

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

**Meeting Location:** Toronto

**Meeting Date:** September 19–22, 2017

# Agenda Item 10

For:

- ☐ Approval  
☒ Discussion  
☒ Information

## Strategy and Work Plan 2019–2023

<b>Project summary</b>	To develop the IPSASB Strategy and Work Plan for the period from 2019–2023. The project involves significant outreach with IPSASB constituents, governance and advisory bodies, and others involved in work related to accrual accounting and more broadly involved in public financial management reforms. The project will include a consultation document to receive feedback from constituents, as well the IPSASB will look to hold regional roundtables to engage directly with constituents.	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">Instructions up to September 2017 Meeting</a>	<a href="#">10.1.1</a>
	<a href="#">Decisions up to September 2017 Meeting</a>	<a href="#">10.1.2</a>
	<a href="#">Project Roadmap</a>	<a href="#">10.1.3</a>
<b>Decisions required at this meeting</b>	<a href="#">Process for Development of Draft Strategy and Work Plan 2019–2023</a>	<a href="#">10.2.1</a>
	<a href="#">Style of the Draft Strategy and Work Plan 2019–2023</a>	<a href="#">10.2.2</a>
	<a href="#">Proposed Strategic Objective 2019–2023 and Strategic Themes</a>	<a href="#">10.2.3</a>
	<a href="#">Factors Considered in Selecting Proposed Projects to the 2019–2023 Work Plan</a>	<a href="#">10.2.4</a>
	<a href="#">Projects Proposed to the 2019–2023 Work Plan and those Considered but not Proposed</a>	<a href="#">10.2.5</a>
	<a href="#">Managing Delivery of the Strategy and Work Plan 2019–2023</a>	<a href="#">10.2.6</a>
	<a href="#">Consultation Development—SMCs</a>	<a href="#">10.2.7</a>
	<a href="#">Outreach Activities to Support the Strategy Consultation Document</a>	<a href="#">10.2.8</a>
	<a href="#">Document Design – Visual Look</a>	<a href="#">10.2.9</a>
<b>Other supporting items</b>	<a href="#">Draft Strategy and Work Plan 2019–2023</a>	<a href="#">10.3.1</a>
	<a href="#">For Information Purposes: June 2017 Strategy and Work Plan 2019–2023 CAG Advice</a>	<a href="#">10.3.2</a>

**INSTRUCTIONS UP TO SEPTEMBER 2017 MEETING**

Meeting	Instruction	Actioned
September 2017		

**DECISIONS UP TO SEPTEMBER 2017 MEETING**

<b>Date of Decision</b>	<b>Decision</b>
September 2017	

### Strategy and Work Plan 2019–2023 Project Roadmap

Meeting	Completed Discussions/Planned Discussions:
March 2016	1. Inaugural Public Sector Standard Setters Forum – discussion of issues and projects important to national standard setters around the world. This included round table discussions related to potential future projects.
December 2016	1. Discussion with the IPSASB Consultative Advisory Group at their June 24, 2017 meeting. Specifically the discussions related Public Financial Management— <i>Needs and Perspectives in the Current Environment</i> provided very useful input to the IPSASB strategy discussions.
March 2017	<ol style="list-style-type: none"> <li>1. Discussion of Issues.</li> <li>2. Discussion of Project Roadmap.</li> <li>3. IPSASB/IMF/Work Bank – <i>Harnessing the Power of Accruals</i>. Broad outreach activity with the public financial management community to feed into the IPSASB process to develop next Strategy and Work Plan that provided very useful information and context for IPSASB consideration.</li> <li>4. Discussions with the Public Interest Committee at their March 1, 2017 meeting.</li> </ol>
June 2017	<ol style="list-style-type: none"> <li>1. Discussion of issues.</li> <li>2. Discussion of the proposed 5 Strategic Themes.</li> <li>3. Discussion of possible projects related the Strategic Themes.</li> <li>4. Breakout Groups – including IPSASB members, Technical Advisors, Observers, Staff and others.</li> <li>5. Discussion with the IPSASB Consultative Advisory Group at their June 24, 2017 meeting.</li> </ol>
July 2017	1. 2 <sup>nd</sup> Public Sector Standard Setters Forum. Discussion of issues and projects important to national standard setters around the world. This included round table discussions related to potential future projects. Further, several in-depth discussions related to the proposed 5 Strategic Themes and various projects related to those themes were discussed.
September 2017	<ol style="list-style-type: none"> <li>1. Discussion of issues.</li> <li>2. Review of Draft Strategy and Work Plan 2019–2023 document.</li> </ol>
October 2017	<ol style="list-style-type: none"> <li>1. Consult with the Public Interest Committee at their October 5, 2017 meeting in Washington.</li> <li>2. Teleconference with the Consultative Advisory Group – October 2017. Continuation of discussion started in June 2017, report back on how comments provided have been incorporated into the draft consultation.</li> </ol>
December 2017	<ol style="list-style-type: none"> <li>1. Discussion of issues.</li> <li>2. Approve the Strategy and Work Plan 2019–2023.</li> </ol>
January 2017	Consultation Period – Document out for consultation.
June 2018	
	1. Regional Round Tables and additional outreach planned.

## Agenda Item 10.1.3

Meeting	Completed Discussions/Planned Discussions:
September 2018	<ol style="list-style-type: none"><li>1. Initial Review of Responses to Consultation.</li><li>2. Discussion on issues raised.</li></ol>
October 2018	<ol style="list-style-type: none"><li>3. Discussion with the Public Interest Committee key strategic issues from the consultation and IPSASB decisions related to these.</li></ol>
December 2018	<ol style="list-style-type: none"><li>1. Discussion with the Consultative Advisory Group.</li><li>2. Discussion of issues.</li><li>3. Approval of Strategy and Work Plan 2019–2023</li></ol>

### Process for Development of Draft Strategy and Work Plan 2019–2023

#### Questions

1. Whether the IPSASB agrees with the planned forward development process for the Draft Strategy and Work Plan 2019–2023 (Strategy Consultation) and the proposed steps leading up to the approval at the December 2017 meeting.

#### Detail

2. Although this is the first review by IPSASB of the draft Strategy Consultation, the development process for the document has been ongoing for some time. The key inputs and discussions that have influenced the documents development are outlined in paragraph 3.

#### *Discussions / Input to Date*

3. Key discussions in the development and input to the Strategy Consultation include:
  - (a) March 2016 Inaugural Public Sector Standard Setters Forum.
  - (b) December 2016 Consultative Advisory Group discussion – *Public Financial Management Needs and Perspective in the Current Environment*.
  - (c) March 2017 discussions with the Public Interest Committee (PIC).
  - (d) March 2017 IMF/World Bank/IPSASB Event – *Harnessing the Power of Accrual*.
  - (e) March 2017 IPSASB Discussion.
  - (f) June 2017 Consultative Advisory Group (CAG).
  - (g) June 2017 IPSASB Discussion and Breakouts.
  - (h) July 2017 2<sup>nd</sup> Public Sector Standard Setters Forum.
  - (i) Task Based Group Discussions (June, July and August teleconferences).
  - (j) July 26 2017 working session that included the Chair, Technical Director, Managing Director Professional Standards and staff lead on project.
  - (k) Various outreach activities with constituents by the IPSASB Chair and IPSASB members over the past 18 months.

#### *Planned Discussions Going Forward*

4. Key next steps from now until to the planned December 2017 approval of the Strategy Consultation include:
  - (a) September 2017 IPSASB Discussion.
  - (b) October 5, 2017 discussion at the Public Interest Committee (PIC) meeting in Washington D.C.
  - (c) October 2017 teleconference with the Consultative Advisory Group (CAG).
  - (d) TBG discussions in October 2017 and November 2017 as needed to action directions from the IPSASB September 2017 meeting and advice from the PIC and CAG.

#### Decisions required

Does the IPSASB agree with the planned steps to be taken through to approval in December 2017 of the Strategy Consultation?

**Style of the Draft Strategy and Work Plan 2019–2023****Questions**

1. Whether the Board agrees with the style and tone of the Strategy Consultation.

**Detail**

2. The TBG discussed the style and tone of the document. Those discussions were informed by advice received from the PIC, CAG and constituents at the Public Sector Standard Setters Forum that it was important to develop a focused strategic document which included specific projects proposed for the work plan.
3. Staff and the TBG also considered the Strategy documents of other international standard setters (the IASB, IFAC related independent standard setting boards and national public sector accounting standard setters) as a reference point in considering the appropriate tone and presentation style of the document.
4. As a result, the draft document developed for the Board's review is high level, rather than focusing on the details of the IPSASB's operations or how it develops standards, because this is seen as more appropriately covered in the IPSASB's biennial review document. While it provides a clear linkage with the Board's existing 2015 Strategy and Work Plan, it is also forward looking and sets out the proposed strategic direction that will guide the IPSASB's efforts in setting standards and outreach activities for the five year period from the start of 2019.
5. Therefore, the consultation document is meant to clarify the proposed strategic priorities for the 2019–2023 and provide the framework for delivering on those priorities within the 5 Strategic Themes.

**Decisions required**

Does the IPSASB agree with the TBG proposal in regards to the style and tone of the Strategy Consultation?

### Proposed Strategic Objective 2019–2023 and Strategic Themes

#### Questions

- Whether the Board agrees with the proposed Strategic Objective 2019–2023 and Strategic Themes.

#### Detail

##### *Strategic Objective*

- The IPSASB current Strategic Objective is as follows:

***Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSAS by:***

- Developing high-quality public sector financial reporting standards;***
- Developing other publications for the public sector; and***
- Raising awareness of IPSAS and the benefits of their adoption.***

- The TBG discussed the above objective and noted that linking the IPSASB's activities to the bullets supporting the objective can be a challenge. The TBG agreed that the IPSASB's work is in practice split between two main areas of activity:

- Developing high quality standards and guidance for the public sector (where the IPSASB will lead on projects to develop standards); and
- Raising awareness of IPSAS and the benefits of their adoption (where the IPSASB will engage in outreach and contribute and influence the work of others).

It was therefore agreed that the three bullets should be modified into two.

- The TBG has therefore proposed refinements and to the Strategic Objective from 2015. The proposed Strategic Objective 2019–2023 is as follows:

***Strengthening Public Financial Management (PFM) globally through increasing adoption of accrual-based IPSASs.***

***This Strategic Objective will be delivered through two main areas of activity:***

- Developing high-quality financial reporting standards and other guidance publications for the public sector; and***
- Raising awareness of IPSAS and the benefits of their adoption.***

##### *Strategic Themes*

- Staff and the TBG noted that in appropriately defining the activities of the Board supporting the Strategic Objective there was a need to develop Strategic Themes that set out the different streams of work undertaken.
- The Strategic Themes were discussed at length in the June 2017 meeting. Based on those discussions and further TBG calls, it is proposed that the five proposed Strategic Themes that guide the IPSASB's work in its achieving the Strategic Objective should be:
  - Theme 1: *Setting standards on public sector specific issues;*
  - Theme 2: *Maintaining IFRS convergence;*
  - Theme 3: *Developing guidance to meet users' broader financial reporting needs;*
  - Theme 4: *Influencing initiatives on the benefits of accrual in strengthening Public Financial Management; and*
  - Theme 5: *Promoting IPSAS adoption and Implementation.*



## **Agenda Item 10.2.3**

7. In developing these five proposed Strategic Themes, the TBG considered input from:
- (a) The IPSASB discussions at the June 2017 meeting and in particularly the breakout sessions focused on the original proposed five Strategic Themes;
  - (b) Input received from the CAG discussion in June 2017 (see Appendix 10.3.2 for information purposes related to those discussions);
  - (c) Input from the Public Sector Standards Setters Forum in Switzerland in July 2017.

The TBG has considered the various inputs from these discussions in refining the five Strategic Themes and developing the proposed actions related to each in the Strategy Consultation.

### **Decision required**

Does the IPSASB agree with:

- The proposed Strategic Objective 2019–2023?
- The five proposed Strategic Themes?

**Factors Considered in Selecting Proposed Projects to the 2019–2023 Work Plan****Question**

1. Whether the IPSASB agrees with factors used in selecting proposed projects to add the 2019–2023 Work Plan.

**Detail**

2. Staff and TBG reflected on the factors used in the previous strategy for selecting projects (significant to the public sector, urgency of the issues, gaps in standards, IFRS convergence and alignment with government finance statistics (GFS)). It was noted that the specific factors in the previous strategy consultation related to IFRS convergence and GFS, are actual IPSASB policies with specific policy papers, and less of factors for assessing the relevance of projects to undertake. Further, with the IPSASB looking to propose specific projects, it was thought that it would be useful to reconsider the factors for assessing such projects.
3. The [Appendix to this Issues Paper](#) includes a document summarizing the factors/criteria used by other standard setters in selecting projects. Staff and the TBG found this summary helpful in selecting the proposed factors for considering projects to include in the Strategy Consultation.
4. The following factors are proposed by Staff and TBG for the Strategy Consultation as they are thought to have the most relevance to the IPSASB in selecting projects for the Work Plan 2019–2023, and can be used sequentially as a ‘filter’ mechanism for proposed projects:
  - (a) **Pervasiveness.** Whether the issue is one that impacts widely on entities in the public sector in a material manner.
  - (b) **Urgency.** Whether the issue impacts the faithful representation and relevance of the reporting of financial position and financial performance.
  - (c) **Consequences.** Whether the absence of guidance may result in users making suboptimal decisions.
  - (d) **Feasibility.** Whether the issue presents complexities that require significant resources for extended periods, thereby potentially impacting adversely on other important projects. Further, whether a technically sound solution can be developed in a reasonable time period.

**Decision required**

Does the IPSASB agree with the factors proposed by the Staff and TBG for selecting proposed projects for the 2019–2023 Work Plan?

# Agenda Item Appendix 10.2.4

IPSASB	IASB	IAASB	IESBA
<p>In setting 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. The key factors are:</p> <ul style="list-style-type: none"> <li>– <b>Significance for the public sector</b> – 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.</li> <li>– <b>Urgency of the issue</b> – 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.</li> <li>– <b>Gaps in standards</b> – the project addresses an issue that has not previously been addressed in IPSASs or RPGs.</li> <li>– <b>IFRS convergence</b> – the project meets the goal of convergence with the IFRSs where deemed appropriate. This would allow leveraging resources in terms of possibly collaborating with the IASB.</li> <li>– <b>Alignment with GFS</b> – the project helps to reduce divergence between the IPSASs and GFS.</li> </ul>	<p>Standards-level Projects</p> <p>The IASB evaluates the merits of adding a potential item to its work program primarily on the needs of users of financial reports, while also taking into account the costs of preparing the information in financial reports. When deciding whether a proposed agenda item will address users' needs, the IASB considers:</p> <ul style="list-style-type: none"> <li>– Whether there is a deficiency in the way particular types of transactions or activities are reporting in financial reports</li> <li>– The importance of the matter to those who use financial reports</li> <li>– The types of entities likely to be affected by any proposals including whether the matter is more relevant in some jurisdictions than others, and</li> <li>– How pervasive or acute a particular financial reporting issue is likely to be for entities</li> </ul> <p>The consideration will include whether the proposal is for a comprehensive project to develop a new standard or major amendments to existing standards, or a narrow-scope project for the purposes of implementation and maintenance</p>	<p>IAASB has identified certain criteria to enable it to make decisions regarding which actions should be included in future work plans and how such actions can be prioritized. Such criteria include:</p> <ul style="list-style-type: none"> <li>– The IAASB's views about the urgency in the public interest of the need for change, and the potential implications if action is delayed, taking into account both the demands of the capital markets &amp; the impact on businesses of all sizes.</li> <li>– The need for change to enhance audit quality globally, or to enhance the quality of engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future, and the degree to which such change would further facilitate high-quality financial &amp; corporate reporting &amp; enhance public confidence therein.</li> <li>– The degree to which an identified issue would be addressed effectively through change to the standards or through other appropriate action by the IAASB. Consideration may also be given as to the appropriate time to undertake a standard-setting response in light of emerging practice, market demand and the possibility of developing a standard capable of international application.</li> <li>– The global applicability of the potential actions, for example in relation to entities of different sizes and complexity, different industries, and across jurisdictions, with acknowledgement of the potential impact associated with these actions.</li> </ul>	<p>The determination of actions and their priorities and timing for the 2014–2018 period depend on a number of key factors, including the following:</p> <ul style="list-style-type: none"> <li>– The potential benefits to the public interest of undertaking the particular action.</li> <li>– The extent to which the particular action will further enhance public trust and confidence in the profession, having regard to the diverse areas in which PAs are involved in both practice and business.</li> <li>– The extent to which the particular action will further enhance public trust and confidence in the Code.</li> <li>– The degree of urgency in addressing the particular matter, and the potential implications if action is not taken or delayed.</li> <li>– The global relevance of the particular matter.</li> <li>– The extent to which the particular action will further advance global adoption of the Code and support its effective implementation.</li> </ul>

IPSASB	PSASB	PSAB (Cont'd)	NZ
<p>In setting 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. The key factors are:</p> <ul style="list-style-type: none"> <li>– <b>Significance for the public sector</b> – 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.</li> <li>– <b>Urgency of the issue</b> – 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.</li> <li>– <b>Gaps in standards</b> – the project addresses an issue that has not previously been addressed in IPSASs or RPGs.</li> <li>– <b>IFRS convergence</b> – the project meets the goal of convergence with the IFRSs where deemed appropriate. This would allow leveraging resources in terms of possibly collaborating with the IASB.</li> <li>– <b>Alignment with GFS</b> – the project helps to reduce divergence between the IPSASs and GFS.</li> </ul>	<p>PSAB considers the significance of the issue (i.e., whether the project would address the needs of different users), taking into account the following factors:</p> <ul style="list-style-type: none"> <li>(a) Changes in the financial reporting environment – whether the issue is broadly relevant, and has emerged as a result of changes in the financial reporting environment and regulatory requirements across Canada.</li> <li>(b) Pervasiveness – whether the issue: <ul style="list-style-type: none"> <li>- affects more than a few entities and arises across Canada;</li> <li>- gives rise to problems that are frequent and material; and</li> <li>- will persist if not resolved.</li> </ul> </li> <li>(c) Urgency – whether requests have been received from stakeholders, with reasonable justifications, that PSAB should address the issue as a matter of priority.</li> <li>(d) <b>Consequences – whether the absence of a standard might cause users to make suboptimal decisions.</b></li> <li>(e) <b>Complexity – whether the project will consume resources for an extended period of time.</b></li> </ul>	<p>After assessing the significance of an issue, PSAB considers whether:</p> <ul style="list-style-type: none"> <li>(a) any guidance currently exists;</li> <li>(b) there is a lack of comparability in financial reporting; and</li> <li>(c) <b>there is diversity in practice or standards are difficult to apply because:</b> <ul style="list-style-type: none"> <li>i) they are unclear or unnecessarily complex;</li> <li>ii) the cost of complying outweighs the benefits to users; or</li> <li>(iii) the standards are out of date, the information they generate no longer appropriately reflects economic conditions.</li> </ul> </li> </ul> <p>After evaluating the proposals, PSAB considers the qualitative aspects of them, taking into account:</p> <ul style="list-style-type: none"> <li>(a) Availability of alternative solutions – whether, when an issue is addressed, there are alternative solutions to improve the qualitative characteristics of financial information specified in the conceptual framework, and it is likely that <b>sufficient PSAB support and approval will be attainable for the standards developed.</b></li> <li>(b) Cost/benefit considerations – whether it is likely that the expected benefits to users of the improved financial reporting will exceed the costs of implementation.</li> <li>(c) <b>Feasibility – whether it is feasible to develop a technically sound solution within a reasonable time period without awaiting completion of other projects.</b></li> </ul>	<p>The primary purpose of developing the suite of PBE Standards is to better meet the needs of the PBE user groups (as a whole). In considering whether to initiate a development, the NZASB shall consider the following factors:</p> <ul style="list-style-type: none"> <li>(a) Whether the potential development will lead to higher quality financial reporting by public sector PBEs, including public sector PBE groups..., <b>than would be the case if the development was not made;</b> and</li> <li>(b) Whether the benefits of a potential development will outweigh the costs, considering as a minimum: <ul style="list-style-type: none"> <li>(i) <i>relevance to the PBE sector as a whole:</i> for example, where the potential development arises from the issue of a new or amended IFRS, whether the type and incidence of the affected transactions in the PBE sector are similar to the type and incidence of the transactions addressed in the change to the NZ IFRS;</li> <li>(ii) <i>relevance to the not-for-profit or public sector sub-sectors:</i> whether there are specific user needs in either of the sub-sectors, noting that IPSAS are developed to meet the needs of users of the financial reports of public sector entities;</li> <li>(iii) <i>coherence:</i> the impact on the entire suite of PBE Standards...;</li> </ul> </li> </ul>

	....	PSAB then considers whether there are sufficient resources to undertake a project...	
--	------	--	--

**Criteria/Factors – Preliminary Thoughts/Take-Aways:**

1. Useful wording in places. Might be able to adopt/tailor some that helps strength the apparent robustness and ‘public interest’ characteristics of the criteria. On the other hand, some are rather general, which can be a disadvantage. Let’s see how we might “work back” into a set that could support our own intuitive assessment of priorities and which is relatable/relevant to our strategic stage/stage of ‘maturity’.
2. Consider adding a “feasibility” criteria re: whether a standard is a feasible solution to an issue i.e., capable of developing a standard of global acceptance & application; and to be able to do so within reasonable time & resource. See **yellow**.  
  
This may also speak to the PIC sentiment that the public interest (adopters’ perceived relevance & confidence in IPSASB, and therefore move to adoption) is when standards development is timely and progressive, as compared to selecting priorities that have long difficult uncertain journeys/questionable ends or low likelihood of success.  
  
This may also set up a story line we could use (depending on our selection): that we have (therefore) in the public interest contemplate a mix of projects between a) new or full-revision of standards and b) narrow-scope (technical) amendments to existing standards
3. Urgency – Consider drawing out the element of ‘consequence/impact if action absent’, which is sometimes an antidote to stakeholder urgency rhetoric. See **green**.
4. See **grey** – Speaks to the PIC’s general implementability/usefulness concern. Parts of the wording might be useable.
5. ....

**Other Observations:**

(Several (within their SWPs or otherwise) state their use of judgement in applying the criteria (or that the priorities arising are based on judgment). This is an obvious defense to stakeholder different assessment or the notion that the criteria can be use in some sort of scoring way that can produce a similar result if applied by others

**Other sources considered:**

- UK FRC – Nothing specific to its accounting standards unit. Rather, the decision framework sits within a rather complex model of outcomes and sub-outcomes and work based on a (non-transparent) Present, Upside, Downside risk assessment
- Canada AcSB - Identical to IASB above
- GASB – Now FAF/FASB/GASB merged strategy focused on [organizational] vision, mission, and supporting goals. The former GASP Strategy adopted following schema: Objective; Outcome; Outcome-Measure; Strategies; no criteria per se

### Projects Proposed to the 2019–2023 Work Plan and those Not Proposed

#### Question

1. Whether the Board agrees with the projects proposed, and those considered but not proposed, for inclusion on the 2019–2023 Work Plan in the Strategy Consultation.

#### Detail

##### *Proposed Projects*

2. Staff and the TBG considered the input received from the PIC, CAG and the Standard Setters Forum when selecting the proposed projects to the Work Plan. The potential projects and input were then considered against the factors noted in [Issues Paper 10.2.4](#).
3. The projects proposed for the Work Plan 2019–2023 are as follows:
  - (a) Theme 1: *Setting standards on public sector specific issues*:
    - (i) [Natural Resources](#);
    - (ii) [Discount Rates](#); and
    - (iii) [Differential Reporting](#).
    - (iv) [Limited Review of the Conceptual Framework](#)
  - (b) Theme 2: *Maintaining IFRS convergence*:
    - (i) [IPSAS 18, Segment Reporting](#).
    - (ii) Next few years provide a 'catch up' opportunity as the IASB does not plan to initiate any major projects in the 2017–2021 period. The IPSASB will look to pick up narrow scope convergence projects based on the availability of agenda time and staff resources (which include leveraging national standard setting capacity).
  - (c) Theme 3: *Developing guidance to meet users' broader financial reporting needs*
    - (i) No specific projects immediately proposed given the relative priority compared with other potential projects under Themes 1-2.
    - (ii) The IPSASB may consider work related to this theme in the latter part of 2019–2023 period in light of developments in the interim.

##### *Projects Considered but Not Proposed*

4. [Appendix A of the Strategy Consultation](#) includes a list of potential projects under Themes 1–3 that the IPSASB has considered but not proposed for the Work Plan 2019–2023.
5. This list of potential project includes items discussed at the 2016 and 2017 Public Sector Standard Setters Forums. It also includes those items deemed relevant from the list of projects from the previous strategy consultation that have not yet been added to the work plan and which are still considered relevant to the IPSASB.
6. It does not include any specific projects related to Themes 4 and 5, as it is not expected that the IPSASB will undertake its own project work in these areas. Instead it will seek to work with and influence other international bodies and groups as relevant opportunities arise, as well as supporting IPSAS adoption initiatives.

## **Agenda Item 10.2.5**

### **Decision required**

Does the IPSASB agree:

- With proposed projects for the Work Plan 2019–2023?
- With the list of projects considered but not proposed?

**Managing Delivery of the Strategy and Work Plan 2019–2023****Question**

1. Whether the IPSASB agrees with the [Managing Delivery section of the Strategy Consultation](#).

**Detail**

2. Discussions with the Public Interest Committee and the Consultative Advisory Group highlighted a need to discuss some of the challenges the IPSASB faces in its work as an international standard setter.
3. The Managing Delivery section of the consultation document is meant to discuss those challenges. Staff developed an initial version of this section, with input from the TBG, that version is included in the [Appendix to this Issues Paper](#). However, after circulating that initial version to the TBG, an alternative version was proposed. Following consultation with the Chair, Staff has included that alternative version in the Strategy Consultation.
4. The alternative version has been included in the Strategy Consultation because:
  - (a) It provides a positive image of the IPSASB's current position today related to the challenges it faces;
  - (b) It better acknowledges the strategic challenges faced in the delivery of the Strategy and Work Plan; and
  - (c) To build confidence and showcase how the IPSASB and staff proactively manage the challenges.
5. The initial version shared with the TBG raises risks and challenges in a manner which may unintentionally raise questions about the Boards ability to deliver on its objectives, which is unhelpful. However, as this initial version is the one discussed with the TBG it has been included as an Appendix to this Issues Paper for reference purposes.

**Decision required**

Does the IPSASB agree with the Managing Delivery version included in the Strategy Consultation?



### Appendix: Version Shared for TBG Comment – Managing Delivery of the Strategy and Work Plan 2019–2023

This appendix is included to show the alternative version of the Managing Delivery section of the draft consultation document, which was shared and discussed with the TBG.

### Managing Delivery of Strategy and Work Plan 2019–2023

The IPSASB has considered the below challenges in developing the proposed Strategy and Work Plan 2019–2023 and will continue to monitor developments and evaluating how changes impact the ability of the Board to deliver on its Strategic Objective.

#### Challenges faced by the IPSASB

##### *Internal Challenges Related to Developing Standards*

- **Volunteer nature of board.** The IPSASB is dependent on volunteer members' time and resources. This is a key constraint in prioritizing and progressing projects. The IPSASB mitigates this challenge through having a remunerated Chair (since 2016) which allows greater emphasis on the strategic management of the Board. The Board also mitigates this challenge by ensuring that the time commitment expected is communicated through its nomination process to those new members appointed.
- **Staffing.** The IPSASB team is relatively small at 8 staff members. Additionally, sourcing individuals with the appropriate skillset can be a challenge when the need for new staff members arises. The Board mitigates this risk by leveraging other national and international standards setting boards work and resources in developing IPSAS.
- **Sustainable funding.** The IPSASB is dependent on a limited number of organizations for its funding. The Board mitigates this by the efficient allocation of resources to those activities which are most in the public interest. As adoption and implementation increases and the demands on the Board continue to grow, a broader and more sustainable funding model will be needed, with appropriate support from those using and benefiting from IPSASs.
- **International Federation of Accountants (IFAC) support.** The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants (IFAC). If the operations or funding of IFAC are diminished it would create a significant challenge to the IPSASB and its ability to deliver on its Strategic Objective.

##### *External Challenges Related to Use of IPSAS*

- **Responsiveness to emerging public interest issues.** The IPSASB's limited resources and the voluntary nature of the Board may limit its ability to pick up on key emerging issues, which will become an increasingly important challenge as adoption and implementation of IPSAS continues. This challenge is mitigated by the introduction of the Consultative Advisory Group (CAG) in 2016 which provides a forum for a broad constituency to discuss areas of public interest to provide advice to the IPSASB.
- **Capacity constraints in some jurisdictions.** In some jurisdictions the public sector accounting expertise needed to implement IPSAS is scarce. Further, ensuring that those using the standards understand the information being communicated is an ongoing challenge. This challenge is mitigated by our outreach activities which aim to influence others working in the wider public financial management space to ensure activities are coordinated and the needs of jurisdictions are considered.

## Agenda Item Appendix 10.2.6

- **Complexity of principle-based IPSASs.** Developing international principles that appropriately provide faithfully representative and relevant information on an entities financial position and financial performance, while still being practical in terms of application by preparers, can be a challenge. This challenge is mitigated by the IPSASB's focus on developing principles where the financial reporting outcomes appropriately reflect the complexity of transactions. A further step to mitigate this challenge is the inclusion of additional supporting communication material for complex transactions, such as 'At a Glance' summary documents, webinars and podcasts.
- **Project Prioritization.** Filling the gaps in our standards and the priority is which those are addressed. The Board mitigates this challenge through outreach and consultation with constituents to identify the key public interest concerns of users.
- **Communication with Constituents.** Dialogue with constituents to ensure that outreach and communication activities are appropriately focused so the Board is aware if the issues that pose the greatest public interest concerns for our users. The Board mitigates this challenge by making all meetings open to the public, posting all agenda papers and publications openly on the IPSASB website and using technology, such as webinars and live streaming of meetings when possible to make our work accessible. This challenge is further mitigated through the Public Sector Standard Setters Forum, which provides national standard setters an opportunity to discuss issues of importance in their jurisdiction openly with the other standard setters and the IPSASB.

**Consultation Development—SMCs****Question**

1. Whether the Board agrees with the proposed SMCs included in the draft Strategy and Work Plan 2019-2023.

**Detail**

1. Staff and the TBG are of the view that it is important to obtain constituent feedback on both the proposed Strategic Objective 2019–2023 and the supporting Strategic Themes and therefore propose SMC 1 and 2 above.

**Specific Matter for Comment 1**

**Do you agree with the IPSASB's proposed Strategic Objective 2019–2023? If not please explain why not and how should it be revised?**

**Specific Matter for Comment 2**

**Do you agree with the IPSASB's five proposed Strategic Themes for the 2019–2023 period? If not please explain why not and how should they be revised?**

2. Staff and the TBG also view constituent feedback on the factors set out in deciding the proposed projects, as well as feedback on the specific proposed projects as essential and therefore propose SMC 3 and 4.

**Specific Matter for Comment 3**

**Do you agree with the IPSASB's factors in deciding the proposed issues to add to its Work Plan 2019–2023? If not please explain why not and what you would propose instead and why?**

**Specific Matter for Comment 4**

**Do you agree with the projects that the IPSASB proposes to prioritize for addition to the Work Plan 2019–2023 on each theme? If not please explain why not, what you would propose instead and why?**

**Decision required**

Does the IPSASB agree with the SMCs proposed in the Strategy Consultation?

**Outreach Activities to Support the Strategy Consultation Document****Question**

1. Whether the proposed outreach activities are sufficient to support the Strategy Consultation.

**Detail**

2. Concerns have been raised in the past, as to whether the low number of responses to IPSASB consultation documents, indicates a lack of interest in the work of the Board. It was further noted at the Public Sector Standard Setters Forum in July, that the issue of how to better engage with constituents is important, and it was emphasized that the IPSASB should look to alternative methods than only comment letters to engage more broadly.
3. Therefore, responding to past concerns and input received the IPSASB Chair and staff have discussed partnering with organizations to hold regional roundtable events during the Strategy Consultation comment period. The purpose of the round tables is to directly engage constituents in each geographic region to receive formal input to the Strategy Consultation.
4. The staff view is that a maximum of 3 round tables can be delivered, considering the amount of work involved in the planning and execution as well as analyzing the feedback from each event. In balancing geography with areas of potential IPSAS adoption as well as practicality, the following locations are being considered for such events:
  - (a) Africa;
  - (b) Europe; and
  - (c) South East Asia.
5. To support the Strategy Consultation, IPSASB Members and Technical Advisors are also encouraged to look for outreach opportunities in their jurisdictions and regions to engage with constituents. To support such activities, staff will develop communication materials such as presentations about the Strategy Consultation (including having those translated into different languages, as needed). Staff request that when such opportunities are identified that the Chair and staff are made aware in advance to ensure the appropriate support and coordination can be provided.
6. IPSASB Members and Technical Advisors are asked to share their views on the round tables and other outreach activities that would be useful in raising awareness of the Strategy Consultation.

**Decision required**

Does the IPSASB:

- Agree with the plan to support the Strategy Consultation with round tables and other outreach?
- Agree to the selected geographic locations for such round tables?
- Agree to the vision to promote the consultation in their local jurisdictions?
- Have any ideas to share on the round table format or materials to support the dissemination of information related to the Strategy Consultation (such as translated presentations)?

**Document Design – Visual Look****Purpose**

1. To obtain Board views on the design of the draft document to allow refinements to the next version.

**Detail**

2. To help the Board envision what the final Strategy Consultation might look like, the document included in [Issues Paper 10.3.1](#) has been developed.
3. To ensure consistency of the IPSASB brand with other recent similar strategic documents, the designer was provided with the following recent publication for reference purposes:
  - (a) [The IPSASB Strategy Consultation 2015 Forward](#);
  - (b) [The IPSASB's Strategy 2015 Forward: \*Leading through Change\*](#);
  - (c) [The IPSASB 2015–2016 Biennial Review: \*Sustaining the Momentum\*](#).
4. The designer was also provided with IPSASB official logos and colors to set a creative direction for the document in line with the recently issues professionally designed documents. The selected designer has also recently helped with the creation of a number of annual reports for CPA Canada related standard setting bodies, as well branding and logo designs.
5. There are limits to the amount of changes that can be made to the document visually, however, Members are asked to share their views on the following:
  - (a) Visual layout of the document;
  - (b) Use of graphics; and
  - (c) Overall views on the document, including aspects you like and any not liked.

**Decision required**

Does the IPSASB agree with the design direction of the Strategy Consultation?

Proposed Strategy and Work Plan™

# Strategy and Work Plan 2019–2023

Consultation January 2018  
*Comments due: June 30, 2018*



Mission	The International Public Sector Accounting Standards Board (IPSASB) serves 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.
Standards and Guidance	<p>The IPSASB's authoritative standards include:</p> <ul style="list-style-type: none"> <li>• International Public Sector Accounting Standards (IPSASs) which set out requirements for financial reporting in General Purpose Financial Statements (GPFSs)</li> <li>• Cash Basis IPSAS</li> </ul> <p>The IPSASB's non-authoritative guidance and other publications include:</p> <ul style="list-style-type: none"> <li>• Recommended Practice Guidelines (RPGs) applicable to the preparation and presentation of General Purpose Financial Reports (GPFRs)</li> <li>• The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities; and</li> <li>• Staff papers and other documents.</li> </ul>
What IPSAS Do	<p>The use of International Public Sector Accounting Standards (IPSAS):</p> <ul style="list-style-type: none"> <li>• Enhances transparency through comparability and quality of financial information, enabling users to assess the financial status of public sector entities;</li> <li>• Increases accountability by communicating the nature and amount resources controlled by public sector entities and how they are used, allowing users' to hold governments to account.</li> <li>• Contributes to better information for decision makers of public sector entities to use in making judgements and delivering goods and services to users efficiently.</li> </ul>
Strategic Input	The IPSASB <a href="#">Consultative Advisory Group (CAG)</a> is a forum composed of 22 representatives from public and private sector organizations and individuals that are interested in, or affected by, the IPSASB's work, including those engaged in the preparation, audit, or evaluation of public sector financial reports. Interaction with the CAG is a key element of the IPSASB's due process.
Oversight	The IPSASB sets its standards in accordance with a transparent <a href="#">due process</a> . The IPSASB's governance and standard-setting activities are overseen by the <a href="#">Public Interest Committee (PIC)</a> .
Structures and Processes	The structures and processes that support the IPSASB are facilitated by the <a href="#">International Federation of Accountants (IFAC)</a> .
Funding	The IPSASB receives financial support from IFAC, the Asian Development Bank, the Chartered Professional Accountants of Canada, the New Zealand External Reporting Board, and the governments of Canada and New Zealand.

# Copyright, Trademark, and Permissions Information

International Public Sector Accounting Standards, Exposure Drafts, Consultation Papers, Recommended Practice Guidelines, and other IPSASB publications are published by, and copyright of, IFAC.

The IPSASB and IFAC do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

The 'International Public Sector Accounting Standards Board', 'International Public Sector Accounting Standards', 'Recommended Practice Guidelines', 'International Federation of Accountants', 'IPSASB', 'IPSAS', 'RPG', 'IFAC', the IPSASB logo, and IFAC logo are trademarks of IFAC, or registered trademarks and service marks of IFAC in the US and other countries.

Copyright © [Month and Year] by the International Federation of Accountants (IFAC). All rights reserved. Permission is granted to make copies of this work to achieve maximum exposure and feedback provided that each copy bears the following credit line:

*"Copyright © [Month and Year] by the International Federation of Accountants (IFAC).*

*All rights reserved. Used with permission of IFAC. Permission is granted to make copies of this work to achieve maximum exposure and feedback."*

Published by:





## IPSASB Strategy and Work Plan 2019–2023

# Contents

Foreword.....	1
IPSASB Current Strategy '2015 Forward—Leading Through Change' .....	3
Strategic Considerations— IPSAS and Public Financial Management.....	5
Proposed Strategic Objective 2019–2023 .....	8
Proposed Work Plan for the Period 2019-2023.....	11
Managing Delivery of Strategy and Work Plan 2019–2023 .....	20
Request for Comments .....	22
Appendix A: Project Topics Considered but not Proposed for the IPSASB Work Plan 2019–2023 .....	23

# Foreword

■ By Ian Carruthers, IPSASB Chair



2017 marked the twentieth anniversary of the IPSAS development program. During that period, the Board and its predecessor—the IFAC Public Sector Committee—developed 40 International Public Sector Accounting Standards (IPSASs), as well as three Recommended Practice Guidelines (RPGs), an IPSAS on reporting under the cash basis of accounting and, *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (Conceptual Framework). These, together with introduction of a governance framework and an immense amount of outreach work by members, and others associated with its activities, have progressively allowed the IPSASB to mature into the global standard setter for public sector financial reporting.

The IPSASB's first-ever Strategy and Work Plan consultation during 2014, together with the completion of the Conceptual Framework in the second half of 2014, were landmark achievements for the Board. Both have fundamentally shaped its activities since 2015. Our work is also increasingly being influenced by the implementation in the past couple of years of our new governance and advisory framework

enhancements, comprising the Public Interest Committee (PIC) and the Consultative Advisory Group (CAG).

The 2015 Strategy positioned our work in the context of the drive to strengthen Public Financial Management (PFM) globally for the first time. As a result of the feedback from our constituents, the majority of our work since then has focused on IPSAS development and maintenance. In selecting and scoping the projects in our current Work Plan, we have tried to strike a balance between addressing key public sector issues, and maintaining convergence with the major new standards that the International Accounting Standards Board (IASB). As we make progress with the projects approved in 2015, with a number due for completion by the end of 2018, we have now considered the direction our work should take in the five-year period 2019-2023, and our priorities in terms of taking on new projects.

This is a critical time for the Board, as the pace and scale of IPSAS adoption have increased significantly in recent years, a trend that looks likely to continue, with the number of governments around the world adopting accrual accounting estimated to increase from 31%



in 2015 to 71% in 2020<sup>1</sup>. Our standards and guidance will therefore increasingly need to meet the practical requirements of a significantly expanding potential user group,

Based on feedback obtained through the many outreach events that the Board, Technical Advisors and its alumni collectively undertake, as well as the Public Sector Standard Setters Forum meetings that we have held in 2016 and 2017, we believe that we should continue to focus the majority of our work on developing high quality financial reporting standards for the public sector. However, we believe that we should sharpen the focus of our activities in the area of promoting awareness of IPSAS and the benefits of their adoption and implementation, in particular by working more closely with global and regional bodies and raising the profile of IPSAS with financial regulators and markets, all of whom we believe should be key advocates and more consistent supporters of IPSAS adoption.

This new Strategy and Work Plan will drive our future work as well as play a key role in strengthening PFM globally going forward. To ensure that we get it right, we need your input. That is why we seek your comments on whether we have set out the right priorities in our proposed Work Plan and if those projects identified are the most pressing issues for improving public sector financial reporting.

The responses we received to the [IPSASB's first-ever Strategy and Work Plan consultation during 2014](#), provided valuable input that has helped shape the way we work and the projects on our Work Plan since then. This consultation now provides the opportunity to have your say on our priorities in the period from 2019–2023, and through doing so to help shape the future of global public sector financial reporting standards

We look forward to receiving your comments.

Ian Carruthers,  
IPSASB Chair ■

1. Source: PwC publication: *Global Survey on Accounting and Financial Reporting by Central Governments (2nd Edition)* 14 September 2015.



# IPSASB Current Strategy '2015 Forward— Leading Through Change'

- The IPSASB's current strategy, *2015 Forward—Leading Through Change* published in September 2015 has a single strategic objective:

*Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSAS by:*

- *Developing high-quality public sector financial reporting standards;*
- *Developing other publications for the public sector; and*
- *Raising awareness of IPSAS and the benefits of their adoption.*

The current strategy firmly positions the IPSASB's activities in the broader public financial management (PFM) landscape. The IPSASB's high-quality accounting standards facilitate credible and transparent financial reporting, which is in the public interest as it leads to improved public sector decision making and facilitates citizens' ability to hold governments to account.

The Strategy and Work Plan also identified projects that the IPSASB would add to its Work Plan for the period from 2015 through 2018. Since then, the IPSASB has completed several high profile projects and is currently progressing work on a number of challenging public sector issues. The following projects have been completed since 2015;

- IPSAS 33, *First Time Adoption of Accrual Basis IPSAS*—provides requirements and guidance for entities adopting to help with the transition.
- IPSAS 34-38, *Accounting for Interests in Other Entities*—converged with IFRS 10-12.
- IPSAS 39, *Employee Benefits*—updated standard to pick up recent changes to IAS 19.
- IPSAS 40, *Public Sector Combinations*—provides requirements and guidance on classification of combinations of public sector operations.
- *The Applicability of IPSAS*—revises the approach to how the IPSASB communicates for which entities it develops IPSAS by setting

out principles and acknowledges the role of regulators in determining financial reporting requirements in their jurisdictions.

- Recommended Practice Guideline 3, *Reporting Service Performance Information*—provides principled guidance for reporting service performance information by public sector entities.

Our current Work Plan aims to strike a balance between using the Conceptual Framework to address key public sector specific financial reporting issues, and in maintaining convergence, where appropriate, with the major new standards that the International Accounting Standards Board (IASB) has issued recently. By the end of 2018 we will have completed a number of our current projects, with the others being gradually completed in the period up to the second half of 2020 as shown below:

Project	Planned position by end 2018	Expected Completion After 2018
Social Benefits	IPSAS	—
Non-Exchange Expenses	Exposure Draft (ED)	2020 H1
Exchange Revenue (IFRS 15 based)	ED	2020 H1
Non-Exchange Revenue (IPSAS 23 based)	ED	2020 H1
Leases	IPSAS	—
Financial Instruments (IPSAS 29 Update, IFRS 9 based)	IPSAS	—
Public Sector Specific Financial Instruments	ED	2020 H1
Public Sector Measurement	Consultation Paper (CP)	2020 H1
Heritage	ED	2020 H1
Infrastructure Assets	CP	2020 H2
Cash Basis IPSAS	IPSAS	—

The progressive completion of the projects in the current Work Plan will provide the space from 2019 onwards to tackle new projects. This consultation sets out the Board's proposals to

address the current strategic considerations discussed in the next section, both in terms of the Board's overall Strategy, and the design and content of its future Work Plan. ■

# Strategic Considerations— IPSAS and Public Financial Management

- Public financial management, in its broadest sense, is the system by which financial resources are planned, directed, and controlled, both externally to and internally within the public sector entity, to enable and influence the efficient and effective delivery of public service outcomes.

Citizens are affected by the financial management decisions of governments and other public sector entities. In many jurisdictions, the lack of complete and audited information about government finances continues to be a major cause of concern, which impacts government accountability and informed decision making. Moreover, concerns about the sustainability of key government programs are widespread. The longer-term impacts of the sovereign debt crisis and other challenges faced by governments (particularly around demographics and ageing populations), emphasize the ongoing urgent need to strengthen the quality of financial management in governments around the world.

Standards lead to improved quality of financial reporting, which has the potential to improve decision making in the public sector. The enhanced focus on public sector financial management has increased demand for high-quality standards and guidance on how to adopt and implement such standards. Adoption of

IPSAS is a fundamental step governments can take to improve financial reporting and public management because IPSAS-based information provides a comprehensive picture of their financial performance and position.

Therefore, the IPSASB is committed to developing independent high-quality public sector accounting standards for the public sector to support high-quality financial reporting. In doing this, the IPSASB's standard setting program supports increased confidence from citizens and financial markets in public institutions, which is key to economic and social stability. The application of IPSAS also facilitates governments and other public sector entities being more accountable to their citizens, and so enhances global fiscal stability and sustainability.

These strategic considerations raise a number of challenges for the Board to address during the period 2019–2023:

- Key gaps remain in our public sector-specific standards and literature;

- Some of our standards are not based on the latest version of the IFRS equivalent;
  - The accessibility of financial statements for non-specialist users, and civil society in general, needs improvement (an issue also common with financial reporting in the private sector);
  - The vision for, and guidance on using accrual information to strengthen PFM that needs further development, as does the evidence base for such reforms; and
  - Capacity constraints vary across jurisdictions, which impacts the ability of some to undertake transition projects and therefore limits the pace of adoption. Promotion of, and support for, accrual adoption and implementation in individual jurisdictions needs to be enhanced.
  - The Board also needs to consider how it can help constituents through its standard setting work going forward.
- These challenges have all shaped our proposed Strategy and Work Plan 2019–2023. ■







# The IPSASB's Proposed Strategic Objective and Strategic Themes 2019–2023

- The overarching Strategic Objective that the Board proposes to adopt for 2019–2023 is a slight refinement of the one currently in use, as the Board proposes that it is supported by five Strategic Themes.



# Proposed Strategic Objective 2019–2023

Strengthening Public Financial Management (PFM) globally through increasing adoption of accrual-based IPSASs.

This Strategic Objective will be delivered through two main areas of activity:

- Developing high-quality financial reporting standards and other guidance publications for the public sector; and
- Raising awareness of IPSAS and the benefits of their adoption.

## Specific Matter for Comment 1

Do you agree with the IPSASB's proposed Strategic Objective 2019–2023? If not please explain why not and how should it be revised?

- In order to focus its work across these two broad areas of activity, the Board proposes to base its Work Plan on five Strategic Themes. Themes 1 through 3 address the development and maintenance of standards and other forms of guidance. Strategic Themes 4 and 5 focus on raising IPSAS awareness and promoting their adoption as well as providing greater clarity over how the IPSASB plans to influence the work of others in their adoption and use to help strengthen PFM.

# Developing High-Quality Financial Reporting Standards and Other Guidance for the Public Sector

## *Theme 1:* Setting standards on public sector specific issues

As the global public sector accounting standard setter acting in the public interest the Board proposes that the majority of its efforts should continue to be focused on this Theme in order to address key public sector specific reporting issues not currently addressed by IPSAS. The Conceptual Framework will be used to address these challenging public sector reporting issues. The Board believes this is the main area where it can add value, as the issues being considered under this theme relate to transactions which have not been addressed by other standards setters and are of important to users of financial statements in the public sector.

## *Theme 2:* Maintaining IFRS convergence

IFRS convergence has been a key pillar of our standards since the inception of the standards program in 1997. In many instances, government activities are the same as corporate activities and there are advantages for citizens and constituents in reporting such activities using a common global financial reporting approaches where this is appropriate. The Board's convergence policy allows the IPSASB as a volunteer board with a small staff team to develop standards efficiently that address the needs of public sector users by drawing on IASB literature to the extent appropriate.

## *Theme 3:* Developing guidance to meet users' broader financial reporting needs

The IPSASB recognizes that the characteristics of the public sector mean that user needs may not always be satisfied by the financial statements alone. Therefore, the IPSASB has developed guidance on broader financial reporting (Recommended Practice Guidelines 1–3), when specific public interest needs have been identified. The IPSASB will continue to monitor user needs and emerging issues in this broader financial reporting space.

## Raising awareness of IPSAS and the benefits of their adoption

### *Theme 4:* Influencing initiatives on the benefits of accrual in strengthening Public Financial Management

The IPSASB's view is that the use of accrual information provides the foundation of strong public financial management. In furthering its Strategic Objective, it is therefore important that the Board plays its part in developing the understanding of the PFM benefits of IPSAS adoption in improving transparency, accountability and decision making. A recent outreach event jointly hosted in Washington by the IMF, World Bank and the IPSASB, highlighted the need for experts in key public sector areas, such as accounting, statistics, economics, public financial management specialists and auditors to coordinate and support reform programs. It is important that the Board continue initiatives in this area, by specifically collaborating with international and regional organizations as well as academics to help ensure that the role of adoption of IPSAS in improving PFM is more widely understood.

### *Theme 5:* Promoting IPSASs adoption and implementation

The IPSASB has a very active approach to outreach enabling us to engage in a dialogue with constituents on the adoption and implementation of IPSAS. Promoting and encouraging the adoption and implementation of IPSAS is in the public interest as it can lead to improvements in public sector financial reporting globally, which benefits users by providing greater transparency of public sector entities and provides information to inform better decision making.

### Specific Matter for Comment 2

Do you agree with the IPSASB's five proposed Strategic Themes for the 2019–2023 period? If not please explain why not and how should they be revised?

- The next section discusses the Board's proposed Work Plan 2019–2023 in support of each of these Strategic Themes.

# Proposed Work Plan for the Period 2019-2023

## Developing high-quality financial reporting standards and other guidance and publications for the public sector

Themes 1, 2 and 3 relate to the Board's central role as a standard setter and are therefore where it has prioritized specific projects that it proposes to add to the Work Plan 2019–2023. In selecting the projects under each of the three Strategic Themes, the Board has evaluated a long list of potential projects against the following criteria.

1. **Pervasiveness.** Whether the issue is one that impacts widely on entities in the public sector in a material manner.
2. **Urgency.** Whether the issue impacts the faithful representation and relevance of the reporting of financial position and financial performance.
3. **Consequences.** Whether the absence of guidance may result in users making suboptimal decisions.
4. **Feasibility.** Whether the issue presents complexities that require significant resources for extended periods, thereby potentially impacting adversely on other important projects. Further, whether a technically sound solution can be developed in a reasonable time period.

The above factors are considered together with the resources available to the IPSASB to develop standards and an assessment of which projects provide the greatest public interest benefits. These are the overriding criteria. However, a further consideration is a need to have a balanced Work Plan with a mix of larger complex projects and less complex projects of more limited scope. ■

### Specific Matter for Comment 3

Do you agree with the IPSASB's factors in deciding the proposed issues to add to its Work Plan 2019–2023? If not please explain why not and what you would propose instead and why?

## Theme 1: Setting standards on public sector specific issues

- The IPSASB focus recently has been in developing public sector specific standards as this is the area of main concern of users.

Our current Work Plan has a number of active projects addressing public sector specific issues, as follows:

- **Social Benefits**—make up a significant proportion a government's expenses as they relate to key social programs, for example those programs such as old age pensions and unemployment benefits. The lack of international guidance on accounting for social benefits creates a public interest deficit. Information about social benefits will inform the assessment of the sustainability of government services;
- **Non-exchange expenses**—because of the nature of the public sector, transactions that give rise to non-exchanges expenses are numerous and financially significant and relate to some of the most important areas of government activity, such as universally accessible services including education and health care and collective services such as defense spending. Lack of international guidance on the recognition and measurement for non-exchange expenses creates a public interest deficit as it leads to inconsistent reporting.
- **Revenue**—The current IPSAS exchange revenue standards and construction contracts are converged with IASB standards that are in the process of being withdrawn. The publication of IFRS 15, *Revenue for Contracts with Customers*, means that the IPSASB has an opportunity to update its standards. In addition, the approach in IFRS 15 has provided the IPSASB with an impetus to consider its approach to non-exchange revenue transactions and to address practical issues in the application of IPSAS 23;
- **Public Sector Measurement**—translating the guidance from the Conceptual Framework on measurement across the suite of IPSAS helps to ensure comparability and the assessment of value for money in the management of public sector assets and liabilities;

- **Heritage**—providing information on heritage items is in the public interest as it promotes their effective management and preservation for future generations; and
- **Infrastructure Assets**—Citizens rely on such assets which are extensive in the public sector. The lack of specific guidance on the recognition and measurement of these assets, causes practical difficulties for preparers (particularly those in the process of adopting IPSAS).

### *Summary and analysis against criteria*

During the 2019–2023 period the following public sector specific issues were identified through our global outreach activities (such as the Public Sector Standard Setters Forums held in 2016 and 2017) as providing the greatest public interest benefits to users. They have been assessed against the criteria developed to evaluate projects: Natural Resources, Discount Rates and Differential Reporting.

**Natural Resources.** The issue of accounting for natural resources in the public sector is prevalent in many jurisdictions. Governments often have little idea of the value of natural resources until they are extracted. The rights to extract such resources are often granted to third parties who profit from their extraction. From a public interest perspective, this is an important issue, particularly in jurisdictions with resource-based economies because the recognition and measurement of

these assets impacts their management and the benefits derived by constituents from their extraction. Lack of appropriate management of natural resources is a significant issue in some jurisdictions, that international accounting standards may help alleviate.

**Discount Rates.** Since the global financial crisis, the topic of discount rates used in the measurement of long-lived assets and liabilities has been noted as a public interest concern for constituents because of the low and negative interest rate environments around the world. The issue relates to the existing requirements for discounting across the suite of IPSAS and will consider the rationale for, and consistency of those existing requirements. Although guidance is in place currently for discount rates, some constituents argue that the low/negative interest rate environment may result in estimates which do not appropriately recognize the time value of money in the public sector which might promote suboptimal decision making negatively impacting public interest.

**Differential Reporting.** Some constituents advocate the development of a less complex set of requirements for small and medium sized public sector entities, with generally simple transactions, for which full IPSAS requirements are too onerous. From a public interest perspective, consideration of the issue of differential reporting, is one that may help with alleviating capacity issues of governments adopting and implementing IPSASs. The lack of differential reporting options may be increasing



the cost of adopting IPSAS and therefore creating a barrier to adoption. However, the IPSASB does acknowledge that the nature of the public sector does create challenges for this project, because even small and medium sized entities need to be accountable to constituents for their use of public funds. Further, decisions on which entities should apply IPSAS is ultimately a decision for regulators.

The IPSASB proposes that the above projects be added to the Work Plan 2019–2023, as the projects in the current work plan are completed. The Board will undertake initial research phases for each project, to ensure it understands the scope of public sector issues and the resource requirements, as well as what the intended

output is in terms of standards and/or guidance. To ensure that the Board operates in the best interests of its constituents it is important that it undertakes this initial research phase before initiating full projects.

The IPSASB also proposes to undertake a limited-scope review of the Conceptual Framework. This will comprise a review of developments since September 2014 in the IASB's recently concluded project to revise its Conceptual Framework. The Board also proposes to evaluate the need for changes to its literature in light of the Framework chapters on Elements and Recognition in Financial Statements. ■

## Theme 2: Maintaining IFRS convergence

The IPSASB proposes to continue to work to maintain convergence with IFRS as it believes this is in the public interest for the following reasons:

- **Common language.** Global public sector standards should have consistent principles and accounting outcomes when the economics of transactions are the same.
- **Leverage Resources.** When the transactions are the same in the public and private sector, it makes sense for the IPSASB to build off the best practices in the private sector reporting and develop a converged standard.
- **Mixed Group Consolidations.** Different requirements are costly to those applying IPSAS when there is no public sector specific reason to develop different accounting treatments. Therefore, reducing unnecessary differences minimizes the cost of developing consolidated financial statements.

Therefore, the Board's recent efforts have focused on maintaining convergence with IFRS. A recent example is the publication of IPSAS 39, *Employee Benefits*, which replaced an older version of the standard. The Board has also completed a number of minor improvements projects.

Current active projects to maintain convergence resulting from IASB developments are:

- Revenue
- Financial Instruments; and
- Leases.

Despite these projects, a number of IPSAS remain based on older versions of IFRS. The next few years present a 'catch up' opportunity as a result of the IASB 2017–2021 Work Plan, where the focus is to complete the current standard setting projects, while not undertaking any new major projects. The Board has identified a number of possible projects, categorized as major projects, narrow scope projects and minor improvements.

In managing its Work Plan, the IPSASB will look to pick up narrow scope convergence projects based on the availability of agenda time and staff resources<sup>2</sup>, and in considering the overall mix of complex projects dealing with public

sector issues. The IPSASB will consider the potential public interest benefits of undertaking a particular project, against the project evaluation criteria proposed above, and in terms of the overall balance of the Work Plan.

By considering the above factors, one particular project which was identified through outreach, is being proposed for inclusion in the Work Plan 2019–2023:

### *IPSAS 18, Segment Reporting*

Concerns have been raised about the usefulness of the reporting requirements in IPSAS 18 and whether these should be amended. There are two aspects to this potential project. Firstly, IPSAS 18 is based on IAS 14 and this has been superseded by IFRS 8. This project would include an assessment of IFRS 8 to determine whether there are public sector specific issues that warrant a departure. The IPSASB notes that this project has been raised with many constituents noting concerns with the quality and usefulness of IPSAS 18. These constituents urge the IPSASB to consider convergence with IFRS 8 and its applicability to public sector entities.

Additional detailed information related to each of the potential major projects is included in Appendix A. ■

2. The IPSASB may leverage staff resources of National Standard Setters when available to work on such IFRS narrow scope convergence projects.



## Theme 3: Developing guidance to meet users' broader financial reporting needs

The IPSASB has developed guidance addressing broader financial reporting when it formed a view that users' needs could not be satisfied with reporting through financial statements. Examples of such guidance the Board has recently developed are:

- RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*;
- RPG 2, *Financial Statement Discussion and Analysis*; and
- RPG 3, *Reporting Service Performance Information*.

The IPSASB proposes that its main efforts during the first part of the 2019–2023 period, be primarily focused on addressing public sector specific issues and to a lesser extent on maintaining convergence with IFRS. It is not proposing to add any specific projects to the Work Plan during 2019–2023 period related to Theme 3. However, it may consider work in this space in the latter part of the 2019–2023 period in the light of developments in the interim, the relative priority against other potential projects under Strategic Themes 1 and 2, and available resources.

In the interim, it will actively monitor developments in the broader narrative reporting area. Specifically, it proposes to consider the progress of the work related to Integrated Reporting <IR>, the Corporate Reporting Dialogue and the IASB's project on *Better Communication in Financial Reporting*, and become involved to the extent that this seems appropriate and necessary. ■

### Specific Matter for Comment 4

Do you agree with the projects that the IPSASB proposes to prioritize for addition to the Work Plan 2019–2023 on each theme? If not please explain why not, what you would propose instead and why?

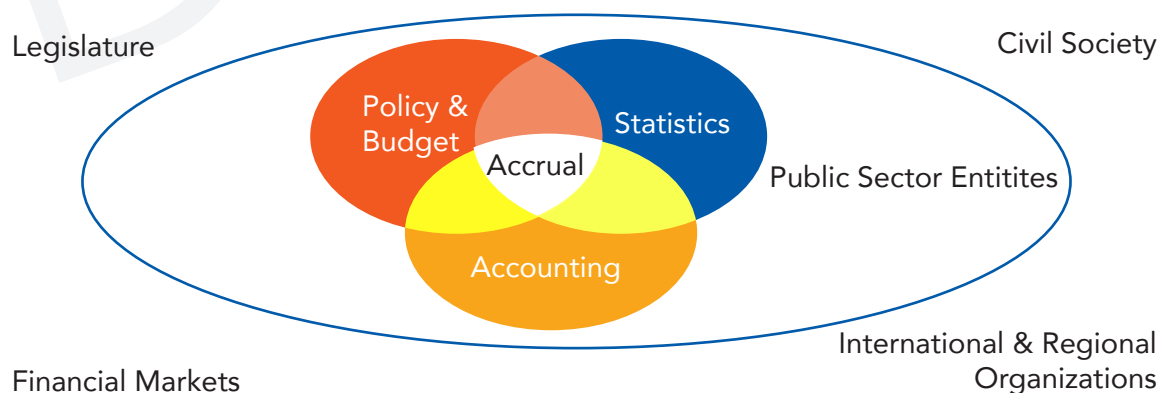
## Raising awareness of IPSAS and the benefits of their adoption

- The Board sees work in this area as a critical contribution to PFM reform. However, given the impact on broader policy issues, and its own resource limitations, the IPSASB's view is that building relationships with those working in this space and engagement in their work is critical to promoting the use of IPSAS in PFM reform projects. The IPSASB will actively monitor the work of others related to PFM projects and look for opportunities to become involved both on the international as well as regional and local projects through its Members, Technical Advisors and Staff.

### Theme 4: Influencing initiatives on the benefits of accrual in strengthening Public Financial Management

In order to maximize the benefits of moving to IPSAS, the IPSASB believes that accrual-based information should be used for as many purposes as possible. The diagram below illustrates the various potential users of, and variety of uses for accrual information in PFM.

#### Uses/Users of accrual in Public Financial Management





Other international and regional organizations provide guidance and thought leadership, or otherwise influence the use of accrual information in these broader areas of PFM. The IPSASB believes it is important to build relationships with these organizations, so that its accrual accounting expertise is drawn upon by them, and in turn their knowledge and expertise can influence its own work. In many cases, IPSASB already has relationships with these organizations through its oversight and advisory structures as well as through their Observer roles on the Board.

Recently the IPSASB has worked to establish more formal outreach opportunities and has actively participated in forums in this area, such as:

- Engagement with the Government Finance Statistics (GFS) Community through participation in the IMF GFS advisory committee;

- Participation in the joint IMF/World Bank/IPSASB Seminar on March 6, 2017: *Transparency and Beyond: Harnessing the Power of Accrual in Managing Public Finances*; and
- World Bank Governance Forum – May 2017.

The Board believes that its work in this area should be taken forward through:

- Participating in international and regional organization-sponsored PFM-related events;
- Participation in training and other 'internal' events for these organizations staff in order to raise awareness and disseminate knowledge of IPSAS; and
- Commenting on guidance and thought leadership papers during their development; and Participation in relevant working groups. ■

## Theme 5: Promoting IPSASs adoption and implementation

As shown in the diagram, and discussed under Theme 4, the PFM landscape at both the international and regional levels is complex, with many different organizations involved. The same is true within individual jurisdictions, where the IPSASB's role, in addition to its role as a standard setter, is limited to promotion as the table below shows.

Type of support	Entity Staff	Consultants / Contractors	International and regional organizations	IPSASB
Guidance	✓		✓	✓
Promotion	✓	✓	✓	✓
Financial	✓		✓	
Practical / Technical	✓	✓	✓	
Capacity Development	✓	✓	✓	

In order to support Theme 5, the IPSASB has issued *Study 14: Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities*. Study 14 is a practical tool to help with common challenges encountered in the transition to accrual accounting and draws upon the experiences of jurisdictions that have been through the transition already. This needs to be updated in order to reflect changes in the IPSAS suite since the current version was issued in 2010, as well to include further best practice examples from recent experience of those transitioning to accrual-based IPSAS.

As discussed earlier, given the recent global momentum in the adoption of IPSAS and indications that this momentum will continue in the 2019–2023 period. It is therefore important that the IPSASB Chair, Board Members, Technical Advisors and Staff continue their broad program of outreach and engagement. This includes speaking at conferences and attending key local

meetings, in support of work of local adopters and implementers, including:

- Those contemplating adoption and implementation;
- Those already in the process of adopting and implementing; and
- Those who have adopted and implemented.

Direct engagement is key because the needs of constituents differ depending on their progress on adoption.

The IPSASB's outreach activities in promoting adoption and implementation, also present an opportunity to learn about issues that are important to users. This important feedback mechanism can identify public sector specific issues and areas for further IFRS convergence or other broader financial reporting needs that should be addressed in the future. ■

# Managing Delivery of Strategy and Work Plan 2019–2023

The proposed Strategy and Work Plan 2019–2023 is ambitious, and draws on the full capacity of the IPSASB to deliver high-quality standards in a timely manner. The IPSASB's current capacity includes:

- Seventeen volunteer members and a remunerated independent Chair who collectively commit approximately 13,000 hours of time annually.<sup>3</sup>
- An experienced full-time technical and administrative team of eight staff, with the IPSASB's administrative structures and processes facilitated by IFAC.
- An annual operating budget<sup>4</sup> that supports staffing, meeting, travel and other direct costs necessary for the IPSASB to be able to execute its Strategy and carry out its Work Plan.

Managing delivery of the IPSASB's Strategy and Work Plan within resources, and with due consideration of the external context in which it operates is a priority of the Board leadership. Key focus areas include:

- The strength of the IPSASB's reputation and global acceptance of the IPSASs—Managed through:
  - A close and active governance dialogue with the Public Interest Committee and the IPSASB Consultative Advisory Group. Including a focused, responsiveness to their advice, observations, and recommendations and a steadfast commitment to developing high-quality standards in the public interest;
  - Fully transparent standard-setting activities, adherence to due process including broad public consultation on all proposed standards, and a focus on responsiveness to public feedback;
  - Ongoing commitment to ensuring both the quality and timeliness of delivery of new standards. This includes developing high-quality principle-based standards that are usable and provide user with information that is relevant and faithfully representative; and

3. In addition, most Board members are aided by technical advisors.

4. The IPSASB receives support from the Asian Development Bank, the Chartered Professional Accountants of Canada, the New Zealand External Reporting Board, and the governments of Canada and New Zealand. The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants (IFAC).



- A robust and broad-based stakeholder outreach program, to understand stakeholder interests and needs.
- **Capacity at the leadership, volunteer and staff levels**—Managed through:
  - Appointment of a part-time (0.75 FTE) remunerated Chair (since 2016);
  - Optimizing Board plenary time, balancing debates on both strategic and technical considerations, and continuous improvement of effective and issues-focused material;
  - Use of task based groups or task forces to aid in standards development work;
  - Appointment through the independent nominations process a diverse mix of Board members, with the requisite skills, resources and capacity to contribute to the projects on the Work Plan;
  - Attracting, developing and retaining diverse, knowledgeable and highly qualified staff; and
  - Collaborating with national and other international standards setting boards and leveraging their work and resources, including staff support when possible.
- **Operational effectiveness and stability**—Managed through:
  - Organizing and conducting IPSASB meetings and other activities in the most effective, efficient and timely way;
  - Using Board, Staff and other resources in a focused and effective manner; and

- Maintaining relationships with existing funders, and ongoing consideration of additional approaches to increase and broaden funding base.

- **Robust outreach and communication with constituents**—Managed through:
  - Development and release of supporting communication material, such as ‘At a Glance’ and Q&A documents, webinars and podcasts, for example when a new standard addresses complex issues;
  - An extensive Chair, member and staff outreach program;
  - Platforms such as the Public Sector Standard Setters Forum to discuss national issues of international relevance; and
  - Use of technology for webinars and live streaming of meetings when possible.

The IPSASB recognizes that in some jurisdictions the public sector accounting expertise needed to implement IPSAS is limited. Further, ensuring that those using the standards understand the information being communicated is an ongoing challenge. The IPSASB responds to these challenges through its outreach activities which aim to influence others working in the wider public financial management space to ensure activities are coordinated and the needs of jurisdictions are considered.

The IPSASB will continue to monitor external developments and evaluate how changes may impact its approach to delivery of its Strategic Objective. This includes monitoring the growth of demands on the Board as the adoption and implementation of IPSASs increases. ■

# Request for Comments

- This Consultation, *IPSASB Strategy and Work Plan 2019–2023*, was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by June 30, 2018.**

Respondents are asked to submit their comments electronically through the IPSASB website, using the “[Submit a Comment](#)” link. Please submit comments in both a PDF **and** Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: [www.ipsasb.org](http://www.ipsasb.org). The approved text is published in the English language.

## Specific Matters for Comments

### Specific Matter for Comment 1

Do you agree with the IPSASB’s proposed Strategic Objective 2019–2023? If not please explain why not and how should it be revised?

### Specific Matter for Comment 2

Do you agree with the IPSASB’s five proposed Strategic Themes for the 2019–2023 period? If not please explain why not and how should they be revised?

### Specific Matter for Comment 3

Do you agree with the IPSASB’s factors in deciding the proposed issues to add to its Work Plan 2019–2023? If not please explain why not and what you would propose instead and why?

### Specific Matter for Comment 4

Do you agree with the projects that the IPSASB proposes to prioritize for addition to the Work Plan 2019–2023 on each theme? If not please explain why not, what you would propose instead and why?

## Strategy and Work Plan Consultation Timeline

Month/Year	Activity
January 2018	Issue Consultation Paper
January 2018-June 2018	Roundtables and IPSASB member outreach
September 2018	Review responses
December 2018	Approve final Strategy and Work Plan 2019–2023
January 2019	Publish Strategy and Work Plan 2019–2023
2019-2023	Implement Strategy and Work Plan 2019–2023

# Appendix A: Project Topics Considered but not Proposed for the IPSASB Work Plan 2019–2023

## Theme 1: Setting standards on public sector specific issues

### *Intangible Assets— Public Sector Specific*

Responses to the Consultation Paper, *IPSASs and Government Finance Statistics (GFS) Reporting Guidelines*, highlighted the view that differences remain between IPSASs and GFS with respect to the treatment of costs related to research and development (R&D). IPSAS 31, *Intangible Assets*, is based on IAS 38, *Intangible Assets*, and some constituents question if research has different objectives in the public sector giving rise to a need for a different accounting treatment—meaning that capitalization prior to development may be justifiable. Some also note that this project is related to project noted below on *Sovereign Powers and their Impact on Financial Reporting*.

### *Military Assets*

IPSAS 17, *Property, Plant, and Equipment*, applies to specialist military equipment. These items or transactions usually involve large amounts

for governments. The IPSASs and Government Finance Statistics (GFS) project identified that guidance for defense weapons on requirements with respect to capitalization, classification and measurement (for example, expense versus capitalize) would be helpful. This would enhance consistency of IPSAS application by governments and other public sector entities, as well as with GFS. Specialized military equipment is currently included in the scope of IPSAS 17. One of the key aspects of the project is when to apply IPSAS 17 and when to apply IPSAS 12, *Inventories*. Another issue highlighted by constituents is the sensitivity of disclosing information on military assets.

### *Sovereign Powers and their Impact on Financial Reporting*

This potential project was identified during development 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, concessions and licenses or to impose taxation. Some



constituents have raised the question of whether a government's sovereign powers are intangible assets that should be measured and reported in the financial statements.

### *Accounting for Tax Expenditures*

IPSAS 23, *Revenue from Non-exchange Transactions* (Taxes and Transfers) sets out different requirements for tax expenses (benefits paid to through the tax system, for example paying a tax payers health insurance) and tax expenditures (use of the tax system to encourage or discourage behaviors, for example allowing homeowners to deduct mortgage interest from gross income to reduce taxable income). IPSAS 23 requires tax expenses to be presented gross in the financial statements, while permitting tax expenditures to be presented net. The treatment of tax expenditures raises a public interest concern because of the lack of accountability of governments in providing benefits in a manner which is not transparent.

### *Asset Retirement Obligations*

This project would consider the need for amendments to guidance related to legal and non-legally binding obligations for decommission of tangible capital assets. This project would consider revisions to IPSAS 17, *Property, Plant,*

*and Equipment* and IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* and would informed by the Conceptual Framework.

### *IPSAS 22, Disclosure of Financial Information about the General Government Sector*

IPSAS 22 was issued in December 2006. Since then there have been significant developments, including revisions to the GFS related pronouncements referred to in IPSAS 22. The Consultation Paper, *IPSASs and Government Finance Statistics (GFS) Reporting Guidelines*, outlined options for the future of IPSAS 22 given the lack of uptake of the IPSAS (only one country is known to be applying IPSAS 22) and the fact that it is not generally being used as intended. Respondents' views on the future of IPSAS 22 were divided between the three options in the CP—withdraw, replace and revise—with relatively little support for revision. When IPSAS 22 was developed, it was noted that the benefits of applying IPSAS 22 might not exceed the costs for those governments that do not regularly report this information and it was on that basis that IPSAS 22 was not made mandatory. ■

## Theme 2: Maintaining IFRS convergence

### *IPSAS 1, Presentation of Financial Statements*

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. 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. Recent changes to IAS 1 have resulted from the IASB's ongoing Disclosure Initiative project. The IPSASB's Conceptual Framework completed in 2014, Chapter 8 Presentation in General Purpose Financial Reports could also influence a future project to update IPSAS 1.

### *IPSAS 20, Related Party Transactions*

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.

### *IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations*

The IPSASB noted during the project to develop IPSAS 40, *Public Sector Combinations*, that there may be a need to evaluate to the appropriateness of IFRS 5 to the public sector and if the IPSASB should undertake a convergence project.

### *IFRS 6, Exploration for and Evaluation of Mineral Resources*

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 IPSASB has proposed natural resources be on the Work Plan 2019-2023. It is unlikely that the IPSASB's natural resources project would take an IFRS 6 approach, however, the principles and concepts may be considered in the research phase to inform the IPSASB's work on this challenging topic.

### *IFRS 13, Fair Value Measurement*

The IPSASB has an ongoing public sector measurement project that is likely to consider the appropriateness of the principles and concepts from IFRS 13 to the public sector as part of that work. It is unlikely that the IPSASB would undertake a standalone convergence project on IFRS 13. [IFRS 13 convergence may be integrated into the ongoing measurement project dependent on discussion at the September 2017 IPSASB meeting].

### *IFRS 14, Regulatory Deferral Accounts*

Rate regulation is the setting of prices that can be charged to customers for services or products through regulations. Generally, it is imposed by regulatory bodies or governments when an entity

has a monopoly or dominant market position that gives it significant market power. In the public sector some controlled entities are subject to regulation, for example government owned telecommunications entities.

IFRS 14 is an interim standard while the IASB continues to consider accounting for regulatory deferral assets and liabilities. That project is ongoing and it is unlikely that the IPSASB would undertake any project until the work of the IASB is finalized, as the target constituents of that standard would be likely to overlap with the IPSASB's constituency in this space in most jurisdictions. If the IPSASB did undertake work related to this issues, it is likely that its work would focus on addressing the accounting impact of the governments and regulatory bodies that administer rate regulated industries and entities.

### *IFRS 17, Insurance Contracts*

IFRS 17 provides principle-based guidance to account for all types of insurance contracts. This is a topic with potential applicability in the public sector, although to date there has not been a

strong call or public interest need noted for an equivalent public sector standard. The IPSASB has agreed to include an optional insurance accounting approach in its Social Benefits ED for those schemes which are fully funded and have the characteristics and are managed like insurance programs. This optional proposal for social benefits refers to an appropriate national or international insurance standard which is meant IFRS 17 or a standard based on IFRS 17.

### *IAS 34, Interim Financial Reporting*

A project on interim financial reporting would provide guidance on what should be included in interim reports. This project is likely to be most applicable for jurisdictions that have already adopted accrual-based IPSASs and so might result in the development of a Recommended Practice Guideline. The IASB provides non-mandatory guidance in IAS 34, Interim Financial Reporting, and this might serve as the starting point. Issues that might need to be considered included whether full remeasurement of assets and liabilities is required at each interim reporting date. ■



## Theme 3: Developing guidance to meet users' broader financial reporting needs

### *Revising RPG 1, Reporting on the Long-Term Sustainability of an Entity's Finances*

Since RPG 1 has been approved the IPSASB has considered if such a report should be made mandatory. The ongoing Social Benefits project has highlighted the need for broader sustainability reporting, to complement information in the financial statements. Deteriorating public finances, ageing demographics and low growth rates in many countries means that the public interest benefits of this project are becoming more apparent.

### *IASB Initiative—Better Communication in Financial Reporting.*

Borne out of the IASB's previous work related to its disclosure initiative, work in this area is based on the IASB's desire to make the communication of financial information more effective. The IASB's work related to this initiative relates to:

- Primary Financial Statements;
- Principles of Disclosure;
- Definition of Material;
- Materiality Practice Statement; and
- IFRS Taxonomy.

The IPSASB recently published a staff document: [The Application of the Concept of Materiality to the Preparation of Financial Statements](#) that

addresses concerns raised by constituents related to the application of materiality in selecting accounting policies and preparing financial statements. The IPSASB will monitor developments related to this IASB initiative to determine if outputs related to it may be applicable to improving financial communication in the public sector.

### *Defining Public Sector Key Performance Indicators*

Constituents argue that the benefits of accrual IPSAS are fully realized when the information is used in decision making. The lack of defined key performance metrics for public sector entities is a limitation. Therefore, a project that looks to define such key performance indicators may help make the use of accrual IPSAS more accessible and comparable with other public sector entities and for use in benchmarking.

### *Reconciling Public Sector Financial Reporting with Fiscal Reporting*

Many argue that the benefits of accrual IPSAS are enhanced when such information is used to support broader fiscal reporting. Further, constituents note that broader financial reports that look to combine IPSAS reporting with broader fiscal reporting can be useful for promoting better understandability of the financial position and performance of public sector entities and to integrate such information into decision-making processes.

## *Public Sector Guidance for Cost Accounting*

Cost accounting represents a good way to show the benefits of accrual accounting. Guidance on cost accounting is important to Public Financial Management, because is needed not only to measure performance (just like profits in the

private sector) but to better evaluate if the public sector entities are providing public services in an efficient manner. Some constituents raise a need for principles and a standardized methodology for cost accounting in order to promote better comparability of such information between entities and jurisdictions, with the aim of making better use of accrual information for management purposes. ■

## Monitoring broader financial reporting initiatives

### *Integrated Reporting <IR>*

In recent years alternative forms of broader financial reporting have emerged. In particular, <IR> is a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation. An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term. Some constituents suggest that that high-quality financial reporting provides the foundation of an <IR> report and

the work of the IPSASB can inform and enhance the developments in this space, therefore it is important for the Board to monitor the work in this area.

### *Corporate Reporting Dialogue*

The Corporate Reporting Dialogue is an initiative designed to respond to market calls for greater coherence, consistency and comparability between corporate reporting frameworks, standards and related requirements. The IPSASB's constituents often raise similar concerns, which is why the IPSASB will continue to monitor developments to consider if any have relevance to public sector financial reporting. ■



International Public  
Sector Accounting  
Standards Board®

529 Fifth Avenue, New York, NY 10017

**T** + 1 (212) 286-9344 **F** + 1 (212) 286 9570

[www.ipsasb.org](http://www.ipsasb.org)

### IPSASB Strategy and Work Plan Consultation–June 2017 Report Back

#### June 2017 CAG Discussions

1. Extracts from the draft minutes of the June 2017 CAG and how the IPSASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
<b>June 2017 CAG Meeting Comments</b>	
The IPSASB Chair started the session with a presentation to CAG members. The presentation highlighted the proposed Strategic Objective and five Strategic Themes being considered by the IPSASB, and the potential approaches to consultation and outreach to support the consultation.	
1. Mr. Müller-Marqués Berger asked if CAG members were willing to review the draft of the IPSASB strategy consultation between meetings and have a short teleconference call in October to provide advice to the IPSASB. The CAG members in attendance noted agreement to review and join the conference call.	
2. Mr. Page stressed that if the IPSASB is looking to increase impact, there are a number of key policy issues of current relevance which the Boards work could be linked to, such government debt and deficits, public sector infrastructure, income and equality and environmental sustainability (eg, carbon taxes).	
3. Ms. Colignon noted that some projects might be resource intensive (even after the project is completed), such as IPSAS Lite/Differential Reporting. If an IPSAS Lite/Differential Reporting model is developed, more work will be needed to ensure that consistency is maintained between full IPSAS and the modified standards when new standards are introduced or amendments are made.	
4. Ms. Cearns noted that all of the streams are important. However, in her view the stream related to but promoting accrual accounting as most vital, and as one which may bring additional resources, such as new CAG members. On the issue of GFS differences, she notes that governments tend to play the different standards off each other and to use figures they like best. A key issue she notes is why ratings agencies are asking for more and better accrual financial reporting?	



# Agenda Item

## 10.3.2

Representatives' and Observers' Comments	IPSASB Response
<p>5. Ms. Sanderson noted that in Australia, information is demanded by rating agencies, and provided for their consideration. As adoption and implementation of IPSASs increases, there might be an increasing need for an interpretations capacity. IPSAS Lite/Differential Reporting is an important project that should be prioritized as it might help in avoiding jurisdiction specific develop special purpose financial reporting.</p>	
<p>6. Mr. Boutin noted that INTOSAI has a group focused on accounting standards, however, that group needs better awareness of current IPSAS and the ongoing development of IPSAS projects. So from his point of view, outreach is very important for strategy. He noted there are no issues with IFRS convergence and that maintaining convergence should remain a priority.</p>	
<p>7. Ms. Kiure-Mssusa supported the theme related to the promotion of the use of accrual information. She noted that parliaments are not interested in accrual information if it is not timely. So she stressed that accrual information needs to be timely to be relevant. She also noted that for those considering a move to accrual accounting, the IPSASB's Study 14 is quite helpful. However, it is outdated and could use an update.</p>	
<p>8. Mr. van Schaik noted that Mr. Carruthers noted his aim was focused on central governments. However, the need may be greater at other levels of governments, specifically local governments. For example, recently we have seen some prominent and large cities experience defaults, such as Detroit. Maybe if they had better financial information they may have been able to better manage their financial situation.</p>	
<p>9. Mr. Carruthers noted there is a lack of data on accrual adoption. He noted that CIPFA is working with the IFAC Accountability. Now. initiative to create an index which can be used to better capture this important information.</p>	

# Agenda Item

## 10.3.2

Representatives' and Observers' Comments	IPSASB Response
<p>10. Mr. Viana noted a need to develop a standard on budgets. He sees a strong need to address the wider issues, such as cost accounting and performance budget accounting, to help make accrual information more useful. Mr. Carruthers, the IPSASB Chair, noted that there is a need to consider the remit of IPSASB and what can be delivered by the Board with the current resources. Maybe the IPSASB could become involved in the projects of others related to these wider topics/activities. However, it is questionable if these are activities the IPSASB should lead on given the current remit and resources.</p>	
<p>11. Mr. Matthews noted support for the five themes. Promoting accruals will be helpful to ensure continued adoption of the standards. Important to note that standard setting is never complete, even if all the current projects are complete and the gaps are filled, there will be a need to revise and update as issues emerge. Non-accountants may not be aware of the fact that standard setting is dynamic and needs to continue to update as issues evolve and emerge. That being said, Mr. Matthews noted that it makes sense to concentrate on standards for the major gaps. Further, he noted that financial statements only tell part of the financial story and should not be seen as the full story, as they are only part of the solution – this is an important message to communicate.</p>	
<p>12. Ms. Kim supports the outreach plan. She noted that many countries recognize accrual accounting provides better information, but the adoption process is long and costly. Support from outside jurisdictions for adoption could be helpful and positive.</p>	
<p>13. Ms. Sanderson notes that IFRS convergence is important for those for profit public sector entities. Given the break in the IASB's workplan over the coming years, continuing to maintain convergence will require minimal resources.</p>	

# Agenda Item

## 10.3.2

Representatives' and Observers' Comments	IPSASB Response
14. Ms. Cearns notes that she agrees that IFRS convergence is an important priority. Further, the IPSASB but can focus more on public sector projects for the next few years, as the IASB enters a quiet period. Ms. Cearns notes that it is important for the IPSASB to consider the outputs of the IASB's ongoing disclosure initiative project. This is a broader communications project which the IPSASB may benefit from so should be prioritized in her view.	
15. Ms. Colignon and Mr. Gisby noted that a focus on the public sector accounting gaps as a key priority.	
16. Mr. Viana noted that a focus on budgetary accounting requirements could be considered as a public sector specific issue to be addressed by the IPSASB.	
17. Mr. Page noted that there does not seem to be a conflict between prioritizing public sector issues on the work plan, while still working to maintain convergence. Further, he noted that both are important and it appears both can be accommodated given the IASB break in their work plan.	
18. Ms. Cearns notes that promoting accrual based information usage as a key priority now and therefore she support emphasizing that theme. However, supporting IPSAS adoption and implementation will become more importantly down the line.	
19. Mr. Kraff strongly supports supporting IPSAS adoption and implementation because of the European Union position and ongoing project to develop accrual accounting standards. He noted that when the European Commission adopted accrual IPSAS for its financial statements, support provided by chair of the IPSASB through a working group was very helpful to the adoption project in dealing with difficult issues.	
20. Ms. Cearns noted that she feels it is important to increase the coverage in the financial press, e.g. Financial Times. This will help with getting a wider discussion and a greater pull for accrual accounting adoption.	
21. Mr. Matthews noted that in his jurisdiction there is not much coverage or focus on public sector accounting at universities. He sees this as an important area to promote accrual accounting in the public sector. Also a communication to parliamentarians – emphasizing the benefits of independently set global standards may be beneficial in his view.	

## Agenda Item 10.3.2

Representatives' and Observers' Comments	IPSASB Response
<p>22. Mr. Carruthers noted that the IPSASB staff has engaged with a couple of universities in Canada and the US in relation to their academic programs related to public sector accounting. Further, there is engagement with academic groups in relation to public sector accounting. Mr. Stanford, Technical Director of the IPSASB noted that at the staff level there has been limited interactions with academics, such as discussions and interactions with Rutgers and Ryerson University about initiatives they are looking into related to public sector accounting and their accounting programs.</p>	
<p>23. Mr. Gunn, Managing Director, Professional Standards noted that the International Accounting Education Standards Board has identified accounting education in public sector as a priority for them to consider in 2018. This may present an opportunity for the IPSASB to leverage that outreach with that board and their work in this space.</p>	
<p>24. Mr. van Schaik noted that in the academic world there is limited coverage on public sector accounting in undergraduate accounting programs. However, there are post-graduate programs with greater focus and emphasis on public sector accounting. Mr. Müller-Marqués Berger noted that there is a European Union funded project which provides support and funding to five Universities to support public sector accounting programs and research.</p>	
<p>25. Mr. Page noted that important global issues such as income inequality and the environment are key to helping the IPSASB get its message out. If the IPSASB can show how standards can impact these important issues, then there will be interest from the media, as well as constituents.</p>	
<p>26. Mr. Müller-Marqués Berger asked CAG members if there were any specific projects noted beyond those already discussed which the IPSASB should consider? No further projects were identified by CAG members.</p>	

### Matters for CAG Consideration

2. Representatives and Observers are asked to note the Report Back above.