

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

**Meeting Location:** Virtual Meeting

**Meeting Date:** March 16–19, and 23, 2021

## Agenda Item 7

For:

- ☐ Approval  
☒ Discussion  
☐ Information

### MID-PERIOD WORK PLAN CONSULTATION

<b>Project summary</b>	The project objective is to perform a limited-scope public review during 2021 on projects to add to the Work Program.	
<b>Board sponsor</b>	<ul style="list-style-type: none"> <li>Ian Carruthers, IPSASB Chair</li> </ul>	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">IPSASB Mid-Period Work Plan Consultation: Project Roadmap</a>	<a href="#">7.1.1</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">7.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">7.1.3</a>
<b>Decisions required at this meeting</b>	<a href="#">Context of the Mid-Period Work Program Consultation</a>	<a href="#">7.2.1</a>
	<a href="#">Research Papers and Academic Engagement Initiatives</a>	<a href="#">7.2.2</a>
	<a href="#">Framing the Mid-Period Consultation</a>	<a href="#">7.2.3</a>
	<a href="#">Potential Projects for the Mid-Period Consultation (Breakout Sessions Topic)</a>	<a href="#">7.2.4</a>
<b>Other supporting items</b>	<a href="#">Supporting Documents 1 - Outline of Mid-Period Work Program Consultation</a>	<a href="#">7.3.1</a>

**IPSASB MID-PERIOD WORK PLAN CONSULTATION:  
PROJECT ROADMAP**

<b>Meeting</b>	<b>Completed Actions or Discussions / Planned Actions or Discussions:</b>
December 2020	1. Overview of Mid-Period Consultation
March 2021	1. Discuss project plan 2. Discuss potential technical projects
June 2021	1. Approve Mid-Period Consultation
September 2021	1. Out for Consultation
December 2021	1. Initial Review of Responses
March 2022	1. Update the Work Program

**INSTRUCTIONS UP TO PREVIOUS MEETING**

Meeting	Instruction	Actioned
December 2020	1. Bring back a detailed project plan for the consultation for March 2021	1. See <a href="#">Agenda Item 7.2.1</a> – <a href="#">Agenda Item 7.2.3.</a>

**DECISIONS UP TO PREVIOUS MEETING**

Meeting	Decision	BC Reference
December 2020	1. Bring back a detailed project plan for the consultation for March 2021	1. Not Applicable

## **Context of the Mid-Period Work Program Consultation**

### **Purpose**

1. To provide the context for the Mid-Period Work Program Consultation (Mid-Period Consultation) as set out in the [Strategy and Work Plan 2019-2023](#) (SWP).

### **Background**

2. Released in February 2019, the overarching objective of the SWP is strengthening Public Financial Management globally through increasing adoption of accrual-based IPSAS.
3. This objective is delivered through two main areas of activity, both of which have a public interest focus:
  - (a) Developing and maintaining IPSAS and other high-quality financial reporting guidance for the public sector; and
  - (b) Raising awareness of IPSAS and the benefits of accrual adoption.
4. The IPSASB was conscious that Board and staff resources would increase as projects were completed and there would be a need to consult on new projects to add to the work program. The IPSASB therefore committed to carry out a limited-scope public consultation during 2021.
5. In December 2020, the IPSASB received an overview presentation. The IPSASB agreed staff should bring back a detailed plan for the consultation for March 2021.

### **Analysis**

6. In preparing for the March 2021 Mid-Period Consultation session, staff reviewed the SWP and noted that it provides the context for the Mid-Period Consultation. The SWP committed that the IPSASB would undertake a consultation to seek input from stakeholders on new projects to add to its work program in 2021.
7. Members will receive a short informational overview session on the SWP to set out the context for the Mid-Period Consultation. The presentation will cover aspects of this paper.

### **Strategy**

8. The Strategy is intended to remain in place throughout the 2019-2023 period. However, it does indicate clearly that emerging reporting issues may require a review of Work Program priorities and particularly notes a need for further consultation on new projects to add, as resources become available as current items are completed.
9. The Strategy has held up well, even with the challenges presented by the COVID-19 pandemic. The Strategy proved flexible and focused at the right level, allowing the IPSASB and staff to respond by quickly providing guidance and tools to help constituents understand the impact of the pandemic while continuing to deliver on the Work Program. The pandemic has created a greater focus on the importance of public sector finances and effective public financial management of scarce public resources, which is in line with the IPSASB's strategic objective.

### **Work Program**

10. The IPSASB committed in the SWP to carry out a limited-scope public consultation during 2021 to obtain external input on projects to add to its Work Program.

11. During the March 2021 meeting, the IPSASB will participate in breakout discussions to consider projects it should prioritize to propose in the Mid-Period Consultation. Details on the March breakouts are included in [Agenda Item 7.2.4](#).
12. The list of potential projects initially considered by staff was based on the long list of potential projects noted in the [Strategy and Work Plan 2019-2023: Consultation Summary](#).

### *Project Prioritization*

13. The SWP identified and committed to the project prioritization criteria that the IPSASB should apply to evaluate new projects going forward, as follows:
  - a. **Prevalence.** Whether the financial reporting issue is widespread globally amongst public sector entities.
  - b. **Consequences.** Whether the issue impairs the ability of the financial statements to provide useful information for accountability and decision making.
  - c. **Urgency.** Whether the emerging issue has recently gained prominence and therefore requires consideration in the near term.
  - d. **Feasibility.** Whether a technically sound solution to the issue can be developed within a reasonable time period and current resource constraints without impacting adversely on the completion of other projects.
14. The above criteria help the IPSASB to evaluate potential new projects and will be applied in prioritizing projects to propose in the Mid-Period Consultation.

### *SWP—Implementation Progress to Date*

15. To date the IPSASB has made significant progress in achieving the objectives set out in the SWP. Key achievements during the SWP period so far, include:
  - (a) Approval of four final pronouncements and nine exposure drafts;
  - (b) Significant progress on the pipeline of major projects on the IPSASB's Work Program, including new projects added in the SWP (Natural Resources, and the Conceptual Framework-Limited Scope Review);
  - (c) A pipeline of recently/soon to be completed projects resulting in new pronouncements and amendments to IPSAS that will become effective starting January 1, 2023 and afterwards for several years (as a result of the number of significant projects on the IPSASB Work Program since 2014); and
  - (d) Significant outreach and engagement with stakeholders on their initiatives, to raise IPSAS awareness and promote adoption and implementation, as well as highlighting the benefits of the use of accrual information.

### *Environmental Challenges*

16. During the SWP period, the IPSAS external environment has continued to evolve, which creates some challenges which need to be managed, as outlined below:
  - (a) **Progress Towards Completion of the IPSAS Suite.** The IPSASB continues to address the existing gaps in the literature. This impacts the focus of technical projects going forward

because there are no longer significant public sector topics or applicable major IFRSs that have not been considered or not under current consideration on the Work Program.

- (b) **Implementation and adoption.** IPSAS adoption is increasing. As more jurisdictions implement IPSAS, practicality of the suite of guidance and implementation and applicability issues become a key focus area for constituents. Strategically it is becoming more important to ensure the standards are used and providing useful information to users.
- (c) **Inconsistencies across the suite of IPSAS.** Progress on the Work Program, and the use of IPSAS has identified several inconsistencies and housekeeping issues to address in the literature. For example, the measurement project identified inconsistencies with the application of value in use in IPSAS 21, *Impairment of Non-Cash Generating Assets*.

## **Research Papers and Academic Engagement Initiatives**

### **Purpose**

1. To provide the IPSASB with an overview of the results achieved in 2019-20 in terms of:
  - (a) Research papers contributing to the IPSASB's 2019-2023 Work Plan; and
  - (b) Academic outreach during 2019-20, describing new initiatives during 2019-20 to engage with academics and their research.

### **Background**

2. This paper supports the IPSASB's discussion of its midperiod Work Plan consultation. It describes progress during 2019-20 with respect to:
  - (a) Research papers contributing to Theme A: *Setting standards on public sector specific issues*; and
  - (b) Academic engagement contributing to Theme D, *Promoting IPSAS adoption and implementation*.
3. In its *2019–2021 Strategy and Work Plan* the IPSASB explained that some new public sector specific projects would be prioritized for research and scoping. The IPSASB planned to "...develop an approach that will facilitate groups including National Standard Setters (NSSs) undertaking initial research and scoping on important public sector accounting issues in advance of decisions on whether to proceed with IPSASB projects<sup>1</sup>." The following topics were identified for this approach:
  1. Presentation of Financial Statements in the Public Sector;
  2. Differential Reporting;
  3. Discount Rates; and
  4. Tax expenditures.
4. The plan was to include project proposals (developed through this process) in the IPSASB's midperiod Work Plan consultation.
5. Subsequently, the IPSASB decided to focus on encouraging academic research, rather than development of project briefs through partnership with NSSs. In late 2019, the IPSASB published its first ever "Call for Papers," which asked academics to submit abstracts on these four topics.

### **Research Results: Final Papers on Three of the Proposed Topics**

6. [Appendix A](#) lists the three final research papers that have resulted from the IPSASB's new initiatives in late 2019 and throughout 2020. It has a brief overview for each paper. (For the purposes of this discussion IPSASB members are assumed to have read these previously circulated papers.)
7. The six researchers who authored these papers have been asked to attend this discussion, to allow

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<sup>1</sup> Pages 11-12, *IPSASB Strategy and Work Plan 2019–2023*.



IPSASB members to engage with them on their research. Researchers' availability will be updated at this agenda item. However, it is expected that at least one author per research paper will be able to respond to any questions that IPSASB members may have on their research.

### **Academic Engagement: Call for Papers, 2<sup>nd</sup> IPSASB Research Forum, and Research Papers**

8. The IPSASB Issued a "Call for Papers" in November 2019, which asked researchers to submit research proposals, (in the form of brief abstracts) on any one of the four topics proposed for inclusion in the IPSASB's mid-period Work Plan consultation, i.e. (1) presentation of financial statements in the public sector, (2) differential reporting, (3) discount rates, and (4) tax expenditure disclosures. The best abstracts on each of the four topics would each receive a research grant of US\$1,500.
9. The IPSASB's "Academic Advisory Group" (AAG) was formed towards the end of 2019. (Biographies for the AAG's six members are in [Appendix B](#).) The AAG's first responsibility was to review research abstracts and identify the best one for each topic in the *Call for Papers*.
10. The AAG identified four research abstracts to receive grants. However, one researcher did not pursue this opportunity, with the result that research papers addressed only three of the four topics originally identified. (The missing topic is tax expenditure disclosures.)
11. During 2020:

January	AAG members reviewed research abstracts submitted in response to the <i>Call for Papers</i> and selected the best abstract for each topic.
February	Researchers were notified in early February and they began to develop their papers.
June	Researchers presented their draft research papers to the IPSASB's 2nd Research Forum. AAG members were actively involved as paper discussants, as were IPSASB staff, IPSASB members, and an Observer.
July-October:	Researchers continued their research and revised their papers, taking into account comments received at the Research Forum.
Nov-Dec	IPSASB technical staff provided a second set of comments to the researchers on their revised papers.
12. All researchers had submitted their final papers, for the IPSASB's consideration at its March 2021 meeting, by February 2021.

### **Discussion Questions**

13. What are IPSASB members' views on:
  - (a) The academic engagement initiatives undertaken during 2019-20 and the resulting research papers; and
  - (b) The relevance of these initiatives for future IPSASB Work Plan consultations, and specifically the upcoming midperiod Work Plan consultation?

**APPENDIX A**  
**RESEARCH PAPERS**

**Topic 1— Presentation of Financial Statements in the Public Sector**

“Lay experts, professional experts and their commitments to the IFRS as knowledge template in public sector standard-setting: The Case of Performance Statement Presentation”

**Authors**

Annemarie Conrath-Hargreaves<sup>2</sup> and Sonja Wüstemann<sup>3</sup>

**Research Questions:**

1. How do lay experts and professional experts evaluate the presentation format of performance statement information of a public sector entity in terms of usefulness?
2. How do the evaluations carried out by lay experts relate to those carried out by professional experts?

**Summary of the Paper**

- **Paper’s focus:** The presentation of financial performance statements, particularly the presentation of ‘other comprehensive income’ (OCI).
- **Research approach:** Lay experts and professional experts were shown three different ways in which financial statements could be presented: IPSAS (without OCI), IFRS (with OCI), and GFS. Then, they were asked which presentation they preferred. Next the two groups were shown the three presentation approaches applied to different scenarios and asked their views on the presentation approaches .
- **Results:** The research finds that lay experts’ views on appropriate presentation are more flexible than professional experts’ views, i.e., more open to different OCI and other presentation approaches.

**Abstract**

The International Public Sector Accounting Standards (IPSAS), which aim for alignment with the International Financial Reporting Standards (IFRS) developed for the capital market, are gaining popularity amongst nation states and international organisations around the globe. IPSAS are predominantly directed at lay citizens and so-called lay experts, who are citizens that have acquired technical knowledge without being credentialized in the field (Himick et al., 2016, 22). Yet, lay citizens are generally not actively involved in standard-setting processes. This absence gives rise to the role of lay experts, who have the potential to mediate between lay citizens and standard setters as they can adopt the voice of lay citizens in their absence and can provide an alternative view to professional experts who are known to dominate global standard-setting debates.

Drawing on the notion of epistemic commitment, this paper explores the role of lay experts in public sector standard-setting processes by addressing how lay experts and professional experts differ in their commitment to the IFRS as corporate knowledge template. Utilizing in-depth interviews with in-built hypothetical standardized scenarios and documentary analysis, the paper shows a relatively high level of

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variability in commitment to different knowledge templates. It further indicates that lay experts appear more able than professional experts to approach issues from a multi-faceted perspective. The findings further suggest that lay experts' commitment to knowledge templates is flexible, while professional experts appear to approach issues by drawing on a fixed set of beliefs about knowledge and knowing.

## **Topic 2—Differential Reporting**

“Differential Reporting – Financial Reporting for Small and Medium-Sized Public Sector Entities: Status Quo Analysis, Research Approach and Preliminary Findings”

### **Authors**

Berit Adam and Jens Heiling

### **Research Questions:**

1. How do selected OECD countries and developing countries design their accounting frameworks for small- and medium-sized public sector entities (SMPSEs)?
2. What are the possible approaches that will be helpful in addressing the accounting challenges that small- and medium-sized entities face?
3. What entities do different jurisdictions identify and define as SMPSEs?
4. What is the design of differential reporting frameworks for SMPEs in terms of relief from disclosures and other types of relief from reporting requirements applied to larger entities?

### **Summary of the Paper**

- **Paper’s focus:** The design of differential reporting frameworks for small- and medium-sized public sector entities in OECD and developing/emerging countries.
- **Research approach:** Documentary analysis, to gain an overview of the research field, and analysis of questionnaires received from a sample of countries, with consideration of other sources as necessary.
- **Results:** The paper provides (a) a systematic overview on the design of differential reporting frameworks for small- and medium-sized public sector entities in OECD and developing/emerging countries, and (b) identifies different approaches to differential reporting frameworks, for consideration by public sector accounting standard setters.

### **Abstract**

With the growing number of standards, the requirements of the accrual basis International Public Sector Accounting Standards (IPSAS) have significantly increased in the last 10 years. Small and medium-sized public sector entities often do not have the necessary capacities and skills to cope with the requirements of the full suite of the accrual basis IPSAS standards. Against the background of the challenges that small- and medium-sized entities are facing in the public sector when applying the full set of IPSAS requirements, the aim of this study is to get a systematic overview on the design of the accounting frameworks for small- and medium-sized public sector entities in a number of OECD countries as well as selected developing/emerging countries and to identify possible approaches that will be helpful in addressing those challenges.

The study finds that the concept of SME is also applied in the public sector, especially at the local government and less at the national government level. None of the developing/emerging countries within the purposive sample has a differential reporting regime so far. The type of relief provided to SMEs vary from jurisdiction to jurisdiction and relief does not comprise a reduction of recognition or measurement requirements.

### **Topic 3—Discount Rates**

“Public Pension Governance and Opportunistic Accounting Choice: A Politico-Economic Approach<sup>4</sup>”

#### **Authors**

Odd Stalebrink<sup>5</sup> and Pierre Donatella<sup>6</sup>

#### **Research Question:**

How do professional gatekeepers and politico-economic factors influence opportunistic pension accounting choices (OPAC) in the context of U.S. state-administered defined benefit (DB) plans?

#### **Summary of the Paper**

- **Paper’s focus:** Factors that impact on whether those responsible for U.S. state-administered defined-benefit pension plans choose higher discount rates that undervalue the plan’s pension liabilities.
- **Research approach:** Analysis of empirical data to establish relationships between the discount rates used to value DB liabilities and factors that could impact on discount rate choices.
- **Results:**
  - OPAC are more likely when a pension plan is (a) underfunded, (b) organized as a cost-sharing plan, (c) governed by a politically embedded fiduciary body, and (c) when the sponsoring government is (i) surrounded by a high degree of unionization, and (ii) divided in terms of partisan control.
  - OPAC are less likely when a pension plan is subjected to an audit by a Certified Public Accountant (CPA).

#### **Abstract**

The selection of actuarial assumptions used to value state and local government pension liabilities is an important culprit of the looming state and local pension crisis in the U.S. Due to the impact these selection choices have on the value of pension liabilities and annual required contributions (ARC), pension plans are often said to make these choices opportunistically for purposes of freeing up budget resources and making pension funding look better. Using empirical data on 114 state-administered pension plans, this research shows that the likelihood of such opportunistic pension accounting choices (OPAC) increases when the plan is underfunded, organized as a cost-sharing plan, governed by a politically embedded fiduciary body, and when the sponsoring government is surrounded by a high degree of unionization, and is divided in terms of partisan control. The results also show that the likelihood of OPAC decreases when a pension plan is subjected to an audit by a Certified Public Accountant (CPA), suggesting that professional gatekeepers can play an important role in limiting the adverse effects of OPAC behavior, including insufficient ARC payments and reduced transparency of governmental financial reports.

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<sup>4</sup> Published in the American Review of Public Administration, 119, DOI: 10.1177/0275074020954397  
journals.sagepub.com/home/arp

<sup>5</sup> Pennsylvania State University-Harrisburg, USA

<sup>6</sup> University of Gothenburg, Sweden

**ACADEMIC ADVISORY GROUP**

The biographies of the IPSASB's Academic Advisory Group's six members are provided below:

**Andreas Bergmann**

Andreas Bergmann is Professor of Public Finance and Director of the Public Sector Department at the Zurich University of Applied Sciences, School of Management and Law. He chaired the IPSASB from 2010 to 2015, after being a member of the Board from 2006. He has been a member of the Swiss Accounting Standard Setter for the Public Sector (the SRS-CSPCP) since 2009 and a member of the European Commission's Accounting Advisory Group since 2010. He is a scientific advisor on Public Finance Management reforms to governments in Switzerland, Europe, Asia, Latin America, and to various international organizations.

Prof Bergmann is Deputy Editor of Public Money and Management, a scholarly journal in the field of Public Sector Accounting. He has been a Don Trow Fellow at Victoria University Wellington (New Zealand) in 2010.

**Francesco Capalbo**

Francesco Capalbo is a Professor of Accounting at the University of Molise, Italy. He was a permanent observer on the IFAC Board from November 2014 to 2016 and a member of the IPSASB from 2017 to 2019. He convened the first IPSASB Research Forum in 2019. He is a qualified professional accountant and provides consulting advice to private companies and local governments. He is a member of several independent audit and compliance bodies. From 2003 until 2014, Professor Capalbo served on the Scientific Committee of the Internal Training Board of the Italian Auditor General (Corte dei Conti), where he oversaw development of training programs for the use of accrual accounting in the public sector. He has served as Head of the Accounting Department, Administration and Personnel of the Local State Council, and member of the Public-Sector Group of Accountancy Europe.

As an academic, Professor Capalbo has authored many publications on financial accounting issues and has been a visiting scholar at several universities including the University of Gent (Belgium), University of Birmingham (UK), University of Sydney (Australia), and Macquarie Graduate Management School of Sydney, where he is currently Adjunct Professor of Accounting and Finance. He holds a PhD in international accounting. His current areas of research include public accountability and the quality of financial statements of public sector entities including state owned entities.

**Susana Jorge**

Susana Jorge is a PhD in Accounting & Finance (Local Government Accounting) and MSc in Business Management (Corporate Finance). Tenured Professor with Accreditation at the Faculty of Economics, University of Coimbra (Portugal), teaching Public Sector Accounting and Financial Business Accounting. Researcher at CICP – Research Centre in Political Science, University of Minho (Portugal). Research interests: public sector accounting, IPSAS and public financial management, especially focusing on financial reporting in local government. Between February 2013 and October 2017 Professor Jorge was a member of the Public Sector Accounting Standards Committee (CNCP) of the Portuguese Accounting Standards-Setting Commission, participating in the legislation adopting IPSASs to the Portuguese context.

Professor Jorge is currently the Chair of the Executive Board of the Comparative International Governmental Accounting Research (CIGAR) Network and Chaired the CIGAR Biennial Conferences in 2007 (20th anniversary of the Network) and 2017 (30th anniversary of the Network). She co-chaired the CIGAR PhD

seminars from 2007 to 2019. She is the editor of the (CIGAR) book *Implementing Reforms in Public Sector Accounting*, Coimbra University Press (2008) and editorial member of the CIGAR Newsletter.

**D. Scott Showalter**

Mr. D. Scott Showalter joined the IPSASB Board in January 2020, nominated by the American Institute of Certified Public Accountants. He is a Professor of Practice and Director of the Master of Accounting Program in the Poole College of Management at North Carolina State University. Prior to joining the faculty in 2008, Mr. Showalter was an audit partner with KPMG LLP, where he retired after a 33-year career. During his career with KPMG, he provided audit and consulting services to large Federal, state and local governments.

Professor Showalter is the former Chair and Member of the Federal Accounting Standards Advisory Board (FASAB) where he completed his 10-year term in June 2019. He is a past chair of the North Carolina Association of Certified Public Accountants Board and current member of the AICPA Council. He served two terms as a member of the Standing Advisory Group to the Public Company Accounting Oversight Board and has served in numerous leadership positions in the American Accounting Association. He has a bachelor's degree in accounting, Summa Cum Laude, from the University of Richmond and is a member of the American Institute of Certified Public Accountants and the North Carolina Association of Certified Public Accountants. He is a licensed Certified Public Accountant (active) and Chartered Global Management Accountant.

**Mariafrancesca Sicilia**

Mariafrancesca Sicilia is an Associate Professor at Bergamo University in Italy and Visiting Fellow in the Department of Public Leadership and Social Enterprise (PuLSE) at The Open University in the United Kingdom. Her research covers public sector budgeting, accounting, performance measurement and management, and coproduction of public services. She has carried out research for Italian central government departments, local governments and other public bodies. She has published in academic journals such as the *Journal of Public Administration Research and Theory*, *Public Administration Review*, *Public Administration*, *Public Management Review*, *International Review of Administrative Science*, *Accounting, Auditing & Accountability Journal*, and *Public Money and Management*.

Professor Sicilia is a member of the Executive Committee of the Accounting and Accountability Special Interest Group of the International Research Society for Public Sector Management (IRSPM) and a member of the EAA's (European Accounting Association) Standing Scientific Committee with responsibility for the PSNP/ED panels. She is the coordinator of the IPSAS/EPAS Task Force jointly created by the CIGAR network, the EGPA PSG XII, and the Accounting and Accountability SIG of the IRSPM. She is an associate editor of the *Journal of Public Budgeting, Accounting & Financial Management* and a member of the editorial board of *Public Administration Review*, *Financial Accountability and Management*, and *Azienda Pubblica*.

**Patrícia Varela**

Patricia Siqueira Varela became a member of the IPSASB in January 2020. She was nominated by the Conselho Federal de Contabilidade (CFC), responsible for the regulation and representation of accounting professionals in Brazil.

Professor Varela is currently a researcher and a professor at the University of São Paulo (Brazil) in the School of Economics, Business and Accounting. She has supervised students in the Program of Postgraduate Studies in Controllership and Accounting and is the leader of the research group Center of Studies in Accounting and Government. Her research and publications focus on public sector accounting and public policies performance.

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Professor Varela also performs the role of standard setter as a member of both the Advisory Group for the Brazilian Accounting Standards for the Public Sector Accounting at Conselho Federal de Contabilidade and the Technical Committee linked to the National Treasury, responsible for issuing mandatory standards for public sector entities in all federation levels (municipalities, states and central government). Additionally, she has coordinated activities related to implementation of accounting standards based on IPSAS in the University of São Paulo. She holds a master's and a doctor's degree in Controllershship and Accounting from the University of São Paulo, and a postdoctoral degree in Public Administration and Government from the Getúlio Vargas Foundation in São Paulo.



## **Framing the Mid-Period Consultation**

### **Question**

1. Does the IPSASB agree that no specific projects under Theme C should be proposed in the Mid-Period Consultation?

### **Recommendation**

2. Staff recommend:
  - a. No specific Theme C projects should be proposed in the Mid-Period Consultation; and
  - b. The IPSASB should engage in discussions and the on-going debate around sustainability reporting, in particular the potential initiative under consideration to establish a board by the Trustees of the IFRS Foundation.

### **Background**

3. [Agenda Item 7.2.1](#) highlights that the IPSASB committed in the SWP to undertake a limited-scope public consultation during 2021 to identify projects and receive constituent input on proposed projects to add to the Work Program.
4. The SWP explicitly notes that the IPSASB only undertakes projects to develop standards or guidance on its Work Program under Themes A, B and C.

### **Analysis**

#### *Scope of Work Program*

5. Themes D and E set out how IPSASB and staff engage in the work of others related to promoting the IPSAS adoption and implementation, and advocating the benefits of accrual in strengthening public financial management (See extract from the SWP which illustrates this for both Themes: Theme D—[Appendix B](#) and Theme E—[Appendix C](#)).
6. The PFM landscape is complex, and the IPSASB has limited resources, therefore the SWP indicates that the IPSASB delivers on Themes D and E by building relationships and working with other organizations to engage in their initiatives and work. This is the most effective way of promoting IPSAS adoption and implementation in PFM reform projects, as well as the advocating for the use of accrual information more generally. The IPSASB therefore actively monitors and engages in the work of others in the PFM space to identify opportunities to support the work on an international, regional and local level through its Members, Technical Advisors, staff and IPSASB Alumni.
7. Although the IPSASB does not directly undertake projects in Theme D or Theme E on the Work Program, it is necessary for resources to remain available. For example, the GFS community has initiated a project to revise International Statistical Standards. Members and staff support this initiative by engaging in this ongoing project to share information on public sector accrual accounting, and IPSAS, and through this process<sup>7</sup> hope to continue to identify opportunities for further alignment

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<sup>7</sup> The process might result in statistical guidance being updated to align with IPSAS and identify opportunities where IPSAS can be updated to clarify guidance for the purposes of allowing a GFS aligned IPSAS accounting policy.

between IPSAS and statistics. Depending on developments related to this initiative, future resources under Themes A and B might be needed for narrow scope GFS alignment projects.

*Theme C Projects*

8. The SWP committed the IPSASB to actively monitor developments under Theme C in the broader narrative reporting space and to consider whether a project under this Theme should be proposed in the Mid-Period Consultation.
9. The most significant development identified under Theme C relates to sustainability reporting. Sustainability reporting, specifically climate change, presents current global challenges which have led to a growing focus on how both private and public sector entities should manage and report on these matters (see [Appendix A](#) for a letter from the CEO of IFAC regarding IFAC's position on Sustainability Reporting).
10. This is a critical initiative. However, when considering the best use of the IPSASB's limited resources, staff do not believe the timing is right to currently undertake a separate project on sustainability for the following reasons:
  - a. There are significant ongoing global discussions related to sustainability reporting, including consideration by the Trustees of the IFRS Foundation as to whether it should establish a dedicated board dealing with sustainability reporting; and
  - b. There is a lack of clarity on project scope and output, including which organizations should be leading and undertaking this work. This could result in a significant investment in IPSASB's limited resources without a clear understanding of the scope of the problem and a mandate to take it forward.
11. Under Theme C the IPSASB should continue to observe<sup>8</sup> the developments in the international sustainability reporting space to see how the framework develops (including its remit, staffing model and scope of activities), to understand the impact on public sector reporting and how IPSASB should take forward work in this space. Currently, it is too uncertain to take forward a specific project in this space.

**Decision Required**

12. Does the IPSASB agree with the staff recommendation?

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<sup>8</sup> It will be important for the IPSASB to actively observe the developments to keep up to date on progress to consider the public sector impact.

## **Appendix A – Letter from Kevin Dancy, IFAC CEO**

Dear Colleagues –

As professional accountants, the chief stewards of business information, we have both an important responsibility and a *transformative* opportunity to engage in and lead on upcoming changes in corporate reporting, specifically sustainability information. Frankly, there is no one better positioned than us. But make no mistake: if we don't rise quickly to the occasion, demonstrate our competencies, and seize this significant opportunity, someone else will.

The purpose of my communication today is to update you on the ongoing work that IFAC is doing in this critical area, including where, with your help, we will take direct action, speak out, and endeavor to influence the journey to a more effective corporate reporting system.

But first: why are professional accountants best positioned to meet this need?

All organizations need better information to measure and manage the risks they face, capitalize on the opportunities in front of them, ensure their long-term success, and report to the boards that oversee them. At the same time, a broad range of stakeholders are demanding enhanced reporting that is relevant, reliable, comparable, and assurable.

Professional accountants inside organizations—with their analytics skills, critical thinking, scope of influence and organizational understanding—play a central role in integrating business-critical information, introducing and managing better processes and controls, making and enabling business decisions, and reporting to stakeholders in a holistic, integrated way.

Professional accountants in public practice, including SMPs, possess the necessary expertise, objectivity, and independence to best provide advisory and assurance services to organizations to enhance confidence in this information and new forms of external reporting.

Regardless of where they sit, professional accountants—your members—are simply best placed to meet this need—cost effectively, with quality and integrity.

Before setting out IFAC's go-forward corporate reporting agenda, a brief review of recent events:

- Last September IFAC issued a call for the IFRS Foundation to create a global sustainability standards board alongside the IASB. Later that month, the Trustees of the IFRS Foundation published a Consultation Paper to assess demand for global sustainability standards and the Foundation's potential role in meeting any demand.
- In November, SASB and IIRC announced their intention to merge into the Value Reporting Foundation, further supporting the objective of unified and simplified sustainability disclosures.
- In December, five internationally significant framework- and standard-setting institutions (CDP, CDSB, GRI, IIRC, and SASB) published a prototype climate-related financial disclosure standard that also incorporated recommendations from the TCFD.

- The European Commission has continued to move forward on its Non-Financial Reporting Directive.
- Earlier this month, IFRS Trustees announced definitive steps towards a decision on whether to announce the establishment of a new global sustainability standards board.
- And this week, IOSCO provided strong support for a global approach overseen by the existing IFRS governance structures, which can be found here.

There is momentum. Change is afoot.

IFAC's corporate reporting agenda over the next several months will focus on:

### **1. Advocating for a Global Approach to Sustainability Standards**

We will likely see continued movement among the key framework and standard-setting initiatives mentioned above. Regardless of how the landscape evolves, IFAC will continue to support moving with speed to a global approach under the auspices of the IFRS Foundation to achieve globally consistent sustainability standards that lead to relevant, reliable, comparable, and assurable information. We recognize and support the need for supplemental requirements to reflect regional/jurisdictional policy priorities. But we emphasize the urgency of addressing at a global level the needs of investors and capital markets. IFAC will speak out, including through our engagement in the B20/G20 policy development process, in support of this global approach.

### **2. Encouraging Sustainability-Related Skills and Competencies**

IFAC will continue to work with PAOs and through the International Panel on Accountancy Education to demonstrate that professional accountants not only have the skills and competencies needed to prepare, assure, and utilize this information, but also the expertise to build and evaluate necessary controls and processes related to sustainability. In identifying which existing foundational skills can be leveraged to meet new requirements, and in creating access to obtain new subject matter expertise, IFAC supports the positioning that professional accountants are best placed to meet the sustainability-related needs of organizations.

### **3. Championing an Integrated Mindset**

The insight gained from both financial and sustainability-related (or “non-financial”) information is maximized when an integrated approach connects the two. Quite simply, financial and sustainability information are not two, disconnected silos. An integrated approach leads to better decisions that deliver long-term value creation—financial returns to investors while taking account of value to customers, employees, suppliers, and societal interests. Professional accountants working in companies must continue to foster an integrated mindset that connects financial and sustainability data, processes and analysis.

#### **4. Advancing Assurance Services**

Assurance is a necessary component of the evolving global reporting system and an imperative for our profession. One of the core competencies of the profession is working with experts in a variety of areas and that will certainly continue. IFAC will be reaching out to Member Bodies and Firms—to better understand current and best market practices, identify gaps, and develop a shared narrative that best positions professional accountants to perform sustainability assurance. In addition, IFAC is launching an effort with the IIRC tomorrow, aimed at helping to accelerate the development of assurance services for integrated reporting.

#### **5. Positioning the Profession to Lead**

Professional accountants are central to gathering, analyzing, and communicating high-quality information. Our role in sustainability-related reporting—and insights—represents an even greater opportunity to unlock value for companies and clients. We will have to integrate into our work new and diverse subject matters and technologies, but our core knowledge, skills, professional judgment, integrity, and code of ethics are already in place. The future potential of sustainability information is too important to not get it right; together we will actively make the case that our profession is well positioned to rise to this challenge.

Thank you in advance for staying abreast of the issues and lending your voice and energy to help ensure our profession stays front and center in this important conversation. Please keep us advised of key developments in your jurisdiction.

I look forward to keeping you up to date on our progress as we move forward through our Knowledge Gateway, our bi-weekly newsletter *The Latest*, and reporting out on other events we will be convening on this important topic.

Cheers!!

Kevin

## Appendix B – Theme D: Promoting IPSAS Adoption and Implementation

### Theme D: Promoting IPSAS adoption and implementation

The PFM reform landscape within individual jurisdictions is complex, and the transition to accrual requires a program of changes across a number of different areas, including professional skills and capacity, systems, internal controls and to processes and requirements for reporting transactions. This involves a number of different groups, with different skills and expertise at various stages to differing degrees throughout the adoption and implementation process.

Activity	IPSASB	Professional Accountancy Organizations	Governments	Consultants/ Contractors	Supranational & Regional Organizations	Auditors
Promoting adoption	✓	✓	✓	✓	✓	✓
Supporting Implementation						
– Financial Support			✓		✓	
– Capacity Development		✓	✓	✓*	✓*	
– Technical Guidance	✓	✓*	✓			✓
– Practical Guidance		✓*	✓	✓	✓*	✓*
– Continuing Professional Development		✓	✓			

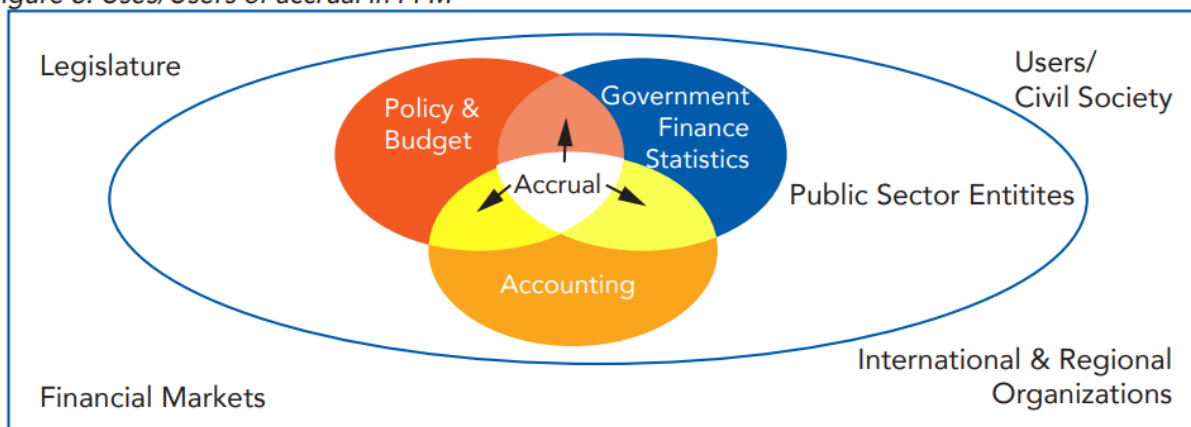
\* Not a primary role, but potential for influence and involvement.

## Appendix C – Advocating the Benefits of Accrual in Strengthening Public Financial Management

### Theme E: Advocating the benefits of accrual in strengthening PFM

Moving to IPSAS provides many benefits, that strengthen PFM as well as contributing to the delivery of Sustainable Development Goals. In order to maximize these benefits, the IPSASB believes that accrual-based information (ideally based on IPSAS) should be used for as many purposes as possible. Figure 3 illustrates the various potential users of, and the variety of uses for, accrual information in PFM.

*Figure 3: Uses/Users of accrual in PFM*



## Potential Projects for the Mid-Period Consultation (Breakout Sessions Topic)

### Purpose

1. To provide the IPSASB with an overview of the main topic of discussion for the breakout sessions planned during the March 2021 meeting.

### Background

2. The objective of the Mid-Period Consultation is to obtain external input on projects to be added to the Work Program.
3. Breakout sessions were a tool successfully applied during the development and approval of the 2019-2023 Strategy and Work Plan (SWP). Breakout sessions allow members to separate into smaller groups to make it more conducive to discussion and feedback on specific topics and progress the IPSASB thinking to be reflected in the consultation.

### Analysis

4. The objective of the Mid-Period Consultation is to obtain external input on projects to be added to the Work Program. The objective of the breakout sessions is to engage Members, Technical Advisors, and Observers in discussions to seek views on project prioritization and projects that should be proposed for addition to the Work Program.

### Potential Projects

5. Staff aggregated a list of potential projects for inclusion in the Mid-Period Consultation by first considering the list of potential projects included in the SWP: Consultation Summary (see [Agenda Item 7.2.1](#)). This list was updated using several sources:
  - (a) Theme A: Research Projects (See [Agenda Item 7.2.2](#));
  - (b) Theme B: [IPSAS-IFRS Alignment Dashboard](#); and
  - (c) Themes A and B: Maintenance Projects Identified since the Publication of the SWP.
6. In narrowing the list of potential projects, staff applied the project prioritization criteria outlined in the SWP (see [Agenda Item 7.2.1](#)).
7. The tables below classify projects identified to be considered for inclusion in the Mid-Period Consultation, as either major or minor projects. Minor projects are limited in scope requiring limited resources, while major projects require significant resources.

Research Projects (order consistent with support received in SWP Consultation)	
Project	Major / Minor
Differential Reporting (Theme A)	Major
Discount Rates (Theme A)	Major
Presentation of Financial Statements in the Public Sector (Theme A)	Major
Tax Expenditure (Theme A)	Major



IPSAS-IFRS Alignment Dashboard	
Project	Major / Minor
IFRS for Small and Medium Sized Entities <sup>9</sup> (See Differential Reporting in Theme A Projects as staff identify these as linked projects) (Theme B)	Major
IAS 24, Related Party Disclosures – 2009 (Theme B)	Minor
Practice Statement 2: Making Materiality Judgements (Theme B)	Minor

Maintenance Projects Identified since the Publication of the SWP	
Project	Major / Minor
IPSAS 33, <i>First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> (Theme A)	Major
IPSAS 21, <i>Impairment of Non-Cash Generating Assets</i> (Theme A)	Minor
IPSAS 31, <i>Intangible Assets</i> (Theme A)	Minor

8. In determining whether a project was major or minor, staff considered how much time is expected to be allocated to project work and whether a consultation paper stage is needed. In general, public sector specific projects are normally major projects given the research and development requirements of creating guidance from scratch, while alignment projects are normally minor projects, because there is existing private sector guidance to leverage, adapt and amend for application in the public sector.

#### Resource Constraints

9. The key constraint that needs consideration when determining which projects to add to the Work Program, are IPSASB resources (specifically, plenary time) and staff resources.
10. Over the remaining period covered by the SWP, staff resources are expected to become available during the first half of 2022 and again during 2023.
11. Based on when resources become available, the staff view is that the IPSASB can add:
- (a) Two major projects:
    - (i) One major project in 2022; and
    - (ii) One major project in 2023.
  - (b) Three minor projects, that can be completed during consultation periods for major projects.

<sup>9</sup> If considered this would be an option considered in a broad Consultation Paper under a project under Theme A on differential reporting.

*Breakout Session - Logistics*

12. Members, Technical Advisors (TAs), and Observers will be split into breakout groups<sup>10</sup>. These groups will each discuss the same following topics:
  - (a) Are there Theme A or Theme B projects which should be added to the list of potential projects, if so why;
  - (b) Are there Theme A or Theme B projects which should be removed from the list of potential projects, if so why; and
  - (c) Which projects should be prioritized and ultimately proposed in the Mid-Period Consultation?
13. After the breakout session ends, members will return to the main session to debrief discussions within the groups.
14. The discussions from these breakout sessions will drive the development of the Mid-Period Consultation in Q2 2020.

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<sup>10</sup> Logistics for breakout groups will be provided during the March 2021 meeting.

## **Supporting Documents 1 – Outline of Mid-Period Work Program Consultation**

### **Purpose**

1. To provide an outline of the Mid-Period Work Plan Consultation for consideration by the IPSASB in March 2021.

### **Overview**

2. In 2021, the IPSASB is expecting to issue two publications related to its 2019-2023 Strategy and Work Plan (SWP):
  - (a) The Mid-Period Consultation; and
  - (b) The IPSASB's Biennial Review Covering 2019-2021 (Biennial Review).
3. Following the expected publication of the Biennial Review targeted for June 2021, the IPSASB will issue the Mid-Period Consultation. Since the Biennial Review reports on the progress in implementing the first two years of the strategy, it provides useful context to those considering the proposals in the Mid-Period Consultation.

<b>Section</b>	<b>Sub-Section</b>	<b>Summary</b>
<b>Mid-Period Consultation</b>	<b>Themes A-B projects</b>	Projects for consideration (from long list of projects identified in the strategy plus any new projects to add)
	<b>Projects prioritization criteria</b>	Criteria use to evaluate and develop proposals