

Meeting: IPSASB Consultative Advisory Group
Meeting Location: Abu Dhabi, United Arab Emirates
Meeting Date: December 9, 2019

Agenda Item 3

For:
☐ Approval
☒ Discussion
☒ Information

IMPLEMENTATION ISSUES

Project summary	Action member suggestions on how to improve the CAG Implementation sessions to be more focused on specific implementation issues at the standards level.	
Meeting objectives	Topic	Agenda Item
Discussion items	Implementation Issues	3.1
Other supporting items	Appendix A from Technical Director's CAG Report Back	3.2

Agenda item 3.1

Implementation Issues

Background

1. At the June 2019 CAG meeting, members reviewed the topics discussed during previous CAG Implementation Issue sessions and identified areas of improvement in order to maximize the benefit of these sessions.
2. Members advised the sessions were beneficial and should be maintained as a standing item. However, members suggested that the topics move away from the generic issues discussed previously (country implementation experiences and general topics) and instead focus on specific technical issues or challenges in applying IPSAS. See [Appendix A](#) for member comments and report back, from June 2019.

Detail

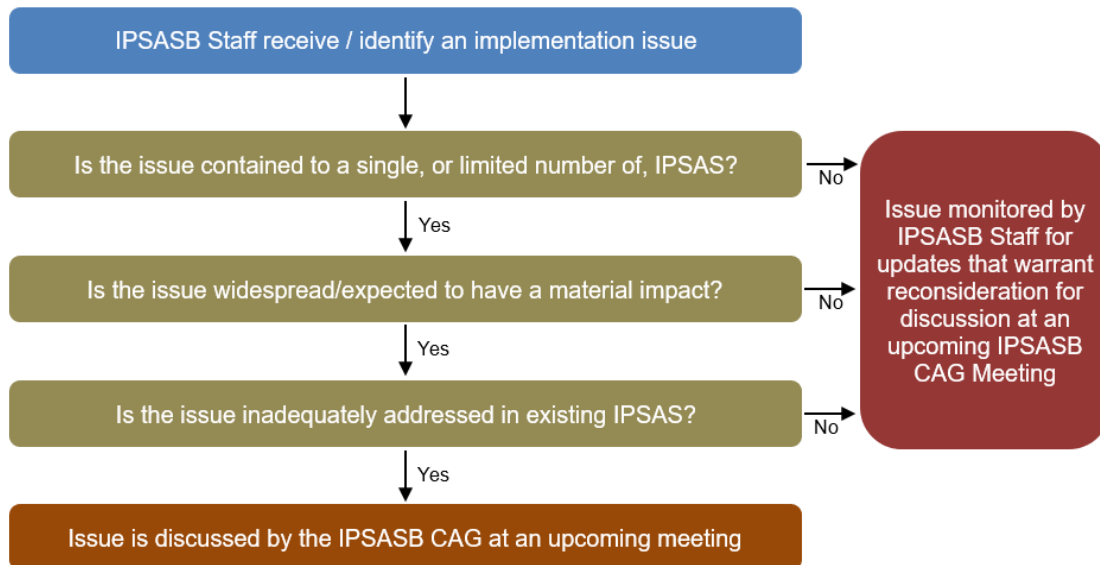
3. Based on the CAG feedback, IPSASB Staff established criteria it will apply in order maximize advice received from members during CAG Implementation sessions. In developing these criteria, Staff considered:
 - (a) Criteria established by other standard setting bodies¹ when evaluating whether issues warranted discussion by the respective standard setting board, sub-committee or equivalent; and
 - (b) The CAG's Terms of Reference indicating an objective of the group includes providing advice on key technical issues that may impede the adoption or effective implementation of IPSAS. Staff considered how to best draw on members' broad experience in order to advice the CAG on a way forward in addressing the issue.

Process

4. The process of identifying CAG implementation issues sessions may arise in a number of ways:
 - (a) Implementation issue is identified by a CAG member;
 - (b) Implementation issue is identified by IPSASB Staff;
 - (c) Implementation issue is identified by an IPSASB member; or
 - (d) Implementation issue is submitted by a constituent to the IPSASB Staff.
5. Staff will only bring forward issues consistent with the CAG's objective to provide advice to the IPSASB on technical issues or effective implementation of IPSAS.
6. In order to receive the best advice, Staff proposes applying a framework to be applied when analyzing implementation issues. The framework is based on Member comments provided in June 2019. Staff proposes considering the following:
 - (a) **Scope.** This issue should be sufficiently narrow in scope for Members to provide advice to the IPSASB. Staff will ensure the issue is specific to an IPSAS, or a limited number of IPSAS. This means it should be related to a specific type of transaction covered in an IPSAS;

¹ Where available, staff considered the agenda setting process for the interpretations committees, or equivalent, of the following standard setters, IASB, FASB, PSAB Canada, XRB, ASB South Africa, and Australian ASB.

- (b) **Material.** The issue should impact a broad base of public sector entities rather than be an issue specific to a particular jurisdiction or industry. Staff will focus the analysis allowing Members to advise the IPSASB how to reduce diversity in practice in a meaningful way; and
 - (c) **Lack of guidance.** There should be a lack of guidance in how the issue should be accounted for in practice. Staff will identify evidence that a widespread accounting problem exists.
7. The following diagram summarizes the criteria IPSASB Staff proposed to consider when bringing forward an implementation issue for discussion at an upcoming IPSASB CAG meeting:



8. Members are asked the following question:

Question to CAG Members

Do CAG Members agree with the criteria proposed and the diagram suggested?

Are there any additional considerations Staff should include in evaluating implementation issue for the IPSASB CAG?

Appendix A: Extract from Technical Director's CAG Report Back

The following is an extract a Report Back summarizing how IPSASB Staff addressed comments raised by CAG members in June 2019.

Representatives' and Observers' Comments	IPSASB Response
June 2019 CAG Meeting Comments	
Mr. Müller-Marqués Berger welcomed Ross Smith, IPSASB Deputy Director, and Dave Warren, IPSASB Principal, to share a presentation reflecting on the implementation issues discussion the CAG has held to date. Members were asked their views on areas for improvement and how to make sessions more relevant regarding practical implementation issues / challenges with IPSAS / accrual accounting.	
1. Mr. Boutin noted there was value in maintaining a standing item as the information was relevant and useful for the IPSASB. However, not all implementation challenges were standard setting issues. The sessions should go deeper into the technical challenges associated with specific IPSAS. Mr. Boutin suggested developing a central tracking system to maintain a single database of implantation issues relevant to the IPSASB and useful to standard setting process.	<i>Noted.</i> The IPSASB Staff developed criteria to analyze issues for Members. See Selection Criteria 1 Staff tracks all implementation issues sessions discussed by the CAG. This tracking system has been augmented to track the outcome of the discussion where transactional issues related to a specific IPSAS, or IPSASs, are discussed.
2. Ms. Sanderson noted it was important to summarize the key findings coming out of the sessions with perhaps a stock-take to understand consistent themes. This could be used to move away from considering only generic issues, with a focus on how to mitigate the common issues. Future topics should reflect feedback on significant issues and, perhaps, consider where IFRS implementation can provide learnings for IPSAS implementation.	<i>Noted.</i> IPSASB Staff is in the process of developing a mechanism to consider how to resolve implementation issues.
3. Mr. Matthews confirmed the sessions hold value. As it relates to implementing specific standards, he noted it would be useful to discuss how a country can determine if they are ready to implement IPSAS. Some thought should be given to which IPSAS were core standards for adoption, and which were "nice to have".	<i>Noted.</i> See comment #2.

Representatives' and Observers' Comments	IPSASB Response
<p>4. Ms. Kim noted implementation sessions were beneficial in understanding challenges jurisdictions face when adopting IPSAS. This provided the CAG with a good foundation on how to move on. The Asian Development Band was performing outreach regarding the challenges of resource allocation, policy decisions, and timing. Many countries were unable to fully adopt IPSAS and it was important to understand why.</p>	<p><i>Noted.</i> No action required.</p>
<p>5. Ms. Colignon agreed it was useful understanding implementation issues. In France, topics that are at very early exploration stage include the definition of a reporting entity in the public sector to ground a conceptual basis for grouping public sector individual accounts when control may not be the most relevant factor. Then, once the basis for grouping accounts has been conceptually delineated in the public sector, the question remains of what the relevant financial information is at that level of aggregation, including sustainability and reconciliation with budget accounting. The role of auditors is also being considered, especially as to whether it should be limited to auditing financial statements, or enlarged to auditing budgetary figures.</p>	<p><i>Noted.</i> No action required.</p>
<p>6. Mr. Gisby commented the sessions were useful, but it would be good to break down the challenges to capacity issues and standard implementation issues. For example, is extra guidance needed? Should the IPSASB include an interpretation function? Is an IFRIC type committee, something similar, necessary?</p>	<p><i>Noted.</i> The IPSASB Staff developed criteria to analyze issues for Members. See Selection Criteria 2 and 3</p>
<p>7. Mr. Chowdhury noted this has been a valuable discussion. He commented in India, the railway commission adopted accrual accounting and due to its success, the postal services followed. Success stories highlighted the challenges; how they were overcome were useful in inspiring others to apply IPSAS.</p>	<p><i>Noted.</i> No action required.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>8. Mr. Ndiaye noted the sessions were a useful feedback mechanism. However, the CAG needs to process this feedback and determine whether the same issues arose in different countries. The CAG needs to determine whether there are common trends and how adopters can be supported in order to eliminate the repetition of the same mistakes.</p>	<p>Staff tracks all implementation issues sessions discussed by the CAG. This tracking system has been augmented to track the outcome of the discussion where transactional issues related to a specific IPSAS, or IPSASs, are discussed.</p>
<p>9. Ms. Aldea Busquets commented to concentrate on important issues of IPSAS implementation to give advice to the IPSAS. The current discussion is interesting, but questions whether the CAG was the correct forum to address some of the concerns raised, given it is an advisory group with limited time.</p>	<p><i>Noted.</i> The IPSASB Staff developed criteria to analyze issues for Members.</p> <p>In developing the selection criteria, the CAG Terms of Reference were considered. Paragraph 5 was added to ensure only issues the CAG is able to address are discussed.</p> <p>See Paragraph 5</p>
<p>10. Ms. Sanderson noted it was important to obtain the perspective of users, including users like World Bank.</p>	<p><i>Noted.</i> The IPSASB Staff developed criteria to analyze issues for Members.</p> <p>See Selection Criteria 2</p>
<p>11. Ms. Cearns commented it would have been interesting to hear from entities that produced both private and public standards, for example, the IMF. Their use of information would have been valuable to determine whether improvements existed that could have been made to existing IPSAS.</p>	<p><i>Noted.</i> The IPSASB Staff developed criteria to analyze issues for Members.</p> <p>See Selection Criteria 2</p>
<p>12. Ms. Grässle said the CAG needs to consider the stakeholder. The stakeholder was who must work with financial information. Their interests, how to implement accrual accounting and how the use accrual accounting for decision making were important discussions for future sessions.</p>	<p><i>Noted.</i> The IPSASB Staff developed criteria to analyze issues for Members.</p> <p>See Selection Criteria 2</p>
<p>13. Mr. Mangelsdorf noted these were important issues because the preparation of financial statements ties into the development of budgets, which impacted decision making.</p>	<p><i>Noted.</i> No action required</p>

Representatives' and Observers' Comments	IPSASB Response
14. Ms. Weinberg commented that the public was a user and the complexity of Financial Statements makes them difficult to understand. Sessions considering this were extremely important for the public interest.	<i>Noted.</i> No action required
15. Mr. Yousef said some countries cannot apply certain standards. When this was the case they departed from complete IPSAS adoption.	<i>Noted.</i> No action required