Agenda Item 9: Limited Scope Update of Conceptual Framework

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IPSASB Meeting
March 10–13, 2020
New York, USA
Covering Paper (Agenda Item 9.2.1)

Issues Highlighted in Project Brief and Outline
a. Limited nature of scope
b. Proposed issues in scope
c. Issues discussed with CAG and not in scope

Decisions Required
• Approval of project brief and outline
• Identification of other issues
• Approved in September 2014 and issued in October 2014
  • Previously implicit reliance on former IASC 1989 Framework
• No review timeline
• Limited scope review proposed in Strategy and Work Plan Consultation
• Support from delegates at Public Sector Standard Setters Forum, but diverse views on scope
• Discussed with CAG in December 2019
(a) Developments in the International Accounting Standards Board’s (IASB’s) revision of its Conceptual Framework after September 2014

(b) Experience in using the Conceptual Framework in developing new pronouncements and maintaining existing IPSAS since approval in September 2014
• Establishes the concepts for development of IPSAS and Recommended Practice Guidelines (RPGs)
  • RPGs provide guidance for financial reporting outside financial statements
• Non-authoritative
• Explain departures in bases for conclusions
  • Imposes accountability on Board
• Links with Measurement project and importance of aligning timelines
Project Brief: Project objective (Section 4) (1)

• Update the Framework for a limited number of issues
• Criteria: *urgency, consequences, feasibility and prevalence*
  • Particular emphasis on the first three of these criteria.
• View that Consultation Paper unnecessary
• No intention to form Task Force (TF)
  • Links to Measurement, Heritage and Infrastructure TFs
Achieving the objective

• Determination of appropriate and manageable scope
• Links to other projects (esp. Measurement)
• Formulation of communications plan: Update is not a full-scale review of the Framework.
Link to the IPSASB’s Strategic Objective

- Theme A: Setting standards on public sector specific issues
- Theme B: Maintaining IFRS alignment
- Theme C: Developing guidance to meet users’ broader financial reporting needs

Project Brief: Project objective (Section 4) (3)
Project Brief: Key Issues: Section 5 (1)

1. Scope
2. Impact of Revised IASB Measurement Chapter
3. Absence of fair value from IPSASB Framework
4. Relationship between fair value and market value
5. Tension between replacement cost as a measurement basis and replacement cost as an estimation technique for fair value
6. Capital maintenance
7. Elements: Definitions of an asset and a liability
8. Unit of account and executory contracts
9. Acknowledgement of prudence in context of neutrality
10. Materiality
11. Communication: Management of expectations
Project Brief: Implications for Specific Persons or Groups (Section 6)

1. IASB
   - 2018 Framework
   - Subsequent limited scope amendments to Chapter 2, *Qualitative Characteristics of Useful Financial Information*, relating to materiality (Key Issue#10)

2. Other Standards, Projects in Process or Planned Projects
   - Major impact on all current and prospective projects
     - Measurement, Heritage, Infrastructure and

   - Analysis of approaches and process for assessing alignment
Agenda Item 9—LSUCF

Project Brief: Development Process, Project Timetable and Project Output (Section 7)

- Subject to the IPSASB’s formal due process,
- Input from CAG.
- ED approval subject to the usual IPSASB voting rules.
- Regular assessments to confirm that the project timetable remains the most appropriate.
### Project Brief: Project Timetable (Section 7)

<table>
<thead>
<tr>
<th>Major Project Milestones–</th>
<th>Expected Completion</th>
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<tbody>
<tr>
<td>Approve Project Brief</td>
<td>March 2020</td>
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<tr>
<td>Approve Exposure Draft (ED) Phase 1</td>
<td>September 2020</td>
</tr>
<tr>
<td>Approve ED Phase 2</td>
<td>December 2020</td>
</tr>
<tr>
<td>ED Comment Period (four months): Phase 1</td>
<td>February 2021</td>
</tr>
<tr>
<td>ED Comment Period (four months) Phase 2</td>
<td>May 2021</td>
</tr>
<tr>
<td>Review of Responses to EDs</td>
<td>June &amp; September 2021</td>
</tr>
<tr>
<td>Approve Final Revisions to Framework</td>
<td>December 2021</td>
</tr>
</tbody>
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Revised Chapter 7, *Measurement*.

Amendments to Chapter 3, *Qualitative Characteristics* and possibly Chapter 5, *Elements*.

Decision on whether capital maintenance will be incorporated into Chapter 7 or a separate chapter, as in the IASB Framework.
Project Brief: Resources Required (Section 8)

Staff Resources

• 0.5 FTE

Factors that Might Add to Complexity and Length

• Broadening the scope beyond that proposed in the project brief
• External expectations leading to more robust communication with constituents; and
• Coordination and consultation with Measurement Task Force and the Task Forces on Heritage and Infrastructure.
Project Brief: Useful Sources of Information/Other Issues (Sections 9 & 10)

- IASB Framework principal source
- Topics identified and discussed with CAG but not proposed in scope
  - Hierarchy of QCs: fundamental and enhancing
  - Other resources and other obligations
  - Use of term ‘non-legally binding obligation’
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