activities. There is a multitude of communications and outreach activities undertaken by IPSASB members in their regions and these activities have proven to be valuable in supporting adoption and implementation of the IPSASs.

Looking to the period from 2015 forward, the IPSASB continues to believe that a strong program of outreach is important in order to achieve the strategic objective of contributing to stronger public financial management globally through developing and maintaining a high-quality public sector financial reporting framework.

The IPSASB wants to consider all aspects of engagement with stakeholders. The IPSASB is interested not only in continuing its communications and other outreach activities but also in finding additional ways to actively engage with all stakeholders in order to establish credible feedback mechanisms. As adoption increases getting feedback from adopters of the IPSASs to address jurisdictional and capacity issues is more and more important. Collaborating with stakeholders will be even more important as the IPSASB seeks to work with a strong network of people, including those in the observer group and past IPSASB members, to enhance engagement. This will assist not only in developing the IPSASs but also in emphasizing the global importance of enhancing public finance management through adopting accrual-based IPSASs.

Questions for Respondents

1. What do you think about the IPSASB's tentative view on its strategic objective for the period from 2015 forward?
2. If you agree with a focus on contributing to stronger Public Financial Management globally through developing and maintaining a high-quality public sector financial reporting framework, what suggestions would you give the IPSASB for developing its operational plan? For example, are there changes to the due process for developing standards that you would suggest?
3. What suggestions would you have for augmenting outreach opportunities? What feedback mechanisms would you endorse to ensure the IPSASB is attuned to the views of its stakeholders?

International Public Sector Accounting Standards Board

IPSASB Consultation on Work Program 2015-2019

DEVELOPING A WORK PROGRAM FOR THE PERIOD 2015- 2019

In addition to seeking your views on the proposed strategic objective for the period from 2015 forward, we also want to learn your thoughts on how you think we should prioritize potential new projects for the five-year period from 2015 – 2019, taking into account resource limitations.

The IPSASB has to balance financial reporting needs for the public sector with constraints faced by the Board and our stakeholders, within the context of this strategic objective and considering existing commitments. The views of stakeholders in prioritizing projects for selection are an important consideration and it is for this reason we are seeking your feedback. Ultimately, we are seeking to establish and complete an ambitious yet realistic work program that meets the needs of our stakeholders.

I Assessing Potential Projects

Factors to be considered

When we set the IPSASB's work program, potential projects are assessed in the context of a number of considerations. Ultimately the IPSASB has to balance and weigh many factors. Some of these factors are:

1. ***The project address gaps in standards*** – the project addresses an issue that has not previously been addressed in global standards.
2. ***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.
3. ***IFRS convergence*** – the project meets the goal of convergence with the IASB where deemed appropriate. This would allow leveraging resources in terms of possibly collaborating with the IASB.
4. ***Alignment with GFS*** – the project works to reduce divergence between the IPSASs and GFS.
5. ***Urgency of the issue*** – developments globally may result in changes in the environment and therefore an issue becoming more important. 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.

Constraints

In establishing the work program we also need to be mindful of several constraints we operate within. The IPSASB currently meets four times per year for four days – a total of sixteen meeting days per year. Though demands on the IPSASB are increasing, it is a challenge to increase the total number of meeting days given that the IPSASB is a volunteer board. As a result it is expected that the number of meetings will remain at four per year, though there may be scope to increase the meeting days to five per meeting.

Also related to the increasing demands is the ongoing need for competent technical staff at a level that can appropriately support the IPSASB. The current staff composition is 7.5 full time equivalents with additional staff resources being provided on two projects by two national standard setters. As oversight changes are implemented there will be higher demands on staff and the need for an additional full time equivalent is envisioned in the future.

Related to this is the extent of resource a particular project requires. Some projects are more complex and may require more due process steps, along with extra IPSASB agenda time and staff resources.

Others may be more straightforward and may be completed more quickly. The number of projects any staff member can take on at any one time will be partially determined by the scope of the projects.

Lastly we need to consider the ability of stakeholders to respond to the documents we prepare as well as to adopt the standards.

II Existing Commitments

When deciding on projects to add to our work program we must also consider them in the context of our existing commitments.

Accrual Based IPSASs

We intend to give priority to progressing work on a number of projects that have already been approved. There are four current projects that will be completed by the end of 2014, at which point resources can be allocated to new projects. These are:

- Public sector conceptual framework – completion June 2014
- Reporting service performance – completion December 2014
- Review of IPSASs 6-8 – completion December 2014
- First time adoption – completion September 2014

Other committed projects will still be in progress and the IPSASB intends that these be completed. They are in various stages of completion and resources will continue to be allocated to them to get them to completion. The responses to the public consultation undertaken in July 2012 were supportive of all of these projects. These approved and committed projects are:

- Public sector combinations – completion 2015
- Government business enterprises – completion 2015
- Update of IPSASs 28-30 – completion to be determined based on IASB work
- Public Sector Financial instruments – completion 2016
- IPSASs and GFS – reducing differences – ongoing activities, timing to be determined
- Emissions trading schemes – completion 2017
- Social benefits – completion 2017

Cash Basis IPSAS

In addition to the projects to develop accrual based IPSASs, the IPSASB currently has a committed project on reviewing the Cash Basis IPSAS. The objective of this project is to identify major difficulties that public sector entities have encountered in implementing the Cash Basis IPSAS. A task force undertook work on this project and reported recommendations in June 2010 for further work, including possible changes to the Cash Basis IPSAS. The IPSASB noted the focus on the accrual basis IPSASs in the current environment and decided that it would defer further work on the review of the Cash Basis IPSAS but that it would seek specific external funding for this project. While efforts to obtain such funding have been made this has not resulted in any commitments to fund the project. As a result, no further work has been done on this project. As part of this consultation the IPSASB is interested in your views on the future of this deferred project and whether you think that resources should be allocated to it, recognizing that

this would mean that in an environment of scarce resources other projects related to accrual IPSASs would be impacted.

In discussing this project the IPSASB has noted that the number of jurisdictions adopting the cash basis IPSAS is fairly low. Experience of those adopting the cash basis IPSAS has been reported anecdotally as mixed. A few countries have used it as a transitional step towards adopting accrual IPSASs. Some jurisdictions have reported that adopting the cash basis IPSAS first was a helpful transitional step. In other jurisdictions we have learned that plans to adopt the cash basis IPSAS as a transitional step were abandoned and a move to full accrual was made.

Given the mixed results, the IPSASB has considered specifically whether it should suspend work on the cash basis IPSAS completely or whether it should finish the review project and suspend efforts after that. A more radical approach would be withdrawal of the cash basis IPSAS, though the IPSASB does not envision that at this stage.

III Potential New Projects

This consultation seeks stakeholders' views on new projects that should be added to the work program for the period from 2015 forward. Appendix B to this paper provides a table summarizing potential projects as well as brief descriptions of each project. The IPSASB developed this based on its deliberations as well as feedback from the July 2012 work program consultation. The projects have been grouped in order to assist respondents in commenting on priorities by group if desired.

Questions for Respondents

1. What do you see as the most urgent financial reporting needs for the public sector globally?
2. Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.
3. The IPSASB is interested in your views on the future of the review of the Cash Basis IPSAS and whether you think that resources should be allocated to it?

NEXT STEPS

The IPSASB is seeking public input on its strategic objectives for the period from 2015 forward as well as the related work program for 2015-2019. Responses are requested by July 31, 2014.

It is anticipated that responses to this consultation will be considered by the IPSASB at its September 2014 meeting with a view to approving a final Strategy for the period from 2015 forward in December 2014. Decisions about the IPSASB's work program for 2015-2019 will also be made at that time.

Month/Year	Activity
March 2014	Issue consultation
July 2014	End of consultation period
September 2014	Review responses
December 2014	Approve final Strategy; approve final Work Program
2015	Implement Strategy; implement Work Program

APPENDIX A

Analysis of IPSASB's Strengths Weaknesses Opportunities and Threats (SWOT)

<p>Strengths</p> <ul style="list-style-type: none"> • Reputation as a high-quality standard setter • Completion of public sector conceptual framework • IPSASs are the only globally recognized standards • Membership of IPSASB diverse • Existing relationships with observers to the IPSASB 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Absence of public interest oversight • IPSASB members are volunteers • Lack of compensated Chair • Lack of diversity in funding • Staff resources low • Lack of interpretations or emerging issues committee
<p>Opportunities</p> <ul style="list-style-type: none"> • Momentum in adoption globally • Increased focus globally on public finance management • Initiatives of IFAC and member bodies are supportive • Sovereign debt crisis has resulted in enhanced interest in government financial reporting • Strong network of stakeholders 	<p>Threats</p> <ul style="list-style-type: none"> • Meeting expectations resulting from increased demand for standards • Resource constraints • Recruiting standard setting staff globally can be challenging • Development of EPSASs • Length of IPSASB due process • Lack of public interest could affect funding • Differences with IASB and GFS

APPENDIX B

POTENTIAL PROJECTS

Projects to Address Public Sector Specific Issues	Projects to Maintain Existing IPSASs	Projects to converge with IFRS	Other Projects
<i>Biological assets held for the provision or supply of services</i>	<i>Borrowing Costs (Update of IPSAS 5 - underlying standard IAS 23)</i>	<i>Leases including Leasehold Rights</i>	<i>Integrated Reporting</i>
<i>Heritage Assets</i>	<i>Construction contracts IPSAS 11</i>	<i>Fair Value Measurement (IFRS 13)</i>	<i>Interim Financial Reporting</i>
<i>Infrastructure assets</i>	<i>Employee Benefits IPSAS 25</i>	<i>Insurance Contracts (IFRS 4 interim standard but no comparable IPSAS)</i>	<i>Rate Regulated Industries</i>
<i>Military assets</i>	<i>Improvements to IPSAS 23 – Non-Exchange Revenues, including considering investment grants</i>	<i>Extractive Industries (IFRS 6 interim standard but no comparable IPSAS) Operations</i>	<i>Differential Reporting</i>
<i>Natural resources</i>	<i>Presentation of Financial Statements (Update of IPSAS 1 - underlying standard IAS 1)</i>	<i>Non-current Assets Held for Sale and Discontinued Operations (IFRS 5 but no comparable IPSAS)</i>	
<i>Role of government as owner versus government</i>	<i>Related Party Transactions (Update of IPSAS 20, underlying standard IAS 24)</i>	<i>Revenue Recognition</i>	
<i>Sovereign Powers and their Impact on Financial Reporting</i>	<i>Segment Reporting (Update of IPSAS 18, underlying standard IAS 14, superseded by IFRS)</i>		
<i>Sovereign Wealth Funds</i>			
<i>Trust Funds</i>			

Projects to Address Public Sector Specific Issues

Biological assets held for the provision or supply of services

Heritage Assets

This is a public sector specific project that would develop accounting and disclosure requirements for heritage assets. While IPSAS 17 identifies the characteristics of heritage assets, neither IPSAS 17, *Property, Plant and Equipment* nor IPSAS 31, *Intangible Assets*, define heritage assets or require recognition of heritage assets. If heritage assets are recognized by a public sector entity, the IPSASs require applying disclosure requirements and allow but do not require applying the measurement requirements. The IPSASB decided to defer this project until completion of the Public Sector Conceptual Framework project because of the potential implications the development of a definition of an asset may have on heritage assets. Existing national practices may be able to be built upon for research purposes. This is likely to be a research intensive project given the lack of international guidance and the challenges in garnering consensus.

Infrastructure assets

Military assets

Natural resources

Role of Government as Owner rather than Government

Determining when a government is acting in its capacity as government from when a government is acting in its capacity as owner, GBEs are required to apply IFRSs not IPSASs. IFRSs include IAS 20 *“Accounting for Government Grants and Disclosure of Government Assistance.”* IAS 20 has not been updated for some time and is not likely to be in the near future. However, IAS 20 provides not only contradictory accounting treatments within itself, it is also contradictory of other IFRSs notably IAS 1. In particular, the accounting treatment of funds and resources provided by governments in their capacity as government rather than in their capacity as shareholder is not well defined. Whilst rewriting IAS 20 is not within the remit of the IPSASB, determining when the government is acting as government rather than acting as the shareholder of a GBE, or as the shareholder of a PSE that is not a GBE but does provide below market price goods and/or services to the public, does seem to fall within the IPSASBs remit.

Sovereign Powers and their Impact on Financial Reporting

This potential project has been identified as a result of the Public Sector Conceptual Framework project. Governments are unique in that they have a number of sovereign powers, for example, the power to issue permits or to impose taxation.

Some constituents have raised the question of whether a government's sovereign powers are assets that should be measured and reported in the financial statements. The IPSASB deferred any separate consideration of this issue until the Public Sector Conceptual Framework project is completed since the definition of an asset will be critical to determining whether sovereign powers are assets of the government.

Sovereign wealth funds and other entities held for investment purposes

One of the IASB's current projects concerns the accounting by investment funds, which proposes fair value or equity accounting rather than the full consolidation of entities that are controlled by the investment fund. The rationale being that the investments are held for their dividends and capital growth.

There are considerable parallels in this thinking with sovereign wealth funds and other entities held for investment purposes. We acknowledge that IPSAS 22 *'Disclosure of financial information about the General Government Sector'* adopts this form of accounting. We suggest consideration is given to whether it should also be applied in the whole of government consolidated financial statements. We note the divisions in the responses to the IASB's project concerning grandfathering of the investment fund accounting in the consolidated accounts of the parent of an investment fund and we observe the view of respondents who consider there is little point in having such a standard if the accounting is not grandfathered. Government spends to provide social services and invests to provide future resources for the country, this is the information that users of Government financial statements want to understand. Consolidating entities that are controlled by government that are held for investment purposes potentially distorts the financial statements and makes them less transparent, rather than more.

Trust Funds

TF are frequently used in the Public Sector as they are used to draw funds from the financial administrative circuit and manage them more independently, or at least with greater flexibility from the budgetary aspects. Said TF are constituted for different activities such as the construction of houses, schools and hospitals, projects defined by the government, and other objectives. TF have the characteristic of being considered by most of the national laws, as TF with own patrimony, as thus separated from the patrimony of the government by dependant from the contributions of the same. Their accounting treatment is not clear; some countries consider it as another accounting entity of the Government, taking it as a capital share, and others as a credit or account collectible due to the assets transferred to the TF, and its variations according to its participation in the net assets of said TF. It is noted that some do not register them, and only when transferring funds destined to a TF register directly an expense. We consider this a mistake. Most of the Latin American countries request treatment of this issue.

Projects to Maintain Existing IPSASs

Borrowing Costs (Update of IPSAS 5 - underlying standard IAS 23)

IPSAS 5 is based on the December 2003 version of IAS 23. The IASB issued a revised version of IAS 23 in March 2007 which is now different from IPSAS 5. The main difference is that IAS 23 does not allow an option to immediately expense borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset. The IPSASB started a project to review IPSAS 5 and ultimately issued an Exposure Draft that allowed the expensing option to be maintained on the basis that there are public sector reasons to depart from the provisions of IAS 23. The ED concluded that capitalization should be allowed in respect of all cash generating assets, but that expensing of borrowing costs should be required in all other cases. Responses to the ED were polarized and the IPSASB decided to defer this project until completion of the Public Sector Conceptual Framework project because of the potential implications the development of a definition of an asset may have on the capitalization of borrowing costs to qualifying assets. Because the project is assessing guidance that already exists, this is likely to be less resource intensive than some other projects.

Construction contracts IPSAS 11

Employee Benefits IPSAS 25

Improvements to IPSAS 23, Non-Exchange Revenues

IPSAS 23 was approved in December 2006. A number of examples have been identified where the interaction between IPSAS 23 and other IPSASs has resulted in inconsistencies in dealing with non-exchange issues. Certain accounting treatments in IPSAS 23 have also been identified for further review. The IPSASB considered this project in March 2011 and decided to defer this project until completion of the Public Sector Conceptual Framework project because of the potential implications the development of a definition of revenues may have.

Presentation of Financial Statements (Update of IPSAS 1 - underlying standard IAS 1)

IPSAS 1 is based on the December 2003 version of IAS 1. The IASB issued a revised version of IAS 1 in September 2007 which includes the notion of comprehensive income. The IPSASB has not considered this notion. IAS 1 has undergone further amendment in June 2011 and the IASB is considering a project to improve guidance on the organization and presentation of information in the financial statements. The completion of the Public Sector Conceptual Framework project, specifically phase 4 on Presentation, may have implications for the presentation of financial statements so this project was previously deferred.

Related Party Transactions (Update of IPSAS 20, underlying standard IAS 24)

In 2009 the IASB issued a revised IAS 24 to simplify the definition of “related party” and to provide a partial exemption from the disclosure requirements for some government-related entities. The structure and substance of IPSAS 20 differs significantly from IAS 24. The IPSASB previously decided that updating this project was not a priority compared to other projects.

Segment Reporting (Update of IPSAS 18, underlying standard IAS 14, superseded by IFRS 8)

The primary purpose of IFRS 8 was to reduce the differences from US GAAP. In considering this potential project in 2007 members expressed concern about whether the basis of the approach in IFRS 8 is readily transferable to the public sector. An example raised was the difficulty in identifying the chief operating decision maker in public sector entities. Further, some were of the view that segment reporting should be dealt with as a public sector specific project rather than IFRS convergence. At its July 2007 meeting, the IPSASB agreed to defer a proposed project to update IPSAS 18 because of other project priorities, including the development of the Public Sector Conceptual Framework.

Projects to converge with IFRS

Extractive Industries

The IASB developed IFRS 6 as an interim standard until it develops a comprehensive standard for exploration for and evaluation of mineral resources. Extractive industries are the exploration for and discovery of minerals, oil and natural gas deposits, developing those deposits and extracting the minerals, oil and natural gas. The IASB now intends to include this project in its research agenda. The IPSASB previously deferred its consideration of the applicability of IFRS 6 to public sector entities until the IASB issues a comprehensive standard on this topic. However indications are that this could be an important project in the public sector and that there is a desire for better guidance on the issues in public sector accounting. This is likely to be a research intensive project to fully understand current practices and issues.

Fair Value Measurement (IFRS 13)

Insurance Contracts (IFRS 4 interim standard but no comparable IPSAS)

The IASB developed IFRS 4 as an interim standard that allows insurers to continue using various existing accounting practices that have developed in a piecemeal fashion over many years. The Insurance

Contracts project aims to providing a single source of principle-based guidance to account for all types of insurance contracts.

The IASB expects to issue a review draft or revised ED of a proposed comprehensive standard in late 2012. There is a sense that this is a topic with applicability in the public sector but to date there has been little call for a comparable project. The IPSASB has deferred its consideration of insurance until the IASB issues a comprehensive standard on this topic.

Leases including Leasehold Rights

The objective of the project would be to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying IFRS. The project would result in a new IPSAS that would replace IPSAS 13.

The aim of the IASB's leases **project is to develop a new single approach to lease accounting that would ensure that all assets and liabilities arising under lease contracts are recognized in the statement of financial position.** In August 2010 the IASB and the FASB published an Exposure Draft (ED), *Leases*. The main problem that the project addresses is the position under the current IAS 17, where, if a lease is classified as a finance lease, assets and liabilities are shown on the lessee's statement of financial position, whereas for an operating lease the lessee does not show any assets or liabilities on the statement of financial position. For an operating lease the lessee simply accounts for the lease payments as an expense over the lease term. The IASB plans to issue a revised ED in late 2012. Because this project is assessing an existing IPSAS it may be less resource intensive than other projects.

Non-current Assets Held for Sale and Discontinued Operations (IFRS 5 but no comparable IPSAS)

IFRS 5 was issued in 2004 to replace IAS 35, *Discontinuing Operations*. IFRS 5 sets out requirements for measurement and presentation on non-current assets held for sale. The IPSASB considers that this topic has relevance in the public sector. The IPSASB briefly considered adding this project to its Work Plan as part of consideration of the project *Revision to IPSASs 6–8* at its September 2011 meeting. However, there was no clear indication of how to proceed. The completion of the Public Sector Conceptual Framework project may have implications for the presentation of non-current assets held for sale and discontinued operations. On that basis the IPSASB previously decided to defer this project until completion of the Public Sector Conceptual Framework project. At the June IPSASB meeting the IPSASB tentatively agreed that IFRS 5, *Non-current Assets Held-for-sale and Discontinued Operations*, should remain outside the scope of the project to revise IPSASs 6-8. However, the IPSASB noted that the temporary control exemptions in existing standards would be re-examined as part of that project.

Revenue Recognition

The objective of the project would be to develop revised requirements for revenue from exchange transactions in order to maintain alignment with the underlying IFRS. The project would result in a new IPSAS that would replace IPSAS 9 and IPSAS 11. The IASB issued a revised ED in November 2011. Changes from the initial ED include clarifying the proposals for identifying separate performance obligations, clarifying the definition of performance obligations, adding requirements for determining when a performance obligation is satisfied over time and adding the “risks and rewards of ownership” as an indicator of when control is transferred at a point in time.

Currently IPSAS 9 contains very few departures from IAS 18 and these departures primarily concern matters of general terminology rather than the substance of revenue recognition. IPSAS 11 contains departures relating to the inclusion of “binding arrangements” that are not legally enforceable contracts and cost-based and noncommercial contracts within its scope. It is likely that these adaptations from

IAS 11 will still be necessary, but is unlikely to affect the accounting requirements. The usage of the term “performance obligations” may not be consistent with its usage in IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*. Because this project is assessing an existing IPSAS it may be less resource intensive than other projects.

Other Projects

Rate Regulated

Differential Reporting

Issued by the IASB in July 2009. The objective of the IASB project was to develop an IFRS expressly designed to meet the financial reporting needs of entities that (a) do not have public accountability and (b) publish general purpose financial statements for external users. Examples of such external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies. Users of the financial statements of SMEs do not have the same needs as equity investors in public capital markets, but rather are more focused on assessing shorter-term cash flows, liquidity and solvency. Also, many SMEs say that full IFRSs impose a burden on them — a burden that has been growing as IFRSs have become more detailed and more countries have begun to use them.

There has been some interest from constituents for IPSASB to consider this project in the context of governments, often positioning the issues based on the burden that smaller governments have in adopting full IPSASs. The IPSASB has previously discussed an SME-equivalent project for governments including in the context of the Public Sector Conceptual Framework around issues related to differential reporting. One of the major challenges to be considered relates to the definition of public accountability, which the IASB’s SME standard hinges on. It is difficult to argue that any public sector entity could be assessed as not having public accountability. So, to develop a standard for governments on differential reporting might have a different focus to determine who this would apply to.

Some governments that have adopted IPSASs have developed guidance documents to assist smaller entities with adopting the standards and this might be a model that could be considered on this project.