

Meeting: IPSASB Consultative Advisory Group

Meeting Location: Toronto, Canada

Meeting Date: December 4, 2023

Agenda Item **3**

For:

Approval

Discussion

Information

PROGRAM AND TECHNICAL DIRECTOR’S REPORT

Project summary	The purpose of this session is to receive updates on changes on the work program.	
Meeting objectives	Topic	Agenda Item
Discussion items	Update on IPSASB Work Program	3.1
Other supporting items	IPSASB Work Program: December 2023	3.2.1
	Advancing Public Sector Sustainability Reporting June 2023—Report Back	3.2.2
	Natural Resources June 2023—Report Back	3.2.3
	Presentation of Financial Statements June 2023—Report Back	3.2.4
	Strategy and Work Program 2024-2028 July 2023—Report Back	3.2.5

Update on IPSASB Work Program

Purpose

1. To receive the Program and Technical Director's report on the work program and other activities, including key changes since June 2023.

Program and Technical Director's Report

Work Program Updates

2. Staff highlights the following approvals of IPSAS pronouncements and consultations since the June 2023 CAG meeting:
 - (a) The IPSASB approved [IPSAS 49, Retirement Benefit Plans](#). IPSAS 49 was published on November 7, 2023.
 - (b) The IPSASB approved the [2024-2028 Strategy and Work Program Consultation](#) (Strategy Consultation), and it was published on October 3, 2023 and is open for comment until February 15, 2024. The IPSASB commenced a significant program of outreach in Q4 2023 which will continue through Q1 2024 to engage with constituents by working with hosts to hold regional roundtables in areas with increasing IPSAS adoption and implementation. The regional roundtables are important to engage and receive direct feedback on the proposals in the Strategy Consultation.
 - (c) [ED 85, Improvements to IPSAS 2023](#) was published on October 16, 2023 with a comment period until December 18, 2023.
3. The [Conceptual Framework Update: Chapter 3, Qualitative Characteristics](#) was published on October 11, 2023. This completes the limited-scope update of the Conceptual Framework. IPSASB staff are currently working to integrate all of the updated chapters, after which the full revised 2023 Conceptual Framework will be published. This should be published by the end of 2023.
4. At the September 2023 the IPSASB agreed that practical support material would be developed by working with a strategic partner organization, rather than adopting a standard-setting solution related to its Differential Reporting project. IPSASB staff have prepared a feedback statement to communicate the IPSASB decision, which be discussed by the IPSASB at its December 2023 meeting.
5. The following updates are provided for CAG member information on key IPSASB projects:
 - (a) **Sustainability Reporting.** The IPSASB approved the project brief for its [Climate-related Disclosures project](#) in June 2023. During Q4 2023 the IPSASB took several steps to get started developing its Climate-related Disclosures project, including setting up the institutional arrangements to allow it to develop sustainability standards, including:
 - (i) the first Sustainability Reference Group (SRG) meeting was held on October 4, 2023. The SRG is comprised of experts from various international organizations which bring different areas of sustainability expertise and perspectives to the group that will provide the IPSASB with sustainability expertise and advice.

- (ii) The Climate Topic Working Group (CTWG) of experts was also established and met twice in Q4 2023 to review, and input on the recommendations, being brought for IPSASB consideration at the December 2023 meeting.
 - (iii) The IPSASB has received several sustainability education sessions during its September 2023 meeting in Zurich Switzerland and during its October 26, 2023 Check-in Meeting. During these sessions the board has received background information and advice from other international, regional and national standards setters, and other experts related to both conceptual and practical issues related to sustainability reporting, and in particular Climate Reporting.
- (b) **Presentation of Financial Statements.** At its meeting in September 2023 the IPSASB approved the project brief for this project to update IPSAS 1, *Presentation of Financial Statements*. CAG members input into the development of the project brief and will be consulted on issues related to the developing Consultation Paper during Agenda Item 4 at the CAG December 2023 meeting.
- (c) **Natural Resources.** The IPSASB continues its development of an ED on accounting for natural resources in financial statements, and to also develop separate EDs on accounting for the costs of exploration for and evaluation of mineral resources (aligned with IFRS 6, *Exploration for and Evaluation of Mineral Resources* and IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*). The IPSASB will further consider the project timelines and issues to be addressed at its December 2023 meeting. CAG members will be consulted on issues related to the main Natural Resources project during Agenda Item 5 at the CAG December 2023 meeting.
- (d) **Measurement–Application Phase.** This is a continuation of the measurement project following the approval of IPSAS 46, *Measurement*. The objective for this phase of the project is to consider applicability of current operational value (new public sector measurement concept) across the suite of IPSAS to determine where additional amendments should be proposed. The CAG has provided advice to the IPSASB on the measurement at each major phase of the project. The IPSASB aims is to approve and ED in March 2024. CAG members will be consulted on issues related to this project during Agenda Item 6 at the CAG December 2023 meeting.
6. The IPSASB will review the work program included in [Agenda Item 3.2.1](#) at its upcoming December 2023 meeting.

Agenda Item 3.2.1

IPSASB WORK PROGRAM THRU 2025: DECEMBER 2023

Project	Meetings								
	Dec 2023 (CAG)	Mar 2024	Jun 2024 (CAG)	Sep 2024	Dec 2024 (CAG)	Mar 2025	Jun 2025 (CAG)	Sep 2025	Dec 2025 (CAG)
Standard Setting Projects									
Sustainability: Climate-Related Disclosures	DI	DI/ED	DI/ED	ED	RR/DI	RR/DI	RR/DI	IP	
Measurement—Application Phase	DI	ED		RR/DI	RR/IP	IP			
Other Lease-Type Arrangements	RR/IP	IP							
Natural Resources	DI/ED	ED			RR	RR/IP	RR/IP	IP	
Natural Resources-IFRS 6 Alignment	ED				RR	IP			
Presentation of Financial Statements	DI/CP	DI/CP	DI/CP	DI/CP	DI/CP	DI/CP	CP		RR
Improvements ¹		IP	ED		IP	ED		IP	
IFRIC Alignment – Narrow Scope Amendments	DI/ED	ED			RR/IP				
Other Projects and Initiatives									
Strategy and Work Program 2024—2028			RR/DI	SWP					
Advancing Public Sector Sustainability Reporting: I) General Requirements for Disclosure of Sustainability-related Information II) Natural Resources-Non-Financial Disclosures	RS								
IPSAS 33—Limited Scope Update	RS								
IPSASB Handbook	Publish		Publish				Publish		

¹ The proposals related to the IFRIC Alignment – Narrow Scope Amendments project will be exposed as part of the Improvements ED in Q3 2024.

Legend:

DI = Discussion of Issues; RR = Review Responses; CAG = Discussion of Issue with CAG

PB = Approval of Project Brief

SWP = Approval of Strategy and Work Program

CP = Approval of Consultation Paper

PCP = Planned Consultation Period

ED = Approval of Exposure Draft

RS = Initial Project Research and Scoping Activities

IP = Approval of Final Standard or Amendments to IPSAS

Project Management—Outputs:

Ongoing/Recent Consultations:

ED 85, *Improvements to IPSAS 2023*

Strategy and Work Program 2024-2028 Consultation

PROJECTS COMPLETED AND/OR PUBLISHED DURING 2019-2023 STRATEGY AND WORK PROGRAM PERIOD

Project	Date Issued	Effective Date
IPSAS 49, <i>Retirement Benefit Plans</i>	November 2023	January 1, 2026
Conceptual Framework Update—Chapter 3, <i>Qualitative Characteristics</i>	October 2023	N/A ¹
<i>Reporting Sustainability Program Information—Amendments to RPGs 1 and 3: Additional Non-Authoritative Guidance</i>	May 2023	N/A ²
IPSAS 48, <i>Transfer Expenses</i>	May 2023	January 1, 2026
IPSAS 47, <i>Revenue</i>	May 2023	January 1, 2026
IPSAS 46, <i>Measurement</i>	May 2023	January 1, 2025
IPSAS 45, <i>Property, Plant, and Equipment</i>	May 2023	January 1, 2025
Conceptual Framework Update—Chapter 5, <i>Elements in Financial Statements</i>	May 2023	N/A ¹
Conceptual Framework Update—Chapter 7, <i>Measurement of Assets and Liabilities in Financial Statements</i>	May 2023	N/A ¹
IPSAS 44, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	May 2022	January 1, 2025
IPSAS 43, <i>Leases</i>	January 2022	January 1, 2025
<i>Improvements to IPSAS, 2021</i>	January 2022	January 1, 2023
<i>Amendments to IPSAS 5, Borrowing Costs—Non-Authoritative Guidance</i>	November 2021	N/A ¹
<i>Non-Authoritative Amendments to IPSAS 41, Financial Instruments</i>	December 2020	January 1, 2023
<i>COVID-19: Deferral of Effective Dates</i>	November 2020	January 1, 2023
<i>Collective and Individual Services, (Amendments to IPSAS 19)</i>	January 2020	January 1, 2023
<i>Improvements to IPSAS, 2019</i>	January 2020	January 1, 2022
IPSAS 42, <i>Social Benefits</i>	January 2019	January 1, 2022

² These pronouncements or amendments do not have an effective date because they are amendments to non-authoritative parts of an IPSAS, or are amendments to the non-mandatory Recommended Practice Guidelines which do not have effective dates.

Project	Date Issued	Effective Date
<i>Amendments to IPSAS 36, Investments in Associates and Joint Ventures, and IPSAS 41, Financial Instruments</i>	January 2019	January 1, 2022

Status of Application of Due Process – December 2023

APPENDIX A

PROJECT	DUE PROCESS ELEMENTS (✓ = ELEMENT COMPLETE)					ANTICIPATED FINAL APPROVAL	
	A. PROJECT COMMENCEMENT	B. DEVELOPMENT OF STANDARD		C. PUBLIC EXPOSURE	D. EXPOSURE COMMENTS CONSIDERED		E. APPROVAL
		CP PHASE (IF APPLICABLE)	ED PHASE				
Revenue	✓	✓	✓	✓	✓	✓	Approved March 2023
Transfer Expenses	✓	✓	✓	✓	✓	✓	Approved March 2023
Conceptual Framework Update—Chapter 5, Elements in Financial Statements	✓	N/A	✓	✓	✓	✓	Approved March 2023
Conceptual Framework Update—Chapter 3, Qualitative Characteristics	✓	N/A	✓	✓	✓	✓	Approved June 2023
Measurement	✓	✓	✓	✓	✓	✓	Approved March 2023
Retirement Benefit Plans	✓	N/A	✓	✓	✓	✓	Approved September 2023
Other Lease-type arrangements [Public sector specific]	✓	N/A	✓	✓	✓	ONGOING	March 2024
Measurement—Application Phase	✓	✓	ONGOING				March 2025
Natural Resources	✓	✓	ONGOING				March 2025
Natural Resources – IFRS 6 Alignment Project	✓	✓	ONGOING				March 2025
Sustainability-Climate-related Disclosures	✓	N/A	ONGOING				September 2025

Status of Application of Due Process – December 2023

APPENDIX A

PROJECT	DUE PROCESS ELEMENTS (✓ = ELEMENT COMPLETE)					ANTICIPATED FINAL APPROVAL	
	A. PROJECT COMMENCEMENT	B. DEVELOPMENT OF STANDARD		C. PUBLIC EXPOSURE	D. EXPOSURE COMMENTS CONSIDERED		E. APPROVAL
		CP PHASE (IF APPLICABLE)	ED PHASE				
Presentation of Financial Statements	✓	ONGOING				December 2027	
Advancing Public Sector Sustainability (General Disclosures & Natural Resources/Biodiversity projects)	ONGOING					To be decided in 2024	

N/A – Consultation Paper (CP) phase is not a required due process element, IPSASB determines on a project-by-project basis whether a CP is needed.

Overview of Due Process steps:

A. Project Commencement—due process step complete when project proposal (project brief) approved.

B. Development of Standard—due process step complete when exposure draft approved for public exposure.

C. Public Exposure—due process step complete when exposure draft comment period ends and comments received publicly posted on IPSASB website.

D. Consideration of Exposure Comments—due process step complete when significant issues raised on exposure have been deliberated by IPSASB.

E. Approval—due process step complete after board approval of final standard, considered the need for re-exposure, agreed the basis for conclusions and set an effective date for the standard.

Advancing Public Sector Sustainability Reporting–June 2023 Report Back

June 2023 CAG Discussions

1. Extracts from the draft minutes of the June 2023 CAG and how the IPSASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
June 2023 CAG Meeting Comments	
<p>IPSASB Director, Dave Warren, informed the CAG that the IPSASB's sustainability reporting guidance will leverage international sustainability guidance and be guided by the IPSASB's Conceptual Framework. Mr. Warren also introduced the Climate-Related Disclosures project brief and thanked CAG members for their feedback through the various stages of this project, which have helped shape the project brief.</p> <p>Mr. Warren asked whether CAG members see any issues that the IPSASB should consider including in the draft Climate-related Disclosures project brief.</p>	
<p>The CAG members commented as follows:</p>	
<p>1. Mr. Gisby advised that "risk management" (outside-in approach), should be broadened to "risk and impact management" (both inside-out, and outside-in). He noted that the project brief is well-thought out, but asked whether the IPSASB intends to get secondments or other resources and build sufficient capacity to execute the project. Mr. Gisby also encouraged the IPSASB to engage with and/or ask for a presentation from EFRAG (European Financial Reporting Advisory Group), GRI and the ISSB, to better understand the interoperability of their standards, and how they've collaborated in this space, as the IPSASB proceeds with its sustainability work.</p>	<p>The advice from CAG members was reflected in key issue #4 of the Climate-related project brief to broaden for "Risk and Impact Management".</p> <p>Mr. Smith responded that the IPSASB acknowledges the substantial amount of work required to develop climate-related disclosures, and is actively seeking funding and resource support. He highlighted that the IPSASB is open to secondments and is looking to set up a Climate Topic Working Group and a Sustainability Reference Group.</p> <p>The IPSASB received presentations from several bodies, including NZ XRB staff, EFRAG, GRI and the ISSB – at its September 2023 meeting and October 2023 check in.</p>

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Representatives' and Observers' Comments	IPSASB Response
<p>2. Mr. Williamson noted that the World Bank fundamentally supports the IPSASB's project. He stressed that risk adaptation and mitigation are both crucial, and the importance of risk adaptation should be similarly highlighted in the project brief. He advised the IPSASB to consider balancing metrics, and how to quantify the risks of exposure, and potential burdens and costs of climate change, particularly on low-income countries.</p>	<p>The advice from CAG members is reflected in key issue #3 of the Climate-related project brief.</p>
<p>3. Ms. Dar asked why the IPSASB decided not to proceed with the other projects concurrently, particularly with general requirements for disclosing sustainability related financial information. She advised that the IPSASB consider the importance of materiality and the location of financial information, given the wide spectrum of users of such information. Ms. Dar noted that entities may be at varying starting points using existing guidance, and asked whether the IPSASB's proposed standards will be complementary with other standards and frameworks (such as the Task Force on Climate-Related Financial Disclosures (TCFD)).</p>	<p>Mr. Smith responded that the IPSASB decided to take three projects forward and are prioritizing climate-related disclosures until more resources are secured. He noted that the IPSASB intends to leverage the ISSB's guidance, which encompasses the requirements of the TCFD guidance.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>4. Ms. Stachniak encouraged the IPSASB to give more prominence to certain topics, clarify how it intends to undertake the other two projects (general disclosures and biodiversity), and consider differing perspectives from various reporting entities. She noted that it is difficult to set guidance for climate-related disclosures without first having guidance for general disclosures. Ms. Stachniak advised the IPSASB consider how public sector specificities may impact the prominence and sensitivity of specific metrics, such as the impact of a government's sustainability policy on the decision making of an individual entity versus the whole of government. She echoed other members' comments on encouraging adoption of the IPSASB's future standard, and suggested that the IPSASB begin collaborating with other standard setters in encouraging adoption before the standard is completed.</p>	<p>Mr. Carruthers agreed that it is important the IPSASB work with other standard setters and to align where appropriate, and reflected on the positive engagement with GRI and ISSB to date. He noted that the IPSASB intends to realistically face the challenge of addressing the public sector's call to action with limited resources and, similar to the ISSB's approach. Mr. Carruthers noted that the issuance of climate-related disclosures may encourage organizations and entities to support further sustainability standard setting development. He thanked CAG members for their patience as the IPSASB proceeds under its current constraints, and for the ongoing support and useful feedback.</p> <p>Points raised were noted by IPSASB staff and will be considered as the project progresses.</p>
<p>5. Ms. Aldea Busquets agreed that it is better to have something in lieu of waiting for perfect standards, and also urged the IPSASB to explicitly acknowledge that some topics will be addressed in the future. She noted that she supports the IPSASB taking on the development of public sector sustainability guidance, and cautioned the IPSASB not to underestimate the challenges of setting public sector sustainability standards, as the scope is broader than the private sector (including investments and legislation).</p>	<p>This point was noted by IPSASB staff and will be considered as the project progresses.</p> <p>The project brief reflects stakeholders input that guidance was urgently needed. The project brief proposes a timeline that reflects the immediate need for public sector guidance, while taking into account the challenges that exist.</p>

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Representatives' and Observers' Comments	IPSASB Response
<p>6. Ms. Sanderson agreed with moving quickly. She advised the IPSASB to identify differences between the public sector and private sector, and between public sector entities, to clearly communicate its intended approach, output, expected expertise needs, and use terminology that is understandable by non-accountants. She asked whether the expected output of the project is a separate report or part of the general purpose financial reports. She suggested consideration for the applicability of the terms 'inside-out' and outside-in' for different levels of government.</p>	<p>This point was noted by IPSASB staff and will be considered as the project progresses.</p>
<p>7. Mr. Simpson agreed the terminology used should be understandable by a wide audience, and encouraged the IPSASB to clarify the meaning of "opportunities" in the public sector. He advised the IPSASB revisit Section 3, which highlights the "outside in" approach only to conclude 'inside out' is particularly relevant in the public sector. He also advised the IPSASB consider reordering the objectives in section 5.1.</p>	<p>This point was noted by IPSASB staff and is being considered at the December 2023 and March 2024 meetings in the context of impacts, and risks and opportunities.</p>
<p>8. Ms. Colignon advised the IPSASB further emphasize connectivity in the project brief, and highlight how it intends to bridge the gap between financial reporting and sustainability reporting (specifically the differences in their frameworks and the double materiality concept). She asked whether stress testing in the financial sector could be a model to help identify risks and opportunities and provide guidance to bridge the gap.</p>	<p>Mr. Carruthers agreed that it is important to establish the linkage between financial and sustainability reporting information and that was the driver behind the IPSASB's recent additional guidance, Reporting Sustainability Program Information. The IPSASB is establishing connectivity and interoperability by working with GRI, which has a broad set of standards split by topics, and using a single Board (IPSASB) for both financial and sustainability reporting.</p>
<p>9. Mr. Zhang suggested the IPSASB join with other international standard setters and clarify its role in sustainability reporting. He noted that while sustainability reporting is non-financial, information related to governance, social and environmental performances should still be linked to financial information, and climate reporting and financial reporting should complement each other.</p>	<p>See response to point #8.</p>

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Representatives' and Observers' Comments	IPSASB Response
10. Mr. van Schaik asked if the IPSASB could be more specific on whether the output would be authoritative or non-authoritative guidance, and by industry or sectors. A clear output will help determine whether the objective is met.	The IPSASB decided when approving its project brief that it will develop IPSASB Sustainability Reporting Standards which will be authoritative.
11. Mr. Close asked the IPSASB to consider whether the proposed metrics should also focus on targets to address the forward-looking nature of sustainability reporting. He advised the IPSASB consider whether the project brief should more explicitly consider greenwashing, given its significant risks.	This point was noted by IPSASB staff and will be considered as the project progresses.

Matters for CAG Consideration

2. Representatives and Observers are asked to note the Report Back above.

Natural Resources–June 2022 Report Back

June 2023 CAG Discussions

1. Extracts from the draft minutes of the December 2022 CAG and how the IPSASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
June 2023 CAG Meeting Comments	
<p>IPSASB Principal, Edwin Ng, introduced the Agenda Item and provided a summary of the progress on the Natural Resources project since it was last discussed by the CAG. Mr. Ng highlighted key feedback received in response to the Consultation Paper, <i>Natural Resources</i>, particularly around whether a resource is in its natural state, and the overall scope of the project. The IPSASB will be reviewing staff's proposed definition of "natural resources" at its June 2023 meeting.</p> <p>Mr. Ng asked CAG members to consider the following questions:</p> <ul style="list-style-type: none"> • Question 1 – Do CAG members have advice on how the IPSASB should move forward on the definition of natural resources, and thus the scope of the project? • Question 2 – Do CAG members foresee any specific challenges with the proposed clarification that a naturally occurring item can only be considered a resource if it is readily accessible and currently capable of being used in a service delivery program, used in production and/or sale of services, or exchanged for cash or other resources? 	
<p>The CAG members commented on Question 1 as follows:</p>	
<p>1. Mr. Müller-Marqués Berger encouraged the IPSASB to consider whether incorporating the Conceptual Framework's definition of a "resource" in the proposed ED is necessary and whether making the definition authoritative impacts other IPSAS.</p>	<p>The ED was revised to exclude the definition of a "resource". At the September 2023 IPSASB meeting, the concept of embodying service potential or the capability to generate economic benefits was incorporated directly into the revised definition of "natural resources".</p>
<p>2. Mr. van Schaik inquired whether the IPSASB considered leveraging the definition of "non-produced assets" as used in Government Finance Statistics (GFS).</p>	<p>Mr. Ng responded in-session that the IPSASB had considered but decided not to leverage the GFS term and definition because it appeared to be narrower than intended in the proposed IPSAS guidance and was more rules-based than principles-based.</p>
<p>3. Ms. Sanderson requested clarification of the definition of "resource", and whether the intention is for the ability to generate economic benefits to be direct, rather than indirect.</p>	<p>Mr. Ng responded in-session that the intention and interpretation of the existing definition in the Conceptual Framework is that there is a direct link to economic benefits.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>4. Mr. Simpson advised the IPSASB to clarify the proposed definition as it focuses on what a natural resource is not, rather than what it is. He noted that 'natural resources' is a broad concept, and a more focused definition would be beneficial.</p>	<p>The definition was revised at the September 2023 IPSASB meeting so that it positively identifies items that are considered a natural resource.</p>
<p>5. Mr. Gisby agreed that the use of human intervention is confusing. He advised the IPSASB to clarify the objective of the proposed standard (e.g., whether it is intended to be a residual standard for assets not in scope of other standards, or to ensure public sector entities are or are not recognizing such assets on their balance sheets). This would also help clarify the scope of the proposed standard.</p>	<p>The issue of human intervention was discussed at the June 2023 IPSASB meeting, and the revised definition and ED will no longer refer to the concept. The objective of the ED was also revised to address the accounting of natural resources which meet the definition of an asset, regardless of whether they are already within the scope of an existing IPSAS.</p>
<p>6. Mr. Close echoed comments made by other members and advised that the IPSASB further consider whether entities would be able to reasonably estimate the quantity and value of these resources and to better clarify the objective and intention of the proposed standard.</p>	<p>Mr. Carruthers clarified in-session that the proposed natural resources standard is part of a wider initiative related to sustainability reporting and is intended to present clear accounting principles for public sector entities to consider whether their resources meet the definition and recognition criteria to be presented in its financial statements. He acknowledged and agreed that the IPSASB will need to clearly communicate the intention of the proposed standard, remain consistent with the Conceptual Framework, and ensure the proposed accounting principles are clear and appropriate.</p>
<p>7. Mr. Müller-Marqués Berger recalled similar challenges and lessons learned from the Heritage project, as heritage items were previously undefined. He advised the IPSASB to apply the learnings from that project by considering (1) what is the intended purpose of accounting for natural resources on the financial statements and (2) what characteristics make it relevant to present on the financial statements.</p>	<p>See response #5. The definition and objective of the ED was discussed and revised at the June 2023 IPSASB meeting.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>8. Mr. Williamson advised the IPSASB consider providing illustrative examples or lists of considerations to better illustrate what would meet the definition of a natural resource.</p>	<p>Mr. Ng responded in-session that the IPSASB decided against developing a list of considerations to ensure that core guidance remains principle based. He agreed that adding non-authoritative guidance (such as illustrative examples to illustrate what may or may not meet the proposed definition of a "natural resource" or implementation guidance to highlight potential indicators) may be helpful.</p>
<p>The CAG members commented on Question 2 as follows:</p>	
<p>9. Ms. Sanderson advised the IPSASB to clearly communicate the objective of the project, why this is an important topic in the public sector and better addressed with a new standard as opposed to updating existing standards.</p>	<p>Mr. Smith reflected in-session that the natural resources project was first proposed as part of the last Strategy and Work Program Consultation in 2017 because GFS requires recognition of natural resources, and the International Monetary Fund had issued a fiscal monitoring document focused on a balance sheet approach which indicated that natural resources comprise a large source of income for certain jurisdictions. This space has evolved considerably as sustainability reporting has become a more prominent focus in both the private and public sectors.</p>
<p>10. Ms. Dar emphasized that "what gets recorded gets managed". She advised the IPSASB to reconsider valuation as this is a crucial component to record an asset. Ensuring an entity has all the measurement tools available will better support accountability in the global public sector.</p>	<p>Mr. Carruthers agreed in-session that the IPSASB will need to further consider clarifying scoping between the IPSAS, and whether clearer signposting or additional examples and guidance may be useful to add to existing IPSAS.</p>
<p>11. Ms. Weinberg advised the IPSASB to consider the negative implication of allowing a public sector entity to recognize natural resources. For example, a government entity may sell a portion of a national park to record revenue but may not offset the associated costs to future generations. Ms. Weinberg advise the IPSASB to pursue a balanced approach.</p>	<p>The ED proposes to require the disclosure of the sale of recognized natural resources. Separate disclosures are also proposed for natural resources which meet the definition of an asset but cannot be recognized because they cannot be reliably measured.</p>

Matters for CAG Consideration

2. Representatives and Observers are asked to note the Report Back.

Presentation of Financial Statements – June 2023 Report Back

June 2023 CAG Discussions

1. Extracts from the draft minutes of the June 2023 CAG and how the IPSASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	IPSASB Response
June 2023 CAG Meeting Comments	
<p>IPSASB Principal, João Carlos Fonseca, introduced the project on Presentation of Financial Statements, which was added to the IPSASB Work Program after the 2021 Mid-Period Consultation. Mr. Fonseca noted the project is in its initial scoping phase, and will take into account the IPSASB Conceptual Framework, IFRS alignment, GFS alignment, and users' needs. During the presentation, Mr. Fonseca summarized proposals on the project scope, and proposed developing a topic-based consultation paper.</p> <p>Mr. Fonseca asked CAG members to consider the following questions:</p> <ul style="list-style-type: none"> • Question 1 – In addition to the sources identified, are there other sources the IPSASB should consider when enhancing how information is communicated in financial statements? • Question 2 – Considering the resource constraints and the multiple perspectives on each topic, what is the CAG advice to manage and balance the constituents' views within the project scope? • Question 3 – Does the CAG see any issues with the suggested approach? Are there aspects of an illustrative Exposure Draft (Illustrative ED) the IPSASB should consider enhancing the responses to the Consultation Paper (CP)? 	
<p>The CAG members commented on Question 1 as follows:</p>	
<p>1. Mr. Van Schaik advised the IPSASB to use national standard setters' projects as a source of information, such as Canada's net worth structure or Tanzania's presentation of assets by liquidity.</p>	<p>This point is noted, and the project will consider public sector reporting models from national standards when relevant.</p>
<p>2. Ms. Dar advised the IPSASB consider the Canadian Public Sector Accounting Standard Section 1202, <i>Financial Statement Presentation</i>, which had a complementary project objective as the IPSASB's.</p>	<p>The IPSASB has received direct presentations from the Chair and staff of the Canadian Public Sector Accounting Board on the history of the project to update its reporting model and the unique presentation aspects of the Canadian model.</p>

Representatives' and Observers' Comments	IPSASB Response
3. Ms. Sanderson emphasized that user needs must be clearly identified, and advised the IPSASB consider whether 'user needs' should be clarified or modified.	Mr. Smith responded that the IPSASB's Conceptual Framework already defines the users of financial statements and this should be the starting point.
4. Ms. Colignon recommended the IPSASB consider taking into account integrated reporting, given the emergence of sustainability reporting, and the need to explore the dividing line between the presentation of financial reporting and presentation of sustainability reporting.	The IPSASB agreed the project scope when it approved the project brief is to update IPSAS 1. The focus of the project will be on presentation in general purposes financial statements, informed by the IPSASB Conceptual Framework and other relevant developments in presentation frameworks internationally.
5. Mr. Zhang advised the IPSASB to consider the UK auditing standards, which assists auditors considering management's assessment of going concern and respective financial statement information, as another source of information. He also encouraged the IPSASB to consider IAASB's ISA 315, <i>Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment</i> , which highlights new inherent risks and "big data" risks and how to assess them.	This point is noted by staff, and will be considered when audit issues are considered in the development of this project to revise IPSAS 1.
6. Ms. Weinberg encouraged the IPSASB to be as aligned as possible with existing standards. Minimizing differences between frameworks would better support the understandability of financial reporting and avoid confusion.	This point is noted by staff. The approved project brief highlights the links to existing and developing standards that will be considered.
7. Mr. Simpson asked whether financial reporting can be modernized using technology and other formats of reporting, e.g., XBRL, and if this has any implications for the standards.	Mr. Carruthers responded in session that the application of technology to enhance reporting and help with the access of financial reporting and related information was important. However, such issues relate to the implementation of standards, and the project to develop a revised IPSAS 1 standard is about the principles for reporting information in financial statements.

Representatives' and Observers' Comments	IPSASB Response
<p>8. Mr. Williamson emphasized that budgets are typically used for decision making. He suggested that financial statements should reflect delivery on policies (i.e., macro/fiscal, debt, budget, regulation, and development). This would provide useful information for decision-making by various non-accountant users, such as those responsible for policy delivery internally, and those in parliament and other external users (e.g., the bond market).</p>	<p>This point is noted by staff and is consistent with the project direction agreed in the IPSASB project brief that will consider different reporting models in the CP, including those related to statistical reporting and potential links to using financial accounting information as an input to decision making, including as an input for budget processes.</p>
<p>9. Mr. Van Schaik strongly disagreed with the exclusion of budget information, which should be essential to the financial reporting project.</p>	<p>Mr. Smith responded that the IPSASB already have separate Standards, IPSAS 22, <i>Disclosures of Financial Information about the General Government Sector</i>, and IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i>. Given the available resources, the scope of the Presentation of Financial Statements project is proposed to deliver a pronouncement in a timely manner and exclude budget information.</p>
<p>10. Ms. Weinberg highlighted that it is important that accounting information provide useful information for decision making. She noted that the largest decisions made by governments relate to budgets. Ms. Weinberg shared that in December 2022, the US passed the Financial Data Transparency Act which requires state and local governments to have machine-readable data available. Entities will need to develop the appropriate taxonomy.</p>	<p>Mr. Carruthers noted that budgeting is jurisdictional-specific and can vary substantially. The boundary and rules for budgeting likely differ from consolidation principles under IPSAS. There are practical differences, for example around fiscal rules. However, from an international standard setting perspective, the IPSASB will need to focus on principles, rather than rules, to acknowledge that diversity and tackle the challenge in creating a bridge between accounting and budget information at the international level.</p>
<p>The CAG members commented on Question 2 as follows:</p>	

Representatives' and Observers' Comments	IPSASB Response
<p>11. Mr. Gisby noted that the project scope is the key issue and supports alignment with existing standards. He recommended the IPSASB carve out user needs as a separate project to avoid extending the scope of the Presentation of Financial Statements project.</p>	<p>The IPSASB confirmed the scope of the project in the approved project brief is to update IPSAS 1, <i>Presentation of Financial Statements</i>.</p>
<p>12. Mr. Müller-Marqués Berger asked whether the IPSASB is clear about constituents' views and information needs. The EPSAS project on presentation of financial statements considered an adapted Other Comprehensive Income, which prompted a significant discussion.</p>	<p>The IPSASB confirmed the scope of the project in the approved project brief is to update IPSAS 1, <i>Presentation of Financial Statements</i>. This will include consideration of developments in the private sector and concepts not yet included in IPSAS, such as whether Other Comprehensive Income or a similar concept should be included in a future IPSAS replacing IPSAS 1.</p>
<p>13. Ms. Stachniak asked whether the scope limitation is due to the noted resource constraints and whether the project will align with or be based on the Conceptual Framework.</p>	<p>Mr. Smith responded that IPSAS 1 needs to be reviewed, as it has not been updated to consider concepts related to presentation in the Conceptual Framework or developments in IFRS. Mr. Smith confirmed the IPSASB emphasized the need to have well-defined project scope to enhance the project's feasibility to ensure the project was achievable in a reasonable time period.</p>
<p>14. Mr. Williamson agreed with other member comments that budget reporting should be part of the core financial statements. Such information greatly affects decisions, but is not currently presented using accrual principles for macro-economic or fiscal policy matters.</p>	<p>Mr. Carruthers responded that the IPSASB may need to consider the role of government in the bond market and the effect on the market's information needs, but may not be able to prescribe presentation of budget information at an international level. Budgets processes are unique to national jurisdictions.</p> <p>Mr. Smith reminded CAG members that entities should apply IPSAS 24, and analysis would need to be conducted to determine whether any identified application issues relate to, or are separate from, IPSAS 1.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>15. Mr. Melo advised the IPSASB to determine why governments are not using accrual-based financial statements for decision making to identify what information users find useful. The outputs of this project may assist with providing that information, and may compel governments to use and apply accrual accounting.</p>	<p>This point is noted by staff, and will be considered when discussing developments related to accrual financial reporting with jurisdictions while this project progresses.</p>
<p>16. Ms. Aldea Busquets highlighted many decisions are made based on budgeting information. The increasing limitations of such information to inform decision making (e.g., relating to public debt, and contingent liabilities), drives greater demand and need for other sources of information. However, parliamentarians or politicians don't fully understand financial statements, and request other information. This project may be an opportunity to address some of these shortcomings.</p>	<p>See the response to comment #14.</p>
<p>17. Ms. Dar acknowledged the scope-creep concern and the exclusion of certain standards. However, she agrees that the IPSASB should consider including budget information, in the context of the Conceptual Framework, given its importance in the public sector.</p>	<p>The IPSASB reiterated when it approved the project brief for presentation of financial statements that it would focus its standard setting on accounting related matters. It further notes that guidance on presentation of budgets and linking to financial reporting is already included in IPSAS, with IPSAS 24.</p>
<p>18. Mr. Yousef agreed that this is an international project. He advised the IPSASB confirm they understand the users of the financial statements to ensure that information presented is useful for the intended audience.</p>	<p>See the response to comment #3.</p>
<p>19. Mr. Van Schaik noted that budget information should be reconciled with actual information, including cash flow information, but may differ in practice. He encouraged the IPSASB to consider his recent paper on this topic (Reconciliation of budgeting and accounting).</p>	<p>See the response to comment #17. The paper provided by Mr. Van Schaik has been noted by staff.</p>
<p>The CAG members commented on Question 3 as follows:</p>	

Representatives' and Observers' Comments	IPSASB Response
20. Mr. Gisby advised the IPSASB to reconsider this approach, as it may limit diversity in constituent responses on the preliminary views.	The IPSASB noted this concern, however, was not convinced that this would limit diversity of responses. The view of IPSASB is that including illustrative ED (models of what financial statements would look like) under different options in the CP, improves the accessibility and understanding of the different concepts being explored in the CP.
21. Ms. Colignon acknowledged that the Measurement project had provided an Illustrative ED as part of its CP, and that this approach worked well for a new standard. However, it was challenging for constituents to comment on an illustrative ED where significant portions were contingent on constituent feedback on the CP. She also highlighted that the Presentation of Financial Statements project updates existing standards and the development of an Illustrative ED may not fit as easily into the CP.	This point is noted by staff, and confirmed that the approach taken in the Measurement CP helped the IPSASB get robust feedback on the proposals in the CP. The feedback was very useful in developing the formal ED that followed the CP.
22. Ms. Sanderson advised the IPSASB consider providing illustrative Implementation Guidance instead, which is less resource intensive.	Mr. Smith agreed that this project will be more staff-intensive, but that a CP plus Illustrative ED approach will crystalize the academic nature of the CP to make the concepts more understandable. It was further noted that the illustrative ED, does not replace the normal ED process, but will be a valuable investment and help the IPSASB achieve a good output in a more timely manner.
23. Mr. Müller-Marqués Berger indicated that users only understood matters in the abovementioned EPSAS project when these matters were illustrated in an ED.	This point is noted by staff, and it was noted in the Measurement project that the illustrative ED helped with the overall understanding of the conceptual proposals in the CP.

Representatives' and Observers' Comments	IPSASB Response
24. Ms. Weinberg advised the IPSASB to consider collaborating with the UN, who designates international days to educate the public on various topics of concern. The UN may be able to host a Government Reporting Day, to prompt interest in government financial reports, and be a source of information.	This point is noted by staff and will be raised with colleagues at the UN to ascertain interest.

Matters for CAG Consideration

2. Representatives and Observers are asked to note the Report Back above.

IPSASB Strategy and Work Program 2024-2028–July 2023 In-Period Report Back

July 2023 CAG Discussions

- Summary of the advice at the July 2023 CAG In-Period Session and how the IPSASB has responded to the Representatives' comments are included in the table below.

Representatives' Comments	IPSASB Response
July 2023 CAG In-Period Session Comments	
<p>Agustina Llambi, Senior Manager, provided an overview of the process followed in developing the Draft 2024-2028 Strategy and Work Program Consultation (Strategy Consultation):</p> <ul style="list-style-type: none"> Summary of the current Strategy and Work Program, discussing its strategic objective and main two activities to deliver on the strategic objective; Explained the changes in the environment the IPSASB needed to address in the 2024-2028 strategic period to meet its stakeholders' expectations; and Walkthrough the CAG over the updated Strategy considering the current context of the IPSASB. 	
<p>The CAG members commented as follows, per each section:</p>	
<p>General Comments on the Strategy Consultation</p>	
<p>1. Mr. Chughtai, and Mr. Gisby noted their support for the IPSASB to undertake the development of Sustainability Reporting Standards and the shift from the development to the maintenance of IPSAS.</p>	<p>Noted by IPSASB staff. No action was required.</p>
<p>2. Mr. Melo agreed is important to focus on inspiring implementation and noted that it is similarly important to highlight the value of accrual accounting as a data source for budget creation.</p>	<p>Figure 3–Foundation for Strong PFM, notes the importance of budgets based on accrual accounting information. However, IPSASB is a financial reporting standard setter, thus budgets are outside of its scope. No action was required.</p>
<p>Section 1 - IPSASB's Proposed Strategy (page 7)</p>	
<p>3. Mrs. Sanderson noted that the undertaking of an application panel and PIR (PIR) was not reflected in Figure 1–Delivering on the Strategic Objective.</p>	<p>Figure 1–Delivering on the Strategic Objective was designed to highlight the delivery of the Strategic Objective through four key areas. Further detail is articulated in the particular area of focus, which discusses both the application panel and PIR process.</p>

Representatives' Comments	IPSASB Response
4. Mrs. Weinberg noted that if the focus of the IPSASB Strategic Objective is strengthening PFM, then the focus should be increasing the use of accrual accounting for the development of budgets as opposed to the adoption and implementation of accrual IPSAS.	The IPSASB advocates for the importance of accrual budgets, however, budgets are outside the scope of the IPSASB, and as such it is not included in the IPSASB's Strategic Objective. No action was required.
5. Mr. Simpson advised clarifying the 'improving effectiveness' action. He advised redrafting to include application challenges and conducting PIRs.	Advice from the CAG member has been considered by the IPSASB and incorporated into the IPSASB's Strategy and Work Program 2024-2028 Consultation ('Consultation'), 'improving effectiveness' was changed to 'clarifying principles'. This is a better reflection of the purpose of establishing an application panel and PIR process.
Section 2 – Delivering Global Standards (pages 9-12)	
6. Mrs. Sanderson supported the IPSASB undertaking PIR and asked whether the IPSASB will have the capacity to address the potential outcome of conducting PIRs, such as a standard setting project.	To add clarity and address the advice from the CAG member the Consultation was updated to show the reallocation of resources from standard setting development to maintenance activities, such as PIRs.
7. Mr. Close asked whether cost-effectiveness will be considered in the PIR process.	If PIRs are supported by IPSASB's stakeholders, the IPSASB will develop a PIR process, expected to consider cost-effectiveness. No action was required.
8. Mr. Simpson questioned the naming of the group to discuss IPSAS application challenges as 'Interpretation Panel', noting that if IPSASs are clear there should be no need for interpretation.	Advice from the CAG member was incorporated into the Consultation, the panel has been renamed Application Panel to better reflect the purpose of the group.

Representatives' Comments	IPSASB Response
9. Mrs. Colignon suggested further clarity is needed on whether the IPSASB will develop a Conceptual Framework specifically for sustainability reporting standards or utilize the existing one.	The Sustainability Reporting Standards area of focus has been updated to be consistent with the Climate-related Disclosure project brief. The project brief, and now the Strategy Consultation, is clear the IPSASB's current Conceptual Framework will be key for addressing public sector issues when developing public sector specific sustainability reporting standards.
10. Mrs. Sanderson advised clarifying whether the IPSASB will be able to undertake more sustainability reporting standards besides the one on Climate during the 2024-2028 Strategic Period.	Advice from the CAG member was incorporated into the Consultation. The proposed 2024-2028 Work Program (WP) includes an SMC asking what the key public sector sustainability reporting issues the IPSASB should consider adding to its WP after completing the three pre-committed projects.
11. Mrs. Makgolo appreciated the focus shift from the development of IPSAS to their maintenance.	Noted by IPSASB staff. No action is required.
Section 3 – Inspiring Implementation (pages 13-16)	
12. Mrs. Colignon asked whether the IPSASB will seek strategic input from the CAG on its Sustainability Reporting Standards.	Mr. Smith, IPSASB Program and Technical Director noted that the CAG will continue to play its strategic role and that a Sustainability Reporting Standard structure is being established below the CAG to help develop Sustainability Reporting Standards in a timely way.
13. Mrs. Dar asked whether an entity would need to adopt both IPSAS and the upcoming IPSASB Sustainability Reporting Standards to be in compliance.	Mr. Smith, IPSASB Program and Technical Director noted that Sustainability Reporting Standards and IPSAS will be kept separate, meaning an entity could apply IPSAS without the requirement to apply Sustainability Reporting Standards and vice versa.
Section 4 – Proposed Work Program (pages 17-23)	

Representatives' Comments	IPSASB Response
14. Mr. Gisby asked whether the projects considered in the 2021 mid-period consultation were considered in this upcoming strategy.	Mrs. Llambi noted that the projects committed in response to the mid-period work program consultation have been reflected in Figure 4–Proposed 2024-2028 Work Program.
15. Mr. Mansilla noted his support for the IPSASB to allocate Work Program resources to undertake PIR and mentioned the progress of IPSAS implementation in Latin America will benefit from them.	Noted by IPSASB staff. No action is required.
Section 5 – Chair’s Message (page 5)	
16. No comments.	No action is required.

Matters for CAG Consideration

- Representatives and Observers are asked to note the Report Back.