

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** Toronto Canada

**Meeting Date:** December 8-11, 2014

# Agenda Item 9

For:

Approval

Discussion

Information

## Strategy and Work Program

### Objectives of Agenda Item

1. To consider proposals and approve
  - (a) a strategic objective, outcome and outputs for the period 2015 forward; and
  - (b) projects to be added to the work program for 2015-2016.

### Background

2. The IPSASB's Consultation Paper (CP) on a strategy for 2015 forward and a work program for 2015-2019 was issued in March 2014 with a July 31, 2014 response date. Thirty-two responses to the CP were received and have been analyzed. The IPSASB discussed the responses for the first time in September 2014 focusing on responses related to questions 1 through 7 in the CP. Staff was provided some direction on these issues with a view to further discussion and approval on the strategic objective, outcome and outputs in December 2014. Responses to question 8, related to projects to be prioritized, will also be discussed at this meeting with a view to approving some projects to be added to the work program.
3. Following the IPSASB's decisions on the key items in December, staff will prepare a final strategy document and revised work program reflecting the key decisions and that will provide feedback to stakeholders on the consultation.

### Material(s) Presented

Agenda Item 9.1                      Issues paper

### Actions Requested

4. (a) *The IPSASB is asked to approve the revised strategic objective, outcome and outputs.*
- (b) *The IPSASB is asked to approve projects to be added to the work program in 2015 and 2016.*

## Strategy and Work Program

### Background

1. At the September 2014 IPSASB meeting members discussed the responses to the strategy and work program consultation, focusing on the analysis for question one through seven. The IPSASB provided directions to staff on each of these areas for further follow up at this meeting.
2. At this meeting the IPSASB will also discuss the analysis of responses for question 8 related to projects to be prioritized in the work program.
3. The objectives are to approve the strategic objective, outcome and outputs for the IPSASB for the period 2015 forward as well as selecting some projects to be added to the work program for 2015 and 2016. Other projects will also be prioritized for reconsideration at a future time. This issues paper has therefore been developed in two sections; the first to bring closure to the issues discussed in September (questions 1-7) and the second to address the analysis of the projects to be prioritized and added to the work program.
4. Based on the decisions made at this meeting staff will finalize a strategy document that reflects these decisions and a related work program.

### I Issues from September Decisions and Directions

#### Issues where decisions/agreement reached

5. At the September meeting the IPSASB reached agreement on some of the issues discussed. Based on those decisions and directions it is not intended to reconsider these issues at this meeting. Staff considers that decisions and directions on three matters do not require further debate:
  - (a) Strategic objective;
  - (b) Feedback mechanisms; and
  - (c) Key factors used to assess projects.

#### *Strategic Objective*

6. In September it was noted that there was strong agreement among respondents for the strategic objective proposed. There were some suggestions for minor editorial changes but on balance the IPSASB direct staff to make only a minor change. The revised strategic objective the Board agreed is:

***Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSASs by:***

- (a) **developing high-quality public sector financial reporting standards;**
- (b) **developing other publications for the public sector; and**
- (c) **raising awareness of the IPSASs and the benefits of their adoption.**

**Matter for Consideration**

1. The IPSASB is asked to confirm its support of the strategic objective.

*Feedback mechanisms*

7. Responses to question 4 related to feedback mechanisms were discussed. The analysis and discussions focused around five areas:
  - (a) Due process improvements;
  - (b) Interpretations committee;
  - (c) Post-implementation reviews;
  - (d) Use of technology and social media; and
  - (e) Outreach with national standards setters and roundtables
8. It was agreed that some due process improvements should be implemented particularly as governance changes are forthcoming. Staff has started developing a due process handbook for the IPSASB which will ultimately be posted on the website. In addition, a template for preparing feedback summaries on consultation documents will be developed and used initially for the strategy and work program consultation results. Finally, working with the Managing Director, Professional Standards, staff has commenced work to develop the structures for a Consultative Advisory Group (CAG) with the goal of having this in place January 1, 2016.
9. The IPSASB discussed both the establishment of an interpretations committee and post-implementation reviews. It was agreed that an interpretations committee will not be pursued at this time and members noted that the challenges of first-time adoption may be partly assisted with the new IPSAS on first-time adoption being approved at this meeting. As far as post-implementation reviews, it was agreed that a formal policy on these not be initiated at this time but that staff work with some jurisdictions and academics currently doing this type of work to seek opportunities for leveraging efforts.
10. The IPSASB discussed enhancing the use of technology and social media in its due processes and agreed that staff should pursue approaches such as webinars and virtual roundtables as feedback mechanisms. They also agreed that exposure on social media is important. Staff is developing web-based materials for the conceptual framework and is also working with our communications team on developing webinars on a trial basis – one for the strategy consultation as a feedback tool and another for social benefits when the consultation paper is issued. Other uses of technology are also being investigated.
11. The need for targeted outreach was discussed including working with national standard-setters and the International Forum of Accounting Standard Setters (IFASS). The IPSASB directed staff to consider whether a forum of public sector national standard-setters might be feasible as an enhancement of feedback mechanisms. Staff will be pursuing this with the goal of holding such a forum late in 2015 or early in 2016.

**Matter for Consideration**

2. The IPSASB is asked to note activities being undertaken related to feedback mechanisms.

*Key factors used to assess projects*

12. In September it was noted that there was strong agreement among respondents on the five key factors set out in the strategy paper for assessing project priorities. Members agreed that these five key factors should be retained and used as a basis for assessing potential projects. As a reminder the key factors are:
  - (a) Significance for the public sector;
  - (b) Urgency of the issue;
  - (c) Gaps in the standards;
  - (d) IFRS convergence; and
  - (e) Alignment with GFS.
13. Staff has considered these factors in analyzing the potential projects to be prioritized and this is set out later in this issues paper.

**Matter for Consideration**

3. The IPSASB is asked to confirm its support of the five key factors.

**Issues where directions were provided but no decisions yet made**

14. In September the IPSASB discussed two further issues, providing directions to staff for further consideration in December. These issues are:
  - (a) Outcomes and outputs; and
  - (b) Approach to the cash basis IPSAS

*Outcomes and Outputs*

15. At the September meeting, the IPSASB discussed the proposed outcomes in the consultation paper. Members directed staff to reconsider the two outcomes and instead develop a single outcome that might be phrased in terms of whether public sector entities are more accountable and are making better decisions. Members suggested that outreach be emphasized as one of the ways a reworded outcome could be achieved. The IPSASB indicated that staff should reconsider the outputs based on a new outcome.
16. Staff has considered the suggestions and has developed a single outcome for the IPSASB's consideration. The proposed outcome is:

**That government decision-making and accountability are improved and global fiscal stability and sustainability are enhanced by credible and transparent financial reporting that results from the adoption of accrual-based IPSASs.**
17. The outputs in the consultation paper were:
  - (a) Developing high-quality financial reporting standards and other publications for the public sector; and
  - (b) Undertaking presentations, speeches and other outreach activities in order to engage with stakeholders.

18. Staff has considered these in the context of the proposed revised outcome set out above and considers that the outputs as set out could be maintained as written. The IPSASB had indicated in September that outreach be emphasized as one of the ways that the outcome could be achieved. By including both outputs staff is of the view that this emphasis can be achieved in the final strategy.
19. Staff is seeking the IPSASB's feedback on the proposed revised outcome and the proposal to retain the outputs unchanged.

**Matter for Consideration**

4. The IPSASB is asked to provide views on the following proposed outcome and outputs:

**Outcome**

**That government decision-making and accountability are improved and global fiscal stability and sustainability are enhanced by credible and transparent financial reporting that results from the adoption of accrual-based IPSASs.**

**Outputs**

- (a) **Developing high-quality financial reporting standards and other publications for the public sector; and**
- (b) **Undertaking presentations, speeches and other outreach activities in order to engage with stakeholders.**

*Approach to the cash basis IPSAS*

20. You will recall that in the CP the IPSASB addressed the future of the Cash Basis IPSAS and sought respondents' views on the value of the Cash Basis IPSAS as well as recommendations for how the IPSASB should address it. There were three options laid out for proceeding with the Cash Basis IPSAS. These can be summarized as a) complete the project to revise the Cash Basis IPSAS; b) retain the Cash Basis IPSAS but do no further work on it; or c) withdraw the Cash Basis IPSAS.
21. Thirty respondents commented, nine of whom favored withdrawing the Cash Basis IPSAS. These respondents generally questioned its usefulness, commented on the lack of uptake, and noted that it is inconsistent with a strategic objective of increasing adoption of accrual-based IPSASs. Twenty-one respondents favored retaining the Cash Basis IPSAS; twelve of these proposed retaining the Cash Basis IPSAS but doing no further work on it while eight respondents favored completing the review project. One respondent expressed a clear preference against withdrawal but indicated they did not have a definitive view on whether to complete the project or not.
22. At the September meeting the IPSASB had an initial discussion of the responses and directed staff to provide a summary of the task force review results for discussion at this meeting. The IPSASB indicated in September that it did not consider withdrawing the cash basis IPSAS to be a viable alternative at this stage and that discussions should focus on retaining the standard and deciding whether or not to finish the review project.
23. Staff has prepared a brief overview below and Appendix A to this agenda item includes a fairly fulsome summary of the task force activities and specific results. The full task force report is Agenda Item 6.1 of the June 2010 IPSASB meeting.

#### Background – development of the Cash Basis IPSAS

24. When first initiated, the IPSAS development program encompassed the development of standards for financial reporting under the modified-cash and modified-accrual bases of accounting, as well as under the cash and accrual bases. Ultimately, the standards development program was refocused to develop IPSASs on only the cash and accrual bases.
25. The Cash Basis IPSAS “Financial Reporting under the Cash Basis of Accounting” (the Cash Basis IPSAS) was first issued in January 2003, with an initial application date of 1 January 2004. It is a comprehensive IPSAS for financial reporting on a “pure” (rather than a modified) cash basis. It includes mandatory requirements (identified in Part 1 of the IPSAS) and encouraged additional disclosures (identified in Part 2 of the IPSAS).
26. Since first issued, the Cash Basis IPSAS has been updated with additional requirements and encouragements dealing with the presentation of budget information in financial statements (2006) and the disclosure of information about external assistance (2007).

#### Objectives of the review and role of the Task Force review

27. The International Public Sector Accounting Standards Board (IPSASB) approved the Project Brief for a review of the Cash Basis IPSAS in November 2008. The primary objective of the project was to identify any major difficulties that public sector entities in developing economies have encountered in implementing the Cash Basis IPSAS and determine whether it should be modified in light of these difficulties, or if further explanation or guidance should be provided. The review also considered whether additional reporting requirements should be added to Part 1 of the Cash Basis IPSAS and sought input on whether any of the encouraged additional disclosures in Part 2 of the Cash Basis IPSAS should be included as mandatory requirements in Part 1.
28. In December 2008, the IPSASB appointed a Task Force to lead the initial data collection and analysis phase of the review and to make recommendations on any modifications that should be made to the Cash Basis IPSAS or additional guidance that should be provided to support its application. The IPSASB also requested the Task Force to make recommendations on whether additional disclosures about financial instruments should be required or encouraged by the Cash Basis IPSAS, and the nature of any such disclosures.

#### Task force recommendations

29. A number of specific technical issues that could usefully be addressed in a review of the Cash Basis IPSAS were identified, and proposals for modifications to the required or encouraged disclosures were made. The need for additional guidance and mechanisms to enhance the accessibility of the Cash Basis IPSAS was also noted. In many cases, these matters were raised by only one or two respondents – however, a fairly clear picture emerged of the matters of major concern to most respondents, including the areas of the Cash Basis IPSAS that are perceived as the major obstacles to its adoption.
30. Respondents confirmed that the Cash Basis IPSAS is not widely adopted. The most frequently identified obstacles to its adoption were application of a “pure” cash basis model and the requirement for full consolidation. Differences between the Cash Basis IPSAS and existing legislation and practice, and the need for additional training and support were also identified as significant obstacles to its adoption.

31. The Task Force identified twelve recommendations from the review which have been summarized below.

|   |
|---|
| <p><b>1. Recommendation:</b></p> <ul style="list-style-type: none"><li>• The Cash Basis IPSAS should be retained, subject to modifications and restructuring as proposed in other recommendations in this Report.</li><li>• The role of the Cash Basis IPSAS and Study 14 in supporting the movement along the spectrum from the cash to the accrual basis of financial reporting should be clarified and reinforced.</li></ul>   |
| <p><b>2. Recommendation:</b></p> <ul style="list-style-type: none"><li>• An IPSAS dealing with the modified cash or modified accrual basis should not be developed.</li><li>• The IPSASB should join with other international and national organizations to develop guidance on what may be encompassed under the modified cash and modified accrual bases of financial reporting. Subject to the timing and process of development of such guidance, it may be included in, or referenced by, future updates of Study 14.</li></ul>  |
| <p><b>3. Recommendation:</b></p> <ul style="list-style-type: none"><li>• The requirements for consolidation currently reflected in the Cash Basis IPSAS should be revisited when the reporting entity component of the Framework and the joint project with the IMF have been developed and their implications for the Cash Basis IPSAS can be considered.</li><li>• The Cash Basis IPSAS should provide for reporting of cash receipts, cash payments and cash balances of the budget sector, or other representation of the core government as adopted in the jurisdiction, as well as the whole of government.</li><li>• The Cash Basis IPSAS should include a transitional period of, for example, 3–5 years from its first adoption within which full consolidation is to be achieved. (Page 22)</li></ul> |
| <p><b>4. Recommendation:</b></p> <ul style="list-style-type: none"><li>• Part 1 of the Cash Basis IPSAS should be subject to a broad “house-keeping” review periodically to ensure that its requirements remain appropriate, including any requirements derived from the equivalent accrual IPSASs. (Page 23)</li></ul>   |
| <p><b>5. Recommendation:</b></p> <ul style="list-style-type: none"><li>• The anticipated period for issue of the financial statements as explained in paragraph 1.4.14 should <u>not</u> be amended.</li></ul>  |
| <p><b>6. Recommendation:</b></p> <ul style="list-style-type: none"><li>• The IPSASB clarify the relationship between third party settlements and external assistance received in the form of goods and services, and the type and location of the disclosures to be made about each.</li></ul>  |
| <p><b>7. Recommendation:</b></p> <ul style="list-style-type: none"><li>• Certain of the encouraged disclosures about the sources and uses of external assistance funds currently included in Part 2 of the Cash Basis IPSAS be considered for reclassification as required disclosures and included in Part 1 of the IPSAS.</li></ul>   |
| <p><b>8. Recommendation:</b></p> <ul style="list-style-type: none"><li>• The IPSASB consider the applicability for financial reporting under the Cash Basis IPSAS of any requirements or encouragements emerging from projects dealing with narrative reporting and reporting service performance during the development of those projects.</li></ul>   |

**9. Recommendation:**

- Subject to amendments that arise as a consequence of adoption of other of these Recommendations, the operation of the requirements of Section 1.9 of Part 1 of the Cash Basis IPSAS “Presentation of Budget Information in Financial Statements” be reviewed at the same time as the review of IPSAS 24 “Presentation of Budget Information in Financial Statements”.

**10. Recommendation:**

- Additional detailed required or encouraged disclosures about financial instruments not be added to the Cash Basis IPSAS.

**11. Recommendation:**

- Part 2 of the Cash Basis IPSAS be deleted. Explanation in Part 2 which directly supports the application of Part 1 of the Cash Basis IPSAS should be relocated to Part I of the Cash Basis IPSAS and retained.
- The IPSASB consider developing and making available on its website a checklist of the disclosures required by the Cash Basis IPSAS.
- Illustrative examples of encouraged disclosures currently included as appendices to Part 2 of the Cash Basis IPSAS, together with a listing of the accrual IPSASs that could usefully be considered by jurisdictions intending to disclose additional information about assets, liabilities, revenue and expenses in their cash (or modified cash) basis GPFs be made available through other mechanisms, including by their inclusion in Study 14.

**12. Recommendation:**

- The IPSASB continues to explore with IFAC Boards and Committees as appropriate, mechanisms to support education and training needs of developing economies, particularly as they relate to the design and implementation of data collection systems able to respond to the requirements of the Cash Basis IPSAS and the needs of other key stakeholders.
- A supply of hard copies of English, French and Spanish translations of the revised Cash Basis IPSAS be printed and made available for distribution in developing economies.

32. In considering the approach to the cash basis IPSAS staff provides two additional points of feedback. The first is that at a recent IPSASB briefing given at UNCTAD by the Technical Director, delegates from two African nations (Nigeria and Sudan) expressed the view that the cash basis IPSAS should be withdrawn. They highlighted challenges in dealing with politicians who do not understand that this should be seen as a tool to progress to accrual accounting but rather use the existence of the cash basis IPSAS as an excuse not to implement the accrual IPSASs. The delegates suggested that at a minimum the IPSASB needs to make a stronger and more obvious statement about adoption of the cash basis IPSAS not being the end position but rather being the start of a journey that ends in accrual accounting. Staff considers that this suggestion has some merit and is worthy of consideration.
33. In order to assist the IPSASB in making a decision, Staff also considered the resources that would be needed to undertake the review project. Input was provided by Paul Sutcliffe who was the staff member responsible for the review project. Paul's comments were based on the assumption that the IPSASB's view on the actual report recommendations are unchanged i.e. that the recommendations form an appropriate basis for revising the cash basis IPSAS. Paul estimated the following indicative timing:

- One meeting to have the IPSASB review the recommendations in the Report and confirm, or otherwise amend the recommendations;
  - Three to four meetings to finalise and approve an ED with a four month response period;
  - One meeting to review responses to the ED; and
  - Two meetings to review and approve a revised cash basis IPSAS.
34. Based on this, if the review project were to commence in 2015, the revised cash basis IPSAS would be finalized at the end of 2016.

Staff analysis of possible approaches

35. Staff considers that the two feasible options are to retain the cash basis IPSAS as is, allocating no further resources to it, or to complete the review project thereby revising the cash basis IPSAS with the goal of overcoming at least some of the obstacles to its adoption. The first option was broadly supported by many respondents and is more closely aligned to the strategic objective of strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSASs. It focuses the IPSASB's efforts on developing accrual-based IPSASs. It also has no impact on the work program since staff resources would not be required.
36. The second option also garnered some support by respondents who highlighted that adoption of the cash basis IPSAS might increase with the project completed since this would address obstacles the Task Force identified. While not as directly aligned with the strategic objective this approach arguably provides a tool that could assist governments in their transition to accrual accounting and on that basis revising the cash basis IPSAS to increase its utility could ultimately support increasing adoption of accrual-based IPSASs in the long-term. This option has a direct impact on the work program since the project would have to be prioritized over a project to develop accrual IPSASs. So under this option, one fewer accrual projects could be added to the work program.
37. Staff has considered the two options in the context of the specific recommendations and the current environment globally in public sector accounting. The increasing focus on strong public financial management has resulted in an emphasis on accountability and transparency that can only be achieved through accrual accounting. In addition anecdotal feedback about the usefulness of the cash basis IPSAS has been mixed. Some governments have found it useful as a transitional step towards accrual accounting while others have indicated that it is a retrograde step for those not on a pure cash basis. As noted, the uptake of the cash basis IPSAS has been low.
38. On balance, staff is of the view that the cash basis IPSAS should be retained but that no further work should be done on it and the review project should be terminated. Staff considers that allocating staff resources to accrual projects better serves constituents in the current environment. Staff notes that for the respondents that favored withdrawal of the cash basis IPSAS (9 of 30 respondents), retaining the standard will not be ideal; however not allocating additional resources may mitigate some concerns.
39. Staff also recommends that the IPSASB consider making a prominent statement about governments using the cash basis IPSAS as a transitional tool to adopting accrual IPSASs and that it should not be considered an appropriate final point for any government.

**Matter for Consideration**

5. The IPSASB is asked confirm the staff recommendation that the cash basis IPSAS be retained but that no further work be done on the standard and the review project be terminated.

**II Work Program and Project Priorities**

40. As noted, the IPSASB has not yet considered the responses to question 8 in the work program consultation. Agenda item 4.2 from the September 2014 IPSASB meeting provides the full collation of responses to the strategy and work program consultation.
41. For this meeting it is intended that the IPSASB consider the responses on the project priorities, review the staff analysis and approve projects to be added to the work program for 2015-2016. The planning period is for the five-year period 2015-2019 but staff and the Chair consider that at this stage it is important that the IPSASB approve projects for the next two years with a view to making decisions on future projects as existing commitments are completed. Ultimately projects will need to be assessed on the basis of how they contribute to the IPSASB's strategic objective.
42. In preparing this agenda item staff has considered the responses and undertaken the following analyses to assist the IPSASB in prioritizing and selecting projects:
- (a) prepared an assessment using the five key factors to create a shorter list of potential projects;
  - (b) considered staff availability in the context of existing commitments; and
  - (c) considered constraints on inputs and how to balance these.

**What did respondents say?**

43. All of the thirty-two respondents provided feedback on the proposed projects that the IPSASB should consider for its future work program. While projects emphasized varied there was a very strong view expressed that the IPSASB should focus its efforts on public sector specific projects and those that maintain the existing IPSASs. The following excerpt from respondent 010 provides a strong statement that represents this view:
- However we believe the primary focus of the IPSASB should be on finalizing the projects which are most critical to complete a high-quality framework that addresses the major accounting and financial reporting principles and topics that are relevant to public sector entities, and which is sufficiently tailored to address the specific characteristics of the public sector. We believe that this will greatly contribute to the credibility of the IPSAS framework and its recognition as a global and widely accepted framework.
44. Appendix B to this agenda item provides a numerical summary of respondents that mentioned an individual project. As such, it is not intended to be a basis for project prioritization or selection. However, the table shows a clear preference to address projects in the first two categories (public sector specific and maintain existing IPSASs). For existing IPSASs some proposed projects are public sector specific while others are converged with IFRSs. IN addition, a number of respondents commented on the importance of maintaining convergence with the IFRSs for those IPSASs that are converged standards.

**Assessing projects**

45. As highlighted, staff has assessed the projects using the five key factors identified. As noted earlier in this paper, these are:
- (a) Significance for the public sector - generally this would be a public sector specific project that has high relevance to the public sector, likely for which there is no equivalent private sector issue.
  - (b) Urgency of the issue - developments globally may result in changes in the environment and therefore an issue becoming more important. For example, as a result of the global financial crisis in 2008 the IPSASB accelerated work on IPSASs 28-30 as it deemed it important to have standards on financial instruments.
  - (c) Gaps in the standards - the project addresses an issue that has not previously been addressed in IPSASs or RPGs.
  - (d) IFRS convergence - the project meets the goal of convergence with the IFRSs where deemed appropriate. This would allow leveraging resources in terms of possibly collaborating with the IASB.
  - (e) Alignment with GFS - the project helps to reduce divergence between the IPSASs and GFS.
46. Appendix C to this agenda item sets out the staff analysis of all projects based on these factors. While staff has undertaken this for all projects that were included in the work program consultation, as well as new projects that were proposed by respondents, staff proposes to focus on those projects in the first two categories since responses expressed a clear and strong view that this is where the IPSASB's efforts should be placed. Staff has considered these projects in the context of the five key factors and respondents' comments and used these to develop a shorter list of potential projects to be considered further in the context of staff resources and balancing constraints in inputs.

*Public Sector Specific Projects & Projects to Maintain Existing IPSASs*

47. The following table summarizes staff's analysis.

| Project  | Staff Comments and Analysis   |
|--|---|
| <b>Public Sector Specific Projects</b>                                 |   |
| <i>Biological assets held for the provisions or supply of services</i> | Highly relevant in some jurisdictions – the two respondents that selected it are from the same jurisdiction; low priority for most respondents; <b>staff recommends no action</b> |

|   |   |
|---|---|
| <p><i>Heritage assets</i></p>                           | <p>Highly relevant in public sector; respondents thought that with the completion of the conceptual framework a project on heritage assets should be prioritized; IPSAS 17 neither defines heritage assets nor requires recognition of heritage assets. It does include some characteristics of such assets. If heritage assets are recognized by a public sector entity, the IPSAS requires applying its disclosure requirements and allows but does not require applying its measurement requirements.</p> <p>The IPSASB published a consultation paper on heritage assets in 2006 that was based on a UK discussion paper, <i>Heritage Assets: Can Accounting Do Better?</i> Responses indicated considerable support for the United Kingdom Accounting Standards Board's (ASB's) proposals on definition and the need for additional disclosures with two significant and contrasting views on recognition and measurement. One view favors no deviation from IPSAS 17 requirements. The other favors non-recognition, primarily on cost-benefit grounds. Given the work on the conceptual framework and the polarized view of responses, the IPSASB deferred further work on heritage assets; <b>staff recommends project be further considered for prioritization</b></p> |
| <p><i>Infrastructure assets</i></p>                     | <p>Included in the scope of IPSAS 17 though there have been some indications of challenges and a lack of comparability in the accounting across jurisdictions; Respondents highlighted the long-term nature of infrastructure assets and issues related to maintenance and renewal. One respondent (014) also highlighted a post-implementation review done in their jurisdiction on IPSAS 17 that highlighted challenges of infrastructure assets; <b>staff recommends project be further considered for prioritization</b></p>  |
| <p><i>Intangible assets- public sector specific</i></p> | <p>Highly relevant in some jurisdictions; low priority for most respondents; some proposed combining with project on sovereign powers or natural resources; reassessing at later time more appropriate; <b>staff recommends no action</b></p>   |
| <p><i>Measurement- public sector specific</i></p>       | <p>Highly significant for public sector; Would address gaps in standards based on completing the conceptual framework and has a far reaching impact across a number of IPSASs; <b>staff recommends project be further considered for prioritization</b></p>   |
| <p><i>Military assets</i></p>                           | <p>Included in the scope of IPSAS 17; highly significant to public sector; Respondents commented on challenges in valuing military assets and noted divergence in accounting practices across jurisdictions; relative to other projects in this category meets fewer of the key factors; reassessing at a later time more appropriate; <b>staff recommends no action</b></p>  |
| <p><i>Natural resources</i></p>                         | <p>Highly significant for public sector; Respondents that raised it noted challenges in valuing; relative to other projects in this category meets fewer of the key factors; reassessing at a later time more appropriate; <b>staff recommends no action</b></p>  |

|   |   |
|---|---|
| <i>Non-exchange expenses</i>                                    | Highly emphasized by respondents- most often selected by respondents; ranks highly on the first three key factors and may be some opportunity to increase alignment with GFS; <b>staff recommends project be further considered for prioritization</b>  |
| <i>Role of government as owner</i>                              | Highly relevant in some jurisdictions; low priority for most respondents; outcome of GBE project could impact this; reassessing at a later time more appropriate; <b>staff recommends no action</b>   |
| <i>Sovereign powers and their impact on financial reporting</i> | Highly relevant in the public sector; some respondents prioritized it and some suggested links to intangible asset project; given completion of conceptual framework it may become increasingly important; relative to other projects in this category is lower priority; reassessing at a later time more appropriate; <b>staff recommends no action</b> |
| <i>Trust funds</i>  | Highly relevant in some jurisdictions; low priority for most respondents; <b>staff recommends no action</b>   |
| <b>Projects to Maintain Existing IPSASs</b>                     |   |
| Borrowing Costs<br>IPSAS 5                                      | IPSAS 5 currently not converged with related IFRS, arguably a public sector difference; Some respondents prioritized; would enhance convergence and some opportunity to improve alignment with GFS; relative to other projects in this grouping priority is low; reassessing in future more appropriate; <b>staff recommends no action</b>                |
| Construction<br>Contracts IPSAS 11                              | IPSAS11 now diverged due to new revenue standard; few respondents prioritized; could be combined with a single project to address revenues (IPSAS 23, IPSAS 9 and IPSAS 11); achieves convergence objective; <b>staff recommends project be further considered for prioritization bundled with IPSAS 9 and 23</b>   |
| Disclosure of<br>Financial Information<br>about GGS IPSAS<br>22 | Public sector specific IPSAS; relatively few respondents prioritized; opportunity for alignment with GFS; IPSAS not highly adopted; relative to other projects in this grouping priority is low; reassessing in future more appropriate; <b>staff recommends no action</b>  |
| Employee Benefits<br>IPSAS 25                                   | High number of respondents prioritized; public sector pensions prominent; achieves convergence issue; <b>staff recommends project be further considered for prioritization</b>  |
| Improvements to<br>IPSAS 23 – Non-<br>exchange revenues         | Public sector specific IPSAS; Highly emphasized by respondents- most often selected by respondents in this grouping; could be combined with a single project to address revenues (IPSAS 23, IPSAS 9 and IPSAS 11); <b>staff recommends project be further considered for prioritization bundled with IPSAS 9 and 11</b>                                   |

|  |  |
|--|--|
| Leases IPSAS 13                              | IPSAS 13 now diverged from new leases standard; relatively few respondents selected – ranked notably higher in 2012 consultation; achieves convergence objective; because of significance of changes to the IFRSs divergence could be highly problematic; <b>staff recommends project be further considered for prioritization</b>   |
| Presentation of Financial Statements IPSAS 1 | Could be significant with completion of conceptual framework, for example QCs; relatively few respondents prioritized it; opportunity for convergence with IFRS may be possible; increased alignment with GFS may be significant; <b>staff recommends project be further considered for prioritization</b>   |
| Related Party Transactions IPSAS 20          | Relatively few respondents prioritized; achieves convergence objective; relative to other projects in this grouping priority is low; reassessing in future more appropriate; <b>staff recommends no action</b>   |
| Revenue IPSAS 9                              | IPSAS 9 now diverged from new IFRSs; number of respondents that selected was in the medium range – ranked notably higher in 2012 consultation; achieves convergence objective; because of significance of changes to the IFRSs divergence could be highly problematic; could be combined with a single project to address revenues (IPSAS 23, IPSAS 9 and IPSAS 11); <b>staff recommends project be further considered for prioritization bundled with IPSAS 11 and 23</b> |
| Segment Reporting IPSAS 18                   | IPSAS 18 diverged from IFRSs though questions exist about whether IFRS 8 approach applicable in public sector; current IPSAS considered low in usefulness; number of respondents who prioritized is in the medium range; opportunity to increase alignment with GFS; <b>staff recommends project be further considered for prioritization</b>  |

48. Based on this assessment staff recommends that the following nine projects be further considered in the context of staffing and other constraints:

- Heritage assets;
- Infrastructure assets;
- Measurement-public sector specific;
- Non-exchange expenses;
- Revenues – IPSASs 9,11,23;
- Employee benefits IPSAS 25;
- Leases IPSAS 13;
- Presentation of financial statements IPSAS 1; and
- Segment reporting IPSAS 18.

## Staffing Considerations

49. In order to prioritize projects it is important that the IPSASB consider existing staff capacity in the context of committed projects, both those in progress as well as projects not yet commenced. In addition, some national standard-setters have indicated their willingness to provide staff resources to assist in the work program. As noted in September, the New Zealand XRB has committed to continuing their support of the IPSASB's work through ongoing staff support on a future project. The XRB expressed a specific interest in a project on non-exchange and exchange revenues though they have a general interest in IFRS convergence projects also. Since September, staff has also had discussions with the David Bean from the GASB who has indicated that they would also be prepared to commit some staff resources for a future project. At this stage staff would like to acknowledge this additional strong demonstration of support by the GASB for the IPSASB's work.
50. Finally, staff has had some still very preliminary discussions with the Public Sector Accounting Board (PSAB) in Canada about the possibility of collaborating in some respects on a project. The PSAB has a particular interest in a project on employee benefits based on a review they are committed to of their existing standard. There may be more to report on this orally at the meeting as both the current IPSASB member from Canada and the new member will be at the meeting.
51. In terms of IPSASB staff resources, the following table summarizes existing staff commitments and availability to 2016.

| Staff member          | Current projects  | 2015  | 2016   |
|-----------------------|---|---|--|
| <b>Gwenda Jensen</b>  | <ul style="list-style-type: none"> <li>• Service performance reporting</li> <li>• Emissions trading schemes</li> <li>• GFS alignment</li> </ul> | <ul style="list-style-type: none"> <li>• Service performance reporting (Q1 completion)</li> <li>• Emissions trading schemes</li> <li>• <b>1 new project TBD Q4</b></li> </ul> | <ul style="list-style-type: none"> <li>• Emissions trading schemes</li> <li>• New project TBD per 2015</li> </ul>  |
| <b>João Fonseca</b>   | <ul style="list-style-type: none"> <li>• GBEs</li> <li>• Public sector combinations (shared)</li> </ul>   | <ul style="list-style-type: none"> <li>• GBEs</li> <li>• Public sector combinations (shared)</li> </ul>   | <ul style="list-style-type: none"> <li>• GBEs (completion Q4 2016)</li> <li>• Public sector combinations (completion Q2 2016)</li> <li>• <b>1 new project TBD</b></li> </ul> |
| <b>Paul Mason</b>     | <ul style="list-style-type: none"> <li>• Social benefits</li> <li>• Public sector combinations (shared)</li> </ul>                              | <ul style="list-style-type: none"> <li>• Social benefits</li> <li>• Public sector combinations (shared)</li> <li>• <b>1 new project TBD Q3</b></li> </ul>                     | <ul style="list-style-type: none"> <li>• Social benefits</li> <li>• Public sector combinations (completion Q2 2016)</li> <li>• New project TBD per 2015</li> </ul>           |
| <b>Ross Smith</b>     | <ul style="list-style-type: none"> <li>• FI public sector specific</li> <li>• Improvements</li> </ul>   | <ul style="list-style-type: none"> <li>• FI public sector specific</li> <li>• Update IPSASs 28-30</li> </ul>  | <ul style="list-style-type: none"> <li>• FI public sector specific</li> <li>• Update IPSASs 28-30</li> <li>• <b>1 new project TBD</b></li> </ul>                             |
| <b>Paul Sutcliffe</b> | Project reviewer (PSC)  | Project reviewer (PSC)  | Project reviewer (PSC)   |

|                      |  |  |  |
|----------------------|--|--|--|
| <b>John Stanford</b> | <ul style="list-style-type: none"> <li>• Agenda management</li> <li>• Project reviewer</li> <li>• Project coordination (where applicable)</li> <li>• Outreach</li> </ul> | <ul style="list-style-type: none"> <li>• Agenda management</li> <li>• Review</li> <li>• Project coordination (where applicable)</li> <li>• Outreach</li> </ul> | <ul style="list-style-type: none"> <li>• Agenda management</li> <li>• Review</li> <li>• Project coordination (where applicable)</li> <li>• Outreach</li> </ul> |
| <b>Stephenie Fox</b> | <ul style="list-style-type: none"> <li>• Strategy and work program</li> <li>• Governance and oversight</li> <li>• Outreach</li> </ul>                                    | <ul style="list-style-type: none"> <li>• Strategy and work program</li> <li>• Governance and oversight</li> <li>• Outreach</li> </ul>                          | <ul style="list-style-type: none"> <li>• Strategy and work program</li> <li>• Governance and oversight</li> <li>• Outreach</li> </ul>                          |

52. Based on this analysis, staff is of the view that the IPSASB has the capacity among IPSASB staff to add four new projects to the work program in 2015-2016 (currently two in each year). Using national standard-setters' resources, there is additional capacity for two more projects. The exact timing of these is to be determined in discussions but initial indications are that these could start in 2015. So, the total absolute number of projects that the IPSASB has capacity for is six. Staff cautions however that in adding six projects to the program it will be important to consider resource demands of individual projects. This is further discussed below.

**Balancing the Work Program**

53. As noted in the work program consultation, the IPSASB needs to consider a number of factors in developing the work program, including the board's and staff capacity, the technical demands of individual projects and how long they are likely to take and the ability of stakeholders to respond to documents. It is important that the work program reflect a balance of projects, some that can be progressed reasonably quickly and others that may be more resource intensive or have more due process steps. And the work program needs to be responsive to stakeholder needs.
54. As noted above, staff is of the view that there is capacity to commence 6 projects over 2015-2016 but it is important that these projects be balanced. It is not possible that all 6 projects be highly resource intensive projects. On this basis some projects may be selected even if perceived to be somewhat lower priority on a relative basis.
55. In considering the shorter list of projects set out in paragraph 48 above, staff has a number of observations. Firstly, it is the view of staff that the IPSASB must commit to projects on non-exchange revenues (IPSAS 23) and non-exchange expenses. Both of these are highly relevant public sector projects and both were emphasized by respondents. Staff considers that a project on IPSAS 23 could be bundled as a revenue project that also addresses IPSASs 9 and 11. In doing this the IPSASB responds to stakeholder comments that maintaining convergence of existing IPSASs to IFRSs is important. Staff highlights that both of these projects are likely to be resource intensive. In addition it will be important to coordinate work on the projects as they are clearly interrelated.
56. Staff is also of the view that a project on measurement –public sector specific should be prioritized due to its reach across many IPSASs. This is a project that also likely to be resource intensive. Adding these 3 resource intensive projects on the work program means that it will be difficult to add projects on heritage assets or infrastructure assets to the work program for 2015-2016. Staff therefore proposes that these projects be reconsidered at a later time.

57. Given the priority that a number of respondents placed on maintaining the converged IPSASs staff is of the view that projects to address IPSAS 25, *Employee Benefits*, and IPSAS 13, *Leases* should be considered for adding to the work program. Both are reasonably technical projects but they would be IFRS convergence projects and therefore the goal would be that they could progress directly to exposure drafts. While a project on leases was not as strongly supported by respondents as some other projects, there was generally strong feedback on the importance of maintaining converged IPSASs. The fact that the new leases standard will result in significant divergence is a factor that persuaded staff that this project should be done. For employee benefits, respondents were very supportive and the potential to collaborate with the PSAB is beneficial.
58. As a final project, staff considers that a project on IPSAS 1, Presentation of Financial Statements, should be prioritized ahead of Segment Reporting (IPSAS 18). Given the development of the conceptual framework there are a number of consequential changes that need to be considered to IPSAS 1 and these have a broader impact than IPSAS 18. In addition, staff notes that while IPSAS 18 is not seen as overly helpful, it is not a pure convergence project since there are questions about the applicability of IFRS 8 to the public sector. This is likely to extend the timeline on this project. Staff therefore proposes that this be reconsidered at a later time.
59. In summary, staff recommends, based on the analysis, that the following projects be added to the work program for 2015-2016. Note that these are listed in alphabetical order not in any order or priority
- Measurement-public sector specific;
  - Non-exchange expenses;
  - Revenues – IPSASs 9,11,23;
  - Employee benefits IPSAS 25;
  - Leases IPSAS 13; and
  - Presentation of financial statements IPSAS 1.

**Matter for Consideration**

6. **The IPSASB is asked whether it agrees with the staff recommendation that the following projects be added to the work program for 2015-2016:**
- **Measurement-public sector specific;**
  - **Non-exchange expenses;**
  - **Revenues – IPSASs 9,11,23;**
  - **Employee benefits IPSAS 25;**
  - **Leases IPSAS 13; and**
  - **Presentation of financial statements IPSAS 1.**

## **Appendix A Review of the Cash Basis IPSAS - Summary**

### **EXECUTIVE SUMMARY (from the Task Force Report)**

The IPSAS “Financial Reporting under the Cash Basis of Accounting” (the Cash Basis IPSAS) was first issued in January 2003. It includes both mandatory requirements and encouraged disclosures. Since first issued, it has been updated with additional requirements and encouragements about the presentation of budget information and external assistance received.

The International Public Sector Accounting Standards Board (IPSASB) approved this review of the Cash Basis IPSAS in November 2008.

The primary objective of the review is to identify any major difficulties that public sector entities in developing economies have encountered in implementing the Cash Basis IPSAS and determine whether it should be modified, or if further guidance should be provided, in light of these difficulties. The review is also to consider whether additional reporting requirements should be added to the Cash Basis IPSAS and whether any of the encouraged disclosures in Part 2 should be included as mandatory requirements.

During December 2008, a Task Force was appointed to lead the data collection and analysis stages of the project and make recommendations to the IPSASB on modifications/improvements to the Cash Basis IPSAS that it considers appropriate.

The Task Force adopted a two stage process for data collection and identification of issues. The first stage was the issue of a project questionnaire seeking input on broad implementation issues. The second stage was to involve “follow-up” discussions with respondents to the questionnaire and other interested parties on a one-to-one basis, or in regional round-table forums or conferences.

A total of 46 responses were received to the questionnaire. Respondents included accountants-general, auditors-general, accounting bodies and others in 34 countries. Responses were also received from officers of one state government, two regional or international representative bodies and four international public finance management experts.

Opportunities for follow-up discussion with respondents in round-table forums and conferences were more limited than had been anticipated. Consequently, Task Force members and staff made use of their contacts at Ministries of Finance and other government organizations, and with PFM experts to further explore matters raised in responses to the questionnaire.

Respondents confirmed that the Cash Basis IPSAS is not widely adopted. The most frequently identified obstacles to its adoption are application of a “pure” cash basis model and the requirement for full consolidation. Differences between the Cash Basis IPSAS and existing legislation and practice, and the need for additional training and support are also identified as significant obstacles to its adoption.

Some respondents also identified specific “technical” requirements that give rise to implementation issues in their jurisdiction. The requirements that are more frequently identified as of concern are those relating to comparisons with budget, third party settlements, external assistance and timing of issue of financial statements. Some respondents also express concern that the size and structure of the Cash Basis IPSAS is not user friendly.

### **Introduction**

As the review of the Cash Basis IPSAS was undertaken some time ago and the membership of the IPSASB has changed significantly since that time, staff has prepared a somewhat detailed summary of

the review processes and specific results. The full report is Agenda Item 6.1 of the June 2010 IPSASB meeting.

## **Background – development of the Cash Basis IPSAS**

When first initiated, the IPSAS development program encompassed the development of standards for financial reporting under the modified-cash and modified-accrual bases of accounting, as well as under the cash and accrual bases. However, most respondents to early exposure drafts of the proposed IPSASs and an Invitation to Comment “The Development of International Public Sector Accounting Standards – Which Bases of Accounting” (issued in 1999) argued it was not appropriate or desirable to develop standards for the modified-cash and modified-accrual bases. They were of the view that while use of a modified-cash or modified-accrual basis for financial reporting reflected a desire to be more accountable and transparent than was possible under a “pure” cash basis, the modifications were not necessarily underpinned by any general principles but responded to the circumstances and capacities of each jurisdiction – they reflected the practical realities of what was achievable at a particular time in a particular jurisdiction. Therefore, the nature of the modifications in place could well differ from jurisdiction to jurisdiction, and attempts to standardize modifications across all jurisdictions could act as a disincentive to ongoing developments in financial reporting.

As a consequence, the standards development program was refocused to develop IPSASs on only the cash and accrual bases.

The Cash Basis IPSAS “Financial Reporting under the Cash Basis of Accounting” (the Cash Basis IPSAS) was first issued in January 2003, with an initial application date of 1 January 2004. It is a comprehensive IPSAS for financial reporting on a “pure” (rather than a modified) cash basis. It includes mandatory requirements (identified in Part 1 of the IPSAS) and encouraged additional disclosures (identified in Part 2 of the IPSAS).

Since first issued, the Cash Basis IPSAS has been updated with additional requirements and encouragements dealing with the presentation of budget information in financial statements (2006) and the disclosure of information about external assistance (2007).

## **Objectives of the review and role of the Task Force review**

The International Public Sector Accounting Standards Board (IPSASB) approved the Project Brief for a review of the Cash Basis IPSAS in November 2008.

The primary objective of the project was to identify any major difficulties that public sector entities in developing economies have encountered in implementing the Cash Basis IPSAS and determine whether it should be modified in light of these difficulties, or if further explanation or guidance should be provided.

The review also:

- considered whether additional reporting requirements should be added to Part 1 of the Cash Basis IPSAS; and
- sought input on whether any of the encouraged additional disclosures in Part 2 of the Cash Basis IPSAS should be included as mandatory requirements in Part 1.

In December 2008, the IPSASB appointed a Task Force to lead the initial data collection and analysis phase of the review and to make recommendations on any modifications that should be made to the Cash Basis IPSAS or additional guidance that should be provided to support its application. The IPSASB also

requested the Task Force to make recommendations on whether additional disclosures about financial instruments should be required or encouraged by the Cash Basis IPSAS, and the nature of any such disclosures.

### **Task force activities and process**

The Task Force operated primarily on an electronic basis meeting once in early 2009 to agree operating processes and responsibilities, and again in early 2010 to agree recommendations to be included in its final Report to the IPSASB.

The Task Force reviewed IPSASB and IFAC “in-house” resources, relevant reports of international organizations, a number of research articles and websites of the Ministry of Finance in a number of developing economies with the objective of identifying jurisdictions that have adopted, or have considered adopting, the Cash Basis IPSAS and, therefore, could provide input on implementation issues.

A potential population base of some 60 jurisdictions was identified from these sources. However, the Task Force was concerned that some of the “in-house” reports, articles and surveys included data that was, or may be, out of date. Consequently, the Task Force determined that it would not limit its data gathering activities to only those 60 jurisdictions but would adopt a broader two-stage process for data collection and identification of issues as follows:

- Stage 1 – the issue of a project questionnaire seeking input on broad implementation issues from developing economies which have adopted or are intending to adopt the Cash Basis IPSAS, and from PFM experts, users and others with experience of the Cash Basis IPSAS; and
- Stage 2 – “follow-up” discussion with those that responded to the questionnaire and other interested parties on a one-to-one basis, or in regional round-table forums or conference.

### **Phase 1 – distribution of the questionnaire**

The project questionnaire was issued in April 2009, with responses accepted to September 2009.

The project questionnaire and supporting explanatory material was prepared in English and translated into French, Spanish and Russian. It was distributed widely by Task Force and IPSASB members and staff and their wider contact networks to members of the financial reporting community and others in developing economies around the world. The IFAC Developing Nations Committee (IFAC – DNC) and many others, including many international organizations, also supported distribution of the project questionnaire. Recipients of the questionnaire included users of government financial statements, accountants-general/ministries of finance or similar, auditors-general or similar, international development and aid organizations, accounting bodies and individual PFM experts.

Senior members of international organizations operating in developing economies advised that, to encourage a wide range of interested parties to provide input to the review, individual responses should remain confidential. Consequently, explanatory material accompanying the project questionnaire noted that while the Report to the IPSASB may include summaries of the major issues identified on a regional basis, the identity and individual jurisdictions of those responding to the questionnaire will not be made public without prior consent. Task Force members and staff also made this point in presentations made in support of the project. Task Force members and staff discussed and clarified observations made with some respondents. The final Report provides only an overview of responses by region.

## **Phase 2– follow-up discussions**

The Task Force identified a number of matters arising from responses to the project questionnaire that were to be discussed in interviews, seminars and round-table forums during the second phase of the project. These included additional input on the modifications to the Cash Basis IPSAS reflected in current practices in particular jurisdictions and regions, and the reasons therefore.

The Task Force explored opportunities for round-table or similar discussions in a number of regions with those that had supported distribution of the project questionnaire and with some respondents. However, opportunities for round-table and similar group discussions were limited during the time frame for the review – they comprised:

- a round-table discussion in Sao Paulo in September 2009 in conjunction with the CReCER conference. While the round-table provided a useful forum to engage with some 20 local area constituents, issues and concerns with the Cash Basis IPSAS additional to those already identified in responses to the project questionnaire were not identified; and
- discussion of the Cash Basis IPSAS at a number of sessions during a major Pan-African conference held in Nairobi in November 2009. While there was extensive discussion of the Cash Basis IPSAS, issues additional to those identified in responses to questionnaire were not raised.

To gain additional input, Task Force members and staff followed-up with individual government officials and/or PFM experts involved in implementation of the Cash Basis IPSAS or modified cash basis systems (in person or by electronic means) in a number of jurisdictions including: Afghanistan, Indonesia, Iraq, Lao, Kosovo, Kirgizstan, Nigeria, Palestine, South Africa, Sierra Leone, Tajikistan, Uganda and Vietnam. Task Force members also made use of their contacts at Ministries of Finance and other organizations to gain additional perspectives on matters raised in the questionnaire and other issues relevant to adoption of the Cash Basis IPSAS.

The Task Force noted that substantial issues in the implementation of the Cash Basis IPSAS additional to those identified in responses to the project questionnaire were not identified in the follow-up discussions undertaken as part of this review. However, Task Force members noted that in follow-up discussions, a number of jurisdictions sought clarity and additional guidance on what should, or may, be encompassed in modified cash and modified accrual bases of financial reporting.

## **Responses to the project questionnaire**

A total of 46 responses to the questionnaire were received. Respondents included accountants-general, auditors-general, accounting bodies and others in 34 countries. Responses were also received from an auditor-general of a state government, one regional and one international representative body and four international public finance management experts. Of these, 11 responses had no substantial comment to make on specific issues raised in the questionnaire, largely because they had adopted, or were focused on adoption of, the accrual basis (6 responses) or had adopted a modified cash basis and not considered the Cash Basis IPSAS (3 responses).

Figure 1 provides an overview of responses.

**Figure 1 – Responses to the Project Questionnaire**

| Region                                | Accountant General, Std Setter | Auditor General | Accounting Body | Individual PFM expert | Total       |
|---------------------------------------|--------------------------------|-----------------|-----------------|-----------------------|-------------|
| <b>Africa</b>                         | 10*                            | 8               | 1               | 3                     | <b>22**</b> |
| <b>South/S–East Asia</b>              | 4                              | 1               | 3               |                       | <b>8</b>    |
| <b>Europe/Central Asia</b>            | 4                              |                 | 2               |                       | <b>6</b>    |
| <b>Latin America</b>                  | 1                              |                 | 2               |                       | <b>3</b>    |
| <b>North Africa &amp; Middle East</b> |                                | 2               |                 |                       | <b>2</b>    |
| <b>International</b>                  |                                |                 | 1               | 4                     | <b>5</b>    |
| <b>Total</b>                          | <b>19</b>                      | <b>11</b>       | <b>9</b>        | <b>7</b>              | <b>46</b>   |

*\*Includes a combined response from the Accountant General and Auditor General in one jurisdiction and from the Accountant General, Auditor General and national standard setter in another jurisdiction.*

*\*\*More than one response was received in respect of current practice in 4 jurisdictions*

As identified in Figure 1, there was a very strong response from ministries of finance/ accountants-general, auditors-general and representative bodies in Africa where a cash or modified cash basis of accounting is widely adopted. There was also a fairly good response from developing economies in South/South East Asia and Europe/Central Asia, where language differences have often proved a major obstacle to achieving good response rates to IPSASB-EDs and surveys in the past.

The Task Force was disappointed with the number of responses from Latin America, North Africa and the Middle East where it was anticipated that a cash or modified cash basis is widely adopted. This was despite substantial efforts of Task Force and IPSASB members and their colleagues at the InterAmerican Development Bank (IADB), the World Bank, the IMF and the IFAC – DNC to ensure that the project questionnaire was widely distributed and promoted to relevant bodies in their region.

Some light was shed on the poor response from Latin America at the round-table in Sao Paulo where participants noted that financial reporting by most governments in Latin America had moved past the “pure” cash basis to a modified cash basis – consequently, strengthening the Cash Basis IPSAS would provide little benefit, and was of little interest, to most countries the region.

### **Adoption of the Cash Basis IPSAS**

Responses to the project questionnaire confirmed that the Cash Basis IPSAS has not been widely adopted – the Cash Basis IPSAS was identified as being adopted at national level in 5 of the 34 countries for which responses were received (Africa–2, South East Asia–1, Europe and Central Asia–1), with progress towards full adoption well underway in another jurisdiction<sup>1</sup>. However, in one of these jurisdictions, the Auditor-General and Accountant-General had different views about whether the Cash Basis IPSAS was fully adopted – at issue being whether full consolidation of all controlled entities, including government business entities (GBEs), had occurred. There was also conflicting views about full adoption in another jurisdiction.

<sup>1</sup> The Task Force was also advised by one jurisdiction that it was currently implementing the Cash Basis IPSAS at the national level but as yet was not sufficiently progressed to submit a useful response.

The four individual international PFM experts who responded to the questionnaire did not identify any jurisdictions as having fully adopted the Cash Basis IPSAS.

Respondents also identified that a modified form of cash basis accounting had been adopted in 23 jurisdictions as follows: Africa – 13, South and South East Asia –5, Europe and Central Asia – 2, North Africa and the Middle East – 2 and Latin America – 1. The most frequently identified modifications to the Cash Basis IPSAS were the recognition of some accruals in the primary financial statements, including cash flows that occur within a specified period (often 60-90 days) following the end of the reporting period, and the preparation of financial reports which did not consolidate all controlled entities.

Figure 2 below provides an overview of adoption of the Cash Basis IPSAS and a modified cash basis of accounting as identified by respondents to question 1 of the project questionnaire.

**Figure 2 – Form of Cash Basis adopted**

| Region                                | Basis of Accounting adopted    |                                |                                       | Total     |
|---------------------------------------|--------------------------------|--------------------------------|---------------------------------------|-----------|
|                                       | Cash Basis IPSAS fully adopted | Modified Cash Basis adopted*** | Accrual basis or basis not identified |           |
| <b>Africa</b>                         | 3*                             | 15*                            | 4                                     | <b>22</b> |
| <b>South/East Asia</b>                | 1                              | 5                              | 2                                     | <b>8</b>  |
| <b>Europe/Central Asia</b>            | 2**                            | 2                              | 2                                     | <b>6</b>  |
| <b>Latin America</b>                  |                                | 1                              | 2                                     | <b>3</b>  |
| <b>North Africa &amp; Middle East</b> | –                              | 2                              | –                                     | <b>2</b>  |
| <b>International</b>                  | 1                              | 1****                          | 3                                     | <b>5</b>  |
| <b>Total</b>                          | <b>7</b>                       | <b>26</b>                      | <b>13</b>                             | <b>46</b> |

\* includes two responses from one jurisdiction (cash basis) and two jurisdictions (modified cash).

\*\* includes one response which signals an intention and significant progress on full adoption.

\*\*\* includes some responses which note an intention to adopt the Cash Basis IPSAS in the future.

\*\*\*\* notes experience with modified cash basis, but does not identify the jurisdiction(s).

#### **Other surveys**

During 2009, the International Organization of Supreme Audit Institutions (INTOSAI) Subcommittee on Accounting and Reporting undertook a survey of INTOSAI's 189 members to determine the Financial Accounting and Reporting Standards adopted in their jurisdictions.

The regional classification of countries adopted by INTOSAI was not the same as that adopted by the Task Force, and the INTOSAI survey was not limited to only developing economies. However, responses received to the Task Force project questionnaire present a substantially different picture of adoption of the Cash Basis IPSAS from those reported by INTOSAI members. For example the INTOSAI survey identified that a total of 26 countries adopted the Cash Basis IPSAS as follows: Africa – 9, Asia –5, Europe – 5, Middle East – 3, Latin America and Caribbean – 4 and Pacific and South Pacific – 4 (note four of these 26 countries appear in more than one region). It also identified that around 15 additional countries planned to adopt the Cash Basis IPSAS in the future: Africa – 5, Asia –5, Europe – 3 Middle

East – 1 and Latin America and Caribbean – 2, Pacific and South Pacific – 1 (note two of these 15 countries appear in more than one region).

A review of publicly available literature, including reports of international organizations such as the World Bank and the Asian Development Bank, dealing with accounting bases adopted in 107 low and middle income countries provided further input on adoption of the Cash Basis IPSAS (P. Butzerin, May 2009, Zurich University of Applied Science). That review concluded that while only 5 countries had adopted the Cash Basis IPSAS, 52 countries were considering its adoption (SE Asia and the Pacific – 15; Europe and Central Asia – 12; Latin America and the Caribbean – 5; Middle East and Africa – 20). In 13 cases, adoption of the Cash Basis IPSAS was intended as a precursor to the adoption of the accrual IPSASs.

At that time it was thought that the results indicated an appetite for the Cash Basis IPSAS amongst many IPSASB constituents. However, the author of the review noted that in many cases the literature reviewed refers to the intention to adopt IPSASs without distinguishing between the accrual IPSASs or the Cash Basis IPSAS, and it was assumed that all such references were to adoption of the Cash Basis IPSAS. Whether this was true in all cases is questionable.

### **Issues identified by respondents**

Respondents to the project questionnaire identified a number of specific technical issues that could usefully be addressed in a review of the Cash Basis IPSAS, and made proposals for modifications to the required or encouraged disclosures. The need for additional guidance and mechanisms to enhance the accessibility of the Cash Basis IPSAS was also noted. In many cases, these matters were raised by only one or two respondents – however, a fairly clear picture emerged of the matters of major concern to most respondents, including the areas of the Cash Basis IPSAS that are perceived as the major obstacles to its adoption.

An overview of the major themes and issues identified by respondents to each of the questions included in the project questionnaire is presented below.

#### *Question 1: Major implementation issues and modifications to the Cash Basis IPSAS*

The most frequently identified obstacles to adoption and ongoing application of the Cash Basis IPSAS (and/or most frequently identified modifications that have been made to it) relate to:

- application of a “pure” cash basis – there was considerable support for keeping the books open for some time after period end and, in some cases, to recognizing receivables, payables and some other assets and liabilities. (However, as is noted later in this Report, it is not clear that the same modifications to the pure cash basis are adopted in each jurisdiction); and
- the requirement for consolidation of all controlled entities – full consolidation was not widely supported or adopted, particularly in respect of consolidation of GBEs.

The following were also identified as additional significant obstacles to adoption of the Cash Basis IPSAS in some jurisdictions:

- differences between the Cash Basis IPSAS and existing legislation and practice: and
- the need for additional training and support.

A number of respondents identified specific requirements of the Cash Basis IPSAS that gave rise to implementation issues in their jurisdiction. For the most part these were identified by only a single respondent. However, satisfying the requirements for comparisons with budget, and access to data to

satisfy requirements relating to external assistance and third party settlements and were more frequently identified as obstacles to achieving compliance with the Cash Basis IPSAS.

*Question 2: Improvements and/or amendments to the Cash Basis IPSAS*

In response to this question, the following were identified most frequently as the amendments that should be made to assist in the adoption and/or ongoing application of the Cash Basis IPSAS:

- Accruals – allow for recognition of some accruals;
- Consolidation – consolidation should not be mandatory, more time should be allowed for its adoption, and/or additional guidance provided on its adoption;
- Presentation of budget information – align IPSAS with budget structure and/or enhance budget/actual comparisons;
- Structure/focus – the Cash Basis IPSAS is too large and complex;
- Third party settlements – more guidance should be provided;
- Transition to the accrual basis – additional guidance/support on transition to accrual and adoption of the encouraged disclosures; and
- Timing of completion – 6 months is too demanding/not justified.

*Question 3: Consolidation practices and policies*

Some respondents reported that full consolidation occurred for at least one level of government (national, state or local level) in their jurisdiction while a small number of others noted that full consolidation does not occur yet, but existing policy/intention is to fully consolidate in the future.

The reasons for non-consolidation cited most frequently were:

- Contrary to government policy; and
- Practical difficulties including:
  - different accounting policies and/or reporting dates; and
  - identifying controlled entities and gaining access to relevant data.

A small number of respondents also expressed a concern that it was not appropriate to consolidate all controlled GBE's and local and state governments with national governments.

*Questions 4 and 5: The statement of cash receipts and payments and required and encouraged disclosures*

There was strong support for the requirements relating to the statement of cash receipts and payments, and the demarcation between required and encouraged disclosures as identified in the Cash Basis IPSAS.

A large number of respondents expressed the view that requirements for the preparation of the Statement of Cash Receipts and Payments and related note disclosures were appropriate for financial reporting under the cash basis. Many respondents expressed the view that the disclosures classified as required and those classified as encouraged were appropriate for financial reporting under the cash basis.

However, many respondents also registered or reinforced their concerns about the prohibition on recognition of certain accruals in the financial statements and the requirement for full consolidation. The

most frequent proposals for amendment to the requirements of the Cash Basis IPSAS were to allow for presentation of certain accruals in the financial statements, and provision for additional financial statements to accommodate such presentations.

Amendments to simplify, clarify and/or enhance requirements for comparison of budget and actual amounts and inclusion of requirements for disclosure of additional information about external assistance and service outcomes were also frequently identified. For the most part, responses did not include details of the nature of the amendments favored or additional disclosures required.

### Interpreting the responses

As is apparent, there was significant overlap in responses to the questions posed by the Task Force, with respondents often identifying the same issues/concerns in response to different questions. The Task Force concluded that the frequency of identification of an issue, concern or proposal for modification to the Cash Basis IPSAS provided a clear message about the major concerns that ministries of finance, accountants – general and auditors-general (or similar) in developing economies, and PFM experts working with those economies, have with the Cash Basis IPSAS. The follow-up discussions, whether on an individual basis or in round-table discussions or conference forums, confirmed that the major issues in each region had been identified.

### Task force recommendations

The Task Force identified twelve recommendations from the review. These were grouped under five broad headings. The recommendations have been summarized below, including staff comments where relevant.

| <b>Task Force Recommendation</b>  |
|---|
| <p><b>1. The Task Force recommends that:</b></p> <ul style="list-style-type: none"><li>• The Cash Basis IPSAS should be retained, subject to modifications and restructuring as proposed in other recommendations in this Report.</li><li>• The role of the Cash Basis IPSAS and Study 14 in supporting the movement along the spectrum from the cash to the accrual basis of financial reporting should be clarified and reinforced.</li></ul>   |
| <p><b>2. The Task Force recommends that:</b></p> <ul style="list-style-type: none"><li>• An IPSAS dealing with the modified cash or modified accrual basis should not be developed.</li><li>• The IPSASB should join with other international and national organizations to develop guidance on what may be encompassed under the modified cash and modified accrual bases of financial reporting. Subject to the timing and process of development of such guidance, it may be included in, or referenced by, future updates of Study 14.</li></ul>  |
| <p><b>3. The Task Force recommends that:</b></p> <ul style="list-style-type: none"><li>• The requirements for consolidation currently reflected in the Cash Basis IPSAS should be revisited when the reporting entity component of the Framework and the joint project with the IMF have been developed and their implications for the Cash Basis IPSAS can be considered.</li><li>• The Cash Basis IPSAS should provide for reporting of cash receipts, cash payments and cash balances of the budget sector, or other representation of the core government as adopted in the jurisdiction, as well as the whole of government.</li><li>• The Cash Basis IPSAS should include a transitional period of, for example, 3–5 years from its first adoption within which full consolidation is to be achieved. (Page 22)</li></ul> |

|   |
|---|
| <p><b>4. The Task Force recommends that:</b></p> <ul style="list-style-type: none"><li>• Part 1 of the Cash Basis IPSAS should be subject to a broad “house-keeping” review periodically to ensure that its requirements remain appropriate, including any requirements derived from the equivalent accrual IPSASs. (Page 23)</li></ul>   |
| <p><b>5. The Task Force recommends that:</b></p> <ul style="list-style-type: none"><li>• The anticipated period for issue of the financial statements as explained in paragraph 1.4.14 should <u>not</u> be amended.</li></ul>  |
| <p><b>6. The Task Force recommends that:</b></p> <ul style="list-style-type: none"><li>• The IPSASB clarify the relationship between third party settlements and external assistance received in the form of goods and services, and the type and location of the disclosures to be made about each.</li></ul>  |
| <p><b>7. The Task Force recommends that:</b></p> <ul style="list-style-type: none"><li>• Certain of the encouraged disclosures about the sources and uses of external assistance funds currently included in Part 2 of the Cash Basis IPSAS be considered for reclassification as required disclosures and included in Part 1 of the IPSAS.</li></ul>   |
| <p><b>8. The Task Force recommends that:</b></p> <ul style="list-style-type: none"><li>• The IPSASB consider the applicability for financial reporting under the Cash Basis IPSAS of any requirements or encouragements emerging from projects dealing with narrative reporting and reporting service performance during the development of those projects.</li></ul>   |
| <p><b>9. The Task Force recommends that:</b></p> <ul style="list-style-type: none"><li>• Subject to amendments that arise as a consequence of adoption of other of these Recommendations, the operation of the requirements of Section 1.9 of Part 1 of the Cash Basis IPSAS “Presentation of Budget Information in Financial Statements” be reviewed at the same time as the review of IPSAS 24 “Presentation of Budget Information in Financial Statements”.</li></ul>  |
| <p><b>10. The Task Force recommends that:</b></p> <ul style="list-style-type: none"><li>• Additional detailed required or encouraged disclosures about financial instruments <u>not</u> be added to the Cash Basis IPSAS.</li></ul>   |
| <p><b>11. The Task Force recommends that:</b></p> <ul style="list-style-type: none"><li>• Part 2 of the Cash Basis IPSAS be deleted. Explanation in Part 2 which directly supports the application of Part 1 of the Cash Basis IPSAS should be relocated to Part I of the Cash Basis IPSAS and retained.</li><li>• The IPSASB consider developing and making available on its website a checklist of the disclosures required by the Cash Basis IPSAS.</li><li>• Illustrative examples of encouraged disclosures currently included as appendices to Part 2 of the Cash Basis IPSAS, together with a listing of the accrual IPSASs that could usefully be considered by jurisdictions intending to disclose additional information about assets, liabilities, revenue and expenses in their cash (or modified cash) basis GPFRs be made available through other mechanisms, including by their inclusion in Study 14.</li></ul> |
| <p><b>12. The Task Force recommends that:</b></p> <ul style="list-style-type: none"><li>• The IPSASB continues to explore with IFAC Boards and Committees as appropriate, mechanisms to support education and training needs of developing economies, particularly as they relate to the design and implementation of data collection systems able to respond to the requirements of the Cash Basis IPSAS and the needs of other key stakeholders.</li><li>• A supply of hard copies of English, French and Spanish translations of the revised Cash Basis IPSAS be printed and made available for distribution in developing economies.</li></ul>  |

**Appendix B Numerical Summary of Responses**

| <b>Projects to Address Public Sector Specific Issues</b>              | <b>Respondents who mentioned project</b>   | <b>Total</b> |
|---|--|--------------|
| <i>Biological assets held for the provision or supply of services</i> | 01, 031  | 2            |
| <i>Heritage assets</i>  | 004, 011, 014, 015, 019, 022, 023, 026, 027  | 9            |
| <i>Infrastructure assets</i>  | 004, 008, 010, 011, 014, 016, 022, 023, 026, 027, 029, 030, 031                              | 13           |
| <i>Intangible assets – public sector specific</i>                     | 003, 009, 014, 026,  | 4            |
| <i>Measurement – public sector specific</i>                           | 004, 009, 010, 014, 016, 019, 023, 027, 028, 029, 031  | 11           |
| <i>Military assets</i>  | 004, 008, 010, 014, 015, 022, 027, 028, 030,   | 9            |
| <i>Natural resources</i>  | 011, 014, 019, 022, 023, 031   | 6            |
| <i>Non-exchange expenses</i>  | 001,003, 004, 006, 008, 009, 010, 011, 014, 016, 017, 018, 022, 023, 026, 027, 028, 030, 031 | 19           |
| <i>Role of government as owner rather than government</i>             | 010, 014, 022, 027, 028  | 5            |
| <i>Sovereign powers and their impact on financial reporting</i>       | 003, 006, 009, 010, 017, 018, 026  | 7            |
| <i>Trust funds</i>  | 001, 011, 014, 018   | 4            |
| <b>Projects to Maintain Existing IPSASs</b>                           |  |              |
| <i>Borrowing Costs IPSAS 5</i>  | 019, 022, 029, 030, 032  | 5            |
| <i>Construction Contracts IPSAS 11</i>                                | 019, 023, 032  | 3            |
| <i>Disclosure of Financial Information about GGS IPSAS 22</i>         | 002, 008, 011, 019, 032  | 5            |
| <i>Employee Benefits IPSAS 25</i>                                     | 004, 008, 009, 010, 011, 016, 019, 027, 028, 30, 032   | 11           |
| <i>Improvements to IPSAS 23 – Non-Exchange Revenues,</i>              | 004, 007, 008, 009, 010, 014, 016, 017, 022, 023, 024, 026, 027, 028, 030, 031, 032          | 17           |
| <i>Leases IPSAS 13</i>  | 018, 027, 028, 029, 032  | 5            |
| <i>Presentation of Financial Statements (IPSAS 1</i>                  | 011, 019, 022, 031, 032  | 5            |
| <i>Related Party Transactions IPSAS 20</i>                            | 014, 030, 031, 032   | 4            |
| <i>Revenue IPSAS 9</i>  | 007, 014, 019, 023, 026, 031, 032  | 7            |
| <i>Segment Reporting IPSAS 18,</i>                                    | 011, 014, 018, 019, 031, 032   | 6            |

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|  |                    |   |
|--|--------------------|---|
| <b>Projects to converge with IFRS</b>  |                    |   |
| <i>Extractive Industries (IFRS 6 interim standard but no comparable IPSAS)</i>                       |                    |   |
| <i>Insurance Contracts (IFRS 4 interim standard but no comparable IPSAS)</i>                         |                    |   |
| <i>Non-current Assets Held for Sale and Discontinued Operations (IFRS 5 but no comparable IPSAS)</i> | 014                | 1 |
| <i>Rate Regulated Industries</i>   |                    |   |
| <b>Other Projects</b>  |                    |   |
| <i>Differential Reporting</i>  | 010, 011, 018, 019 | 4 |
| <i>Integrated Reporting</i>  | 029                | 1 |
| <i>Interim Financial Reporting</i>   |                    |   |
| <b>Projects not on list</b>  |                    |   |
| <i>Disclosure initiative</i>   | 007                | 1 |
| <i>Insurance – self-insurance vs externally sourced insurance</i>                                    | 008                | 1 |
| <i>XBRL</i>  | 017                | 1 |

**Appendix C Assessment of Potential Projects Based on Key Factors**

| <b>Project</b>  | <b>Significance for the public sector</b>  | <b>Urgency of the issue</b>   | <b>Gaps in standards</b>   | <b>IFRS convergence</b> | <b>Alignment with GFS</b>   |
|---|--|---|--|-------------------------|---|
| <b>Projects to Address Public Sector Specific Issues</b>              |  |   |  |                         |   |
| <i>Biological assets held for the provision or supply of services</i> | Highly applicable in some jurisdictions – 2 respondents who favored it were from the same jurisdiction | Low - little call from respondents  | Yes - Biological assets for sale addressed but biological assets used in supply of services not addressed.                         | No                      | No  |
| <i>Heritage assets</i>  | Highly significant – relates to key characteristics  | Medium to high: Previous efforts to address were challenging and deferred due to development of CFW; with its completion this issue is more prominent; respondents prioritized it relatively highly | Yes – major public sector issue; IPSASs 17 & 31 do not require or prohibit recognition   | No                      | Yes   |
| <i>Infrastructure assets</i>  | Highly significant – relates to key characteristics  | High: While included in scope of IPSAS 17 concerns have been raised and respondents prioritized it reasonably high  | Possibly- IPSAS 17 includes infrastructure assets but responses indicate specific problems and lack of comparability in accounting | No                      | Yes   |
| <i>Intangible assets – public sector specific</i>                     | Applicable in some jurisdictions   | Low – IPSAS 31 exists; respondents prioritized it low   | Yes  | No                      | Treatment of R&D differs between GFS and IPSASs – opportunity for greater alignment |

| <b>Project</b>  | <b>Significance for the public sector</b>                                | <b>Urgency of the issue</b>   | <b>Gaps in standards</b>  | <b>IFRS convergence</b>           | <b>Alignment with GFS</b>                                  |
|---|--|---|---|-----------------------------------|--|
| <i>Measurement – public sector specific</i>               | Highly significant – relates to key characteristics                      | High: with completion of CFW a number of issues need addressing; number of respondents that selected it was reasonably high                 | Yes – completion of CFW raises issues in a number of IPSASs   | No                                | Project provides some opportunity to increase alignment    |
| <i>Military assets</i>                                    | Highly significant – relates to key characteristics                      | Medium to high: While included in scope of IPSAS 17 concerns have been raised and number of respondents who selected it was relatively high | Possibly- IPSAS 17 includes military assets but responses indicate lack of comparability in accounting and questions of whether IPSAS 12 more appropriate | No                                | Project provides some opportunity to increase alignment    |
| <i>Natural resources</i>                                  | Highly significant – relates to key characteristics                      | Low to medium: respondents selected it fewer times than other public sector specific assets   | Yes   | No                                | Project may provide some opportunity to increase alignment |
| <i>Non-exchange expenses</i>                              | Highly significant - relates to key characteristics                      | High: identified in previous consultation; project prioritized most frequently by respondents   | Yes   | No                                | Project provides some opportunity to increase alignment    |
| <i>Role of government as owner rather than government</i> | Highly applicable in some jurisdictions - relates to key characteristics | Low: relatively few respondents selected it; GBE project could change the priority  | Yes   | Possibly in the context of IAS 20 | No   |

| <b>Project</b>  | <b>Significance for the public sector</b>  | <b>Urgency of the issue</b>   | <b>Gaps in standards</b> | <b>IFRS convergence</b> | <b>Alignment with GFS</b>                               |
|---|--|---|--------------------------|-------------------------|---|
| <i>Sovereign powers and their impact on financial reporting</i> | Highly significant – relates to key characteristics                                  | Medium: respondents who selected this were fairly strong in their views; deferred due to CFW and with its completion urgency may be slightly higher | Yes                      | No                      | No  |
| <i>Trust funds</i>  | Highly applicable in some jurisdictions  | Low: few respondents prioritized though inconsistencies in practice could be an issue   | Yes                      | No                      | No  |
| <b>Projects to Maintain Existing IPSASs</b>                     |  |   |                          |                         |   |
| <i>Borrowing Costs IPSAS 5</i>                                  | Medium – IPSAS 5 was converged but responses to ED argued a public sector difference | Low to medium: relatively few respondents selected it; deferred due to CFW so urgency may have arisen slightly                                      | No                       | Yes                     | Project provides some opportunity to increase alignment |
| <i>Construction Contracts IPSAS 11</i>                          | Low - could be high volume but similar in nature to private sector                   | Low-medium: respondents did not prioritize but has some links to IPSAS 9 update and in the context of non-exchanges projects                        | No                       | Yes                     | No  |
| <i>Disclosure of Financial Information about GGS IPSAS 22</i>   | Highly significant   | Low: relatively few respondents selected it; not highly applied;  | No                       | No                      | Project provides some opportunity to increase alignment |
| <i>Employee Benefits IPSAS 25</i>                               | Highly significant – relates to key characteristics                                  | High: number of respondents that selected it was reasonably high;   | No                       | Yes                     | No  |

| <b>Project</b>   | <b>Significance for the public sector</b>  | <b>Urgency of the issue</b>   | <b>Gaps in standards</b>                              | <b>IFRS convergence</b> | <b>Alignment with GFS</b>                               |
|--|--|---|---|-------------------------|---|
| <i>Improvements to IPSAS 23 – Non-Exchange Revenues,</i> | Highly significant – relates to key characteristics                                    | High: was the second most prioritized project; with prominence in public sector and issues in applying respondents indicated this should be high priority to change | Possibly – some issues with IPSAS 23 have been raised | No                      | No  |
| <i>Leases IPSAS 13</i>                                   | Low – could be high volume but similar in nature to private sector                     | Low to medium: relatively few respondents selected it; volume of leases in public sector and significance of changes to related IFRS may increase urgency           | No  | Yes                     | No  |
| <i>Presentation of Financial Statements (IPSAS 1)</i>    | Medium – public sector differences   | Medium to high: relatively few respondents selected it; completion of CFW may increase urgency  | No  | Possibly                | Project provides some opportunity to increase alignment |
| <i>Related Party Transactions IPSAS 20</i>               | Medium – volume of related parties may be high depending on how defined                | Low: relatively few respondents selected it; divergence from related IFRS and volume in the public sector may increase urgency                                      | No  | Yes                     | No  |
| <i>Revenue IPSAS 9</i>                                   | Low – exchange revenues exist but of low reactive volume and similar to private sector | Medium: number of respondents that prioritized is in the midrange; opportunity to combine with non-exchange revenues may increase urgency                           | No  | Yes                     | No  |

| <b>Project</b>  | <b>Significance for the public sector</b>   | <b>Urgency of the issue</b>   | <b>Gaps in standards</b> | <b>IFRS convergence</b>   | <b>Alignment with GFS</b>                               |
|---|---|---|--------------------------|---|---|
| <i>Segment Reporting IPSAS 18,</i>  | Medium – current IPSAS 18 considered low in usefulness for public sector purposes | Low to medium: number of respondents who prioritized is low to medium; issues of lack of usefulness of existing IPSAS have arisen anecdotally and may increase urgency. | No                       | Possibly – current standard seen as not helpful for public sector but questions about whether IFRS 8 is readily transferable to public sector | Project provides some opportunity to increase alignment |
| <b>Projects to converge with IFRS</b>   |   |   |                          |   |   |
| <i>Extractive Industries (IFRS 6 interim standard but no comparable IPSAS)</i>                | Could be significant in certain jurisdictions                                     | Low: no call from respondents   | Yes                      | Yes   | No  |
| <i>Insurance Contracts (IFRS 4 interim standard but no comparable IPSAS)</i>                  | No  | Low: no call from respondents   | Yes                      | Yes   | No  |
| <i>Non-current Assets Held for Sale and Discontinued Ops (IFRS 5 but no comparable IPSAS)</i> | No  | Low: little call from respondents   | Yes                      | Yes   | No  |
| <i>Rate Regulated Industries</i>  | Could be significant in certain jurisdictions                                     | Low: no call from respondents   | Yes                      | Yes   | No  |
| <b>Other Projects</b>   |   |   |                          |   |   |
| <i>Differential Reporting</i>   | Significant -size of governments; different threshold from private sector         | Low: some call from respondents but overall low; private sector threshold of “not publicly accountable” challenging in public sector                                    | Yes                      | No  | No  |

| <b>Project</b>  | <b>Significance for the public sector</b>              | <b>Urgency of the issue</b>        | <b>Gaps in standards</b> | <b>IFRS convergence</b>  | <b>Alignment with GFS</b> |
|---|--|------------------------------------|--------------------------|--------------------------|---------------------------|
| <i>Integrated Reporting</i>                                       | Significant in terms of reporting needs                | Low: little call from respondents  | Yes                      | No                       | No                        |
| <i>Interim Financial Reporting</i>                                | No   | Low: no call from respondents      | Yes                      | Yes                      | No                        |
| <b>Projects not on list</b>                                       |  |                                    |                          |                          |                           |
| <i>Disclosure initiative</i>                                      | Significant issue for public sector and private sector | Low: little call from respondents  | Yes                      | Possibly for some IPSASs | No                        |
| <i>Insurance – self-insurance vs externally sourced insurance</i> | Could be significant in some jurisdictions             | Low: little call from respondents  | Yes                      | No                       | No                        |
| <i>XBRL</i>   | Not currently  | Low: little call from respondents; | Yes                      | Possibly                 | No                        |