CONCEPTUAL FRAMEWORK PROJECT PLAN

The Conceptual Framework has become the most high profile project in the IPSASB's Work Plan. This reflects the importance of a finalized Conceptual Framework in providing the underpinning for IPSASB standard-setting over the long-term.

At the IPSASB meeting in December 2009, as part of the strategic planning sessions, the Board declared its strong view that the most important and critical project for the IPSASB over the next 3 years is the development of a conceptual framework for the public sector. The Board asked that staff revisit the project plan in the context of staffing resources and the full work plan with a view to accelerating the project to develop and approve an ED before the end of 2011, if possible.

The purpose of this paper is to outline proposed changes to the conceptual framework project plan, acknowledging that they will need to evolve flexibly as the project progresses. The goal of this is to establish processes that will ensure the project is completed as quickly as is feasible, balancing resource constraints and the need to have a framework in place.

Background

The IPSASB's Conceptual Framework project was initiated in late 2006 as a collaborative initiative with certain national standard setters (NSSs).

The project was divided into Groups to address the various topics. As the project has progressed, various changes have been made from initial planning as required. The following is a summary of the current status of each of the components:

Group One

- Objectives of financial reporting;
- Scope of financial reporting;
- Qualitative characteristics of financial information; and
- Characteristics of the reporting entity;

Status

The first Consultation Paper addressing the Group One topics was issued in September 2008 with a 6 month consultation period. NSS staff from the United Kingdom Accounting Standards Board (UK ASB) and the Australian Accounting Standards Board were the main authors of the Objectives and the Characteristics of the Reporting Entity components. Input was also received from the South African Accounting Standard Board and the Den Norske Revisorforening. The Senior Advisor of the IPSASB played a key role in the co-ordination and drafting of this Consultation Paper.

Over 50 responses were received to the first Consultation Paper. The content of these responses has been analyzed and summarized by Staff and considered by the IPSASB at its April and December meetings with further consideration planned at the April 2010 Toronto meeting.

The Board has acknowledged that the elements and qualitative characteristics for the general purpose financial statements (GPFSs) may not be appropriate for all parts of general purpose financial reports (GPFRs). The IPSASB has therefore decided to initiate a number of broader scope projects - Reporting the Long-Term Sustainability of the Public Finances, Narrative Reporting and Service Performance - and to use these projects as test beds for assessing the applicability of the qualitative characteristics and the definitions of elements that have been developed primarily for GPFSs to the broader aspects of GPFRs.

Group Two

- Definition and recognition of the elements of financial statements; and

- The consequences of conclusions/recommendations on the scope of financial reporting considered in the first consultation paper for the elements of general purpose financial reports (in addition to those reflected in the financial statements) and other matters that might be addressed in general purpose financial reports (GPFRs)**.**

Status

A Staff member from the Canadian Public Sector Accounting Board (PSAB), supported by an IPSASB Staff member, is addressing the definition and recognition of elements. The IPSASB has discussed the elements at two meetings to date and will consider this component again in April. Given resource constraints at the CICA we are working with them to actively pursue additional resources to be allocated to the elements phase in order to progress things more aggressively.

Group Three

- Measurement; and

- Presentation and disclosure.

Status

A Staff member from the UK ASB is the main author of the materials on measurement. The IPSASB has discussed a number of issues at two meetings to date and will consider issues again in April 2010. A Consultation Paper is planned for approval later in 2010 that will address measurement only. Work on Presentation and Disclosure has not yet commenced, but will begin in the first half of 2010. An IPSASB staff member will be the lead author for the Presentation and Disclosure component of Phase Three. A Consultation Paper will be developed with approval planned early in 2011.

Group Four

- Cash basis framework

Status

The project brief also included a framework for financial reporting under the cash basis of accounting, and the implications of matters dealt with in the accrual framework for the

cash basis as Group Four. It is expected that an analysis of certain conceptual issues will flow from the findings and recommendations of the Task Force on modifications to the Cash Basis IPSAS. It is likely that certain aspects of the accrual framework, such as the reporting entity, will be highly relevant in a cash basis context, but others, such as elements, will be of limited relevance. This paper therefore does not deal further with the cash basis framework.

Revisiting the Project Plan

In considering the project plan staff have identified three key areas to address in order to ensure that the project progresses and that the IPSASB's goals are met.

i)   Staffing

After consulting with the Chair and senior staff, and considering staff resources available from IPSASB and NSSs, the IPSASB's Deputy Director has taken on responsibility for the overall coordination of the project and ensuring that all components are brought together and integrated as needed.

Either the Project Coordinator or, subject to availability, the Senior Advisor will carry out the initial review of agenda materials and subcommittee materials and provide comments to main authors. The Coordinator will then provide directions on the ongoing development of the materials as appropriate. The Senior Advisor is currently playing a role in reviewing and reporting on the IASB's Conceptual Framework from a public sector perspective on behalf of certain NSSs. This gives him a valuable perspective on the IASB project. In addition, it is desirable that the Senior Advisor's experience related to concepts is utilized in the IPSASB's highest profile project.

As noted, along with the CICA staff we are pursuing an additional resource for the elements phase. Additional IPSASB staff resources will be allocated to the presentation and disclosure component of the project in order to progress this. These resources will also be available where needed to develop the ED and to analyse responses to the ED and develop the final framework.

ii)   Role of Subcommittee

At the inception of the project a subcommittee was established. The subcommittee's role is to implement the directions of the IPSASB and to ensure that documents prepared for IPSASB's consideration are balanced and identify viable options and approaches to different concepts. The project brief envisaged that the subcommittee would:

- Undertake the initial review of materials being prepared by NSS (or IPSASB) staff for discussion at IPSASB meetings;

- Provide input to the further development of those materials as appropriate;

- Ensure that papers for IPSASB review are prepared on a timely basis and circulated to the NSS who are party to the collaborative project as subcommittee members; and,

- Report to each IPSASB meeting on progress.

The subcommittee is chaired by the IPSASB Chair and currently comprises representatives of:

- NSSs from Australia, Canada, New Zealand and the United Kingdom;

- The Ministries of Finance of China, Italy, France and Spain;

- The International Monetary Fund's Statistics Department and Fiscal Affairs Department;

- A liaison staff member involved in the IASB Conceptual Framework project;

- Seven further IPSASB Members, some of whom are supported by Technical Advisors; and

- IPSASB Staff.

The subcommittee has been a significant source of support and ideas from key stakeholders. Given the IPSASB's desire to accelerate the project where possible, there are a number of inter-related aspects of the subcommittee's operation that need to be considered and assessed. The goal is that the subcommittee operates in a way that ensures that key stakeholders continue to be engaged in the project and that their efforts and contribution are acknowledged and reinforced.

- **Size** - The size of the subcommittee varies from meeting to meeting, and potentially may involve up to 30 individuals, although attendance of around 15 is more common. This large size has been challenging at times in terms of ensuring a detailed analysis of complex issues.

- **Membership** - Attendance at subcommittee meetings depends upon meeting location and timing. Inevitably this has meant that the individuals representing organizations has varied between meetings. The lack of continuity in membership means that views of organizations may change between meetings.

- **Meeting conduct and timing**- At its inception the expectation was that the subcommittee would conduct its business by electronic means. This was largely the case for the Group One topics. For subsequent phases of the project, the subcommittee has relied more on face-to-face meetings with certain members joining by audio-conference.

  Although there have been some exceptions, for ease of travel and economics the subcommittee generally meets on the day before the IPSASB meeting. While there may be some ability to meet at other times, for example in conjunction with the annual Organisation for Economic Co-operation and Development (OECD) Public Sector Accrual Symposium or the bi-annual NSS meetings, the scope to do this is limited. Greater use of electronic media, such as teleconferences, could be considered, but because the subcommittee is geographically dispersed it is difficult to overcome time zone challenges.

Complementing the work of the subcommittee

The most significant benefit of the subcommittee has been that it is an effective mechanism for engaging key stakeholders and for ensuring that they are aware of progress on the project so that they can consider its impact on their own constituencies. In reconsidering the project plan, Staff believes that this benefit needs to be complemented by additional mechanisms that provide a flexible environment to analyze key issues. To

this end, Staff is proposing the formation of Task Based Groups (TBGs) to complement the activities of the subcommittee. These TBGs would mentor and support authors, along the lines of the approach used recently in the Service Concessions project. This approach would involve IPSASB Members who are also subcommittee members, possibly supported by Technical Advisers, working closely with staff and overseeing the development of materials on particular topics.

A TBG of two to three Members is optimal for each project component, with numbers being determined on a needs basis taking into account the nature and complexity of the area. The purpose of the group will be to highlight key options that should be presented to the IPSASB for consideration. In order that all significant options can be presented to the full Board, it will be important for diverse views to be represented in the TBG. The TBG may wish to make a recommendation to the IPSASB on preliminary views, but this is not its primary role. It is up to the IPSASB to decide whether it wishes to state a Preliminary View in a Consultation Paper.

The creation of TBGs would entail another call on Members' time outside meetings. Recently Members have been asked to carry out an increasing amount of review work between meetings. However, given that there are only 3 IPSASB meetings in 2010, the creation of TBGs will contribute to the achievement of very challenging timelines.

There is a risk that this approach may lead to the redeliberation of issues at the full Board. This would reduce the likelihood of the achievement of target completion dates. Acceptance of the approach by all Members is essential, if it is to be successful in accelerating the timetable.

iii)   Exposure Periods for Conceptual Framework Documents

The IPSASB's usual exposure period is four months. The Project Brief did not specify the length of any consultation period but the first Conceptual Framework Consultation Paper had a six month response period. The longer consultation period reflected the then Board's views that:

- A number of respondents would not be familiar with material on concepts and would therefore need additional time to consider the Consultation Paper's analysis, and evaluate the preliminary views of the Board;

- The extensive coverage of the first Consultation Paper covering four different areas necessitated a longer consultation period;

- There was a need to obtain the largest possible number of high quality responses by providing an extended consultation period; and

- It was important to elicit responses from jurisdictions where English is not the native language.

Not only was there a strong response in terms of the number of responses, but the quality of those responses was generally considered very high. Given the success of the six month response period, there are sound reasons for retaining such a consultation period for the remaining Consultation Papers. However, the accelerated timetable means that there may have to be flexibility over consultation periods and possibly consultation periods of differing lengths for different topics. For example, it may be unnecessary to

have a six month response period for a consultation paper that deals with presentation and disclosure.

Operational Items

In conjunction with the proposals, staff has developed some operational guidelines for certain aspects of the project.

Arrangements for Authorship of Exposure Draft Chapters and Coordinating role on Exposure Draft

Optimally the main authors of Consultation Papers will also be responsible for the initial authorship of the parallel sections of the Exposure Draft (ED). In the case of Group One topics the main author will be the Senior Advisor. The involvement of authors in drafting the ED sections needs to be discussed with both individual authors, some of whom are under pressure in their day-to-day jobs, and agreed with their employers.

It is envisaged that the main text of the ED will be a fairly short statement of principles; although it should not be considered a model the current IASB Framework runs to just 110 paragraphs. The Basis for Conclusions will be much longer and will provide details of the approaches considered and the IPSASB's reasons for selecting or rejecting options highlighted in Consultation Papers and for confirming or modifying any Preliminary Views expressed. The Coordinator will play an umbrella harmonization and review role in order to ensure stylistic and formatting unity.

In terms of the responses to the ED, it may not be realistic to have individual authors of the components analyze the relevant parts of the responses. This will need to be assessed at the time, but it is likely that IPSASB staff resources will be allocated to the full analysis of the responses and the further development of the final framework. At this stage the framework is an IPSASB document and this approach will assist in ensuring the components are well integrated. Again the Coordinator's role here will be important in terms of review and finalization of the framework.

Review of materials

As noted above, either the Coordinator or, subject to availability, the Senior Advisor will carry out the initial review of agenda materials and subcommittee materials and provide comments to main authors. The Coordinator will then provide directions on the ongoing development of the materials as appropriate and necessary. The Coordinator will "sign-off" materials for both subcommittee and full Board to the Administrative Assistant, copying the Technical Director for final approval that materials can be submitted to the subcommittee and Board**.** The Coordinator should be copied into correspondence with TBGs, but the conduct of business with TBGs is the responsibility of individual authors.

Agreeing agendas

The Coordinator should prepare and agree agendas for the subcommittee and IPSASB meetings in consultation with the Chair of IPSASB and the subcommittee and the Technical Director. The Coordinator should also be copied on any agendas for TBGs by lead authors

Outreach

Communicating the importance of, and progress on, the Public Sector Conceptual Framework is an important activity, especially to IPSASB constituents that may have had limited exposure to conceptual frameworks and for whom analysis and development of concepts may seem a remote and academic activity with uncertain operational application. The Coordinator will undertake a role in communicating the Conceptual Framework to external audiences as other commitments permit, particularly in Europe and North America. The Senior Advisor will play a similar role for the South Asian and Oceania regions. Because of the extremely challenging timelines for the project the feasibility of undertaking outreach activities will have to be assessed on a case-by-case basis.

Conceptual Framework Schedule 2010-2012

	April 2010	June 2010	Nov 2010	Mar 2011	June 2011	Sept 2011	Dec 2011	March 2012	Jun 2012	Sep 2012	Dec 2012	First Half 2013	Second Half 2013
Group One: Objectives	RR	DI	ED *discuss*	ED *approve*								A	
Group One: Qualitative Characteristics	RR		ED *discuss*	ED *approve*								P	
Group One Scope	RR			ED *discuss*	ED *approve*							P	
Group One: Reporting entity	RR	DI		ED *discuss*	ED *approve*						RR	R	
Group Two: Elements	DI	CP *approve*		RR	ED *discuss*	ED *approve*				RR	RR	O	
Group Three: Measurement:	DI	CP *discuss*	CP *approve*		RR	ED *discuss*	ED *approve*			RR	RR	V	
Group Three: Presentation and Disclosure		DI	CP *discuss*	CP *approve*		RR	ED *approve*			RR	RR	L	
							Full ED Final review						

Key: ED Exposure Draft, DI Discussion of Issues, RR Review of Responses, CP Consultation Paper, FF Finalized Framework

Projection is to issue finalized Framework in first half of 2013.