

Strategy and Work Program 2019-2023

# Mid-Period Work Program Consultation

Consultation July 2021  
Comments Due: November 30, 2021

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# Consultation Overview

As the IPSASB approaches the mid-point in its Strategy and Work Plan 2019-2023 (the Strategy), and a number of its current projects are expected to be completed during 2022 and 2023, Board and staff resources are expected to become available allowing the IPSASB to add new projects to its Work Program. In preparation, the IPSASB is seeking input on the new projects that it believes best meet public benefit priorities to gauge stakeholder support. Stakeholder feedback will help the IPSASB prioritize the projects.

The IPSASB has prioritized projects by applying the project prioritization criteria in the Strategy, and drawing on stakeholder feedback obtained during its development. The IPSASB will commence new projects as resources become available through the completion of the existing projects. The new projects will not be completed during the period covered by the current Strategy, and so will be the first call on the Board's resources during the next strategy period.

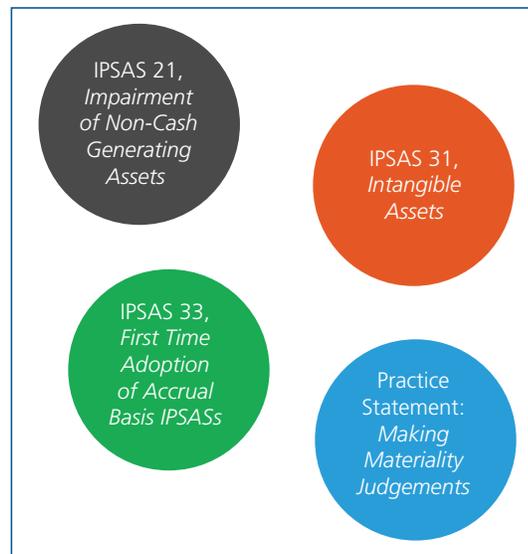
This Consultation seeks your input in determining what is most important to you in delivering the Strategy. Your input into this process will help the IPSASB make its final decisions on the projects that should be added to its Work Program when resources become available.

## Projects Proposed (see pages 15-17)

### Major Projects



### Minor Projects



## Questions

1. Do you agree with the major projects proposed by the IPSASB?  
If not, which major project(s) would you substitute for those proposed, and why?
2. Do you agree with the minor projects proposed by the IPSASB?  
If not, which minor project(s) would you substitute for those proposed, and why?

# Strategic Context – Chair’s Introduction



The global pandemic has presented us all with unprecedented challenges. It has firstly been a human challenge, impacting the health and welfare of everyone around the globe. However, it also presents public financial management challenges beyond the scale of anything faced globally for generations. Governments will be faced with tough choices as they try to repair the long-term financial damage resulting from the pandemic, while meeting the ongoing needs of citizens, and making the investments required to address the challenges of climate change and sustainable development goals (SDGs). High quality IPSAS-based financial statements provide the complete picture of governments’ finances necessary for future fiscal projections that governments will need to make the right long-term decisions for their countries.

Against this backdrop, the IPSASB’s primary objective in its [Strategy and Work Plan 2019-2023 \(the Strategy\)](#) of strengthening Public Financial Management through increasing adoption of accrual-based IPSAS is more relevant than ever. Despite the scale and unforeseen global consequences of the pandemic, the Strategy has proved to be both flexible and focused at the right level, to allow the IPSASB and its staff to respond to its huge challenges. The IPSASB quickly provided guidance and tools to help constituents understand its impact on entities and governments, while continuing to deliver on the important projects on the Work Program. Mid-way through the Strategy period, I am pleased to report that through the hard work, skill and dedication of the IPSASB, their technical advisors and the staff, the IPSASB has delivered much as planned despite the significant challenges it has faced. Full details of the IPSASB’s activities over the last two years are available in the [IPSASB Biennial Review 2019-2020](#).

As part of the Strategy, the IPSASB committed to hold a public consultation to seek guidance on which projects the IPSASB could add to its Work Program in the second half of the Strategy period as current projects are completed and in the context of the environment at the time. In formulating the proposals in this Consultation, the IPSASB has sought to strike a balance between a number of competing factors:

- Providing stakeholders with time to implement the recognition and measurement changes arising from the Leases, Measurement-related<sup>1</sup>, and Revenue and Transfer Expenses projects;
- Addressing consequential inconsistencies within the IPSAS suite arising from these new standards;

<sup>1</sup> Includes proposed changes to IPSAS 17, *Property, Plant, and Equipment* as this relates to heritage assets and infrastructure assets.

- Facilitating the use of IPSAS-based information for accountability and decision-making purposes;
- Promoting and facilitating financial sustainability reporting across the public sector; and
- Supporting the projected significant global increase in accrual-based reporting and the use of IPSAS over the coming decade.

The projects the IPSASB proposes to commence during 2022 and 2023, subject to resources becoming available, reflect its views on how best to address these priorities in the current environment. There are numerous other areas that the IPSASB could address, some of which are discussed in this Consultation Document. These remain available for the IPSASB to commence in the future, potentially through the 2024-2028 Strategy and Work Program consultation (planned for 2023) and which could be added to its research program in the interim.

The IPSASB has proposed a way forward with implementing its current Strategy based on its views on the current priorities and now we need your input. It is essential the IPSASB hears your views – our stakeholders – on the proposed projects so that it can best address your needs and priorities.

We look forward to receiving your comments.



Ian Carruthers  
IPSASB Chair

# Scope of Consultation

## Objective

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In its [Strategy and Work Plan 2019-2023 \(the Strategy\)](#), the International Public Sector Accounting Standards Board (IPSASB) committed to hold a public consultation mid-way through the Strategy period on projects that could be added to the Work Program during the remainder of the Strategy period, as current projects are completed.

## Scope

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The Strategy covers the 2019-2023 period. However, in finalizing the Strategy, the IPSASB was conscious that during the later part of this period Board and staff resources would become available as projects are completed, and that there would be a need to consider emerging financial reporting issues in deciding which additional projects to take on. Therefore, the IPSASB committed to undertake a mid-period public Work Program consultation in order to get stakeholder input to its choices within the context of the overall Strategy.

Since 2019, the environment in which the IPSASB operates has changed considerably because of COVID-19 and an enhanced focus on sustainability reporting.

- COVID-19 has changed the world and public sector entities operate in a vastly different economic environment than they did pre-COVID-19. However, as the [Staff Questions and Answers document](#) issued in April 2020 demonstrates, no major gaps have been identified in the IPSASB's suite of guidance as a result of the pandemic.
- Momentum for enhanced sustainability reporting has developed significantly since the beginning of the period covered by the Strategy. Stakeholder demands for public sector entities to be more transparent about risks, such as climate change, and opportunities they face in continuing to deliver services have grown. The IPSASB reviewed its Recommended Practice Guidelines, and concluded they provide a strong basis on which to build. The IPSASB's potential future role in this areas is further explored on pages 9-10 of this document.

The overarching Strategic Objective adopted in the Strategy is:

## Strengthening PFM Globally Through Increasing Adoption of Accrual-Based IPSAS.

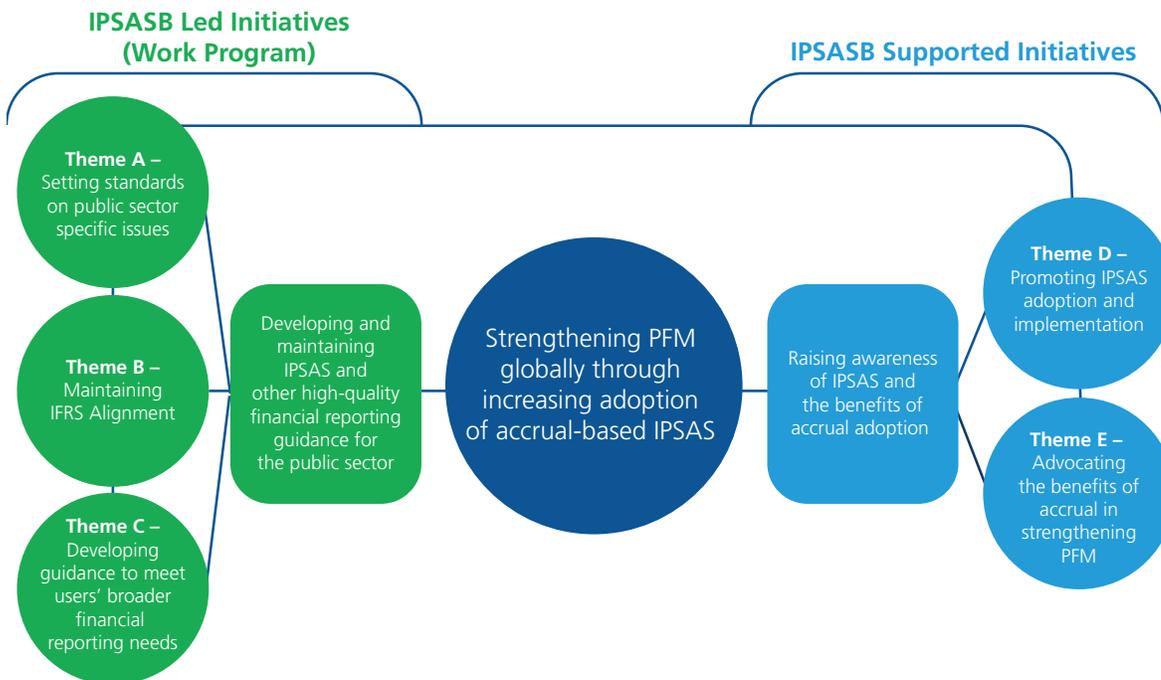
It is delivered through two main areas of activity, both of which have a public interest focus:

- **Delivering Global Standards:** Developing and maintaining IPSAS and other high-quality financial reporting guidance for the public sector; and
- **Inspiring Implementation:** Raising awareness of IPSAS and the benefits of accrual adoption.

In order to focus its work across these main areas of activity, the IPSASB groups its work under five Strategic Themes:

- Strategic Themes A through C address the development and maintenance of standards and other forms of guidance, and are the focus for this Consultation; and
- Strategic Themes D and E focus on raising IPSAS awareness and promoting their adoption and implementation, as well as highlighting the use of accrual information. They indicate how the IPSASB has been, and plans to continue, supporting and influencing the work of others in strengthening public financial management (PFM).

Figure 1



# Themes A, B and C

## (Work Program Consultation Focus)

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Themes A, B and C encompass initiatives where the IPSASB undertakes project work (which it generally leads) to develop and maintain IPSAS and other high-quality financial reporting guidance for the public sector. Collectively, these themes form the IPSASB's Work Program, and are the focus of this Consultation.

### Theme A – Setting Standards on Public Sector Specific Issues

The IPSASB's current Work Program is primarily focused on Theme A because public sector-specific issues are often those where there is no other directly relevant international guidance. They are the highest priority to address given the increasing rate of IPSAS adoption and implementation. It will therefore continue to be important for the IPSASB to focus its resources on Theme A.

### Theme B – Maintaining IFRS Alignment

The IPSASB believes that maintaining alignment with IFRS is in the public interest for the reasons set out in the Strategy.

While Theme A has been the focus of the IPSASB time and resources, the IPSASB has continued to maintain IFRS alignment where appropriate by incorporating IFRS alignment as part of its public sector-specific projects. The IPSASB will continue to undertake limited-scope alignment projects when resources are available, and use the improvements projects to continue to maintain alignment with IFRS, as well as take opportunities to reduce unnecessary GFS differences, where appropriate.

### Theme C – Developing Guidance to Meet Users' Broader Financial Reporting Needs

The Strategy committed the IPSASB to actively monitor developments under Theme C in the broader narrative reporting space and to consider whether a project should be proposed in the Mid-Period Consultation.

The most significant development during the last couple of years under Theme C relates to the increased focus on sustainability reporting. Global environmental concerns, and the profile attached to achievement of the SDGs<sup>2</sup> have led to a growing focus on how both private and public sector entities should manage and report on these matters.

Without a robust widely shared reporting framework, public sector entities will struggle to demonstrate progress towards their SDG commitments. The IPSASB expects the demands on public sector entities to be more transparent and enhance

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<sup>2</sup> Sustainable Development Goals are an urgent call for action by all countries - developed and developing – in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. See [sdgs.un.org/goals](https://sdgs.un.org/goals) for more information.

their sustainability reporting to increase significantly in the coming years. In delivering its current Strategy, the IPSASB will continue to engage in a combination of activities to enable it to play its part in highlighting the importance of sustainability programs in the public sector, and platforming emerging experience, in order to determine how best further work in this critical area should be taken forward.

The IPSASB is actively engaging in discussions around the potential to develop unified international sustainability reporting guidance. The priority at this stage is to bring the appropriate international public sector perspective and expertise into these discussions. Then, as the proposals develop (including their governance and staffing models, and scope of activities) to evaluate the relevance to public sector financial reporting and how the IPSASB could develop future work in this space.

An equally important priority at this stage is to reinforce to public sector organizations the importance of prioritizing sustainability programs, and to begin to establish reporting systems based on the guidance already available:

- Recommended Practice Guidelines exist in the [Handbook of International Public Sector Accounting Pronouncements](#) and provide relevant non-authoritative guidance on reporting on the long-term financial sustainability of public sector entities and service performance reporting; and
- Staff Questions and Answers, which the IPSASB will continue to build on, provide links to other guidance sources and regular updates on emerging international experience.

The IPSASB Chair's July 2021 [Can Public Sector Accountants Help Save the World? Yes we Can – and Here's Why](#), is one of several actions the IPSASB has already taken, as well as establishing an [IPSASB Sustainability Reporting webpage](#) to highlight IPSASB's engagement and activities.

## Themes D and E

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Themes D and E generally encompass initiatives where the IPSASB supports the work of others, and so the more reactive activities in this area cannot be directly included in the Work Program.

The IPSASB sees its role in inspiring IPSAS adoption and implementation and the use of accrual-based information more broadly as a critical contribution to PFM reforms. Given the complexity of the PFM landscape, and its own resource limitations, the IPSASB's view is that building relationships with those working in this space and engagement in their work is the most effective way of promoting and encouraging the adoption and implementation of IPSAS in PFM reform projects, as well as the use of accrual information for better decision making. The IPSASB will continue to monitor actively and engage in the work of others in the PFM arena.

## Theme D – Promoting IPSAS Adoption and Implementation

As PFM frameworks and challenges vary between jurisdictions, accrual adoption and implementation programs must inevitably be led at the individual jurisdiction level shown in Figure 2. IPSASB Members and Technical Advisors continue to undertake an active outreach program focused on speaking at conferences and attending key local meetings, in support of the work of local accrual adoption and implementation initiatives.

Figure 2

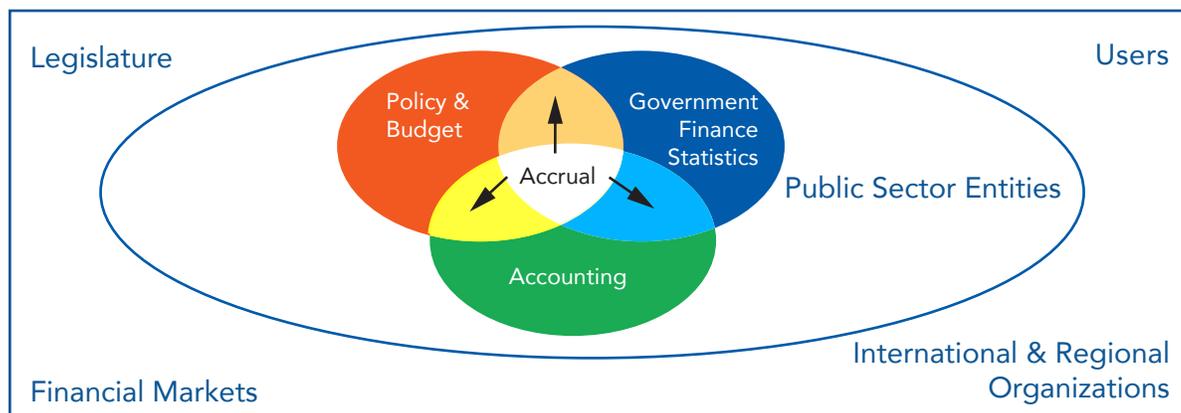
Activity	IPSASB	Professional Accountancy Organizations/IFAC	Governments	Consultants/ Contractors	Supranational & Regional Organizations	Auditors
<b>Promoting adoption</b>	✓	✓	✓	✓	✓	✓
<b>Supporting IPSAS Implementation</b>						
– Financial Support			✓		✓	
– Capacity Development		✓	✓	✓*	✓*	
– Technical Guidance	✓	✓*	✓			✓*
– Practical Guidance		✓*	✓	✓	✓*	✓*
– Continuing Professional Development		✓	✓			

\* Not a primary role, but potential for influence and involvement.

## Theme E – Advocating the Benefits of Accrual in Strengthening PFM

Moving to IPSAS provides many benefits that strengthen PFM as well as contributing to the delivery of SDGs. To maximize these benefits, the IPSASB believes that accrual-based information (ideally based on IPSAS) should be used for as many purposes as possible. The figure below illustrates the various potential users of, and the variety of uses for, accrual information in PFM.

Figure 3 – Users/Uses of Accrual Information in PFM



One of the most important recent developments that could play an important role in advancing the use of accrual information to improve the quality of information used for PFM decisions is the start of a major program to update the International Statistical Standards (ISS) by 2025. IPSASB Members and staff have been supporting this initiative by sharing information on developments related to accrual financial accounting in the public sector, and IPSAS in particular, and through this process hope to continue to identify opportunities for further alignment between statistics and IPSAS.

As there are significant intervals between ISS updates, resources will need to be allocated to taking the resulting opportunities to increase alignment between statistical reporting guidance and IPSAS. Depending on developments related to this initiative, future resources under Themes A and B might be needed for narrow scope Government Finance Statistics (GFS) alignment projects.

While this Consultation focuses on which projects to add to its Work Program, the IPSASB expects to leave unchanged its current level of focus on Themes D and E, in areas other than the ISS update.

## Work Program Opportunities

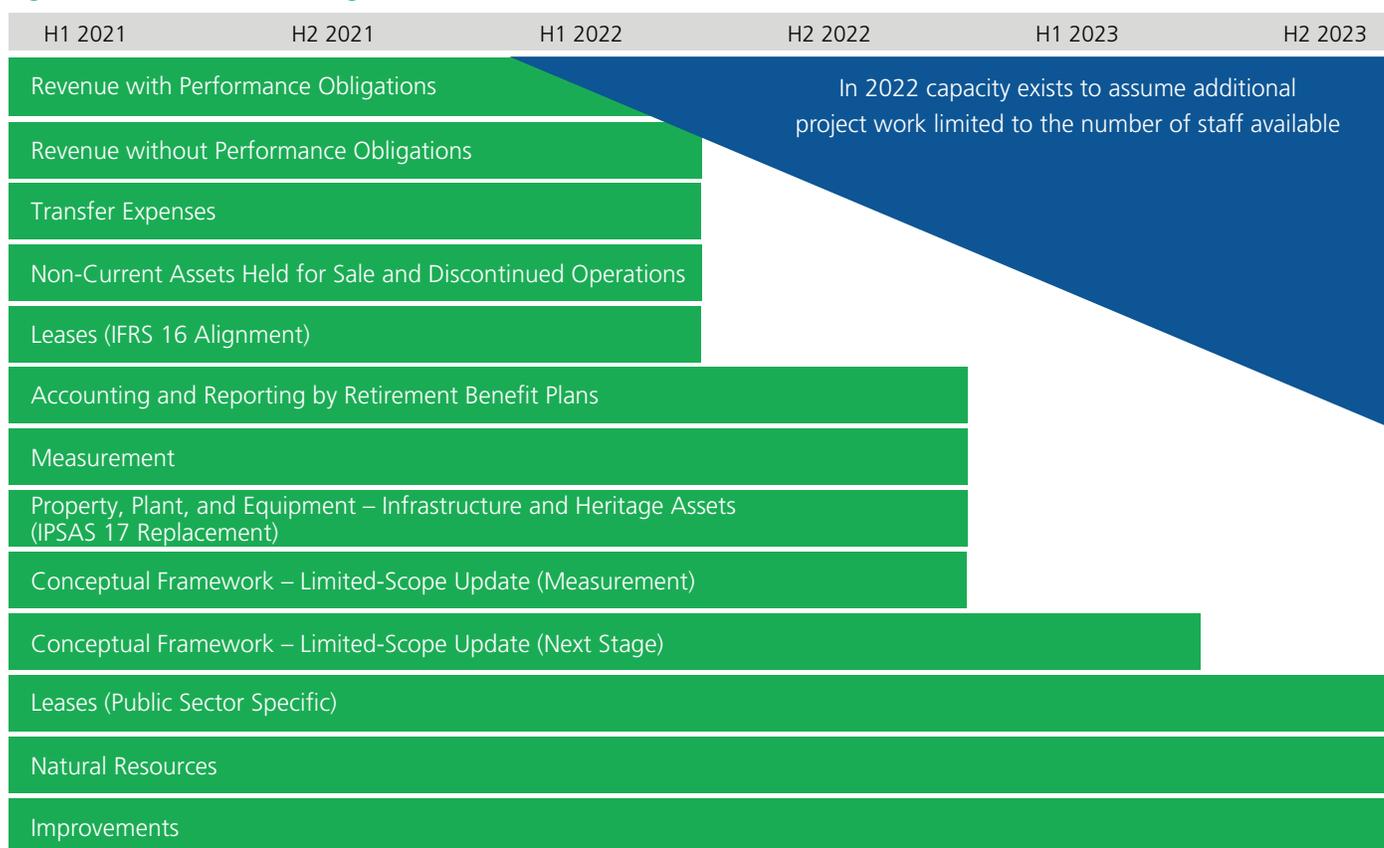
Since the beginning of the period covered by the Strategy, the IPSASB has completed a number of projects, progressed others, and started new ones as summarized below:

Completed projects	Progressed projects	New projects started
<ul style="list-style-type: none"> <li>• <i>IPSAS 42, Social Benefits</i></li> <li>• <i>Limited-Scope Amendments to IPSAS 36 and IPSAS 41</i></li> <li>• <i>Collective and Individual Services, (Amendments to IPSAS 19)</i></li> <li>• <i>Improvements to IPSAS, 2019</i></li> <li>• <i>Non-Authoritative Amendments to IPSAS 41, Financial Instruments</i></li> <li>• <i>Non-Authoritative Amendments to IPSAS 5, Borrowing Costs</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Revenue and Transfer Expenses (Developing Final Pronouncement)</i></li> <li>• <i>Leases (ED issued in January 2021)</i></li> <li>• <i>Measurement (ED issued in April 2021)</i></li> <li>• <i>Property, Plant, and Equipment (Including new guidance on Infrastructure Assets and Heritage Assets) (ED issued in April 2021)</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Conceptual Framework – Limited-Scope Update (ED on Phase 1 issued in April 2021)</i></li> <li>• <i>Natural Resources (Developing CP)</i></li> <li>• <i>Accounting and Reporting by Retirement Benefit Plans (Developing ED)</i></li> <li>• <i>Non-Current Assets Held for Sale and Discontinued Operations (ED issued in April 2021)</i></li> </ul>

The [IPSASB Biennial Review 2019-2020](#) provides further details.

As the revenue and transfer expenses projects, leases and measurement suite of projects are progressively completed during the next couple of years, the IPSASB expects to have capacity to add to its Work Program.

Figure 4 – IPSASB Work Program<sup>3</sup>



The above table sets out the expected progress for all ongoing projects on the current IPSASB Work Program as at June 2021. The progress of each project will be dependent on the decisions taken by the IPSASB, feedback received from stakeholders' in each consultation phase, and the availability of staff resources. The IPSASB reviews Work Program progress at each meeting.

With a number of major projects expected to be completed in the foreseeable future, it is important the IPSASB seeks public feedback now on additional projects to be started as existing projects are completed.

<sup>3</sup> The June 2021 Work Program is the best estimate of resources required to complete existing projects. Completion dates are subject to change. New projects begin after existing projects are completed.

# Additional Project Proposals

In prioritizing projects that could be added to its Work Program, the IPSASB considered a list of potential projects. This list of projects was updated from the list assembled as part of the Strategy's development. Projects were added as identified through recent discussions with stakeholders. In analyzing which projects will bring the greatest public interest benefits, the IPSASB applied its agreed project prioritization criteria as discussed below.

Projects not proposed to be added to the Work Program at this time will remain available for the IPSASB to add at a future date. Projects considered as part of this Consultation will be considered again as part of the 2024-2028 Strategy Consultation (planned for 2023). In the interim, some may be added to the IPSASB's research program.

The projects added following this Consultation will not be completed during the period covered by the current Strategy, and so will be the first call on the Board's resources during the next strategy period.

## Prioritizing Projects

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The IPSASB has limited resources, and therefore limited capacity, to add new projects to the Work Program. Having evaluated the Board and staff resources that are likely to be released as its current projects are completed progressively over the next couple of years, the IPSASB decided that it was likely to have the capacity to add:

- Two 'major' projects that would require development from scratch and so would involve a Consultation Paper phase; and
- Up to four 'minor' projects involving updates to existing IPSASB pronouncements, or IASB alignment projects where it appears likely that only limited modifications of the source pronouncement would be required.

In prioritizing projects to add to its Work Program when resources become available during 2022 and 2023, the IPSASB prioritized and evaluated projects against two factors:

- Strategy and Work Program 2019-2023 criteria for project prioritization; and
- Availability of resources.

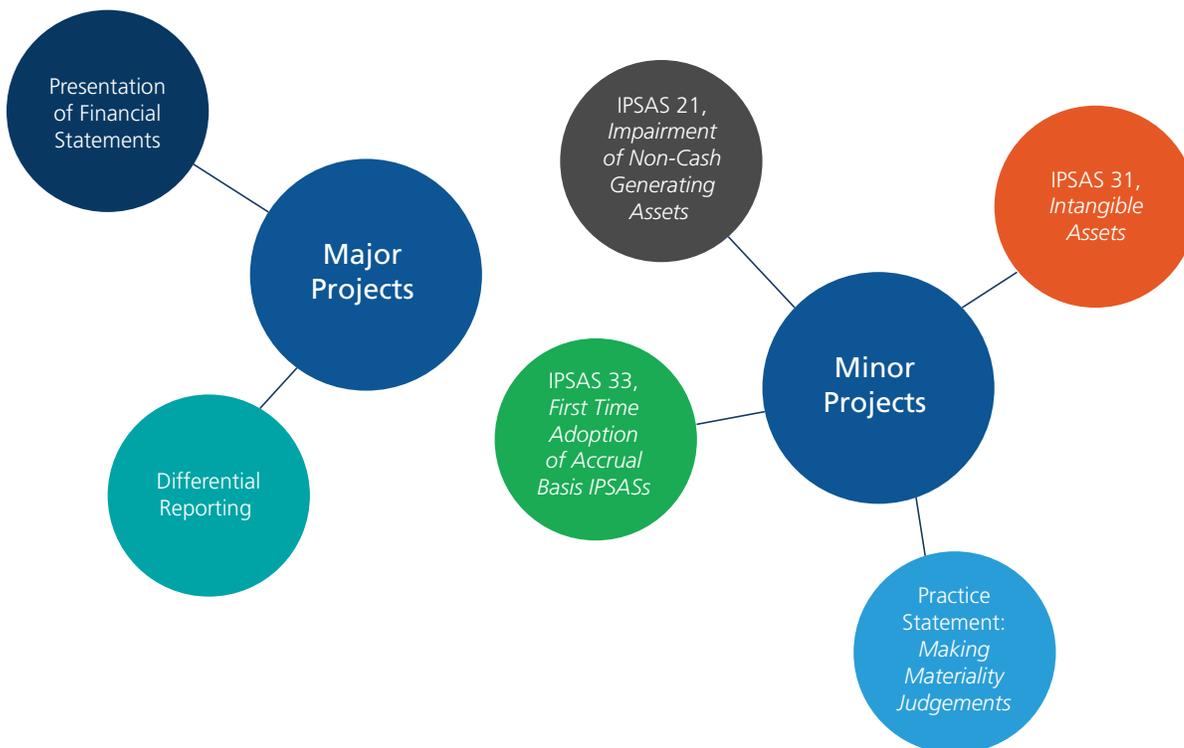
The projects proposed are intended to provide the greatest overall public interest benefit when evaluated against the criteria. They also received high levels of support when discussed with the IPSASB in its regional discussion groups, as

well as support in the 2019 discussions in regional roundtables on research topics. See [Appendix A](#) for the description of the project prioritization process.

## Proposed Additional Work Program Projects

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Considering the criteria for project prioritization and the IPSASB's available resources, the IPSASB has prioritized the following projects and seeks feedback. These projects will be undertaken as resources become available and will not be completed before the end of the Strategy period.



While it is unlikely any of the prioritized projects will be completed before the end of the period covered by the 2019-2023 Strategy, identifying the projects that best meet current public benefit priorities and have stakeholders' support will allow the IPSASB to be ready to begin work when resources become available during this Strategy period.

## Major Project Proposals

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### Presentation of Financial Statements

How financial information is presented to its users is paramount in making the information useful. This project would revise the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content (including disclosure). A Theme A project that

enhances presentation would help all public sector entities communicate their financial narrative better for accountability purposes and to the decision makers that evaluate this information.

As momentum builds across jurisdictions to implement IPSAS, its relevance and usefulness would become even more crucial to delivering the full benefits from the investment required to implement accrual-based reporting so supporting delivery of Themes D and E.

This project would also provide an opportunity to introduce at standards level the revised Conceptual Framework definitions, and for the IPSASB to provide governments with opportunities to align their performance reporting more closely with:

- International Statistical Standards, which can be a significant driver in accrual-basis accounting adoption; and
- Budgetary control and reporting frameworks.

## Differential Reporting

The recently published [International Public Financial Accountability Index 2021 Status Report](#) shows that there will be a continuing shift from cash to accrual-accounting over the next decade, and that IPSAS usage and influence is increasing. For less complex public sector entities, the costs of implementing IPSAS-compliant financial reporting may outweigh the benefits received by the users unless some form of relief from the full requirements of the accrual-basis IPSAS is provided.

Through public consultation, a Theme A project on Differential Reporting would enable the IPSASB to explore:

- The characteristics of less complex public sector entities; and
- The appropriate financial reporting approaches and guidance that could be applied by less complex public sector entities.

A differential reporting project could support a broader range of public sector entities applying IPSAS and could provide a base level of comparability between all entities applying either form of IPSAS, thereby supporting delivery of Theme D.

## Minor Project Proposals

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### *IPSAS 21, Impairment of Non-Cash Generating Assets*

Determining whether and to what extent assets held for public sector specific purposes, (for example, service delivery as opposed to profit-oriented activities) have been impaired is a common challenge in the public sector. The IPSASB's current measurement project has identified some important inconsistencies when applying the concept of value in use in measuring the impairment of an asset.

Enhancing public sector specific guidance to clarify its application in practice once the new Measurement standard has been finalized through a minor Theme A project would provide significant benefits to all IPSAS users.

## IPSAS 31, *Intangible Assets*

Several ongoing projects have identified public sector specific amendments that are likely to be necessary to the intangible assets standard following their completion (i.e., in relation to measurement requirements and heritage items). In taking forward a Theme A minor update project, the IPSASB would also have the unique opportunity to leverage its current projects (including in particular Natural Resources) while they are ongoing, or recently completed, to additional guidance in areas of importance to the public sector such as electromagnetic spectrum rights.

## IPSAS 33, *First Time Adoption of Accrual Basis IPSASs*

IPSAS 33 considers the many complex accounting policy decisions for public sector entities on their first application of IPSAS. It is only used once by public sector entities adopting and implementing accrual-basis IPSAS. However, the one time an entity uses IPSAS 33 can shape its experience, and the experience its users understand, long after this standard is applied.

Some challenges and inconsistencies have been identified in its application, and with more jurisdictions adopting accrual-basis IPSAS, addressing the problems identified through a minor Theme A project is important for both the IPSASB and potential IPSAS adopters and would support delivery of Theme D.

## Making Materiality Judgements

Stakeholders consistently indicate there is a lack of clarity on principles to consider when making materiality judgements on which information should be included in the notes to the financial statements.

Rather than using judgement to decide what information to include in financial statements, stakeholders tend to use disclosure requirements in IPSAS as if they were items on a checklist.

This contributes to what many have described as a disclosure problem—namely, public sector entities provide too much irrelevant information and not enough relevant information in their financial statements.

The IASB has developed Practice Statement, *Making Materiality Judgements*, to address this issue. Using this as a basis through a minor Theme B project would allow the IPSASB to address this challenge efficiently, and provide public sector users with important new practical support.

## Potential Additional Research Topics

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The IPSASB established its Academic Advisory Group as part of the current Strategy to research topics to facilitate decisions on whether to add them to its Work Program at a future stage. As of 2021 this Group has commissioned research papers<sup>4</sup> on important public sector topics and established a robust process for commissioning future research papers. For full details on the accomplishments of the Academic Advisory Group to date, see the [2019-2020 Biennial Review](#).

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<sup>4</sup> Additional information on the Academic Advisory Group can be found on the [IPSASB website](#).

Where the IPSASB has not prioritized a project be added to the Work Program, the IPSASB decided that some of the projects could be candidates for initial academic research coordinated through the Academic Advisory Group.

In some cases, the longer list of projects considered as part of prioritizing projects for this Consultation have identified issues that would become prevalent and urgent issues in the future (for example, additional research related to the issues in practice in applying the existing discount rate principles). This is an opportune time for such projects to be added to the IPSASB's Research program. It allows more information to be gathered to allow the IPSASB to add the project to its Work Program at a future date.

In considering projects to put forward for research, the Academic Advisory Group will reflect on stakeholder feedback received as part of this Consultation process.

# Responding to this Consultation

Responses to this Consultation will help shape the IPSASB's thinking on which specific projects it should add to the Work Program that would bring the greatest public interest benefits.

## Questions for Respondents

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The IPSASB has discussed the matters in the Consultation and has proposed six projects be prioritized and added to the Work Program for when resources become available. This Consultation document sets out the thinking and views of IPSASB related to those proposals.

1. Do you agree with the major projects proposed by the IPSASB?  
If not, which major project(s) would you substitute for those proposed, and why?
2. Do you agree with the minor projects proposed by the IPSASB?  
If not, which minor project(s) would you substitute for those proposed, and why?

Respondents may choose to answer one or both questions. The IPSASB welcomes comments on any other matters respondents think it should consider in forming its views.

The IPSASB will consider all comments submitted by November 30, 2021.

## How to Comment

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Respondents are asked to submit their comments electronically through the IPSASB website, using the [“Submit a Comment”](#) link. Please submit comments in both a PDF and a Word file.

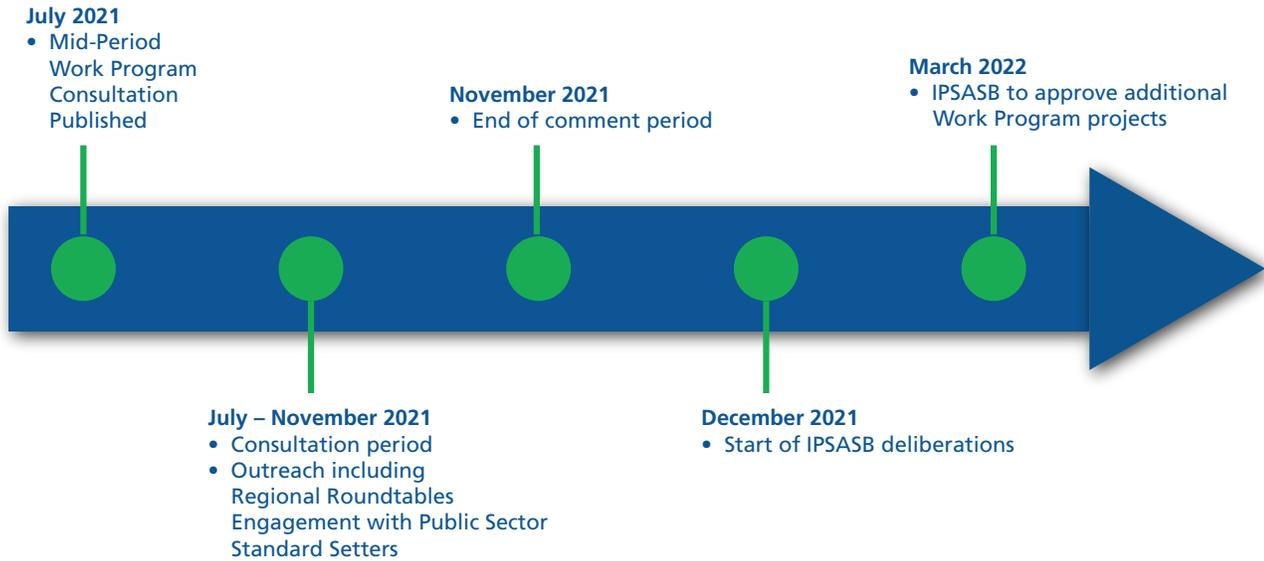
All comments will be considered a matter of public record and will be posted on the IPSASB website.

The IPSASB will carefully consider all feedback and discuss responses at its public meetings after the comment period has ended.

# Next Steps

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The IPSASB expects to start discussing feedback on this Consultation at public meetings in the fourth quarter of 2021. In the second quarter of 2022, the IPSASB expects to publish a Consultation report summarizing the feedback and add projects to its Work Program.



# Appendix A – Project Prioritization Process

The projects the IPSASB proposes to add to its Work Program were prioritized and evaluated against two factors:

- Strategy and Work Plan 2019-2023 criteria for project prioritization; and
- Availability of resources.

## Criteria for Project Prioritization

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To help the IPSASB assess which projects would provide the greatest public interest benefits to users, its 2019-2023 Strategy committed the IPSASB to evaluate potential projects against the following criteria:

**Prevalence.** Whether the financial reporting issue is widespread globally amongst public sector entities.

**Consequences.** Whether the issue impairs the ability of the financial statements to provide useful information for accountability and decision making.

**Urgency.** Whether the emerging issue has recently gained prominence and therefore requires consideration in the near term.

**Feasibility.** Whether a technically sound solution to the issue can be developed within a reasonable time period and current resource constraints without impacting adversely on the completion of other projects.

The above criteria are used by the IPSASB to evaluate potential new projects. The IPSASB consults with constituents before adding new projects to the Work Program. The feedback received from constituents is considered in the context of the resources available to the IPSASB, and the need for a balanced Work Program which includes projects with a mix of complexities.

## Availability of Resources

The IPSASB has limited resources which impact its capacity to undertake new projects. It is important for constituents to be aware of the resources available in the short and medium term to undertake additional new projects.

In developing its proposals, the IPSASB believes it has the resources to add two major and up to four minor projects to the Work Program, after setting aside capacity for the following factors:

- **Progress current projects.** Assumption that the current timeframes of projects are achieved and that the scope of work does not expand.
- **Maintain scope of activities to support Themes D and E.** The level of staff resources and IPSASB plenary time related to Themes D and E will be managed and minimized to allow for projects under Themes A and B.
- **Maintain flexibility.** Leave some flexibility to undertake time-sensitive projects as needed, or deal with variations to the plan on committed projects.

## Major / Minor Project Classification

As noted above, the IPSASB is limited to adding two major (more resource-intensive) projects and up to four minor (limited-resource) projects.

### *Major Projects*

Major projects are those that are expected to require a consultation paper phase, in addition to the exposure draft and final standard development phases required by due process. A consultation paper phase is generally necessary for projects where there is little guidance that the IPSASB can use as a basis for its project.

Undertaking a consultation paper phase increases the overall resources required over the life of the project and extends the development period. Projects requiring a consultation paper phase need considerably more resources at each phase as the material is likely to need to be developed independently, rather than drawing on existing guidance.

The IPSASB has the capacity to add two major projects, one expected to commence in 2022 and one expected to commence in 2023.

### *Minor Projects*

Minor projects are those that can proceed directly to the exposure draft phase. While this reduces the overall time to complete the project, the nature of the project is distinct from major (more resource-intensive) projects, as there is a basis on which the IPSASB can develop its guidance. This results in fewer resources being required to research issues and options available under the project.

Minor projects can be completed by the IPSASB during periods where natural breaks occur in major projects, such as consultation periods. As such the IPSASB is only likely to have the capacity to start no more than four minor projects in 2022 and 2023.

### *Allocation*

The project allocation proposed above was carefully considered by the IPSASB. The IPSASB concluded the number of major and minor projects is dictated by the resources available.

It is important to note that the IPSASB does not believe that there is scope to add a third major project, even if it did not add any of the minor projects. The constraint driving the resources available to take on major projects relates to the existing projects the IPSASB is working to complete stemming from the 2015 Strategy and the Strategy and Work Program 2019-2023.

While it is possible for the IPSASB to add more minor projects, by reducing the number of major projects, the IPSASB agreed this was not in the public interest. Public sector constituents are best served when the IPSASB addresses the most significant reporting issues. These are generally major projects.

# Appendix B – Project Prioritization Analysis

In preparing for this Consultation, the IPSASB reviewed the written responses and input received from its outreach initiatives to update its comprehensive list<sup>5</sup> of potential projects to be considered as part of the development of the Strategy. Projects that were ranked as “high” across all prioritization criteria are proposed to be included in the Work Program as part of this Consultation.

The IPSASB’s objective in describing projects is to provide a common understanding of the financial reporting issues to help constituents prioritize projects.

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<sup>5</sup> The IPSASB updated the [list of projects](#) considered as part of its outreach for the development of the 2019-2023 Strategy and Work Program. The list was updated for projects that were added to the current Work Program or changes in circumstances around each project.

## Major Projects – Project Prioritization Analysis

Presentation of Financial Statements			Major Project
Revise the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content (including disclosure).			
<i>IPSAS Impacted</i>			
IPSAS 1			
Prevalence	Consequences	Urgency	Feasibility
<b>High</b>	<b>High</b>	<b>High</b>	<b>High</b>
Impacts all reporting entities.	The current IPSAS 1 is based on a superseded version of IAS 1. In addition, IPSAS 1 has been only partially updated to reflect all changes arising from the Conceptual Framework.	IPSAS 1 addresses presentation of financial statements. However, recent IASB developments and the IPSASB Conceptual Framework have introduced new concepts and ideas which may improve communication through financial statements.	Developments related to IAS 1 may depend on the IASB’s ongoing communication initiative, which can be considered for its applicability to the public sector, and the IASB’s project on Primary Financial Statements. A significant change to IAS 1 was the introduction of “other comprehensive income”, a component of income outside profit or loss. The IPSASB examined this component of income in the development of its Conceptual Framework and at that time concluded that it was inappropriate in the public sector.
<b>Consider for Work Program</b>			
<p>The IPSASB proposes adding Presentation of Financial Statements to its Work Program. This project satisfies all the project prioritization criteria.</p> <p>Furthermore, how financial information is presented to its users is paramount in making the information useful. A Theme A project that enhances presentation would help all public sector entities communicate their financial narrative better for accountability purposes and to the decision makers that evaluate this information.</p> <p>As momentum builds across jurisdictions to implement IPSAS, its relevance and usefulness would become even more crucial to delivering the full benefits from the investment required to implement accrual-based reporting so supporting delivery of Themes D and E.</p> <p>This project would also provide an opportunity to introduce at standards level the revised Conceptual Framework definitions, and for the IPSASB to provide governments with opportunities to align their performance reporting more closely with:</p> <ul style="list-style-type: none"> <li>• International Statistical Standards, which can be a significant driver in accrual-basis accounting adoption; and</li> <li>• Budgetary control and reporting frameworks.</li> </ul>			

**Differential Reporting**

**Major Project**

Explore which financial reporting principles best meet the needs of “less complex public sector entity” and ease the financial reporting burden on “less complex public sector entities” through a cost-benefit approach. A major portion of this project would identify the characteristics of “less complex public sector entities” and determine what guidance in IPSAS should be modified and simplified.

*IPSAS Impacted*

**Develop standalone guidance**

Prevalence	Consequences	Urgency	Feasibility
<b>High</b>	<b>High</b>	<b>High</b>	<b>High</b>
All jurisdictions have entities of different sizes and complexities.	Failing to provide smaller and less risky entities with a relevant set of adapted standards might lead to lower financial information quality and comparability that may entail misinformation of the public.  May lead to more entities providing more useful financial information in a cost-effective manner.	Identified as an issue impacting adoption and implementation of IPSAS. Some constituents question if there has been enough adoption of IPSAS to justify a less complex suite of IPSAS. Further some noted the lack of adoption of IFRS for SMEs in the private sector as questioning if this is an urgent issue that the IPSAS should address.	Many standard setters have differential reporting models. While some constituents question if an international solution to differential reporting is feasible, there is a strong basis on which the IPSASB can build and has the potential to remove an obstacle to adoption.

**Consider for Work Program**

The IPSASB proposes adding Differential Reporting to its Work Program. This project satisfies all the project prioritization criteria.

Furthermore, the recently published International Public Financial Accountability Index 2021 Status Report [INSERT LINK] shows that there will be a continuing shift from cash to accrual over the next decade, and that IPSAS usage and influence is increasing. For less complex public sector entities, the costs of implementing IPSAS-compliant financial reporting may outweigh the benefits received by the users unless some form of relief from the full requirements of the accrual-basis IPSAS is provided.

Through public consultation, a Theme A project on Differential Reporting would enable the IPSASB to explore:

- The characteristics of less complex public sector entities; and
- The appropriate financial reporting approaches and guidance that could be applied by less complex public sector entities.

A differential reporting project could support a broader range of public sector entities applying IPSAS and could provide a base level of comparability between all entities applying either form of IPSAS, thereby supporting delivery of Theme D.

## Minor Projects – Project Prioritization Analysis

IPSAS 21, Impairment of Non-Cash Generating Assets			Minor Project
Limited-scope project to address the consistency of value in use guidance within IPSAS identified as part of the Measurement project.			
<i>IPSAS Impacted</i>			
IPSAS 21			
Prevalence	Consequences	Urgency	Feasibility
<b>High</b>	<b>High</b>	<b>High</b>	<b>High</b>
Expected to impact public sector entities widely.	Inconsistency in definition of value in use between IPSAS 21 and IPSAS 26 was highlighted by the Measurement Project. Clarification would enhance consistency.	The inconsistency has become more evident based on the clarification of the measurement bases as part of the Measurement Project.	The IPSASB has already explored several realistic alternatives as part of the Measurement Project. However, concluded the Measurement Project was not the appropriate place to address the challenge.
<b>Consider for Work Program</b>			
The IPSASB proposes adding Impairment of Non-Cash-Generating Assets to its Work Program. This project satisfies all the project prioritization criteria.			
The IPSASB's current measurement project has identified some important inconsistencies when applying the concept of value in use in measuring the impairment of an asset that could be resolved once the Measurement project is completed.			
Impairment of assets held for public sector specific purposes, for example service delivery as opposed to profit-oriented activities, can be extremely challenging. It is also a common challenge in the public sector. Enhancing this public sector specific guidance to clarify its application in practice provides significant benefits for both preparers and users of financial statements.			

**IPSAS 31, Intangible Assets**

**Minor Project**

Limited-scope project to reflect:

- (a) Measurement principles developed as part of ED 77, *Measurement*;
- (b) Heritage principles developed as part of ED 78, *Property, Plant, and Equipment*; and
- (c) Changes to principles resulting from the ongoing natural resources project.

**IPSAS Impacted**

**IPSAS 31**

Prevalence	Consequences	Urgency	Feasibility
<b>High</b>	<b>High</b>	<b>High</b>	<b>High</b>
Expected to impact public sector entities widely.	Questionable whether IPSAS 31, <i>Intangible Assets</i> , which is primarily drawn from IAS 38, <i>Intangible Assets</i> , provides relevant requirements for the recognition and measurement of some public sector specific intangible items.	Possibility that transactions and events potentially giving rise to public sector specific intangibles are increasing.	The ongoing Measurement, Natural Resources and Revenue projects will provide direction in how IPSAS 31 issues can be addressed.

**Consider for Work Program**

The IPSASB proposes adding Intangible Assets to its Work Program. This project satisfies all the project prioritization criteria.

Several ongoing projects have identified public sector specific amendments that are likely to be necessary to the intangible assets standard following their completion (i.e., in relation to measurement requirements and heritage items). In taking forward a Theme A minor update project, the IPSASB would also have the unique opportunity to leverage its current projects (including in particular Natural Resources) while they are ongoing, or recently completed, to additional guidance in areas of importance to the public sector such as electromagnetic spectrum rights.

**IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)**

**Minor Project**

Limited-scope project to identify and address specific challenges in applying IPSAS 33 to facilitate the adoption of IPSAS.

**IPSAS Impacted**

**Develop standalone guidance**

Prevalence	Consequences	Urgency	Feasibility
<p style="text-align: center;"><b>High</b></p> <p>While only applicable on adoption, given the number of entities expected to move to accrual accounting, and potentially IPSAS, the impact is significant.</p>	<p style="text-align: center;"><b>High</b></p> <p>First time adoption of IPSAS is an already challenging process. Many policy choices in IPSAS 33 are rarely applied.</p>	<p style="text-align: center;"><b>High</b></p> <p>With the projected number of IPSAS adopters increasing, resolving challenges is important.</p>	<p style="text-align: center;"><b>High</b></p> <p>Identifying and updated exemptions and exceptions that are applicable to support the initial adoption of IPSAS is likely with the support of the stakeholder community.</p>

**Consider for Work Program**

The IPSASB proposes adding First-time Adoption of Accrual Basis IPSASs to its Work Program. This project satisfies all the project prioritization criteria.

IPSAS 33 provides requirements and guidance on the many complex accounting policy decisions that public sector entities have to make when first applying IPSAS. It is only used once by public sector entities adopting and implementing accrual-basis IPSAS. However, the one time an entity uses IPSAS 33 can shape its experience, and the experience of its users, long after it is applied.

Some challenges and inconsistencies have been identified in its application, and with more jurisdictions adopting accrual-basis IPSAS, addressing the problems identified through a minor Theme A project is important for potential IPSAS adopters and would support delivery of Theme D.

Making Materiality Judgements			Minor Project
IFRS Alignment Project to include materiality guidance within IPSAS literature.			
<i>IPSAS Impacted</i>			
Develop standalone guidance			
Prevalence	Consequences	Urgency	Feasibility
<b>High</b>	<b>High</b>	<b>High</b>	<b>High</b>
Impacts all public reporting sector entities.	<p>The IPSASB has heard from its stakeholders there is a lack of clarity on principles to consider when making materiality judgements.</p> <p>Rather than using judgement to decide what information to provide in financial statements, they use disclosure requirements in IPSAS as a checklist.</p>	With more jurisdictions, with little experience applying IPSAS, moving to accrual accounting, disclosure overload is a significant issue.	Alignment with IFRS guidance provides a feasible solution.
<b>Consider for Work Program</b>			
<p>The IPSASB proposes adding <i>Making Materiality Judgements</i> to its Work Program. This project satisfies all the project prioritization criteria.</p> <p>Stakeholders consistently indicate there is a lack of clarity on principles to consider when making materiality judgements on which information should be included in the notes to the financial statements.</p> <p>Rather than using judgement to decide what information to include in the financial statements, they tend to use disclosure requirements in IPSAS as if they were items on a checklist.</p> <p>This contributes to what many have described as a disclosure problem—namely, public sector entities provide too much irrelevant information and not enough relevant information in their financial statements.</p> <p>The IASB has developed Practice Statement, <i>Making Materiality Judgements</i>, to address this issue. Using this as a basis through a minor Theme B project would allow the IPSASB to address this challenge efficiently, and provide public sector users with important new practical support.</p>			

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International Public  
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Standards Board®

529 Fifth Avenue, New York, NY 10017

**T** + 1 (212) 286-9344 **F** + 1 (212) 286 9570

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