

Meeting: International Public Sector Accounting Standards Board

Meeting Location: Brussels, Belgium

Meeting Date: September 17–20, 2024

Agenda Item 10

For:

Approval

Discussion

Information

POST-IMPLEMENTATION REVIEWS

Project summary	The project objective is to establish a post-implementation review process to assess whether the effects of applying existing IPSAS pronouncements on the users of financial statements, preparers, auditors, and regulators are as intended when the IPSASB developed those new requirements.	
Project staff lead	<ul style="list-style-type: none"> Edwin Ng, Principal 	
Task Force members	<ul style="list-style-type: none"> To be determined 	
Meeting objectives	Topic	Agenda Item
Project management	Post-Implementation Reviews: Project Management Dashboard	10.1.1
	Instructions up to Previous Meeting	10.1.2
	Decisions up to Previous Meeting	10.1.3
	Post-Implementation Reviews: Project Roadmap	10.1.4
Decisions required at this meeting	Post-Implementation Reviews – Key Considerations	10.2.1

**POST-IMPLEMENTATION REVIEWS:
 PROJECT MANAGEMENT DASHBOARD**

Topic	Sept 2024	Dec 2024	2024-2028 Strategy Period
Overall Project Management			
Introduction of Post-Implementation Reviews and initial considerations			
Establish the terms of reference for the Post-Implementation Review Process			
Commence Post-Implementation Reviews			

Legend	
✓	Task Completed
	Planned IPSASB Discussion
	Page-by-page Review

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
N/A	1. N/A	1. N/A

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
N/A	1. N/A	1. N/A

**POST-IMPLEMENTATION REVIEWS:
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
September 2024	1. Present key considerations document to the IPSASB
December 2024	1. Agree the Post-Implementation Review process
March 2025	1. Commence Post-Implementation Reviews

Post-Implementation Reviews – Key Considerations

Purpose

1. The purpose of this paper is to seek the IPSASB's input on staff's initial thinking on the post-implementation review process.

Background

2. As part of the Strategy and Work Program 2024-2028, the IPSASB allocated some of its financial reporting resources to the maintenance of IPSAS and proposed the inclusion of a post-implementation reviews (PIR) process. PIRs are intended to evaluate whether individual IPSAS are achieving the reporting requirements as intended by the IPSASB when they were originally developed and whether there are issues which the IPSASB should explore through standard setting.
3. As noted in June 2024, respondents to the Strategy and Work Program 2024-2028 consultation strongly supported the creation of a PIR process. Some respondents recommended developing a formal process document to better articulate the purpose of PIRs, the type of work that would be carried out, and the criteria for selecting standards for review. These respondents noted that a formalized process would also provide better transparency and credibility to the PIR process.
4. In addition, the majority of respondents suggested using the International Accounting Standards Board's (IASB) PIR process as a starting point, as it is an established process and using a similar approach would enhance consistency and comparability across sectors and jurisdictions. Some respondents recommended leveraging the IASB's PIR findings to avoid duplication of work on IFRS-aligned IPSAS.
5. This paper explores how a PIR process for the IPSASB could operate and examines some of the potential issues. Consistent with the feedback from the Strategy and Work Program consultation, staff used the IASB's PIR process as a starting point. Staff then supplemented the IASB's process with PIRs established by national public sector standard setters to assess if there are public sector-specific considerations to be incorporated into the IPSASB's process. The analysis below includes information from the following public sector standards setters which were assessed as the most applicable: Government Accounting Standards Board (GASB) in the United States of America; the Public Sector Accounting Board (PSAB) in Canada; and the Accounting Standards Board (ASB) in South Africa.¹
6. The key considerations in the PIR process include:
 - (a) The objective of a PIR;
 - (b) Standards selection process, including timing of reviews;
 - (c) Review activities to be undertaken;

¹ The information researched and presented in this paper are from the following websites:

- a) IASB: <https://www.ifrs.org/projects/post-implementation-reviews/>;
- b) GASB: <https://gasb.org/about-us/about-the-gasb/post-implementation-review-process>;
- c) PSAB: <https://www.frascanada.ca/en/psab/about/due-process> (Paragraphs 68-75); and
- d) ASB: <https://www.asb.co.za/wp-content/uploads/2023/08/Due-Process-Handbook.pdf> (Chapter 9).

- (d) Criteria used to evaluate if further action is needed, and if so, how matters should be prioritized;
- (e) Possible outcomes from a review; and
- (f) Reporting considerations.

Objective of a Post-Implementation Review

7. The objective of the IASB's PIR process is to assess whether the effects of applying new requirements on the users of financial statements, preparers, auditors, and regulators are as intended when the IASB developed those new requirements. This assessment includes the consideration of:
 - (a) The clarity and suitability of the core objectives or principles in the new requirements;
 - (b) Whether there are questions about specific aspects of applying the new requirements;
 - (c) The benefits and costs arising from the new requirements, as compared to the benefits and costs expected by the IASB when the requirements were developed; and
 - (d) How contentious matters that were raised during the development of the new requirements, as well as how developments since the new requirements were issued, are being addressed in practice.
8. While a PIR can lead to the development of new requirements or improvements in the standard-setting process, the IASB explicitly states that a PIR is not a standard-setting project, as not all reviews lead to standard setting.
9. Similarly, the GASB, PSAB, and ASB PIR processes all assess whether the requirements from a new standard or guidance have achieved their stated or intended purposes.
10. Given the consistency across the PIR processes, staff propose a similar objective for the IPSASB's PIR process:
 - (a) *To assess whether the effects of applying new requirements on the users of financial statements, preparers, auditors, and regulators are as intended when the IPSASB developed those new requirements.*

Standards Selection Process

11. The IASB considers starting a PIR for all new requirements once there has been at least 24 months of publicly available information produced from the implementation of these requirements. This typically results in the commencement of a PIR approximately 30-36 months after a standard's effective date. The timeframe is also adjusted based on any trends observed in the financial statements applying the new standards, academic research, and the level of experience in the topic area.
12. At the GASB, the implementation of new standards is monitored for at least three years. During this monitoring period, the GASB actively monitors the implementation of standards based on a review of financial reports, develops and disseminates implementation guidance and educational materials, and performs outreach with stakeholder organization. The review and evaluation activities then typically start within three to five years after the effective date of a standard.
13. The PSAB typically considers whether a PIR is needed after two years, but this timeframe is adjusted on a case-by-case basis. Similarly, the timing of ASB's process is more fluid and depends on factors

such as whether relative stability in practice has been achieved after the implementation of a standard or whether all transitional provisions and exemptions in a new standard have expired.

14. Staff noted that in the private sector, the major stock exchanges typically require publicly listed entities to file financial reports on a quarterly basis. As quarterly filings are generally not required in the public sector, the amount of publicly information available to the IPSASB after a two-year period is significantly more limited. Staff also noted that unlike the national standards, IPSAS are applied globally, in some cases directly, and in other cases indirectly through a local endorsement process that may or may not make changes to the IPSAS requirements, so it may take more time for application issues and trends to emerge. Therefore, a longer timeframe closer to five years after the effective date of a standard may be warranted.
15. The IPSASB also does not have the same level of resources as the IASB or the GASB, so it will not be possible to monitor the implementation of all aspects of every IPSAS. The IPSASB's resources will be better used by focusing on the following:
 - (a) While there is no need for the IPSASB to duplicate the work performed by the IASB, for certain IFRS-aligned IPSAS, the application of requirements from IFRS in a public sector context may result in issues that were not encountered in the private sector. The IPSASB's PIR should include an analysis of public sector-specific issues arising from the application of IFRS;
 - (b) The IPSASB's PIR should also focus on the public sector-specific adaptations in IFRS-aligned IPSAS, such as the guidance on revenue from transactions without binding arrangements in IPSAS 47, *Revenue*; and
 - (c) Finally, the IPSASB's PIR should focus on the public sector-specific IPSAS, such as IPSAS 32, *Service Concession Arrangements: Grantor*.
16. In addition, staff noted that grouping the review of IPSAS by the themes or topic areas, such as the categories found in paragraph AG5 of [draft] IPSAS [X] (ED 91), *Limited-Scope Updates to First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS) (Amendments to IPSAS 33)*, will highlight how the related requirements work together and result in efficiencies in identifying issues in practice.²
17. Based on these observations, staff recommend:
 - (a) Starting PIRs five years after the effective date of a new standard or significant amendment to a standard. (This proposed period does not mean that PIRs will only occur after 2029, as there is currently a backlog of existing IPSAS which have been effective for more than five years and meet the other selection criteria);
 - (b) Focusing PIRs on issues that could arise from the application of IFRS in a public-sector context, the public sector-specific aspects of an IFRS-aligned IPSAS, and public sector-specific IPSAS; and
 - (c) Selecting standards for review by themes or topic areas in line with the groupings in ED 91.

² The grouping from ED 91 consists of: Financial statements, General principles, Accounting boundaries, Non-financial assets, Financial assets and liabilities, Other expenses and non-financial liabilities, and Disclosures and other standards.

Activities to be Undertaken

18. The IASB's PIRs generally consist of two broad phases:
- (a) Phase 1 involves the identification of matters to be examined through the review of discussions at the IFRS Interpretations Committee (IFRIC), academic research, and feedback from the IASB's advisory groups and constituents. The result of this phase is a public consultation on the matters identified in the form of a Request for Information (RFI). The specific contents of the RFI varies by standard, but the document generally asks for the following:
 - (i) Information on the general effect of the application of a standard on preparers and users of financial statements, as well as auditors and regulators;
 - (ii) Information on specific areas within the standard—e.g., questions on the recognition, measurement, and disclosure requirements, or the application of these requirements;
 - (iii) Other relevant information.
 - (b) In Phase 2, the IASB considers of the feedback received from the public consultation, supplemented by additional information such as an analysis of financial statements or other financial information, a review of academic and other research on implementation, and information from surveys, interviews, and other outreach. Based on the analysis, this phase results in the publication of a Report and Feedback Statement which summarizes the findings and any next steps, if applicable.
19. The review activities at the GASB, PSAB and ASB are described in varying levels of detail, but they are generally consistent with the IASB process. As a result, staff recommend the adopting the same activities as the IASB's PIR process.

Criteria Used to Evaluation if Further Action is Needed

20. In Phase 2, the IASB considers whether any action is needed based on the following:
- (a) There are fundamental questions or fatal flaws with the clarity and suitability of the core objectives or principles in the new requirements;
 - (b) The benefits to users of the information resulting from the new requirements are significantly lower than expected. This situation could arise when there is significant diversity in application; and
 - (c) The costs of applying, auditing, or enforcing the new requirements are significantly higher than expected. This criterion includes the consideration of significant developments since the issuance of the requirements which could increase the application costs.
21. If action is needed, the IASB uses the following criteria to prioritize matters as high, medium, or low:
- (a) The matter has substantial consequences;
 - (b) The matter is pervasive;
 - (c) The matter arises from a financial reporting issue that can be addressed by the IASB or the IFRIC; and

- (d) The benefits of any action are expected to outweigh the costs (due to disruption and operational changes, etc.).³
22. Matters that are assessed as high priority typically relate to areas where a new requirement is not working as intended and are addressed as soon as possible. Medium priority matters are added to the IASB's research pipeline or the IFRIC's pipeline. Low priority matters are included in the IASB's next agenda consultation. If none of the prioritization criteria are met, the IASB may revisit the conclusion on whether action is needed and not explore the issue further unless it comes up in a future agenda consultation.
23. Staff recommend using a similar evaluation process as the IASB for the following reasons:
- (a) The evaluation processes at the national standard setters reviewed by staff are generally consistent with the IASB's process;
 - (b) The factors considered in paragraph 21 are consistent with the issue selection criteria for the IPSASB Application Panel, as proposed in [September 2023](#), and the Application Panel could serve the same role as the IFRIC in addressing PIR findings;
 - (c) Since many IPSAS are aligned with IFRS, applying the IASB's PIR process to the public sector-specific aspects of these Standards will result in a seamless and coherent analysis; and
 - (d) If the IPSASB decides to limit its PIR to public sector-specific Standards or public sector-specific aspects of an IFRS-aligned IPSAS as recommended in paragraph 17(b), the IPSASB's reviews should already focus on public sector-specific issues, and there is no need to further modify the evaluation criteria.

Possible Outcomes from a Review

24. At the IASB, Phase 2 of the PIR may lead to the following:
- (a) A standard-setting project which is subjected to the IASB's normal due process;
 - (b) An agenda decision explaining why a standard-setting project is not needed;
 - (c) Educational materials; or
 - (d) A conclusion that no further action is needed.
25. The above possible outcomes are similar at the national standards setters reviewed by staff. As a result, staff recommend including the above possible outcomes in the IPSASB's PIR process.

Reporting Considerations

26. As noted in paragraph 18(b), the results of the IASB's PIRs are published in a Report and Feedback Statement. This report is made publicly available and summarizes the matters identified in the review and any planned action items to address these matters. The GASB, PSAB, and ASB all use a similar approach and publish their findings in publicly available reports. Based on this observation, staff recommend reporting the review findings and planned action items to the public in a formal report.

³ These prioritization criteria are consistent with the IPSASB's criteria for project prioritization, which are prevalence, consequences, urgency, and feasibility.

Next Steps

27. Based on the feedback provided by the IPSASB at its September meeting, staff will reflect decisions and instructions for the December meeting in which a detailed process will be provided for the IPSASB to consider.

Decision Required

28. For discussion only. No decision required.