



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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**Agenda Item**

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**DATE:** February 14, 2007  
**MEMO TO:** IPSASB Members and Technical Advisors  
**FROM:** Stephenie Fox  
**SUBJECT:** Draft Strategy And Operational Plan

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**ACTION REQUIRED**

The IPSASB is asked to:

- **Approve** the revised strategy and operational plan.

**AGENDA MATERIAL:**

**Papers**

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|--------------|---|
| 2.1          | Analysis of comments received on draft plan |
| 2.2          | “Cut and paste” of respondents’ comments    |
| 2.3.001-.013 | Responses received                          |
| 2.4          | Revised Strategy and Operational Plan       |

You will recall that staff and the Chair held a planning session in Toronto subsequent to the November meeting. As a result of those discussions a draft strategy and operational plan was developed. This document incorporated the planning work done by the IPSASB starting last July in Paris, building on this to establish proposals for an approach for the IPSASB’s operations for the next 3 years.

The first draft of the plan was sent to IPSASB members and TA’s on January 18, 2007 for their initial feedback. Thirteen responses were received on the draft plan. Respondents provided a range of comments on various aspects of the plan. Item 2.2 provides a “cut and paste” analysis of the responses by issue. Actual responses are included as items 2.3.001 to 2.3.013.

Staff has analyzed all comments received and made revisions to the plan to address various concerns raised. Item 2.1 provides an analysis of the comments by issue as well as staff’s proposal for addressing the issues. Item 2.4 is a revised plan for the IPSASB’s consideration and approval at this meeting.

Please note that if you did not respond to the initial draft there will be an open and full debate on the draft plan at the meeting. All views are encouraged. We also welcome the views of observers at the meeting.

In order to approve the plan the IPSASB needs to address a number of issues as follows:

**A. IFRS Convergence Strategy**

All 13 respondents provided feedback on the proposed strategy for the IFRS convergence program. Overall there was strong support for the proposals though the comments received warrant discussion by the members.

The most significant outstanding item with respect to the proposed IFRS strategy relates to the need to develop parameters or guidelines for determining whether there are public sector specific reasons for departing from IFRSs.

Staff is of the view that there needs to be a routine in place to add some rigour to the process of assessing IFRSs/IASs for public sector specific issues and for identifying those issues that warrant divergence. It is important that the process be applied consistently to each IFRS/IAS and that all staff and members understand the process. In addition, all considerations must be made in the context of the conceptual framework. Currently concepts are embedded in the IPSASs but as the new conceptual framework project progresses it will be important to monitor this.

As part of this strategy it is also important to clarify the process with respect to monitoring the IASB and responding to consultation documents including exposure drafts. In addition the applicability of IFRICs should be considered.

Staff have preliminarily drafted some guidelines as follows:

1. Review IFRS/IAS and highlight main issues;
2. Consider issues in the context of public sector and identify if any are public sector specific;
3. Analyze public sector specific issues identified and determine whether they are substantive or a matter of examples or implementation;
4. If issue is substantive, outline alternative accounting options and rationale as it relates to the public sector;
5. Provide analysis to IPSASB; IPSASB would vote on whether they agree that the departure is warranted as well as the appropriate alternate treatment;
6. If issue is not substantive, review IFRS/IAS for terminology and examples. Add public sector terminology as appropriate and draft examples;
7. Develop basis for conclusions that outlines any departures and the rationale;
8. If appropriate, develop implementation guidance to assist public sector entities in applying the standard.

**Action required:** Agree strategy for IFRS convergence including parameters for assessing public sector reasons for departure. Strategy to include process to respond to public documents and address applicability of IFRICs.

## **B. Decide on Project Priorities/Work Plan**

Staff made proposals in the draft plan for 6 new projects. While various comments were received on these proposals, including some disagreement, overall there was no major opposition to any of the proposals. Comments were, for the most part, singular in nature. Based on this staff have proposed some changes to the proposed projects in the revised plan though this needs to be debated by the IPSASB at this meeting. It is important to note that this is not intended to presume the IPSASB's agreement with the project selection. Staff has done initial work to develop some project proposals for the IPSASB's consideration that reflect the proposals and the comments received. However, the actual projects to be initiated need to be considered and decided by the IPSASB.

The six projects staff recommended were:

- Heritage assets
- Financial instruments
- Business combinations
- Intangible assets
- Updating existing IPSASs and monitoring IASB agenda and activities
- Non-current assets held for sale and discontinued operations

Of these projects, 2 of the 13 respondents disagreed with financial instruments and one respondent did not think that intangible assets should be done. There were no specific comments on heritage assets, or non-current assets held for sale. For business combinations respondents noted the need to address combinations involving entities under common control. One respondent commented directly that the project to update IPSASs should be high priority.

Of the other possible projects to be commenced, the following were suggested:

- Long-term fiscal sustainability (4 respondents)
- Fair value (2 respondents)
- Agriculture (1 respondent)
- Mineral resources (1 respondent)

*Which projects should be initiated?*

Of the six projects proposed and the 4 suggestions above, staff has the following comments/observations:

### **Heritage assets**

No comments provided; staff propose that this be initiated. See agenda item 6.

### **Financial Instruments**

Staff had proposed that a project on financial instruments be commenced. Two respondents expressed reservation at allocating staff resources to this project based on the fact that it is likely to be resource intensive. In addition, the IASB has indicated a distaste for IAS 39 though there is no active project to revise it. In the meantime we have heard anecdotally that constituents are using IAS 39. This may argue for allowing the hierarchy to handle financial instruments. Even if this is the case, the IPSASB needs to consider the withdrawal of IPSAS 15. Some discussion of this project is important given that the majority of respondents supported the project.

### **Business combinations**

Respondents commented that this project should address combinations involving entities under common control, which is currently scoped out of the related IFRS. The IASB is almost finished phase 2 of their project on business combinations and staff believe that the timing is such that the project could be commenced. A project proposal will be developed for consideration at this meeting.

### **Intangible assets**

One respondent expressed reservations about Intangible Assets because the IAS 38 includes some principles that are inconsistent with other IFRSs and the IASB is on the verge of deciding whether to initiate a live project to review IASB.

The IASB is undertaking work on developing a project proposal to revise IAS 38 which will ultimately be considered for decision in December 2007. A key focus is on the technical feasibility of extending the principles adopted for initial accounting for acquired intangible assets to the initial accounting for those that are internally generated. If the project is added to the IASB agenda, it is scheduled for a discussion paper in *September 2009*.

Staff believe that this is at some level a high priority project. However, they also acknowledge that the timing of this is problematic. In reviewing materials being considered by the IASB it seems almost inevitable that the project will go ahead. If it doesn't the IPSASB could initiate the project as part of its 2008 workplan. Without an IPSAS on intangible assets the hierarchy will likely result in the application of IAS 38.

To that end staff are proposing that this project be deferred at this time. If the IASB where does initiate the project staff would like to consider how they could best work with

the IASB to issue documents for consultation simultaneously. Assuming the IASB decide to go forward in December 2007 this project should be added to the 2008 workplan.

### **Updating existing IPSASs and monitoring IASB agenda and activities**

Identified by 1 respondent as high priority; no other comments; propose to initiate. Project proposal to be prepared for this meeting.

### **Non-current assets held for sale and discontinued operations**

No comments provided; propose to initiate. Project proposal to be prepared for July 2007.

### **Long-term fiscal sustainability**

Staff agree that a project on long-term fiscal sustainability should be added to the technical agenda. However, they believe it is premature to initiate the long-term fiscal sustainability project in 2007 because of the work within the conceptual framework project on the scope of financial reporting. However, this project should be added to the plan for 2008 (see discussion in 2.1 analysis document).

### **Fair Value**

Interest expressed by 2 respondents - IASB project at discussion paper stage. The discussion paper was issued in November 2006 with a response date of April 2, 2007. An exposure draft is planned for early 2008 with a final standard for 2009. There may be an opportunity here to work in tandem with the IASB on this project.

While the response period for the discussion paper is already well in hand, it may be that if this project is initiated reasonably quickly, that an Exposure Draft could be considered at approximately the same time as the IASB. The ED could flesh out any public sector issues and there may be an opportunity to liaise with IASB staff.

Staff are of the view that this is a project the IPSASB should seriously consider adding to its workplan for 2007.

### **Agriculture**

On respondent thought this project should have higher priority. In the past there has been a small amount of interest demonstrated in this project. It may be a high convergence project which, while of lower priority, could be undertaken and completed fairly quickly. The IPSASB may want to consider this project as one that helps round out the workplan.

### **Mineral resources**

See above discussion on agriculture. Consider whether a project should be initiated.

**Action required:** Agree on 6 new projects to be commenced in 2007. Consider staff proposal to undertake:

- 1. Heritage assets**
- 2. Business combinations**
- 3. Updating existing IPSASs**
- 4. Non-cash assets held for sale and discontinued operations**
- 5. Financial instruments**
- 6. Fair value**

### **C. Communications Plan**

Feedback on the communications plan was for the most part positive. However there are some elements of the plan that need to be further developed with the IPSASB's discussions.

#### *Regions of Focus*

The first relates to prioritizing regions to focus on. While all regions should ultimately be covered over an 18 month to 2 year period, there needs to be a decision as to the regions to focus on first. In addition, determining an approach to selecting regional leaders and identifying target areas needs to be done.

Area potentially identified as strategically important include Europe (including former Soviet states), China, Africa and Latin America. The IPSASB needs to consider these and other areas and make a determination as to where the strategic emphasis should be in the next year.

**Action required:** Decide on regions of focus for communications strategy and identify activities within those.

#### *Training Opportunities*

One respondent thought that more attention needs to be devoted to developing training materials. Staff point out that they get frequent requests for training materials including requests to provide courses on adoption and implementation. These are generally turned down because of resource restrictions.

Staff has considered the work plan and believe that there is some capacity over the next year to develop a training course specific to IPSASB – an “IPSASB 101”. There may also be the possibility of funding for such a program since it could be very beneficial in

developing nations for example. In the long run this will help with adoption and implementation.

**Action required:** Decide whether to allocate resources to developing a training course.

#### **D. Resources/Processes**

One of the areas in this section identified for follow up was exploring the possibility of using task forces for certain projects. Staff would like to pursue this on a experimental basis on 1-2 of the new projects.

As noted in the draft plan other boards and committees of IFAC use task forces successfully. Staff has obtained guidelines developed by the IAASB and adapted these to suit the IPSASB. It is noted that the IAASB has been using task forces very effectively for a number of years and has found they have contributed to efficiency of the IAASB's operations and outputs.

Staff would like the IPSASB to consider these guidelines and, if in agreement, approve this as an experimental approach on 1-2 of the new projects. The draft guidelines are attached at the end of this memo.

**Action required:** Review guidelines for task forces and approve experimentation with task force approach on 1-2 new projects, for example, business combinations, heritage assets.

## **Appendix – Proposed Task Force Guidelines**

### *1. Introduction*

When a project proposal has been approved by IPSASB, consideration should be given as to whether a task force approach might be beneficial. In such cases, an IPSASB member would be chosen as Chair of the task force. The Chair acts as the liaison between the task force and the IPSASB and reports to the IPSASB on progress. It is the responsibility of the chair of a task force to lead the project to a successful conclusion (normally, the issue of a final IPSAS).

A task force is created to assist the IPSASB in achieving its objectives. Task forces provide the potential to broaden the technical expertise beyond those currently on the IPSASB and encompass non-accountants where appropriate and individuals with specific expertise in the subject matter.

The biggest challenge is initiating a task force approach is the objective to add value to the development process and debate but at the same time not repeating entire debates at the IPSASB meetings. It should be understood that the task force has been charged with certain tasks and responsibilities and the IPSASB must trust that these have occurred within the parameters set out. This is not intended to say that the IPSASB cannot debate any item it wishes too. But likewise the IPSASB should respect the work the task force has undertaken and acknowledge the expertise of members.

### *2. Task force membership*

Members of a task force will be drawn from IPSASB, but will also include others as necessary (eg, technical advisors, outside experts, members of the observers, or participating National Standard Setters, as determined by the IPSASB Chair and Technical Director and on the invitation of the Technical Director). IPSASB members may be invited to remain on task forces after the completion of their term of service on IPSASB. A technical advisor assisting an IPSASB member (who is part of a task force) at the member's request is not part of the task force.

Members will be appointed by the Chair in consultation with the Technical Director. Members are appointed as individuals because of their knowledge and experience on specific issues. Members are expected to attend all task force meetings.

Members are expected to make decisions that are consistent with the development of IPSASs subject to practical constraints and consideration of costs and benefits reflecting the highest levels of transparency and accountability.

The task force Chair should ensure that the membership of the task force is appropriate, and should discuss any requirements with the Chair or Technical Director of IPSASB at any stage of the project. It is understood that different needs may be recognised at

different stages of a project, and that changes in IPSASB membership may result in changes to a task force.

As a general guideline, a task force would normally be expected to have six to eight members.

### *3. Responsibilities*

The task force operates within the parameters of the project brief approved by the IPSASB. However, the task force may make proposals for changes to the project brief where warranted.

In developing a document for review by the IPSASB for publication, the task force is expected to review and respond to proposals presented by staff or by the IPSASB on the issues addressed and areas for research.

### *4. Staffing*

Generally, a project will be staffed by a member of IPSASB's staff. The Technical Director is responsible for staff allocation and performance. Any concerns on such matters should be raised with the Technical Director. The Technical Director will consult with each task force chair to seek comments on the staff's performance as part of the IFAC annual performance appraisal process; positive comments are always welcome, as are areas for improvement. Relevant matters might be: administration of the project; research; proactivity; drafting skills; participation in task force deliberations, and extent of support received generally.

The staff member would normally be expected to attend IPSASB meetings to make presentations on the activities of the task force.

Occasionally, it may be logical for a project to be staffed by someone other than an IPSASB staff member, for example staff provided by NSSs.

### *5. Task force meetings*

Staff are responsible for organising these, subject to the task force chair's approval of the arrangements, including preparing an agenda and papers for consideration at the meeting.

Telephone conferences may be useful for dealing with a relatively few, clear issues. Significant matters are best debated face to face.

A brief record of decisions taken should be kept. Meetings are not open to the public.

6. *Project scope*

The initial scope of the project is approved by IPSASB as part of the proposal. Research may indicate that the scope is inappropriate – too great to be undertaken in a reasonable time or as a single project; or less wide than now appears necessary. Changes in scope should be discussed with the Technical Director and require the approval of IPSASB.

7. *Research*

Research is undertaken by the project staff. It is usual for the recent standards of the principal national standard setters to have been consulted in the process of developing the proposal. Further such research at a more detailed level is likely to be necessary. It may also be helpful to consider academic research and other potential sources.

Research may include consultation with others with an interest in the subject matter of the project. If very wide consultation is necessary, it may be convenient to do so by means of a consultation paper, or a public forum. If either of these approaches is considered necessary, the Technical Director should be consulted.

8. *Presentations to the IPSASB*

The task force chair is responsible for all presentations to the IPSASB, though he or she may wish to ask other members of the task force or project staff to assist. It is important to keep the session moving, while allowing all IPSASB members, technical advisors and observers time to speak, as necessary. This may require stopping occasionally to ask for questions or comments, even though none seem to be forthcoming.

Task forces should not be defensive in their presentations; if IPSASB members raise questions about the approach, or indicate that they have not understood the proposals, it suggests that there are matters to be reconsidered by the task force – sometimes substantive, sometimes drafting. Such comments should be respected. Sometimes, sessions may produce no clear substantive criticisms, yet leave the task force Chairman with a sense of unease about whether the IPSASB in fact approves of the direction of the project. Wherever possible, concerns should be probed and the IPSASB asked to make definitive choices. A general sense of unease, or of unarticulated concerns, is usually a danger sign that difficulties lie ahead. It is better that they are not deferred.

When dealing with a final document that has previously been considered by the IPSASB, it is appropriate to be firmer in approach. Last minute changes, unless clearly essential, may reduce the quality of a document and make for difficulty in producing a final document for approval later in the meeting. It is essential in the final substantive presentation that very few issues are taken away for further consideration by the task force. Wherever possible, substantive points should be resolved (though the consequential drafting may not be) as they are raised.

It is important that material presented is ready for the IPSASB's consideration. If in any doubt, the matter should be discussed with the Technical Director or IPSASB chair. Agenda planning is normally driven by the Technical Director. The Technical Director and his staff will draw up a preliminary agenda based on the IPSASB's project timetable and developments from the preceding IPSASB meeting. The technical director will ask task force chairs (or their staff) to confirm whether agenda materials will be ready for the next meeting and whether the time allocated is appropriate. The Technical Director is experienced at estimating the time required for any discussion at an IPSASB meeting, and his advice should be taken.

Experience suggests that IPSASB members often reserve their best (and most difficult) comments for the meeting at which a document is due to be approved. This is understandable, but can hinder the smooth progress of a project, and may sometimes result in an unsatisfactory outcome if there is strong pressure to approve a document at a particular meeting. Difficult though it may be, it is highly desirable to get the IPSASB to agree the main principles of any project at the earliest possible stage. For this purpose, an issues paper may be prepared, and the first discussion of a topic may be based around such a paper, without any draft document.

Sometimes an issues paper on its own may be too abstract. It can help to present the 'basic principles and essential procedures' (or bold lettered requirements) at the same time. This gives some context to the issues, and lets IPSASB members see the general thrust of the likely document.

#### *9. Drafting of documents*

The importance of well drafted documents cannot be over-emphasised. They will be read in many jurisdictions, by many whose first language is not English. And they will often be translated into other languages. These considerations mean that more than usual care is required over the drafting, to ensure clarity and contain length.

Staff are expected to draft all documents but the task force remains responsible for the quality of the documents presented to the IPSASB for its approval. The task force must therefore concern itself with the drafting.

Documents for publication may also be reviewed by a 'plain English expert'. His focus is on the clarity of the English used, to ensure that drafting is lucid, simple and direct. His recommendations should be considered carefully and only rejected where they lose the technical intent of the task force's drafting. This review process is critical to high quality readable standards and time needs to be built in to the project timetable to allow for the review at an appropriate time before IPSASB review.

#### *10. Responses to Consultation*

Where consultation takes place by public forum, or a similar meeting, the results should be reported to IPSASB. A record of the consultation thereby becomes a matter of public

record. Such consultation requires careful organisation and planning, and close liaison with the Technical Director will be required.

Other consultations, by consultation paper or exposure draft, require written responses to be submitted. If the task force chair considers that a period other than the IPSASB standard of 120 days is appropriate, the matter should be discussed at the IPSASB meeting approving the document to be issued for consultation.

Responses deserve close attention by the task force (and the IPSASB as a whole). The IPSASB does not undertake to consider comment letters received after the end of the comment period; but if time permits, the task force should consider any such letters if it can be done without disruption to the progress of the project.

The comment process is not a vote; that is, the response to comments should not be determined solely by the number of responses that take a similar line on an issue. If the matter has been properly considered by the IPSASB prior to exposure, there ought in principle to be no need for major change to proposals, but rather clarifying refinement. It is the argument that is important, rather than the weight of numbers. Good arguments should always be respected.

Task force chairs should bear in mind that the IPSASB due process requires that an explanation will be given to Project Advisory Panel members of the reasons for not accepting their comments. It will therefore be necessary to be prepared to justify the position taken, always remembering that the significance of a comment may be greater to the person making it than seems the case to the task force. (If the task force does have to provide such explanation to a Monitoring Group member, then this should be reported to the IPSASB, and the substance minuted.) Much unnecessary difficulty may be avoided by accepting some apparently less significant comments, and by ensuring that the Basis for Conclusions document is carefully drafted and deals with all matters of significance.

An analysis of all comments should be reported to the IPSASB, using the standard approach developed by IPSASB staff.

#### *11. Due process*

It is important to follow the IPSASB's published due process, to which reference should be made. When a document is being approved in final form, the Technical Director confirms to the IPSASB that due process has been followed. Responsibility for following due process lies with the task force chair, and the latter can expect that the Technical Director will discuss any concerns he may have with the task force chair before making the necessary confirmation to the IPSASB.

#### *12. Other matters*

Task force chairs should remember that the support and advice of the Technical Director, Chairman, Deputy Chair and other colleagues on the IPSASB is always available, and should not hesitate to call on them.

**DRAFT STRATEGY AND OPERATIONAL PLAN  
ANALYSIS OF RESPONSES FROM IPSASB AND TA'S**

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**I General Support for the Plan**

Of the thirteen responses to the draft plan, all expressed general support for the document and many noted that it was a good starting point for discussion.

**Analysis**

Given the overall general support for the draft plan, staff believes there is a basis for continuing to expand on the plan and propose amendments based on the comments received. Comments did not indicate any need for a fundamental revision of the approach outline.

<b>Staff proposal:</b>	Revise plan for comments received and present to IPSASB for discussion and approval in March.
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**II Comments on the IFRS Convergence Strategy**

Of the thirteen respondents, all provided some feedback on the IFRS convergence strategy. Of these, six respondents (001, 003, 005, 006, 010, 012) expressed little or no reservation about the strategy proposed.

Four respondents (002, 004, 007, 008) expressed fundamental agreement with the proposed approach though these respondents raised comments or concerns with certain aspects of the strategy. One of these respondents (008) wanted the IPSASB to return to a fundamental discussion of the objectives of convergence with IFRS.

Two respondents (009, 011) agreed with IFRS convergence but preferred an approach that would see a closer alignment with the related IFRSs, for example including IFRS text more directly in the IPSAS and limiting terminology changes. One respondent (013) advocated an approach that is based on reliance on the hierarchy and allocates more resources to public sector specific projects and other work. In this way the IFRS convergence projects would ultimately be exactly the same as the related IFRSs. This respondent was concerned about using resources more efficiently for projects that add value for the public sector.

In the context of the IFRS convergence comments, 6 respondents (002, 003, 004, 008, 010, 012) made specific comments related to the staff recommendation to define the parameters for departing from IFRSs. Two of these respondents (003, 012) noted the need for these parameters to be related to the conceptual framework. Three respondents (002, 004, 010) agreed with the need for parameters and requested that the specific

parameters be developed and provided. One respondent (008) did not express a clear view though he noted that the reasons for departure in the past had not always been clear.

### **Analysis**

Of the 13 respondents, 10 agreed in principle with the staff recommendation of undertaking the “review and rewrite” approach to IFRS convergence, though 4 respondents expressed some comments about certain aspects of the proposed strategy.

While there is strong overall support for the strategy proposed, the comments raised by respondents merit attention in terms of analysis and debate.

#### *Why converge*

The most fundamental discussion point from the responses relates to the question of “why we should converge IPSAS with IFRS”, as raised by respondent 008. The respondent noted two viewpoints that he feels are represented among IPSASB members. The first is described as “convergence as an objective” and the second as “convergence as a tool”. Under the “convergence as an objective” view, financial reporting is fundamentally the same among private and public sectors, resulting in a sector neutral approach. Public sector standards would be converged with private sector standards unless there is justification for a difference i.e. a public sector specific reason. This could be inferred to be supported by respondents 009 and 011 who advocated a closer alignment with IFRSs.

The “convergence as a tool” approach acknowledges that public sector reporting may differ because of the differences in objectives and users needs. Convergence is a tool to develop a set of high quality standards for the public sector that builds on the investment already made in the private sector and seeks to ensure that we are not “reinventing the wheel” each time.

The respondent’s view is that most IPSASB members are near the “convergence as an objective” approach. However, staff is not persuaded that this is the case when considering the responses received and the previous planning work and identification of strategic themes. For example, the IPSASB’s commitment to developing a conceptual framework specific to the public sector, which is not automatically locked into the IASB project but rather has the flexibility to diverge where necessary, ensures that public sector differences in terms of objectives and users’ needs will be respected. Staff is of the view that the IPSASB’s overall mandate and approach is more consistent with the “convergence as a tool” view.

In the end, staff is not convinced that there would be any difference in the plan under the different views. Rather, this may merely be a point of emphasis, which at some level may not need to be resolved given the IPSASB’s commitment to four strategic themes. In fact this argues for developing a plan that reflects all 4 themes without categorizing one as any more important than the other. IFRS convergence and public sector specific are not

mutually exclusive approaches. They are both necessary components of a comprehensive plan that respects the IPSASB's mandate to develop accrual based standards that are converged where possible with the IFRSs but that also reflect public sector specific issues.

*Rely on the Hierarchy*

One respondent (013) advocated an approach that would rely on the hierarchy (as clarified) for those situations where no public sector reason for departure exists. This would occur not only for any IFRSs not yet addressed but also ultimately for existing IPSASs that are based on IFRSs. This would be a time efficient way for harmonizing with the IFRSs and would allow more staff resources to be allocated to public sector specific projects, including implementation guidance related to IFRSs.

This approach is not necessarily a direct disagreement with the theme of IFRS convergence but rather relates more to point of emphasis or focus for the respondent. Because of the desire to allocate more resources to public sector specific projects and work, reliance on the hierarchy to manage those situations where there is no need to divert for IFRSs is a time efficient mechanism for convergence where deemed appropriate. It frees up valuable resources for public sector specific areas.

One of the reasons the respondent noted for advocating this approach related to frustration at re-deliberations of IASB standards as well as deliberations of standards that are in the process of being changed by the IASB (for example in the recent general improvements project).

*Where do we go from here?*

If staff had been looking solely at a time efficient mechanism for convergence of standards, consistent with the "convergence as an objective" view and that would allow maximum resources to be allocated to public sector specific projects, they would have recommended a different approach. For example some time was spent examining the notion of taking existing IFRSs, leaving them intact and simply adding some implementation guidance to the standard as an add-on piece. Relying on the hierarchy is not so far from this in that the related IFRS is then applied unchanged and any public sector specific implementation guidance could be handled separately.

Staff ultimately did not recommend an approach like this because they felt it did not respect the IPSASB's mandate to establish high quality standards for the public sector that add value. While staff recognizes the need not to reinvent the wheel with each standard, neither does staff believe that full out adoption of IFRS appropriately reflects the needs of the IPSASB's public sector constituents. Staff is more of the "convergence as a tool" approach whereby the existing body of high quality accounting literature is a strong base from which to develop standards for the public sector. Where issues are the same as the private sector there is little need for divergence. However, where issues are unique, as determined on a case by case basis, the approach allows this to be

accommodated. In effect, while these particular projects form part of an IFRS convergence program, staff sees these quite clearly as also related to the public sector specific strategic theme since it ensures that public sector specific issues are identified and resolved.

The proposed approach included some elements that would address some of the concerns raised by respondents. Firstly, the approach includes the need to identify parameters for divergence. One of the goals of developing these parameters is to reduce some of the deliberations of standards that have already been debated by the IASB. In other words, once it is decided that a particular project is an IFRS convergence project rather than public sector specific, then only changes within certain criteria would be made to the IFRS/IAS. In addition, fundamental to the IFRS convergence strategy outlined is the need to monitor more closely, and on a more timely basis, the IASB's work plan and projects and to more closely align the related projects, not on an ad hoc basis but under a structured approach. This includes a process for responding to exposure drafts as well as addressing the applicability of IFRICs. In addition the IPSASB will need to agree on a stable platform date. Staff had proposed January 1, 2010 but there was some view to harmonizing that with the IASB date of January 1, 2009 if possible.

Staff is of the view that the current proposed approach can be "fine-tuned" or finessed to address some of the concerns of respondents. By outlining the parameters for consistency in application of the strategy staff believes that the approach can be implemented efficiently while at the same time respecting the public sector specific goals of the IPSASB.

<b>Staff proposal:</b>	Further develop the "review and rewrite" approach to IFRS convergence as outlined in the plan, including adding to the plan some discussion of the convergence as an objective versus as a tool ideology (see page 11). This will be a point of discussion for the March meeting.
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### **III Comments on SMEs**

Three respondents (003, 008, 011) provided some commentary on SMEs. One respondent (003) advocated commencing a project on SMEs for the public sector, noting that a set of public sector standards based on the IFRS SME standard might be a realistic path. Another respondent (008) noted that IPSASB may be exposed to criticism about complexity of standards which might result in pressure to address SMEs in the public sector. A third respondent (011) expressed the view that there should be no need to issue an IPSAS SME but acknowledged having heard that some users expect and SME standard.

#### **Analysis**

This is an area that the IPSASB has not considered and some discussion at the March meeting may be warranted. The SME standard being developed by the IASB is certainly

a significant body of work. The challenge in applicability to the public sector is that the standard applies to organizations that are not publicly accountable but that publish general purpose financial statements for external users. The need for differentiated standards in the private sector is premised not on the size of the entity but on its lack of public accountability. There are many enterprises in the private sector that are small but that are publicly listed – these entities would not qualify for treatment as SMEs because they are publicly accountable by definition.

Based on this criterion it is a challenge to draw a straight analogy to the public sector since all public sector entities are publicly accountable. Drawing a distinction based on size of the government might be a somewhat practical solution to encouraging IPSAS adoption but arguably does not adequately address the public accountability of public sector organizations regardless of size.

The IPSASB has not considered this as a possible project in this phase, partly given the volume of other standards that need to be addressed. In addition the IASB project is still in process. In November 2006 the IASB posted a staff draft of an exposure draft to keep constituents up to date on the project (not for soliciting comments). The IASB has not yet approved an exposure draft though it plans to in 2007.

On one hand there has not been a large call for such a project given the volume of other work to be done. Only 1 respondent advocated that this project be undertaken and another respondent was against it. In addition, the criterion to distinguish SMEs in the public sector would have to be modified since public accountability would not differentiate these organizations - rather a different criterion would need to be developed. On the other hand, given that the project is on the IASB workplan and that it has not been discussed by the IPSASB some discussion may be necessary.

At a minimum, the SME project should be added to the list of projects in the draft plan. Staff do not recommend initiating this project at this time but agree it should be on the list for discussion in the context of project priorities.

<b>Staff proposal:</b>	Add SME project to Table 2 (IFRS project by priority); project priorities to be discussed at the March meeting.
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#### **IV Comments on Conceptual framework**

Three respondents (003, 012, 013) provided feedback on the conceptual framework project. The respondents all endorsed this project as a major priority of the IPSASB. Two (003, 012) noted that document did not adequately portray the significance of the conceptual framework project and thought there should be greater detail in the draft plan. One respondent (012) thought that the discussion would more logically flow prior to the IFRS convergence strategy. Another respondent (013) highlighted the importance of the project in the development of future standards.

### **Analysis**

The IPSASB has already approved this project and it is underway. For this reason staff took a presumptive view that the information was already known and that the detail was not needed. However, the plan should stand on its own, and the respondents' point is well taken that the level of detail in the plan does not adequately convey the IPSASB's commitment to the project. Staff has therefore enhanced the discussion in this section of the plan in order to reflect the significance. In addition the general discussion in the section on strategic themes has been augmented to emphasize that all themes have priority.

As far as its placement within the draft plan, staff did draft the plan originally in the order the respondent proposed. However initial feedback from staff and the Chair was that that the IFRS strategy discussion was more logical up front prior to discussing the themes as they relate to the workplan. No change is therefore proposed at this time.

#### **Staff proposal:**

Add commentary to the plan that highlights more fully the significance of the conceptual framework project (see revised page 12).

## **V Comments on Public Sector Specific Projects**

Four respondents (003, 004, 012, 013) expressed reservation about the lack of resources and attention devoted to public sector specific projects. Three respondents (003, 012, 013) noted that this is an area of potential differentiation and thought that staff resources allocated to this area were inadequate. All respondents noted the potential for leadership of the IPSASB in this area and were concerned that this was not adequately reflected in the plan. One respondent (005) noted the need to address public sector scope exclusions in the existing IPSASs.

### **Analysis**

The IPSASB did identify public sector specific projects as one of its priority areas. Having said that, while the draft plan includes some work on public specific projects, it is somewhat biased in terms of allocating staff resources over the next 3 years to the IFRS convergence program. This is partly because of the fact that resource constraints of the past 3 years meant that this IFRS program was deferred. In addition there is a unique opportunity to "catch up" because of the ISAB moratorium on new standards being applicable before 2009. Finally, some of the organizations (e.g. UN) and governments that have adopted the IPSASs have indicated that they are struggling with the gap that currently exists between the IASs/IFRSs and the IPSASs.

The plan does include some public sector specific work, some of it completion of projects already commenced but in addition it anticipates undertaking a project on heritage assets.

While one respondent identified this as a continuation from the previous work programme, the reality is that significant resources were not previously devoted to this and a full project was not committed to or initiated. The draft plan envisions a commitment to a full project on heritage assets. Likewise, with staff resources allocated to completing social policy obligations and to commencing service concessions the resources being dedicated to public sector specific projects were seen as reasonable under the current circumstances. It is significant to note also that the staff resources do not include the staff that will be provided by GASB on the service concessions project.

Most significantly, the conceptual framework project will provide an opportunity early on to consider the scope of financial reporting and whether this should go beyond general purpose financial statements (GPFS) to areas such as sustainability reporting and non-financial performance reporting. The plan was developed based on the assumption that public sector specific projects such as sustainability and performance reporting would not be added to the work program until the conceptual framework project addressed the scope of reporting.

The Fiscal Sustainability project has been added to the workplan for 2008 since the IPSASB will have some indication of the work coming out of the conceptual framework project. Possible other projects are MD&A and performance reporting. Some discussion has been added to this section of the plan to highlight this.

<b>Staff proposal:</b>	Add some discussion in this section of the plan to highlight future considerations of additional public sector specific projects. See also introduction for additional commentary on prioritization of themes.
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## **VI Comments on the specific project priorities**

In addition to a number of comments on general project priorities among strategic themes (already addressed) six respondents (001, 003, 009, 010, 012, 013) provided some feedback on the specific prioritization of IFRS convergence projects identified in the plan and/or the proposed projects. One respondent (010) concurred with the priorities as outlined. Another respondent (001) stated a preference for emphasizing the project to keep current IPSASs up to date. One respondent (009) did not agree with intangible assets being high priority nor did he think that a project on IAS 26 should be undertaken. Two respondents (001, 009) did not agree with initiating the financial instruments project. Both respondents thought it would be too resource intensive and were concerned about the fact that IASB has indicated a desire to overhaul IAS 39.

One respondent (012) thought that agriculture and mineral resources should be higher priority along with possibly interim reporting. Two respondents (009, 012) thought that a project on fair value in the public sector should be of higher priority. Finally, one respondent (003) noted that some of the low priority projects could likely be classified as outside the scope.

## **Analysis**

At the meeting in March staff proposes that the IPSASB have a fulsome discussion of the project priorities and determine which 6 projects should be initiated. However, prior to that discussion staff has the following observations about the specific comments received.

The project to keep current IPSASs up to date was identified as a high priority project and identified as one to commence on the work plan. Staff have added some discussion to the plan to highlight its importance in the IFRS convergence program.

With respect to financial instruments, while staff agree there may be risks here and that this is likely to be highly intensive in terms of staff resources given the prominence of the subject matter internationally and its significance in the public sector, staff believe that it is time for the IPSASB to undertake the project and not allow the hierarchy to manage this. While the IASB has indicated a desire to review this standards the breadth of their current work plan mean that it is likely to be quite some time before this happens. In the meantime many public sector organizations are beginning to look at implementing IAS 39. At a minimum the IPSASB needs to discuss removing IPSAS 15 if the hierarchy is going to be the ‘fallback’ for financial instruments.

With respect to the classification of agriculture and mineral rights there has been little other concern with the current classification. However the IPSASB may want to revisit these in undertaking its prioritization.

Staff does think the IPSASB should consider a project on fair value. This has been raised as an issue and staff has added it to the list of projects in the plan. It has been categorized as medium by staff but staff welcome the IPSASB’s views on whether this should be a high priority project.

As far as the comment about low priority projects, three of these specifically have been removed completely from any consideration and the others have been left on the list given previous indications of some relevance to constituents. No resources have been allocated to these low priority projects and no change is proposed in the draft.

<b>Staff proposal:</b>	Add fair value project to table 2; Add some discussion to emphasize the project to keep current IPSASs up to date. Discuss priorities at March meeting and make decisions about which projects to initiate.
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## **VII Comments on Sustainability**

Four respondents (001, 002, 004, 009) provided comments on a potential project on sustainability disclosures. Three of these respondents (001, 002, 004) thought that the plan should include a specific project on sustainability. One respondent (009) agreed with considering the project in the context of the Conceptual framework project but thought that the IPSASB should make a commitment to initiate this project if the work done

indicates that the scope of the IPSASB's work should extend beyond general purpose financial statements.

### **Analysis**

At the November meeting the IPSASB discussed a potential project on long-term fiscal sustainability, acknowledging the importance of fiscal sustainability reporting in enhancing governmental accountability and transparency. Included in amendments to the Social Policy Obligations ED for the IPSASB's review in March is an introductory Issues Paper which emphasizes the IPSASB's views that liabilities recognized or disclosed in the general purpose financial statements present only a partial picture of the viability of key programs delivering social benefits.

At the planning meeting the Chair and staff held in November there was significant concern that it is premature for the IPSASB to initiate a project on long-term fiscal sustainability until the conceptual framework project is underway since the first module includes a component on scope of financial reporting. For this reason, staff considered it appropriate to defer including this project on the work plan until such time as this had been debated in the context of the scope of the conceptual framework project. The draft workplan set out in appendix 5 included a reference to this -staff consider that a revised workplan for 2008 would include a project on sustainability since the IPSASB did make a commitment to this in November.

In retrospect however, this draft plan does not give adequate context to the discussion the IPSASB held in November nor does it adequately portray the IPSASB's commitment to such a project in the future. Therefore staff has added some additional material in the workplan discussions of the plan that better explains the IPSASB's commitment to this area pending feedback in the conceptual framework project.

<b>Staff proposal:</b>	Add specific discussion of IPSASB's commitment to sustainability project pending outcome of conceptual framework component on scope (see pages 12 and 17.)
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### **VIII Comments on the Communications Plan**

Nine respondents (003, 004, 005, 006, 007, 008, 009, 010, 013) provided feedback specifically on the communications strategy and plan. Four of these respondents (003, 006, 007, 010) provided favourable general commentary on the plan and its approach.

One respondent (004) noted that there was a lack of clarity on what the IPSASB is trying to achieve with communications. The respondent thought that communications activities should be focused on:

- Presentations with international organizations;
- Conferences where the IPSASB's target audience is meeting; and

- Holding IPSASB meetings in countries likely to adopt the standards.

Another respondent (005) thought that the communications plan should be detailed by region in order to allow IPSASB members to assist and to help focus activities on target areas. In addition, the respondent thought that the plan needed to include training for IPSASs. One respondent (013) noted the importance of targeting legislative and other bodies within the plan, not just preparers and auditors.

One respondent (008) thought a survey on IPSAS adoption should be undertaken. Another respondent (009) provided comments on the website and the IASB liaison strategy.

### **Analysis**

#### *Specific conferences and organizations*

The communications plan developed did envision many of the items noted though admittedly not at a detailed level as of yet. The four communications strategies set out, particularly numbers 2 and 3 were intended to address key target audiences and events and to focus on these. What had not been included were all of the specifics in terms of where these would be and how they would be chosen.

The draft plan did identify a number of target organizations, specifically the IASB (strategy 1 item 2), other IFAC committees such as the developing nations committee (strategy 1 item 3) and the observer group (strategy 1 item 4). In addition strategy 3 (item 2) includes a broad reference to targeting presentations and conferences that will increase awareness of the IPSASB. The conferences listed were selected based on previous experience, IFAC's strategic plan, and identified areas of focus e.g. Latin America, Beijing.

Staff will be focusing the communications plan to focus things but would appreciate the IPSASB's input into conferences and presentations that have not been included. This should include relevant audiences that the IPSASB should target to encourage adoption.

<b>Staff proposal:</b>	Continue to develop the list of relevant seminars and presentations. Discuss in March the organizations to be targeted.
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#### *Specific regions of focus*

The areas of focus in IFAC's strategic plan for the IPSASB include the EU, China and India. In addition, IFAC currently has a specific focus on Latin America and has highlighted the trend towards more public sector attention in developing or transitional economies, such as former Soviet states. Africa is also an area where attention to public sector issues has been highlighted through the Developing Nations Committee of IFAC.

One respondent's (005) comments related to Latin America support this as an area of focus.

While there needs to be a focus strategically on certain regions it is also prudent not to ignore other areas. The IPSASB should continue to build on the presence that already exists in some regions. As an example, in Canada there is a strong public sector accounting standards board and support of IPSASB is strong among the CICA and Canadian government. However there is a lack of knowledge across Canada about who the IPSASB is there are continuing questions about possible convergence down the road. While this may not be a primary area of focus there should nonetheless be some effort expended in North America to get the IPSASB story out especially since it can be done cost effectively give the staff presence in Canada.

Based on the comments received, it would be valuable to identify the target areas where the IPSASB wants to focus its communications strategy recognizing that all regions should be addressed over a time frame of say 18 months.

As indicated in the plan selecting regional leaders for promotion and communications is something the Chair is keen to do and staff will work with him to assist that process and ensure that a specific approach is further developed once the IPSASB has identified which areas should be targeted.

**Staff proposal:**

Prioritize regions of focus for communications activities and work to identify activities within those regions.

*Meeting locations*

As far as the meeting locations, one respondent (004) notes that ideally meetings should be held in countries likely to adopt standards. In fact IFAC has recently developed a policy surrounding the selection of meeting locations for all its Boards and Committees and this policy highlights the fact that locations should be chosen strategically to enhance the likelihood of adoption of standards. In addition, as the IPSASB is aware, IFAC's policy also includes a requirement that every Board or Committee meet once annually in New York. However, IFAC is willing to waive this requirement on a case by case basis and in fact has acknowledged the importance of the IPSASB meeting in China in 2007. China is an area of direct strategic focus for IFAC and the November meeting is likely to be attended by the IFAC CEO and President.

Other meeting locations for 2007 and 2008 had already been committed and some of these selections were based on acknowledgement of support for the IPSASB and adoption of its standards. There will be opportunities to meet with local bodies and promote the IPSASB in each of these locations. On a go forward basis, the selection of meeting locations will be done more strategically considering the goals of the IPSASB and of IFAC with respect to potential adoption of IPSASs.

<b>Staff proposal:</b>	No change to meeting locations for 2007 and 2008 but consider selection for 2009 in accordance with IFAC's policy and strategic areas of focus for the IPSASB.
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## **IX Other issues**

There were some issues raised as follows.

### *i) Comments on the Hierarchy*

One respondent (004) noted the need for additional guidance on interpreting the hierarchy of authoritative guidance. The respondent noted some disagreement about whether reliance on the hierarchy relates only to determining an accounting policy while others believe it is full compliance with the recognition, measurement and disclosure requirements of the standard referred to.

### **Analysis**

There may be an opportunity as part of the IFRS convergence program to revisit IPSAS 3 and provide additional guidance on the hierarchy. Without considering the specific wording that currently exists in the IPSAS, staff is of the view that reliance on the hierarchy requires full compliance with the standard referred to, including recognition measurement and disclosure, as long as this is consistent with the concepts and ultimately any conceptual framework developed. Of course this staff view is not adhered to by all and therefore this will be highlighted as a possible area of focus in updating existing IPSASs.

<b>Staff proposal:</b>	Consider possible additional guidance on the hierarchy as part of the IFRS convergence project to update existing IPSASs.
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### *ii) Need for External Review*

One respondent (012) noted that the first three strategic priorities were defined in 2004 in cooperation with an external review body. The respondent wondered whether it would be helpful and safer to have an external review of the draft plan. The respondent also thought that the usefulness of an oversight body for the IPSASB should be considered.

### **Analysis**

The 2004 external review did endorse project priorities related to public sector specific issues, IFRS convergence and the harmonization of accounting and statistical reporting. It also recommended that work be undertaken on conceptual framework, though the external review panel recommended a project that interpreted the IASB framework.

While an external review of the draft plan might provide some assurance, staff is of the view that the plan focuses on areas that were endorsed a reasonably short time ago and that the lack of resources over the past 2-3 years has meant that the external review panel's recommendations were not able to be fully implemented. While there may be value to having an additional external review, for example by public exposure, staff are unconvinced that this will provide any additional information at this time and are concerned that this will slow down progress on the work plan. There is currently no requirement by IFAC for this external review to occur. As a point of interest, the CE of IFAC has reviewed the draft plan and is supportive of its development and approach.

Staff recommend that at this point in time an external review not be undertaken given that the plan embodies a strategic direction that was already supported and had not yet been thoroughly implemented. Staff also recommends that when the strategy and work plan is being developed in three years time for 2010-2012 consideration be given at that time to exposing the draft plan for public comment.

**Staff proposal:** No external review of plan for 2007-2009; consider exposure draft subsequently.

*iii) Cash basis IPSAS*

One respondent (003) noted that additional information should be included in the introduction on the cash basis of accounting to provide context for later discussions.

**Staff proposal:** Agreed; information added in the introduction on the bash basis – see pages 3-4.

*iv) Comments on Developing Countries*

One respondent (002) noted that developing countries issues should be included as an overall parameter within the plan. This respondent and another (007) highlighted that issues of adopting IPSASs as a move to accrual accounting is undertaken may require explicit consideration as more and more countries become involved.

**Analysis**

As a general comment the issues of developing nations is important to the IPSASB particularly in the context of promotion and communications and potential funding. There has been some inclusion of this in the draft communications plan including a specific

reference to having better liaison with the Developing Nations Committee (DNC) of IFAC. However more explicit reference to this aspect would well be worth including within the plan and has been proposed in the context of the communications strategy

<b>Staff proposal:</b> Add explicit discussion re developing nations as a focus area within the plan – see page 20.
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v) *Adoption IPSAS by IPSAS*

Two respondents (002, 007) commented on the fact that in moving to accrual accounting some countries are adopting IPSASs one at a time rather than collectively. The respondents thought the plan needed to address this issue.

**Analysis**

As more and more countries start to apply the accrual standards the IPSASB may need to consider this issue. Staff is of the view that opening up a rating system is a challenge because it arguably benefits those who have delayed adopting the accrual standards. Those already fully adopting the standards must continue to fully comply while those who have made a recent decision to adopt might have the advantage of doing this gradually. It seems counter-intuitive to promoting good accounting. The IPSASB would also then need to address adoption of any new IPSASs for both public sector entities already applying IPSASs and those who have not yet applied the standards.

In the staff view, adoption issues could be addressed in the transitional provisions if need be. In addition, the need for assistance in adoption may contribute to the arguments in favour of developing a training program to assist in implementation.

<b>Staff proposal:</b> No change proposed at this time.
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vi) *Statistical basis*

One respondent (012) noted the importance of monitoring the harmonization with international standards applying the statistical basis of financial reporting by governments.

**Analysis**

The IFRS convergence project definitely does not preclude the monitoring of the convergence with international standards applying the statistical basis of financial reporting. Certainly when the IPSASB identified the strategic themes in Paris in July it specifically identified this as part of the public sector specific theme. While the current

workplan does not include anything specific to this that does not mean it will be forgotten and this area will continue to be monitored.

**Staff proposal:** Continue to monitor; revise wording in draft plan to include with references to public sector specific projects.

*vii) Needs of users*

Two respondents (002, 007) commented on the differences between the needs of accountants and that of users. The respondents cautioned about the risk of losing contact with decision makers and being criticized in this regard.

**Analysis**

It is important that the IPSASB acknowledge this point and keep it in mind as standards develop. Quite often accountants can reach a conclusion that sector neutral standards are logical whereas constituents would prefer standards specifically addressing their own needs. The IPSAS will need to focus on meeting the needs of constituents as part of the efforts to move the majority to accrual accounting. There is always a balancing that will need to occur to ensure that the needs of stakeholders are considered, respected and addressed while at the same time independently developing sound accounting standards.

**Staff proposal:** No change at this time.

## **IPSASB Draft Strategy and Operational Plan “Cut and Paste” Analysis of Responses**

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### **I Those expressing general support for the draft plan/process**

**001 Schollum** Overall, I think it is an excellent paper in outlining the issues facing IPSASB and recommended strategies and actions in response.

**002 Bergmann** First of all, I would like to congratulate you, the Chair and the staff for the concise document. We've been very much in need for this kind of analysis and proposal for quite some time. Thank you.

**003 Batten** I congratulate the staff on their efforts in preparing the 2007-2009 strategic and operational plan. I support the strategic themes set out on page 5 and I agree with the underlying staff assumptions set out on page 8. I also strongly agree that the IPSASB needs to be proactive in its communication strategy.

**004 Swart** The document is well drafted and all the proposals are supported by clear and concise arguments.

**005 Palladino** I would like to point that agree with the main strategies proposed, and I regard the Plan as a whole a very good document.

**006 Peace** I have reviewed the draft strategy and operational plan and it is an excellent document. It will be a great roadmap for IPSASB for the next three years.

**007 Fausch** I very much appreciate the work which has been done by yourself and the staff. I give support to the staff recommendations in the document without any reservations.

**008 Sekikawa** I highly appreciate the staff on their effort in preparing the draft strategy & operational plan. I agree with the staff proposal in many cases, however, I have some comments on the draft.

**009 Paul** We think the draft Strategy and Operational Plan is an excellent document. It is very thorough and should enable a fruitful discussion of the issues at the IPSASB meeting in March.

**010 Neville** Congratulations to you and your staff members for putting together this draft strategy and operational plan for the IPSASB.

1. I concur on choosing a 3 year horizon as opposed to the traditional 5 year plan (I.E. Federal Government). In instances where a 5 year horizon is used, I always find it is not as realistic as a 3 year plan and is deemed to be "just beyond the fringe of credibility".
2. I concur with the approach of having three (3) strategic themes that relate directly to standard setting activities and a fourth strategic theme that focuses on promotion and communication which brings the first three to everyone's attention.

**011Olsen/ Brandsas** We think that the Draft Plan is a good document where discussions are needed only on a few areas. We very much appreciate that the draft is presented before the Accra meeting and then hopefully would be decided as the plan for IPSASB for the next years.

**012 Cordier/Dumont** First of all, we would like to sincerely congratulate the staff for the quality of work performed in issuing the draft IPSASB 2007-2009 strategic and operational plan. We fully support most of the propositions while making the following suggestions.

**013 Bean** Thank you again for allowing the opportunity to provide feedback. I do appreciate the thought and effort that went into preparing these easy to understand materials.

## **II Comments about the IFRS Convergence Strategy**

**001 Schollum** I agree with the major staff recommendation in the paper to continue with our "review and rewrite" approach, particularly given the IASB moratorium.

**002 Bergmann** IFRS Convergence: I agree with the staff proposal, however, I experience a strong opposition from various "camps". Just visiting Australia and NZ, I've learned about strong scepticism about any departure from IFRS in the profession, but equally strong criticism from practitioners, especially on the local government level, against the IFRS based approach taken by the profession, being unable to implement it in a non-professional environment. In Europe, especially in Germany and Austria, the convergence is strongly criticized for its lack of understanding of the constitutional situation – which of course is major determinant of the public sector situation in some countries. It leads to an organizational structure which is often not in accordance with common management principles. Thus whichever way the IPSASB takes, it will definitely be exposed to strong criticism from at least one camp.

**003 Batten** I generally agree with what has been proposed, particularly the need under item (v) to establish some parameters for a departure from IAS/IFRS.

**004 Swart** Another aspect that may be considered when addressing IFRS convergence with Business Combinations may be the transfer of functions. Currently the IFRS on Business Combinations excludes transactions between entities under common control from its scope. Our Standard on Non-Exchange Revenue does not address measurement and recognition of contributions by owners.

Another aspect that could be considered is the issued interpretations by IFRIC. Consideration should be given to either incorporate the principles dealt with in the SICs and IFRICs in the current IPSASs or alternatively, to issue public sector equivalent interpretations.

The IPSASB work plan includes the update of existing IPSASs as part of the IFRS convergence project. Staff noted that one of the underlying assumptions for proceeding with the IFRS convergence program is that *each* IPSAS should consist of a basis for conclusion and examples or implementation guidance. However, the inclusion of examples or implementation guidance comprises more than only updating existing IPSAS with IFRSs. The inclusion of examples or implementation guidance in each IPSAS should rather be included as a separate project on the work plan. It should also be clarified whether the inclusion of a basis for conclusion and examples or implementation guidance will be incorporated in all Standards (new and existing IPSASs) or whether this approach will be followed only for new IPSASs.

Reference is made to a second generation of IPSASs. The IASB has made further changes to some of the eleven standards that have just been issued by the IPSASB. These changes should also be included in the IFRS convergence project.

**005 Palladino** I would like to point that I agree with the main strategies proposed

**006 Peace** I have reviewed the draft strategy and operational plan and it is an excellent document. It will be a great roadmap for IPSASB for the next three years

**007 Fausch** Although I understand the focus on IFRS convergence I would like to point out the consequences for the IPSAS-users. The implementation of international financial accounting standards in the public sector would lead or has led to a strong quality improvement of the financial statements. However the main decision, whether to implement IPSAS or not, lies very often in the hands of elected members of parliaments. Most of them are non professionals as far as accounting standards are concerned. A fast developing IPSAS is able to keep up with IFRS but risks to loose contact to the decision makers in the public sector. One consequence is that IPSAS will be used as a role model. In many cases, countries have built up their national standard setting organisations or avoid mentioning IPSAS explicitly in the legal foundations (gives more flexibility to the Government). No doubt, both ways lead towards a modern

accounting system, the question is what made countries to choose their way of improving their public sector accounting system.

**008 Sekikawa** I feel that we need to spare some time in Accra to discuss a fundamental issue regarding IFRS Convergence Strategy “why we should converge IPSAS with IFRS” in order for us to share common understanding about objectives of “Convergence with IFRS”. I believe that such discussions contribute effective and efficient discussions in developing IFRS Convergence Strategy as well as in discussions in individual projects. I understand that we, IPSASB, have a policy to converge IPSAS with IFRS, “unless there is a public sector specific reason for a departure”. But I have also sometimes felt in the past IPSASB discussions as such, “Yes, there are no public sector specific reasons for a departure, but there are no positive reasons for public sector to follow”.

I do not have any objections to general principle of convergence with IFRS. The issues I raised here do rather relate to 1) how strictly we apply the principles, and 2) how much resources we allocate in the Convergence. I think that there are some different views among members of IPSASB on how strictly apply this principle. I tentatively describe the two different views on the convergence as “convergence as objective” and “convergence as tool”. The former view is the one that financial reporting shall be fundamentally the same among private and public sectors, in other words, so-called “sector-neutral approach”. Under this view, public sector standards should be converged with private sector standards unless there is a justification (public sector specific reason). The latter view is the one that public sector financial reporting may differ in some cases because of difference in objectives and users’ needs of the financial reporting, etc. Under this view, convergence is not an objective, rather a tool to develop a set of high quality standards for public sector because private sector standards setter have already invest huge resources to develop high quality standards. I believe that all IPSASB members’ views fall into somehow between these two views. I feel that most IPSASB members support or have a position near “convergence as an objective”. I personally have a view near “convergence as a tool”.

I think that view of “convergence as an objective” is substantially same as a “sector neutral” approach adopted by some front running countries in reforming public sector financial reporting such as Australia. It would be beneficial that we consider Australian discussions on sector neutrality of accounting standards. I have heard that now Australia reconsider sector neutral approach. We may ask Australian member or TA to make a short presentation.

I also have a concern that increased complexity in IFRS is going to be transferred to IPSAS as a result of our active agenda in IFRS convergence. IASB currently undertake a project on “SME accounting standards” in order to response to criticism that IFRS is too complex for non-listed enterprises. IPSASB would be exposed by the similar criticism.

I prepare my understanding “pros” and “cons” for convergence with IFRS by theoretical and practical reasons in the following figure for reference. I expect that the Staff would prepare more comprehensive draft analysis on “pros” and “cons” for our discussions in Accra.

Diagram of “Pro” and “Con” for “convergence as an objective”

	Pro	Con
Theoretical	Same accounting transactions should result in the same accounting treatment irrespective of sectors	Objective and users’ needs may justify the different treatment.
Practical	Efficiency in standard setting Increased understandability by users since users of financial reporting familiar with private sector FR. Easiness in accounting education Advantage in promotion for countries which have already adopted IFRS.	Any distortion in private sector standard setting caused by such as political presser is to be copied into public sector Increased complexity would be burden of PS preparers such as developing countries, municipals. Inclusion of unnecessary or less importance requirements and guidance.

**009 Paul** The 3<sup>rd</sup> paragraph on page 11 refers to clarifying the approach to IFRS convergence. However, it is not clear how the proposals in the following four paragraphs differ from the status quo.

We think the IPSASB should consider whether, and in which circumstances, it would make submissions on IASB DPs & EDs.

We think the IFRS Convergence Strategy should include a proposal to publish each IASB DP or ED proposing amendment of an IFRS for which there is an existing IPSAS, as soon as the text becomes available. This would be published as an IPSASB Invitation to Comment, which would include an identification of public sector differences and a request for comment on whether the list of differences (if any) is complete and accurate. In this regard, we suggest a proposed statement that if there are no public sector differences that affect the application of the related IPSAS, the IPSASB would adopt the changes proposed by the IASB without further deliberation (although the IFRS expression would be “public sectorized” in the usual manner, subject to the point raised in the next paragraph). We think these suggestions are necessary to keep IPSASs up to date with related IFRSs while minimising the consumption of IPSASB Board meeting time.

We also think the IPSASB should re-evaluate how best to “public sectorize” its IFRS-converged IPSASs. It would be more efficient to retain the words in the equivalent IFRS (except for public sector specific differences in principle) and include in the Glossary a legend or key showing the public sector expression that corresponds to different expressions used in IFRSs. However, this approach would mean IPSASs would not speak the language of constituents. Therefore, on balance, we would prefer to retain the existing approach of public sectorizing the expression in each IPSAS. Nevertheless, we think it is worth revisiting this issue.

**010 Neville** 3. IFRS Convergence - I concur...

**011 Olsen/Brandsas** Relation between IPSASs and IFRSs

We would like to raise a discussion whether the IPSASs could be even closer to the IFRSs than they are today. We see from feed-back from several constituents in our region that they primarily use for standard-setting are the private sector standards (IFRS) as the basis for public sector standards and with the use of IPSASs as basis for the public sector specific issues. That’s because the standard-setters and preparers are educated in private standards, many of the users of financial statements are used to private standards and there is a full set of private standards.

If we move the IPSASs even closer to IFRSs, the use of IPSASs will be increased in our opinion and it will also improve the understanding of financial reporting in public sector.

We would like to consider if the text of IFRSs could be used more directly with the inclusion of public sector specific issues and wording only where absolutely needed. Also the use of amended terminology should be limited to where it is absolutely needed. The use of amended terminology is probably less important for countries which have to translate the standards than in English speaking countries. Both the use of and translation of amended terminology raise interpretation questions and uncertainty of the understanding. The public sector specific terms could rather be explained in illustrative examples.

Where public sector specific reasons require different treatment or mentioning in a standard that should be highlighted for example by different fonts/colours or by other means. That makes it easier for the users of both EDs and standards to consider whether the public specific need is important enough to have a different treatment from IFRS and also that a difference exists.

Closer links to IFRS will also make translations easier since the IFRSs often are translated before the translation of IPSASs.

**012 Cordier/Dumont** “We fully support most of the propositions ...”; “...we fully agree with the proposed convergence strategy related to IFRS project (“review and rewrite”) and the significance of this project...”

**013 Bean** *Convergence Strategy*

For the “review and rewrite” convergence project approach to be effective, it will require a significant amount of Board and staff time. Right now we are in accounting purgatory—we do not devote enough resource to keep the IPSASs up-to-date with the IFRSs, but we still devote considerable time to this area that could be spent elsewhere. The proposed strategic and operational plan appears to be advocating that more resources be devoted to the convergence project, but it still may not be enough. I would like to propose another approach, but only after asking our constituents for their preference (an update of the constituent survey). If the constituent would like to see all standards that apply to the public sector under one cover (recognizing that the trade-off is considerably less time being devoted to the other three areas), then I think that should make this a top priority. On the other hand if they would like to see more time devoted to other three areas, then I would propose a completely different approach that follows:

- Rely on the hierarchy (which needs to be clarified as noted in the proposed plan)—staff would review IFRSs as they are issued and would make a recommendation to the Board if there are any public sector issues that need to be considered
  - If there are public sector issues, the Board would consider adding a project to the agenda
  - If there are no public sector issues, the constituents would apply the IFRSs based on the hierarchy.
- A comprehensive implementation would be developed by the staff to provide public sector illustrations of the IFRSs that are not added to the IPSASB project agenda.
- Current IPSASs would be reviewed to ascertain the potential for future public sector changes. If the possibility is remote, the IPSAS would be “delisted.” In other words, it would be superseded and the constituents would only look to the relevant IFRSs for that subject matter in the future.

This approach has several advantages:

- The IPSASB would not be required to devote resources to the deliberation of older standards (and related due process) when the IASB is in the process of making changes to those standards (which in some cases are very significant)
- The IPSASB would not be required to devote resources to updates of current IPSASs where there is little or no public sector value added.
- No matter what resources are devoted to the convergence project, the possibility of maintain a set of IPSASs that are up-to-date with the IFRSs is not very likely. The use of this approach would eliminate the standards lag.
- Constituents would not be asked to comment on an annual update (it could even be three times a year), when all the IPSASB is doing is making conforming changes (again with little or no public sector value added).
- Resources could be redirected to a comprehensive implementation that would be focused entirely on the public sector application of the IFRSs (value added)
- Resources that are devoted to extensive deliberations and due process analysis could be reallocated to other areas.

This approach also has several disadvantages:

- Constituents could not look to one source for accounting guidance (however, based on the current hierarchy, constituents are currently required to look to both sources for issues where the IPSASB has not issued a standard)
- Constituents could identify a public sector difference that was not identified during the staff analysis or Board discussion of the issue.
- Significant resources will still need to be devoted to this area (however, it likely would be much less than the 50 percent projection of staff resources)

The convergence area has been of the most significant frustrations that I have faced during my six years with the IPSASB. The Board sometimes takes valuable time to deliberate a purely IFRS-based standard or update, which I know will *not* be significantly modified by the IPSASB; while at the same time the IASB is in the process of making major modifications to that standard. We are currently facing this situation with employee benefits and may soon be facing it with financial instruments. If the approach suggested above were adopted, I would recommend “delisting” IPSAS 15 rather than adding a project on financial instruments.

If the Board ultimately agrees with the recommendation set forth in the draft document and not the approach outlined above, I do believe that the staff has classified the IFRSs in the proper categories.

### ***Comments Related to Stable Platform Date***

**004 Swart** An effective date of 1 January 2010 is being proposed. IASB is using 1 January 2009. Is it not possible to align the dates?

**008 Sekikawa** Stable platform

I strongly support “stable platform” approach in order to foster adoption of IPSAS. Propose date seems appropriate.

### ***Comments Specific to IFRS Convergence Parameters***

**002 Bergmann** Therefore I have the view that the “parameter approach” (p. 11) staff suggests needs to be emphasized. These parameters would allow strengthening the rationale when departing from IFRS, but also when not departing, despite the opposition from one camp or the other. Thus I would advise to explicitly add the parameter approach to the grey box (and not just “as above”) and dedicate some resources to the development of this approach. Again, this is likely to postpone other issues, please follow up.

**003 Batten** However, as noted above I believe that in the longer term such “rules of the road” should be related to the conceptual framework to have a reliable and well justified basis. I believe this should be discussed. It should also be noted that as the framework becomes established there might need to be further future consideration of then existing “converged” standards.

**004 Swart Public sector differences**

The case for public sector differences in the existing IPSASs is not clearly documented and properly motivated. This should also be addressed.

**010 Neville** 3. IFRS Convergence - I concur and have no comments to add other than a template (checklist should be referred to in the document that would necessitate that the IPSASB agree to that as this would assist staff members to be consistent in reviewing and identifying "Public Service issues" in IASs/IFRSs.

**012 Cordier/Dumont** Moreover, we do not think that it should be advisable to define “parameters” in order to facilitate the IFRS convergence program (see plan page 11) before the issuance of the conceptual framework, since any “parameters” should be derived from the conceptual framework, and not the other way around.

## **III Comments on SMEs**

**003 Batten** The paper does not appear to consider the IFRS SME standard. Current indications are that it will be a significant body of work in its own right, rather than just a set of cut down standards. I understand that the reduction in the size of the comprehensive standard is achieved partly by omitting certain requirements and partly by re-writing the requirements in simpler and clearer language. I strongly recommend that IPSASB consider both (i) the extent to which in certain cases any IPSAS could or should be based on a section in the SME standard rather than the ‘big’ IFRS standard, and (ii) whether there should be a complete converged SME standard.

The former approach might well be particularly relevant for financial instruments. Financial instruments have a particularly complex set of standards, and as noted on page 14 of the plan, IPSAS 15 is based on a version of IAS 32 which has been substantially revised and continues to be amended. I understand that the SME financial instrument standard has omitted a number of treatments that are not likely to be relevant to SMEs and are also not likely to be relevant to the vast majority of public sector entities. I therefore recommend that IPSASB at least consider whether it should base its financial instrument standard on the IFRS SME version.

The other point to consider is that many public sector enterprises are limited in their accounting resources. This is reflected in the development and ongoing maintenance of the cash based series of IPSAS. Given this position I strongly suggest that IPSASB should consider whether a set of public sector standards based on the IFRS SME standard might give a realistic path for many public sector enterprises, particularly those currently using cash based accounting.

I therefore suggest that an SME based project should replace the proposed project on Non-current Assets Held for Sale and Discontinued Operations.

**008 Sekikawa** I also have a concern that increased complexity in IFRS is going to be transferred to IPSAS as a result of our active agenda in IFRS convergence. IASB currently undertake a project on “SME accounting standards” in order to respond to criticism that IFRS is too complex for non-listed enterprises. IPSASB would be exposed by the similar criticism.

**011 Olsen/Brandsas IFRS SME**

Ideally there should be no need to issue an IPSAS SME similar to the drafted IFRS SME. But we have an understanding that some of the users expect an SME standard also from IPSASB. The arguments that are used are small local governments/communities, single financial statements of public sector entities and that some feel that the bound volume of IPSASs is too voluminous. We would therefore like to add that to the plan for discussion, even though we are not ourselves ready to conclude that we should issue an IPSAS SME.

## **IV Comments on Conceptual framework**

**003 Batten** This is clearly an important project and a major priority of IPSASB, although it will take a long time. The seniority of the IPSASB resources allocated to the project reflects this importance. However I don't think that the language in page 12 or the amount of discussion on this project (really only discussed on page 12) really reflects the significance of this project. Is it possible to include a few sentences from the project brief to establish its context and priority and why the proposed time frame is appropriate? Can the time frame be reduced?

One aspect of the conceptual framework that will be particularly relevant when appropriate parts are available will be to form a reliable and consistent basis for departures from IFRS/IAS.

**012 Cordier/Dumont** As stated by Peter Batten, this is clearly an important project and a major priority of IPSASB and we agreed that its significance should be more highlighted in the strategic and operational plan. Similarly, it should be ranked first, before the IFRS Convergence Project, since it is intended to be the basis for the other strategic themes. For instance, as regards first paragraph of page 12, we are of the opinion that it would be more logical to put it in the first place rather than after the IFRS convergence program.

**013 Bean** *Conceptual Framework*

I believe that the objectives of financial reporting are significantly different for the public and private sectors. Even though there may be no obvious difference between certain transactions (for example, employee benefits), when the IPSASB ultimately decides what government financial statements should

convey in the concepts project, it could influence the Board's guidance on those transactions. In other words, I believe that public sector standards on items like employee benefits could differ from the private sector standards. I am not asking for the IPSASB to change its "review and rewrite" approach at the present time. I do hope that the concepts projects be given a chance to be independently developed based on an approach that truly considers the government environment (what is important to readers of government financial statements) versus one that only builds on the IASB/FASB project. If this approach is taken, the conceptual framework could be used to develop future standards where more public sector specific reasons for departure have been or could be identified.

Because of the potential impact that the conceptual framework project could have on the basic approach to future standard setting, I believe that it should be the number one priority of the IPSASB for the next three years.

## **V Comments on Public Sector Specific Projects**

**003 Batten** This is an area in which IPSASB can differentiate itself and show intellectual leadership. It is likely to be important to the communication strategy and as an area in which it is possible that volunteers would like to contribute. Therefore I think that the discussion on page 12/13 is somewhat brief and I wonder if this project is being given enough staff resource. I suggest that if the comments on intangible assets in page 15 are correct ("high applicability to public sector; nature of the assets may be unique") then this may be because of a relationship with heritage assets. At a minimum I suggest the discussion on theme 2 be beefed up a bit.

**004 Swart** Much is made of the IPSASB's leadership role on public sector accounting in the document. It is supported by the proposals for the conceptual framework and IFRS convergence. However, this is not supported by the public sector specific projects.

Another aspect that should be considered is public sector scope exclusions in our existing suite of standards. The scope exclusion for work in progress of services to be provided for no or nominal consideration directly in return from the recipients in IPSAS 12, Inventories, is one such an area.

**012 Cordier/Dumont** As stated also by Peter Batten, this is an area in which IPSASB can show intellectual leadership and we also agreed that more emphasis should be put in this area as well as more staff resources (see below).

The expectancy from our constituents concerning such projects is very high, and the Board has consistently ranked this theme first over the last few years when debating (the last time being in last July in Paris) the strategy and working plan.

**013 Bean** The most significant concerns that I have about the plan is the emphasis that appears to be placed on the convergence area and the lack of new public sector specific projects that have been identified.

I realize that biggest challenge is determining what would qualify as public sector specific project. Unfortunately, this determination is somewhat subjective. There are countries that believe in sector-neutral or transition-neutral standards. Because of resource constraints faced in public sector standard setting (where there are different standard setters), those standards are driven by private sector because the private sector standards setters often address issues before those issues make their way onto the public sector standard setters agendas. From the viewpoint of those standard-setters, very few, if any, transactions would qualify as a public sector specific project.

On the other hand, there are those like the United States that believe private sector standards are a source of literature that should be consider when standards are set; however, there is not a preconceived notion that the private sector standards will adopted. For example, the GASB considers the public sector environment, lessons learned from the application of private sector standards, and most importantly what the

government's financial statements are attempting to convey to readers (for example, the importance of costs of services information) in its effort to improve state and local government reporting in the United States. Therefore, I look forward to the Board's discussion of this matter.

## **VI Comments About Project Priorities**

**001 Schollum** I would like to see slightly more emphasis on keeping our suite of IPSASs refreshed and of high quality before expanding into new areas. In practice we can of course do both but to me the highest priority should be to keep existing IPSASs (at any one time) in good shape and current. I think that means almost a continuous improvements project, at least for the next few years. While we would be working on IPSASs on an ongoing basis we could stagger the adoption dates as you suggest.

I have some significant reservations about launching into a project on financial instruments (unless you mean just disclosure) given the IASB's stated dislike for IAS 39 and desire to completely rewrite it. We can rely on the hierarchy in the meantime in the absence of an IPSAS. It just doesn't seem a good use of scarce resources.

There may be other projects which we have previously discussed (eg ex ante budget reporting) which warrant further discussion at our March meeting.

**003 Batten** Several IFRS standards/projects have been classed as "*low priority*". While I don't disagree, I would have thought that some of these could have been classified as outside scope because if the entities concerned did exist in the public sector they would probably be GBE's.

**009 Paul** In relation to IFRS convergence, we agree with the proposed high priority for updating IPSASs to cover amendments made to corresponding IFRSs since 31 December 2003 (the cut-off date for IFRS text included in the General Improvements project). In fact, we think this activity should receive the highest priority of the IFRS convergence work.

We disagree with treating Intangible Assets as a high-priority project, because IAS 38 contains some principles that are inconsistent with other IFRSs, and because the IASB is about to decide (based on research it commissioned) whether to initiate an active project to review IAS 38.

In respect of the proposed project on IFRS 3 *Business Combinations*, we note that the scope of IFRS 3 does not include business combinations involving entities under common control. Business combinations within the current scope of IFRS 3 would seem to occur infrequently for non-GBE public sector entities.

However, there is a pressing need for IPSASB guidance on common control transactions such as restructurings of government departments and of other government-controlled non-business entities. The dilemma is that extending the scope of a project on IFRS 3 would make the project more relevant to the public sector but probably would increase considerably the time and resources spent on the project. Addressing restructurings would require consideration of whether the definition of contributions from owners is appropriate, whether restructurings should be treated as giving rise to revenues/expenses or other changes to equity/net assets, and how transferred assets and liabilities should be measured.

We disagree with initiating a project on IAS 26 *Accounting and Reporting by Retirement Benefit Plans* in the short or medium term. IAS 26 is approximately 20 years old, and was not part of the IASB's Improvements project. In addition, we would not expect this topic to have widespread relevance in the public sector. We expect users' primary interest in retirement benefits in the public sector relates to the costs of those benefits to the employer (and, ultimately, to taxpayers), which will be accounted for under the forthcoming IPSAS on Employee Benefits.

At first blush, it seems appropriate to propose giving a high priority to the Financial Instruments project, particularly because financial instruments are significant for many non-GBE public sector entities.

However, we have reservations about initiating a convergence project on IAS 39 at this time. IAS 39 contains significant conceptual flaws and is very (probably unnecessarily) complex. This view is implicitly supported by the IASB's decision to include a review of IAS 39 in its research agenda. The AASB receives frequent and wide-ranging questions and other comments about applying IAS 39 in the public sector. Consistent with this experience, we think the ongoing time commitment of staff needed to support

application of an IPSAS based on IAS 39 will be very significant (say, 1.5 FTEs). The dilemma for the IPSASB is that IAS 39 is unlikely to be replaced for quite a while, because the IASB's review of it is likely to be a huge task.

- In relation to Service Concessions (PPPs), we think the time from ED approval to IPSAS approval (two meetings) is too short, especially because any proposals on this topic are likely to be controversial. We think the work plan should target March 2009 as the IPSAS approval date.
- Because the IPSASB has decided its ED on Social Benefits should not address recognition, we think the Board should commit to initiating a high-priority project on the Recognition of Social Benefits as soon as practicable after issuing an IPSAS on Disclosure and Presentation of Social Benefits.
- We think fair value measurement should be given a higher priority than ascribed to it in the proposed work plan ("no action 2007"). This is because IPSASs include references to fair value (as do IFRSs) and there seem to be important public sector issues related to how fair value should be defined and interpreted (for example, whether and how restrictions over the use of assets should affect the measurement of their fair value). We think fair value measurement is a more pressing issue than intangible assets, IAS 26 and IFRS 5. Furthermore, because the IASB is considering the merits of the recent FASB Statement on this issue, the IPSASB currently has the potential to influence the guidance on this topic given in IFRSs.

In summary, we suggest adding two new Standards projects (on fiscal sustainability and recognition of social benefits) and accelerating work on fair value measurement, whilst giving a lower priority than proposed to convergence work on IAS 26, IAS 38 and perhaps IAS 39. In net terms, our proposals might imply a heavier workload. However, our intention is not to propose a higher output per annum than proposed by IPSASB staff—if need be, some projects might need to progress more slowly if our proposals were agreed to.

We also suggest making an in-principle decision to add to the work plan a project (commencing after 2007) to review practitioners' experience with applying IPSASs. The AASB has received various comments from public sector constituents on issues they encounter in applying Australian equivalents to IFRSs (which include additional guidance for application of the Standards by not-for-profit entities in the public and private sectors). Some commentators have argued that Australian Standards consistent with a related IPSAS may require modification to be relevant to not-for-profit entities (including those in the public sector). An example is provided below:

Like IPSAS 12 *Inventories*, the Australian Standard on Inventories specifies that inventories of not-for-profit entities held for distribution at no charge or for a nominal charge are to be measured at the lower of cost and current replacement cost. The AASB has been advised that current replacement costs are often very difficult and costly to obtain for specialised long-lived inventory items that are held for distribution and were acquired a long time ago.

**010 Neville** 4. IFRS Projects by Priority - I concur.

**012 Cordier/Dumont** In our view, the monitoring of the convergence with the IFRS should not preclude the monitoring of the convergence with international standards applying to statistical bases of financial reporting by Governments, which is also a very important area and should not be forgotten.

As regards classification of IFRS standards (table 2 page 15), among the IFRS projects that have been classified as "*low priority*", we think that three of them deserve to be put as "*high* or at least *medium priority*": agriculture, mineral resources since many public sector entities own assets in such sectors particularly in the developing countries, and, to a lesser extent, interim financial reporting.

Also, we suggest that a review of IPSAS 17 be included in the plan and ranked as high priority, since more and more public sector entities use the allowed alternative treatment of valuing their assets at fair value. And IPSAS 17 which primarily focus on the historical cost method (which is the benchmark method) offers limited guidance on the fair value method.

## **VII Comments about Sustainability**

**001 Schollum** I think sustainability disclosures warrant being a separate project in the workplan rather than being seen as part of the conceptual framework project.

**002 Bergmann** Sustainability: We (the Board) have decided to go for a rather limited recognition of obligations in the field of social security pensions, arguing that the issue should rather be addressed in some kind of sustainability report, which is yet to be developed. This under the impression of a similar path being considered by the American standard setters. Perhaps I've overlooked it, but I didn't find any follow up on this in the draft plan. If it's dropped, it should be a deliberate decision to do so – is this your intention? If not, it should be added. However, this is likely to influence the resource planning. What is your view on this?

Personally, I would advocate keeping it in the work program, as it is clearly more feasible than an extensive recognition approach. But we should keep our word and provide some guidelines in this field, as soon as possible.

**004 Swart** Lengthy discussions were held at the last meeting regarding the sustainability of programmes and how this information should be disclosed in financial statements. I left the meeting thinking that IPSASB would initiate a project in this regard. The projects that have been identified regarding social policy obligations, service concessions and heritage assets are projects that are continuing from our previous work programme. They should be completed, but we should also address new issues.

Looking at the current work programmes of standard setters in IPSASB member jurisdictions, as compiled by John Stanford, a project where cooperation seems possible is that of performance reporting. At the moment, reference is made to it in the conceptual framework project, but it should be a public sector issue.

**009 Paul** We agree that long-term fiscal sustainability should be considered within the Conceptual Framework project. However, we also think the IPSASB should consider making an advance commitment (or at least an in-house plan) to initiating a high-priority project to develop an IPSAS on this topic if it is decided in the Framework project that “fiscal reporting” should be within the scope of public sector financial reporting. This is because of the major importance of this topic to the public sector, and because such a project (if actioned) would have significant resourcing/timing implications—it would crowd out work on any lower priority projects.

## **VIII Comments About the Communications Plan**

**003 Batten** I also strongly agree that the IPSASB needs to be proactive in its communication strategy.

**004 Swart** What is unclear from the communications plan is what we want to achieve. I thought the aim of having meetings in different locations was to market IPSASs to the host country so that they either adopt IPSASs for the public sector or use it as a basis for the development of their own standards. Accordingly, I would suggest that our focus should be on presentations at meetings with international organisations and conferences where our target audience is meeting and holding IPSASB meetings in countries likely to adopt the standards. Meetings in countries such as Canada, UK, USA and Australia where they are not adopting IPSASs or using IPSASs in developing their own standards should be avoided.

**005 Palladino** Nevertheless, I consider that in relation to the Communications Plan, said strategies should be presented with a table or list of the regions or countries where those activities are to be developed. It is necessary to achieve a balance between the different countries target of the Communications Plan, so that no one is left aside. If not, the actual concrete work is diluted.

If such a table or list of countries would be possible, the IPSASB members themselves could help with said promotion or enhance it, or even be the link with the corresponding Governmental sectors.

I consider the above a must as I have noticed a serious lack of knowledge in Latin America of the IPSASB and thus of the IPSASs, either in the profession and the Governments responsible for their enforcement. A lot of mistakes are made, even for example, making Governments apply IASs in their financial statements, creating serious problems to the governmental administrations (ex. Honduras).

Another point which is not strictly mentioned in the proposed strategies, but I would like to note is the need of "training about IPSAS". This is necessary for the Latin American Governments in which said standards mean not only a change of standards but also a totally different concept of Governmental Accounting.

I consider the IPSASB could evaluate this issue and see what can be done, as generally Governmental sectors receive the official presentation of the IPSASB and the IPSASs, but there is no follow-up of the same, and the promotion is diluted. Just as an example, the IMF promotes its Manual (2001) in those countries where the body plans to give courses (in English and Spanish) within the IMF premises on an yearly basis, either at the national or local level.

**006 Peace** I especially liked the plan and strategy for communicating IPSASs to the rest of the world.

**007 Fausch** The promotion and communication plan does focus on the enhancement of information and communication toward public sector authorities. In my view, this is very important. Moreover these efforts would as help to increase the level of compliance in case government would be allowed to choose the speed of implementation which fits best to the political system.

**008 Sekikawa** In addition to the staff recommendations, I suggest that we will conduct a survey of adoption or implementation of IPSAS in the world. Such survey is to be conducted in collaboration with other organization and IFAC's Compliance Program.

**009 Paul** We note that the IPSASB website provides links to IPSASB publications in French and Spanish, and includes some information printed in those languages. We think it would be useful if visitors to the IPSASB website could click on a language link that takes them directly to a home page expressed solely in that language. This enables easier use of the website by those whose first language is not English, and may increase the likelihood that search engines will direct speakers of those other languages to the IPSASB site.

In relation to Item 2 ("enhance collaborative efforts with the IASB"), we think the opportunity for collaboration with the IASB on the IFRS convergence project [see Action (v)] would be limited in relation to those IFRSs that the IASB is not currently reviewing. In addition, the IASB does not concern itself with public sector specific issues. Nevertheless, we think regular liaison between the staffs of the IPSASB and IASB can, and should, occur (mainly on an issue-by-issue, as-needs, basis).

**010 Neville** 6. Communications Plan - I concur.

10. Strategy #3 (Page 38) - We should add the "Canada/U.S. Colloquium for Financial Management (I.E. It is "code" for the annual international conference - 15/20 countries - of financial statement preparers).

**013 Bean** I have been directly involved in standards setting for 25 years. During this period, the one lesson that I continually am reminded of and then proceed to ignore because of other demands is the need for a well-directed communications plan. In the States, we deal with 50 state legislatures, over 87,000 local governments, over 5,000 audit firms, and countless constituents in the user community. Even though these numbers are staggering, they pale in comparison to what the IPSASB faces as more countries adopt IPSASs.

The one trap that we tend to fall into is the accountant comfort zone. Accountants love to talk to accountants. For the adoption of the IPSASB standards to be successful on a global scale, we need to redirect at least some of our attention to the constituents that are not preparers and that are not auditors. The legislative and other bodies will eventual be the ones that decide from a political (versus a technical)

standpoint whether or not IPSASB standards will be adopted. These groups need to be targeted within the communications plan.

## **IX Other Issues Raised**

### *i) Comments on the Hierarchy*

**004 Swart** Reference is made to the “fallback” position in IPSAS 3. This is another area where further guidance is needed. There is general disagreement with external auditors, both in South Africa and other parts of the world, about what the “fallback” position means. Some preparers believe it is limited to determining an accounting policy, while others believe it is full compliance with the recognition, measurement and disclosure requirements of the standard that you are referring to.

### *ii) Need for External Review*

**012 Cordier/Dumont** As a general comment, it could be worth recalling that in 2004, IPSASB strategic priorities were defined in cooperation with an external review body. This resulted in defining the three priorities quoted in page 5 (conceptual framework, public sector specific standards, IFRS convergence.) At the present crucial time of defining our strategy for 2007-2009, it could be helpful, and safer as well, to take advantage of an external review. It would be a good guarantee to ensure that our strategy is appropriate. Beyond this initial planning step, it could appear necessary and consistent with IFAC policy and other comparable international organizations to consider the usefulness of an oversight body, as already recommended by the 2004 external review.

### *iii) Cash Basis IPSAS*

**003 Batten** The Introduction/Background says virtually nothing about IPSAS for the cash basis of accounting. One or two sentences about their purpose and when they were last updated might help establish a context for the comments on page 13.

### *iv) Comments on Developing Countries*

**002 Bergman** Developing countries: SECO has approved funding for the completion of the work on external assistance as well as promotional/educational work in developing countries. This is adequately reflected in the draft plan. SECO has also indicated it might be interested in a more long term, perhaps ongoing involvement. However, this is limited to issues related to developing nations – what does not necessarily refer to the cash basis standard or external assistance.

I would advocate mentioning developing countries issues in all parts of the strategy, as an aspect to be considered. As a matter of fact, there are many developing countries embarking to the accrual world and accrual standards are, if we like it or not, getting this dimension. What they usually are doing is to adopt IPSAS by IPSAS rather than all at once. This should explicitly be taken up in the strategy plan. From my point of view it does not change any of the main decisions, it’s rather another parameter to be taken into account.

### *v) Adoption IPSAS by IPSAS*

**002 Bergmann** What they usually are doing is to adopt IPSAS by IPSAS rather than all at once. This should explicitly be taken up in the strategy plan. From my point of view it does not change any of the main decisions, it’s rather another parameter to be taken into account.

**007 Fausch** A dilemma IPSAS is facing is whether it would focus on a broad spreading among the globe or whether it would focus on state of the art accounting standards closely attached to IFRS. I don't know, whether the following idea has already been discussed or not. I think a system that would allow IPSAS to spread without losing contact to IFRS might be a solution. On one hand, IPSAS should follow the strategic plan 2007-2009. On the other hand, it would probably be advisable to allow IPSAS-users to choose their speed of implementation within the accrual standards (Andreas did mention in his reply to the strategic plan the fact, that countries adopt IPSAS by IPSAS [sec. 3]). How should this work? I am thinking of a rating system. Public sector entities, which are willing to implement IPSAS will be encouraged to do so (as mentioned in the Handbook 2006 Preface p. 18). If a user is not willing or not yet ready to implement all existing accrual IPSAS this should be disclosed. In case a country or organisation does apply all IPSAS without restrictions, this organisation will get the highest rating. A country which does only apply selected IPSAS will get a lower or low rating, but is still part of the IPSAS "family". The level of compliance with IPSAS would be part of the implementation discussions lead by the parliament or the government.

Advantages:

- a. The entrance level for potential IPSAS users (accrual standard) is lower
- b. The rating does make the level of compliance with IPSAS transparent
- c. The IPSASB does have a feedback instrument to recognize the discrepancies between state of the art public sector accounting and the level of implementation among IPSAS users

*vi) Statistical Basis*

**012 Cordier/Dumont** In our view, the monitoring of the convergence with the IFRS should not preclude the monitoring of the convergence with international standards applying to statistical bases of financial reporting by Governments, which is also a very important area and should not be forgotten.

*vii) Needs of Users*

**002 Bergmann** ". Just visiting Australia and NZ, I've learned about strong scepticism about any departure from IFRS in the profession, but equally strong criticism from practitioners, especially on the local government level, against the IFRS based approach taken by the profession, being unable to implement it in a non-professional environment. In Europe, especially in Germany and Austria, the convergence is strongly criticized for its lack of understanding of the constitutional situation – which of course is major determinant of the public sector situation in some countries. It leads to an organizational structure which is often not in accordance with common management principles.

**007 Fausch** However the main decision, whether to implement IPSAS or not, lies very often in the hands of elected members of parliaments. Most of them are non professionals as far as accounting standards are concerned. A fast developing IPSAS is able to keep up with IFRS but risks to loose contact to the decision makers in the public sector. One consequence is that IPSAS will be used as a role model. In many cases, countries have built up their national standard setting organisations or avoid mentioning IPSAS explicitly in the legal foundations (gives more flexibility to the Government). No doubt, both ways lead towards a modern accounting system, the question is what made countries to choose their way of improving their public sector accounting system.

## **X Comments on IPSASB Resources/Processes**

*Use of volunteer resources*

**013 Bean** The recognition of the voluntary nature of the IPSASB is greatly appreciated. When considering an additional Board meeting, please take into account that members who have significant subcommittee assignments already have one or two additional meetings per year. This translates to between 4-6 weeks a year being devoted to IPSASB activities.

As you know, this is not a full-time job. However, given some of the recommendations, it could easily become one. I have never run away from work (I really enjoy this stuff), but even I have limits. A limited number of papers that are distributed between meetings (hopefully, no more than one at a time), similar to current social policy obligations paper, can be accommodated. If staff expects this type of feedback on multiple projects between each Board meeting, there is a very real possibility that some Board members that cannot devote this level of effort to IPSASB activities will become disenfranchised. There is already too great a potential for a few key Board members and TAs to dominate the proceedings.

<b>Proposed Disposition:</b>	Agreed; distribution between meetings at key points should be considered carefully and planned within project work.
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*Allocation of staff resources*

**012 Cordier/Dumont** While we fully agree with the proposed convergence strategy related to IFRS project (“review and rewrite”) and the significance of this project, we wonder whether the proposed allocation of resources is adequate. According to the pie chart page 20, 50% of the staff resources would be dedicated to IFRS, 16% for the conceptual framework and 11% the public sector specific topics. It seems that a more balanced allocation should be achieved with a redistribution of staff resources dedicated to Public Sector Specific topics.

<b>Proposed Disposition:</b>	<b>No change currently proposed. Chart does not include significant NSS resources being provided on conceptual framework and PPPs. In addition, until the scope component of conceptual framework is addressed no staff resources to be committed to sustainability or other similar public sector specific projects. This will be revised once the outcome of that module is known.</b>
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*Funding*

**001 Schollum** In terms of funding you appear to have omitted the commitment from the NZ Govt(via our Accounting Standards Review Board) to provide funding for the conceptual framework project.NZ\$50,000 is committed for 2006/07 with the intention of reviewing that for future years. The ASRB wishes to sign off on the approved project plan, which can now be done hopefully following the Norwalk meeting, prior to providing the funding.

<b>Proposed Disposition:</b>	<b>NZ funding added to draft plan</b>
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*Meeting days*

**001 Schollum** In terms of IPSASB meeting time I think there is a lot of scope to better utilise the full 4 days we allocate to each meeting before we think about extra meetings.

**004 Swart** I would prefer that we first explore extending the meetings to five days, before we consider adding a fourth meeting. The travel costs of an additional meeting are significant, while the cost of accommodation for an extra day is less significant. The IAASB increases the duration of their meetings and added task force meetings to the meeting time, before they added additional meetings to their schedule.

**008 Sekikawa** Resources

As a result of successful effort as to funding, now we have full capacity of staff. However, each IPSASB member's participation may not be increased as much as staff capacity has increased. We need some streamline meeting agendas.

**009 Paul** AASB staff could spend a limited amount of additional time between meetings in providing feedback. In some cases, constraints on staff time might permit only a high-level review of documents

**010 Neville** Volunteer Resources - For 2007, I cannot support more than 3 meetings. I concur that this decision needs to be raised for future years.

**013 Bean** The recommendations of streamlined meeting agendas and reviewing the task force/steering committee approach are appropriate. Again, my only words of caution are associated with the demands being placed on the voluntary members and TAs. We need to ensure that every member feels that that have an equal opportunity to play an important role in the success of the IPSASB.

**Proposed Disposition: Added option of extending meeting days to draft plan; no change to recommendation re meetings currently; recommendation that IPSASB re-evaluate in July and November.**

*Task forces*

**008 Sekikawa** I agree the staff recommendation to conduct a review of the task force/steering committee approach.

**009 Paul** We note that the IASB uses working groups as a project resource. These groups act as a sounding board and don't make decisions or recommendations. We think a key ingredient in the success of these working groups is that a number of IASB members attend their meetings, so there is continuity between those non-deliberative meetings and the IASB Board meetings. Double handling is thus avoided. We think it is important that, whichever mechanisms are used by the IPSASB, the Board retains ownership of the project at all times by continued involvement of its members in each step (e.g., as is planned with the Conceptual Framework Subcommittee).

**010 Neville** Task Forces - Having lead one specific "Task Force" within the PSC/IPSASB framework is very "frustrating". I prefer the CICA/PSAB model and this should be introduced as an alternative.

**Proposed Disposition: Consider introduction of task forces; to be discussed in March as an experimental process.**

**010 Neville** 7. Table 4 (Page 21) - The IFAC internal contribution is not identified. Any reason why? What happened to the rent expense previously incurred in Melbourne, Australia? Is the CICA presently absorbing these costs? We should be more "transparent" in Table 5 (Page 22).

**Proposed Disposition: Rent expense Melbourne included in "other"; office premises relocated to smaller executive offices; currently no CICA costs for rent being incurred/charged; Funding table was intended to be external only – IFAC covers balance of expenses. Tables 4 and 5 combined to be more transparent.**

**XI Comments of an Editorial Nature or where changes are self-explanatory**

**003 Batten** In the first paragraph of “*Where we are now*” on page 7, I suggest adding “that will increase without significant IPSASB effort” at the end of the second sentence.

**Proposed Disposition: Agreed**

**004 Swart** Under the heading “Environment facing the public sector & IPSASB”, reference is made to the financial reporting of international organisations. I think we should be more specific and state that these are not for profit organisations.

**Proposed Disposition: Added “public sector not-for-profit”**

IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, has been withdrawn by the IASB and replaced by IFRS 7 with effect from 1 January 2007. This document should not be included in the list of standards where convergence may be necessary.

**Proposed Disposition: Agreed; removed**

From our understanding, there is no link between Non-current assets held for sale and discontinued operations and Business combinations. However we support the proposal that this standard should be included in the IFRS convergence project.

**Proposed Disposition: Removed references**

**Draft Plan Response 001**

**From:** Greg Schollum [Greg.Schollum@oag.govt.nz]  
**Sent:** Thursday, January 18, 2007 10:23 PM  
**To:** Stephenie Fox  
**Subject:** RE: draft plan  
Hi Stephenie and happy new year,

My, you have been busy haven't you! I thought I would strike while the iron was hot and get straight back to you with my comments.

- 1 Overall, I think it is an excellent paper in outlining the issues facing IPSASB and recommended strategies and actions in response.
- 2 I agree with the major staff recommendation in the paper to continue with our "review and rewrite" approach, particularly given the IASB moratorium.
- 3 I would like to see slightly more emphasis on keeping our suite of IPSASs refreshed and of high quality before expanding into new areas. In practice we can of course do both but to me the highest priority should be to keep existing IPSASs (at any one time) in good shape and current. I think that means almost a continuous improvements project, at least for the next few years. While we would be working on IPSASs on an ongoing basis we could stagger the adoption dates as you suggest.
- 4 I have some significant reservations about launching into a project on financial instruments (unless you mean just disclosure) given the IASB's stated dislike for IAS 39 and desire to completely rewrite it. We can rely on the hierarchy in the meantime in the absence of an IPSAS. It just doesn't seem a good use of scarce resources.
- 5 In terms of funding you appear to have omitted the commitment from the NZ Govt (via our Accounting Standards Review Board) to provide funding for the conceptual framework project. NZ\$50,000 is committed for 2006/07 with the intention of reviewing that for future years. The ASRB wishes to sign off on the approved project plan, which can now be done hopefully following the Norwalk meeting, prior to providing the funding.
- 6 In terms of IPSASB meeting time I think there is a lot of scope to better utilise the full 4 days we allocate to each meeting before we think about extra meetings.
- 7 I think sustainability disclosures warrant being a separate project in the workplan rather than being seen as part of the conceptual framework project.
- 8 There may be other projects which we have previously discussed (eg ex ante budget reporting) which warrant further discussion at our March meeting.

Good luck with preparing for the Accra meeting.

Kind regards

Greg

**Draft Plan Response 002**

**From:** Bergmann Andreas (bgm) [bgm@zhwin.ch]  
**Sent:** Friday, January 26, 2007 1:40 AM  
**To:** Stephenie Fox  
**Cc:** Mike.Hathorn@moorestephens.com; Fausch Reto (far)  
**Subject:** AW: draft plan

Dear Stephenie,

Although still „on the road“ (currently in Australia), I've had the opportunity to go through the draft strategic and operational plan. First of all, I would like to congratulate you, the Chair and the staff for the concise document. We've been very much in need for this kind of analysis and proposal for quite some time. Thank you.

In respect of the content I have very few, but perhaps substantial remarks:

1. **Sustainability:** We (the Board) have decided to go for a rather limited recognition of obligations in the field of social security pensions, arguing that the issue should rather be addressed in some kind of sustainability report, which is yet to be developed. This under the impression of a similar path being considered by the American standard setters. Perhaps I've overlooked it, but I didn't find any follow up on this in the draft plan. If it's dropped, it should be a deliberate decision to do so – is this your intention? If not, it should be added. However, this is likely to influence the resource planning. What is your view on this?

Personally, I would advocate keeping it in the work program, as it is clearly more feasible than an extensive recognition approach. But we should keep our word and provide some guidelines in this field, as soon as possible.

2. **IFRS Convergence:** I agree with the staff proposal, however, I experience a strong opposition from various “camps”. Just visiting Australia and NZ, I've learned about strong scepticism about any departure from IFRS in the profession, but equally strong criticism from practitioners, especially on the local government level, against the IFRS based approach taken by the profession, being unable to implement it in a non-professional environment. In Europe, especially in Germany and Austria, the convergence is strongly criticized for its lack of understanding of the constitutional situation – which of course is major determinant of the public sector situation in some countries. It leads to an organizational structure which is often not in accordance with common management principles. Thus whichever way the IPSASB takes, it will definitely be exposed to strong criticism from at least one camp.

Therefore I have the view that the “parameter approach” (p. 11) staff suggests needs to be emphasized. These parameters would allow strengthening the rationale when departing from IFRS, but also when not departing, despite the opposition from one camp or the other. Thus I would advise to explicitly add the parameter approach to the grey box (and not just “as above”) and dedicate some resources to the development of this approach. Again, this is likely to postpone other issues, please follow up.

3. **Developing countries:** SECO has approved funding for the completion of the work on external assistance as well as promotional/educational work in developing countries. This is adequately reflected in the draft plan. SECO has also indicated it might be interested in a more long term, perhaps ongoing involvement. However, this is limited to issues related to developing nations – what does not necessarily refer to the cash basis standard or external assistance.

**Draft Plan Response 002**

I would advocate mentioning developing countries issues in all parts of the strategy, as an aspect to be considered. As a matter of fact, there are many developing countries embarking to the accrual world and accrual standards are, if we like it or not, getting this dimension. What they usually are doing is to adopt IPSAS by IPSAS rather than all at once. This should explicitly be taken up in the strategy plan. From my point of view it does not change any of the main decisions, it's rather another parameter to be taken into account.

That's it from my part. Once again, I'd like to thank you for the sound draft plan.

Best regards (still from Australia)

Andreas

Prof. Andreas Bergmann, Dr. oec, Director

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## **Comment on IPSASB 2007-2009 Strategic Plan**

### **Summary**

While I generally support the proposed plan, I suggest that IFRS Convergence strategy should include consideration of the proposed SME standard, both as the basis of an IPSAS financial instrument standard and as a comprehensive accounting resource for less well resourced jurisdictions. I also think that the other two strategic themes are somewhat under played and the discussions need to be beefed up.

### **General**

I congratulate the staff on their efforts in preparing the 2007-2009 strategic and operational plan. I support the strategic themes set out on page 5 and I agree with the underlying staff assumptions set out on page 8. I also strongly agree that the IPSASB needs to be proactive in its communication strategy.

However, I also have some comments and suggestions:

### **Conceptual Framework**

This is clearly an important project and a major priority of IPSASB, although it will take a long time. The seniority of the IPSASB resources allocated to the project reflects this importance. However I don't think that the language in page 12 or the amount of discussion on this project (really only discussed on page 12) really reflects the significance of this project. Is it possible to include a few sentences from the project brief to establish its context and priority and why the proposed time frame is appropriate? Can the time frame be reduced?

One aspect of the conceptual framework that will be particularly relevant when appropriate parts are available will be to form a reliable and consistent basis for departures from IFRS/IAS.

### **Convergence Strategy - general**

I generally agree with what has been proposed, particularly the need under item (v) to establish some parameters for a departure from IAS/IFRS. However, as noted above I believe that in the longer term such "rules of the road" should be related to the conceptual framework to have a reliable and well justified basis. I believe this should be discussed. It should also be noted that as the framework becomes established there might need to be further future consideration of then existing "converged" standards.

### **Convergence Strategy – Small & Medium Enterprises (SME) standard**

**Draft Plan Response 003**

The paper does not appear to consider the IFRS SME standard. Current indications are that it will be a significant body of work in its own right, rather than just a set of cut down standards. I understand that the reduction in the size of the comprehensive standard is achieved partly by omitting certain requirements and partly by re-writing the requirements in simpler and clearer language. I strongly recommend that IPSASB consider both (i) the extent to which in certain cases any IPSAS could or should be based on a section in the SME standard rather than the ‘big’ IFRS standard, and (ii) whether there should be a complete converged SME standard.

The former approach might well be particularly relevant for financial instruments. Financial instruments have a particularly complex set of standards, and as noted on page 14 of the plan, IPSAS 15 is based on a version of IAS 32 which has been substantially revised and continues to be amended. I understand that the SME financial instrument standard has omitted a number of treatments that are not likely to be relevant to SMEs and are also not likely to be relevant to the vast majority of public sector entities. I therefore recommend that IPSASB at least consider whether it should base its financial instrument standard on the IFRS SME version.

The other point to consider is that many public sector enterprises are limited in their accounting resources. This is reflected in the development and ongoing maintenance of the cash based series of IPSAS. Given this position I strongly suggest that IPSASB should consider whether a set of public sector standards based on the IFRS SME standard might give a realistic path for many public sector enterprises, particularly those currently using cash based accounting.

I therefore suggest that an SME based project should replace the proposed project on Non-current Assets Held for Sale and Discontinued Operations.

### **Public Sector Specific Projects**

This is an area in which IPSASB can differentiate itself and show intellectual leadership. It is likely to be important to the communication strategy and as an area in which it is possible that volunteers would like to contribute. Therefore I think that the discussion on page 12/13 is somewhat brief and I wonder if this project is being given enough staff resource. I suggest that if the comments on intangible assets in page 15 are correct (“high applicability to public sector; nature of the assets may be unique”) then this may be because of a relationship with heritage assets. At a minimum I suggest the discussion on theme 2 be beefed up a bit.

### **Other Comments.**

The Introduction/Background says virtually nothing about IPSAS for the cash basis of accounting. One or two sentences about their purpose and when they were last updated might help establish a context for the comments on page 13.

In the first paragraph of “*Where we are now*” on page 7, I suggest adding “that will

**Draft Plan Response 003**

increase without significant IPSASB effort” at the end of the second sentence.

Several IFRS standards/projects have been classed as “*low priority*”. While I don’t disagree, I would have thought that some of these could have been classified as outside scope because if the entities concerned did exist in the public sector they would probably be GBE’s.

***Peter Batten***

Jan’07



23 January 2007

Mr M Hathorn  
Chair, IPSASB  
277 Wellington Street West  
Toronto, Ontario M5V 3H2  
Canada

Dear Mike

## **STRATEGY AND OPERATIONAL PLAN**

Thank you for the opportunity to comment on the proposed strategy and operational plan. The document is well drafted and all the proposals are supported by clear and concise arguments. These comments are my own and not that of the Accounting Standards Board. Comments by the Accounting Standards Board would only be possible with a longer consultation process.

### **Leadership in public sector accounting**

Much is made of the IPSASB's leadership role on public sector accounting in the document. It is supported by the proposals for the conceptual framework and IFRS convergence. However, this is not supported by the public sector specific projects.

Lengthy discussions were held at the last meeting regarding the sustainability of programmes and how this information should be disclosed in financial statements. I left the meeting thinking that IPSASB would initiate a project in this regard. The projects that have been identified regarding social policy obligations, service concessions and heritage assets are projects that are continuing from our previous work programme. They should be completed, but we should also address new issues.

Looking at the current work programmes of standard setters in IPSASB member jurisdictions, as compiled by John Stanford, a project where cooperation seems

possible is that of performance reporting. At the moment, reference is made to it in the conceptual framework project, but it should be a public sector issue.

Another aspect that should be considered is public sector scope exclusions in our existing suite of standards. The scope exclusion for work in progress of services to be provided for no or nominal consideration directly in return from the recipients in IPSAS 12, Inventories, is one such an area.

Another aspect that may be considered when addressing IFRS convergence with Business Combinations may be the transfer of functions. Currently the IFRS on Business Combinations excludes transactions between entities under common control from its scope. Our Standard on Non-Exchange Revenue does not address measurement and recognition of contributions by owners.

Another aspect that could be considered is the issued interpretations by IFRIC. Consideration should be given to either incorporate the principles dealt with in the SICs and IFRICs in the current IPSASs or alternatively, to issue public sector equivalent interpretations.

The IPSASB work plan includes the update of existing IPSASs as part of the IFRS convergence project. Staff noted that one of the underlying assumptions for proceeding with the IFRS convergence program is that *each* IPSAS should consist of a basis for conclusion and examples or implementation guidance. However, the inclusion of examples or implementation guidance comprises more than only updating existing IPSAS with IFRSs. The inclusion of examples or implementation guidance in each IPSAS should rather be included as a separate project on the work plan. It should also be clarified whether the inclusion of a basis for conclusion and examples or implementation guidance will be incorporated in all Standards (new and existing IPSASs) or whether this approach will be followed only for new IPSASs.

### **Hierarchy**

Reference is made to the “fallback” position in IPSAS 3. This is another area where further guidance is needed. There is general disagreement with external auditors, both in South Africa and other parts of the world, about what the “fallback” position means. Some preparers believe it is limited to determining an accounting policy, while others believe it is full compliance with the recognition, measurement and disclosure requirements of the standard that you are referring to.

### **Stable platform**

Reference is made to a second generation of IPSASs. The IASB has made further changes to some of the eleven standards that have just been issued by the IPSASB. These changes should also be included in the IFRS convergence project.

An effective date of 1 January 2010 is being proposed. IASB is using 1 January 2009. Is it not possible to align the dates?

**Public sector differences**

The case for public sector differences in the existing IPSASs is not clearly documented and properly motivated. This should also be addressed.

**Communications plan**

What is unclear from the communications plan is what we want to achieve. I thought the aim of having meetings in different locations was to market IPSASs to the host country so that they either adopt IPSASs for the public sector or use it as a basis for the development of their own standards. Accordingly, I would suggest that our focus should be on presentations at meetings with international organisations and conferences where our target audience is meeting and holding IPSASB meetings in countries likely to adopt the standards. Meetings in countries such as Canada, UK, USA and Australia where they are not adopting IPSASs or using IPSASs in developing their own standards should be avoided.

**Frequency of meetings**

I would prefer that we first explore extending the meetings to five days, before we consider adding a fourth meeting. The travel costs of an additional meeting are significant, while the cost of accommodation for an extra day is less significant. The IAASB increases the duration of their meetings and added task force meetings to the meeting time, before they added additional meetings to their schedule.

**Other matters**

Under the heading "Environment facing the public sector & IPSASB", reference is made to the financial reporting of international organisations. I think we should be more specific and state that these are not for profit organisations.

IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, has been withdrawn by the IASB and replaced by IFRS 7 with effect from 1 January 2007. This document should not be included in the list of standards where convergence may be necessary.

From our understanding, there is no link between Non-current assets held for sale and discontinued operations and Business combinations. However we support the proposal that this standard should be included in the IFRS convergence project.

Should you wish to discuss any of the above, please feel free to contact me.

Yours sincerely

A handwritten signature in cursive script that reads "Erna Swart".

Erna Swart

**Draft Plan Response 005**

**From:** Carmen Palladino - PCG [cpalladino@palladinogroup.com]

**Sent:** Tuesday, January 30, 2007 8:22 AM

**Subject:** RE: draft plan

Dear all,

I would like to point that agree with the main strategies proposed, and I regard the Plan as a whole a very good document.

Nevertheless, I consider that in relation to the Communications Plan, said strategies should be presented with a table or list of the regions or countries where those activities are to be developed. It is necessary to achieve a balance between the different countries target of the Communications Plan, so that no one is left aside. If not, the actual concrete work is diluted.

If such a table or list of countries would be possible, the IPSASB members themselves could help with said promotion or enhance it, or even be the link with the corresponding Governmental sectors.

I consider the above a must as I have noticed a serious lack of knowledge in Latin America of the IPSASB and thus of the IPSASs, either in the profession and the Governments responsible for their enforcement. A lot of mistakes are made, even for example, making Governments apply IASs in their financial statements, creating serious problems to the governmental administrations (ex. Honduras).

Another point which is not strictly mentioned in the proposed strategies, but I would like to note is the need of "training about IPSAS". This is necessary for the Latin American Governments in which said standards mean not only a change of standards but also a totally different concept of Governmental Accounting.

I consider the IPSASB could evaluate this issue and see what can be done, as generally Governmental sectors receive the official presentation of the IPSASB and the IPSASs, but there is no follow-up of the same, and the promotion is diluted. Just as an example, the IMF promotes its Manual (2001) in those countries where the body plans to give courses (in English and Spanish) within the IMF premises on an yearly basis, either at the national or local level.

I hope my comments can contribute to the already excellent work of the Staff and members of the IPSASB.

Regards,

Carmen.

**Draft Plan Response 006**

**From:** John Peace [jbpeace@ddh-ar.com]  
**Sent:** Wednesday, January 31, 2007 7:31 PM  
**To:** Stephenie Fox  
**Subject:** RE: Reminder

Stephenie,

I have reviewed the draft strategy and operational plan and it is an excellent document. It will be a great roadmap for IPSASB for the next three years. I especially liked the plan and strategy for communicating IPSASs to the rest of the world.

John

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(501) 375-9151  
(501) 372-7142 (Fax)  
[jbpeace@ddh-ar.com](mailto:jbpeace@ddh-ar.com)

Dear Stephenie

I have read the Strategy and operational Plan 2007 – 2009. I very much appreciate the work which has been done by yourself and the staff. I give support to the staff recommendations in the document without any reservations.

The following comments are thought as a general input, not only related to the documents.

- a) Although I understand the focus on IFRS convergence I would like to point out the consequences for the IPSAS-users. The implementation of international financial accounting standards in the public sector would lead or has led to a strong quality improvement of the financial statements. However the main decision, whether to implement IPSAS or not, lies very often in the hands of elected members of parliaments. Most of them are non professionals as far as accounting standards are concerned. A fast developing IPSAS is able to keep up with IFRS but risks to loose contact to the decision makers in the public sector. One consequence is that IPSAS will be used as a role model. In many cases, countries have built up their national standard setting organisations or avoid mentioning IPSAS explicitly in the legal foundations (gives more flexibility to the Government). No doubt, both ways lead towards a modern accounting system, the question is what made countries to choose their way of improving their public sector accounting system.
- b) A dilemma IPSAS is facing is whether it would focus on a broad spreading among the globe or whether it would focus on state of the art accounting standards closely attached to IFRS. I don't know, whether the following idea has already been discussed or not. I think a system that would allow IPSAS to spread without losing contact to IFRS might be a solution. On one hand, IPSAS should follow the strategic plan 2007-2009. On the other hand, it would probably be advisable to allow IPSAS-users to choose their speed of implementation within the accrual standards (Andreas did mention in his reply to the strategic plan the fact, that countries adopt IPSAS by IPSAS [sec. 3]). How should this work? I am thinking of a rating system. Public sector entities, which are willing to implement IPSAS will be encouraged to do so (as mentioned in the Handbook 2006 Preface p. 18). If a user is not willing or not yet ready to implement all existing accrual IPSAS this should be disclosed. In case a country or organisation does apply all IPSAS without restrictions, this organisation will get the highest rating. A country which does only apply selected IPSAS will get a lower or low rating, but is still part of the IPSAS "family". The level of compliance with IPSAS would be part of the implementation discussions lead by the parliament or the government.  
Advantages:
  - a. The entrance level for potential IPSAS users (accrual standard) is lower
  - b. The rating does make the level of compliance with IPSAS transparent
  - c. The IPSASB does have a feedback instrument to recognize the discrepancies between state of the art public sector accounting and the level of implementation among IPSAS users
- c) The promotion and communication plan does focus on the enhancement of information and communication toward public sector authorities. In my view, this is very important. Moreover these efforts would as help to increase the level of compliance in case government would be allowed to choose the speed of implementation which fits best to the political system.

Best regards form Switzerland  
Reto

## **Response to Draft Strategy & Operational Plan of IPSASB**

February 2, 2007

Tadashi Sekikawa, Member of IPSASB (Japan)

### **General**

I highly appreciate the staff on their effort in preparing the draft strategy & operational plan. I agree with the staff proposal in many cases, however, I have some comments on the draft. I think that IPSASB's new strategy and work plan have been much influenced by our IFRS Convergence Strategy. Therefore, most of my comments are related to this point.

### **Specific Comments**

#### 1. IFRS Convergence Strategy

##### (1) Objectives of convergence with IFRS

I feel that we need to spare some time in Accra to discuss a fundamental issue regarding IFRS Convergence Strategy "why we should converge IPSAS with IFRS" in order for us to share common understanding about objectives of "Convergence with IFRS". I believe that such discussions contribute effective and efficient discussions in developing IFRS Convergence Strategy as well as in discussions in individual projects. I understand that we, IPSASB, have a policy to converge IPSAS with IFRS, "unless there is a public sector specific reason for a departure". But I have also sometimes felt in the past IPSASB discussions as such, "Yes, there are no public sector specific reasons for a departure, but there are no positive reasons for public sector to follow".

I do not have any objections to general principle of convergence with IFRS. The issues I raised here do rather relate to 1) how strictly we apply the principles, and 2) how much resources we allocate in the Convergence. I think that there are some different views among members of IPSASB on how strictly apply this principle. I tentatively describe the two different views on the convergence as "convergence as objective" and "convergence as tool". The former view is the one that financial reporting shall be fundamentally the same among private and public sectors, in other words, so-called "sector-neutral approach". Under this view, public sector standards should be converged with private sector standards unless there is a justification (public sector specific reason). The latter view is the one that public sector financial

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reporting may differ in some cases because of difference in objectives and users’ needs of the financial reporting, etc. Under this view, convergence is not an objective, rather a tool to develop a set of high quality standards for public sector because private sector standards setter have already invest huge resources to develop high quality standards. I believe that all IPSASB members’ views fall into somehow between these two views. I feel that most IPSASB members support or have a position near “convergence as an objective”. I personally have a view near “convergence as a tool”.

I think that view of “convergence as an objective” is substantially same as a “sector neutral” approach adopted by some front running countries in reforming public sector financial reporting such as Australia. It would be beneficial that we consider Australian discussions on sector neutrality of accounting standards. I have heard that now Australia reconsider sector neutral approach. We may ask Australian member or TA to make a short presentation.

I also have a concern that increased complexity in IFRS is going to be transferred to IPSAS as a result of our active agenda in IFRS convergence. IASB currently undertake a project on “SME accounting standards” in order to response to criticism that IFRS is too complex for non-listed enterprises. IPSASB would be exposed by the similar criticism.

I prepare my understanding “pros” and “cons” for convergence with IFRS by theoretical and practical reasons in the following figure for reference. I expect that the Staff would prepare more comprehensive draft analysis on “pros” and “cons” for our discussions in Accra.

Diagram of “Pro” and “Con” for “convergence as an objective”

	Pro	Con
Theoretical	Same accounting transactions should result in the same accounting treatment irrespective of sectors	Objective and users’ needs may justify the different treatment.
Practical	<ul style="list-style-type: none"> <li>• Efficiency in standard setting</li> <li>• Increased understandability by users since users of financial reporting familiar with private sector FR.</li> <li>• Easiness in accounting education</li> </ul>	<ul style="list-style-type: none"> <li>• Any distortion in private sector standard setting caused by such as political presser is to be copied into public sector</li> <li>• Increased complexity would be burden of PS preparers such as developing countries,</li> </ul>

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	<ul style="list-style-type: none"><li>• Advantage in promotion for countries which have already adopted IFRS.</li></ul>	<p>municipals.</p> <ul style="list-style-type: none"><li>• Inclusion of unnecessary or less importance requirements and guidance.</li></ul>
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(2) Stable platform

I strongly support “stable platform” approach in order to foster adoption of IPSAS. Propose date seems appropriate.

2. Resources

As a result of successful effort as to funding, now we have full capacity of staff. However, each IPSASB member’s participation may not be increased as much as staff capacity has increased. We need some streamline meeting agendas. I agree the staff recommendation to conduct a review of the task force/steering committee approach.

3. Promotion / Communication

In addition to the staff recommendations, I suggest that we will conduct a survey of adoption or implementation of IPSAS in the world. Such survey is to be conducted in collaboration with other organization and IFAC’s Compliance Program.

I would like to inform that there will be a public sector accounting concurrent session in the CAPA Conference in Osaka, Japan (October 2007). I will chair the session.

**AASB staff comments on IPSASB draft Strategy and Operational Plan 2007-2009**

**2 February 2007**

**Overall comment**

We think the draft Strategy and Operational Plan is an excellent document. It is very thorough and should enable a fruitful discussion of the issues at the IPSASB meeting in March.

**Substantive comments**

(Various editorial comments will be provided in a separate mark-up of the IPSASB draft.)

<b>Reference</b>	<b>Comment</b>
Pages 10 & 11: IFRS Convergence Strategy	<p>The 3<sup>rd</sup> paragraph on page 11 refers to clarifying the approach to IFRS convergence. However, it is not clear how the proposals in the following four paragraphs differ from the status quo.</p> <p>We think the IPSASB should consider whether, and in which circumstances, it would make submissions on IASB DPs &amp; EDs.</p> <p>We think the IFRS Convergence Strategy should include a proposal to publish each IASB DP or ED proposing amendment of an IFRS for which there is an existing IPSAS, as soon as the text becomes available. This would be published as an IPSASB Invitation to Comment, which would include an identification of public sector differences and a request for comment on whether the list of differences (if any) is complete and accurate. In this regard, we suggest a proposed statement that if there are no public sector differences that affect the application of the related IPSAS, the IPSASB would adopt the changes proposed by the IASB without further deliberation (although the IFRS expression would be “public sectorized” in the usual manner, subject to the point raised in the next paragraph). We think these suggestions are necessary to keep IPSASs up to date with related IFRSs while minimising the consumption of IPSASB Board meeting time.</p> <p>We also think the IPSASB should re-evaluate how best to “public sectorize” its IFRS-converged IPSASs. It would be more efficient to retain the words in the equivalent IFRS (except for public sector specific differences in principle) and include in the Glossary a legend or key showing the public sector expression that corresponds to different expressions used in IFRSs. However, this approach would mean IPSASs would not speak the language of constituents. Therefore, on balance, we would prefer to retain the existing</p>

	approach of public sectorizing the expression in each IPSAS. Nevertheless, we think it is worth revisiting this issue.
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Page 15 (Table 2: IFRS Projects by Priority)	<ul style="list-style-type: none"><li>• In relation to IFRS convergence, we agree with the proposed high priority for updating IPSASs to cover amendments made to corresponding IFRSs since 31 December 2003 (the cut-off date for IFRS text included in the General Improvements project). In fact, we think this activity should receive the highest priority of the IFRS convergence work.</li><li>• We disagree with treating Intangible Assets as a high-priority project, because IAS 38 contains some principles that are inconsistent with other IFRSs, and because the IASB is about to decide (based on research it commissioned) whether to initiate an active project to review IAS 38.</li><li>• In respect of the proposed project on IFRS 3 <i>Business Combinations</i>, we note that the scope of IFRS 3 does not include business combinations involving entities under common control. Business combinations within the current scope of IFRS 3 would seem to occur infrequently for non-GBE public sector entities. However, there is a pressing need for IPSASB guidance on common control transactions such as restructurings of government departments and of other government-controlled non-business entities. The dilemma is that extending the scope of a project on IFRS 3 would make the project more relevant to the public sector but probably would increase considerably the time and resources spent on the project. Addressing restructurings would require consideration of whether the definition of contributions from owners is appropriate, whether restructurings should be treated as giving rise to revenues/expenses or other changes to equity/net assets, and how transferred assets and liabilities should be measured.</li><li>• We disagree with initiating a project on IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i> in the short or medium term. IAS 26 is approximately 20 years old, and was not part of the IASB's Improvements project. In addition, we would not expect this topic to have widespread relevance in the public sector. We expect users' primary interest in retirement benefits in the public sector relates to the costs of those benefits to the employer (and, ultimately, to taxpayers), which will be accounted for under the forthcoming IPSAS on Employee Benefits.</li></ul>
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<p>Page 15 (Table 2: IFRS Projects by Priority) [<i>continued</i>]</p>	<ul style="list-style-type: none"> <li>At first blush, it seems appropriate to propose giving a high priority to the Financial Instruments project, particularly because financial instruments are significant for many non-GBE public sector entities. However, we have reservations about initiating a convergence project on IAS 39 at this time. IAS 39 contains significant conceptual flaws and is very (probably unnecessarily) complex. This view is implicitly supported by the IASB’s decision to include a review of IAS 39 in its research agenda. The AASB receives frequent and wide-ranging questions and other comments about applying IAS 39 in the public sector. Consistent with this experience, we think the ongoing time commitment of staff needed to support application of an IPSAS based on IAS 39 will be very significant (say, 1.5 FTEs). The dilemma for the IPSASB is that IAS 39 is unlikely to be replaced for quite a while, because the IASB’s review of it is likely to be a huge task.</li> </ul>
<p>Page 18, paragraph (d): use of the internet</p>	<p>We note that the IPSASB website provides links to IPSASB publications in French and Spanish, and includes some information printed in those languages. We think it would be useful if visitors to the IPSASB website could click on a language link that takes them directly to a home page expressed solely in that language. This enables easier use of the website by those whose first language is not English, and may increase the likelihood that search engines will direct speakers of those other languages to the IPSASB site.</p>
<p>Page 24, paragraph (3): using volunteer resources between meetings</p>	<p>AASB staff could spend a limited amount of additional time between meetings in providing feedback. In some cases, constraints on staff time might permit only a high-level review of documents.</p>
<p>Pages 24 &amp; 25, paragraph (4): using task forces/steering committees</p>	<p>We note that the IASB uses working groups as a project resource. These groups act as a sounding board and don’t make decisions or recommendations. We think a key ingredient in the success of these working groups is that a number of IASB members attend their meetings, so there is continuity between those non-deliberative meetings and the IASB Board meetings. Double handling is thus avoided. We think it is important that, whichever mechanisms are used by the IPSASB, the Board retains ownership of the project at all times by continued involvement of its members in each step (e.g., as is planned with the Conceptual Framework Subcommittee).</p>

Page 33 (Appendix 5):  
Proposed Work Plan

- In relation to Service Concessions (PPPs), we think the time from ED approval to IPSAS approval (two meetings) is too short, especially because any proposals on this topic are likely to be controversial. We think the work plan should target March 2009 as the IPSAS approval date.
- We agree that long-term fiscal sustainability should be considered within the Conceptual Framework project. However, we also think the IPSASB should consider making an advance commitment (or at least an in-house plan) to initiating a high-priority project to develop an IPSAS on this topic if it is decided in the Framework project that “fiscal reporting” should be within the scope of public sector financial reporting. This is because of the major importance of this topic to the public sector, and because such a project (if actioned) would have significant resourcing/timing implications—it would crowd out work on any lower priority projects.
- Because the IPSASB has decided its ED on Social Benefits should not address recognition, we think the Board should commit to initiating a high-priority project on the Recognition of Social Benefits as soon as practicable after issuing an IPSAS on Disclosure and Presentation of Social Benefits.
- We think fair value measurement should be given a higher priority than ascribed to it in the proposed work plan (“no action 2007”). This is because IPSASs include references to fair value (as do IFRSs) and there seem to be important public sector issues related to how fair value should be defined and interpreted (for example, whether and how restrictions over the use of assets should affect the measurement of their fair value). We think fair value measurement is a more pressing issue than intangible assets, IAS 26 and IFRS 5. Furthermore, because the IASB is considering the merits of the recent FASB Statement on this issue, the IPSASB currently has the potential to influence the guidance on this topic given in IFRSs.

In summary, we suggest adding two new Standards projects (on fiscal sustainability and recognition of social benefits) and accelerating work on fair value measurement, whilst giving a lower priority than proposed to convergence work on IAS 26, IAS 38 and perhaps IAS 39. In net terms, our proposals might imply a heavier workload. However, our intention is not to propose a higher output per annum than proposed by IPSASB staff—if need be, some projects might need to progress more slowly if our proposals were agreed to.

<p>Page 33 (Appendix 5): Proposed Work Plan (continued)</p>	<ul style="list-style-type: none"><li>• We also suggest making an in-principle decision to add to the work plan a project (commencing after 2007) to review practitioners' experience with applying IPSASs. The AASB has received various comments from public sector constituents on issues they encounter in applying Australian equivalents to IFRSs (which include additional guidance for application of the Standards by not-for-profit entities in the public and private sectors). Some commentators have argued that Australian Standards consistent with a related IPSAS may require modification to be relevant to not-for-profit entities (including those in the public sector). An example is provided below:  Like IPSAS 12 <i>Inventories</i>, the Australian Standard on Inventories specifies that inventories of not-for-profit entities held for distribution at no charge or for a nominal charge are to be measured at the lower of cost and current replacement cost. The AASB has been advised that current replacement costs are often very difficult and costly to obtain for specialised long-lived inventory items that are held for distribution and were acquired a long time ago.</li></ul>
<p>Page 35, Appendix 6: Promotion and Communications Plan</p>	<p>In relation to Item 2 (“enhance collaborative efforts with the IASB”), we think the opportunity for collaboration with the IASB on the IFRS convergence project [see Action (v)] would be limited in relation to those IFRSs that the IASB is not currently reviewing. In addition, the IASB does not concern itself with public sector specific issues. Nevertheless, we think regular liaison between the staffs of the IPSASB and IASB can, and should, occur (mainly on an issue-by-issue, as-needs, basis).</p>

**Draft Plan Response 010**

Hi Stephenie - Congratulations to you and your staff members for putting together this draft strategy and operational plan for the IPSASB. My specific comments are as follows:

1. I concur on choosing a 3 year horizon as opposed to the traditional 5 year plan (I.E. Federal Government). In instances where a 5 year horizon is used, I always find it is not as realistic as a 3 year plan and is deemed to be "just beyond the fringe of credibility".
2. I concur with the approach of having three (3) strategic themes that relate directly to standard setting activities and a fourth strategic theme that focuses on promotion and communication which brings the first three to everyone's attention.
3. IFRS Convergence - I concur and have no comments to add other than a template (checklist should be referred to in the document that would necessitate that the IPSASB agree to that as this would assist staff members to be consistent in reviewing and identifying "Public Service issues" in IASs/IFRSs.
4. IFRS Projects by Priority - I concur.
5. Proposed Work Plan - I concur.
6. Communications Plan - I concur.
7. Table 4 (Page 21) - The IFAC internal contribution is not identified. Any reason why? What happened to the rent expense previously incurred in Melbourne, Australia? Is the CICA presently absorbing these costs? We should be more "transparent" in Table 5 (Page 22).
8. Volunteer Resources - For 2007, I cannot support more than 3 meetings. I concur that this decision needs to be raised for future years.
9. Task Forces - Having lead one specific "Task Force" within the PSC/IPSASB framework is very "frustrating". I prefer the CICA/PSAB model and this should be introduced as an alternative.
10. Strategy #3 (Page 38) - We should add the "Canada/U.S. Colloquium for Financial Management (I.E. It is "code" for the annual international conference - 15/20 countries - of financial statement preparers).

I trust this responds to your request. Please do not hesitate to call me if you need any clarification. Have a nice weekend. Rick.

Dear Stephenie,

We think that the Draft Plan is a good document where discussions are needed only on a few areas. We very much appreciate that the draft is presented before the Accra meeting and then hopefully would be decided as the plan for IPSASB for the next years.

**Relation between IPSASs and IFRSs**

We would like to raise a discussion whether the IPSASs could be even closer to the IFRSs than they are today. We see from feed-back from several constituents in our region that they primarily use for standard-setting are the private sector standards (IFRS) as the basis for public sector standards and with the use of IPSASs as basis for the public sector specific issues. That's because the standard-setters and preparers are educated in private standards, many of the users of financial statements are used to private standards and there is a full set of private standards.

If we move the IPSASs even closer to IFRSs, the use of IPSASs will be increased in our opinion and it will also improve the understanding of financial reporting in public sector.

We would like to consider if the text of IFRSs could be used more directly with the inclusion of public sector specific issues and wording only where absolutely needed. Also the use of amended terminology should be limited to where it is absolutely needed. The use of amended terminology is probably less important for countries which have to translate the standards than in English speaking countries. Both the use of and translation of amended terminology raise interpretation questions and uncertainty of the understanding. The public sector specific terms could rather be explained in illustrative examples.

Where public sector specific reasons require different treatment or mentioning in a standard that should be highlighted for example by different fonts/colours or by other means. That makes it easier for the users of both EDs and standards to consider whether the public specific need is important enough to have a different treatment from IFRS and also that a difference exists.

Closer links to IFRS will also make translations easier since the IFRSs often are translated before the translation of IPSASs.

**IFRS SME**

Ideally there should be no need to issue an IPSAS SME similar to the drafted IFRS SME. But we have an understanding that some of the users expect an SME standard also from IPSASB. The arguments that are used are small local governments/communities, single financial statements of public sector entities and that some feel that the bound volume of IPSASs is too volumios. We would therefore like to add that to the plan for discussion, even though we are not ourselves ready to conclude that we should issue an IPSAS SME.

We have some small comments included as remarks in the enclosed document.

Please do not hesitate to ask us to clarify if necessary.

Best regards,  
Tom Henry Olsen and Harald Brandsås

Marie-Pierre Cordier  
Jean-Luc Dumont  
(France)

Paris, 2 February 2007

### **Comments on the draft IPSASB 2007-2009 strategic and operational plan**

First of all, we would like to sincerely congratulate the staff for the quality of work performed in issuing the draft IPSASB 2007-2009 strategic and operational plan. We fully support most of the propositions while making the following suggestions.

#### **Need for an external review of our strategic and operational plan ?**

As a general comment, it could be worth recalling that in 2004, IPSASB strategic priorities were defined in cooperation with an external review body. This resulted in defining the three priorities quoted in page 5 (conceptual framework, public sector specific standards, IFRS convergence.) At the present crucial time of defining our strategy for 2007-2009, it could be helpful, and safer as well, to take advantage of an external review. It would be a good guarantee to ensure that our strategy is appropriate. Beyond this initial planning step, it could appear necessary and consistent with IFAC policy and other comparable international organizations to consider the usefulness of an oversight body, as already recommended by the 2004 external review.

#### **Conceptual Framework**

As stated by Peter Batten, this is clearly an important project and a major priority of IPSASB and we agreed that its significance should be more highlighted in the strategic and operational plan. Similarly, it should be ranked first, before the IFRS Convergence Project, since it is intended to be the basis for the other strategic themes. For instance, as regards first paragraph of page 12, we are of the opinion that it would be more logical to put it in the first place rather than after the IFRS convergence program.

Moreover, we do not think that it should be advisable to define “parameters” in order to facilitate the IFRS convergence program (see plan page 11) before the issuance of the conceptual framework, since any “parameters” should be derived from the conceptual framework, and not the other way around.

#### **Public Sector Specific Projects**

As stated also by Peter Batten, this is an area in which IPSASB can show intellectual leadership and we also agreed that more emphasis should be put in this area as well as more staff resources (see below).

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The expectancy from our constituents concerning such projects is very high, and the Board has consistently ranked this theme first over the last few years when debating (the last time being in last July in Paris) the strategy and working plan.

**IFRS Convergence**

In our view, the monitoring of the convergence with the IFRS should not preclude the monitoring of the convergence with international standards applying to statistical bases of financial reporting by Governments, which is also a very important area and should not be forgotten.

As regards classification of IFRS standards (table 2 page 15), among the IFRS projects that have been classified as “*low priority*”, we think that three of them deserve to be put as “*high* or at least *medium priority*”: agriculture, mineral resources since many public sector entities own assets in such sectors particularly in the developing countries, and, to a lesser extent, interim financial reporting.

Also, we suggest that a review of IPSAS 17 be included in the plan and ranked as high priority, since more and more public sector entities use the allowed alternative treatment of valuing their assets at fair value. And IPSAS 17 which primarily focus on the historical cost method (which is the benchmark method) offers limited guidance on the fair value method.

**Allocation of staff resources**

While we fully agree with the proposed convergence strategy related to IFRS project (“review and rewrite”) and the significance of this project, we wonder whether the proposed allocation of resources is adequate. According to the pie chart page 20, 50% of the staff resources would be dedicated to IFRS, 16% for the conceptual framework and 11% the public sector specific topics. It seems that a more balanced allocation should be achieved with a redistribution of staff resources dedicated to Public Sector Specific topics.

Mike Hathorn, Chairman  
Stephenie Fox, Technical Director

Dear Mike and Stephenie,

Thank you for providing the opportunity for IPSASB members and technical advisors to provide our initial input into the strategic and operational planning process. My comments are from the perspective of an IPSASB member and are not intended to represent the views of the American Institute of Certified Public Accountants (AICPA) or the Governmental Accounting Standards Board (GASB) in the United States.

I am very committed to the four strategic areas of focus that the IPSASB identified at the Paris meeting. As you may suspect, I have strong views regarding what I perceive are the weights that have been placed on each of the areas.

The most significant concerns that I have about the plan is the emphasis that appears to be placed on the convergence area and the lack of new public sector specific projects that have been identified.

I realize that biggest challenge is determining what would qualify as public sector specific project. Unfortunately, this determination is somewhat subjective. There are countries that believe in sector-neutral or transition-neutral standards. Because of resource constraints faced in public sector standard setting (where there are different standard setters), those standards are driven by private sector because the private sector standards setters often address issues before those issues make their way onto the public sector standard setters agendas. From the viewpoint of those standard-setters, very few, if any, transactions would qualify as a public sector specific project.

On the other hand, there are those like the United States that believe private sector standards are a source of literature that should be consider when standards are set; however, there is not a preconceived notion that the private sector standards will adopted. For example, the GASB considers the public sector environment, lessons learned from the application of private sector standards, and most importantly what the government's financial statements are attempting to convey to readers (for example, the importance of costs of services information) in its effort to improve state and local government reporting in the United States. Therefore, I look forward to the Board's discussion of this matter.

### *Conceptual Framework*

I believe that the objectives of financial reporting are significantly different for the public and private sectors. Even though there may be no obvious difference between certain transactions (for example, employee benefits), when the IPSASB ultimately decides what government financial statements should convey in the concepts project, it could influence

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the Board's guidance on those transactions. In other words, I believe that public sector standards on items like employee benefits could differ from the private sector standards. I am not asking for the IPSASB to change its "review and rewrite" approach at the present time. I do hope that the concepts projects be given a chance to be independently developed based on an approach that truly considers the government environment (what is important to readers of government financial statements) versus one that only builds on the IASB/FASB project. If this approach is taken, the conceptual framework could be used to develop future standards where more public sector specific reasons for departure have been or could be identified.

Because of the potential impact that the conceptual framework project could have on the basic approach to future standard setting, I believe that it should be the number one priority of the IPSASB for the next three years.

*Convergence Strategy*

For the "review and rewrite" convergence project approach to be effective, it will require a significant amount of Board and staff time. Right now we are in accounting purgatory—we do not devote enough resource to keep the IPSASs up-to-date with the IFRSs, but we still devote considerable time to this area that could be spent elsewhere. The proposed strategic and operational plan appears to be advocating that more resources be devoted to the convergence project, but it still may not be enough. I would like to propose another approach, but only after asking our constituents for their preference (an update of the constituent survey). If the constituent would like to see all standards that apply to the public sector under one cover (recognizing that the trade-off is considerably less time being devoted to the other three areas), then I think that should make this a top priority. On the other hand if they would like to see more time devoted to other three areas, then I would propose a completely different approach that follows:

- Rely on the hierarchy (which needs to be clarified as noted in the proposed plan)—staff would review IFRSs as they are issued and would make a recommendation to the Board if there are any public sector issues that need to be considered
  - If there are public sector issues, the Board would consider adding a project to the agenda
  - If there are no public sector issues, the constituents would apply the IFRSs based on the hierarchy.
- A comprehensive implementation would be developed by the staff to provide public sector illustrations of the IFRSs that are not added to the IPSASB project agenda.
- Current IPSASs would be reviewed to ascertain the potential for future public sector changes. If the possibility is remote, the IPSAS would be "delisted." In other words, it would be superseded and the constituents would only look to the relevant IFRSs for that subject matter in the future.

This approach has several advantages:

- The IPSASB would not be required to devote resources to the deliberation of older standards (and related due process) when the IASB is in the process of making changes to those standards (which in some cases are very significant)
- The IPSASB would not be required to devote resources to updates of current IPSASs where there is little or no public sector value added.
- No matter what resources are devoted to the convergence project, the possibility of maintain a set of IPSASs that are up-to-date with the IFRSs is not very likely. The use of this approach would eliminate the standards lag.
- Constituents would not be asked to comment on an annual update (it could even be three times a year), when all the IPSASB is doing is making conforming changes (again with little or no public sector value added).
- Resources could be redirected to a comprehensive implementation that would be focused entirely on the public sector application of the IFRSs (value added)
- Resources that are devoted to extensive deliberations and due process analysis could be reallocated to other areas.

This approach also has several disadvantages:

- Constituents could not look to one source for accounting guidance (however, based on the current hierarchy, constituents are currently required to look to both sources for issues where the IPSASB has not issued a standard)
- Constituents could identify a public sector difference that was not identified during the staff analysis or Board discussion of the issue.
- Significant resources will still need to be devoted to this area (however, it likely would be much less than the 50 percent projection of staff resources)

The convergence area has been of the most significant frustrations that I have faced during my six years with the IPSASB. The Board sometimes takes valuable time to deliberate a purely IFRS-based standard or update, which I know will *not* be significantly modified by the IPSASB; while at the same time the IASB is in the process of making major modifications to that standard. We are currently facing this situation with employee benefits and may soon be facing it with financial instruments. If the approach suggested above were adopted, I would recommend “delisting” IPSAS 15 rather than adding a project on financial instruments.

If the Board ultimately agrees with the recommendation set forth in the draft document and not the approach outlined above, I do believe that the staff has classified the IFRSs in the proper categories.

#### *Public Sector Issues*

I believe that additional resources should be devoted to public sector issues. It is disappointing to see that service concessions and heritage assets are the only two issues

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that have been identified for Board action over the next three years. I believe a public sector accounting standards board that devotes just 11 percent of its staff resources to public sector specific issues sends the wrong message to our constituents. With potential future topics as broad as service efforts and accomplishments (primarily nonfinancial performance measures) and economic condition—sustainability at the forefront and topics like management’s discussion and analysis on the narrower end of the scale, there are high priority items in the public sector that do need attention.

If we can make more efficient use of resources in the convergence area, I hope that at least one of these items could make its way to the current work plan.

*Communications*

I have been directly involved in standards setting for 25 years. During this period, the one lesson that I continually am reminded of and then proceed to ignore because of other demands is the need for a well-directed communications plan. In the States, we deal with 50 state legislatures, over 87,000 local governments, over 5,000 audit firms, and countless constituents in the user community. Even though these numbers are staggering, they pale in comparison to what the IPSASB faces as more countries adopt IPSASs.

The one trap that we tend to fall into is the accountant comfort zone. Accountants love to talk to accountants. For the adoption of the IPSASB standards to be successful on a global scale, we need to redirect at least some of our attention to the constituents that are not preparers and that are not auditors. The legislative and other bodies will eventually be the ones that decide from a political (versus a technical) standpoint whether or not IPSASB standards will be adopted. These groups need to be targeted within the communications plan.

*Resources*

The recognition of the voluntary nature of the IPSASB is greatly appreciated. When considering an additional Board meeting, please take into account that members who have significant subcommittee assignments already have one or two additional meetings per year. This translates to between 4-6 weeks a year being devoted to IPSASB activities.

As you know, this is not a full-time job. However, given some of the recommendations, it could easily become one. I have never run away from work (I really enjoy this stuff), but even I have limits. A limited number of papers that are distributed between meetings (hopefully, no more than one at a time), similar to current social policy obligations paper, can be accommodated. If staff expects this type of feedback on multiple projects between each Board meeting, there is a very real possibility that some Board members that cannot devote this level of effort to IPSASB activities will become disenfranchised. There is already too great a potential for a few key Board members and TAs to dominate the proceedings.

**Draft Plan Response 013**

The recommendations of streamlined meeting agendas and reviewing the task force/steering committee approach are appropriate. Again, my only words of caution are associated with the demands being placed on the voluntary members and TAs. We need to ensure that every member feels that that have an equal opportunity to play an important role in the success of the IPSASB.

Thank you again for allowing the opportunity to provide feedback. I do appreciate the thought and effort that went into preparing these easy to understand materials.

David Bean

International  
Public Sector  
Accounting  
Standards  
Board

International Public Sector Accounting Standards Board

Strategy and Operational Plan  
2007-2009



International Federation  
of Accountants

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## **INTRODUCTION/BACKGROUND**

The purpose of this plan is to set the direction and priorities for activities of the International Public Sector Accounting Standards board (IPSASB) for the three year period from January 2007 to December 2009.

### ***International Federation of Accountants (IFAC)***

IFAC is the global organization for the accountancy profession. The mission statement of IFAC, as set out in its constitution, is:

To serve the public interest, IFAC will continue to strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

In carrying out its mission, IFAC reinforces the values of integrity, expertise and transparency.

### ***International Public Sector Accounting Standards Board (IPSASB)***

In pursuing its mission IFAC has established the International Public Sector Accounting Standards Board (IPSASB) to function as an independent standard-setting body under the auspices of IFAC. The IPSASB develops and issues International Public Sector Accounting Standards (IPSASs) which are financial reporting standards for application by governments (other than for Government Business Enterprises) and other international public sector entities, for example the UN, NATO and others.

The IPSASB issues IPSASs dealing with financial reporting under the accrual basis of accounting and the cash basis of accounting. The accrual basis IPSASs are based on the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) where the requirements of those Standards are applicable to the public sector. They also deal with public sector specific financial reporting issues that are not dealt with in IFRSs. The IPSASB will ensure that its requirements are consistent with those of IASB to the extent the requirements of IFRSs are appropriate to the public sector.

The Cash Basis IPSAS is comprehensive and includes mandatory and encouraged disclosures sections. The Cash Basis IPSAS encourages an entity to voluntarily disclose accrual based information regardless of the fact that the core financial statements will be

prepared under a cash basis. This may serve to facilitate moving over time from a cash basis to an accrual basis.

### ***IPSASB's Mission and Objectives***

The IPSASB's mission is:

*“To serve the public interest by developing high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements.”*

This will enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate.

In achieving its objectives, the IPSASB

- a) Issues International Public Sector Accounting Standards (IPSASs);
- b) Promotes their acceptance and the international convergence to these standards; and
- c) Publishes other documents which provide guidance on issues and experiences in financial reporting in the public sector.

### ***Environment Facing the Public Sector & IPSASB***

As leaders in the international accounting standard-setting community, the IPSASB plays a key role related to government financial reporting as well as to the financial reporting of international public sector not-for-profit organizations. Environmental factors have implications for the IPSASB in terms of the strategies it adopts.

Environmental factors may be general, such as trends towards globalization, regionalization, and technological advances. Other factors, like the credibility of financial reporting or the trend towards convergence in accounting standards internationally, are specific to the accounting profession as a whole. Finally, some environmental factors are specific to the public sector and to the IPSASB, for example, the growing emphasis internationally on improved governmental financial reporting and increased demand for government accountability as well as growing concerns on sustainability of key government programs.

To develop and maintain a leadership role, the IPSASB needs to monitor the environment in which it operates and try to shape that environment through its strategic direction, the way it operates and the services it delivers.

## **STRATEGY AND OPERATIONAL PLAN**

### *IPSASB's Strategic Themes*

In a previous work program planning session the IPSASB identified the strategic themes that would form the framework for a work program for the next three years. These were:

- Conceptual framework
- Public sector specific projects including convergence with statistical bases where appropriate
- IFRS convergence
- Promotion and communication

In establishing these strategic areas the IPSASB did not assign a priority to each. Rather the IPSASB plans to address all of these themes, allocating resources to each as needed to address the key issues specific to the theme. Over the long run the IPSASB is committed to all four of these strategic themes.

The allocation of resources in any given year to a particular strategic theme should not be taken as an indication of the IPSASB's prioritization of that theme. Rather, it should be understood that in developing any plan there will be a balance of factors considered that may result in one theme using more resources in a given period than another. For example, the receipt of funding specific to a particular theme might be a reason to allocate additional resources in the short run. Likewise, the commencement of some projects may be delayed in the short run pending the outcome of the work of other projects. In the intervening time another theme might therefore be allocated resources in order to use staff time efficiently.

Appendix 1 summarizes the alignment of the IPSASB strategic themes with the IFAC strategic themes. Appendix 2 represents a result chain or logic model that demonstrates that the IPSASB's outputs will influence certain outcomes or consequences over time.

The first three strategic themes above relate directly to standard-setting activities while the fourth focuses on the communications and promotions activities that support the IPSASB's work. This plan includes a workplan for the IPSASB for the next 3 years. In addition, a communications plan specific to IPSASB has been developed to address the desired focus on communications and promotion.

### *The Standard-Setting Activities*

The table below sets out the current projects that the IPSASB has on its technical agenda or has committed to and categorizes these by the three standard-setting themes.

**Table 1: Current projects by standard-setting theme**

<b>Strategic theme</b>	<b>Active; Complete 2007</b>	<b>Active; complete 2008</b>	<b>Active; complete 2009 or later</b>	<b>Commence 2007</b>
<i>Conceptual framework</i>			Conceptual framework	
<i>Public sector specific standards</i>	External assistance	<ul style="list-style-type: none"> <li>• Social policy obligations</li> <li>• Service concessions</li> </ul>		<ul style="list-style-type: none"> <li>• Heritage assets</li> <li>• Review Cash Basis IPSAS</li> </ul>
<i>IFRS convergence</i>	<ul style="list-style-type: none"> <li>• Impairment cash generating assets</li> <li>• Employee benefits</li> </ul>			IFRS convergence program

These projects outlined in the table are already committed to by the IPSASB and approved for inclusion in the work plan. However, the IFRS convergence program is a broad title for a program that will, in reality, consist of multiple projects. Before a full work plan that addresses all 3 of these themes can be developed, it is necessary to consider an appropriate strategy to be employed by the IPSASB in advancing the IFRS convergence program. Therefore, one of the key components of this operational plan is a proposed approach for the IFRS convergence program for the IPSASB’s review and approval.

**Establishing An IFRS Convergence Strategy**

This is arguably one of the most fundamental parts of this proposed plan. The approach decided upon will determine staff resources allocated to the project and feeds into the final workplan.

Staff have considered various approaches for progressing the IFRS Convergence work program. As part of this process staff reviewed previous material received by the IPSASB and minutes of discussions held on this topic previously and undertook a detailed planning session in late 2006 with the 2007-2010 IPSASB Chair. Staff have outlined an analysis in order to develop a strategy that will best meet the IPSASB’s goals and objectives.

***Where we’ve been***

The Public Sector Committee (PSC) of the International Federation of Accountants (IFAC) was established in late 1986. In August 1997, the PSC embarked on a Standards Program directed at developing International Public Sector Accounting Standards (IPSASs) for financial reporting by public sector entities at the local, state and national government levels. The initial phase of the Standards Program included developing IPSASs based on International Accounting Standards (IASs) promulgated by the former IASC (International Accounting Standards Committee) on issue at August 1997, or their subsequently revised versions, to the extent appropriate for the public sector. This phase of the program was funded by the Asian Development Bank, IFAC, the International Monetary Fund (IMF), the United Nations Development Programme (UNDP) and the

World Bank and was completed in 2002.

In November 2004, IFAC approved a name change and new terms of reference for the PSC. The PSC's name was changed to the International Public Sector Accounting Standards Board (IPSASB) and its terms of reference updated to reflect that the IPSASB would focus on issuing IPSASs.

In 2005 the IPSASB reaffirmed its commitment to the objective of converging IPSASs with IFRSs, unless there is a public sector specific reason for a departure. However, resource constraints at the time meant deferring a large portion of the IFRS convergence project. The main resources dedicated to IFRS convergence related to the General Improvements project and the initiation of the projects on employee benefits and impairment of cash generating assets.

The General Improvements project was initiated with the objective of updating 11 IPSASs to converge with improved IASs issued by the IASB in December 2003 in its General Improvements project. These improved IPSASs were approved by the IPSASB in November 2006. As part of this project the Preface was updated and the authority of national and international standards when an IPSAS has not been issued on the topic was clarified. The employee benefits project is underway. An exposure draft was released October 26, 2006 and a final IPSAS is anticipated late in 2007. In addition impairment of cash generating assets has been approved as an ED and is scheduled for a final IPSAS in 2007.

### ***Where we are now***

As the IPSASB is aware, the IASB is moving rapidly ahead with an extensive work program that includes issuing new IFRSs (including interpretations) as well as revising and updating existing IASs. Given the rapid progress of the IASB and the lack of resources of the IPSASB, a significant gap has developed between the standards that will increase without significant IPSASB effort. The link between the IPSASs and IFRSs has been eroded and the IPSASB is now in a position of playing "catch up".

At this juncture, the IPSASB has secured funding and is in a position to be able to recommence its full IFRS convergence program. The IPSASB is almost full staffed and its commitment to IFRS convergence as a strategic area of focus has been confirmed.

To date, the IPSASB has issued 25 IPSASs. They consist of 24 accrual basis IPSASs, the majority of which are based on International Financial Reporting Standards (IFRSs). There are also IPSASs which are public sector specific, notably revenue from non-exchange transactions, general government sector disclosures and budget reporting. In addition, the IPSASB has issued a comprehensive Cash Basis IPSAS. For those IPSASs that are based on IFRSs, the text of the IFRS is retained unless there is a public sector specific reason for a departure, or additional examples are included to illustrate certain requirements in the public sector context.

*Where we're going*

Now that the IPSASB has additional resources, attention is focused on allocating resources to the strategic themes outlined above. In order to do that, the IPSASB needs to consider and agree on a strategy for the IFRS convergence program in order that resources can be allocated.

*Underlying assumptions*

In order to assess options for proceeding with the IFRS convergence program, it is important to agree on the underlying assumptions that inform this strategy to ensure that members are working from a consistent basis.

Staff have identified these as:

- a) **“Commitment to convergence unless...”** - The IPSASB remains committed to the objective of converging IPSASs with IFRSs, unless there is a public sector specific reason for a departure.
- b) **Desire to develop high-quality accounting standards** - IPSASB’s mission is *“to serve the public interest by developing high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements”*. This means that the IPSASB will develop high quality IPSASs, each consisting of the standard, a basis for conclusions and examples or implementation guidance.
- c) **Desire to add value** - The IPSASB has a desire to add value to the standard setting process in order to enhance the quality and transparency of public sector financial reporting. In addition, the commitment to the due process will add value to the IFRSs in a public sector context and will ultimately contribute to strengthening public confidence in public sector financial management.

*Elements of a Convergence Strategy*

Under any convergence strategy there are a number of elements that must be addressed and included.

i) Hierarchy

The hierarchy of authoritative guidance is included in IPSAS 3. As part of the General Improvements project the hierarchy was updated and directs users, in the absence of a specific IPSAS, to develop an accounting policy that is consistent with the qualitative characteristics set out, considering IPSASs dealing with similar and related issues and the definitions of elements described in other IPSASs. Also considered would be the most recent pronouncements of other standard-setting bodies such as the IASB including IFRICs and SICs. This clarification of the hierarchy recognizes the authority of IFRSs and means that in the absence of a specific IPSAS or a similar IPSAS, users would be directed to the IASB standards and guidance or to national standards. However, while the hierarchy provides a “fallback” position when no equivalent IPSAS exists, it should not

be relied upon to fill the gap in standards. The IPSASB should move quickly on the convergence program to ensure that high quality IPSASs are developed where needed.

*ii) Monitoring IASB*

Secondly, regardless of the strategy employed, there needs to be a process in place to ensure that IASB activities and outputs are monitored on an ongoing basis and assessed in the context of convergence work that might need to be done by the IPSASB. While staff track the IASB's activity and report to the IPSASB, there needs to be a more proactive and structured approach to this. The IPSASB needs to also establish a process for keeping this up to date and be willing to commit resources to this. In addition, efforts to have the views of the IPSASB represented in the development of the IFRSs need to be considered. An IFRS convergence strategy that does not include this element would be incomplete.

*iii) Relationship with IASB*

As part of any convergence strategy, it is also pivotal that a strong relationship between the IPSASB and the IASB be developed and fostered. This needs to happen at the level of the Boards as well as at the staff level. This has been incorporated into the communications plan in terms of specific actions. However, it is important that the IPSASB recognize the importance of this in the overall IFRS convergence strategy regardless of any specific approach chosen.

*iv) Stable platform date*

Given the issues that some constituents have with implementing IPSASs for the first time, it is valuable to establish a stable platform of authoritative requirements that will not change for reporting periods before a specified date. The 24 existing accrual IPSASs on issue by December 31, 2006 would be the starting point. A stable platform does not preclude the IPSASB from continuing to update IPSASs or from developing and issuing new IPSASs during the period. However, the requirements of the updated or new IPSASs would not be required to be adopted for periods commencing before the selected date. Earlier adoption of IPSASs would of course be allowed and, in fact, encouraged. A proposed date would be that all second generation IPSASs would be applicable by January 1, 2010 (take effect for periods commencing January 1, 2011).

*v) Need for analysis of public sector differences*

In any approach, one of the critical aspects is the analysis of the relevant IFRS and the identification of any public sector specific issues. The IPSASB's commitment to convergence, unless there is a public sector specific reason for departure, leads logically to the conclusion that the starting point of any approach is a presumption that the need for any public sector specific departures would have to be explained. In analyzing the relevant IFRS the case would have to be made for a public sector departure. Otherwise, the default position is that full convergence occurs.

If the IPSASB is to adopt this approach it will be necessary to establish some parameters for identifying when a public sector difference warrants departure. Having these “rules of the road” will help to delineate discussions and should serve to focus debate to those issues which are truly public sector specific. The fact that the due process continues to exist and that any IPSAS developed would be issued as an Exposure Draft provides a fail safe in the process in the event that public sector specific issues have not been identified appropriately.

***What is staff proposing as an appropriate IFRS Convergence Strategy?***

Ultimately staff have considered all of this information and reviewed a number of potential approaches along with a variety of materials. Of primary concern is that the quality of the accounting standards developed not be compromised.

As noted, in the first stage of the standards program completed in 2002, and in the IPSASs and EDs based on IFRSs issued subsequently, the approach has been to base the accrual IPSASs on the requirements of IFRSs and to maintain the structure and text of the IFRSs, unless there was a public sector specific reason for departure. As a matter of process each IFRS has been reviewed in detail in order to prepare an Exposure Draft for an IPSAS.

If this approach (sometimes called “review and rewrite”) is to continue, an analysis of the IFRSs not yet addressed would be needed to determine if there are public sector specific reasons for departure. Even in those cases where no departure is deemed necessary, the IFRS would be adapted to be “public sectorized” i.e. amending terminology and examples. To date, IPSASs based on this approach have been positively viewed and are garnering acceptance. Some argue that the acceptance of the 24 accrual basis IPSASs can be attributed directly to the approach that was used in developing them.

Staff considered other options, particularly for those IFRSs where no public sector specific reason for departure is identified. In such cases there was consideration of whether the relevant IFRS might be copied and a statement of endorsement developed which would explain the context of the IFRS to the public sector. This could help ensure that no unintended consequences of rewriting the standards occur and is arguably more time efficient. It is also more expedient with regards to translation.

As an independent standard setter, the IPSASB has a mandate to develop standards that have value for its public sector constituents. The IPSASB’s reputation for developing high-quality standards was built on an approach that sought to converge with IFRSs where possible and yet ensured that public sector specific issues were considered in the debate. Constituents are satisfied that, while they may not always agree with IPSASs issued, there has been consideration of public sector issues.

In coming to a position on how best to approach the IFRS convergence program staff considered the underlying assumptions as outlined above and the elements of a convergence program, overlaid with other factors such as staff resources, credibility of the IPSASB, commitment to quality and the needs of constituents. It is useful to consider

the question of whether convergence is, in itself, the objective or whether it is a tool to assist in developing high quality reporting standards.

When convergence is an objective, financial reporting is fundamentally the same among private and public sectors, resulting in a sector neutral approach. Public sector standards would be converged with private sector standards unless there is justification for a difference i.e. a public sector specific reason.

When convergence is a tool, it is used to develop a set of high quality standards for the public sector that builds on the investment already made in the private sector and seeks to ensure that we are not “reinventing the wheel” each time. In this case, public sector reporting may differ because of the differences in objectives and users needs.

The IPSASB’s commitment to developing a conceptual framework specific to the public sector, which is not automatically locked into the IASB project but rather has the flexibility to diverge where necessary, ensures that public sector differences in terms of objectives and users’ needs will be respected. Staff is of the view that the IPSASB’s overall mandate and approach is more consistent with the “convergence as a tool” view.

IFRS convergence and public sector specific are not mutually exclusive approaches. They are both necessary components of a comprehensive plan that respects the IPSASB’s mandate to develop accrual based standards that are converged where possible with the IFRSs but that also reflect public sector specific issues.

The IPSASB’s obligation to its constituents is best met through a an IFRS strategy that identifies projects based on the IASB workplan and standards and which specifically considers whether there are public sector specific reasons for departing from those standards. The IPSASB must be cognizant of the need to balance quality of the standards with the resources available.

Staff are of the view that the most appropriate IFRS convergence strategy is one that builds on the current “review and rewrite” approach. In other words, staff are proposing that an already successful approach be continued. The IPSASB is almost fully resourced and has staff capacity to undertake such an IFRS convergence work program. Staff are proposing some clarification to the approach in order to add consistency and rigour to the IFRS convergence process.

What does this mean? There are some fundamental parameters that need to be established if such an approach is undertaken. Staff is not proposing a “one size fits all” approach to standard-setting. Neither does staff think that departures from IFRSs should be routine.

Rather, each IFRS would be analyzed on a case by case basis to determine what amendments are necessary. Consideration of wording changes to “public sectorize” the standards would be undertaken for all IFRSs. In addition, a technical evaluation would be required that considers issues in the context of both the private sector and the public sector. This will help to identify any public sector specific reasons for departing as well as any particular interpretations that might be needed to add value for the public sector

constituents. Staff believe that parameters should be developed to identify those situations that might result in a decision to develop a different standard, i.e. the case must be made that there are public sector specific reasons for departing.

Guidelines for the IPSASB to consider in each case would be helpful in narrowing the debate and ensuring consistency in application. For each IFRS convergence project that is initiated, staff expect that the same approach would be undertaken. In addition, all IPSASs will have a consistent style to those already issued.

Staff believe that this approach is the approach that will result in quality standards for the public sector that build on the technical expertise already embedded in the IFRSs. In this regard, it is the approach that best reflects the IPSASB's mandate and obligation to its constituents using the resources available. This approach will achieve IPSASB's mission to serve the public interest by developing high-quality accounting standards.

**Staff recommendation:** Approve an IFRS convergence strategy that builds on the current "review and rewrite" approach as outlined above.

### **The Standard-Setting Strategic Themes – A Status Report**

Having developed a proposed approach to the IFRS convergence program, it is now possible to review the 3 strategic themes that relate directly to standard-setting and consider the current status of each. This will assist in developing a work plan that addresses all of these areas.

#### **1. Strategic Theme - Conceptual Framework**

##### **Status: Project brief approved and work plan underway**

The IPSASB has approved a project brief on a conceptual framework for the public sector and has developed a detailed plan to address the project in collaboration with National Standard Setters and other interested parties (NSSs). This project brief and plan are posted on the website for information purposes. The detailed plan for the project is attached to this document as Appendix 3.

The approval of this project demonstrates the IPSASB's commitment to providing leadership in an area where there is currently a dearth of guidance for public sector entities. The project will draw on the work of the IASB framework project particularly since many of the components of that framework are likely to be relevant. However, the objective of the project is not to simply interpret the IASB framework for the public sector but rather to develop a stand alone framework using the work of the IASB and other national standard setters as appropriate.

This final document will draw together and make explicit the concepts, definitions, and principles already embedded in the IPSASs and will identify explain and test their interrelationships. A conceptual framework is an important component in the literature of standards setters and will reinforce the credibility of the IPSASB and will support efficient and consistent decision making by the IPSASB since it adds an element of discipline to the standard setting process.

What is fundamental to the success of this project is the technical support being provided internationally by the NSSs for various components of the project. This collaboration will result in significant technical input into the project and is a significant resource to the IPSASB.

The IPSASB will take the overall leadership role in the project in several respects. A subcommittee has been established and will be chaired by the IPSASB Chair. The IPSASB project coordinator will be the Senior Advisor and the Technical Director will provide overall leadership from a staff perspective. The project plan demonstrates the IPSASB's commitment to thought leadership on this project as well as highlighting the importance of liaison and communication in developing a final product that addresses the issues.

**2. Strategic Theme - Public Sector Specific Projects including convergence with statistical bases where appropriate**

**Status: 1 ED; 1 ED to be approved in 2007; 1 project approved and work plan underway; 2 projects to be considered for action in 2007**

The IPSASB approved an ED on external assistance in 2006 which is anticipated to be approved as a final IPSAS in Q4 2007. The project on Social Policy Obligations has been controversial and approval has been a challenge. The IPSASB is scheduled to discuss this project at its March 2007 meeting with a view to approving an ED. A project on service concessions has been approved by the IPSASB. This will be a collaborative project with the NSSs. The GASB will provide key staff resources and the IPSASB's Subcommittee and staff will monitor the work done. All of these projects are currently committed and this is reflected in the work plan.

There are 2 additional public sector specific projects being considered for 2007. At its November 2006 meeting the IPSASB directed staff to consider the feedback received on the Heritage Assets consultation paper and to develop some material for the IPSASB on Heritage Assets to be considered at its March meeting. This material will include a proposal for proceeding with this project which has been included in the work plan. Another possibility is to conduct a review of the Cash Basis IPSAS. The IPSASB had previously committed to doing this at some point and it has yet to be undertaken. Now that staff resources are almost at full complement it may be time to undertake this review.

Finally, it is important to note that the first stage of the conceptual framework project will consider the scope of financial reporting in the public sector and whether that scope is extended beyond general purpose financial statements. Matters that are public sector

specific and that might be addressed in this context include long-term fiscal sustainability, MD&A and performance reporting among others. If feedback from the conceptual framework indicates that an extension of scope is necessary the work plan will be re-evaluated for future years to include resources being committed to some of these areas.

The IPSASB discussed these issues specifically at its November meeting and made a commitment at that time to addressing long-term fiscal sustainability, though the outcome of the scope module of the conceptual framework project should be undertaken first to determine broad support. Regardless, given the IPSASB's interest in this project it should be added to the workplan for 2008. The addition of other public sector specific projects on MD&A and performance reporting will be considered for future years.

### **3. Strategic Theme - IFRS Convergence**

**Status: 2 EDs; final IPSAS anticipated in Q4 2007 for both; recommitted to full IFRS convergence program to commence in 2007.**

In identifying this as a strategic theme, the IPSASB reconfirmed its interest in delivering the work program for IFRS convergence, a program which had been delayed due to resource constraints.

As highlighted, staff propose that the IFRS convergence program be undertaken in a fashion that is substantially consistent with IPSASB's standard-setting activities to date. This IFRS work program has been developed based on that approach.

#### ***Which IFRS projects should be undertaken?***

You will note in reviewing the workplan that staff resources currently allow 3.5 - 4 FTE staff to be allocated to this project immediately. In assessing the project priorities, staff has undertaken 3 tasks. The first is to review and update the list of IFRSs for which there is no equivalent IPSAS or for which no project is in process. These are:

- IAS 12 Income Taxes
- IAS 26 Accounting and Reporting by Retirement Benefit Plans
- IAS 32 Financial Instruments: Presentation (see note below)
- IAS 33 Earnings per Share
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 41 Agriculture
- IFRS 2 Share-Based Payment
- IFRS 3 Business Combinations
- IFRS 4 Insurance Contracts
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 6 Exploration for and Evaluation of Mineral Resources
- IFRS 7 Financial Instruments: Disclosures (see note below)

Note that the IASB revised IAS 32 in December 2003. The December 2003 version is substantially different from the version on which IPSAS 15 is based. IAS 32 was further amended as a consequence of the issue of IFRS 7 in August 2005.

As a second step, staff reviewed the current IASB workplan (as of September 30, 2006 – see Appendix 4) to consider those projects on the IASB workplan that might have relevance to the IPSASB’s work program. Projects on the IASB workplan include IFRSs for which there is an equivalent IPSAS but for which an updated version exists or which will be amended in the next 3 years. These are set out as follows:

<b>IASB Project</b>	<b>IPSAS</b>
IFRS 8 Operational Segments (issued December 2006)	IPSAS 18
IAS 23 Borrowing costs (ED issued; IFRS scheduled Q1 2007)	IPSAS 5
IAS 31 Joint ventures (ED scheduled Q2 2007; IFRS 2008)	IPSAS 8
IAS 27 Consolidations (ED scheduled 2008; IFRS 2009+)	IPSAS 6
IAS 24 Related party disclosures (ED scheduled Q1 2007; IFRS 2008)	IPSAS 20

Related to this, a third step was to consider those IPSASs already issued and not addressed in the list of projects on the current IASB workplan, but which are now out of date with existing IFRSs, for example, those IPSASs that converged with IFRSs as at December 31, 2003 but for which the related IFRSs have been improved or amended as of December 31, 2006. There are some IPSASs that are out of date with the related IFRSs. With the IASB’s moratorium on any new standards having an applicable date prior to January 1, 2009, there is an opportunity to “catch up” on those IPSASs that require updating or improving.

These include:

- IPSAS 2, Cash Flow Statements
- IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets
- IPSAS 21 Impairment of Non-Cash Generating Assets

As part of the IFRS convergence strategy the IPSASB needs to include a process for monitoring existing IPSASs for changes as a result of ongoing IASB projects. Given available staff resources this is an important component of this phase of the standards program in order to ensure that the link between existing IPSASs and related IFRSs is not eroded. In effect, this is a continuous general improvements project which will keep the suite of IPSASs current and of high quality.

Staff have taken a first cut at this and have classified projects based on an assessment of priority from high to low. The classification and staff comments related to this are set out in Table 2 below.

**Table 2: IFRS Projects by priority**

<b>Project</b>	<b>Staff Comments</b>
<i>High priority</i>	
Financial instruments	Some call to address by constituents; time intensive; high applicability to public sector and evidence indicates some entities already applying; with full resources this should be addressed
Business combinations	Last project from phase 1 listing; IASB project nearing completion; time to address since this is a large gap in the body of IPSASs
Intangible assets	High applicability to public sector; nature of assets may be unique; concern re timing of potential IASB project to revise IAS 38; may be appropriate to delay until IASB decision made.
Updating existing IPSASs that have been recently revised or that are on the IASB workplan	Need to consider in order to reduce the gap between IPSASs and IFRSs where appropriate; serves to update to a more recent stable platform; will keep standards current and of high quality
<i>Medium priority</i>	
Non-current Assets Held for Sale and Discontinued Operations	Has been on the list; could be delayed but seen as needing to be done.
Accounting and reporting by retirement benefit plans	Some interest based on work on social policy obligations and may also complement employee benefits; could consider commencing earlier
Fair value measurement	Some interest expressed by members; some indication of public sector specific issues. Consider initiating
Insurance contracts	May have some relevance but IASB has recently commenced work to amend; ED scheduled 2008 and completion projected to mid 2009. Therefore delay until IASB project is further along.
Small and medium size entities	Some concern about pressures to address; there is an issue with respect to public accountable criterion to distinguish these entities and differentiated reporting requirements. Monitor IASB project at this stage.
<i>Low priority</i>	
Interim financial reporting	Little demonstrated call for work; less important relative to other projects; delay at this stage
Agriculture	Some call for work; less important relative to other projects; consider whether to initiate.
Exploration for and Evaluation of Mineral Resources	Some call for work; less important relative to other projects; consider whether to initiate.
Income taxes	Applicability to public sector low; for those entities where it may be relevant (number expected to be low), the hierarchy would direct towards other standards
Earnings per share	Applicability to public sector low; for those entities where it may be relevant (number expected to be low), the hierarchy would direct towards other standards
Share-based payment	Applicability to public sector low; for those entities where it may be relevant (number expected to be low), the hierarchy would direct towards other standards

**Staff recommendation:** Prioritize outstanding IFRS convergence projects based on high to low. Provide feedback on staff's suggested classification and comments.

### **A Proposed Work Plan**

In developing the actual work plan and selecting specific projects, it is important to have a balance of projects at any point in time to be able to allow staff to address divergent needs. In other words, not all high priority projects may be actioned at once – it may be appropriate to commence a medium priority project that is less technical in order to achieve outputs along the way. There may be other reasons for initiating or delaying a project, for example the stage of completion in the IASB workplan. Selecting projects is a judgmental process that attempts to balance diverging needs and factors to establish a balanced workplan that is sustainable over the short, medium and longer term.

The draft work plan balances the standard setting themes and sets out a proposed program to address all strategic areas. The IPSASB needs to decide which projects it wants to add to its technical agenda. You will see that staff are of the view that 6 projects can be commenced in 2007. Recognizing the need for a balance between projects the challenge is to develop a plan that will also balance outputs over the period. In this way the IPSASB's meeting agendas can be balanced.

Staff are also proposing that a number of projects not be addressed at all under this stage of the standards program, because their relevance to the public sector is minimal. These are IFRS projects on income taxes, earnings per share and share-based payment. In the absence of specific public sector guidance the fall back would be the IPSASB hierarchy and it is hard to imagine any public sector specific issues in an entity that is subject to these standards. Given the other higher priorities, staff do not think any time should be spent on these particular standards at this time.

**Staff recommendation:** Defer any work on income taxes, earnings per share and share-based payment.

Making decisions on which projects to commence is a key part of the work program. Staff have considered all of the factors laid out and are proposing the following projects for initiation in 2007:

#### **Public sector specific**

Heritage Assets

#### **IFRS Convergence**

Financial instruments

Business combinations

Updating existing IPSASs (and monitoring IASB agenda and activities)  
Fair value  
Non-current Assets Held for Sale and Discontinued Operations

The first 3 of these IFRS projects were all judged to be high priority by staff. Since there is capacity, staff are proposing Fair Value and “Non-current Assets Held for Sale and Discontinued Operations” based on expressed interest.

The IPSASB reiterates at this time its commitment to addressing a project on fiscal sustainability in the future if the work on the first module of the conceptual framework project addressing scope of reporting indicates support for this.

**Staff recommendation:**

Initiate projects on:

- Heritage assets;
- Financial instruments;
- Business combinations;
- Updating existing IPSASs (and monitoring IASB agenda and activities);
- Fair value; and
- Non-current Assets Held for Sale and Discontinued Operations.

Appendix 5 to this document sets out a proposed work plan for the next year, as well as an overview for the next 3 years. This proposed work plan incorporates these project recommendations.

It is important to recognize that the plan sets out a guideline for project completion. The nature of standard-setting is such that any work plan is indicative only and would encompass a degree of flexibility to ensure that the due process is adhered to.

**Staff recommendation:** Approve workplan as outlined in Appendix 5 and provide feedback on broad plan.

## COMMUNICATIONS PLAN

A major component of the IPSASB's planning includes a detailed communications plan specific to IPSASB. This necessarily includes consideration of IFAC's strategic and operational plans to determine that the planned outputs and activities related to communications of IPSASB are linked with the broader goals of IFAC. This final communications plan has been considered in that context and links into these broader goals. This communications plan applies to 2007 and sets out the strategies identified and planned actions to achieve desired outcomes.

### *Promotion and Communications Strategies*

There are four main strategies that have been identified by staff in relation to promotion and communications. These are identified and described as follows:

- a) *Address promotion and communications activities proactively rather than reactively*

Now that the IPSASB has a full staff complement it is possible to address promotions and communications more proactively than in the past. Given the IPSASB's focus on this as a key strategic area it is important to develop a focused approach that seeks out opportunities and promotes IPSASB on an ongoing basis, including identifying key strategic partnerships.

- b) *Determine priorities, assess communications methods and provide content that is responsive to partners and stakeholders and their information needs*

A more focused approach to communications leads to the need to identify priorities that will meet the IPSASB's objectives in the short run and on a longer term basis. In this regard it is important to identify the communications vehicles and methods that will be most effective in meeting the needs of stakeholders.

- c) *Tell the story of the IPSASB – identify key forums, conferences, events, speaking engagements, opportunities to tell the story*

From a public interest perspective it is important to get the message out as to the importance of public sector accounting standards and why the work of the IPSASB is therefore so important. We need to tell the IPSASB story persistently and consistently at key conferences and events and we should target these arenas at every opportunity.

- d) *Improve the use of the internet, website, other communication vehicles*

As the use of technology continues to increase and unfold we must be proactive in enhancing the usefulness of our website in terms of content and functionality.

While not all constituents have internet access, the use of the internet is a key vehicle for communicating and we must ensure that we use it to maximum advantage to enhance the public face of the IPSASB.

**Staff recommendation:** Approve these four communications strategies as the underlying basis of a communications plan for IPSASB.

Based on these strategies, a detailed communications plan has been developed outlining planned actions and activities, responsibilities and expected timelines for completion over the next year.

As the plan is further refined over the next few weeks there are a number of elements that will be considered. Firstly, the chair and staff will be allocating communications activities by region allowing regions to be targeted. Over a period of 18 months to 2 years it would be expected that all regions would be targeted at some level by the IPSASB. However, it is important to identify those regions that should be emphasized first and to work on activities in those regions. Areas of focus seen as important include China, Latin America, and Africa among others. Conferences and seminars in these regions need to be identified and planned for the next year to three years.

There is also a need to focus on developing nations specifically. The importance of the public sector in developing nations has been highlighted and the DNC at IFAC has expressed interest in providing any assistance where possible. There are also possible funding sources that may be able to be accessed specifically for developing nations. Therefore as the plan is refined there should be some specific activities identified to address this. In addition staff is working closely with staff for the DNC to determine possible approaches and strategies for success.

The plan set out below encompasses the strategies identified above and sets out a number of actions to be taken in order to achieve these. On an ongoing basis there are likely to be other actions that will be needed and there is flexibility within the work program for staff to undertake such activities on an as needed basis. As an example, staff are frequently requested to write speeches and presentations for the IFAC CEO, IPSASB Chair and other members and this will continue on an ongoing basis.

In addition, the IPSASB should note that staff have undertaken some streamlining of communications efforts, including the process for writing and issuing press releases and posting documents to the website. As a general comment the goal is to coordinate communications activities through a single staff member who works closely with IFAC's communications department to maximize the use of their expertise and the consistency with IFAC's other Boards and Committees. At the same time this respects the IPSASB's specific goals and objectives and ensures that its interests are represented at IFAC consistently.

**Staff recommendation:** Approve communications plan as basis for achieving the strategic theme related to promotion and communications.

**RESOURCES**

The IPSASB must manage its activities in the context of constraints relating to:

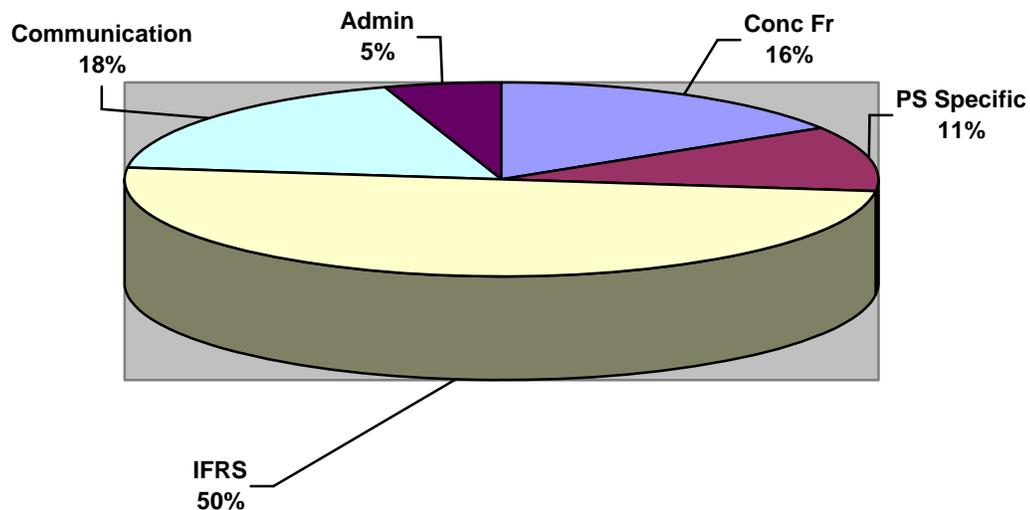
- Staff resources
- Financial resources
- Volunteers capacity

***Technical Staff Resources to Support Strategic Priorities***

The current staff complement is reasonably complete and stable, pending hiring of a Technical Manager to be provided by the CICA. The following staff resources exist:

Name	Location	Position	FTE 2007
Fox	Toronto	Technical Director	1.0
Naik	Toronto	Technical Manager	1.0
Zhang	Toronto	Technical Manager	1.0
Song	Toronto	Technical Manager	0.5
CICA secondee (not yet hired)	Toronto	Technical Manager	1.0
Stanford	London	Senior Technical Manager	1.0
Bohun	New York	Technical Manager	1.0
Sutcliffe	Melbourne	Senior Advisor	0.5
			7.0

The following chart provides an estimate of how staff resources are allocated in the proposed 2007 workplan, categorized by strategic themes.



It is important to note that the pie chart depicts only *staff* resources allocated to strategic themes, which is not indicative of the full resources being allocated to various projects. For example, on the conceptual framework project, the NSSs will be providing significant technical staff resources on various components of the project with the

IPSASB staff providing the leadership and coordinating role. If these resources had to be provided by staff, the percentage of staff resources allocated to conceptual framework would increase substantially.

Likewise, primary resources for the Service Concessions project are being provided by GASB, with monitoring by IPSASB staff. If the project was being undertaken completely by IPSASB staff the resources allocated to public sector specific projects would increase. It is challenging to attempt to quantify the resources being provided by the NSSs and others on these two projects. The reality is that if they had to be resourced solely by IPSASB staff then at least 2 of the proposed additional IFRS convergence projects would likely have to be deferred. This would reduce the time allocated to IFRS by approximately 20% with a corresponding increase of approximately 7-8% to public sector specific projects (for service concessions) and another 12-13% for conceptual framework.

In addition to standard setting and communications activities all staff perform a number of other functions which serve to support the work of the IPSASB. Some are administrative in nature while others focus on liaison activities which tie directly to the IPSASB's strategic priorities. Staff have been reviewing these functions with a view to streamlining many and creating areas of responsibility among staff for various functions with a goal of improving efficiencies. These are assessed on an ongoing basis as they change or as new responsibilities arise and as new staff come on board. Of course Board members are also involved in many of these activities including speeches and presentation, liaison and communications.

**Table 3: Other staff activities**

<b>Activity</b>	<b>Staff member</b>
Press releases/e-news	Naik
Meeting arrangements	Bohun
XBRL taxonomy	Bohun
New member orientation	Naik
IASB liaison	Fox/Stanford
IFAC liaison	Fox
NSS liaison	Fox/Stanford/Sutcliffe
Observer liaison	Naik
Budget	Fox
Speeches/presentations	Fox/Stanford

### ***Financial Resources***

Financial resources for the IPSASB are currently reasonably stable after a period of some uncertainty. Funding commitments, including ongoing support from IFAC, are in place from a variety of sources and this has provided stability for planning purposes over the period from 2007-2010. The funding amounts to be received are summarized as follows:

**Table 4: Summary of External Funding (\$USD)**

<b>Funder</b>	<b>2007 (000s)</b>	<b>2008 (000s)</b>	<b>Comments</b>
Government of Canada	\$175	\$175	\$1,000,000 \$CDN spread over 5 years
Asian Development Bank	83	83	250,000 (US\$) over 3 years, with the first tranche of \$82,500 already received
World Bank	130	130	reduced from \$250K) over 3 years
EC	165	0	expense recovery Employee Benefits project –\$66K US received
SECO	190	0	External Assistance; potential future involvement
Government of New Zealand	34	0	To be finalized once plan is approved; future years will also be reviewed

Other funding sources are non-cash but are nonetheless significant. These include:

- CICA -\$150,000 (USD) per year (5 years) for a Technical Manager and premises in Toronto.
- People’s Republic of China – 1.5 Technical managers for 2007 (equivalent to approximately \$140K US)

Further commitments from other sources are being pursued, including \$400,000 US from the UN specifically for IFRS convergence. Current expectations are that \$200K will be received in 2007 with \$100K being received in each of 2008 and 2009. In addition, the NSS are providing staff resources for the conceptual framework project as well as for the service concessions project.

The following table provides a basis for understanding of IPSASB’s financial resources.

**Table 5: Summary of financial information (\$ US)**

	<b>Actual 2006 (000’s)</b>	<b>Budget 2007 (000’s)</b>	<b>Estimated budget 2008 (000’s)</b>
<b>EXTERNAL FUNDING</b>	\$516	\$777	\$388
<b>Other operating revenue</b>	6	6	6
<b>Total Revenue- external sources</b>	\$522	\$783	\$394
<b>EXPENSES</b>			
Staff & consultants	\$666	\$977	\$918
Travel & meeting	190	420	463
Other	75	170	237
<b>Total expenses</b>	<b>\$931</b>	<b>\$1,567</b>	<b>\$1,618</b>
<b>DEFICIT (funded by IFAC)</b>	<b>\$(409)</b>	<b>\$(784)</b>	<b>\$(1224)</b>

Other operating revenue relates to items such as sales of handbooks. Other expenses includes items such as rent for the Melbourne office, printing and distribution costs.

*Volunteer resources*

As you are aware, the members of the IPSASB are appointed by the Board of IFAC. All members are appointed for their expertise and experience. Members participate as individuals and are expected to represent their individual views based on their expertise and experience, not the views of their country or jurisdiction.

Appointment as an IPSASB member is a significant responsibility. In accepting such appointment, the individual assumes the duties and responsibilities of active involvement, specifically:

- Acting with integrity and in the public interest in discharging their role within IFAC. This also requires that they act in the common interest of the worldwide accountancy profession. This may result in taking a position on a matter which is not in accord with current practice of the member's own member body, firm, or other sponsoring organization;
- Acting as an ambassador in the member's country in explaining and promoting the work of IFAC;
- Attendance at, and preparation and active participation in, all meetings; and
- Completing tasks in a timely manner.

The capacity of volunteers is the most significant resource constraint in the IPSASB's process. The staff complement has doubled and financial resources are now more secure for the period covered by this plan than they have been over the past few years. This means that the IPSASB has a real opportunity to make progress on its objectives and to reach its desired outcomes.

However, with the increase in staff comes a related increase in output of material which the IPSASB will need to address. Given that the demands on the members' time is already high and that meeting time is already fully used, consideration will need to be given to the best strategy for addressing this.

Staff has discussed a number of strategies that the IPSASB must consider to address this issue. In the staff view, because of the likely outputs of the IASB, the status quo is not an option.

*1) Increase number of meeting days from 3 per year to 4 per year*

There are two ways to increase the number of meeting days per year. The first is to extend the meetings to 5 days, thereby adding 3 meeting days per year. The second option is to add a fourth meeting per year which would add 4 meeting days per year.

Depending on the option, this would generate 21- 28 hours of additional time at meetings for considering material. However it will also result in a commensurate increase in preparation time for both members and TAs, many of whom have indicated they are already investing heavily of their time. In addition there would be some additional time required by staff to administer the extra meeting days, though this would be less if the length of meetings was extended. The current workplan is

based on 3 meetings of 4 days each for 2007 and staff believe this is appropriate for 2007. However, the IPSASB may need to re-evaluate this for future periods.

**Staff recommendation:** No additional meeting days in 2007 but the IPSASB should commit to re-evaluating this at the July and November 2007 meetings.

2) *Evaluate IPSASB process*

Consider whether the existing meeting time is being used as efficiently as it could be. Adjustments that could be made include eliminating certain administrative elements from the agenda and focusing discussions on substance rather than comments of an editorial nature.

Staff and the Chair have been reviewing the process by which meetings are conducted, along with agenda items and will be working to streamline meeting agendas as much as possible. The strategic themes of the IPSASB are clearly focused on standard-setting priorities and communications and all agenda items should be closely linked with these priorities.

**Staff recommendation:** Streamline meeting agendas to ensure all items linked directly to strategic themes.

3) *Enhance the use of volunteer resources between meetings*

Given the lengthy time lines between meetings it is worthwhile to consider providing material to IPSASB members and TAs between meetings for feedback purposes. The goal of this approach is to accelerate the debate on various issues or projects by giving members an additional opportunity to provide input between meetings. This approach is being used with this strategic planning material to determine the IPSASB's response and the effectiveness in moving items through the due process. In staff's view, this is the most immediate way to accelerate progress on the IPSASB's technical agenda. With only 3 meetings per year there is a fair time lag between meetings. By handling certain items "off-line" progress is possible between meeting dates. This process cannot be applied in the case of approvals, however review of documents could be accomplished between meetings. Staff are working to build this into project plans going forward. This strategy will require increased effort by members and TAs but avoids adding an extra meeting at this time.

Staff will need to monitor this closely so as not to overload members. Otherwise there is a risk that some members will respond consistently while others will be unable to make the time and the result will be that certain views will dominate the responses. As much as possible we are aiming for full response from members and TAs.

**Staff recommendation:** Build in enhanced use of time between meetings to all project plans in order to provide further opportunity for members and TAs to provide feedback.

4) *Increase use of TAs and other potential volunteer resources*

Some observation has been made that the IPSASB may not be taking full advantage of the breadth of resources it has at its disposal. Specifically, there is a wealth of knowledge among the Technical Advisors and this is not being maximized. In addition, there are a number of other public sector constituents internationally who may be able to add value in the context of specific projects.

Many of the other IFAC Boards and Committees use alternate approaches for maximizing these volunteer resources. For example, the IAASB uses task forces to complete its projects. These task forces are chaired by an IAASB member but no other task force members are IAASB members. Instead, members are drawn from a wide community of constituents who have particular interest and expertise. There are some factors that would need to be considered in implementing such an approach.

The IPSASB has used steering committees in a similar fashion in the past. One of the most difficult issues to resolve however relates to the need to delineate the responsibilities of the steering committee or task force vis a vis the IPSASB. Past experience was that there were redundancies in the process since substantially the same discussions and debate were repeated at the IPSAS meetings as had occurred in the steering committee meetings. If this type of process is to be considered, there needs to be clarification of the steering committee's role in developing the material and providing the technical leadership role compared to the IPSASB's role in providing the necessary leadership challenge.

Without this clarification there is a significant risk of impeding efficiency. This is a strategy already being used successfully by other Boards and Committees and therefore it may be worth pursuing.

**Staff recommendation:** Conduct a review of the task force/steering committee approach for determining if it could be used to enhance efficiency for certain projects.

**Appendix 1: IFAC’s Strategic Themes and Strategic Objectives**

IFAC’s most recent strategic plan for 2007-2010 identifies five strategic themes reflecting the strategic direction of IFAC for the period 2007-2010. The first three themes reflect the key strategies of the organization while the remaining two are the approaches IFAC will implement to ensure the fulfillment of these key strategies.

- 1) Be recognized as the international standard setter in the areas of auditing and assurance, education, ethics and governmental financial reporting;
- 2) Sustainability of the profession;
- 3) Be the international voice of the accountancy profession;
- 4) Achieve greater value for the public through enhancing collaborative efforts; and
- 5) Continue to enhance IFAC’s governance

The IPSASB is an important contributor to the work of IFAC and the accomplishment of its strategic priorities has a direct impact on the overall goals for IFAC.

**Alignment of IFAC Strategic Themes and IPSASB Strategic priorities**

<b>IFAC Strategic Theme</b>	<b>IPSASB Strategic Priority</b>			
	<i>Develop a public sector conceptual framework</i>	<i>Develop other public sector specific projects</i>	<i>IFRS convergence</i>	<i>Promotion and communication</i>
<i>Recognition as the international standard setter (auditing and assurance, education, ethics and governmental financial reporting)</i>	Direct impact	Direct impact	Direct impact	Direct impact
<i>Sustainability of the profession</i>	Influence	Influence	Influence	Influence
<i>Be the international voice of the accountancy profession</i>	Influence	Influence	Influence	Direct impact
<i>Enhancing collaborative efforts</i>	Direct impact	Direct impact	Direct impact	Direct impact
<i>Continue to enhance IFAC’s governance</i>	n/a	Influence	Influence	Influence

**Appendix 2: Outcomes and Outputs**

IPSASB seeks to deliver on its mission in an effort to influence various results. Results may be outputs (the products and services produced to support the strategies) or outcomes (the consequences attributed to outputs). Outputs are controlled by the IPSASB. Outcomes may not be directly controlled but the IPSASB seeks to influence these or directly impact these through its work. Outcomes can be immediate, intermediate or long-term.

It follows that the IPSASB’s outputs will influence certain outcomes or consequences. This can be demonstrated in a results chain or logic model demonstrated in the figure below:

**IPSASB’s 2007 – 2010 Results Chain**

<b>IPSASB Influences</b>	<b>Vision</b>	The public sector produces high-quality financial reports		
	<b>Ultimate Outcome</b>	IPSASs are considered the benchmark of good financial reporting for the public sector internationally.		
	<b>Long term outcomes</b>	Comprehensive, high quality financial reports in the public sector	Convergence of international and national public sector accounting standards	Acceptance of IPSAB as the standard setter for the public sector
	<b>Inter-mediate outcomes</b>	IPSASs are being used as the basis of reporting by the public sector	National standard setters and other interested parties endorse IPSASs for the public sector	Constituents understand benefits of standards & guidance
	<b>Immediate outcomes</b>	IPSASB produces high-quality standards and guidance	Collaboration with national standard setters and IASB occurs regularly	Constituents are aware of and support standards and guidance
<b>IPSASB controls</b>	<b>Outputs</b>	<b>Conceptual framework Public sector specific standards IFRS convergence</b>		<b>Communication &amp; promotion activities</b>
	<b>Activities</b>	Research, due process, standard setting and recommended practices, board meetings, consultation with other standard setters		See detailed communications plan
	<b>Inputs</b>	Volunteers, professional staff, and related financial resources		

**Appendix 3 Conceptual Framework Development Schedule 2006- 2012**

<b>Proposed Actions/timing – all projects</b>	
2006	<p><i>IPSASB and NSS agree:</i></p> <ul style="list-style-type: none"> <li>• <i>to action a collaborative project;</i></li> <li>• <i>project brief and key milestones;</i></li> <li>• <i>project resourcing and operating procedures;</i></li> <li>• <i>subcommittee and monitoring group; and</i></li> <li>• <i>NSSs responsible for leading group 1 tasks.</i></li> </ul>
2007	<p><u>Group 1 Consultation Papers</u> First group of Consultation papers developed:</p> <ul style="list-style-type: none"> <li>• Objectives of financial reporting (United Kingdom ASB)</li> <li>• Scope of Financial reporting (South Africa - ASB)</li> <li>• Qualitative Characteristics (Norway - NIPA)</li> <li>• Reporting Entity (Australia - AASB)</li> </ul> <p>User needs focus groups provide input to draft objectives paper (and other group 1 papers as appropriate).</p> <p>Consultation Papers issued for comment late 2007/early 2008.</p> <p><u>Group 2 Consultation Papers</u> October/November 2007: IPSASB and NSSs agree NSS responsibilities for leading group 2 Consultation Papers:</p> <ul style="list-style-type: none"> <li>• Definition and recognition of elements of financial statements</li> <li>• Other elements of general purpose financial reports</li> </ul>
2008	<p><u>Group 1 Consultation Papers</u> Subcommittee reviews responses to group 1 Consultation Papers and makes recommendations to IPSASB for material for inclusion in ED. IPSASB considers responses to group 1 Consultative Papers and subcommittee recommendations thereon. IPSASB provides directions for first draft of these components of the ED. IPSASB staff prepare first draft of these components of ED for subcommittee review.</p> <p>IPSASB staff prepare paper on applicability/implications of group 1 projects for cash basis framework for review by subcommittee and IPSASB. IPSASB considers if paper should be issued for comment.</p> <p><u>Group 2 Consultation Papers</u> Group 2 consultation papers developed and agreed for issue (late 2008/early 2009):</p> <ul style="list-style-type: none"> <li>• Definition and recognition of elements of financial statements (NSS to be determined)</li> <li>• Other elements of general purpose financial reports (NSS to be determined).</li> </ul> <p><u>Group 3 Consultation Papers</u> July 2008: IPSASB and NSSs agree NSS responsible for leading group 3 consultation papers:</p> <ul style="list-style-type: none"> <li>• Measurement</li> <li>• Presentation and disclosure.</li> </ul> <p>November 2008: Brief outline of measurement and presentation and disclosure papers</p>

<b>Proposed Actions/timing – all projects</b>	
	and strategy for their development provided to subcommittee and IPSASB for comments.
2009	<p><u>Group 2 Consultation Papers</u> Subcommittee reviews responses to group 2 Consultation Papers and makes recommendations to IPSASB on materials for inclusion in ED.</p> <p>IPSASB reviews responses to group 2 papers and subcommittee recommendations thereon. Provides directions on these matters for first draft of the ED. IPSASB staff prepare first draft of these components of ED for subcommittee review.</p> <p>IPSASB staff prepare paper on applicability/implications of group 2 projects for cash basis framework for review by subcommittee and IPSASB.</p> <p><u>Group 3 Consultation Papers</u> Group 3 Consultation Papers developed and issued late 2009:</p> <ul style="list-style-type: none"> <li>• Measurement (NSS to be determined)</li> <li>• Presentation and disclosure (NSS to be determined).</li> </ul>
2010	<p><u>Group 3 Consultation Papers</u> Subcommittee reviews responses to group 3 Consultation Papers and makes recommendations to IPSASB on materials for inclusion in ED.</p> <p>IPSASB reviews responses to group 3 papers and subcommittee recommendations thereon. Provides directions on these matters for first draft of the ED. IPSASB staff prepare first draft of full accrual ED for subcommittee and IPSASB review late 2010.</p> <p><u>Group 4 Consultation Papers/Cash Basis ED</u> IPSASB staff prepare paper on applicability/implications of group 3 projects for cash basis framework for review by subcommittee and IPSASB.</p> <p>Subject to previous decisions made re issue of consultation papers on cash basis implications (see above) IPSASB determines if separate cash basis consultation paper or ED should be issued.</p>
2011-2012	<p><u>Exposure Draft of Accrual Framework</u> IPSASB approves ED for issue in 2011.</p> <p>Following exposure, subcommittee reviews responses to ED and makes recommendations to IPSASB on materials for inclusion in framework.</p> <p>IPSASB reviews responses to ED and subcommittee recommendations thereon</p> <p>Final accrual framework developed and agreed 2012.</p> <p><u>Cash Basis ED and Framework</u> Consequences of previous decisions re implications for cash basis and strategy for process of developing/confirming cash basis framework implemented – that is, as appropriate responses to cash basis ED, consultation papers considered and cash basis framework (or implications of accrual framework for cash basis) agreed.</p>

**Appendix 4 IASB Work Plan - projected timetable as at 30 September 2006**

*The timetable shows the current best estimate of document publication dates. The effective date of amendments and new standards is usually 6-18 months after publication date. However, except for the items listed in the section 'Amendments to standards', the effective date of IFRSs resulting from the current work plan will be no earlier than financial periods beginning 1 January 2009. In appropriate circumstances, early adoption of new standards will be allowed.*

ACTIVE AGENDA	MoU milestone by 2008	2006	2007				2008	Timing yet to be determined
		Q4	Q1	Q2	Q3	Q4		
<b>Projects in Memorandum of Understanding (MoU) with the FASB <sup>1</sup></b>								
<b>Short-term convergence projects</b>								
Borrowing costs (IASB)	<i>Determine whether major differences should be eliminated and substantially complete work</i>		IFRS					
Government grants <sup>2</sup> (IASB)								Pending work on Liabilities
Joint ventures (IASB)				ED			IFRS	
Segment reporting (IASB)		IFRS						
Impairment (Joint)								Staff work in progress
Income tax (Joint)			ED				IFRS	
Fair value option (FASB)								
Investment properties (FASB)								
Research and development (FASB)								
Subsequent events (FASB)								
<b>Other convergence projects</b>								
Business combinations	<i>Converged standards</i>				IFRS			
Consolidations	<i>Work towards converged standards</i>			DP			ED	IFRS
Fair value measurement guidance	<i>Converged guidance</i>	DP					ED	IFRS
Financial statement presentation <sup>3</sup>								
Phase A				IFRS				
Phase B	<i>One or more due process documents</i>			DP			ED	IFRS
Revenue recognition	<i>One or more due process documents</i>					DP	ED	IFRS
Post-retirement benefits (including pensions)					DP			ED, IFRS
Leases	<i>Agenda decision</i>						DP	

	2006	2007				2008	Timing yet to be determined
	Q4	Q1	Q2	Q3	Q4		
<b>Conceptual Framework</b>							
Phase A: Objectives and qualitative characteristics							
Phase B: Elements, recognition and measurement			DP				
Phase C: Measurement		RT					DP
Phase D: Reporting entity			DP				
Phase E: Presentation and disclosure							DP
Phase F: Purpose and status							DP
Phase G: Application to not-for-profit entities							DP
Phase H: Finalisation <sup>4</sup>							TBD
<b>Other projects</b>							
Small and medium-sized entities	ED			IFRS			
Insurance contracts		DP				ED	IFRS
Liabilities <sup>5</sup>	RT				IFRS		
Emission trading schemes <sup>2</sup>							
<b>Amendments to standards</b>							
Financial instruments: puttable instruments (IAS 32)			IFRS				
Earnings per share: treasury stock method (IAS 33)	ED			IFRS			
First-time adoption: cost of investment in subsidiary (IFRS 1)	ED			IFRS			
Share-based payment: vesting conditions and cancellations (IFRS 2)			IFRS				
Related party disclosures (IAS 24)	ED				IFRS		
<b>RESEARCH AGENDA - projects yet to be added to the ACTIVE AGENDA but included in the MoU with the FASB (except as shown)</b>							
	<b>MOU milestone by 2008</b>						
Derecognition	<i>Consider staff research</i>						
Financial instruments (replacement of existing standards)	<i>One or more due process documents</i>						
Intangible assets	<i>Consider research and make agenda decision</i>						
Liabilities and equity <sup>6</sup>	<i>One or more due process documents</i>						
Extractive activities	<i>Not in MOU</i>						
<b>Abbreviations used in the IASB Work Plan:</b>							
DP	Discussion Paper (containing the Board's preliminary views)						
IFRS	International Financial Reporting Standard						
ED	Exposure Draft						
RT	Round-table discussion						
TBD	The type of initial document (DP or ED) is yet to be determined						
<b>Notes:</b>							
1 The Memorandum of Understanding (MoU) sets out the milestones that the FASB and the IASB have agreed to achieve in order to demonstrate standard-setting convergence, which is one part of the process towards removal of the requirement imposed on foreign registrants with the SEC to reconcile their financial statements to US GAAP.							
2 Work on government grants and emission rights has been deferred pending conclusion of work on other relevant projects.							
3 The Financial Statement Presentation project was formerly known as the Performance Reporting project.							
4 The IASB and the FASB are considering how they will finalise the Conceptual Framework project, once the initial documents on each phase have been subject to public consultation and redeliberation by the boards.							
5 The Liabilities project is the amendments to IAS 37. It was formerly known as the Non-financial Liabilities project.							
6 Project is being conducted as a 'modified joint' project, ie, the IASB expects to make a formal agenda decision and begin work when the FASB has completed work on an initial discussion document.							

*Appendix 5 Proposed Work Plan*

<b>IFAC – INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (IPSASB) DRAFT WORK PLAN 2007</b>				
	<b>Q 1</b>	<b>Q 3</b>	<b>Q 4</b>	<b>2008+</b>
<b>STRATEGIC THEMES</b>	<i>Meeting March</i>	<i>Meeting July</i>	<i>Meeting November</i>	
<b>Conceptual Framework</b>				
<i>Group 1</i>	Update; subcommittee meeting	Review consultation paper (CP)	Approve consultation paper (CP)	Review responses to CP July 2008; develop ED material for late 2010
<i>Group 2</i>				CP approve November 2008; ED 2010
<i>Group 3</i>				CP approve November 2009 ;ED late 2010
<i>Group 4</i>				cash basis ED 2011
<b>Public sector specific</b>				
Social policy obligations	Approve ED		Review responses to ED	Approve IPSAS March 2008
External assistance		Review responses to ED	Approve IPSAS	
Service concessions - PPPs	Subcommittee meeting	approve Consultation paper		ED approval March 2008; IPSAS Nov 2008
Heritage assets-Recognition & Meas	Approve project brief		Approve consultation paper	Approve ED November 2008; IPSAS November 2009
<b>IFRS convergence</b>	Approve strategy			Ongoing re strategy
Employee benefits IAS 19		Review responses to ED	Approve IPSAS	
Impairment of assets – cash - generating		Review responses to ED	Approve IPSAS	
<i>Financial instruments</i>	Approve project brief			
<i>Updating existing IPSASs</i>	Approve project brief;		Approve ED	
<i>Business combinations</i>	Approve project brief			
<i>Non-current Assets Held for Sale and Discontinued Operations</i>	Approve project brief			
<i>Fair value</i>		Approve project brief		
<b>Other, promotion &amp; communication</b>				
IPSASB Strategy/funding/translation	Approve plan			
IPSASB communications plan	Approve plan			
Liaison – IASB, IFAC, NSS	ongoing	ongoing	ongoing	ongoing
Seminars/presentations	ongoing	ongoing	ongoing	ongoing
<b>Potential future projects</b>				
Cash basis IPSAS review		consider		
Long-term fiscal sustainability	Consider in CF grp1			Consider re group 1 CF responses
MD&A	Consider in CF grp1			Consider re group 1 CF responses
Fair value	No action 2007			
Performance reporting	Consider in CF grp1			Consider re group 1 CF responses

<b>IFAC – INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD (IPSASB) DRAFT WORK PLAN 2007 - 2009</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010+</b>
<b>STRATEGIC THEMES</b>				
<b>Conceptual Framework</b>				
<i>Group 1</i>	Approve consultation paper (CP)	Review responses to CP July 2008	develop ED material for late 2010	ED 2011; IPSAS 2012
<i>Group 2</i>		CP approve November 2008	develop ED material for late 2010	ED 2011; IPSAS 2012
<i>Group 3</i>			CP approve November 2009	ED 2011; IPSAS 2012
<i>Group 4</i>				Cash basis ED 2011
<b>Public sector specific</b>				
Social policy obligations	Approve ED	Approve IPSAS March 2008		
External assistance	Approve IPSAS			
Service concessions - PPPs	approve Consultation paper	ED approval March 2008; IPSAS 2008		
Heritage assets-Recognition & Meas	Approve project brief	Approve ED November 2008	IPSAS November 2009	
<b>IFRS convergence</b>				
Employee benefits IAS 19	Approve IPSAS			
Impairment of assets – cash - generating	Approve IPSAS			
<i>Financial instruments</i>	Approve project brief		CP/ED Approval	IPSAS approval 2011
<i>Updating existing IPSASs</i>	Approve project brief; ED	IPSAS Approval		
<i>Business combinations</i>	Approve project brief	C/ED Approve		IPSAS approval 2010
<i>Non-current Assets Held for Sale and Discontinued Operations</i>	Approve project brief	ED approval	IPSAS approval	
<i>Fair value</i>	Approve project brief	CP Approval	ED Approval	IPSAS approval 2010
<b>Other, promotion &amp; communication</b>				
IPSASB Strategy/funding/translation	Approve plan		Approve plan 2010-2012	
IPSASB communications plan	Approve plan	Approve plan	Approve plan	ongoing
Liaison – IASB, IFAC, NSS	ongoing	ongoing	ongoing	ongoing
Seminars/presentations	ongoing	ongoing	ongoing	ongoing
<b>Potential future projects</b>				
Cash basis IPSAS review	consider			
Long-term fiscal sustainability	Consider in CF grp1	Approve project brief	CP/ED approval	
MD&A	Consider in CF grp1			
Fair value	No action 2007			
Performance reporting	Consider in CF grp1		Approve project brief	Approve CP

*Appendix 6: 2007 IPSASB Promotion and Communications Plan*

<b>Strategy #1: Address promotion and communications activities proactively rather than reactively</b>			
<b>Planned outputs/activities</b>	<b>Actions</b>	<b>Responsibility</b>	<b>Timeframe</b>
1. Identify regional communications leaders among Board members	i) Identify and engage Board members and TAs on a regional basis willing to be proactive in seeking out promotion opportunities	MH/SF	Q1
	ii) Identify 1-2 specific opportunities in each identified region– focus on those regions that are strategically important e.g. Latin America; India; China		Q1
2. Enhance collaborative efforts with the IASB	i) Correspond directly with Sir David Tweedie re the relationship between IPSASB and IASB	MH	Q1
	ii) Engage IASB/IFRIC participation on the service concessions subcommittee	BN/SF	Q1
	iii) Liaise regularly with the IASB (Board and staff level)	MH/SF/JS	Ongoing
	iv) Work collaboratively on the conceptual framework project to ensure divergence between the IASB framework and the IPSASB framework only occurs where it is necessary to reflect the differences between the private and public sector	PS/SF/MH	Ongoing
3. Enhance collaborative efforts/liaison with others e.g. NSS, IFAC Boards & Committees (e.g. DNC, CAP)	v) Work collaboratively with the IASB on the IFRS convergence project to maximize project efficiency	MH/SF/others	Ongoing
	i) Attend semi-annual meetings of NSS	MH/SF	Q1, Q3
	ii) Liaise with NSS on an ongoing basis especially those where collaborative projects are being undertaken.	All	Ongoing
	iii) Enhance attendance at IFAC meetings – provide annual presentation on IPSASB	MH/SF	Q1, Q2

**Strategy #1: *Address promotion and communications activities proactively rather than reactively***

<b>Planned outputs/activities</b>	<b>Actions</b>	<b>Responsibility</b>	<b>Timeframe</b>
	iv) Include presentation from DNC on IPSASB agenda; request opportunity to provide IPSASB update at a DNC meetings	SF	Q2
	v) Participate with DNC and World Bank in Latin American regional Conference	MH/SF	Q2
4. Develop links with observer group (IMF, World Bank, UN, UNDB, ADB, INTOSAI, OECD, EC/Eurostat)	i) undertake annual observer review	All	Q4
	ii) liaise with observers outside of meetings, seeking opportunities to attend conferences, provide presentations etc	MH/SF	Ongoing
	iii) consider methods to encourage observers to become advocates of IPSASB adoption	All	Ongoing

**Strategy #2: *Determine priorities, assess communications methods and provide content that is responsive to partners and stakeholders and their information needs***

<b>Planned outputs/activities</b>	<b>Action</b>	<b>Responsibility</b>	<b>Timeframe</b>
1. Approve a communication plan	Review draft plan at March meeting and approve	SF	Q1
2. Develop an “easy to read” brochure	Based on meeting with IFAC president, and in concert with communications department, develop a brochure that takes a public interest perspective in making the case for public sector standards	BN/SF	Q2
3. Consider use of forums, round tables, groups	Look for opportunities in context of IPSASB meetings and other conferences/seminars to seek input	All	
4. Work with Compliance Advisory Panel and Member Body Relations to highlight importance of public sector accounting standards	i) liaise with staff of member relations to increase public sector component of the toolkit for establishing a professional accountancy body	SF	Q2
	ii) provide input to CAP on public sector issues for member bodies	SF	Ongoing

**Strategy #3: *Tell the story of the IPSASB – identify key forums, conferences, events, speaking engagements, opportunities to tell the story***

<b>Planned outputs/activities</b>	<b>Action</b>	<b>Responsibility</b>	<b>Timeframe</b>
1. Enhance regional relationships through presentations at IPSASB meetings/consultative group	i) at each IPSASB meeting identify key groups to meet and to provide seminars and presentations re IPSASB ii) work with consultative group prior to each IPSASB meeting to enhance promotion efforts	MH/SF	Q1, Q3, Q4  Q1, Q3, Q4
2. target presentations and opportunities that increase awareness of IPSASB	i) attend FEE ii) International Colloquium (Canada/U.S. Colloquium for Financial Management) iii)OECD iv)CIGAR v) regional conference Latin America vi) Beijing vii) Canadian Conference of Legislative Auditors (COLA) and Canadian Conference of Comptrollers (CCC) viii)Others as required	MH/JS MH  MH/JS MH/JS SF MH/SF  SF/BN  All	Q3 Q4 Q1 Q2 Q2 Q4 Q1 Ongoing

**Strategy #4: *Improve the use of the internet, website, other communication vehicles***

Planned outputs/activities	Action	Responsibility	Timeframe
1. Assess website content and enhance to meet users' needs	i) In conjunction with communications department review content of website	BN	Q2
	ii) enhance consistency of website content with other IFAC committees and Boards considering users' needs	BN	Q2
	iii) Develop project pages about all current projects that are updated regularly	All	Q1
2. consider web based survey re content and users' needs	Develop a web based survey to solicit feedback about existing content and desired content to determine if website is satisfying the needs of stakeholders and determine what amendments would add value	BN	Q2
3. improve effectiveness of meeting highlights, e-news and other documents as communications tools	i) Develop e-news as a tool for communicating with constituents	BN	Q1
	ii) Develop consistent format for meeting highlights and post promptly after each IPSASB meeting	BN	Q1
	iii) work with communications department to provide input on the content and structure of new IFAC communications tools	All	Q1