

Meeting: IPSASB Consultative Advisory Group

Meeting Location: Toronto, Canada

Meeting Date: June 24, 2024

Agenda Item 2

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	2.1
Other supporting items	IPSASB Work Program: June 2024	2.2.1
	Advancing Public Sector Sustainability Reporting—December 2023 Report Back	2.2.2
	Natural Resources—December 2023 Report Back	2.2.3
	Presentation of Financial Statements—December 2023 Report Back	2.2.4
	Measurement-Application Phase—December 2023 Report Back	2.2.5

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 the last IPSASB CAG (CAG) meeting in December 2023.

Program and Technical Director's Report

Due Process – CAG's Role

2. At the June 2024 meeting, several new members will join the CAG for the first time, so it was thought it would be useful to provide a refresher on the CAG's important role and how its activities support the work of the IPSASB.
3. The CAG provides input and advice to ensure that the IPSASB considers the broad and unique perspectives of CAG representatives, on significant matters of public interest. Therefore, the CAG is a formal part of the IPSASB's oversight arrangements and Due Process, which requires the IPSASB to consult with the CAG on significant strategic and project initiatives and issues.
4. The IPSASB consults the CAG for input and advice on:
 - (a) The Strategy and Work Program, including project priorities:
 - (b) Significant issues relating to the development of an international standard (significant issues for consideration as part of the development of a project proposal, Consultation Paper (if applicable) and Exposure Draft); and
 - (c) Significant issues raised in comment letters to consultations (CPs and EDs).
5. Input and advice from the CAG are transcribed and form the basis of the CAG minutes. These transcriptions are used for the Report Back process. The Report Back process is completed following each meeting, and the IPSASB staff document the response to each point of advice, explaining how the point has been considered in developing the strategic initiative or technical project.
6. The CAG Chair reports to the PIC on whether IPSASB has followed due process regarding consultations with the CAG. The IPSASB staff supports the CAG Chair in communicating the CAG's activities after each meeting and for PIC meetings. The CAG Chair attends PIC meetings to represent the CAG.

Work Program Updates

7. Staff highlights the following approvals of IPSAS pronouncements and consultations since the December 2023 CAG meeting:

New Pronouncements and Publications

- (a) The IPSASB approved Improvements to IPSAS 2023 in March 2024, and the [final pronouncement](#) was issued in April 2024. This project introduces minor consequential amendments to IPSAS. As the changes are not significant in terms of changes to principles, the improvements project is not brought to the CAG for consultation.
- (b) The final updates to the Conceptual Framework were completed in 2023. The revised Conceptual Framework for General Purposes Financial Reporting by Public Sector Entities has been re-published in full with all amendments incorporated. The CAG was consulted

throughout the project to update the Conceptual Framework and helped shape the changes to it.

Consultations

- (c) The IPSASB approved ED 86, *Exploration for and Evaluation of Mineral Resources* and ED 87, *Stripping Costs in the Production Phase of a Surface Mine (Amendments to IPSAS 12)* in December 2023. These EDs were published as a package in January 2024 and were open for comment until May 31, 2024. The IPSASB staff have not started a detailed review of comments. The IPSASB will see a first review of responses to ED 86 and ED 87 at the September 2024 meeting and the IPSASB will determine at that time if any significant issues that should be discussed with the CAG. Both ED 86 and 87 are projects to align with IFRS guidance and were discussed with the CAG at various stages of the Natural Resources project (including the project brief development and approval, development of the consultation paper, and discussions of responses received and determination of the approach to ED development).
 - (d) ED 88, *Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 and IPSAS 48)* was approved in March 2024 and published at the end of March 2024. These proposed amendments include illustrative examples and consequential amendments to the revenue and transfer expenses standards which were not final pronouncements when the previous lease ED was published in January 2023. Staff has analyzed the responses to ED 88, and has not identified any significant issues that require further consultation with the CAG. This item will be presented for approval at the June 2024 IPSASB meeting. The CAG has provided input and advice on the Leases project since its inception in June 2016. CAG member input and advice has been instrumental in guiding the direction of the leases guidance.
 - (f) ED 89, *Amendments to Consider IFRIC Interpretations* was approved in March 2024 and published in April 2024 and is open for comment until June 16, 2024. This project introduces additional guidance to help interpret existing principles already included in the IPSAS. This is a minor project that does not introduce any significant changes to the IPSAS and was part of a catch-up process to bring in the remaining IFRIC's issued by the IFRS Interpretations Committee, which had not yet been considered for relevance in the public sector by IPSASB.
 - (g) The IPSASB comment period is now closed on the [Consultation on the 2024-2028 Strategy and Work Program](#). The IPSASB will bring back a first review of responses to IPSASB at the June 2024 meeting. The CAG will be consulted on the feedback to the Strategy and Work Program on July 16th, 2024, to gather input and advice on any proposed updates in preparation for the IPSASB's final planned approval in September 2024.
8. The following updates are provided for CAG member information on key IPSASB projects:
- (a) **Sustainability Reporting.** The IPSASB continues to make progress on the development of the Climate-related Disclosures project. Since the CAG meeting in December, where the CAG provided input to the IPSASB on this project, the IPSASB had discussions on several issues in December 2023, March 2024 and May 2024. As part of Agenda Item 3 at this June meeting, the CAG will receive presentations related to implementation to inform a discussion on issues to consider in implementing the future IPSASB Climate-related Disclosures standard. The IPSASB is seeking CAG member advice with regard to considerations to help support public sector entities' transition to the Climate-related Disclosures guidance - see Agenda Item 4.

- (b) **Presentation of Financial Statements.** As part of Agenda Item 5 during the June 2024 meeting, the CAG will discuss the issues related to the development of the Presentation of Financial Statements Project, providing another opportunity for the CAG to provide advice on this important project.
- (c) **Natural Resources.** As part of Agenda Item 6, during the June 2024 meeting, the CAG will discuss the Natural Resources project. The Natural Resources ED is planned for approval in September 2024. The CAG has been providing input on the Natural Resources project since discussions related to the Strategy and Work Program 2019-2023 development were undertaken, and it was identified as a priority project. The CAG input and advice has shaped the approach to several key aspects of the development ED.
- (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 the 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 will approve the ED for this final phase of the measurement project in June 2024.
- (e) **IPSASB 33 Update.** This project looks to enhance IPSAS 33, First-time adoption of Accrual Basis IPSAS to make it more user friendly and effective. The limited scope of the project extends to rearranging guidance by category and adding non-authoritative guidance, to clarify IPSAS 33's role before the date of adoption. The CAG has provided the IPSASB advice during implementation sessions, which have helped shape the project. Recent implementation sessions include:
 - (i) **December 2023.** Cameroon - IPSAS Implementation Update;
 - (ii) **June 2023.** IPSAS Implementation in the United Republic of Tanzania; and
 - (iii) **December 2022.** Update on IPSAS Implementation in Saudi Arabia (follow up from June 2019 Virtual Presentation to the CAG).

Agenda Item 2.2.1

IPSASB WORK PROGRAM THRU 2025: JUNE 2024

Project	Meetings						
	Jun 2024	Sep 2024	Dec 2024	Mar 2025	Jun 2025	Sep 2025	Dec 2025
Standard Setting Projects							
Sustainability: Climate-Related Disclosures	DI/ED	ED	RR/DI	RR/DI	RR/DI	IP	
Measurement—Application Phase	ED		RR/IP	IP			
Other Lease-Type Arrangements	IP						
Natural Resources	DI/ED	ED		RR	RR/IP	RR/IP	IP
Natural Resources—IFRS 6 and IFRIC 20 Alignment		RR/IP	RR/IP				
Presentation of Financial Statements	DI/CP	DI/CP	DI/CP	DI/CP	CP		RR
IPSAS 33—Limited Scope Update	ED		RR	RR/IP	IP		
IFRIC Alignment—Narrow Scope Amendments		RR/IP	IP				
Improvements				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	RS	RS				
IPSASB Handbook		Publish			Publish		

Legend:

DI = Discussion of Issues; RR = Review Responses

PB = Approval of Project Brief

CP = Approval of Consultation Paper

ED = Approval of Exposure Draft

IP = Approval of Final Standard or Amendments to IPSAS

SWP = Approval of Strategy and Work Program

PCP = Planned Consultation Period

RS = Initial Project Research and Scoping Activities

Project Management—Outputs:

Ongoing/Recent Consultations:

ED 86, *Exploration for and Evaluation of Mineral Resources* – Comment period closed on May 31, 2024

ED 87, *Stripping Costs in the Production Phase of a Surface Mine* (Amendments to IPSAS 12) – Comment period closed on May 31, 2024

ED 88, *Arrangements Conveying Rights over Assets* (Amendments to IPSAS 47 and IPSAS 48) – Comment period closed on May 31, 2024

ED 89, *Amendments to Consider IFRIC Interpretations* – Comments due by June 17, 2024

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

Project	Date Issued	Effective Date
<i>Improvements to IPSAS, 2023</i>	April 2024	Various ¹
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*
<i>Reporting Sustainability Program Information—Amendments to RPGs 1 and 3: Additional Non-Authoritative Guidance</i>	May 2023	N/A*
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*
Conceptual Framework Update—Chapter 7, <i>Measurement of Assets and Liabilities in Financial Statements</i>	May 2023	N/A*
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*
<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

¹ Improvements includes multiple amendments. The amendments related to Part 1 and Part 3 are effective January 1, 2026, and the amendments related to Part 2 are effective January 1, 2025.

*These pronouncements do not have an effective date because they are amendments to the relevant IPSASB's literature that do not require an effective date.

**The effective dates of these pronouncements were originally January 1, 2022. However, the IPSASB deferred the effective dates until January 1, 2023 through the pronouncement *COVID-19: Deferral of Effective Dates*.

Project	Date Issued	Effective Date
<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, 2023**
<i>IPSAS 42, Social Benefits</i>	January 2019	January 1, 2023**
<i>Amendments to IPSAS 36, Investments in Associates and Joint Ventures, and IPSAS 41, Financial Instruments</i>	January 2019	January 1, 2023**

*These pronouncements do not have an effective date because they are amendments to the relevant IPSASB's literature that do not require an effective date.

**The effective dates of these pronouncements were originally January 1, 2022. However, the IPSASB deferred the effective dates until January 1, 2023 through the pronouncement *COVID-19: Deferral of Effective Dates*.

Status of Application of Due Process – June 2024

APPENDIX A

PROJECT	DUE PROCESS ELEMENTS (✓= ELEMENT COMPLETE)					ANTICIPATED FINAL APPROVAL	
	A. PROJECT COMMENCEMENT	B. DEVELOPMENT OF STANDARD		C. PUBLIC EXPOSURE	D. CONSIDERATION OF EXPOSURE COMMENTS		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
Measurement—Application Phase	✓	✓	ONGOING				March 2025
Other Lease-Type Arrangements [Public sector specific]	✓	✓	✓	✓	✓	ONGOING	June 2024
Arrangements Conveying Rights over Assets: Amendments to IPSAS 47 and IPSAS 48	✓	N/A	✓	ONGOING			June 2024
Natural Resources	✓	✓	ONGOING				December 2025

Status of Application of Due Process – June 2024

APPENDIX A

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	A. PROJECT COMMENCEMENT	B. DEVELOPMENT OF STANDARD		C. PUBLIC EXPOSURE	D. CONSIDERATION OF EXPOSURE COMMENTS		E. APPROVAL
		CP PHASE (IF APPLICABLE)	ED PHASE				
Natural Resources – IFRS 6 and IFRIC 20 Alignment Project	✓	✓	✓	ONGOING		December 2024	
Presentation of Financial Statements	✓	ONGOING				December 2027	
Sustainability-Climate-related Disclosures	✓	N/A	ONGOING			September 2025	
IPSAS 33—Limited Scope Update	✓	N/A	ONGOING			June 2025	
Advancing Public Sector Sustainability Reporting (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–December 2023 Report Back

December 2023 CAG Discussions

1. Extracts from the draft minutes of the December 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
December 2023 CAG Meeting Comments	
<p>IPSASB Senior Manager, Celine Chan, introduced the results from the May 2023 survey of IPSASB CAG members, IPSASB members and Technical Advisors regarding the current state of public sector sustainability reporting, development of national sustainability standards and assurance of public sector sustainability reports.</p> <p>Ms. Chan asked CAG members to consider the following questions:</p> <ul style="list-style-type: none"> • Question 1 – What developments have there been in your jurisdiction since the survey was taken in May 2023 or that have not been provided yet? • Question 2 – What implications do you think the responses to the survey have for the IPSASB? 	
<p>The CAG members commented as follows:</p>	
<p>1. Mr. Gisby shared that there were no notable changes across Europe broadly since the survey and there is no consensus on the standards to be applied. He was not surprised that there is a lack of linkages between financial reporting and sustainability reporting and that there is little to no assurance. He cautioned the IPSASB to consider what sustainability reporting requirements should be mandatory, rather than encouraged, as there is a shortage of talent in the assurance of sustainability reports.</p>	<p>CAG member feedback has been incorporated into the IPSASB discussions. The IPSASB decided it would develop IPSASB Sustainability Reporting Standards™ (IPSASB SRS™) that would be mandatory, however, IPSASB SRS could be applied independent of the IPSAS.</p>
<p>2. Mr. Close shared that Australia issued an exposure draft on climate disclosures which is currently open for comment. He noted that auditors would also need to prepare to provide assurance on appropriate application of the future standards. Mr. Close also reinforced the importance of the IPSASB and ASB to bring sustainability standards in a more holistic and integrated approach.</p>	<p>CAG member feedback has been incorporated into the IPSASB discussions. The IPSASB decided implementation support through application materials, including Q&As, webinars, etc. is key to support adoption. The IPSASB is also establishing a Sustainability Implementation Forum for jurisdictions to provide direct feedback to the IPSASB on the proposals as they are developed. Given the resources</p>

Representatives' and Observers' Comments	IPSASB Response
	<p>constraints, the IPSASB has decided to focus efforts on the development of a climate-related disclosures standards before turning its attention to other topics.</p>
<p>3. Mr. Chughtai noted that in the UN system, sustainability reporting requirements vary depending on the donor, which makes it difficult to develop a system to produce standardized sustainable reporting information. He echoed previous concerns on the auditability of any Sustainable Development Goals (SDGs) information added to financial statements.</p>	<p>CAG member feedback has been incorporated into the IPSASB discussions. The IPSASB have discussed challenges regarding the auditability of new requirements and have incorporated that into their decision to align disclosure requirements for 'own operations' with IFRS S2 in which auditors are gaining practical experience in auditing those disclosures in the private sector.</p>
<p>4. Ms. Sanderson shared that the UK central government identified the Task Force on Climate-Related Financial Disclosures (TCFD) as the appropriate framework to build knowledge and experience, and is introducing guidance based on TCFD in phases, with expected completion in 2026. She noted that GRI has not yet considered public sector specific impact measurement and asked why public sector entities were following GRI.</p>	<p>Ms. Chan responded that public sector entities use GRI as a starting point and may adapt GRI guidance and other frameworks when developing their own guidance. It is unclear whether they are applying GRI as-is.</p> <p>Furthermore, the IPSASB has discussed transitional provisions on adoption of the climate related disclosures standard to consider options regarding how to support public sector entities when adoption the guidance.</p>
<p>5. Ms. Hall noted the ADB has been using GRI standards for the last 18 years. However, ADB only uses 60% of GRI standards, thus does not claim to be fully compliant. She shared that the ISSB is keen to increase adoption of their S1 and S2 standards.</p>	<p>See response to comment 4 above.</p>
<p>6. Ms. Colignon was interested to hear that local and municipal authorities have made greater progress with sustainability reporting than higher levels of government, and seem to be more advanced on sustainability reporting than on accrual and financial reporting.</p>	<p>Ms. Chan noted that municipalities are seen as key change agents and thus play a significant role and have responsibilities in addressing climate issues.</p>

Representatives' and Observers' Comments	IPSASB Response
<p>7. Ms. Sanderson noted that local authorities, particularly those with political support for sustainability, are more advanced on local sustainability reporting. She shared that in the UK, local authorities have not started this journey due to the current economic climate and the demands of other higher priority issues.</p>	<p>See response to comment 4 above.</p> <p>The IPSASB noted different levels of government and different public sector entities are driven to disclose or will be driven to disclose climate related information for different reasons. The IPSASBs current discussions on developing appropriate transitional provisions are key.</p>
<p>8. Ms. Colignon shared that in France local authorities are politically driven to add green agenda items and explore social and natural capital.</p>	<p>Mr. Smith noted that some government entities are voluntarily reporting on sustainability activities because they are engaging in many sustainability and climate activities, which they wish to communicate to their constituents. He shared that many of these local authorities are starting from TCFD, which is a basis for ISSB's IFRS S2.</p>
<p>9. Ms. Aldea Busquets shared that the European Commission (EC) does not have a formal sustainability report, but there are various activities ongoing which will support the future structure of sustainability reporting. The EC is currently reporting on how the EU budget contributes to fighting climate change, biodiversity and other issues, which gathers a lot of attention in the EU Parliament. Though auditors are not providing assurance on this information, they are looking at them and providing recommendations on the processes.</p>	<p>IPSASB staff have held discussions with individuals at the EC to understand their processes and the challenges the EC faces in sourcing information for disclosure.</p> <p>These discussions have been helpful and supported the IPSASB, and its expert sub-groups, with practical experience, as the IPSASB develops its disclosure requirements for a public sector entity's own operations, and policy activities.</p>
<p>10. Ms. Sanderson asked whether there are examples of the kind of reporting that already exists.</p>	<p>Ms. Chan noted it is challenging to provide specific examples because, at this time, there is no standardization in reporting.</p> <p>Mr. Smith reminded the CAG that the IPSASB published guidance updating RPG 1 and RPG 3 that provides specific examples to support jurisdictions. He noted that the IPSASB has limited resources, but staff can engage with and help IFAC and</p>

Representatives' and Observers' Comments	IPSASB Response
	other accountancy bodies develop further examples.
11. Mr. Williamson reflected that this discussion reinforced the need for sustainability reporting standards. He acknowledged that standards development will be challenging, but reminded the IPSASB that perfection should not impede on the timeliness of standard development.	This is a recurring message communicated to the IPSASB, both at quarterly meetings and at outreach events. The IPSASB continues to target approval of its exposure draft in September 2024.

Matters for CAG Consideration

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

Natural Resources–December 2023 Report Back

December 2023 CAG Discussions

1. Extracts from the draft minutes of the December 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 Staff Response
December 2023 CAG Meeting Comments	
<p>IPSASB Principal, Edwin Ng, presented the issue of whether guidance on natural resources should be issued as a new standalone IPSAS or as amendments to existing IPSAS. Mr. Ng presented the public interest considerations and technical arguments for and against locating the guidance in a standalone standard.</p>	
<p>Mr. Ng asked CAG members to consider the following questions:</p>	
<ul style="list-style-type: none"> • Question 1 – Which approach (as a separate standard or as part of existing standards) would be more appropriate from a public interest and technical perspective? • Question 2 – What other factors should the IPSASB consider when determining whether the guidance on natural resources should be in a standalone IPSAS or incorporated as amendments to existing IPSAS? 	
<p>The CAG members commented on Question 1 as follows:</p>	
<p>1. Ms. Aldea Busquets supported presenting guidance in a separate standard. She highlighted that 'natural resources' is a distinct topic, and managed by specific personnel (e.g., non-finance ministers) than those managing property, plant, and equipment (PP&E) assets (e.g., finance ministers). Thus, the users of this future standard will differ. Ms. Aldea Busquets advised the IPSASB avoid duplication by referencing to the other standards where appropriate.</p>	<p>The feedback from the CAG was incorporated into the discussions with the IPSASB at their December 2023 meeting. The IPSASB decided to locate the guidance on natural resources in a separate IPSAS.</p>
<p>2. Ms. Stachniak asked whether presentation as a separate standard is a technical issue, or a potential change in recognition principles.</p>	<p>Mr. Ng clarified that the issue relates to location of guidance, and there is no impact on the proposed recognition guidance.</p>

<p>3. Ms. Stachniak acknowledged that existing literature could be applied to some assets. For example, some conservation assets may have already been considered as heritage assets. However, this prompts one to ask why public sector entities have not already applied existing standards to their natural resources. Based on this consideration, Ms. Stachniak advised the IPSASB consider a hybrid solution: have a separate standard for those assets that do not fit into an existing standard, and amend existing standards for those assets that do fit within that existing standard (e.g., PP&E). This may result in repetition but will ensure greater clarity.</p>	<p>See response to comment 1 above. As part of the discussion on the location of guidance, the IPSASB also decided to amend existing IPSAS where appropriate.</p>
<p>4. Mr. Gisby supported a separate standard, as assets held for conservation are different from PP&E and other asset standards, and have a separate set of characteristics. He noted that substantial guidance may be necessary to explain the concept of “an asset held for conservation”, as they can be difficult to identify separately from other similar assets with different uses.</p>	<p>See response to comment 1 above. In addition to the decision on the location of guidance, the IPSASB also instructed staff to develop application guidance on conservation.</p>
<p>5. Mr. Close noted that a separate standard may not be necessary from a design perspective but is useful in order to spotlight the significant topic and raise awareness of this accounting issue.</p>	<p>See response to comment 1 above.</p>
<p>6. Ms. Dar supported a separate standard from both a public interest perspective, (as it would likely be easier for users to refer to one IPSAS rather to various IPSAS) and technical perspective (as there may be limited application of guidance in existing standards as is). She agreed that a separate standard will give the topic the prominence needed.</p>	<p>See response to comment 1 above.</p>

<p>7. Mr. Smith Mansilla noted that a standalone standard would support the implementation process and will facilitate communication with stakeholders.</p>	<p>See response to comment 1 above.</p>
<p>8. Ms. Sanderson supported a separate standard and, where applicable, the use of a flowchart of signposting to limit duplication of guidance. She suggested the IPSASB consider providing guidance on reclassification of assets when there are changes in the use of those assets.</p>	<p>Mr. Ng confirmed that there is an anticipated section on reclassification</p>
<p>The CAG members commented on Question 2 as follows:</p>	
<p>9. Ms. Stachniak advised the IPSASB also consider sustainability reporting and the prominence of assets that are not recognized but disclosed. She further advised the IPSASB to clearly define the “border” between reporting in financial statements and reporting in broader sustainability reports.</p>	<p>This feedback was incorporated into the proposal that disclosures in the financial statements are only required for naturally occurring items which meet the definition of an asset.</p>
<p>10. Mr. Close suggested the IPSASB also consider how the proposed guidance would apply to natural resources that are expected to be within the scope of existing IPSAS. For example, whether it is mandatory to apply the guidance to these items on a retrospective basis. He also advised the IPSASB consider not only the approach to, but also the costs of, valuing assets held for conservation. Lastly, Mr. Close agreed that further consideration should be given to the relationship with sustainability reporting, and any sensitivities related to the ownership of natural resources in various jurisdictions.</p>	<p>The issue of retrospective application of existing IPSAS was discussed by the IPSASB, and a number of members noted that entities in their jurisdiction were already accounting for natural resources that fell within the scope of existing IPSAS (or their national public sector accounting standards).</p> <p>See response to comment 9 above regarding the relationship between sustainability reporting and financial statement disclosures.</p>

<p>11. Mr. Gisby agreed that balances related to natural resources could be significant and that there are strong ties to sustainability reporting, but cautioned the IPSASB of overstating assets in the financial statements. He also advised the IPSASB to provide guidance related to the accounting and disclosure of conservation expenditures.</p>	<p>Noted. The IPSASB plans to develop specific implementation guidance on conservation expenditures.</p>
<p>12. Ms. Sanderson raised concerns around cost-benefit of proposed disclosures and the reliability of measurement and asked whether future obligations to conserve resources would qualify and be accounted for as a current liability. She suggested that the IPSASB consider these challenges in proposing guidance.</p>	<p>Noted. The relationship between natural resources and future obligations was discussed, and the IPSASB decided to clarify that these obligations would be within the scope of IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>.</p>
<p>13. Mr. Simpson noted that the project has expanded from mineral resources to broader natural resources held for conservation, and asked if there are further topics to consider.</p>	<p>Mr. Smith explained that this project began with three topics (subsoil resources, water, and living resources) as examples to explore issues regarding the financial reporting of natural resources. Since then, the direction has changed based on the feedback from constituents, the CAG, and the IPSASB.</p>

Matters for CAG Consideration

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

Presentation of Financial Statements – December 2023 Report Back

December 2023 CAG Discussions

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Representatives' and Observers' Comments	IPSASB Staff Response
December 2023 CAG Meeting Comments	
<p>IPSASB Principal, Anthony Heffernan, provided an update on the project timeline and content expected to be included in the Consultation Paper (CP). He introduced the issue of whether to permit different approaches for presenting general purpose financial statements in a new IPSAS, which will replace IPSAS 1, <i>Presentation of Financial Statements</i>.</p> <p>Mr. Heffernan asked CAG members to consider the following questions:</p> <ul style="list-style-type: none"> • Question 1 – To what extent is the approach (i.e., format and structure) for presenting information in public sector financial statements in your jurisdiction influenced by the presentation approach of other reports used for PFM purposes? • Question 2 – What potential benefits and downsides do you see from providing increased flexibility for a jurisdiction to choose from different financial statement presentation approaches when applying IPSAS? 	
The CAG members commented on Question 1 as follows:	
<p>Mr. Chowdhury supported permitting different presentation approaches but highlighted that the option chosen by the jurisdiction should be applied consistently, and any variations should be clearly documented in the notes to the Financial Statements.</p>	<p>The IPSASB agreed allowing entities selected options to present financial information that best communicated to users' needs was important for public sector entities. Limiting an entities ability to a select number presentation options would enable a degree of consistency (this will likely be achieved by limiting the options provided in IPSAS).</p> <p>The IPSASB acknowledged that presentation approach will likely be determined at a jurisdictional level , often be influenced by the direction of a central government agency or relevant standard-setting authority.</p>
<p>2. Mr. Nazaroedin supported flexibility, through the provision of different presentation options, and noted that it is aligned with the Financial Law of Indonesia</p>	<p>See response to comment 1 above.</p>

<p>3. Ms. Aldea Busquets agreed that some flexibility for the presentation of financial statements is necessary but cautioned that too much flexibility will threaten a harmonized international framework within the public sector</p>	<p>See response to comment 1 above.</p>
<p>4. Ms. Stachniak noted that Poland, and some other jurisdictions, continue to face challenges reconciling cash-based budgets and accrual-based financial accounting, which use different terminology for the same economic phenomena. She noted that optionality may reduce comparability but better reflects the substantial variations in public financial systems across jurisdictions. Thus, Ms. Stachniak advised the IPSASB to consider offering a select group of options at the jurisdictional level, but to allow jurisdictions to decide how much optionality they allow for their jurisdictions' entities</p>	<p>See response to comment 1 above.</p>
<p>5. Mr. Chughtai supported the proposal for the IPSASB to move forward with this presentation option-based approach. While a budget-based approach and GFS-approach allows for more convergence and alignment with existing reporting, Mr. Chughtai advised the IPSASB consider whether the ability to move between options will pose challenges and cause unwanted variations.</p>	<p>See response to comment 1 above. The presentation approach used by an entity will be an accounting policy choice, which IPSAS requires an entity to apply on a consistent basis.</p>

<p>6. Ms. Sanderson shared two initiatives undertaken by the UK and Australia to standardize presentation of financial information within their jurisdiction. The UK harmonized presentation of financial statements, where possible, to have the same definition and treatment of the same transactions across their accruals-based budgets national accounts, and financial reporting. In Australia, there is a specific standard (AASB 1049) which sets out the required presentation of information to try and effectively enable reconciliation of information in the financial statements to GFS.</p>	<p>In June 2024, the IPSASB will be considering different presentation approaches for the statement of financial position. Some of the approaches facilitate reconciliation to GFS as the approach is closely aligned with the GFS requirements.</p>
<p>7. Mr. Gisby cautioned that the budget-aligned option may pose assurance challenges and shared a specific example where note disclosures for liabilities were suppressed in a report because the budget was prepared on a cash basis.</p>	<p>While the IPSASB agreed optionality in presentation approaches is warranted, they agreed any proposed presentation approach will need to be prepared on an accrual basis in accordance with IPSAS.</p> <p>This will limit the ability to fully align the presentation of financial statements prepared for general purpose financial reporting purposes with those prepared for budgetary purposes.</p>
<p>8. Ms. Dar noted that the presentation of financial statements in Canada is not heavily influenced by other reports (such as GFS). Rather, presentation is based on four frameworks (one of which is IFRS), and flexibility is based on the type of entities (for example, non-for-profit organizations). She expected that sustainability reporting may influence the presentation of financial statements in the future.</p>	<p>The project is focused on the presentation of general purpose financial statements, which provide financial information about an entity's assets, liabilities, net assets/equity, revenue, expenses, and cash flows in accordance with the recognition and measurement requirements in IPSAS.</p> <p>The IPSASB continues to advance its climate-related disclosure project, where disclosures will be required as part of the broader scope of the general purpose financial reports.</p>
<p>9. Mr. van Schaik asked whether the scope of the project should include IPSAS 2, <i>Cash Flow Statements</i></p>	<p>Mr. Smith responded that the IPSASB discussed this issue in June 2023 and decided not to include IPSAS 2 within the project's scope.</p> <p>Mr. Heffernan added that IPSAS 2 is included as a potential future project in the Strategy and Work Program for the 2024-2028 period, currently out for consultation.</p>

The CAG members commented on Question 2 as follows:	
10. Ms. Sanderson noted comparability over time, and the usefulness and accountability such comparability provides, is more important at the entity level than jurisdictional level. She advised that, if different presentations are allowed, the IPSASB should clearly indicate what is expected to be common disclosures across jurisdictions to enable desired comparability.	See response to comment 1 above.
11. Mr. Williamson supported the proposal to standardize and highlighted the importance of providing some flexibility in the presentation of financial statements to inform a different set of decision makers.	See response to comment 1 above.
12. Ms. Stachniak supported the direction. She asked for clarification on the type of budget considered under Option 3, as jurisdictions could create budgets based on GFS or financial reporting. She advised the IPSASB to clearly indicate the scope exclusion of IPSAS 22, <i>Disclosure of Financial Information about the General Government Sector</i> and IPSAS 24, <i>Presentation of Budget Information in Financial Statements</i> in the CP.	Mr. Heffernan noted that the IPSASB is at the early stages of the project but expects option 3 may be a mixed presentation approach, with both accrual and GFS. He acknowledged that scoping out of IPSAS 22 and IPSAS 24 was heavily discussed in the project brief and will be reflected in the CP. See also response to comment 7 above.
13. Mr. Gisby supported increased flexibility in the presentation of financial statements. He shared his concern with the budget-aligned option, as budgets may be on cash basis, and budget information may not be auditable. Mr. Gisby advised the IPSASB to provide clarity in the CP, and these potential impacts and limitations of a budget-aligned option.	The IPSASB decided it should explore presentation approaches that provide entities with increased flexibility to align the presentation of information in the general purpose financial statements with the information presented for budgetary purposes, but realized challenges existed. See response to comments 1 and 7 above.

<p>14. Mr. Simpson asked whether the variability offered by the options will result in special purpose financial statements, as opposed to general purpose financial statements.</p>	<p>Mr. Heffernan responded that the IPSASB does not intend to develop guidance for special purpose financial statements. Regardless of the different presentation approaches provided in IPSAS, any approach will continue to be related to the preparation of general purpose financial statements.</p>
<p>15. Mr. Zhang noted that one of the most important objectives of the IPSASB is to support international comparability across jurisdictions. However, comparability will be hindered if jurisdictions are allowed to choose between various presentation options. Reduced comparability will also reduce the usefulness of information for international investors. He advised the IPSASB to require jurisdictions to prepare a uniform set of financial statements, while allowing jurisdictions to generate an additional financial statement applying one of these options.</p>	<p>See response to comment 1 above.</p>
<p>16. Mr. van Schaik suggested that the CP discuss both increased flexibility, as well as more specific requirements related to presentation requirements (e.g., requiring expenses by nature as opposed to function).</p>	<p>The IPSASB agreed the presentation of specific information on the face of a statement or in the notes, as currently required by IPSAS, is expected to apply regardless of the chosen presentation approach.</p> <p>The IPSASB is consider the requirements for presenting information about an entity's financial performance in June 2024, and the presentation of the statement of financial performance, including expenses by nature or function, in September 2024.</p>
<p>17. Mr. Close advised the IPSASB to supplement the introduction of options in the presentation of financial statements with a uniform presentation framework. This would ground flexibility to enable more comparability across jurisdictions. He also cautioned that the GFS-aligned presentation option places a reliance outside the standard bodies</p>	<p>All presentation approaches will be developed based on the concepts and principles in the IPSASB Conceptual Framework, which will support an underlying consistency between the different approaches.</p>

<p>18. Ms. Dar agreed that flexibility was the key benefit, but negatively impacts comparability at the international level. She advised that the CP be clear that the presentation approach election is at the jurisdictional level, emphasizing that national and central government can mandate compliance with the central decisions on the option</p>	<p>See response to comment 1 above.</p>
<p>19. Mr. Chughtai supported flexibility of reporting presentation, as it would increase the usefulness of information for decision-making. He asked whether the underlying principles of recognition and measurement will remain the same.</p>	<p>Mr. Smith confirmed that the scope of this project is solely about the presentation of financial statements.</p>
<p>20. Ms. Stachniak questioned whether it is possible to have a conceptually consistent presentation approach while keeping the underlying recognition and measurement principles unchanged. She noted that the revaluation methods between IPSAS and GFS are different, and questioned whether a GFS-aligned presentation would not result in a change to the revaluation method.</p>	<p>Mr. Smith acknowledged that this topic will be explored and articulated in the CP. He noted that the proposal is not to match GFS, but rather to explore a presentation model that will be better linked to a GFS presentation model.</p> <p>Mr. Heffernan added that this presentation option proposal does not expect to change the revaluation method, however, it is possible that where the revaluation movements are presented in the financial statements could change under a GFS-aligned presentation option.</p>
<p>21. Ms. Aldea Busquets reflected on Mr. Smith's response to Ms. Stachniak and noted that new complexities may be introduced if presentation is aligned but results continue to differ. The CP should provide clear explanations.</p>	<p>See response to comment 1 above.</p> <p>The IPSASB decided to explore different presentation approaches because they may help support increased connectivity between the general purpose financial statements and other financial reports used within a jurisdiction's PFM framework.</p>
<p>22. Ms. Sanderson suggested the CP ask for constituents' input on who is using comparisons, and what for, to understand where to set the bar for comparability.</p>	<p>Given the complexity and differing views that will exist globally, the IPSASB agreed to develop a CP to maximize stakeholder input early in the development of the draft pronouncement.</p>

<p>23. Mr. Williamson encouraged the IPSASB to clearly explain terms in its CP, as there are different elements of GFS. The current discussion is on the economic classification of expenditures, assets. Another element is the classification of functions of government.</p>	<p>The IPSASB will consider presentation approaches for the statement of financial position in June 2024 where it will consider alignment with IFRS and GFS, including terminology of elements and classifications of functions of government.</p>
<p>24. Mr. Close asked if there has been consideration on how users will access the information.</p>	<p>The IPSASB's focus is ensuring the IPSAS standards provide the principles and robustness to support the advancement of digital reporting initiatives.</p>
<p>25. Mr. Williamson advised the IPSASB to consider whether the starting point should be identifying the potential decisions that accrual financial information could inform, before then determining what information is available and how to present this information for better decision-making.</p>	<p>The IPSASB Conceptual Framework includes a discussion on the objectives of general purpose financial reports and the users of those reports. This provides a useful starting point for considering the financial information required for accountability and decision-making purposes in the public sector.</p>

Matters for CAG Consideration

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

Measurement-Application Phase—December 2023 Report Back

December 2023 CAG Discussions

1. Extracts from the draft minutes of the December 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 Staff Response
December 2023 CAG Meeting Comments	
<p>IPSASB Director, Dave Warren, introduced the Agenda Item and presented the analysis on the conceptual and practical considerations when assessing the applicability of Current Operational Value (COV) across IPSAS.</p>	
<p>Mr. Warren asked CAG members to consider the following question:</p>	
<ul style="list-style-type: none"> • What factors the IPSASB should consider when evaluating the applicability of COV across IPSAS, from the broader public interest perspective? 	
<p>The CAG members commented on as follows</p>	
<p>1. Ms. Stachniak advised the IPSASB to prioritize the conceptual applicability of COV over the practical considerations. Put simply, COV should not be traded off with Fair Value (FV) for purely practical reasons.</p>	<p>Mr. Smith highlighted that constituent responses to the Measurement CP urged the IPSASB to only introduce COV if it addresses a measurement problem. He noted that the conceptual thinking on how COV applies to tangible assets is currently included in IPSAS 45, <i>Property, Plant, and Equipment</i>, and IPSAS 46, <i>Measurement</i>. The IPSASB is now considering whether COV applies to other assets and whether introducing it to the existing IPSAS will address a measurement problem.</p>
<p>2. Ms. Colignon supported Ms. Stachniak's comment.</p>	
<p>3. Mr. Simpson supported Ms. Stachniak's comment. He highlighted that it is important to consider the difference in how COV and FV are derived.</p>	
<p>4. Mr. Zhang noted decision makers consider fair value of assets, when such assets can be used to generate economic benefits and for their service potential, in order to make optimal decisions. For example, a public university located in prime real estate can be relocated to the suburbs, for the government to repurpose the existing buildings to generate rental income. He encouraged the IPSASB to continue limiting the use of COV to measuring assets that can only be used for their operational capacity.</p>	<p>Consistent with the IPSASB's decisions in developing IPSAS 45, <i>Property, Plant, and Equipment</i>, and IPSAS 46, <i>Measurement</i>. The scope of the measurement application phase project is to evaluate the applicability of COV in specific IPSAS. Limiting the use of COV to assets that can only be used for their operational capacity is outside of the scope of the project as this was decided as part of the development of IPSAS 46.</p>

<p>5. Ms. Sanderson asked for an example of how the application of COV will create an extra assessment point, and whether the application of COV depends on the nature of the asset (e.g., whether it's specialized).</p>	<p>Mr. Warren shared an example of the analysis of the applicability of COV in IPSAS 12, <i>Inventories</i>, and noted that the weighting of conceptual versus practical considerations would be difficult when evaluating the applicability of COV in IPSAS 31, <i>Intangible Assets</i>.</p>
<p>6. Ms. Colignon noted that the extent a measurement basis is applied in IPSAS is also subject to the constraints outlined in the Conceptual Framework. These constraints allow users to exercise judgment to mitigate any negative effects of too conceptual approach.</p>	<p>The IPSASB considered this as part of Agenda Item 9 of the IPSASB March 2024 meeting. The IPSASB aligned the measurement principles between its conceptual framework and measurement standard as part of the IPSAS 46 project.</p>
<p>7. Ms. Dar recommended the IPSASB consider their users' implementation costs and complexities of having different current value measurement bases applied in financial statements when evaluating the applicability of COV across IPSAS, particularly, when FV is similar to COV. She suggested IPSASB staff assess the implications of introducing COV or changes in accounting policies under IPSAS 3, <i>Accounting Policies, Changes in Estimates and Errors</i>.</p>	<p>The IPSASB considered the implications of the introduction of COV as an additional current value measurement in December 2023. The IPSASB decided to amend IPSAS 3 to reflect that a change in measurement model rather than a change in measurement basis is a change in accounting policy.</p>
<p>8. Mr. Williamson raised the question of whether the application of COV was a policy decision. If so, he suggested there should be a requirement to disclose FV when an entity applies COV for a school that is located in prime real estate.</p>	<p>The IPSASB considered whether the application of COV was a policy decision as part of the IPSAS 46 project. The IPSASB concluded the application of current value measurements is based on the reason the asset is held, operational or financial, and measurement should follow to provide users relevant information.</p>
<p>9. Ms. Stachniak advised the IPSASB to provide a transitional provision for entities to continue to apply FV when the value for COV is expected to be the same as FV.</p>	<p>Transitional provisions will be finalized as part of the final pronouncement in 2025.</p>

10. Ms. Sanderson advised the IPSASB to explore a rebuttable presumption approach where FV is considered to provide a reliable measurement and for the IPSASB to consider the likelihood of needing an entry price versus an exit price.	The scope of the measurement application phase project is to evaluate the applicability of COV in specific IPSAS. The addition of rebuttable presumption is outside of the scope of the project.
11. Mr. van Schaik recommended that the evaluation of the applicability of COV should consider GFS' valuation of assets to avoid unnecessary differences.	The comparison of IPSAS 46 with GFS notes that the same valuation can be expected when the market approach is used as the measurement technique to measure COV.

Matters for CAG Consideration

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