

Meeting: IPSASB Consultative Advisory Group

Meeting Location: New York, USA

Meeting Date: June 20, 2022

Agenda Item 3

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 2022	3.2.1
	Mid-Period Work Program Consultation December 2021 — Report Back	3.2.2
	Measurement Suite of EDs December 2021 — Report Back	3.2.3
	Advancing Public Sector Sustainability Reporting March 2022 — Report Back	3.2.4

Update on IPSASB Work Program

Purpose

1. To receive the Program and Technical Director's report on the work program and other activities, including key changes since December 2021.

Program and Technical Director's Report

Work Program Updates

2. Staff highlights the following approvals since the December 2021 CAG meeting that impact the work program:
 - (a) The IPSASB approved the following new pronouncements since the last CAG meeting:
 - (i) [IPSAS 43, Leases](#)
 - (ii) [Improvements to IPSAS, 2021](#)
 - (iii) [IPSAS 44, Non-current Assets Held for Sale and Discontinued Operations](#)
 - (b) The IPSASB approved the following consultations since the last CAG meeting:
 - (i) [ED 81, Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements](#)
 - (ii) [ED 82, Retirement Benefit Plans](#)
 - (iii) [Consultation Paper, Natural Resources](#)
 - (iv) [Consultation Paper, Advancing Public Sector Sustainability Reporting](#)
3. In March 2022 the IPSASB agreed changes to its work program resulting from the [Mid-Period Work Program Consultation](#). During 2022 work on these three new projects will commence as resources become available. Below is a short update on each of these projects:
 - (a) **Reporting Sustainability Program Information.** Staff and the IPSASB Chair are working with OECD staff to determine how best to undertake this narrow scope project to add additional non-authoritative guidance to RPG 3, *Reporting Service Performance Information* and RPG 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*. This additional non-authoritative guidance is intended to clarify how existing reporting models in RPG 3 and RPG 1 apply to the green budgeting principles being developed by the OECD Paris Collaborative on Green Budgeting. This will allow the broader financial information to be used for both financial reporting and budget purposes. Further information and potential timelines for this project will be determined later in 2022.
 - (b) **Presentation of Financial Statements and Differential Reporting.** Both projects will form an important part of the IPSASB's 4th Public Sector Standard Setters Forum. The plan is to include break-out sessions to allow in-depth discussions and dialogue with jurisdictions on their approaches to these topics in the public sector, to inform ideas on how these projects are taken forward and areas for further research needed to inform the development of the respective project briefs.

4. The IPSASB also pre-committed to undertake a number of limited scope pieces of work as resources become available in late 2022 and 2023 when current work program projects are completed. The limited scope projects relate to:
 - (a) IPSAS 21, *Impairment of Non-Cash Generating Assets*;
 - (b) IPSAS 31, *Intangible Assets*;
 - (c) IPSAS 33, *First-Time Adoption of Accrual Basis IPSASs*; and
 - (d) Practice Statement, *Making Materiality Judgements*.
5. Staff highlights the following work program developments since the December 2021 CAG Meeting on key ongoing projects.
 - (a) **Revenue.** The IPSASB continues to make progress on revenue, a project which it has consulted with the CAG on several times. CAG members had previously encouraged the IPSASB to consider if the revenue guidance proposed in EDs 70 and 71 should be combined into a single standard. The IPSASB considered this issue again at its October 2021 check-in meeting and agreed to combine the two revenue streams into one single standard. The IPSASB continues to work on finalizing the revenue standard and expects to approve the pronouncement in December 2022.
 - (b) **Transfer Expenses.** The IPSASB consulted the CAG on the responses to ED 72, *Transfer Expenses* in June 2021. The significant issue highlighted in the responses to ED 72, which the CAG provided input on in June 2021, was whether to retain the distinction in the proposed ED 72 accounting model for transfer expenses with and without performance obligations. Related to this, respondents also questioned if the ED 72 accounting model was consistent with the perspective of the transfer provider and encouraged the IPSASB consider this further. This was echoed by CAG members' input. The IPSASB considered advice from CAG members and revisited this issue and decided to develop an accounting model focused on the perspective of the transfer provider that adopts a 'rights'-based approach to determine when the entity making a transfer should recognize an asset (delaying recognition of the transfer expense). The IPSASB continues to work on developing the revised guidance for this standard from the perspective of the transfer provider. The IPSASB expects to approve the pronouncement in December 2022.
 - (c) **Measurement.** The IPSASB received strong support for the proposals in suite¹ of EDs related to measurement. The CAG received an overview on these EDs at the December 2021 meeting and provided input for IPSASB consideration. The key issue that cuts across the suite of EDs relates to the public sector measurement basis, Current Operational Value, which the IPSASB continues to work to update based on the comments received. The IPSASB CAG will discuss a paper on this issue at the June 2022 meeting, see Agenda Item 4.
 - (d) **ED 78, Property, Plant and Equipment.** The IPSASB received strong support for the proposals in ED 78, in-particular with regards to the additional guidance proposed related

¹ The measurement suite of EDs included ED 76, *Conceptual Framework: Chapter 7, Measurement of Assets and Liabilities in Financial Statements*, ED 77, *Measurement*, ED 78, *Property, Plant, and Equipment*.

accounting for heritage and infrastructure assets. The CAG received an initial overview to the responses to the measurement suite of EDs at the December 2021 meeting, including ED78. The only substantive comments received on ED 78 relate to the proposals related to the new measurement concepts related to Current Operational Value. Any changes related to this measurement basis in the measurement project will be implemented into the final guidance resulting from draft ED 78. No further specific CAG discussions are planned on ED 78, and the IPSASB expects to finalize the guidance resulting from this project by end of 2022.

- (e) **Other Lease-Type Arrangements.** The IPSASB continues to work through the comments received on the Request for Information (RFI) related to public sector specific leasing issues, including concessionary leases. Building off of the IPSAS 43 leasing model, the IPSASB continues to consider key issues related to public sector leases, including the accounting model for concessionary leases for both lessees and lessors at its June 2022 meeting. The IPSASB plans to discuss any significant issues with the CAG in December 2022, and the current work program notes that an Exposure Draft is planned for approval in December 2022.
- 6. The PDF version of the IPSASB 2022 Handbook of International Public Sector Accounting Pronouncements was published in May 2022, and is now available to access and download here: <https://www.ipsasb.org/publications/2022-handbook-international-public-sector-accounting-pronouncements>.
- 7. The IPSASB will review the work program included in [Agenda Item 3.2.1](#) at its upcoming June 2022 meeting.

Adoption and Implementation Activities (Strategic Themes D and E)

- 8. In addition to the resources put into project work, IPSASB staff and board members engage in the work of others related to a number of initiatives that support the IPSASB strategic Themes D² and E³. The following are a number of items to highlight for the information of CAG members:
 - (a) **International Statistical Standards Update Process.** The IPSASB⁴ staff continue to be involved in the International Statistical Standards (ISS) update process, which is an important initiative being undertaken by the statistical community to update the *System of National Accounts, 2008* and *Balance of Payments and International Investments Position Manual* by 2025.

² *IPSASB Strategic Theme D: Promoting IPSAS Adoption and Implementation*, relates promotion and encouragement of the adoption and implementation of IPSAS being in the public interest because it better public sector financial reporting enables greater transparency of public sector resources and accountability for their use by decision makers, as well accrual financial information can be used to inform better decision making.

³ *IPSASB Strategic Theme E: Advocating the Benefits of Accrual in Strengthening PFM*, reflects the IPSASB's view that the use of accrual information provides the foundation for strong PFM. Accrual based information should be use for as many purposes as possible, not just financial reporting (for example, it can also be used for policy and budget purposes, and for statistical accounting).

⁴ The IPSASB already considers GFS alignment in its projects and develops consistent guidance when appropriate in line with its Government Finance Statistics Alignment Policy. Given the extended intervals between ISS updates, this is an important opportunity to make significant progress in certain key areas of difference.

- (b) **Adoption and Implementation.** There are several continuing initiatives related to supporting the adoption and implementation of IPSAS being led by IFAC as well as other organizations, which the IPSASB Chair and staff have been engaging to support. These initiatives include:
- (i) *Pathways to Accrual* was published on February 24, 2022. The new electronic tool can be accessed here: <https://pathways.ifac.org/standards/pathways/2021>. Pathways to Accrual is the update to *Study 14, Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*. It updates and modernizes the presentation and dissemination of the information by providing a web-based platform, and updates the content to ensure it is relevant and easier to navigate and use by those planning and undertaking accrual reforms. It also allows useful resources to be added to the tool to support the guidance in the text, including resources in different languages.
 - (ii) *The International Public Sector Accountability Index 2021 Status Report*. The 2021 Index Status Report captures the status of accrual implementation for 165 jurisdictions as of 2020, the forecast outlook for 2025 and a longer-term projection of the status in 2030.
 - (iii) *e/S* (electronic International Standards) is an IFAC initiative to provide an electronic platform for the IPSAS, as well as the standards of the other two other independent international standard setting boards⁵ which operate under the auspices of IFAC. The platform was launched by IFAC and can be accessed here: <https://eis.international-standards.org/>. This is the first phase eIS, and now that the platform is live and operating, IFAC will continue to build out its features and functionality. Work is ongoing to develop the IPSASB 2022 eIS handbook.
 - (iv) *Train the Trainer: Introduction to IPSAS* is a comprehensive set of training materials that includes ten modules broken down into stand alone topics, so they can be delivered as individual sessions. Each module consists of a training manual and an accompanying set of slide decks (one slide deck per topic). The materials can be accessed here: <https://www.ifac.org/knowledge-gateway/supporting-international-standards/discussion/train-trainer-introduction-ipsas>. IFAC and IPSASB have had a very positive response to this material. IFAC is currently looking into the feasibility of translating the materials into additional languages.

Outreach

9. **Sustainability.** IPSASB staff, the IPSASB Chair and IPSASB members have already started to undertake outreach in support of the IPSASB [CP, Advancing Public Sector Sustainability](#).
- (a) IPSASB staff note that slide decks with speaking notes related to the CP are available upon request if any CAG member wish to share information on the CP in their jurisdiction or within their organization.
 - (b) IPSASB staff are planning a number of virtual regional webinars to disseminate information on the CP. The purpose of the regional webinars is to inform constituents of the ongoing consultation, the proposals in the CP and receive direct feedback on those. These webinars

⁵ The International Auditing and Assurance Standard Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) also issue international standards and operate under the auspices of IFAC.

are planned to occur in the next couple of months and staff is in the process of finalizing specific times and dates.

10. **IPSASB 4th Public Sector Standard Setters Forum.** CAG members involved in standard setting activities in their jurisdiction are strongly encouraged to try and attend the Forum on September 19-20, 2022 in Cascais, Portugal. The IPSASB's 4th Public Standard Setters Forum, hosted by the Ordem do Contabilistas Certificados (Order of Certified Accountants), will provide a valuable opportunity for public sector accounting standards setters to build dialogue, exchange ideas, and discuss critical issues with other public sector standard setters. The aim of the Forum agenda is to help scope the IPSASB's new guidance projects, to input into the IPSASB next 5-year strategy, and to discuss the future of IPSASB's work in the sustainability space.

Please note that the following link provides information on the Forum, including a link to register: <https://www.ipsasb.org/events/public-sector-standard-setters-forum>. We encourage CAG members to share the registration link with those in your jurisdiction involved in public sector standard setting, as we would like to ensure that the event is well attended with a large variety of public sector standard setters.

11. **IPSASB Research Forum.** The IPSASB will be holding a 3rd Academic Research Forum (Research Forum), co-hosted by CIGAR on September 23, 2022 in Berlin, Germany. In support of the Research Forum, the IPSASB's Academic Advisory Group (AAG) selected four papers to receive research grants based on a blind review of abstracts. The AAG is currently reviewing the draft papers submitted by the grant recipients related to the following four research topics:

- (a) Topic 1—Climate Change and Public Sector Reporting Related to Sustainability
- (b) Topic 2—Differential Reporting
- (c) Topic 3—Discount Rates
- (d) Topic 5—IPSAS 33, First-Time Adoption of Accrual Basis IPSASs

The AAG's review of the papers submitted by the grant recipients is expected to be completed in early June 2022. Feedback from AAG members will be provided to the various authors for them to incorporate into the development of the final papers. Final papers will be selected for presentation and discussion at the Academic Forum.

Agenda Item 3.2.1

IPSASB WORK PROGRAM THRU 2024: JUNE 2022

Project	Meetings										
	Jun 2022 (CAG)	Sep 2022	Dec 2022 (CAG)	Mar 2023	Jun 2023 (CAG)	Sep 2023	Dec 2023 (CAG)	Mar 2024	Jun 2024 (CAG)	Sep 2024	Dec 2024 (CAG)
I. Current Projects											
Revenue¹	DI/IP	DI/IP	IP			RR/IP	IP				
Transfer Expenses¹	DI/IP	DI/IP	IP			RR/IP	IP				
Conceptual Framework—Limited Scope Update-Measurement	RR/DI CAG	DI/CF	CF								
Conceptual Framework—Limited Scope Update-Next Stage			RR/DI	RR/DI CAG	CF						
Measurement	RR/DI CAG	DI/IP	IP								
Property, Plant, and Equipment ² (i) Infrastructure Assets (additional guidance) (ii) Heritage Assets (additional guidance)	RR/DI CAG	DI/IP	IP								
Non-Current Assets Held for Sale and Discontinued Operations											
Other Lease-Type arrangements [Public sector specific]	RR/ED	RR/ED	ED CAG		RR/DI	RR/DI	RR/IP CAG	IP			
Natural Resources			RR CAG	RR/DI	RR/ED	ED		RR/ED	RR/ED CAG	RR/IP	IP
Retirement Benefit Plans		RR/IP	RR/IP	IP							
Improvements				ED		IP		ED		IP	
Strategy and Work Program 2024—2028			DI CAG	CP			RR/DI	SWP			
Advancing Public Sector Sustainability Reporting			IPSASB Deliberations - To Determine Next Steps								

¹ Due process requires the IPSASB to consider the need for re-exposure after it approves a new standard. However, because of changes since the Revenue and Transfer Expense exposure drafts, the IPSASB is proceeding under a working assumption that both standards will require re-exposure; which is why the project is shown as ultimately completed in December 2023.

² The amendments arising from Infrastructure Assets and Heritage Assets are included in ED 78, *Property, Plant, and Equipment*, which will replace IPSAS 17, *Property, Plant, and Equipment*.

Project	Meetings										
	Jun 2022 (CAG)	Sep 2022	Dec 2022 (CAG)	Mar 2023	Jun 2023 (CAG)	Sep 2023	Dec 2023 (CAG)	Mar 2024	Jun 2024 (CAG)	Sep 2024	Dec 2024 (CAG)
IPSASB Handbook				Publish				Publish			
II. New 2022 Projects³											
Reporting Sustainability Program Information (Theme C)			RS								
Presentation of Financial Statements			RS								
Differential Reporting			RS								

Legend:

DI = Discussion of Issues; RR = Review Responses; CAG = Discussion of Issue with CAG

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 Amendments to Conceptual Framework

RP = Approval of Final Recommended Practice Guidance

RWP = Approval of Revised Work Program

ST = Approval of Strategy and Work Program

= Planned Consultation Period

RS = Initial Project Research and Scoping Activities

Project Management—Outputs:

Consultation Papers:

Advancing Public Sector Sustainability Reporting

Natural Resources

Exposure Drafts:

ED 81, *Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements*

ED 82, *Retirement Benefit Plans*

³ The IPSASB also added four limited-scope projects to its 2023 work program as pre-commitments with project work to commence as resources become available from 2023 onwards. The limited scope projects are: IPSAS 21, *Impairment of Non-Cash Generating Assets*; IPSAS 31, *Intangible Assets*; IPSAS 33, *First-Time Adoption of Accrual Basis IPSASs*; and Practice Statement: *Making Materiality Judgements*.

June 2022

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

Project	Date Issued
IPSAS 44, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	May 2022
IPSAS 43, <i>Leases</i>	January 2022
<i>Improvements to IPSAS, 2019</i>	January 2022
<i>Amendments to IPSAS 5, Borrowing Costs—Non-Authoritative Guidance</i>	November 2021
<i>Non-Authoritative Amendments to IPSAS 41, Financial Instruments</i>	December 2020
<i>COVID-19: Deferral of Effective Dates</i>	November 2020
<i>Collective and Individual Services, (Amendments to IPSAS 19)</i>	January 2020
<i>Improvements to IPSAS, 2019</i>	January 2020
IPSAS 42, <i>Social Benefits</i>	January 2019
<i>Amendments to IPSAS 36, Investments in Associates and Joint Ventures, and IPSAS 41, Financial Instruments</i>	January 2019

Status of Application of Due Process – June 2022

APPENDIX A

PROJECT	DUE PROCESS ELEMENTS (✓= ELEMENT COMPLETE)						ANTICIPATED FINAL APPROVAL
	A. PROJECT COMMENCEMENT	B. DEVELOPMENT OF STANDARD		C. PUBLIC EXPOSURE	D. EXPOSURE COMMENTS CONSIDERED	E. APPROVAL	
		CP PHASE (IF APPLICABLE)	ED PHASE				
Revenue	✓	✓	✓	✓	ONGOING		December 2022 [December 2023]
Transfer Expenses	✓	✓	✓	✓	ONGOING		December 2022 [December 2023]
Conceptual Framework—Limited Scope Update- Measurement	✓	N/A	✓	✓	ONGOING		December 2022
Conceptual Framework—Limited Scope Update-Next Stage	✓	N/A	✓	ED 81 – PUBLISHED JAN 2022			June 2023
Measurement	✓	✓	✓	✓	ONGOING		December 2022
Property, Plant, and Equipment Update - Infrastructure Assets	✓	N/A	✓	✓	ONGOING		December 2022

Status of Application of Due Process – June 2022

APPENDIX A

PROJECT	DUE PROCESS ELEMENTS (✓= ELEMENT COMPLETE)						ANTICIPATED FINAL APPROVAL
	A. PROJECT COMMENCEMENT	B. DEVELOPMENT OF STANDARD		C. PUBLIC EXPOSURE	D. EXPOSURE COMMENTS CONSIDERED	E. APPROVAL	
		CP PHASE (IF APPLICABLE)	ED PHASE				
Property, Plant, and Equipment Update - Heritage Assets	✓	✓	✓	✓	ONGOING		December 2022
Non-Current Assets Held for Sale and Discontinued Operations	✓	N/A	✓	✓	✓	✓	Issued May 2022
Leases [IFRS 16 Alignment]	✓	✓	✓	✓	✓	✓	Issued January 2022
Other Lease-type arrangements [Public sector specific]	✓	✓	✓	✓	ONGOING		December 2023

Status of Application of Due Process – June 2022

APPENDIX A

PROJECT	DUE PROCESS ELEMENTS (✓= ELEMENT COMPLETE)						ANTICIPATED FINAL APPROVAL
	A. PROJECT COMMENCEMENT	B. DEVELOPMENT OF STANDARD		C. PUBLIC EXPOSURE	D. EXPOSURE COMMENTS CONSIDERED	E. APPROVAL	
		CP PHASE (IF APPLICABLE)	ED PHASE				
Natural Resources	✓	CP PUBLISHED MAY 2022					June 2024
Retirement Benefit Plans	✓	N/A	✓	ED 82 PUBLISHED APRIL 2022			March 2023
IPSAS 5, Borrowing Costs – Non-Authoritative Guidance	✓	✓	✓	✓	✓	✓	Issued November 2021

N/A – Consultation Paper (CP) phase is not a required due process element, IPSASB determines on a project-by-project basis whether a CP is needed.

Overview of Due Process steps:

A. Project Commencement—due process step complete when project proposal (project brief) approved.

B. Development of Standard—due process step complete when exposure draft approved for public exposure.

C. Public Exposure—due process step complete when exposure draft comment period ends and comments received publicly posted on IPSASB website.

D. Consideration of Exposure Comments—due process step complete when significant issues raised on exposure have been deliberated by IPSASB.

E. Approval—due process step complete after board approval of final standard, considered the need for re-exposure, agreed the basis for conclusions and set an effective date for the standard.

Mid-Period Work Program Consultation – December 2021 Report Back

December 2021 CAG Discussions

1. Extracts from the draft minutes of the December 2021 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 2021 CAG Meeting Comments	
IPSASB Director, Dave Warren, introduced Agenda Item 3 and updated the CAG with an overview of responses to the IPSASB's Mid-Period Work Program Consultation. Mr. Warren informed the CAG that this consultation did not propose any changes to the IPSASB's Strategy and Work Program for 2019-2023 but focused on receiving feedback as to which projects should be added to the IPSASB's work program as resources became available.	
The CAG members commented as follows:	
<ol style="list-style-type: none"> 1. Mr. Chowdhury questioned the reasoning for the IPSASB's closed sessions on sustainability reporting, and asked whether it was time for the IPSASB to liaise with the International Sustainability Standards Board (ISSB). He also asked whether sustainability could be brought onto the IPSASB's work program as a minor project because the public sector has a greater role to play. 	<p>In March 2022, the IPSASB added two sustainability projects to its work program:</p> <ul style="list-style-type: none"> - Advancing Public Sector Sustainability Reporting Consultation Paper; and - Reporting Sustainability Program Information (Theme C). <p>Closed sessions were held from September 2021 until March 2022 to allow the IPSASB to develop its strategy and seek advice from relevant parties (including the CAG). The IPSASB's consultation paper provides the full background and results of the IPSASB's deliberations, and is open for comment until September 9, 2022. All comments received will be publicly posted on the IPSASB's website, and deliberated by the IPSASB in its discussions on how to take forward sustainability.</p>
<ol style="list-style-type: none"> 2. Mr. Gisby thanked staff and noted that it was interesting that constituents did not highlight other projects for further consideration. He recommended developing a summary of the consultation process to show the boards thinking in the projects added, and those that were not. On the specific projects to add to the work program, he agreed with the major and minor projects and advised IPSASB to consider whether differential reporting, presentation, and 	<p>The IPSASB published its Mid-Period Work Program Consultation Summary in May 2022.</p> <p>The IPSASB discussed whether to publish its complete lists of projects considered when developing the Mid-Period Work Program Consultation in May 2021. The IPSASB agreed the complete list of projects should be made available as part of the</p>

Agenda Item 3.2.2

Representatives' and Observers' Comments	IPSASB Response
<p>materiality could be completed together in one large project. Mr. Gisby noted he was supportive of IPSASB undertaking work on sustainability reporting because there is not a need for another sustainability board. However, he noted it would be important for that work to consider developments in the ISSB's guidance, and for IPSASB to remain engaged in their work to develop the private sector guidance. Regarding Natural Resources, he noted a need for a stronger link between financial and non-financial reporting and advised the IPSASB to consider this further.</p>	<p>development of the 2024-2028 Strategy and Work Program.</p> <p>The IPSASB will consider how to manage interconnected projects as part of the project brief development stage (first stage in actively developing projects on IPSASB's work program). This is expected to occur later in 2022.</p> <p>As part of the Sustainability Consultation Paper issued in May 2022, the IPSASB highlighted a key enabler in delivering sustainability reporting guidance was to consider existing guidance already developed where it was appropriate and applicable for the public sector.</p>
<p>3. Ms. Sanderson was not surprised IPSAS 33, <i>First-time Adoption of Accrual Basis IPSAS</i> was supported as a project, but thought differential reporting should be a higher-priority. She noted that differential reporting will take time and will likely exceed the current strategy period that runs through end of 2023. Regarding sustainability, there is a gap between what should be there and what is being done because it is a very complex landscape. She advised the IPSASB to include people with views beyond financial reporting. She noted it might be useful for the CAG to have a separate discussion in the future regarding who is the user and who is the preparer/practitioner. Further, she noted that the ISSB is focused on enterprise value and capital market participants and that makes it unlikely that it will deal with public sector issues.</p>	<p>The IPSASB acknowledges that the prioritized projects are expected to begin before the end of the current strategy period, but will into the next strategy period.</p> <p>The IPSASB highlighted the need for a Sustainability Reference Group (SRG) in its Consultation Paper, <i>Advancing Public Sector Sustainability Reporting</i> to support the IPSASB. The SRG would comprise of a range of stakeholders including sustainability experts and those with relevant scientific expertise.</p>

Agenda Item 3.2.2

Representatives' and Observers' Comments	IPSASB Response
<p>4. Ms. Colignon supported the respondents' vote for the Presentation of Financial Statement topic, but raised four areas of concern:</p> <ul style="list-style-type: none"> ○ Will pronouncements on sustainability follow the same process for accounting standards i.e., convergence; ○ Both the System of National Accounts (SNA) and International Accounting Standards Board (IASB) are considering updates to their intangibles guidance, therefore this might present an opportunity to align better with those frameworks; ○ Fiscal risk identification is a major issue: this would be a topic area that would benefit from further discussion at standard-setting level at some point; and ○ The IPSASB needs to make sure it is selling the benefits of accrual-based financial statements to parliamentarians. 	<p>The IPSASB proposed that making use of international guidance as part of the development of global public sector specific sustainability reporting guidance was essential. The CP highlights the IPSASB's existing alignment processes as a method to develop sustainability guidance in the public sector.</p> <p>Noted. SNA updates will be considered as part of any work related to intangible assets. It should be noted, that the IPSASB always considers alignment with statistical accounting as part of its project development, including updates to SNA.</p> <p>Noted. Fiscal risk management is important to effective PFM. It is expected that this topic may be covered in future work in the presentation of financial statements project, and may impact other topics considered in the next work program consultation. Further, it should be emphasized the IPSASB's strategic objective '<i>Strengthening PFM globally through increasing adoption of accrual-based IPSAS</i>'.</p> <p>As part of its work supporting the strategic objective, the IPSASB participates in several outreach events throughout the year as part of its strategy to raise awareness of IPSAS and the benefits of accrual adoption. This includes engaging with international and regional development organizations that support enhancements to PFM systems (including public sector accounting reforms) to enhance fiscal strength and sustainability.</p>
<p>5. Mr. Zhang agreed all the projects are necessary. He advised further consideration be given to combining the materiality and presentation of financial statements projects, given the link between those topics and projects.</p>	<p>Noted. See response #2.</p>

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Representatives' and Observers' Comments	IPSASB Response
6. Mr. Page agreed with Mr. Zhang and said the list of projects is important and what needs to be discussed at the board is policy relevance. He commented that discount rates will get revisited, and that tax gaps are also important. Mr. Page noted that everyone is grappling with how to develop better frameworks so that governments can make informed decisions regarding climate change and sustainability.	Noted. See response #2.
7. Mr. Williamson agreed that policy relevance and how financial statements are used for decision making are important. Regarding presentation of financial statement, he asked what degree of consultation is going on outside of users of financial statements and the accounting profession, and what kind of information do decision makers need. Mr. Williamson also advised sustainability should be on the IPSASB agenda but perhaps not as a project at this time.	The IPSASB and its staff participate in various events globally in order to raise awareness of IPSAS and the benefits of accrual adoption. These events target IPSASB's stakeholders, including primary users of the financial information. See response #1 for sustainability discussion.
8. Mr. Simpson commented that sustainability and differential reporting were very important and he questioned why the project to update IPSAS 21, <i>Impairment of Non-cash-generating Assets</i> could not be done with the current measurement project.	The IPSASB agreed that 'value in use', a measurement basis applied in IPSAS 21, was outside the scope of the measurement project in 2022. The IPSASB considered whether the update of IPSAS 21 should be undertaken as part of the measurement project, but decided to address it separately after the completion of the measurement project. Addressing IPSAS 21 and value in use within the measurement project was determined to be outside the scope, and would have a negative impact on the timing of the project.
9. Mr. Warren also relayed Ms. Grässle's written comment to the group and noted the natural resources project may be an opportunity to change the IPSASB's conceptual framework.	The Natural Resources project addresses the challenge of what you can bring onto the balance sheet, and into broader financial reporting outside the financial statement, by applying the IPSASB's conceptual framework.

Matters for CAG Consideration

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

Measurement Suite of Projects – December 2021 Report Back

December 2021 CAG Discussions

1. Extracts from the draft minutes of the December 2021 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 2021 CAG Meeting Comments	
<p>IPSASB Director, Dave Warren, introduced Agenda Item 4 and provided background on the measurement suite of projects, issued as a package of four Exposure Drafts (EDs). Mr. Warren summarized responses noting constituents were generally supportive of the proposals except as it relates to Current Operational Value (COV), where responses were split between:</p> <ol style="list-style-type: none">1. Support for the principles proposed;2. Building on the principles proposed; and3. Departing from the principles proposed. <p>Mr. Warren asked CAG members to consider the following questions:</p> <ol style="list-style-type: none">1. Question 1 – Do CAG members think the IPSASB should continue developing a public sector specific measurement basis, and why?2. Question 2 – If yes, do CAG members think the IPSASB should continue exploring COV as a public sector specific measurement basis, and why?3. Question 3 – Can CAG members identify any additional factors or approaches the IPSASB should consider when assessing the substance of each stakeholder comment to determine the most appropriate recommendation to pursue?	
<p>The CAG members commented on Question 1 as follows:</p>	

Representatives' and Observers' Comments	IPSASB Response
<p>1. Ms. Colignon acknowledged there is a need to develop a basis that is different from fair value but advised against shaping fair value for public sector purposes as it would create confusion and would not represent the difference between operational and financial capacity. Confusion may arise because fair value is already difficult to apply, the difference between COV and replacement cost is not clear, and the definition may not be fully operational.</p>	<p>Respondents to ED 77:</p> <ul style="list-style-type: none"> - Supported the COV principles proposed, while asking for more clarity to ensure consistency in application; - Strongly supported alignment with IFRS 13 FV, i.e., no change for public sector, as it is relevant for items held for their financial capacity; - Indicated there is a need for a public sector measurement basis that can be applied instead of fair value; and <ul style="list-style-type: none"> o FV does not provide the most useful information when measuring most public sector assets. Since these assets are held to deliver services, which may not be their highest and best financial use, FV measurement will not reflect the value of the asset to the public sector entity for service delivery. <p>The IPSASB is discussing COV in further detail at its June 2022 meeting. The IPSASB will focus on the core COV principles proposed in ED 77 and based on advice from the CAG in December and responses to ED 77, how these principles can be clarified to clearly distinguish COV from existing measurement bases.</p>

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<p>2. Ms. Stachniak noted that the concepts should be sector neutral in her view. Ms. Stachniak referenced past discussions, where members considered public sector specific issues, such as heritage or infrastructure, and concluded that specific guidance would likely be more beneficial than the introduction of different asset categories. Ms. Stachniak advised the IPSASB to be cautious in introducing a new measurement basis in the public sector and asked whether it should be labelled as a new public sector measurement basis, or instead as a flavor of an existing measurement basis for application in the public sector environment. Ms. Stachniak sympathizes with respondents who preferred that COV be closer to replacement cost and advised the IPSASB to consider further.</p>	<p>The IPSASB is discussing COV in detail at its June 2022 meeting. The IPSASB will specifically discuss some respondents suggestion to further consider replacement cost.</p> <p>As part of the development of the CP and ED, the IPSASB considered whether 'public sector specific application guidance' should be developed for fair value (like heritage and infrastructure guidance in PP&E). Respondents strongly supported alignment between FV in the public and private sector and did not want deviation (respondents indicated FV worked well for items held for their financial capacity in the public sector and emphasized that in those cases there should not be differences between the public and private sector).</p>
<p>3. Ms. Caron asked whether the problem to be solved is substantial enough to warrant a new measurement basis, and noted concerns on comparability of financial statements, and complexity of implementation. Ms. Caron recommended adapting existing concepts (such as replacement cost) to avoid complications.</p>	<p>The IPSASB is discussing COV in detail at its June 2022 meeting.</p> <p>Respondents have supported the IPSASB's view that a significant difference exists between asses held in the public sector and those held in the private sector. Assets held in the private sector are held for their financial capacity, assets held in the public sector are held for their operational capacity (service delivery capacity) or in some cases financial capacity.</p> <p>Respondents noted this public sector difference results in an accounting issue because assets held for their operational capacity (for example a school used to provide education), being measured for their financial capacity (highest and best use) will likely misrepresent the value of the public sector asset considering the public sector measurement objectives and how the asset is being used.</p>

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<p>4. Mr. Gisby supports complete alignment of public and private where appropriate. However, noted that fair value may be inappropriate for certain public sector transactions and a public sector specific measurement basis is needed in some circumstances, for example, when considering operational capacity of a public asset.</p>	<p>Noted. Respondents agreed with this view.</p> <p>The IPSASB will further discuss this view in June 2022.</p>
<p>5. Mr. Page noted there are important examples of differences between the public and private assets. As an example, Mr. Page noted that fair value or replacement cost is likely not appropriate for a current Canadian project to build children's facilities for a specific demographic. Mr. Page expects additional infrastructure investments in other jurisdictions over the coming years, particularly around sustainability, where COV may be applicable.</p>	<p>Noted. See response #4.</p>
<p>6. Mr. van Schaik commented that a key fair value concept (highest and best use) does not work in the public sector. He therefore agrees it is important to develop public sector specific measurement principles.</p>	<p>Noted. See response #4.</p>
<p>7. Ms. Sanderson asked whether there is a geographical divergence in responses. She encouraged the use of IFRS as much as possible, such for the measurement of non-specialized, industry neutral assets. Ms. Sanderson agrees that a specific basis for public sector is necessary but is not convinced that it would be replacement cost. She advised the IPSASB to keep undue costs and complexity in mind as the board develops guidance.</p>	<p>The IPSASB reviewed a geographic and functional breakdown of respondents to the COV SMCs in March 2022. No significant issues were noted.</p> <p>The IPSASB has agreed to align FV with IFRS 13 and make this basis available for use within the IPSAS suite of standards.</p> <p>The IPSASB will further discuss COV and its connection with replacement cost in June 2022.</p>

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<p>8. Ms. Cearns noted there is significant pushback in the UK due to valuation difficulties and costs. A completely new measurement basis may add a lot of complexity. She encouraged continued liaisons with the valuation community and to consider the costs versus the benefits, and recommends alignment with IFRS as much as possible, and to make public sector tweaks where necessary.</p>	<p>Critical to the development of COV is the IPSASB's interactions with the international valuation community. The IPSASB has engaged throughout the process, with international valuation experts, including liaising with the International Valuation Standards Council. This continues as IPSASB works through the feedback to the ED responses, and works to refine COV based on the input received.</p> <p>In June 2022, the IPSASB will receive a presentation from a member(s) of the valuation community for an update on advancements in the valuation space and how COV would work with existing valuation guidance.</p>
<p>9. Mr. Chowdhury supported the development of a public sector specific measurement basis and acknowledged it is difficult to have one standardized public sector valuation model. He advised maintaining flexibility to ensure variability of the model as, and when, it is necessary.</p>	<p>Noted. See response #4.</p>
<p>The CAG members commented on Question 2 as follows:</p>	
<p>10. Ms. Colignon underlined the complexity and emphasized the need to consider the achievement of service level objectives in determining a reliable basis.</p>	<p>Noted. See response #1.</p>
<p>11. Mr. Williamson noted, from an economist view, it seems the problem the new measurement basis is intended to solve is the public sector challenge of valuing services provided. He noted that it is likely easier to apply fair value to examples in education than to public health, security, defence, and other public goods. It is likely a political judgment that has financial statement implications. Mr. Williamson struggled with the COV term itself and would advocate for simplicity for the public good.</p>	<p>As part of the June 2022 meeting, both the CAG and the IPSASB will discuss core principles proposed for the public sector measurement basis.</p>

Representatives' and Observers' Comments	IPSASB Response
12. Mr. Müller-Marqués Berger agreed that political prioritization of specific services should be isolated, and that value is based on the service potential, not the service itself.	As part of the June 2022 meeting, both the CAG and the IPSASB will discuss the measurement lens from which COV should be viewed (inputs/service potential vs outputs/service itself).
13. Mr. Zhang supported a public sector specific measurement basis, but encouraged further analysis of the definition and COV principles to ensure they can be effectively implemented. Replacement cost may be a more appropriate measurement approach, as it is the cost of replacing the same service potential. Different replacement costs reflect different service potential, which would improve comparability of accounting information across different entities.	Noted. See response #2.
14. Ms. Cearns reminded fellow members that measurement is a huge issue in the public sector, and it is important to be clear which measurement approaches are available for which assets. Different measurement approaches can be justified for assets with specific public sector characteristics, but not all assets. Ms. Cearns echoed her previous concern about using another method to approximate value. She suggested the IPSASB consider costs vs. benefits, user needs and valuation information, and the private sector's approach to similar assets.	<p>In June 2022, the IPSASB will discuss the public sector challenge it is trying to solve with COV and whether it outweighs the costs.</p> <p>The IPSASB will consider alternatives suggested by respondents, and the support it received for moving forward with the COV principles proposed.</p>
15. Mr. Gisby supported continued work on COV, and encouraged greater flexibility. He noted that replacement cost can be used as a measurement technique under these bases and questioned whether the issue might be that there are too many choices.	Noted. See response #2.

Representatives' and Observers' Comments	IPSASB Response
<p>16. Mr. Simpson did not consider this to be a valuation hierarchy, and noted it was unclear when an entity would use a specific measurement basis or technique (it was less intuitive for liabilities). Mr. Simpson noted that the guidance was confusing, as it covered both assets and liabilities at the same level and with the same techniques, and COV of a liability is a difficult concept to visualize. He recommended that guidance for liabilities be separate and approached differently. Mr. Simpson encourage greater clarity on the intention behind this concept, perhaps through the use of examples, and the financial statement impact.</p>	<p>In March 2022 the IPSASB agreed with this advice and decided to no longer refer to it as a measurement hierarchy, and instead now calls it a subsequent measurement framework.</p> <p>In June 2022, the IPSASB will discuss how to clarify various aspects of its measurement proposals. Emphasis will be placed on COV.</p>
<p>17. Ms. Stachniak noted that her view is there are not any public sector specific assets, but there may be public sector specific contexts. She acknowledged that a few people raised highest and best use as a difficult issue during this discussion. However, she notes that the private sector may also have assets in a city center (e.g., building run as a for-profit hospital) which may not be its highest and best use. Many private companies have corporate social responsibility (CSR) objectives to supply specific services in a city center and would not change the use of an asset because of highest and best use alone. Sometimes private sector accounting should go towards public sector accounting direction.</p>	<p>In June 2022, the IPSASB will consider alternatives suggested by respondents (including whether COV should be pursued), and the support it received for moving forward with the COV principles proposed.</p>
<p>18. Mr. Page advised that the IPSASB assess if a separate basis is needed, and acknowledged that valuation is complicated. There are examples and benchmarks in private sector and their provision of social services. Having a COV may be useful even if its valuation is complicated.</p>	<p>Noted. See response #14 and #17.</p>

Representatives' and Observers' Comments	IPSASB Response
19. Mr. Smith Mansilla expressed some concern that COV is similar to Value in Use (VIU), and noted that it is difficult for users to understand similar concepts but with different objectives. Mr. Smith Mansilla recommended simplification and revision of IPSAS 21 to replace VIU with this concept, or perhaps revise this concept to be closer to VIU.	Noted. See response #14. The IPSASB agreed to defer work on VIU until it has resources to pursue a limited-scope update of IPSAS 21.
20. Ms. Nehmeyer-Srocke supported comments by other members. She encourages the IPSASB to depart from the COV model as it is difficult to establish and introduce new valuation concepts and terminologies. Rather, she advises the use of existing concepts, particularly fair value, and enhance that guidance with good public sector examples.	Noted. See response #14.
The CAG members commented on Question 3 as follows:	
21. Ms. Nehmeyer-Srocke did not have a specific comment on the factors. However, if the IPSASB decide not to continue with COV, she encouraged the IPSASB to consider comments from supporters of COV comments to ensure the issues noted are still covered.	Noted. See response #14.
22. Mr. Gisby advised the IPSASB to consider the characteristics of respondents, such as the specialization or association for transparency purposes. Mr. Gisby recommended the IPSASB be transparent about the weighting of criteria.	There is no hidden weighting of factors. The consultations are open, and all comment letters and staff analysis are posted publicly and available indefinitely. Negative comments may get more attention as it leads to more analysis of principles and concepts and overall will help build consensus and find a way forward. A quality response gives staff richness of why a respondent agrees or disagrees with a proposal, not whether they agree or disagree.
23. Ms. Sanderson asked whether the IPSASB should do anything differently from the public sector neutrality perspective. She advised the IPSASB to be practical and consider what it means for preparers and users.	Noted. See response #14.

Matters for CAG Consideration

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

Consultation Paper, Advancing Public Sector Sustainability Reporting – March 2022 In-Period Report Back

March 2022 CAG Discussions

- Summary of advice provided at the March 2022 In-Period CAG Meeting and how the IPSASB has responded to the Representatives' comments are included in the table below.

Representatives' Comments	IPSASB Response
December 2021 CAG Meeting Comments	
IPSASB Chair, Ian Carruthers, and Director, Dave Warren, provided an overview of [draft] Consultation Paper, Advancing Public Sector Sustainability Reporting. CAG members were asked to provide the IPSASB advice to consider as it prepared to finalize the document in March 2022.	
The CAG members commented as follows:	
1. Ms. Aldea Busquets noted for the European Commission sustainability reporting is important issuance for bonds, transparency, trying to put in place something that would help stakeholders and markets. If the proposal goes forward it should be done in steps, and key issues should be prioritized.	See final Consultation Paper . The IPSASB has acknowledged it will need to enhance its expertise by establishing a Sustainability Reference Group to support the IPSASB. The IPSASB has also prioritized the general sustainability-related information and climate-related disclosures at its first priority topics.
2. Mr. Gisby congratulated the IPSASB and noted the public sector will be vital in pushing sustainability reporting forward. The IPSASB should draw on its existing contacts within governments to draw on their experiences and any work they've already started. Mr. Gisby agreed with Ms. Aldea Busquets and that priorities must be established. He advised drawing on what exists already, consider tax policies, and natural resource reporting. Mr. Gisby also noted there are limited experts available in the field.	Noted. See response #1.
3. Ms. Grässle advised the IPSASB to provide flexibility. The guidance needs to avoid causing capital investment to flee jurisdictions that adopt the reporting framework.	See final Consultation Paper .

Representatives' Comments	IPSASB Response
<p>4. Ms. Cearns identified pressure points the IPSASB may face in developing sustainability reporting guidance:</p> <ul style="list-style-type: none"> ○ Regarding the Theme C project, trying to fit in commitments to a zero net carbon framework may breach and undermine existing principles; ○ Financial reporting model does not currently work for sustainability reporting. Stakeholders will be impatient that financial reporting model won't work, and will want change; ○ Any model developed to adjust financial reporting must not address sustainability reporting, but break financial reporting. 	<p>See final Consultation Paper.</p> <p>Noted. The Theme C project is still in the research and planning phase.</p> <p>Similarity, the proposed sustainability reporting framework project is in its early stages. However, the proposed framework is not planned to supplant the financial reporting framework, but rather compliment it.</p>
<p>5. Ms. Stachniak advised the IPSASB to be clear in the CP what the expectation is and what the IPSASB envisions. Ms. Stachniak also advised the IPSASB to establish a basis on which to develop guidance. For financial reporting there is a strong link with the work of the IFRS where appropriate. This basis should be established for sustainability reporting as well. The IPSASB should also have a strategic goal to influence the IFRS Foundation's process to consider public sector issues where appropriate.</p>	<p>See final Consultation Paper.</p> <p>The IPSASB has not predetermined whether it will develop a sustainability reporting framework. The consultation only proposes how it could take forward the issue if it received support and the key enablers noted in Chapter 4 are in place to take forward the initiative.</p> <p>The CP is seeking support that public sector specific guidance is needed.</p> <p>The IPSASB does clearly indicate in the CP, that if it should take forward sustainability reporting in the public sector, it would look to build off of existing international guidance (such as that from the ISSB or GRI, where applicable).</p> <p>Regarding influencing the ISSB's process, the IPSASB Chair was on the technical readiness working group, and is currently exploring how the IPSASB can be involved in the ISSB process in order to add the public sector perspective.</p>

Representatives' Comments	IPSASB Response
6. Mr. Close agreed with Ms. Cearns comment regarding the separation/integration between financial and sustainability reporting. Governance and if separate sustainability reporting advisory group would help separate and disconnect.	Noted. See response #4.
7. Mr. Williamson agreed there are many challenges, and dangers / unintended consequences of good intentions, thinking through what we want to achieve in sustainability reporting in both sectors. Trying to improve behaviour of public sector (being more sustainable and promoting sustainability behaviour). He advice going back to basics. Public sector has important needs re how to spend funds, and also influencing private sector. The latter is far greater. Individual private sector entities don't have that reach. There is also the challenge of developing guidance for jurisdictions with varying capability. The IPSASB should not develop guidance that works only for most capable/sophisticated jurisdictions.	See final Consultation Paper . The CP has been enhanced in Chapter 1 to reflect the importance of public sector in sustainability reporting.
8. Ms. Colignon agreed the IPSASB enter this space. She noted RPGs already exists and are a good starting point. She advised driving a line between financial reporting and other forms of reporting.	See final Consultation Paper . The CP has been updated to reflect the existing RPG guidance and how sustainability reporting is planned to compliment financial reporting.
9. Ms. Cearns advised the IPSASB to consider how it adapts IFRS for public sector. When the ISSB issues guidance the IPSASB should consider if there are fundamental difference that will suggest the rules of the road will not apply.	See final Consultation Paper . The CP proposes to apply the 'Rules of the Road' concepts to sustainability reporting where possible and appropriate.

Representatives' Comments	IPSASB Response
<p>10. Mr. Simpson advised the IPSASB to be clear, sustainability is easy to say, but hard to define. He noted the sustainability piece is unclear. As project moves forward, the IPSASB must be clear what is meant by sustainability (purely an environmental focus or more broad).</p>	<p>See final Consultation Paper. Chapter 1 has been updated to be clear sustainability reporting relates to ESG reporting, however, the IPSASB will prioritize sustainability-related information and climate-related disclosures at its first priority topics because these have been identified as such in discussions with stakeholders. The IPSASB has included a specific view on this in the CP, asking for feedback from constituents.</p>
<p>11. Mr. Smith Mansilla noted the proposals in the CPA are ambitious. He advised the IPSASB to build momentum with quick wins such as some intermediate products (practice guidance, etc.) before diving into the development of a framework.</p>	<p>See final Consultation Paper. Chapter 2 has clarified that the IPSASB has added a Reporting Sustainability Program Information Project to the work program in 2022. This is expected to be a limited-scope project to address the urgent need to enhance the usefulness of financial reporting information for policy formulation and green budgeting decisions.</p>
<p>12. Mr. Close advised the CP should include a section on implicit risks to be managed, such as implementation, economic/financial impact, and impacts on budget update.</p>	<p>See final Consultation Paper. Chapter 4 details the key enablers necessary for the IPSASB to be successful in developing sustainability reporting guidance for the public sector.</p>

Matters for CAG Consideration

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