

Supporting Document 1 – Summary of Q3 2026 FRIF Meeting**Overview of Meeting**

1. The Financial Reporting Implementation Forum (FRIF) held its second meeting in July 2026. The meeting brought together implementation leaders from a wide range of jurisdictions to share their experience in applying consolidation requirements in the public sector.
2. In response to the Work Program Consultation (WPC) feedback, the IPSASB is considering prioritizing a post-implementation review (PIR) of IPSAS 35, *Consolidated Financial Statements*. This is consistent with feedback from the inaugural FRIF meeting. In both cases, feedback suggested that applying the consolidation requirements, particularly the concept of control, in the public sector can be challenging in practice.
3. Consequently, the Q3 2026 meeting was used to identify the challenges in applying the consolidation requirements, including the concept of control, in the public sector. The discussion also identified areas where additional support from the IPSASB might be helpful.
4. Feedback from this meeting will support the IPSASB in determining whether a PIR of IPSAS 35 is needed, and if so, the areas of focus for the PIR.

Issues Identified

5. Participants from jurisdictions at different stages of accrual accounting adoption shared their experience in applying the consolidation requirements. While jurisdictional circumstances differed, several common themes were identified. Participants did not identify significant concerns with the principles of consolidation under IPSAS 35, but rather its application to complex public sector structures and legislative arrangements.
6. Participants observed that public sector relationships may make the assessment of control under IPSAS 35 more complex. An entity may be established by legislation, receive significant government funding, and be subject to ministerial oversight, while retaining varying degrees of operational or statutory independence. Conversely, an entity may be described in legislation as independent but remain subject to government powers that could be relevant to an assessment of control. These arrangements can make it challenging to determine whether the control criteria in IPSAS 35 are met.
7. The discussion also highlighted the significant role of domestic legislation in determining, or influencing, consolidation boundaries. In some jurisdictions, legislation expressly identifies the entities to be included within government financial reporting or establishes governance and accountability arrangements that make the control assessment relatively straightforward. In others, legislation deliberately establishes institutional independence between different levels or branches of government, even other characteristics of their relationship, such as funding arrangements and conditions on the use of resources, may otherwise indicate control.
8. A strong theme from the discussion was the need for additional implementation support material. Participants generally focused on ways to support the consistent application of the consolidation and control principles rather than changing them. Participants considered that these support materials could assist preparers in applying judgment to complex arrangements and improve consistent application across jurisdictions.

9. Suggested implementation support included, but was not limited to:
 - (a) Illustrative examples addressing complex public sector arrangements, including the assessment of non-financial benefits and arrangements in which power, risks, and benefits are shared among multiple entities;
 - (b) Case studies demonstrating how different facts and circumstances can affect the control assessment; and
 - (c) Decision trees and standardized control assessment templates.
10. Participants from jurisdictions with more mature consolidation practices noted that these tools have been particularly helpful in supporting consistent judgments. However, they emphasized that such tools provide structure rather than definitive conclusions, as determining control still requires significant professional judgment.
11. A respondent questioned whether a complementary reporting approach could be useful in the public sector where groups of entities do not meet the control criteria under IPSAS 35, but their combined financial information would nevertheless be relevant to users. Such an approach would not replace IPSAS 35 but could potentially address this information need.

Conclusion

12. Overall, the discussion did not identify significant concerns with the principles of consolidation under IPSAS 35, but instead highlighted challenges in applying those principles to complex public sector governance arrangements. The feedback primarily points to a need for additional implementation support, particularly public sector-specific examples and practical tools, rather than changes to IPSAS 35.