

PROJECT BRIEF, **STRENGTHENING LINKAGES BETWEEN IPSAS STANDARDS AND THE GFSM 2014**

1. Introduction

- 1.1. IPSAS® Standards financial statements and Government Finance Statistics (GFS) reports have much in common. Both show financial, accrual-based information; a government's assets, liabilities, revenue, and expenses; and comprehensive information on cash flows. There is also considerable overlap between the two reporting frameworks that underpin this information.
- 1.2. Significant benefits can be gained from using a single integrated financial information system to generate both IPSAS Standards financial statements and GFS reports. However, there are challenges with this, because IPSAS Standards and GFS reporting guidelines have some important differences as a result of their different underlying objectives and separate development. A continuing emphasis on harmonization with statistical accounting is therefore a key component in the delivery of the IPSASB's strategic objective.
- 1.3. IPSAS 22, *Disclosure of Financial Information About the General Government Sector* was issued in December 2006. Since then, IPSAS 22 has been amended for terminology changes and update the references to the *System of National Accounts, 2008* (2008 SNA).
- 1.4. Although the standard was intended to further the key aim in IPSASB's Strategy of encouraging the use of entity-level audited information to improve the quality of the statistical information use for macroeconomic decision-making, it does not provide any implementation guidance to help jurisdictions wanting to do this by:
 - a) Identifying the existing accounting policy options under IPSAS Standards that can be selected in order to align with statistical reporting requirements;
 - ~~a)b)~~ Identifying the recognition and measurement requirements under IPSAS Standards that provide financial information that can already be used to compile statistics in accordance with GFSM 2014; and
 - ~~b)c)~~ Mapping these accounting policy ~~choices~~ options to the Government Finance Statistics Manual 2014 (GFSM 2014), which provides the overarching requirements of international statistical guidance with a "comprehensive conceptual and reporting framework suitable for analyzing and evaluating fiscal policy, especially the performance of the general government sector and the broader public sector of any economy"¹ to be applied by governments.
- 1.5. The GFSM 2014 is part of a series of international guidelines on statistical methodologies that have been issued by the International Monetary Fund (IMF). GFSM 2014 is designed for use by compilers of GFS, fiscal analysts, and other users of fiscal data. GFSM 2014 is focused on conceptual descriptions of definitions, classifications, and conceptual guidelines for compiling and disseminating GFS.
- 1.6. The GFS analytic framework is a quantitative tool that supports fiscal analysis. To permit effective analysis of fiscal policy, the GFS framework facilitates the identification, measurement, monitoring, and assessment of the impact of a government's economic policies and other activities on the economy.

¹ Paragraph 1.2 of GFSM 2014.

1.7. Given the significant increase since 2006 in the number of jurisdictions preparing IPSAS Standards-based accrual accounts, by adding non-authoritative guidance to ~~the IPSASB literature~~Standards, the *Strengthening Linkages Between IPSAS Standards and ~~the~~ GFSM 2014 project (the 'Project')* is intended to:

- a) Strengthen the link between IPSAS Standards and ~~the~~ GFSM-2014; and
- b) Promote IPSAS 22 adoption and implementation through better alignment with GFSM-2014.

2. Project Rationale

2.1. The statistical community already has underway a project underway to update the [System of National of Accounts, 2008 \(2008 SNA\)](#) and the Sixth Edition of the [Balance of Payments and International Investment Position Manual \(BPM6\)](#). The new 2025 SNA and BPM 7 are expected to be issued in H1 2025.

2.2. In order to address the guidance changes resulting from this process, the IMF has launched the [update of the GFSM 2014](#), which is planned to be completed by December 2027.

2.3. As ~~a number of many~~ governments around the world are required to report using GFSM 2014 framework, attendees of the Public Sector Standard Setters Forum PSSSF were of the view that the IPSASB should address ~~reconciliation alignment~~ between IPSAS Standards and GFSM 2014. By starting the project now, the IPSASB will:

- a) Strengthen the existing and potential links between IPSAS Standards and GFSM 2014;
- b) Enhance the usefulness of IPSAS 22 for accountability and decision-making; and
- c) Identify opportunities for further alignment between IPSAS Standards and statistical reporting through the GFSM 2014 update process.

3. Financial Reporting Requirements

3.1. The application of IPSAS 22 is non-mandatory. Its objective is to “prescribe disclosure requirements for governments that elect to present information about the general government sector (GGS) in their consolidated financial statements.”²

3.2. IPSAS 22.26 states that:

“This Standard reflects the view that the consolidated financial statements of a government that elects to disclose information about the GGS are to be disaggregated to present the GGS as one sector of the government reporting entity. Consistent with this view, this Standard requires that the same definitions and the same recognition, measurement, and presentation requirements that are applied when preparing the consolidated financial statements are also applied to the GGS disclosures, with one exception. That exception is that the requirements of IPSAS 35 are not applied in respect of the relationship of the GGS sector with entities in the PFC and PNFC sectors.”

3.3. This means that IPSAS 22:

- a) Only requires GGS disclosures based on the IPSAS consolidated financial statements (with a few exceptions);

² IPSAS 22.2. Underlined by staff.

- b) Does not provide any implementation guidance, on the existing accounting policy options and recognition and measurement requirements under IPSAS Standards ~~to better~~that align with GFSM 2014.
- 3.4. Since IPSAS 22 was originally issued, there have been two important developments in the IPSASB's Standards development processes and its approach to supporting the use of IPSAS Standards-based information for statistical reporting purposes:
- a) In February 2014, the IPSASB adopted its Policy Paper, Process for Considering GFS Reporting Guidelines during Development of IPSAS; and
- b) With the publication of IPSAS 42, *Social Benefits* in January 2019, and for all subsequently approved IPSAS Standards, the IPSASB has adopted the approach of including a non-authoritative summary *Comparison with GFS* table at the end of the each IPSAS Standard in the same format as the *Comparison with IFRS* table.
- 3.5. The Project is therefore focused on providing non-authoritative guidance on the accounting policy options and recognition and measurement principles available under IPSAS Standards ~~that~~better already align with GFSM 2014. It is not expected to require amendments to the authoritative part of IPSAS 22 or any other IPSAS Standard. It also aims to increase alignment with the GFSM through identifying opportunities to achieve this through the GFSM 2014 update process.

4. Project Objective

Project Objective

- 4.1 The objective of the Project is *to strengthen the linkages between IPSAS Standards and GFSM 2014* to help public sector entities maximize the extent to which they can draw on IPSAS Standards-based information in preparing statistical information that is used by decision-makers and for accountability purposes.
- 4.2 The Project will lead to the issuance of additional non-authoritative guidance to IPSAS 22 on the IPSAS Standards-compliant recognition and measurement requirements and accounting policy ~~choices options~~ that ~~can be made to~~ allow IPSAS Standards-based information to be used useful for statistical reporting purposes³, as well as *Comparison with GFS* tables to be added to IPSAS Standards that were issued before IPSAS 42⁴. The project also aims to identify opportunities to increase alignment between IPSAS Standards and the GFSM as a result of the GFSM 2014 update process.

Links to the IPSASB's Strategic Objective

- 4.3 The IPSASB's Strategy and Work Plan for 2024-2028 cites an overarching strategic objective as:

³ The issuance of this additional guidance addresses one of the possible ways (options for the future of IPSAS 22) that the IPSASB could support the reduction of unnecessary differences between IPSAS Standards and GFS reporting guidelines as stated in paragraphs 5.1 of the Consultation Paper, *IPSASs and Government Finance Statistics Reporting Guidelines* issued in October 2012, as well as one of the possible revisions to IPSAS 22 as stated in paragraph 5.22(a) of the same Consultation Paper.

⁴ The production of *Comparison with GFS* tables for IPSAS 1–IPSAS 41 addresses the last IPSASB's action point for potential changes to IPSASB's standard-setting approach to reduce unnecessary differences between IPSAS Standards and GFS reporting guidelines, as stated in paragraph 5.4(e) of the Consultation Paper, *IPSASs and Government Finance Statistics Reporting Guidelines*.

“Strengthening Public Financial Management (PFM)⁵ and sustainable development globally through increasing adoption of accrual IPSAS Standards and international public sector sustainability reporting standards”.

Delivered through two main areas of activity, both of which have a public interest focus:

- Delivering Global Standards (Public Sector Financial Reporting and Public Sector Sustainability Reporting); and
- Inspiring Adoption and Implementation (Promoting Adoption & Implementation and Advocating Benefits of Financial & Sustainability Reporting Information).

4.4 The Project is consistent with the IPSASB’s strategic objective because:

- a) Developing high-quality financial reporting guidance for the public sector will be achieved by providing guidance on issues associated with the GGS that promotes improved transparency and comparability of information presented in IPSAS Standards financial statements and in GFSM 2014 ~~based statistics financial statements~~; and
- b) The Project will raise:
 - i. Awareness of the linkages between IPSAS Standards financial statements and GFSM 2014 ~~based statistics financial statements~~; and
 - ii. The benefits of providing the guidance on accounting policy options under IPSAS Standards to better align with ~~the~~ GFSM 2014 because financial statements are a key instrument used for supporting public sector accountability and decision-making.

Achieving the Objective

- 4.5 As a result of the technical nature of the topic, the Project will make use of a specialist Task Force.
- 4.6 To achieve the objective, the IPSASB (assisted by the Task Force) will on an IPSAS Standard-by-IPSAS Standard basis:
 - a) Consider the recognition and measurement accounting ~~choices options~~ already available within each IPSAS Standard that will enable GFSM 2014-aligned information to be produced;
 - b) Determine the information to be included in the non-authoritative *Comparison with GFS* table for each IPSAS Standard;
 - c) Consider the relevant non-authoritative implementation guidance to be added to IPSAS 22 to articulate the ~~recognition and measurement requirements and accounting policy options choice available~~ within each IPSAS Standard that will ~~already~~ enable GFSM 2014-aligned information to be produced, and where additional information not required by IPSAS Standards would have to be collected for GFS purposes;
 - d) Areas where potential changes to either IPSAS Standards or ~~the~~ GFSM 2014 ~~that~~ could enhance alignment between guidance sources to increase the interoperability of information;

⁵ Public Financial Management (PFM), 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.

- e) Determine the management and phasing of the issues to be considered by the IPSASB; and
- f) Formulate a communications plan to encourage stakeholder input, as well as external expectations regarding issues management.

5. Outline of the Project

Project Scope

~~5.1.~~ The scope of the Project is to develop a final pronouncement with:

- a) ~~-~~Additional non-authoritative guidance for IPSAS 22; and
- b) ~~N~~on-authoritative *Comparison with GFS* tables for all IPSAS Standards before IPSAS 42.

~~5.1-5.2.~~ It is not expected to require consequential amendments to the authoritative text of any IPSAS Standards. However, if any such amendments to IPSAS Standards are required, they will be brought for IPSASB's consideration alongside the proposed additional non-authoritative guidance.

~~5.2-5.3.~~ The scope of the Project will also encompass the:

- a) Review of the IPSASB's Policy Paper, [Process for Considering GFS Reporting Guidelines during Development of IPSAS](#) to identify any updates necessary to reflect changes in practice or terminology since its original adoption; ~~and~~
- b) Refinement of the existing *IPSAS-ISS Alignment Dashboard* to provide an *IPSAS Standards-GFSM 2014 Alignment Dashboard* that will be used to keep the IPSASB informed on the development of the GFSM 2014 update;
- ~~b)~~ Identify opportunities to increase alignment between IPSAS Standards and the GFSM as a result of the GFSM 2014 update process, and as well as to focus IPSASB input into this process.

Key Issues

Key issue #1—Identification of IPSAS Standards-aligned options with GFSM 2014

~~5.3-5.4.~~ As noted above, this Project will address the recognition and measurement requirements and accounting policy options in IPSAS Standards, ~~where there is an option~~ that ~~would already~~ permit GFSM 2014-aligned information to be prepared.

~~5.4-5.5.~~ This topic has been considered by the IPSASB over the years in the following publications:

- a) [Research Report, International Public Sector Accounting Standards \(IPSASs\) and Statistical Bases of Financial Reporting: An Analysis of Differences and Recommendations for Convergence](#), issued in January 2005; and
- b) [Final Report, Task Force on Harmonization of Public Sector Accounting](#), issued in March 2006
- c) [Consultation Paper, IPSASs and Government Finance Statistics Guidelines](#), issued in October 2012.

~~5.5-5.6.~~ Therefore, there is good knowledge among IPSASB staff and IMF colleagues about these requirements and options.

~~5.6-5.7.~~ There is also increasing practical experience of this approach, which has been encouraged by the World Bank PULSAR publication [A Good Practice Outline of the Multipurpose Chart of Accounts](#).

~~5.7-5.8.~~ The use of a Task Force including both IPSASB and IMF staff will therefore help address this key issue. The development of the non-authoritative guidance for IPSAS 22 and *Comparison with GFS* tables for the remaining IPSAS Standards will be guided by the IPSASB's Policy Paper, [Process for Considering GFS Reporting Guidelines during Development of IPSAS](#).

Key issue #2—Nature of Guidance

Key issue #2.1—Level of Detail

~~5.8-5.9.~~ By its nature, developing guidance on IPSAS Standards [recognition and measurement requirements and](#) accounting policy options ~~to better that~~ align with GFSM 2014 involves some level of detail to make the new guidance useful for preparers of IPSAS Standards and GFSM financial statements.

~~5.9-5.10.~~ The main challenge with this key issue will be to strike the right balance in terms of the level of detail taking into consideration the challenges with terminology identified in Key issue# 2.2.

Key issue #2.2—Terminology

~~5.10-5.11.~~ Sometimes IPSAS Standards and GFSM 2014 use different terminology with the same meaning, and other times they use the same terminology with different meanings.

~~5.11-5.12.~~ Several challenges have been identified with this key issue, such as:

- a) What further explanations are required to prevent misinterpretation from both IPSAS Standards preparers and GFSM 2014 compilers when applying the new guidance; and
- b) Where there may be opportunities, as a result of the GFSM update, for further refinements to IPSAS Standards to reduce the scope for misinterpretation in the future.

6. Describe the Implications for any Specific Persons or Groups

Relationship with International Monetary Fund

6.1. The degree of alignment with GFSM 2014 underlies several key issues (see paragraphs ~~5.34–5.44~~¹²) for the Project. Close liaison with IMF staff will be required to understand and decide on the approaches taken to these key issues.

Relationship to Other Standards, Projects in Process or Planned Projects

6.2. There are links to other IPSAS Standards as the requirements in those Standards will inform the new guidance in IPSAS 22. The Project may identify potential changes to IPSAS Standards that, if necessary, could potentially be addressed through the Annual Improvements cycle.

Government Finance Statistics (GFS)

6.3. As noted in paragraph 5.1, the scope of the project is to provide guidance on the [recognition and measurement requirements and](#) accounting policy options under IPSAS Standards to better align with GFSM 2014. The Project may ~~inform on identify~~ potential changes to GFSM 2014 through its update process that is currently underway.

7. Development Process, Project Timetable and Project Output

Development Process

7.1. The project will ~~be completed in two distinct stages of development~~ have two phases:-

- a) Phase 1: Clarify the areas where there is already alignment between IPSAS Standards and GFSM 2014 or there is an aligned IPSAS Standards accounting option already available; and
- b) Phase 2: Identify opportunities to increase alignment between IPSAS Standards and the GFSM 2014 as a result of the GFSM 2014 update process.

7.2. ~~Stage 1 involves the development of an Exposure Draft (ED) with additional non-authoritative guidance for IPSAS 22 and comparison tables for the IPSAS Standards issued before IPSAS 42.~~

7.3. ~~Stage 2 involves the development of versions of the non-authoritative guidance based also on constituents' feedback to the ED.~~

7.2. The development of the outputs will be subject to the IPSASB's formal due process. The approval of the ED and final pronouncement will be subject to the usual IPSASB voting rules. As the Project progresses, regular updates will be provided to confirm the proposed path and that the Project Timetable remains appropriate.

~~7.4.~~ 7.3. Phase 2 will be initially delivered through input to the GFSM 2014 update process, with any further potential amendments or additions to IPSASB pronouncements proposed after the publication of GFSM 2027.

~~7.5.~~ 7.4. As with the update of the [IPSASB Policy Paper, Process for Reviewing and Adapting IASB Documents](#), if any amendments are required to IPSASB Policy Paper, *Process for Considering GFS Reporting Guidelines during Development of IPSAS*, these will be determined by the IPSASB. No it is not expected that a public consultation on proposed changes to the policy paper will be necessary.

Project Timetable

~~7.6.~~ 7.5. The indicative timeline for the Project is as follows:

Expected Completion		Major Project Milestone
2025	March	<ul style="list-style-type: none"> Approval of Project Brief Consideration of Examples of New IPSAS 22 non-authoritative guidance Discussion of refined IPSAS Standards-GFSM 2014 Alignment Dashboard
2025	June <u>September</u>	Approval of ED (Stage 1)
2025	September <u>December</u>	End of ED comment period (Two months)
2025 <u>2026</u>	December <u>March</u>	Approval of Final Pronouncement (Stage 2)

Project outputs

~~7.7.~~ 7.6. The final output of the Project will be a final pronouncement ~~with~~ comprising:

- a) Additional non-authoritative guidance for IPSAS 22; and

- b) Comparison with GFS tables at the end of IPSAS 1–IPSAS 41.

~~7.8.7.7.~~ The intermediate output for publishing the guidance will be an ED.

8. Resources Required

IPSASB support arrangements

- 8.1. A small Task Force of technical experts will be formed, which will provide regular reports to the IPSASB.

Staff

- 8.2. It is envisaged that ~~4~~0.6 Full Time Equivalent (FTE) staff member will be required to resource the Project.

Factors that might add to complexity and length

- 8.3. Factors that may add complexity and length of the Project include:
- Extent and technical complexity of the issues to be addressed; and
 - Additional key issues not yet addressed in the Project brief that may arise in the project stages 1 and 2 of the Project, especially once the IPSASB receives the feedback from its constituents ~~that may impact on the Project Timetable~~.

9. Useful Sources of Information

- 9.1. The principal information sources will be literature of the IPSASB, IMF, and World Bank. These include but are not limited to:
- IPSASB, 2024 Handbook of International Public Sector Accounting Pronouncements, ~~to be~~ issued in November 2024;
 - IPSASB, Research Report, International Public Sector Accounting Standards (IPSASs) and Statistical Bases of Financial Reporting: An Analysis of Differences and Recommendations for Convergence, issued in January 2005;
 - IFAC-PSC, IMF, OCDE, Task Force on Harmonization of Public Sector Accounting—Final Report, issued in March 2006;
 - IPSASB, Consultation Paper, IPSASs and Government Finance Statistics Guidelines, issued in October 2012;
 - IPSASB, Policy Paper, Process for Considering GFS Reporting Guidelines during Development of IPSAS, issued in February 2014;
 - IMF, GFSM 2014, issued in May 2014;
 - IMF's sources and methods documents to compile GFSM 2014 financial statements; and
 - World Bank PULSAR Program, A Good Practice Outline of the Multipurpose Chart of Accounts, issued in 2019.