Introduction to the IPSASB and IPSAS

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Dave Warren, Deputy Director

E-Discussions with Social Security Organizations
April 12, 2021

Overview

Introductions
The IPSASB
IPSAS
Ongoing Projects
Wrap Up
Who is the IPSASB?

Europe  
Asia  
North America  
Latin America / Caribbean  
Africa/Middle East  
Australasia/Oceania

2019-23 Strategy and Work Plan: Strategic Objective and Main Activity Areas

Strategically focused on delivering the 2019-23 Strategy and Work Plan. The Strategic Objective is:

Delivering Global Standards  
Inspiring Implementation

Delivering Global Standards  
Inspiring Implementation

Strengthening Public Financial Management (PFM) globally through increasing adoption of accrual-based IPSAS.

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.
- Inspiring Implementation: Raising awareness of IPSAS and the benefits of accrual adoption.
Strategy and Work Program: 5 Strategic Themes

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

Theme D: Promoting IPSAS adoption and implementation

Theme E: Advocating the benefits of accrual in strengthening PFM

Role and Responsibility

Delivering Global Standards

- IPSASB Meetings
- Task Forces
- National Standard Setters Forum
Role and Responsibility

Inspiring Implementation

- National/Regional Outreach:
  - Regional Roundtables
  - Engagement with National Standard Setters
  - Engagement with Governments
  - Engagement with other organizations (IFAC, Regional and Nation PAO’s, Development Organizations)

In 2018 25% of governments reported on accrual...
...within 5 years 65% will report on accrual

Source: IFAC / CIPFA
International Public Sector
Financial Accountability Index
Data from 150 countries


IPSASB Meetings and Materials

All IPSASB meetings are open to the public

All IPSASB agendas and agenda papers are publicly available on the website

Meetings are recorded and shared on the IPSASB website

IPSASB discussions lead to Decisions and Instructions, which form the basis for the minutes

A podcast and Enews are prepared at the end of each meeting as a summary

A list of IPSASB members will be shared on the website
Due Process (1/2)

Stakeholder Input

- Project Briefs
- Consultation Papers
- Exposure Drafts
- IPSASs & RPGs
- High-Quality Public Sector Financial Reporting Standards and Other Publications

Due Process – PIC and CAG

Due Process (2/2)

Approval votes
- Votes on all pronouncements
- Approval requires ⅔ of members in favor (12 members)

Consultation Papers (CPs)
- Optional stage
- Seek preliminary views on complex or new topics

Exposure Drafts (EDs)
- Mandatory stage
- Seek views on firm proposals
Governance Framework

Public Interest Committee
- World Bank
- International Monetary Fund
- Organisation for Economic Co-operation and Development
- International Organization of Supreme Audit Institutions
- Co-Chairs
- Meets once or twice a year – initial meeting March 2015

Consultative Advisory Group
- Composition and terms of reference finalized in 2016
- Operational since 2016 – 1 day meeting each June and December
- Public interest focus
- 25 members with range of backgrounds, skills and interests

IFRS Alignment – “Rules of the Road”

- Process for reviewing and modifying IASB Documents
  1. Are there public sector issues that warrant departure? Yes → 2. Should a separate public sector project be initiated? Yes → 5. Separate public sector project
     No → 3. Modify IASB documents
  2. Modify IASB style and terminology changes
  3. IASB document
Unnecessary differences between GFS reporting guidelines and IPSASs should be avoided. The reduction of unnecessary differences is an important factor in the review and development of IPSASs.

Table 1 – IPSAS/RPG and Equivalent IFRS/PS—Summary

<table>
<thead>
<tr>
<th>IPSAS/RPG</th>
<th>IFRS/PS Status</th>
<th>IPSAS/RPG</th>
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<th>IPSAS/RPG</th>
<th>IFRS/PS Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. Leases</td>
<td>IAS 17</td>
<td>29. Financial Instruments: Disclosures</td>
<td>IFRS 7</td>
<td>IPS 2 Financial Statement Discussion and Analysis</td>
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<tr>
<td>14. Events after the Reporting Date</td>
<td>IAS 10</td>
<td>30. Intangible Assets</td>
<td>IAS 26, IFRIC 32</td>
<td>IPS 3 Reporting Service Performance Information</td>
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<tr>
<td>31. Segment Reporting</td>
<td>IAS 14</td>
<td>32. Service Concession Arrangements: Leases</td>
<td>IFRIC 12, IFRIC 29</td>
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<tr>
<td>19. Property, Plant, and Equipment</td>
<td>IAS 16</td>
<td>33. First-time Adoption of IFRS (IAS 1)</td>
<td>IFRS 1</td>
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<td></td>
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<tr>
<td>34. Separate Financial Statements</td>
<td>IAS 27</td>
<td>35. Consolidated Financial Statements</td>
<td>IFRS 19</td>
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</table>

Guidelines on Statistical Reporting

The reduction of unnecessary differences is an important factor in the review and development of IPSASs.
Responding to COVID-19

Virtual operation  Focused guidance  More time....

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What are IPSAS?

Authoritative standards for preparation of general purpose financial statements

Designed to apply to public sector entities that

- Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;
- Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and
- Do not have a primary objective to make profits.
Types of IPSASB Guidance - Overview

<table>
<thead>
<tr>
<th>IPSASB</th>
<th>Authoritative Standards</th>
<th>42 accrual-based IPSAS issued (37 accrual-based IPSAS currently applicable)</th>
<th>1 Cash-basis IPSAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Authoritative Guidance</td>
<td>Conceptual Framework</td>
<td>3 Recommended Practice Guidelines (RPG)</td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>Questions &amp; Answers</td>
<td>Staff Papers</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Study 14 (Soon to be Pathway to Accruals)</td>
<td>IFAC Adoption and Implementation (COVID-19 Intervention Assessment Tool)</td>
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</table>

Types of IPSASB guidance

IPSAS
Relates to general purpose financial statements (financial statements) and are authoritative. IPSAS develops accrual IPSAS by:
- Developing IPSAS that are aligned with IFRS; and
- Addressing public sector financial reporting issues that are not dealt within existing IFRS.

IPSAS Authoritative Sections
Includes:
- Core text;
- Application Guidance (AGs); and
- Some IPSAS Appendices¹.

At the front of the AGs or Appendix of IPSAS it says, "This AG/Appendix is an integral part of IPSAS XX".

IPSAS Non-Authoritative Sections
Includes:
- Illustrative Examples (IEs);
- Implementation Guidance (IGs); and
- Basis for Conclusions (BCs).

At the front of the non-authoritative sections of IPSAS it states "This IE/IG/BC accompanies, but is not part of IPSAS XX".
Conceptual Framework

- Role and Authority of the Conceptual Framework
- Objectives and Users of General Purpose Financial Reporting
- Qualitative Characteristics
- Reporting Entity
- Elements in Financial Statements
- Recognition in Financial Statements
- Measurement of Assets and Liabilities in Financial Statements
- Presentation and Disclosure

Why adopt the accrual basis?

Reports all
- economic resources controlled by entity
- claims against economic resources
- full cost of goods and services

Improves transparency and accountability
Provides better information for decision making
Improves consistency and comparability of reporting
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Current IPSASB Work Program Position at March 2021

<table>
<thead>
<tr>
<th>Project</th>
<th>Public sector specific</th>
<th>IFRS alignment</th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>ED 70 ED 71</td>
<td>✓</td>
</tr>
<tr>
<td>- Revenue With Performance Obligations (IFRS 15 aligned)</td>
<td>ED 70</td>
<td>✓</td>
</tr>
<tr>
<td>- Revenue Without Performance Obligations (IPSAS 23 update)</td>
<td>ED 71</td>
<td>✓</td>
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<tr>
<td>Transfer Expenses</td>
<td>ED 72</td>
<td></td>
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<tr>
<td>Leases</td>
<td>ED 75</td>
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<tr>
<td>Conceptual Framework: Limited-Scope Update</td>
<td>ED 76</td>
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<tr>
<td>Measurement</td>
<td>ED 77</td>
<td>✓</td>
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<tr>
<td>Heritage</td>
<td>ED 78</td>
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<tr>
<td>Infrastructure Assets</td>
<td>ED 78</td>
<td></td>
</tr>
<tr>
<td>Assets Held for Sale &amp; Discontinued Operations</td>
<td>-</td>
<td>ED 79</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>✓</td>
<td>??</td>
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</tbody>
</table>
Revenue and Transfer Expenses: Project Overview

- Positive response and engagement from constituents across jurisdictions and international organizations
- 203 responses received in total

<table>
<thead>
<tr>
<th>ED 70</th>
<th>ED 71</th>
<th>ED 72</th>
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</thead>
<tbody>
<tr>
<td>73 responses</td>
<td>65 responses</td>
<td>65 responses</td>
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</table>
March 2021 Revenue Discussions

Detailed analysis of responses to ED 70 & ED 71

Focus on Guidance structure
  • IPSASB December 2020 Decision – ED 71 should precede ED 70

Analysis of Responses Related to Proposed Requirements Related to:
  • Binding Arrangements
  • Nature of Present vs Performance Obligations – when should Revenue recognition be deferred?
  • Structure of Guidance one standard for revenue vs. two standards
    • Informed by analysis of Public Sector Revenue – types and magnitude at Federal, State and Municipal levels, and international organizations

Forward Project Plan – phases and issues management

Leases: Forward approach

2 Phase Approach:

• Phase 1 – ED 75: IFRS 16-aligned

• Phase 2 – Request for Information:
  Collect evidence base on characteristics of concessionary leases and other arrangements similar to leases that are common in the public sector – then decide what if any additional guidance required
Measurement and connected projects (ED 76 to 79)

Measurement: Key proposals

Fair Value as Measurement Basis
- Aligned fair value with concepts in IFRS 13 – Market Value as Measurement Technique

Public sector specific Measurement Basis
- Introduction of Current Operating Value
- Responds to constituents’ public sector specific measurement challenges (focus on current use of the asset)

Application Guidance
- Detailed public sector-relevant guidance for applying main measurement bases

Initial Measurement
- Clarified principles for initial measurement - Deemed Cost

Clarified approach to Subsequent Measurement
- Introduction of Measurement Hierarchy with Models, Bases and Techniques – building on IASB CF update
Measurement Hierarchy

Subsequent Measurement

Models
- Historical Cost Model

Bases
- Historical Cost Basis

Techniques
- Market
  - or
  - Cost
  - or
  - Income
- Income

Current Value Model
- Current Operational Value
- Cost of Fulfillment
- Fair Value

Natural Resources

Complete project in phases to maintain focus and delivery:

Phase 1 Major Milestones | Date
--- | ---
Approve Project Brief | March 2020
Develop and approve Phase 1 Consultation Paper covering:
  - General issues on natural resources
  - Deep dive on subsoil resources | September 2021
Develop and approve Phase 1 Exposure Draft | March 2023
Develop and approve Phase 1 final standard | June 2024
External communications | Throughout
Mid-Period Work Program Consultation

December 2020 – May 2021
• IPSASB discussion on potential projects
• Engage with Task Force
• Engage with PIC and CAG

June 2021
• IPSASB to Approve Mid-Period Work Program Consultation – 4-month consultation

July – October 2021
• Outreach including Regional Roundtables
• Engagement with Public Sector Standard Setters

December 2021
• IPSASB review of responses
• CAG discussion of responses
• Engage with PIC

March 2022
• IPSASB approve additional Work Program projects

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Next Steps
Watch your emails for information regarding the next session

Next Session
Q3 2021
Applicability of IPSAS 42, Social Benefits

Stay Informed
To stay up to date about the IPSASB and its Work Program, please visit:
http://www.ipsasb.org/