

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Zurich, Switzerland

Meeting Date: September 12–15, 2023

Agenda Item 17

For:

☐ Approval

☒ Discussion




☐ Information

IPSAS APPLICATION PANEL

Project summary	<p>The project objective is to establish a panel:</p> <ul style="list-style-type: none"> To assist in ensuring consistent application of IPSAS by considering application questions submitted by stakeholders; and To assist the IPSASB in identifying areas where changes to existing guidance, or additional guidance, may be required. 	
Project staff lead[s]	<ul style="list-style-type: none"> Edwin Ng, Principal 	
Panel members	<ul style="list-style-type: none"> Panel members to be determined 	
Meeting objectives	Topic	Agenda Item
Project management	IPSAS Application Panel: Project Management Dashboard	17.1.1
	Instructions up to Previous Meeting	17.1.2
	Decisions up to Previous Meeting	17.1.3
	IPSAS Application Panel: Project Roadmap	17.1.4
Decisions required at this meeting	IPSAS Application Panel – Key Considerations	17.2.1
Other supporting items	None	N/A

**IPSAS APPLICATION PANEL:
PROJECT MANAGEMENT DASHBOARD**

Topic	Sept 2023	Dec 2023	...	Next Strategy Period
Overall Project Management				
Establish the terms of reference of the Panel				
Panel member recruitment				
Commence operations of the Panel				

Legend	
	Task Completed
	Planned IPSASB Discussion
	Page-by-page Review

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
N/A	1. N/A	1. N/A

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
N/A	1. N/A	1. N/A

**IPSAS APPLICATION PANEL:
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
September 2023	1. Present Key Considerations document to the IPSASB
December 2023	1. Implementation of Application Panel
March 2024	1. Commence Operation of IPSASB Application Panel

IPSAS Application Panel – Key Considerations

Purpose

1. The purpose of this paper is to provide the IPSASB with an overview of the proposed IPSAS application panel.¹

Background

2. The 2024-2028 Strategy Consultation proposes the IPSASB allocated some of its financial reporting resources to the research and maintenance of IPSAS. One element proposed is an application panel to support the analysis of application challenges. This is consistent with the IPSASB 2019-2023 Strategy and Work Plan, where the Board committed to establishing a working group to advise on an appropriate process and structure to consider implementation and application issues in a resource efficient manner.
3. As part of this process, a session on IPSAS implementation and application issues was held at the 2022 Public Sector Standard Setters Forum for participants to provide input to the IPSASB on the need for application support. Participants noted that:
 - (a) The IPSASB should develop a formal process;
 - (i) As a mechanism is for constituents to share (and for the IPSASB to collect) experiences on IPSAS adoption and application, as well as feedback on specific implementation of standards issues;
 - (ii) Feedback should be solicited from a broad group of stakeholders, including national standard setters, consultants, and public sector auditors, and should not be limited to preparers;
 - (b) The group should focus on practical application issues as well as how to bridge the gap between high-level principled standards and how these can be applied at a jurisdictional level;
 - (c) This process could be led by the IPSASB through a task force or similar group providing guidance specific to public sector accounting issues at an application level;
 - (i) The group could include IPSASB members or technical advisors, national standard setters (board members or staff), significant IPSAS preparers; and
 - (ii) It was suggested that other standard setters' similar processes should be considered, including those of the International Accounting Standards Board (IASB) and their IFRS Interpretation Committee² (IFRIC) for potential ways to structure an IPSASB process, as well as potential approaches to perform the detailed analysis of issues provided.
4. This paper explores how an IPSAS application panel (the Panel) could operate and brings awareness to the potential issues. For each key consideration, staff have also included proposals for the IPSASB to consider.

¹ Regarding the name of the panel, please see the CAG report back in Agenda Item 5.

² <https://www.ifrs.org/groups/ifrs-interpretations-committee/>

5. The key considerations in the operation of the Panel include:
- (a) Purpose of the Panel;
 - (b) Panel membership;
 - (c) Frequency of meetings;
 - (d) How implementation issues are identified;
 - (e) How the Panel selects issues to analyze;
 - (f) How the analysis should be performed (e.g., who performs the detailed analysis, whether the analysis should be reviewed by the IPSASB, etc.);
 - (g) Potential outputs from the Panel;
 - (h) Due process considerations (exposure of decisions, and when standard setting should comment on issues); and
 - (i) Other considerations.

Purpose of the Panel

6. As noted in paragraph 2, the IPSAS committed in its 2019-2023 Strategy and Work Plan to establish a working group to advise on an appropriate process and structure to consider implementation and interpretations issues in a resource efficient manner. Based on this commitment, staff propose that the purpose of the Panel is as follows:
- (a) To assist in fostering consistent application of IPSAS by considering application questions/issues submitted by stakeholders; and
 - (b) To assist the IPSASB in identifying areas where changes to existing guidance, or additional guidance, may be required.
7. The above proposed purpose is comparable with that of the IFRIC, which is a similar body of an international standard setter. In addition, constituents at the 2022 Public Sector Standard Setters Forum advised staff to first consider whether the Panel should have the same purpose as the IFRIC.
8. The purpose of the IFRIC is to work together with the IASB in supporting the consistent application of IFRS.³ The IFRIC accomplishes its purpose by considering application questions submitted by stakeholders and:
- (a) Developing an interpretation which adds requirements to IFRS without significantly changing the underlying principles in the accounting standards;
 - (b) Recommending a narrow-scope amendment to an accounting standard to the IASB; or
 - (c) In certain situations, including cases where changes to the IFRS are not necessary, issuing an agenda decision to explain how the existing principles and requirements in IFRS apply to the stakeholders' questions.

³ <https://www.ifrs.org/supporting-implementation/how-we-help-support-consistent-application/#interpretations-committee-process>

9. Unlike IFRS, which is a mature and widely adopted set of financial reporting standards, IPSAS is a newer set of standards that have recently been subject to major updates and additions. Therefore, there could be situations where problems emerge in practice, and changes to existing guidance, or additional application, and/or implementation guidance are required to improve consistency in application. This potential need for changes to existing guidance is captured by the proposed purpose in paragraph 6, which is not limited to only adding interpretation-driven requirements or narrow-scope amendments.

Panel Membership

10. As the Panel will focus on identifying technical issues, it will be important for Panel members to have strong technical skills. Therefore, the membership of the Panel should be targeted to include representation from the following constituent groups:
- (a) IPSASB Members with a strong technical understanding of the application of IPSAS, and with experience applying IPSAS or IPSAS-based standards;
 - (b) Representatives from national standard setters (members or staff with appropriate technical experience) that either apply IPSAS directly or which develop local standards based on IPSAS or consistent with the principles from IPSAS;
 - (c) IPSAS financial statement preparers; and
 - (d) Practitioners such as auditors of IPSAS financial statements or other national accrual accounting standards, or consultants who advise on IPSAS adoption and implementation issues.
11. The above target membership profile is consistent with the IFRIC and national implementation groups such as the Technical Reference Group in New Zealand⁴ (TRG). In addition, the proposed membership profile is consistent with the feedback received at the 2022 Public Sector Standard Setters Forum.
12. In terms of group size, the group needs to be large enough to be representative of the functional groups listed in paragraph 10 and be representative of the population who apply IPSAS, or standards based on IPSAS—i.e., have global representation and be gender balanced. The number of group members will also be driven by the number of issues brought forward. For reference, the IFRIC has 15 members, while the New Zealand TRG has nine members.
13. Based on the factors noted in paragraphs 10-12, staff recommend that the Panel consists of four to six individuals (similar size as an IPSASB Task Force) from the groups noted in paragraph 10. The membership of the Panel may expand as additional perspectives are required. There may also be certain technical topics (e.g., actuarial issues related to employee benefits) where the Group may need specific technical expertise to provide specific perspectives. In these cases, such expertise could be added on an ad hoc basis.
14. The Panel Chair will be selected by the IPSASB Chair and the Program and Technical Director from current IPSASB members.

⁴ <https://www.xrb.govt.nz/standards/accounting-standards/nzasb/trg/>

Frequency of Meetings

15. At this stage, it is difficult to make any definitive proposals on the frequency of Panel meetings, as there is currently no backlog of issues already raised that need to be addressed or visibility on how many issues are expected to be identified. One potential approach is to begin with meeting at least quarterly, then adjust the frequency as necessary based on the volume of issues identified and selected for further analysis.
16. If the IPSASB follows the recommendation for the Panel to meet initially at least quarterly, the meetings can be scheduled so the report back to the IPSASB can be a standing item on the IPSASB agenda.

Issue Identification

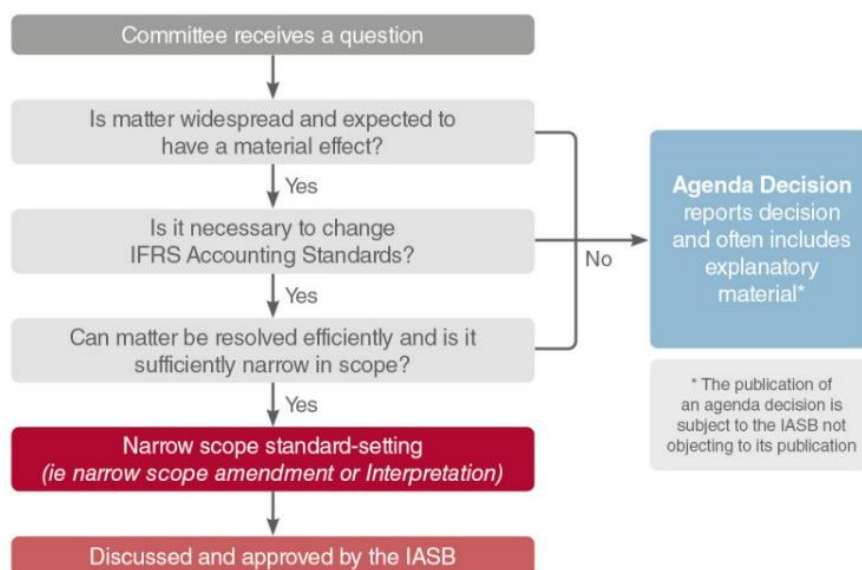
17. The process to identify issues should be broad and accessible in order to capture as complete of a population of application issues as possible for the Panel to assess.
18. In December 2019, staff presented a paper on Implementation Issues to the IPSASB CAG.⁵ The paper proposed processes for the identification and selection of implementation issues to be analyzed, and the CAG members largely supported the proposals.
19. After modifying the December 2019 proposals for comments from CAG members and for the discussion of group membership in paragraph 9, implementation and interpretation issues may be identified as follows:
 - (a) By a member of the IPSASB or the CAG;
 - (b) By IPSASB staff;
 - (c) By a member of the Panel, if the member does not fall within the above categories; or
 - (d) Issues may be submitted by a constituent to the IPSASB staff—see paragraphs 20-21.
20. Staff noted that application issues are already currently being identified by the sources listed in paragraph 19, and that they continue to be the most effective avenues to identify potential issues. Issues can be submitted by constituents via direct e-mail to staff or through the current 'Contact the IPSASB' webpage at <https://www.ipsasb.org/contact-ipsasb>.
21. In addition, a formal separate submission page will be developed so that submissions can be tracked separately from general inquiries to the IPSASB. The submission page can also be set up to prompt constituents to provide useful inputs such as transaction or event background, including why the transaction or event is considered an issue, key facts, how the transaction or event is currently treated by the constituent, etc. Staff noted that the IFRIC has a formal submission site at <https://www.ifrs.org/supporting-implementation/how-we-help-support-consistent-application/#interpretations-committee-process>. Similarly, the US Government Accounting Standards Board (GASB) has a similar website at <https://gasb.org/page/PageContent?pagelD=/projects/inquiries.html>.

⁵ https://www.ifac.org/system/files/meetings/files/3-Implementation-Issues_Final.pdf

22. Issues may also be identified from the Annual Improvements to IFRS Accounting Standards issued by the IASB, or the interpretations and tentative agenda decisions issued by the IFRIC, as part of the ongoing work to maintain alignment with IFRS.

Issue Selection

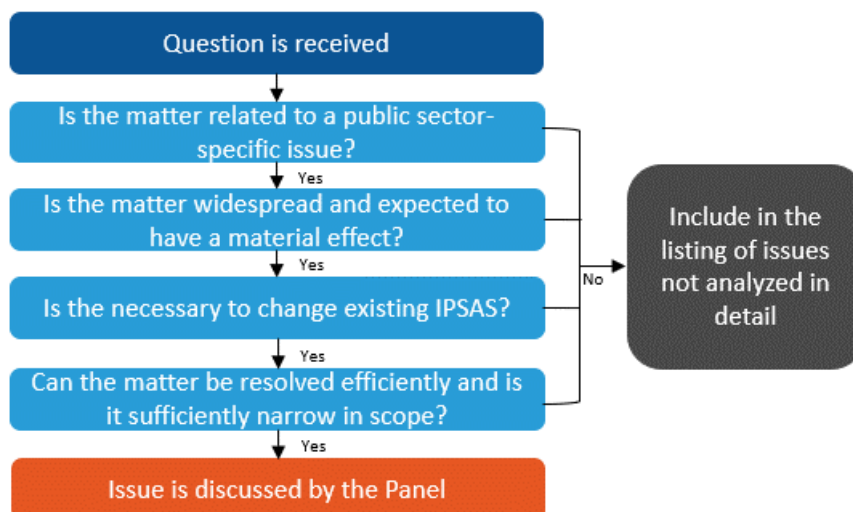
23. After an issue is identified, IPSASB staff propose to assess whether the issue warrants technical analysis. In assessing whether an issue warrants technical analysis, staff will evaluate whether a technical analysis will benefit constituents (see paragraph 27 for issues that do not warrant analysis).
24. Constituents would benefit from an analysis of issues which:
- (a) Relate to a public sector-specific issue—i.e., the Panel is not meant to re-open issues or redeliberate issues on guidance that is aligned with IFRS that were addressed by the IASB or its IFRIC;⁶
 - (b) The Panel can realistically address—i.e., limited to a single or limited number of IPSAS;
 - (c) Have a widespread and/or material impact; and
 - (d) Is currently not adequately addressed by existing IPSAS.
25. In assessing which submitted issues should be analyzed by the Panel, staff looked to the issue selection process at the IFRIC, which is summarized in the following flowchart:



26. Staff noted that the above process from the IFRIC would be a good starting point, but as noted in paragraph 24, the Panel should focus on public sector-specific issues. Staff propose inserting the

⁶ When the IPSASB develops guidance based on an IFRS, the IPSASB considers if the principles from that IFRS are appropriate for the public sector. Where it identifies public sector differences related to the transaction, it modifies or adds guidance to ensure public sector needs are appropriately addressed in the guidance. Therefore, an application review process should focus on those public sector changes and rely on the IASB to consider implementation issues for guidance which is aligned. This is consistent with the IPSASB's alignment process for guidance development, and pragmatic given the resources available to the IPSASB.

public sector requirement to the IFRIC process to ensure the Panel's mandate appropriately supports the IPSASB. The Panel's process could then be as shown below:



27. As staff would have the highest visibility over the issues submitted, staff recommend that they should perform the detailed analysis of whether an issue is brought forward. Staff will provide a listing of issues that will not be analyzed in detail, along with a summary of how these issues do not meet the four criteria above, to the Panel. Once reviewed by the Panel, this listing will also be appended to the agenda item to be presented to the IPSASB (see paragraph 31). In addition, if a fundamental or widespread issue is identified, staff will communicate the issue directly with the IPSASB.

How the Analysis Should be Performed

28. Similar to a task force, the detailed analysis is performed and presented to the Panel by the IPSASB staff. This best allocates the IPSASB staff and volunteer resources to ensure consistency with the quality of analysis performed in the development of IPSAS.
29. Staff's analysis will apply IPSAS and IPSAS principles to the case facts submitted and provide a recommendation to the Panel. The Panel will discuss the issue and either agree with the recommendation or ask staff to clarify the aspects of the analysis for the Panel to review at a future meeting.
30. When the Panel agrees with the recommendation, or agrees on an alternative, the recommendation becomes the Panel's recommendation and will be presented to the IPSASB.

Potential Outputs from the Panel

31. The Panel's discussions and recommendation will be documented in an agenda item and presented to the IPSASB. Recommendations include:
- (a) The submitted issue is already adequately addressed by existing IPSAS and a formal agenda decision explaining this conclusion should be developed; or
 - (b) The submitted issue warrants consideration by IPSASB on whether changes to existing guidance or the development of additional application and/or implementation guidance are necessary. (Unlike the IFRIC, the panel's output will focus on making necessary changes or additions to IPSAS, rather than separate standalone interpretations of the Standards.)

32. Based on the Panel's recommendation in the agenda item presented, the Board decides if additional standard setting activities should be undertaken.⁷

Potential Due Process Considerations

33. As the output from the Panel will be no different than the output from a Task Force, there is no need to publish the outputs externally. In situations that result in a proposed change to an IPSAS, the IPSASB will then need to apply its Due Process to the development and exposure of any new guidance.

Other Considerations

34. To provide staff with enough time to set up the Panel (i.e., develop the submission website, get buy-in from potential members to form the Panel, begin the analysis of issues, etc.), staff recommend starting the Panel in the next strategy period.

Decision Required

35. For discussion only. No decision required.

⁷ The above outputs are similar to the outputs from the IFRIC, which include interpretations or recommendations for the IASB to amend a standard, or an explanation of why existing IFRS already sufficiently addresses the issue. While the IASB does not formally approve interpretations, the board is given the opportunity to object to their issuance, and if 4 or more members of the 11-member board object, the interpretation is not issued and the IASB is required to redeliberate on how to proceed with the issue. For the Panel, staff propose that the output be limited to recommendations only, and that the IPSASB makes the final decision as to whether an agenda decision is issued or if additional application or implementation guidance is required.