

Strategy and Work Plan™

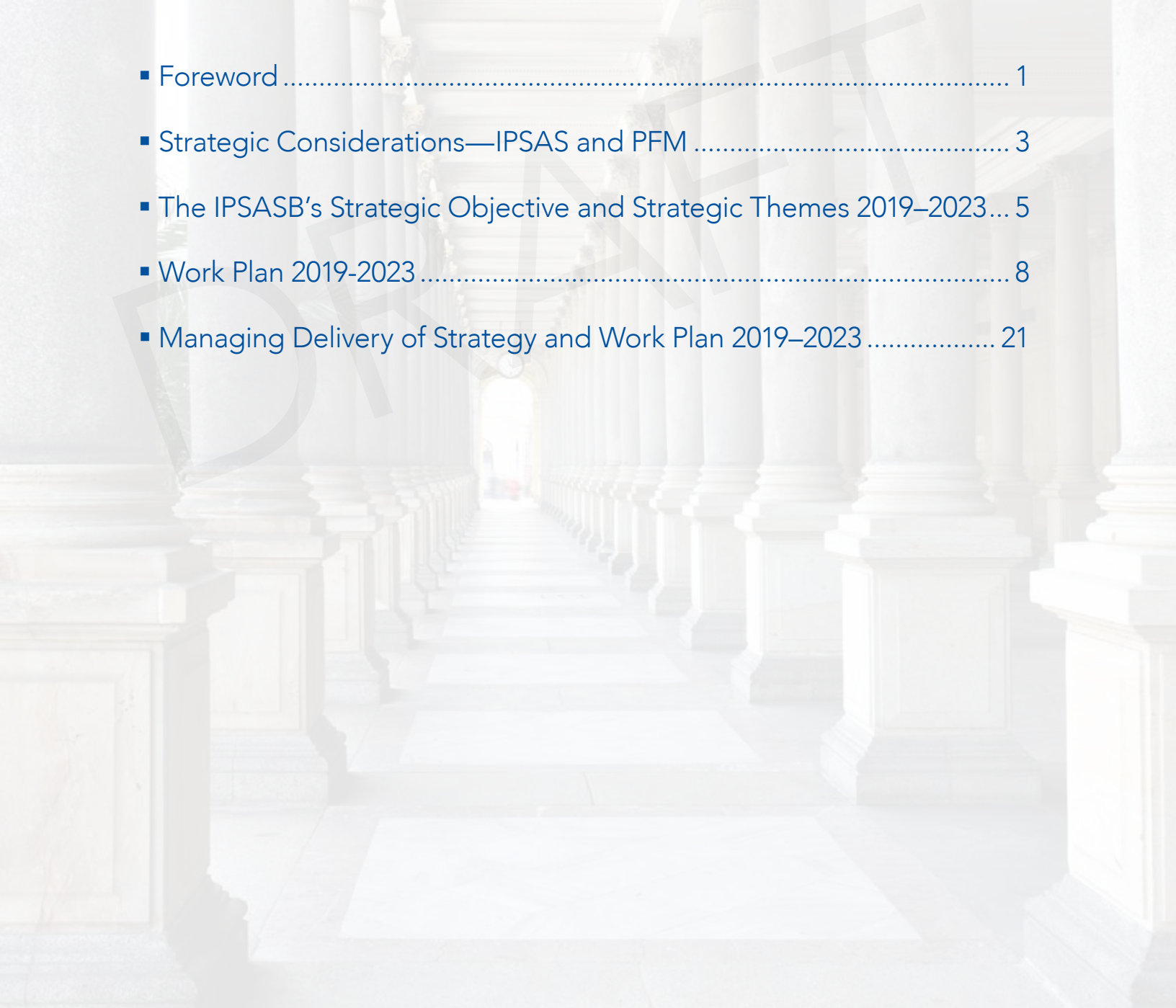
Strategy and Work Plan 2019–2023



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

IPSASB Strategy and Work Plan 2019–2023

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Foreword

■ By Ian Carruthers, IPSASB Chair



2018 marks the twenty-first year of the IPSAS development program. During that period, the IPSASB and its predecessor—the IFAC Public Sector Committee—developed 42 International Public Sector Accounting Standards (IPSAS), as well as three *Recommended Practice Guidelines* (RPGs), an IPSAS on reporting under the cash basis of accounting and, *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (Conceptual Framework). These, together with introduction of a governance framework and an immense amount of outreach work by members, and others associated with its activities, have progressively allowed the IPSASB to mature into the global standard setter for public sector financial reporting.

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

the Public Interest Committee (PIC) and the Consultative Advisory Group (CAG). Both of these have a public interest focus that impacts the IPSASB’s work.

This is a critical time for the IPSASB, as the pace and scale of IPSAS adoption have increased significantly in recent years. This is a trend that looks likely to continue, with the number of governments around the world adopting accrual accounting estimated to increase from 31% in 2015 to 71% in 2020¹. Our standards and guidance will therefore increasingly need to meet the practical requirements of a significantly expanding potential user group.

The 2015 Strategy positioned our work for the first time in the context of the drive to strengthen Public Financial Management (PFM) globally. As a result of the feedback from our constituents, the majority of our work since then has focused on IPSAS development and maintenance. In selecting and scoping the projects in our current Work Plan, the IPSASB attempted to strike a balance between addressing key public sector issues, and maintaining alignment with the new standards issued by the International Accounting Standards

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

Board (IASB). As the IPSASB has progressed the projects approved in 2015, with a number completed during 2018, such as IPSAS 41, *Financial Instruments* and IPSAS 42, *Social Benefits*, it has also considered the direction it should take in the five-year period 2019–2023, and discussed this with a broad range of constituents.

Based on the feedback obtained through the many outreach events that the IPSASB, Technical Advisors and its alumni collectively undertake, as well as the input from formal strategic engagement such as the Public Sector Standard Setters Forum meetings held in 2016 and 2017, the four IPSASB roundtables held to discuss the Strategy and Work Plan 2019-2023 together with the 53 formal responses received, the IPSASB has confirmed that it should continue to focus its work on developing high-quality financial reporting standards for the public sector. Further, the IPSASB had additionally confirmed that it should also focus its activities in the area of promoting awareness of IPSAS and the benefits of their adoption and implementation, in particular by working more closely with global and regional bodies to raise the profile of IPSAS with

financial regulators and markets, all of whom we believe are important key advocates needed as consistent supporters of IPSAS adoption. However, the IPSASB also received constituent feedback to be cautious, to ensure not to overcommit its resources by adding too many new projects to the Work Plan, especially while there are on-going important public sector specific projects to complete, including revenue, non-exchange expenses and measurement.

The feedback from the roundtables and responses to the Strategy and Work Plan 2019-2023 consultation provided valuable input that have helped shape the way IPSASB will work and its priorities during the 5-year period from 2019, as well as play a key role in strengthening PFM globally going forward. Your continued support and input will be vital in helping us shape the future of global public sector financial reporting standards during this critical period.

Ian Carruthers,
IPSASB Chair ■



Strategic Considerations— IPSAS and PFM

- 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.

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

Accounting standards can lead to improved quality of financial reporting, which has the potential to improve decision-making in the public sector. The increasing complexity of public sector finances, together with a greater focus on the quality of public financial management, has increased demand for high-quality standards and

guidance on how to adopt and implement such standards. Adoption of IPSAS are a fundamental step that governments can take to improve financial reporting and PFM because IPSAS-based information provides a comprehensive picture of their financial performance and position. Such information can also enable progress on key government development initiatives such as those related to the United Nations sustainable development goals².

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

² Accountability and transparency by governments and public sector entities on the use of their resources, enables through high-quality financial reporting, such as IPSAS can lead to improved decision-making. Further, this can be seen as an important step in achieving improvements on the United Nations sustainable development goals; a key initiative to better society for future generations around the world.

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

- Key gaps remain in our public sector-specific standards and literature;
- Some of our standards are not based on the latest version of the IFRS equivalent;
- The accessibility of financial statements for non-specialist users, and civil society in general, needs improvement (an issue also common with financial reporting in the private sector);
- Capacity constraints impact on the ability of many jurisdictions to undertake accrual

transition projects which therefore limits the pace of adoption. Promotion of, and support for, accrual adoption and IPSAS implementation, both in individual jurisdictions and globally, needs to be enhanced;

- The vision for, and guidance on using accrual information to strengthen PFM that needs further development, as does the evidence base for such reforms; and
- The IPSASB also needs to consider how it can help constituents to contribute actively to its standard setting and other work going forward.

These challenges have all shaped the IPSASB's Strategy and Work Plan for the period 2019–2023. ■



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

- The overarching Strategic Objective that the IPSASB adopted for 2019–2023 refines the one currently in use in order to provide a sharper focus for its future work. The overarching Objective is:

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

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

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



Developing and maintaining IPSAS and Other Financial Reporting Guidance for the Public Sector

Theme A: Setting standards on public sector specific issues

As the global public sector accounting standard setter acting in the public interest, the IPSASB will focus the majority of its efforts on this Theme in order to address key public sector specific reporting issues not already addressed by IPSAS. The Conceptual Framework will be used as a basis for addressing these challenging public sector reporting issues. In addition, the IPSASB's policy to reduce unnecessary differences with Government Finance Statistics (GFS)³ will also be integral to its work. The IPSASB believes this is the main area where it can add value, as the issues under this theme have not been addressed by other standards setters and are important to users of financial statements in the public sector.

Theme B: Maintaining IFRS alignment⁴

IFRS alignment has been a key pillar of IPSAS development since the inception of the standards program in 1997. In many instances, government activities are the same as corporate activities and so there are advantages for citizens and constituents in reporting such activities using common global financial reporting approaches where this is appropriate. The IPSASB's approach to using IASB literature where relevant⁵ allows it, as a volunteer board with a small staff team, to develop standards efficiently that address the needs of public sector users. Its policy on reducing unnecessary GFS differences is also relevant to work under this theme.

3 The IPSASB considers opportunities to reduce unnecessary differences with GFS in all projects to develop standards and guidance. For further details please see the IPSASB's [Process for Considering GFS Reporting Guidelines during the Development of IPSASs](#).

4 The term 'alignment' refers to the formal processes the IPSASB follows to assess the applicability of IFRS and / or GFS requirements when developing pronouncements which faithfully represent the economic substance of transactions in the public sector. Through these processes the IPSASB aims to reduce unnecessary differences with these sources of guidance when they can also be applied in the public sector context.

5 The IPSASB also considers relevant IASB literature as part of its projects. For further details please see the IPSASB's Process for Reviewing and [Modifying IASB Documents](#).

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

The IPSASB recognizes that the characteristics of the public sector mean that user needs may not always be satisfied by the financial statements alone. Therefore, the IPSASB has developed guidance on broader financial reporting (Recommended Practice Guidelines 1–3⁶), when specific public interest needs have been identified. The IPSASB will continue to monitor user needs and emerging issues in this broader financial reporting space.

Raising awareness of IPSAS and the benefits of accrual adoption

Theme D:
Promoting IPSAS
adoption and
implementation

Promoting and encouraging the adoption and implementation of IPSAS is in the public interest as it can lead to improvements in public sector financial reporting globally, which benefits users by providing greater transparency and provides information to inform better decision making. The IPSASB therefore has a very active approach to outreach⁷ enabling us to engage in a global dialogue with constituents on the adoption and implementation of IPSAS.

Theme E:
Advocating the
benefits of accrual
in strengthening
PFM

The IPSASB's view is that the use of accrual information provides the foundation for strong PFM. In furthering its Strategic Objective, the IPSASB works with other professional groups and sponsoring organizations to help develop the understanding of the PFM benefits of IPSAS adoption in improving transparency, accountability and decision-making.

⁶ The IPSASB has developed three Recommended Practice Guidelines (RPGs), which are pronouncements that provide guidance on good practice in preparing general purpose financial reports (broader financial reporting) that are not financial statements. The following RPGs have been developed: RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*, RPG 2, *Financial Statement Discussion and Analysis* and RPG 3, *Reporting Service Performance Information*.

⁷ IPSASB members and staff undertake a considered and active constituent engagement strategy, including personal appearances, participation in discussion groups and forums, as well as using webinars and other methods of electronic communication, to inform and engage on various technical topics.

Work Plan 2019-2023

Developing high-quality IPSAS and other financial reporting guidance for the public sector

- Themes A, B and C relate to the IPSASB's central role as a standard setter, and are therefore where it has prioritized projects on to the Work Plan 2019–2023.

Criteria for project prioritization

Themes A, B and C relate to the IPSASB's central role as a standard setter and are therefore where it has prioritized specific projects that it proposes to add to the Work Plan 2019–2023. In selecting the projects under each Theme, the IPSASB has evaluated a long list of potential projects against the following criteria, in order to help it assess which projects would provide the greatest public interest benefits to users:

1. **Prevalence.** Whether the financial reporting issue is widespread globally amongst public sector entities.
2. **Consequences.** Whether the issue impairs the ability of the financial statements to

provide useful information for accountability and decision-making.

3. **Urgency.** Whether the emerging issue has recently gained prominence and therefore requires consideration in the near term.
4. **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.

The above factors were considered together in the context of the resources available to the IPSASB, and the need for a balanced Work Plan that includes projects with a mix of complexities.



Work Plan Status at December 2018

Figure 1: Projected timelines for the IPSASB’s ongoing projects at 31 December 2018

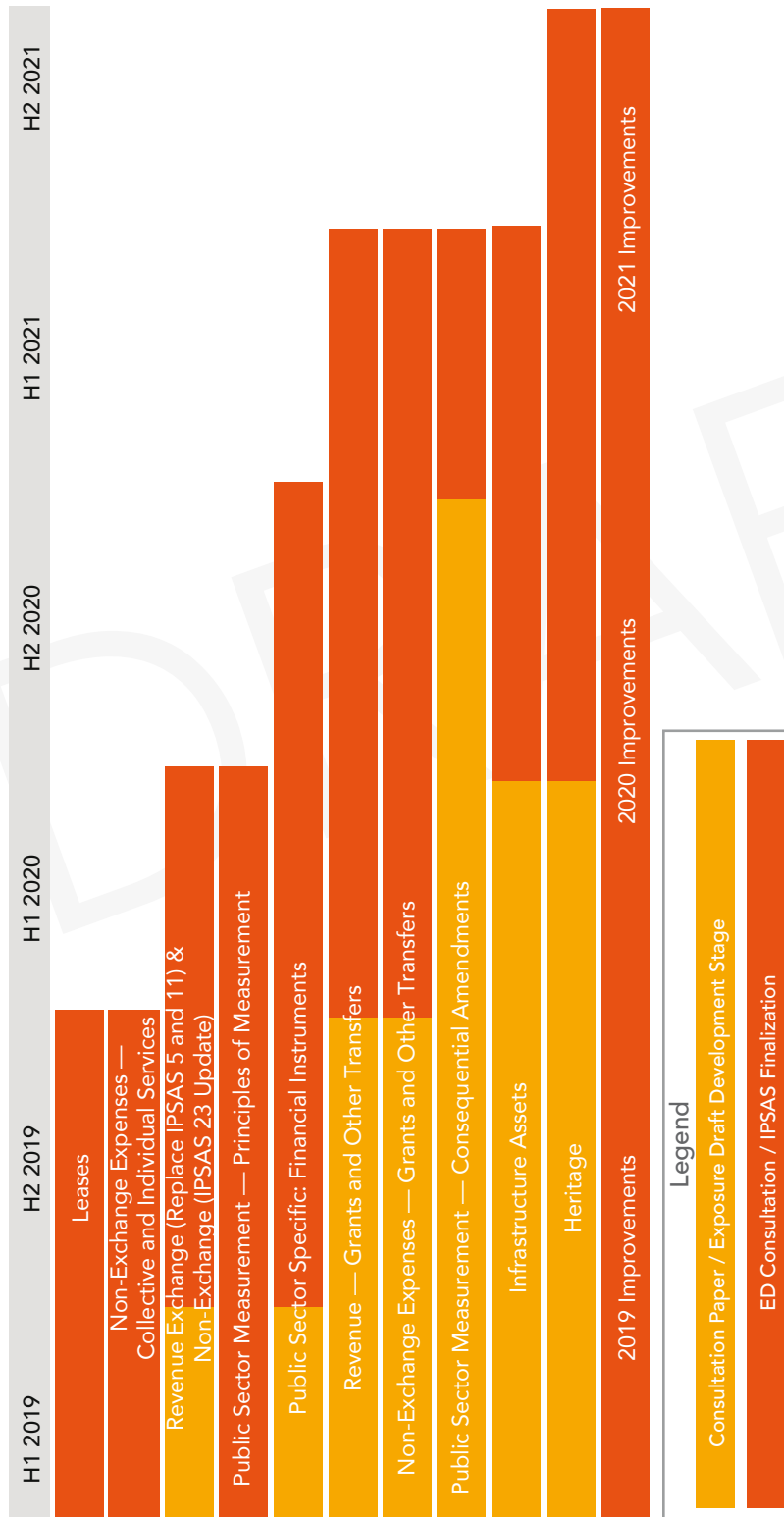


Figure 1 sets out the expected progress for all ongoing projects on the current IPSASB Work Plan as at December 2018. The progress of each project will be dependent on the decisions taken by the IPSASB, feedback received from stakeholders⁸ in each consultation phase, and the availability of staff resources. The IPSASB reviews Work Plan progress at each meeting.

The completion of the projects in the current Work Plan will progressively provide the space from 2019 onwards to undertake new projects. ■

⁸ This work plan assumes that CPs and EDs have standard 4-month consultation periods and assumes that there will not be any projects requiring EDs being re-exposed.

Theme A: Setting standards on public sector specific issues

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

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

Ongoing public sector specific projects include:

- **Revenue**—the current IPSAS exchange revenue standards (IPSAS 9 and 11) are aligned with IASB standards that have been superseded by the publication of IFRS 15, *Revenue from Contracts with Customers*, which provides the IPSASB an opportunity to update these standards. In addition, the approach in IFRS 15 has provided the IPSASB with an impetus to consider its approach to non-exchange revenue transactions and to address practical issues that have emerged in the application of IPSAS 23;
- **Non-exchange expenses**—relate to some of the most important areas of government and public sector entities activity, such as universally accessible services including education and health care and collective services such as defense spending. The public sector transactions in these areas, as well as grants and transfers that give rise to non-exchange expenses are numerous and financially significant. The lack of international guidance on the recognition and measurement for non-exchange expenses creates a public interest deficit as it leads to inconsistent reporting;
- **Public Sector Measurement**—translating the principles in the Conceptual Framework on measurement into more detailed guidance across the suite of IPSAS will help to ensure comparability and the assessment of value for money in the management of public sector assets and liabilities;
- **Heritage**—providing information on heritage items in financial statements is in the public interest as it promotes effective management and preservation of such items for future generations; and

- **Infrastructure Assets**—citizens rely on such assets which are extensive in the public sector. The lack of specific guidance on the recognition and measurement of these assets, causes practical difficulties for preparers (particularly those in the process of adopting IPSAS).

New public sector specific projects added to the 2019–2023 Work Plan

All projects added to the 2019-2023 Work Plan have been assessed against the project prioritization criteria and consulted on with a broad range of constituents globally. The two projects below have been prioritized over other projects proposed as they provide the greatest public interest benefits.

Natural Resources. The issue of accounting for natural resources in the public sector is prevalent in many jurisdictions. Governments often have little idea of the monetary value of natural resources until after they are extracted. However, the rights to extract such resources are often granted beforehand to third parties who then profit from their extraction. From a public interest perspective, this is an important issue, particularly in jurisdictions with resource-based and resource rich economies because the recognition and measurement of these assets impact their management and the benefits derived by citizens from their extraction. The scoping phase of this project will not only have regard to extractive resources, but will also consider broader natural resources, such as water, natural phenomena and living species.

Conceptual Framework limited-scope review.

The IPSASB developed its own Conceptual Framework as the primary basis for its future standard setting activities. In finalizing its Framework in September 2014, it drew on relevant parts of the IASB's Framework at that point. The recent revisions to the IASB's Framework have therefore raised questions about whether the relevant aspects of the IPSASB's own Conceptual Framework should be revised. This project will therefore evaluate the changes made to the IASB's Conceptual Framework, and their relevance to the public sector. Linked to this work, the IPSASB will also evaluate the need for changes to its literature in light of the IPSASB Conceptual Framework chapters on Elements and Recognition in Financial Statements.

New public sector specific projects prioritized for initial research and scoping

A number of IPSASB's constituents highlighted concerns with the number of projects proposed for addition to the 2019-2023 Work Plan. The concerns stemmed from the number and significance of the Board's ongoing projects and the need to focus resources on these in preference to starting new projects. The IPSASB has considered the current and anticipated progress of its current projects, and decided not to add discount rates or differential reporting to the 2019-2023 Work Plan at this time. However, the Board may approach national standard setters to lead work on the initial research and scoping on important public sector accounting issues. This approach allows for continued development on important topics to the

public sector while minimizing direct investment of the IPSASB's resources at a time when there are still a number of on-going public sector specific projects. Following consideration of stakeholder comments, the IPSASB plans to offer national standard setters⁹ the opportunity to lead initial research and scoping work on:

- Differential Reporting;
- Discount Rates;
- Presentation of Financial Statements in the Public Sector; and
- Tax expenditures. ■

Theme B: Maintaining alignment with IFRS

The IPSASB will continue its work to maintain alignment with IFRS¹⁰.

The IPSASB believes that maintaining alignment with IFRS is in the public interest for the following reasons:

- **Common language.** Global public sector standards should have consistent principles and accounting outcomes when the economics of transactions are the same.
- **Mixed Group Consolidations¹¹.** Different requirements are costly to those applying IPSAS when there is no public sector specific reason to develop different accounting treatments. Therefore, reducing unnecessary differences minimizes the cost of preparing consolidated financial statements.
- **Leveraging Resources.** When the transactions are the same in the public and private sector, it makes sense for the IPSASB to build off the best practices in the private sector reporting and develop an aligned standard.

The publications of IPSAS 39, *Employee Benefits* and IPSAS 41, *Financial Instruments* are recent examples of the IPSASB's work to maintain alignment with IFRS. These projects replaced older versions of the standards because of revisions to the related IFRSs. The IPSASB has also completed a number of minor improvements projects in recent years.

⁹ The IPSASB will encourage the involvement of small groups of interested national standards setters to undertake the initial research and scoping work with the aim in identifying the range of options available to address the issues in a particular project, different accounting models that exist in national jurisdictions to address the issues and to identify other sources of public sector specific guidance related to the transactions, if any.

¹⁰ The IPSASB follows a robust process for considering if the IFRS requirements are appropriate for public sector transactions when undertaking an alignment project. This includes considering if specific public sector guidance is necessary, if the relevant private sector guidance is fit for purpose for the public sector, and if additional examples and other implementation guidance will help with the application of the principles in the public sector.

¹¹ Mixed group consolidations are when the public sector consolidates entities it controls which apply private sector accounting standards such as IFRS.

Current active projects that will help to maintain alignment following the issue of new IFRSs are:

- Revenue (IFRS 15); and
- Leases (IFRS 16).

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

In managing its Work Plan and responding to the views of stakeholders globally, the IPSASB will also aim to:

- Undertake regular improvements projects on at least an annual basis in order to address issues identified with current IPSAS as well as to incorporate relevant minor changes to IASB literature;
- Incorporate narrow scope alignment projects, based on the consideration of the availability of agenda time and staff resources¹², as well as the overall mix of complex projects dealing with public sector issues. The IPSASB will consider the potential public interest benefits of undertaking any particular future projects, against the project prioritization criteria and in

terms of the overall balance of the Work Plan; and

- Consider projects to reduce unnecessary differences related to the following items as staff and IPSASB resources become available:
 - IPSAS 18, *Segment Reporting* (update for IFRS 8, *Operating Segments*);
 - IPSAS 20, *Related Party Disclosures* (Update for IAS 24, *Related Party Disclosures – 2009*);
 - IAS 26, *Accounting and Reporting by Retirement Benefits Plans*; and
 - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

This approach to develop a pipeline of alignment projects allows the IPSASB the flexibility to use its resources to address the issues which are most pressing to the public sector, when appropriate resources are available¹³.

To help guide its work under Theme B and in making progress on the pipeline of alignment projects, the IPSASB has developed a dashboard which shows the degree of public sector specificity for each standard as well as the level of alignment with the corresponding IFRS. This document is updated by staff on a quarterly basis and allows the IPSASB and its constituents to understand what the alignment status is for each standard and can be found on the IPSASB website. ■

¹² The IPSASB may leverage staff resources of National Standard Setters when available to work on such IFRS narrow scope alignment projects.

¹³ Based past experience, the IPSASB has evidenced that it can develop guidance aligned with IFRS with much less investment in terms of time and resources than compared to a pure public sector specific project. Therefore, the IPSASB believes it can work in some of the above selected major topics in an efficient manner while public sector specific projects are out for consultation or as they are completed without a large impact on the Work Plan or timeline of the prioritized public sector specific projects.

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

The IPSASB will monitor developments in this area rather than undertake any specific projects.

The IPSASB has developed the following non-mandatory guidance addressing broader financial reporting needs that cannot be satisfied through general purpose financial statements alone:

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

The IPSASB's main efforts during the first part of the 2019–2023 period will primarily focused on addressing public sector specific issues and to a lesser extent on maintaining alignment with IFRS. Given resource limits the IPSASB has decided against adding any specific projects to the Work Plan during 2019–2023 period related to Theme C.

Instead, the IPSASB will actively monitor developments in the broader narrative reporting area. Specifically, it will monitor the work and progress related to Integrated Reporting <IR>, the Corporate Reporting Dialogue and the IASB's project on *Better Communication in Financial Reporting*. The IPSASB will consider the need for future projects related to these initiatives based on their evolution from now through to the mid-period Work Plan consultation planned for late 2020.

Project Phasing and Mid-period

Work Plan update

The projects added under Theme A and the on-going work related to maintain IFRS alignment under Theme B will be started on a phased basis as the current active projects in the Work Plan are completed, and capacity becomes available. The IPSASB will undertake initial research phases for each new project, to ensure it understands the scope of public sector issues and the resource requirements, as well as what the intended output is in terms of standards and/or guidance. To ensure that the IPSASB operates

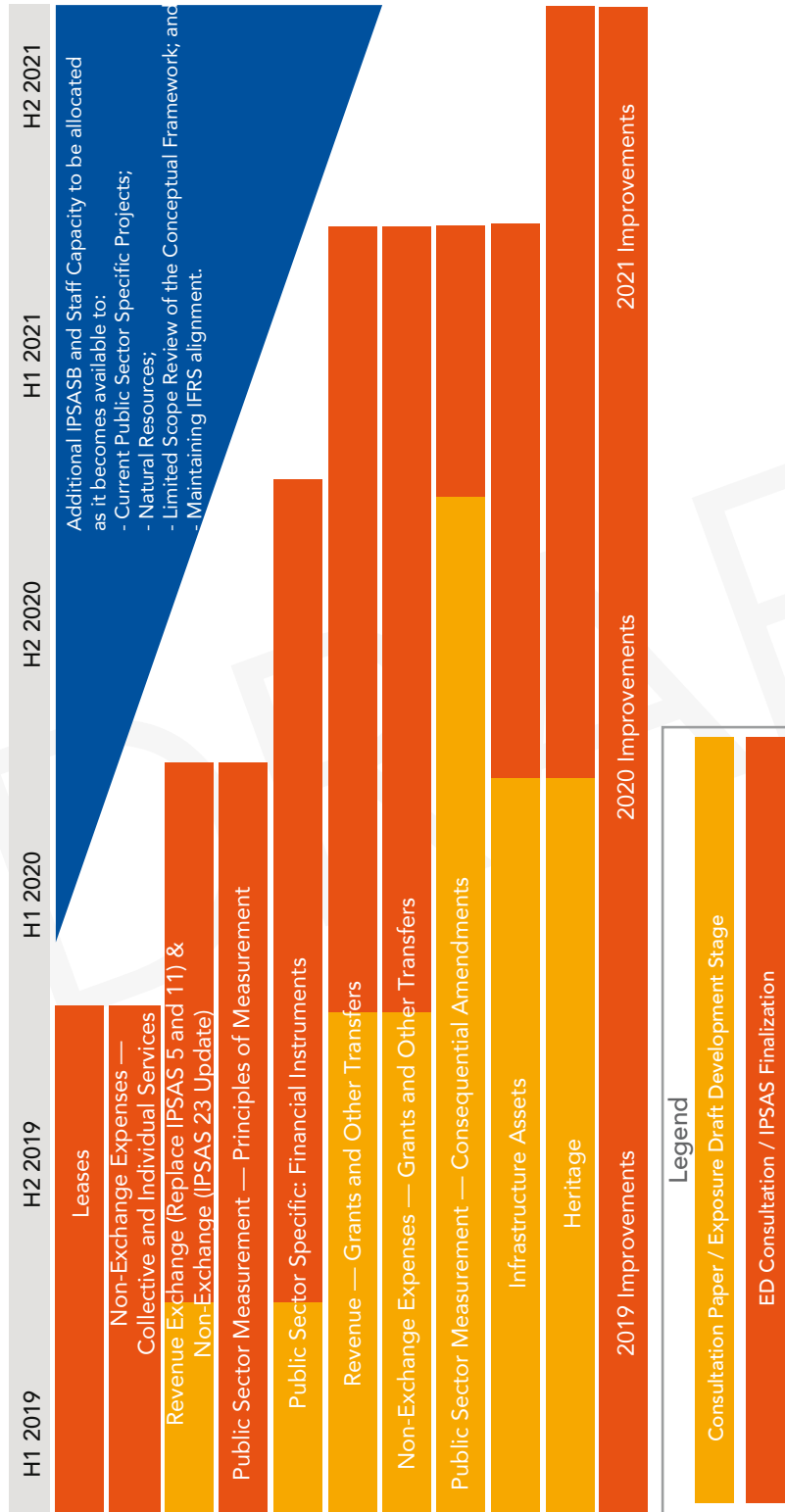
in the public interest of its constituents it is important that it undertakes this initial research phase before initiating full projects.

Anticipated progress with the IPSASB's current projects should mean that the two new projects

are expected to be started in 2019 and 2020 as shown in figure 2. The IPSASB will decide the order in which the specific new projects start, in the light of its assessment of the priorities and resources at that the relevant points in time.

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Figure 2: Current Projects and Additions to the Work Plan 2019-2023



Additional IPSASB and Staff Capacity to be allocated as it becomes available to:

- Current Public Sector Specific Projects;
- Natural Resources;
- Limited Scope Review of the Conceptual Framework; and
- Maintaining IFRS alignment.

Although the Strategy and Work Plan is intended to remain in place throughout the 2019-2023 period, the IPSASB is conscious that new reporting issues may emerge which require a review of Work Plan priorities. It therefore plans to hold a limited-scope public consultation during 2020, in order to obtain external input to its own ongoing consideration of these matters. ■

Raising awareness of IPSAS and the benefits of accrual adoption

- The IPSASB sees the work related to raising awareness of IPSAS and the benefits of accrual adoption as a critical contribution to PFM reform. Given the complexity of the PFM landscape, and its own resource limitations, the IPSASB's view is that building relationships with those working in this space and engagement in their work is the most effective way of promoting the use of IPSAS in PFM reform projects. The IPSASB will therefore actively monitor the work of others in the PFM arena and look for appropriate opportunities to support their work on the international, regional and local levels through its Members, Technical Advisors, Staff and IPSASB Alumni.

Theme D: Promoting IPSAS adoption and implementation

The PFM reform landscape within individual jurisdictions is complex, and the IPSASB's role is more limited than other groups, as shown in the table below. 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.

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

Promotion

The IPSASB's resources limit the extent to which it can promote IPSAS in individual jurisdictions. However, it has an active outreach program focused on speaking at conferences and attending key local meetings, in support of the work of local adopters and implementers. Given the recent global momentum in the adoption of IPSAS, and indications that this momentum will continue in the 2019–2023 period, it is important that the IPSASB Chair, Board Members, Technical Advisors and Staff continue their program of outreach and engagement in order to support the efforts of:

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

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

The IPSASB's outreach activities in promoting adoption and implementation also present an opportunity to learn about issues that are important to users. This important feedback mechanism can identify public sector specific issues and areas for further IFRS alignment or other broader financial reporting needs that should be addressed in the future. This will include working with regional organizations, including engaging in direct discussions on current projects and PFM reform projects and challenges important to the region.

Implementation Support and Technical Guidance

The IPSASB has recently updated its Cash Basis IPSAS, which sets out requirements for public sector entities reporting under the cash basis of accounting, in order to address adoption and implementation challenges encountered in practice. In doing so, it has also clarified that it sees the Cash Basis IPSAS as a step on the path to adoption of the accrual basis, rather than an end in itself.

In order to support accrual adoption and implementation, the IPSASB has issued Study 14: *Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities*. Study 14 is a practical tool to help with common challenges encountered in the transition to accrual accounting and draws upon the experiences of jurisdictions that have been through the transition already. Since the issuance of the current version in 2010, the IPSASB believes that it should be updated to reflect changes in the IPSAS suite of standards, as well as to include further best practice examples from recent experiences of those transitioning to accrual-based IPSAS. Constituents globally have noted that adoption and implementation challenges are key issues for those looking to move to accrual IPSAS and that an updated and perhaps re-formulated Study 14 could be an effective tool to help those starting that important journey. Therefore the IPSASB will work with others to update Study 14 to help deal with challenges noted.

The IPSASB has recently increased its level of support for the adoption and implementation of IPSAS through:

- Explicitly considering implementation challenges noted in the application of accrual IPSAS, when developing public sector specific application guidance, illustrative examples and implementation guidance for new standards and/or updating and revising existing standards;
- Producing implementation support webpages for all major new standards to facilitate their rollout so that preparers and users can understand their likely impact, and use educational material to support implementation;
- Creating a Task Force to consider Implementation and Interpretations issues raised by constituents, and decide whether additional guidance or changes to standards should be proposed.
- Developing 'At A Glance' summaries for all significant IPSAS publications and pronouncements;
- Providing webinars on significant consultations and final pronouncements;
- Publishing an annual Handbook, which is a one stop shop to all of the IPSASB's current pronouncements;

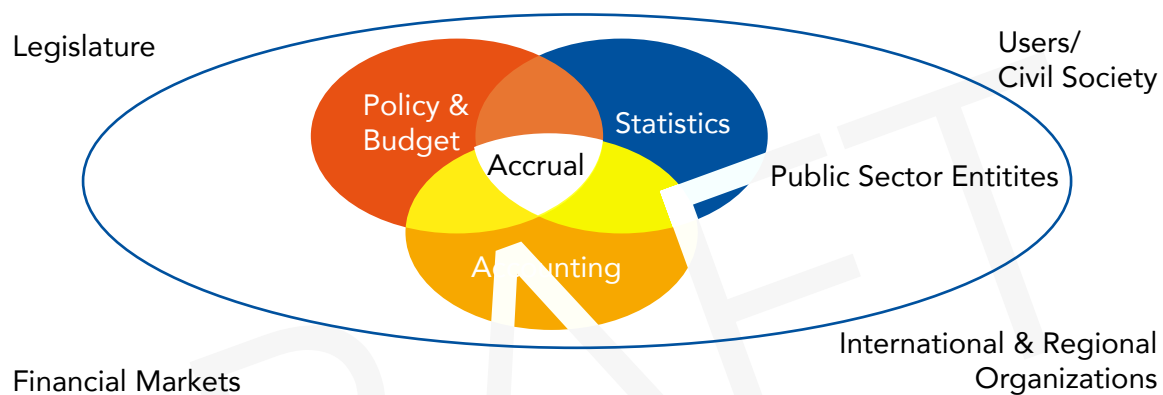
- Issuing Staff Questions and Answers (Q & A) publications highlighting aspects of IPSASB's suite of standards which are relevant to implementation, such as the recent Q & A on Materiality; and
- Creation of training materials as well as delivery of limited training activities to support IPSAS understanding.

The IPSASB recognizes that in some jurisdictions the public sector accounting capacity needed to implement IPSAS is limited. Further, ensuring that those using the standards understand the information being communicated is an ongoing challenge. The IPSASB responds to these challenges through its outreach activities which aim to influence others working in the wider PFM space to ensure activities are coordinated and the needs of jurisdictions are considered. A key aspect of the IPSASB's outreach activities include a continued effort to build on strategic regional relationships developed through the regional roundtable events held during the consultation on this Strategy and Work Plan. This will allow the IPSASB to obtain real-time input to its Work Plan, as well as allowing constituents to provide feedback on problems encountered in practice, in particular those related to the implementation of the standards.■

Theme E: Advocating the benefits of accrual in strengthening PFM

Moving to IPSAS provides many benefits, including contributing to the delivery of Sustainable Development Goals. In order to maximize these benefits, the IPSASB believes that accrual-based information 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



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

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

- The annual Organisation for Economic Co-operation and Development (OECD) Public Sector Accruals Symposium;
- Engagement with the Government Finance Statistics (GFS) community through participation in the IMF GFS advisory committee;
- Participation in the joint IMF/World Bank/IPSASB Seminar: Transparency and Beyond: Harnessing the Power of Accrual in Managing Public Finances; and
- World Bank Governance Forum.

- Activities and engagement with the International Organisation of Supreme Audit Institutions (INTOSAI); and
- Various on-going dialogues and discussions with national and regional standard setters contemplating the potential use of IPSAS in their reporting frameworks.

The IPSASB believes that its advocacy work in the area of increasing the use of accrual in PFM should be taken forward through:

- Further work with the GFS community on reducing unnecessary differences between IPSAS and GFS in order to facilitate the use of IPSAS data for GFS purposes, and in turn its use in supporting budgetary and macroeconomic policy decisions;

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

These initiatives will be complemented and supported by the regional engagement approach that IPSASB is planning to adopt in connection with Theme D. ■



Managing Delivery of Strategy and Work Plan 2019–2023

IPSAS support high-quality financial reporting for the public sector globally because they are:

Internationally recognized

Designed specifically for the public sector

Developed independently through a rigorous due process

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

- Seventeen volunteer members (and their technical advisors) and a remunerated independent Chair who collectively commit approximately 13,000 hours of time annually.
- An experienced full-time technical and administrative team of eight staff, with the IPSASB’s administrative structures and processes facilitated by IFAC.
- An annual operating budget¹⁵ that supports staffing, meeting, travel and other direct costs necessary for the IPSASB to be able to execute its Strategy and carry out its Work Plan.

Managing delivery of the IPSASB’s Strategy and Work Plan within these limited resources, and with due consideration of the external context

in which it operates is a priority of the IPSASB leadership. Key focus areas include:

International Recognition

The strength of the IPSASB’s reputation and global acceptance of the IPSAS—Managed through:

- Ongoing commitment to ensuring both the quality and timeliness of delivery of new standards. This includes developing high-quality principle-based standards that are usable and provide users with information that is relevant and faithfully representative;
- Appointments through the independent nominations process which emphasizes and ensures diversity of¹⁶ IPSASB members, with the requisite skills, resources and capacity to contribute to the projects on the Work Plan; and
- Attracting, developing and retaining diverse, knowledgeable and highly qualified staff.

¹⁵ The IPSASB receives support from the Asian Development Bank, the Chartered Professional Accountants of Canada, the New Zealand External Reporting Board, and the governments of Canada and New Zealand. The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants (IFAC).

¹⁶ The IPSASB values diversity amongst its members and the staff. The IPSASB continually works to improve the diversity of its members who are selected on the principle of “best person for the job,” the primary criterion being the individual qualities and abilities of the nominee in relation to the position for which they are nominated. However, the selection process also seeks a balance between the person and professional qualifications of a nominee and representational needs, including gender balance, geographic representation, sector of the accountancy professional, knowledge of institutional arrangements encompassed by the constituency, size of the organization, and level of economic development.

Public Sector Specific

Relevance and focused on key public sector specific issues—Managed through:

- Collaborating with national public sector accounting standard setting boards and the IASB to leverage their work and resources, including staff support when possible;
- Use of task forces to aid in standards development work; and
- Optimizing IPSASB plenary time, balancing debates on both strategic and technical considerations, and continuous improvement of effective and issues-focused material.

Rigorous Due Process

Strong public interest focus—Managed through:

- Clearly documented processes reviewed and overseen by the PIC;
- Formal public consultations at ED stage (and CP stage where appropriate);
- A close and active governance dialogue with the PIC and the IPSASB CAG, including a focused, responsiveness to their advice, observations, and recommendations and a steadfast commitment to developing high-quality standards in the public interest.

Operational effectiveness and stability—Managed through:

- Organizing and conducting IPSASB meetings and other activities in the most effective, efficient and timely way;

- Using the IPSASB, staff and other resources in a focused and effective manner; and
- Maintaining relationships with existing funders, and ongoing consideration of additional approaches to increase and broaden the funding base.

Robust outreach and communication with constituents—Managed through:

- Development and release of supporting communication material, such as 'At a Glance' and Q&A documents, webinars and podcasts, for example when addressing complex issues;
- An extensive Chair, member and staff outreach program;
- Platforms such as the Public Sector Standard Setters Forums to discuss national issues of international relevance; and
- Use of technology to make meetings accessible, such as live streaming key sessions when possible.

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

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International Public
Sector Accounting
Standards Board®

529 Fifth Avenue, New York, NY 10017

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

www.ipsasb.org