

Proposed Strategy and Work Plan

# Proposed Strategy and Work Plan 2019–2023

## Appendix B: Analysis of Potential Projects Against Selection Criteria

| Potential Projects  | Prevalence  | Consequences  | Urgency  | Technical and Resource Considerations  | Prioritized for Inclusion in the Work Plan 2019-2023 |
|---|---|---|--|--|--|
| <i>Theme A – Setting standards on public sector specific issues</i> |   |   |  |  |  |
| Natural Resources   | In resource rich economies.   | Currently the lack of guidance in this area impairs decision-making.  | As IPSAS adoption increases.   | Other standards setters have developed guidance in this space.                       | Yes  |
| Discount Rates  | Likely to impact on all reporting entities.                               | Significant to both balance sheet and performance statement. The principles underpinning IPSAS requirements and guidance are unclear and may not reflect current interest rate environment. | More urgent as a result of the current low/negative interest rate environment. | Other standard setters are undertaking work currently, which the IPSASB can draw on. | Yes  |
| Differential Reporting  | All jurisdictions that have entities of different sizes and complexities. | Will lead to more entities providing better financial information in a cost effective manner.   | Identified as an issue impacting adoption and implementation of IPSAS.         | Many standards setters have differential reporting models.                           | Yes  |

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|--|---|--|---|--|--|
| Limited Review of the Conceptual Framework | The Conceptual Framework underpins IPSAS standard setting activities. | The Conceptual Framework impacts on all IPSASB's standard setting activities and requirements and guidance in IPSAS.   | IASB is expected to publish their revised Framework in Q1 2018.<br><br>There will be issues not considered in the development of the IPSASB's Framework.<br><br>Application of the IPSASB's Framework at standards level has also identified some issues which might justify minor revisions. | Feasible to consider minor changes based on items identified in applying the framework and arising from the IASB Framework when finalized.   | Yes  |
| Intangible Assets–Public Sector Specific   | Expected to impact entities widely.                                   | Questionable whether IPSAS 31, <i>Intangible Assets</i> , which is primarily drawn from IAS 38, <i>Intangible Assets</i> , provides relevant requirements for the recognition and measurement of some public sector specific intangible items. | Possibility that transactions and events potentially giving rise to public sector specific intangibles are increasing. However, IPSAS 31 provides guidance for such transactions and events.  | Dependent on the current ongoing Measurement and Revenue projects. Strong links to the potential project on Sovereign Powers as that project would explore whether sovereign powers give rise to intangible assets.<br><br>A further possible link to the proposed project on Natural Resources. | No   |

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|--|--|---|---|--|--|
| Sovereign Powers and their Impact on Financial Reporting | Expected to impact entities widely where public sector entities have sovereign powers. | Some question if public sector entities should be able to recognize assets related to sovereign powers (right to taxation, right to regulate). However, recognition of sovereign powers on their own was considered during the development of the IPSASB's Conceptual Framework and the decision was that sovereign powers on their own cannot be recognized as assets, because of the lack of a past event until the sovereign power is exercised and the rights exist to receive resources. | Unclear, some have identified addressing sovereign powers as an important issue. However, others consider that current IPSAS already appropriately address recognition and measurement of sovereign powers. | The IPSASB Conceptual Framework is clear that assets related to sovereign powers only arise when the power is exercised and the rights exist to receive resources. Therefore recognition of sovereign powers in themselves as assets does not appear feasible. There has not been an indication that the Conceptual Framework thinking in this area is flawed. | No   |

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|------------------------|---|---|---|--|--|
| <b>Military Assets</b> | Mainly limited to national governments, but highly significant in terms of expenditure. | If IPSAS 12, <i>Inventories</i> and IPSAS 17, <i>Property, Plant, and Equipment</i> is applied appropriately military assets would be faithfully represented in the financial statements.<br><br>Some question whether the disclosure requirements of IPSAS 17 are appropriate for military assets. | Not an emerging issue as IPSAS 12 and 17 set out requirements applicable for military inventory and property, plant and equipment. No evidence that existing requirements are flawed, although some would welcome greater clarity as to when IPSAS 12 and IPSAS 17 should be applied. | Would be dependent on the current Public sector Measurement Project, and the Infrastructure project might influence the approach and nature of output. | No   |

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|---------------------------------|-------------------------------------|--|---|---|--|
| Accounting for Tax Expenditures | Limited to tax collecting entities. | A lack of transparency over tax expenditures provided by governments undermines the accountability of governments to resource providers. | Does not directly relate to the face of financial statements, but important accountability implications. These implications are increasing in some jurisdictions. | IPSASB's Revenue project is considering the accounting treatment of taxation revenue with long settlement dates. Might be appropriate to focus on taxation issues with impact on financial statements in 2019–2023 Work Plan, prior to reconsidering a project on Tax Expenditures as part of a review of RPG 2, <i>Financial Statement Discussion and Analysis</i> . | No   |

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| Asset Retirement Obligations (AROs) | Impact limited to those entities which engage in activities that impact the environment or are engaged in the management of assets, which will give rise to future remediation activities related to the asset or the natural environment in which the asset is operated. | If current IPSAS are applied AROs would be faithfully represented in the financial statements. | IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> , which is primarily drawn from IAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i> , provides requirements and guidance on the recognition of liabilities related to environmental remediation and decommissioning obligations. The Conceptual Framework may have significant implications for the recognition requirements in IPSAS 19, but there are no indications that there are flaws in current IPSAS 19 related to accounting for AROs. | Some standard setters have developed specific guidance for AROs. More specific guidance is feasible to develop, however, it is questionable if additional guidance is needed. | No   |

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| <i>IPSAS 22, Disclosure of Financial Information about the General Government Sector</i> | Reporting on the General Government Sector (GGS) is a key characteristic of the public sector.<br><br>However, the low rate of adoption of this standard may question if this is a prevalent issue in a financial reporting context. | IPSAS 22 does provide additional information but its limited adoption does not appear to impair the use of financial statements for decision making.  | Information on general government sector available through reporting outside the financial statements.<br><br>The project to revise IPSAS 18, <i>Segment Reporting</i> may also address this.                                 | IPSASB could draw upon current statistical guidance to review IPSAS 22.   | No   |
| <b>Theme B – Maintaining IFRS convergence</b>  |  |   |   |   |  |
| <i>Update of IPSAS 18, Segment Reporting</i>   | Expected to impact entities widely.  | IPSAS 18 is based on an old IASB standard.<br><br>Indications received from preparers and IPSASB partners engaged in IPSAS implementation, are that IPSAS 18 does not provide useful information and is difficult to apply. | IPSAS 18 currently addresses segment reporting. However, in jurisdictions where IPSAS adopters also require for profit entities to apply IFRS, have identified a need for consistency between the public and private sectors. | The principles in IFRS 8, <i>Operating Segments</i> could be readily adapted through a convergence project for the public sector. | Yes  |



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| IPSAS 1, <i>Presentation of Financial Statements</i> | Expected to impact entities widely. | The current IPSAS 1 is based on a superseded version of IAS 1. In addition IPSAS 1 has been only partially updated to reflect all changes arising from the Conceptual Framework. | IPSAS 1 addresses presentation of financial statements. However, recent IASB developments and the IPSASB Conceptual Framework have introduced new concepts and ideas which may improve communication through financial statements. | <p>Developments related to IAS 1, may depend on the IASB's ongoing communication initiative, which when completed can be considered for its applicability to the public sector.</p> <p>A significant change to IAS 1 was the introduction of "other comprehensive income", a component of income outside profit or loss. The IPSASB examined this component of income in the development of its Conceptual Framework and concluded that it was inappropriate in the public sector.</p> | No   |

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| <i>IPSAS 20, Related Party Transactions</i>                                 | Expected to impact entities widely.  | IPSAS 20 is based on an old IASB standard. Revising or replacing IPSAS 20 to reflect the revised IAS 24, <i>Related Party Disclosures</i> , may provide more useful information. | IPSAS 20 addresses related party transactions, but is based on superseded IASB standard. IPSAS adopters where, for profit entities apply IFRS, identify a need for consistency between the public and private sectors. | A project to replace or update IPSAS 20 could proceed without reliance on other projects.   | No   |
| <i>IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations</i> | Limited, would impact only public sector entities with assets held for sale. | Currently the lack of guidance impairs transparency and decision making related to sales of non-current assets in the public sector.   | Some argue it is not a relevant issue in the public sector. However, others note that accountability related to asset management requires greater transparency, especially for assets held for sale.                   | Appropriate measurement basis for assets held for sale will be considered in the ongoing Measurement Project, so there is a risk of duplication if a separate project is initiated. | No   |

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| IFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i> | An increasingly prominent issue in jurisdictions with mineral and resource based economies, where IPSAS adoption and implementation is increasing. | Currently the lack of guidance in this area impairs decision making. | As more jurisdictions in mineral and resource based economies adopt IPSAS. | This project would be in the same area as the proposed Natural Resources project. Further, IFRS 6 is an interim pronouncement that permits the retention of pre-IFRS adoption accounting policies, although IASB has no current plans to replace it. IFRS does not have a focus that addresses key public sector issues. | No   |

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| <i>IFRS 14, Regulatory Deferral Accounts</i> | <p>Issue is limited to rate regulated industries (such as electric or gas utilities), and potentially regulatory entities.</p> <p>Likely that most entities affected by rate regulation are profit seeking entities that are reporting under IFRS or national for-profit standards. Any IPSASB project should therefore focus on regulators.</p> | <p>Entities such as utilities which operate in regulated industries are likely applying IFRS or national for-profit standards entities. IPSAS are not primarily designed for such entities.</p>                                    | <p>Not an emerging issue in the public sector.</p> | <p>Regardless of its limited relevance for non-commercial public sector entities, IFRS 14, which allows entities adopting IFRS to continue previous accounting policies would not form an appropriate basis for an IPSAS.</p> <p>The IASB has an active project considering accounting for rate regulated activities.</p> <p>The IPSASB should not progress this project until the IASB work is complete. Any IPSASB project should focus on regulators.</p> | No   |
| <i>IFRS 17, Insurance Contracts</i>          | <p>Relevant to entities issuing insurance contracts (limited in the public sector).</p>  | <p>The hierarchy in IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, directs users to IFRS 17, so the absence of an IPSAS on insurance accounting does not appear to have detrimental effects.</p> | <p>Not an emerging issue in the public sector.</p> | <p>IFRS 17 is a high-quality standard that could provide a sound basis for development of an IPSAS.</p>  | No   |

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| IAS 34, <i>Interim Financial Reporting</i>   | Only relevant for entities in jurisdictions where interim reporting is a feature of the reporting framework.   | The lack of an IPSAS on interim financial reporting drawn from IAS 34 is not preventing entities from developing interim financial reports.                     | Not an emerging issue in the public sector.  | IAS 34 would provide a sound basis for development of an IPSAS.  | No   |
| <i>Theme C – Developing guidance to meeting users’ broader financial reporting needs</i> |  |   |  |  |  |
| Revising RPG 1, <i>Reporting on the Long-Term Sustainability of an Entity’s Finances</i> | Limited to higher levels of government, where a macro view of future resource inflows and outflows can be assessed for sustainability reporting (such as the whole of government level). | No impact on general purpose financial statements. However, information on the sustainability of an entities finances is useful to users and complements GPFSS. | The IPSASB has noted a potential need to revise RPG 1 in ED 63, <i>Social Benefits</i> .   | Before RPG 1 was revised, the IPSASB would need to consider the responses to ED 63 and complete the development of a social benefits standard. Revisions to RPG 1 will need to complement that standard. | No   |
| IASB Initiative- <b>Better Communication in Financial Reporting</b>                      | Expected to impact entities widely.  | Improvements to financial reporting communication may make financial statements more meaningful and useful to users.  | IPSAS 1 addresses presentation of financial statements. However, recent IASB developments may improve financial reporting and information communicated to users. | The IASB initiative related to better communication is still ongoing and the IPSASB should continue to monitor developments.   | No   |

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|---|---|--|---|--|--|
| Defining Public Sector Key Financial Performance Indicators | Expected to impact entities widely.   | The lack of defined public sector key financial performance indicators limits the power of accrual accounting for decision making in jurisdictions which have adopted IPSAS. | In some jurisdictions accrual financial reports are produced, but not used for decision-making purposes. Defining key financial performance indicators for the public sector would enhance the value of accrual accounting. | Developing guidance on key financial performance indicators for public sector entities is feasible. However, the selection of such indicators may reflect need to jurisdictional factors. There is also a risk that such a project might be over granular. | No   |
| Public Sector Guidance for Cost Accounting                  | Does not directly relate to financial reporting for public sector entities. | The lack of public sector cost accounting guidance does not directly and adversely impact IPSAS financial reporting.   | Developing guidance for cost accounting may be useful, however, it is questionable if developing such guidance is within the IPSASB's core remit.   | Developing guidance for cost accounting is feasible, but questionable whether the IPSASB is best positioned to undertake such a project.   | No   |

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