

Meeting: IPSASB Consultative Advisory Group

Agenda Item 3

Meeting Location: Virtual Meeting

Meeting Date: June 22, 2020

PROGRAM AND TECHNICAL DIRECTOR’S REPORT

Project summary	The purpose of this session is to receive updates on changes on the work program.	
Meeting objectives	Topic	Agenda Item
Discussion items	Update on IPSASB Work Program	3.1
Other supporting items	IPSASB Work Program: June 2020	3.2.1
	Measurement—Report Back	3.2.2
	Conceptual Framework—Limited Scope Update—Report Back	3.2.3
	Revenue—Report Back	3.2.4

Update on IPSASB Work Program

Objective of Agenda Item

1. To receive the Program and Technical Director's report on the work program, including key changes since December 2019 (paragraphs 4–7);
2. To note the COVID-19 pandemic impact on work program (paragraphs 8–14); and
3. To note the IPSASB's considerations on program management (paragraphs 15–17).

Updated Program and Technical Director's report on the work program

Highlights on Specific Projects

4. At the March 2020 meeting, the IPSASB made progress on a number of important projects, including:
 - (a) **Leases.** The IPSASB agreed how to strategically progress the Leases project with a phased approach:
 - (i) Phase one, an ED aligned with IFRS 16, *Leases* will be developed; and
 - (ii) Phase two will address public sector issues, building off of the leases accounting model, including how to treat concessionary leases which is an important and prevalent public sector issue.

The phase one ED will also be accompanied by a request for information from constituents on public sector issues to help inform the work in phase two.

The CAG was consulted in December 2018. The IPSASB's March 2020 decision was influenced by the CAG's advice to focus on understanding public sector differences related to lease transactions and to further consider IFRS 16, *Leases* alignment.

- (b) **Measurement.** The IPSASB considered the responses to the Consultation Paper and noted strong support for most of its proposals, including the innovation to embed an 'illustrative Exposure Draft'. The IPSASB approved several themes for the development of the Exposure Draft that will be further addressed at the June and September 2020 meetings.
- (c) **Infrastructure Assets and Heritage Assets.** The IPSASB agreed that both projects should result in additional guidance being added to IPSAS 17, *Property, Plant and Equipment*. Further, the IPSASB agreed that the approvals of the EDs related to the Heritage Assets, Infrastructure Assets, Measurement and the Conceptual Framework–Limited Scope Update projects, should be delayed from September to December 2020. This will allow further time to finalize the interrelated issues and ensure that the EDs can be published as a package, which will aid constituents in providing feedback.
- (d) **Public Sector Specific Financial Instruments.** The CAG was consulted in June 2019, and its advice was incorporated into ED 69, *Public Sector Specific Financial Instruments* (Amendments to IPSAS 41, *Financial Instruments*), when it was published in August 2019. Respondents to the ED strongly supported the proposed guidance and did not identify any significant issues. The issues raised by respondents included requests for minor clarifications to non-authoritative guidance to help with the application of the principles in IPSAS 41. As the CAG advice received was incorporated into the ED, and respondents supported the key proposals in the ED with no significant issues raised, the view of the Program and Technical

Director and project staff is that a CAG session is not necessary. The IPSASB will review the updated non-authoritative guidance to address respondents' comments and is expected to approve Public Sector Specific Financial Instruments (Amendments to IPSAS 41, *Financial Instruments*) at its September 2020 meeting.

Consultations Open for Comment

5. The IPSASB approved the following Exposure Drafts (EDs) at the December 2019 meeting, which were published in early 2020 and are currently out for consultation:
 - (a) [ED 70, Revenue with Performance Obligations](#)
 - (b) [ED 71, Without Performance Obligations; and](#)
 - (c) [ED 72, Transfer Expenses.](#)

Expected Consultations

6. In March 2020, the IPSASB discussed a number of interrelated projects and how these should be managed overall. It was agreed that the ED approvals for the Measurement, Heritage and Infrastructure projects should be delayed from September 2020 to December 2020. The IPSASB further agreed the approach and outputs across these inter-related projects, as follows:
 - (a) ED 73, *Leases*;
 - (b) ED 74, *Conceptual Framework–Limited Scope Update*;
 - (c) ED 75, *Measurement*;
 - (d) ED 76, *IPSAS 17 Update* (Comprehensive ED bringing together changes to IPSAS 17 from Measurement, Infrastructure Assets and Heritage Assets); and
 - (e) ED 77, *Non-Current Assets Available for Sale*.

New Projects Added to the Work Program

7. Project briefs on *Natural Resources* and the *Conceptual Framework-Limited Scope Update* projects were approved in March 2020, and these have now been added to the work program. The CAG was consulted during the development of both project briefs (including providing advice on key issues for consideration and the scope of both projects) in June and December 2019 respectively. Further, the project brief for the *Non-Current Assets Available for Sale* project (which the CAG will consider at this meeting), will be reviewed and considered for approval at the June 2020 IPSASB meeting.

COVID-19 Pandemic Impact on Work Program

8. The COVID-19 pandemic has had a significant impact the IPSASB, its work program, constituents, meetings and other events.

COVID-19 Impact on Work Program

9. As result of the virtual June meeting and the limited amount of plenary discussion time available, several projects previously planned for June 2020 discussions, have been removed from the agenda with the following impact on project timelines:
 - (a) **Improvements to IPSAS 2020** will be delayed until 2021. The IPSASB approved the Improvements to IPSAS 2019 amendments in December 2019 and there are not many

improvements for consideration in 2020. Given the limited agenda time available and the small number of improvements for consideration, this item should be deferred until 2021.

- (b) **Mid-Period Work Program Consultation** was initially planned for a first discussion with the IPSASB in June 2020. However, this first discussion has now been put back to December 2020 for the following reasons:
- (i) To free up agenda time in June and September 2020 and provide additional time for other projects;
 - (ii) Align timing of decisions on future projects with the Public Sector Standard Setters Forum (the 2020 Forum has been delayed until 2021); and
 - (iii) Align timing of decisions on future project with proposed 2021 roundtable discussions (planned for the 2nd half of 2021).

COVID-19 Impact on Constituents

10. The impact on constituents related to the COVID-19 pandemic does not have a direct work program impact at this time. However, it does impact on constituents' ability to respond ongoing consultations and in their implementation of new standards, as follows:
- (a) **ED 70–72 Comment Period Extension.** To provide immediate support to constituents', the comment periods for ED 70–72 have been extended from September 15, 2020 until November 1, 2020. This provides constituents additional time to discuss the EDs with their constituents and develop their responses. Extending the comment period is not anticipated to impact the timelines on the approval of final standards at this time.
 - (b) **Deferral of Effective Dates.** IPSAS 41, *Financial Instruments*, IPSAS 42, *Social Benefits* and the *Collective and Individual Services* (Amendments to IPSAS 19), all have effective dates of January 1, 2022. This means that entities should be in the process of evaluating the impact of these standards already. Given the impact of the pandemic, staff recommend the IPSASB provide an extension of the effective dates by one year—until January 1, 2023. This would provide constituents more time to prepare for these new standards and deal with the impact of the pandemic.
11. The IPSASB and staff have endeavored to move swiftly to develop a range of pandemic related items to help constituents, such as the IPSASB [COVID-19 webpage](#), the Chair's article in Public Finance Focus [How Accounting Transparency Can Help with the Tough Decisions Ahead After COVID-19](#), and a staff Q&A.
12. The IPSASB staff Q&A [COVID-19: Relevant IPSASB Accounting Guidance](#) provides insight into the financial reporting issues associated with various types of COVID-19 government interventions, and the relevant IPSAS and other guidance to consider.

COVID-19 Impact on Meetings and Other Events

13. The impact of the pandemic on meetings and events has been significant with all Q2 2020 events either being deferred or made virtual, including the IMF/IPSASB/Eurostat/OECD Workshop in May and the IPSASB and CAG meetings in June.

14. The on-going impact of the pandemic will be the main driver as to how future meetings will be carried out. Decisions on future meetings will be made in due course as the pandemic and travel situation develops.

IPSASB's Considerations on Program Management

15. Program management will continue to be essential for delivery on the IPSASB's challenging work program commitments. The IPSASB and staff need to balance speed to market (output of consultations and final pronouncements) against the quality of outputs. Further, the IPSASB and staff need to consider the capacity of stakeholders to both input on consultations (volume and timing of consultations) as well as to implement final pronouncements (volume and effective dates of final pronouncements). This challenge is exacerbated by the impact of COVID-19.
16. Delivery on the current work program assumes that IPSASB proposals and preliminary views (PVs) in consultation papers and proposals in EDs are generally supported by respondents. For major projects, the work program generally provides four meetings between initial discussion of responses to EDs and approval of a pronouncement.
17. The work program assumes a full staff complement. In April 2020, the IPSASB welcomed a new staff member, Eileen Zhou who joins as a Manager, Standard Development and Technical Projects. Further, on April 1st, 2020 John Stanford assumed a part-time role as a senior advisor after stepping down as Technical Director.

IPSASB WORK PROGRAM THRU 2023: JUNE 2020

Project	Meetings														
	Jun 2020 (CAG)	Sep 2020	Dec 2020 (CAG)	Mar 2021	Jun 2021 (CAG)	Sep 2021	Dec 2021 (CAG)	Mar 2022	Jun 2022 (CAG)	Sep 2022	Dec 2022 (CAG)	Mar 2023	Jun 2023 (CAG)	Sep 2023	Dec 2023 (CAG)
Public Sector Specific Financial Instruments	CAG	IP ¹													
Revenue															
(i) Revenue with Performance Obligations	ED 70, ED 71, ED 72 Exposure Period Feb. 21—Nov. 1		RR/DI	RR/DI	RR/DI	IP									
(ii) Revenue without Performance Obligations [IPSAS 23 update]			RR/DI CAG	RR/DI	RR/DI	IP									
Transfer Expenses			RR/DI CAG	RR/DI	RR/DI	IP									
Conceptual Framework—Limited Scope Update	DI/ED	DI/ED	ED ²			RR	RR/DI CAG	RR/DI	CF						
Measurement	DI/ED CAG	DI/ED	ED			RR	RR/DI CAG	RR/DI	IP						
IPSAS 17, Update															
(i) Infrastructure Assets (additional IPSAS 17 guidance)	DI/ED CAG	DI/ED	ED			RR	RR/DI CAG	RR/DI	IP						
(ii) Heritage Assets (additional IPSAS 17 guidance)	DI/ED	DI/ED	ED			RR	RR/DI CAG	RR/DI	IP						
Non-Current Assets Available for Sale ³	PB CAG	ED ⁴		RR	RR/DI	IP									
Leases⁵ [IFRS 16 alignment]	DI/ED	DI/ED	ED RFI		RR CAG	RR/DI	RR/DI	IP							
Leases [Public sector specific]					DI CAG	DI	DI/ED	ED			RR	RR/DI	RR/DI	IP	
Natural Resources		DI	DI	DI/CP	DI/CP	CP			RR	RR/DI	DI/ED	ED		RR	RR
Improvements					ED		IP		ED		IP		ED		IP
Mid-Period Work Program			DI CAG	DI	CP			RR/DI	RWP						
IPSASB Handbook	Publish					Publish				Publish				Publish	

¹ The Financial Instruments Task Force will review the comments to ED 69 and make recommendations on the changes to the final pronouncement to the IPSASB. A Board call will be held in July 2020 to allow IPSASB to review the Task Force recommendations on comments received on the amendments to IPSAS 41, so those amendments can be approved in September 2020.

² The timeline is provisional. The IPSASB will decide whether there will be a single ED of proposed amendments in December 2020 or two EDs in December 2020 and June 2021.

³ Timeline subject to IPSASB the project brief approval in June 2020.

⁴ Although the ED is planned for provisional approval in September 2020, the intent is to issue it alongside the ED for Measurement, Infrastructure Assets, Heritage Assets, and Conceptual Framework in early 2021 so constituents can comment on the package.

⁵ The IPSASB will issue a Request for Information on public sector specific issues on Leases that will inform the next phase of the Leases project entitled Leases [Public sector specific].

Legend:

DI = Discussion of Issues; RE = Research; RR = Review Responses; SB = Staff Background Paper;

PB = Approval of Project Brief

CP = Approval of Consultation Paper

ED = Approval of Exposure Draft

IP = Approval of Final Standard or Amendments to IPSAS

CF = Approval of Conceptual Framework or Amendments to Conceptual Framework

RP = Approval of Final Recommended Practice Guidance

RWP = Approval of Revised Work Program

ST = Approval of Final Strategy and Work Program

= Planned Consultation Period

Project Management—Outputs:

Expected 2020 Exposure Draft Outputs:

ED 73, *Leases*

ED 74, *Conceptual Framework—Limited Scope Update*

ED 75, *Measurement*

ED 76, *IPSAS 17 Update* (Comprehensive ED bringing together changes to IPSAS 17 from Measurement, Infrastructure Assets and Heritage Assets)

ED 77, *Non-Current Assets Available for Sale*

March 2020

PROJECTS COMPLETED AND/OR PUBLISHED DURING 2019-2023 STRATEGY AND WORK PROGRAM PERIOD

Project	Date Issued
<i>Collective and Individual Services, (Amendments to IPSAS 19)</i>	January 2020
<i>Improvements to IPSAS, 2019</i>	January 2020
<i>IPSAS 42, Social Benefits</i>	January 2019
<i>Amendments to IPSAS 36, Investments in Associates and Joint Ventures, and IPSAS 41, Financial Instruments</i>	January 2019

Measurement–December 2019 Report Back

December 2019 CAG Discussions

1. Extracts from the draft minutes of the December 2019 CAG and how the IPSASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
December 2019 CAG Meeting Comments	
<p>IPSASB Principal, Dave Warren, introduced the Agenda Item and informed the CAG that the IPSASB published the Consultation Paper (CP), <i>Measurement</i> in April 2019 with a comment deadline of October 2019. The IPSASB received 31 individual responses from over 100 organizations. Of the comments raised by respondents, IPSASB staff identified three for which it wished to seek advice from the CAG.</p>	
<p>Appropriateness of including an Illustrative Exposure Draft (ED) with a Consultation Paper (CP)</p>	
<p>1. Ms. Cearns supported this approach and advised that it was wiser to consider this approach on a case by case basis. Furthermore, the approach may be more applicable where the IPSASB had developed several preliminary views.</p>	<p>The IPSASB considered and evaluated the approach taken in its CP, <i>Measurement</i>, at its December 2019 and March 2020 meetings. Given the circumstances, the approach appeared to be successful as several responses referenced the illustrative ED when forming their views. The IPSASB noted, the approach was likely successful due to the level of direction the IPSASB had as it related to the ED phase of the project, or the number of Preliminary Views (PVs) it was able to develop as part of the CP phase.</p>
<p>2. Ms. Colignon also supported this approach and advised that this approach be considered on a case by case basis. She added that it could also have an adverse effect in that constituents may wish to wait for issues raised at the CP stage to be resolved before they comment on the ED in depth.</p>	<p>See comment #1. The IPSASB agreed one of the factors in determining whether to follow a similar approach in the future is the time constraints faced by constituents. This factor is related to using the approach where there are a number of PVs as this should result in fewer adverse effects on constituents over the project taken in its entirety.</p>
<p>3. Mr. Gisby commented that a combined CP and ED could be helpful but cautioned that this approach may not work for the proposed Natural Resources project.</p>	<p>Currently, the IPSASB is not planning on developing an illustrative ED for its Natural Resources project.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>4. Ms. Busquets supported the approach and advised that this approach be considered only for complex projects.</p>	<p>The project's complexity will likely play a role in determining whether an illustrative ED can be developed in the future.</p> <p>In the case of CP, <i>Measurement</i>, while complex, providing respondents the ability to see the next phase in the project was considered beneficial.</p>
<p>5. Ms. Stachniak cautioned there could be resource constraints to combine a CP and an ED, both for IPSASB staff and for respondents.</p>	<p>The IPSASB noted during its December 2019 and March 2020 discussions this approach would be determined on a case by case basis. Critical to whether this approach is followed in the future is whether it will benefit stakeholders balanced with the resources and time impacts of the taking this approach.</p>
<p>6. Ms. Sanderson advised staff to evaluate whether the combination of the Measurement CP and ED was a success.</p>	<p>See comment #1.</p>
<p>7. Mr. Carruthers informed the CAG the idea to combine the Measurement CP and ED was based on the Public Interest Committee challenge to the IPSASB to be more innovative. However, Mr. Carruthers conceded that this approach should be considered on a case by case basis.</p>	<p><i>No further action required.</i></p>
<p>Accounting for Borrowing costs</p>	
<p>8. Mr. van Schaik disagreed with the comments that indicated support for the preliminary view to expense all borrowing costs because the approach was not aligned to IFRS.</p>	<p>The IPSASB considered all responses to the CP. Given the diversity in views, both with strong qualitative arguments, the IPSASB concluded it was appropriate to retain the accounting policy choice to capitalize or expense borrowing costs.</p> <p>This decision allows stakeholders to align with GFS or IFRS when accounting for borrowing costs. Further, this option already exists in IPSAS 5, <i>Borrowing Costs</i>.</p>
<p>9. Ms. Stachniak disagreed with the comments that indicated support for the preliminary view to expense all borrowing costs.</p>	<p>See comment #8.</p>

Representatives' and Observers' Comments	IPSASB Response
10. Ms. Kim commented that the current guidance in IPSAS 5, <i>Borrowing Costs</i> , seems appropriate as it provides options for capitalization of borrowing costs, or immediate expensing of borrowing costs.	<p>See comment #8.</p> <p>While the decision to retain the accounting policy choice was made, the IPSASB further agreed to develop illustrative examples and implementation guidance to illustrate the challenges in accounting for borrowing costs.</p> <p>Basis for conclusion have been drafted outlining the IPSASB's decision, highlighting why the decision to retain the policy choice was made and that the IPSASB considers the issue closed until new information is brought to its attention.</p>
11. Mr. Zhang supports the current IPSAS 5 guidance that allows an option to either capitalization or expensing of borrowing costs.	See comment #8.
12. Mr. Gisby also supported the approach.	See comment #8.
13. Ms. Nehmeyer-Srocke appreciated the merits of the preliminary view and the current IPSAS 5 guidance and supports expensing borrowing costs because it is complex to capitalize borrowing costs. Further, she noted that members of parliament who are users of financial statements were interested in borrowing costs and deficits.	<p>See comment #8.</p> <p>By retaining the accounting policy choice, the IPSASB is able to support those financial statement users that are interested most in seeing borrowing costs in surplus/deficit.</p>
14. Ms. Cearns advised the best approach is to focus on the need of users of financial statements are, and whether they are using the information for decision making and/or transparency and accountability purposes.	<p>See comment #8.</p> <p>The key factor in retaining the policy choice is the needs of the users. Some users prefer information that is closely aligned with GFS. While other prefer alignment with IFRS. Given the diversity in responses the IPSASB agreed it was not appropriate to remove the accounting policy choice.</p>
15. Ms. Busquets agreed with the comments that indicated support for the approach to expense borrowing costs.	See comment #8.

Representatives' and Observers' Comments	IPSASB Response
<p>16. Mr. Guazo noted, in his view, capitalizing borrowing costs reflected the value of assets.</p>	<p>See comment #8. Several respondents that supported capitalizing borrowing costs indicated borrowing costs were a characteristic of the asset. Those that supported expensing borrowing costs disagreed. Given the diversity in what was and was not a characteristic of an asset, the IPSASB concluded retaining the policy choice best served the needs of financial statement users.</p>
<p>17. Ms. Colignon expressed that while the expense approach would be the most practical approach in the public sector, practice in her jurisdiction is to allow both expensing and capitalizing borrowing costs.</p>	<p>See comment #8.</p>
<p>Measurement and Conceptual Framework-Limited Scope Update Working in Conjunction</p>	
<p>18. Ms. Cearns advised that some areas of the Conceptual Framework should be updated during the Limited-Scope Review. She added wider or broader issues should be discussed in the Conceptual Framework whilst narrow issues should be considered at the standards level.</p>	<p>This is consistent with the IPSASB's approach to updating its conceptual framework and the interaction with the measurement standard. The framework will focus on the concepts behind each measurement basis and IPSAS, <i>Measurement</i> will focus on the calculations.</p>
<p>19. Mr. Müller-Marqués Berger added that only items that have been identified as issues should be revisited in line with the view that the project should have a limited scope.</p>	<p>In developing the project brief for the Conceptual Framework-Limited Scope Update, measurement issues were driven by those identified by responses to CP, <i>Measurement</i>.</p>

Matters for CAG Consideration

2. Representatives and Observers are asked to note the Report Back above.

Limited Scope Update¹ of Conceptual Framework—December 2019 Report Back

December 2019 CAG Discussions

1. Extracts from the draft minutes of the December 2019 CAG and how the IPSASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
December 2019 CAG Meeting Comments	
<p>IPSASB Technical Director, John Stanford provided the CAG with an overview of the IPSASB's proposed Limited Scope Review of the Conceptual Framework (Limited-Scope Review) project. A project brief for this project. He asked for CAG views on the following:</p> <p>Question 1 – CAG views are requested on the identified project drivers? Are there any additional drivers from a public interest perspective that the IPSASB should consider?</p> <p>Question 2 – What are the CAG views on the staff proposals (on scope)? Are there other issues that should be prioritized from a public interest perspective?</p>	
<p>The CAG members commented on Question 1 as follows:</p>	
<p>1. Ms. Stachniak indicated she was concerned with the project plan presented. The project title implied the changes to Conceptual Framework were limited. However, given the extent of project plan, the title of the project appeared to be misleading.</p>	<p>Subsequent to the CAG meeting the proposed project's name was amended to 'Conceptual Framework— Limited Scope <u>Update</u>' (staff underlining) in order to emphasize that the project is not a review of the whole Framework.</p> <p>It is possible that the IPSASB will propose a further project on the Framework. Such a project would be subject to a public consultation on the work program.</p>

¹ Following the CAG meeting the IPSASB changed the title of the project from 'Limited Scope Review of the Conceptual Framework' to 'Conceptual Framework— Limited Scope Update' to reflect the confinement of the scope of the project to urgent issues.

Representatives' and Observers' Comments	IPSASB Response
<p>2. Ms. Colignon agreed with the project's drivers noting that executory contracts had not been addressed in the Conceptual Framework, which was consistent with the IPSASB's decision to not adopt this approach during the social benefits project, and the introduction of the performance obligation was consistent with changes proposed by the existing IPSASB's revenue exposure drafts. Furthermore, Ms. Colignon noted the text in the preface in the current conceptual framework was important in identifying differences between the private and public sectors and more prominence should be given.</p>	<p>It is acknowledged that the approach in the Revenue and Non-Exchange Expenses projects reflects a shift from an approach based on the exchange/non-exchange distinction to one based on whether a transaction includes a performance obligation. The emphasis on the prevalence and materiality of non-exchange transactions in the Preface to the Conceptual Framework may need to be softened. However, the Preface is not within scope of the current project, due to its limited scope.</p>
<p>3. Mr. van Schaik noted the inconsistencies between the Conceptual Framework and the suite of IPSAS standards existed when the Conceptual Framework was issued in 2014. He asked if a review was carried out when the Conceptual Framework was finalized to ensure it was consistent with the standards.</p>	<p>There has been no formal review. When finalized in 2014, the IPSAB agreed the Conceptual Framework would be applied prospectively.</p> <p>In alignment with this proposed Conceptual Framework project and the related Measurement, Infrastructure and Heritage projects, the measurement requirements in current IPSAS will be reviewed with a view to amendment.</p>
<p>4. Ms. Cearns broadly agreed with the project drivers presented. She agreed with Mr. van Schaik that there was an underlying issue related to the differences between the IPSAS and the Conceptual Framework. For example, the measurement bases in the Conceptual Framework and the IPSAS were not consistent. If left unaddressed, this creates a reputational risk for the IPSASB.</p>	<p>The IPSASB is aware of the reputational risk identified by Ms. Cearns.</p> <p>The proposed Conceptual Framework project and the related Measurement, Infrastructure and Heritage projects, plan to review the measurement requirements in current IPSAS with a view to amend.</p>
<p>5. Mr. Ian Carruthers noted the IPSASB needs to consider what it is trying to accomplish with this project. The IPSASB required a clear outline on how to manage the project. The IPSASB needed to evaluate what is urgent and important. Measurement for example, was urgent. The measurement project cannot move forward without an update to the Conceptual Framework.</p>	<p>The IPSASB agreed measurement issues should be prominent in the proposed Conceptual Framework project for the reason given by Mr Carruthers.</p>

Agenda Item 3.2.3

Representatives' and Observers' Comments	IPSASB Response
<p>6. Ms. Stachniak suggested the urgency be based on what it connected to the in the work program. Otherwise constituents will not understand why the IPSASB was not updating the Conceptual Framework for issues identified.</p>	<p>See comments #2–#5. The Conceptual Framework project is strongly related to the Measurement project and also to the Infrastructure and Heritage projects in the current work program.</p>
<p>The CAG members commented on Question 2 as follows:</p>	
<p>7. Ms. Colignon noted that executory contracts were not being addressed, which was consistent with the IPSASB's decision to not adopt this approach during the social benefits project, and the introduction of the performance obligation was consistent with changes proposed by the existing IPSASB's revenue exposure drafts. Furthermore, Ms. Colignon noted the text in the preface in the current conceptual framework was important in identifying differences between the private and public sectors and more prominence should be given.</p>	<p>In order to limit the scope of the project the Preface to the Conceptual Framework will not be considered in this project.</p>
<p>8. Mr. Gisby confirmed he supported the current level of urgency assigned. He further asked whether the project should consider materiality from the perspective of non-financial information, and whether capital maintenance would be accelerated as part of the review of prudence.</p>	<p>The guidance on qualitative characteristics and constraints in Chapter 4 of the Framework applies to both financial and non-financial information, so proposed changes will be evaluated from both perspectives.</p> <p>The project will include an assessment of concepts of capital and capital maintenance in the public sector.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>9. Ms. Cearns supported what was identified as urgent and agreed the priority was measurement. She further suggested considering whether the Conceptual Framework should be updated when new standards were issued.</p>	<p>When the IPSASB approved the Framework there was a brief discussion on whether the Framework should be a living document, which would have been entailed regular updates. This was rejected because:</p> <ul style="list-style-type: none"> • The role of the Framework in holding IPSASB to account would be diminished if the Framework is updated whenever a Standard is issued; and • Practically, the Framework took a considerable amount of Board agenda time and it was important that standards-level projects were afforded sufficient Board agenda time. <p>The IPSASB has committed to undertaking the current Conceptual Framework–Limited Scope Update. Any updates to the Framework beyond the current project would need to be added through the work program consultation process.</p>
<p>10. Mr. van Schaik agreed with what was identified as urgent. However, while capital maintenance is listed as non-significant, IPSAS 1, <i>Presentation of Financial Statements</i> asked for comment on this issue through an annual improvement. He suggested staff considered whether the issue should be elevated.</p>	<p>An assessment of whether the Framework should include a chapter or section on concepts of capital and capital maintenance is included in the project brief.</p>
<p>11. Ms. Sanderson agreed with Ms. Cearns, especially with the Conceptual Framework being a living document. She noted there needed to be a process to address issues in the future. Ms. Sanderson emphasized that all issues identified should be addressed at some point.</p>	<p>When the IPSASB approved the Conceptual Framework in 2014, it considered whether the document should be a living document and decided that it should not be for the reasons noted in comment #9.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>12. Mr. Boutin agreed with the prioritization of materiality. He noted the change to materiality in IFRS could be useful in IPSAS as well. He suggested the change elevated citizens as a user of the financial statements and established a stronger link with the auditing standards.</p>	<p>As part of the project, the IPSASB will consider a statement in the Framework that immaterial disclosures can impair understandability would be helpful from a user perspective.</p>
<p>13. Ms. Stachniak questioned whether the circumstances related to the IASB driven issues had changed since the Conceptual Framework was issued. For example, the IPSASB decided they did not want a hierarchy. Since the IASB had a hierarchy at the time, the IPSASB should not revisit the issue.</p>	<p>The IPSASB noted this point also applies to unit of account, executory contracts and concepts of capital and capital maintenance, where guidance in the IASB's Framework does not post-date the 2014 publication of the IPSASB Framework. In the case of unit of account, standards-level work on financial instruments and revenue has suggested that high level conceptual guidance may be useful. Concepts of capital and capital maintenance underpin assessments of financial performance.</p>
<p>14. Mr. Müller-Marqués Berger noted the IPSASB should also consider the ESPAS project has a significant focus on qualitative characteristics.</p>	<p>Considering the need to manage the scope the project and keep it limited, the IPSASB decided it will not include the hierarchy of qualitative characteristics.</p>
<p>15. IPSASB Observer for Eurostat, Mr. John Verrinder, added that having a hierarchy is one thing, but it does not privilege one qualitative characteristic over others.</p>	<p>Information that is not relevant and faithfully representative does not meet the objectives of financial reporting, even if it is comparable, understandable, verifiable and timely.</p> <p>However, because the absence of a hierarchy of qualitative characteristics has not caused practical problems, the issue is not urgent, and the project will not address the hierarchy of qualitative characteristics.</p>
<p>16. Mr. Carruthers reflected on the importance of managing stakeholder perceptions. Specifically, he noted the IPSASB should clarify how issues that were not addressed as part of the Limited-Scope Review will be addressed.</p>	<p>The limited nature of the project was highlighted in the March 2020 eNews that followed the IPSASB's first meeting of 2020. Further communications will emphasize the limited scope.</p>

Representatives' and Observers' Comments	IPSASB Response
17. Ms. Cearns argued materiality in accounting standards and audit standards are different concepts. She was of the view having quantitative materiality for auditors was inappropriate for accounting. She emphasized the importance of having good communication between audit standards and accounting standards but argued they did not need to be the same.	IPSASB Staff will liaise with the International Auditing and Assurance Standards Board when the proposed amendments on materiality are developed.
18. Ms. Busquets supported Ms. Cearns. Materiality was a sensitive topic for the EUs auditors.	Materiality is a consistently problematic issue in the public sector. Continuing concerns over the interpretation of materiality led the IPSASB staff to develop and issue a Staff Questions and Answers document on the application of materiality in preparing financial statements.

Matters for CAG Consideration

2. Representatives and Observers are asked to note the Report Back.

Agenda Item 3.2.4

Revenue / Transfers (Communications Plan)–December 2019 Report Back

December 2019 CAG Discussions

1. Extracts from the draft minutes of the December 2019 CAG and how the IPSASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
June 2019 CAG Meeting Comments	
IPSASB Principal, Edwin Ng, introduced the Agenda Item which highlighted the proposed communications plan for Revenue and Transfer Expenses projects. The aim of the communications plan was to inform constituents of the release of the Exposure Drafts (ED), educate constituents on the proposals in the EDs and solicit constituents' feedback on the proposals.	
1. Mr. Müller-Marqués Berger suggested considering the use of roundtables as a useful mechanism to engage stakeholders.	IPSASB Deputy Director, Mr. Smith, responded that roundtables may not be feasible due to resources and time constraints. In addition, given the current limits on in-person gatherings, roundtables are not planned as part of stakeholder engagement for this project. However, interactive webinars are planned to take place during the comment period in order to facilitate constituents in providing responses.
2. IPSASB Deputy Director, Mr. Smith, responded that roundtables may not be feasible due to resources and time constraints.	No further action necessary.
3. Ms. Colignon suggested using webinars as a way to provide outreach opportunities in that they allow constituents to interact with staff and IPSASB members.	The IPSASB staff released non-interactive webcasts upon the release of the EDs. Interactive webinars are planned to take place during the comment period in order to facilitate constituents in providing responses.
4. Ms. Sanderson added that webinars should be considered. Regarding roundtables, the IPSASB should consider if national standard setters would manage roundtables from their own jurisdictions.	See comment #1 and #3.

Agenda Item 3.2.4

Representatives' and Observers' Comments	IPSASB Response
5. Mr. Gisby commented that he liked the 'At a Glance' documents and it made sense to have a separate at a glance for the overarching webcast. He supported an interactive webinar and suggested incorporating a feedback link for the webcasts.	The overarching webcast was embedded with the press release covering ED 70, 71, and 72. This webcast includes high level summaries of the EDs, and how they interact. See comment #3 above regarding interactive webinars.
6. Mr. van Schaik suggested that it may be useful to compare the exposure drafts to IAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i> .	IPSASB staff clarified that because the EDs are not based on IAS 20, it would not be appropriate to link or compare these. The IPSASB considered IAS 20 in the project, and decided not to align with IAS 20 in the revenue EDs.
7. Mr. Carruthers added that the recognition basis was completely different to IAS 20, but an SMC was included in ED 71.	No further action necessary.
8. Mr. van Schaik suggested making the link to IAS 20 in the Basis for Conclusions.	The discussion of IAS 20 has been added to BC20-BC23 of ED 71.

Matters for CAG Consideration

2. Representatives and Observers are asked to note the Report Back above.