

**Meeting:** IPSASB Consultative Advisory Group

**Meeting Location:** Riyadh, Saudi Arabia

**Meeting Date:** December 9, 2024

## Agenda Item

# 5

For:

Approval

Discussion

Information

### MAINTENANCE ACTIVITIES

<b>Project summary</b>	<p>Initiative 1: Post Implementation Reviews – The objective is to:</p> <ul style="list-style-type: none"> <li>Assess whether the effects of applying existing IPSASB Standards on the users of financial statements, preparers, auditors, and regulators are as intended when the IPSASB developed those new requirements.</li> </ul> <p>Initiative 2: IPSASB Application Panel – The objectives are to:</p> <ul style="list-style-type: none"> <li>Assist in ensuring consistent application of IPSASB Standards by considering application questions submitted by stakeholders; and</li> <li>Assist the IPSASB in identifying areas where changes to existing guidance, or additional guidance, may be required.</li> </ul>	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Discussion Items</b>	<a href="#">Maintenance Activities – Post-Implementation Reviews and IPSASB Application Panel</a>	<a href="#">5.1</a>
<b>Other supporting items</b>	<a href="#">Post-Implementation Review: Operating Procedures</a>	<a href="#">5.2</a>
	<a href="#">IPSASB Application Panel: Operating Procedures</a>	<a href="#">5.3</a>

Prepared by: Edwin Ng (November 2024)

## **Maintenance Activities – Post-Implementation Reviews and IPSASB Application Panel**

### **Background**

1. As part of its Strategy and Work Program 2024-2028, the IPSASB committed resources to maintenance activities which support the application of its standards. Maintenance activities are comprised of two new initiatives: Post Implementation Review (PIR) and IPSASB Application Panel (IAP).
2. The IPSASB staff presented the preliminary considerations for the PIR at the [September 2024 IPSASB meeting](#). In response, the IPSASB provided staff with feedback and an explicit instruction to seek and consider feedback from the CAG.
3. As a separate maintenance initiative, the IPSASB staff presented the preliminary considerations for the IAP at the [September 2023 IPSASB meeting](#). In the preliminary considerations, staff proposed involvement of the IPSASB's Consultative Advisory Group (CAG) in the identification of issues for the IAP to analyze.
4. At the December 2024 IPSASB meeting, the IPSASB will approve operating procedures for both PIRs and the IAP. These operating procedures:
  - (a) Will not form part of the IPSASB's Due Process and Working Procedures, but will be posted publicly and followed by the IPSASB staff in executing maintenance activities; and
  - (b) Proposes to involve the CAG at specific points in their respective processes.
5. This paper summarizes the proposed CAG involvement in the PIR and IAP operating procedures and solicits feedback from CAG members on any additional ways to provide CAG input.

### **Analysis**

#### *Post-Implementation Reviews*

6. The objective of the PIR is to assess whether the effects of applying the requirements in the IPSAS Standards and IPSASB SRS Standards (collectively the IPSASB Standards) on the users of general purpose financial reports, preparers, auditors, and regulators are as intended when the IPSASB developed those requirements. The full proposed operating procedures for PIR which will be presented at the December 2024 IPSASB meeting can be found in [Agenda Item 5.2](#).
7. As noted in paragraphs 6 and 8 of the proposed operating procedures, staff propose to involve the CAG in the following steps of the PIR process:
  - (a) In the standard selection step, staff will solicit input from the CAG members regarding which standard to prioritize and the timing of review. Staff will consider if in-period communication with the CAG members is necessary depending on the timing of the selection process;
  - (b) In Phase 1 of the PIR, the IPSASB will research potential issues in a selected standard then develop a Request for Information (RFI) to get feedback on the issues. Once the standard(s) has been selected for review, the IPSASB may solicit advice from CAG members regarding the identification of specific matters to be examined. If applicable, CAG members may also be solicited for input regarding why certain jurisdictions have decided to not adopt a certain

standard or its specific requirements. The input from the CAG members will be incorporated into the RFI to be issued;

- (c) In Phase 2 of the PIR, the IPSASB will analyze the feedback received from the RFI. In this phase, input from CAG members will be incorporated into the consideration of feedback, determination of whether action is needed, and prioritization of any identified matters.
8. While the PIR itself is not a standard-setting project, a PIR may lead to the development of new standards or amendments to existing standards. In these situations, the IPSASB also consults the CAG on proposals to start new projects, on significant issues related to the development of an international standard, and on significant issues raised in comment letters on exposure drafts and the IPSASB's related response.

**Questions for CAG Members:**

**Are the proposed operating procedures for the Post-Implementation Review consistent with the process's strategic objectives?**

**Do the CAG members have any other advice regarding the implementation of the Post-Implementation Review process for IPSASB to consider?**

*IPSASB Application Panel*

9. The objectives of the IAP are:
- (a) To assist in fostering consistent application of the IPSASB Standards by considering application questions or issues submitted by stakeholders; and
  - (b) To assist the IPSASB in identifying areas where changes to existing guidance, or additional guidance, may be required.

The full proposed operating procedures for the IAP which will be presented at the December 2024 IPSASB meeting can be found in [Agenda Item 5.3](#).

10. As the CAG members have practical knowledge of the IPSASB's Standards and experience with their adoption and implementation, it will be important to get their input on whether there are issues in practice that should be addressed by the IAP.
11. As noted in paragraph 9 of the proposed operating procedures for the IAP, staff proposed that CAG members will be solicited for input regarding the identification and prioritization of issues to be analyzed by the IAP.
12. If a recommendation from the IAP leads to the development of a new standard or amendments to an existing standard, the IPSASB also consults the CAG on proposals to start new projects, on significant issues related to the development of an international standard, and on significant issues raised in comment letters on exposure drafts and the IPSASB's related response.

**Questions for CAG Members:**

**Are the proposed operating procedures of the IPSASB Application Panel consistent with the panel's strategic objectives?**

**Do the CAG members have any other advice regarding the operation of the IPSASB Application Panel for the IPSASB to consider?**

## **Post-Implementation Reviews: Operating Procedures**

1. This document sets out the procedures for Post-Implementation Reviews (PIR) to be carried out by the International Public Sector Accounting Standards Board® (IPSASB®). The objective of the IPSASB is to serve the public interest by developing high-quality accounting standards and other publications for use by public sector entities around the world in the preparation of general purpose financial reports. This is intended to enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate; and also promotes the acceptance of its standards and other publications.
2. In meeting this objective, the IPSASB sets International Public Sector Accounting Standards® (IPSAS® Standards), IPSASB Sustainability Reporting Standards™ (IPSASB SRS™ Standards), and Recommended Practice Guidelines™ (RPG™ Guidelines) for use by public sector entities, including national, regional, and local governments, and related government agencies.

### **Objective of a Post-Implementation Review**

3. The objective of the IPSASB's PIR process is to assess whether the effects of applying requirements in an IPSAS Standard or an IPSASB SRS Standard on the users of financial statements, preparers, auditors, and regulators are as intended when the IPSASB developed those requirements. This assessment includes the consideration of:
  - (a) The clarity and suitability of the core objectives or principles in the requirements, including whether the requirements continue to reflect consideration of the public interest as required in the IPSASB's Due Process and Working Procedures;
  - (b) Whether there are questions arising about specific aspects of applying the requirements;
  - (c) The benefits and costs arising from the requirements, as compared to the benefits and costs expected by the IPSASB when the requirements were developed. In this context, the benefits from a requirement include the quality of the resulting information and whether public-sector specific needs are being met, while costs include implementation and ongoing costs. Both benefits and costs should also include consideration of how a requirement impacts the public interest; and
  - (d) How contentious matters that were raised during the development of the requirements, as well as how developments since the requirements were issued, are being addressed in practice.
4. A PIR is led by the IPSASB staff, but it is not a standard-setting project. A PIR may lead to the development of new requirements or improvements in the standard-setting process, but whether a technical project should be undertaken to issue or amend an IPSAS Standard or IPSASB SRS Standard, or to add guidance to an existing pronouncement, is dependent on the IPSASB's decision after evaluating the responses from its public consultations (see paragraph 8).

### **Standards Selection Process**

5. In general, the PIR process should focus on significant or contentious requirements which are expected to have a material and prevalent impact in the public sector. To inform the selection process, standards will be selected for PIR based on the following factors:
  - (a) The standards selection process should focus on the public sector-specific IPSAS, such as IPSAS 32, *Service Concession Arrangements: Grantor*, especially if the requirements in the standard relate to a prevalent issue and have a material impact in public sector financial statements;
  - (b) For certain IPSAS aligned with IFRS, the application of requirements in a public sector context may result in unexpected application issues. The public sector-specific application issues should be considered when selecting the requirements to be reviewed;
  - (c) The selection process should also consider public sector-specific adaptations in IPSAS aligned with IFRS, such as the guidance on revenue from transactions without binding arrangements in IPSAS 47, *Revenue*, and whether the public sector guidance added is working as intended; and
  - (d) The process should also consider the issues emerging from the adoption of a standard by national standards setters, including any adaptations made during the adoption process. The issues raised by national standards setters could indicate that the requirements within a standard warrant review. PIRs should focus on conceptual and technical reasons provided by national standard setters for their adaptations to understand if there may be an issue of principle to consider by the IPSASB or whether the adaptation reflects local jurisdiction practical or political decision, which does not need to be considered by the IPSASB.
6. In terms of the timing of a PIR, IPSAS are applied globally, in some cases directly, and in other cases indirectly through a local endorsement process that may require a translation process, and which also may make changes to the IPSAS requirements. Therefore, it takes time for application issues and trends to emerge after the effective date of a standard. In general, a PIR is not considered until at least five years after the effective date of a standard. However, this timeframe, as well as which standards to prioritize, could be extended based on the following considerations:
  - (a) Formal feedback from constituents, such as any issues noted in the responses to the IPSASB's consultation on its Strategy and Work Program;
  - (b) Informal feedback from constituents (e.g., feedback received during the Public Sector Standard Setters Forum, Roundtables, or other outreach events);
  - (c) Input from IPSASB Members;
  - (d) Advice from the Consultative Advisory Group (CAG) or informal feedback from CAG Members. Staff will consider if in-period communication with CAG Members is necessary depending on the timing of the selection process;
  - (e) Input from the IPSASB Application Panel<sup>1</sup>; and

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<sup>1</sup> The IPSASB Application Panel was established to assist in ensuring consistent application of IPSAS by considering application questions submitted by stakeholders and to assist the IPSASB in identifying areas where changes to existing guidance, or additional guidance, may be required. The IPSASB Application Panel does not have the authority to set standards or issue authoritative interpretations of the IPSAS or IPSASB SRS.

- (f) Availability of staff and IPSASB resources.
7. To facilitate the selection and review of IPSAS which have already been issued prior to the development of the PIR process, the grouping of these standards by key themes or topic areas may highlight how the related requirements work together and result in efficiencies in identifying issues in practice. These key themes or topic areas are: 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**

8. The PIR will generally consist of two broad phases:
- (a) Phase 1 involves the identification of matters to be examined through the review of discussions at the IPSASB meetings, academic research, advice from the CAG, feedback from constituents, and input from the IPSASB Application Panel. If applicable, research will also be conducted to understand why certain jurisdictions have decided to not adopt a certain standard or how it has adapted its specific requirements. 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 will vary by standard, but the document will generally ask 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 (if applicable);
    - (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) Information on contentious matters that were raised during the development of the requirements and whether the requirements adequately addressed these matters; and
    - (iv) Other relevant information.
  - (b) In Phase 2, the IPSASB considers 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 further feedback and input from the sources noted in Phase 1 above. 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.

**Criteria Used to Evaluate if Further Action is Needed**

9. In Phase 2 of a PIR, the IPSASB 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 requirements, including whether the requirements continue to serve the public interest;
  - (b) The benefits to users of the information resulting from the 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 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.

10. If action is needed, the IPSASB will use the following criteria to prioritize matters as high, medium, or low. These criteria are consistent with the IPSASB's criteria for project prioritization:
  - (a) Prevalence: The matter is globally pervasive in the public sector;
  - (b) Consequences: The matter has substantial consequences, such as impairing the ability to provide useful information or imposing significant and unexpected costs if not addressed;
  - (c) Urgency: The matter has recently gained prominence and therefore requires consideration in the near term; and
  - (d) Feasibility: The matter arises from a financial reporting issue that can be addressed by the IPSASB.
11. Matters that are assessed as high priority typically relate to areas where a requirement is not working as intended and are addressed as soon as possible. Medium priority matters are added to the IPSASB's research pipeline. Low priority matters are included in the IPSASB's next Strategy and Work Program consultation. If none of the prioritization criteria are met, the IPSASB may revisit the conclusion on whether action is needed and not explore the issue further unless it comes up in a future Strategy and Work Program consultation.

#### **Possible Outcomes from a Post-Implementation Review**

12. Phase 2 of the PIR may lead to the following:
  - (a) A standard-setting project which is subjected to the IPSASB's normal due process;<sup>2</sup>
  - (b) The issuance of an explanation on why a standard-setting project is not needed;
  - (c) Educational or other non-standard setting (adoption and implementation support) materials; or
  - (d) A conclusion that no further action is needed.

#### **Reporting Considerations**

13. As noted in paragraph 8(b), the results of the PIR 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.

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<sup>2</sup> In some cases, a PIR could conclude that the underlying principles in a standard are working as intended, but additional application guidance or non-authoritative guidance is needed to support their application. Such additional guidance could be incorporated into the standard through the IPSASB's annual improvements process.

## **IPSASB Application Panel: Operating Procedures**

1. This document sets out the procedures for the IPSASB Application Panel (IAP), which is a Task Force set up to advise the International Public Sector Accounting Standards Board® (IPSASB®). The objective of the IPSASB is to serve the public interest by developing high-quality accounting standards and other publications for use by public sector entities around the world in the preparation of general purpose financial reports. This is intended to enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate; and also promotes the acceptance of its standards and other publications.
2. In meeting this objective, the IPSASB sets International Public Sector Accounting Standards® (IPSAS® Standards), IPSASB Sustainability Reporting Standards™ (IPSASB SRS™ Standards), and Recommended Practice Guidelines™ (RPG™ Guidelines) for use by public sector entities, including national, regional, and local governments, and related government agencies.

### **Purpose of the IPSASB Application Panel**

3. The purpose of the IAP is:
  - (a) To assist in fostering consistent application of the IPSAS Standards and IPSASB SRS Standards (collectively, the Standards) by considering application questions or issues submitted by stakeholders; and
  - (b) To assist the IPSASB in identifying areas where changes to existing guidance, or additional guidance, may be required.
4. For clarity, the IAP is an advisory group to the IPSASB (like a project Task Force), and its output will typically consist of a staff paper with IAP recommendations to be presented at IPSASB meetings. The IAP does not have the authority to set standards or issue authoritative interpretations of the IPSAS Standards or IPSASB SRS Standards.

### **Panel Membership**

5. As the Panel will focus on identifying technical issues, the membership of the Panel will target representation from the following constituent groups:
  - (a) Selected IPSASB Members or Technical Advisors with a strong technical understanding of the Standards, or have practical experience in the adoption or application of the Standards;
  - (b) National standard setters (members or staff with appropriate technical experience) that either apply the Standards directly or which develop local standards based on the principles from the IPSASB's Standards;
  - (c) Preparers using IPSASB Standards; and
  - (d) Practitioners such as auditors of financial statements or financial reports based on IPSASB Standards or other national accrual accounting standards (based on IPSASB Standards), or consultants who advise on the adoption and implementation of the IPSASB Standards.

6. The IAP shall consist of between four to six individuals to be large enough to be representative of the groups noted in paragraph 5. The membership of the panel may be expanded as additional perspectives are required. There may also be certain technical topics (e.g., actuarial issues related to employee benefits) where the IAP may need specific technical expertise to provide specific perspectives. In these cases, such expertise could be added on an ad hoc basis.
7. The IAP Chair will be selected by the IPSASB Chair and the Program and Technical Director from current IPSASB members and re-appointed as needed.

### **Frequency of Meetings**

8. The IAP is intended to meet at least once quarterly. Meeting frequency will be adjusted as necessary based on the volume of issues identified and selected for further analysis. The meetings shall be scheduled so that the IAP can make regular recommendations to the IPSASB as a standing item on the IPSASB meeting agenda.

### **Issue Identification**

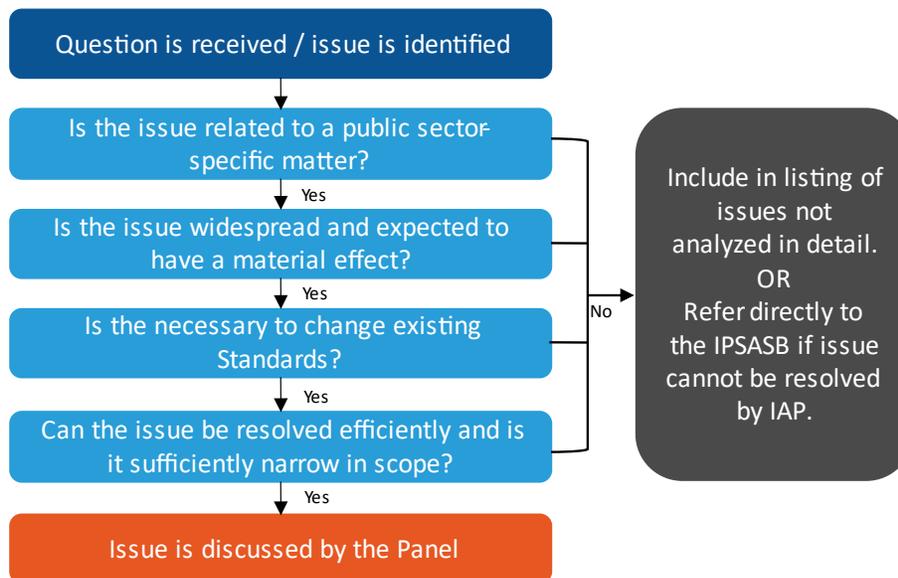
9. To capture as complete of a population of application issues as possible for the IAP to assess, application issues may be identified as follows:
  - (a) Issues may be submitted by a constituent to the IPSASB staff—see paragraphs 10-11;
  - (b) By a member of the IPSASB or the IPSASB’s Consultative Advisory Group (CAG);
  - (c) By IPSASB staff;
  - (d) By a member of the IAP, if the member does not fall within the above categories; or
  - (e) As part of the IPSASB’s ongoing work to maintain alignment with IFRS, issues may also be identified by the Annual Improvements to IFRS Accounting Standards issued by the International Accounting Standards Board, or the interpretations and tentative agenda decisions issued by the IFRS Interpretations Committee (IFRIC). On sustainability reporting, issues may be identified by the International Sustainability Standards Board.
10. Constituents can submit a formal query regarding a specific transaction or event at [\[website addressed to be finalized after IPSASB approval of the procedures\]](#). This submission page includes prompts to provide inputs such as the background regarding the specific transaction or event, key facts including the particulars of a transaction or details regarding the parties involved, why the transaction or event is considered an issue, and how the transaction or event is currently treated by the constituent, etc.
11. In addition, more general inquiries can be submitted by constituents via direct e-mail to staff or through the current ‘Contact the IPSASB’ webpage at <https://www.ipsasb.org/contact-ipsasb>.

### **Issue Selection**

12. After an issue is identified, the IPSASB staff assesses whether the issue warrants technical analysis based on the following criteria:
  - (a) The issue relates to a public sector-specific matter—i.e., the Panel is not meant to re-open issues or redeliberate issues on IPSAS guidance that is aligned with IFRS and IFRS

Sustainability Standards that were addressed by the IASB, its IFRIC, or the ISSB;<sup>1</sup>

- (b) The issue has a widespread and/or material impact;
  - (c) The issue may require potential changes to existing Standards—i.e., the issue is currently not adequately addressed by existing standards;
  - (d) The IAP can realistically address the issue—e.g., it is limited to a single or limited number of IPSAS and sufficiently narrow in scope; and
  - (e) If it is a broader issue, then the issue may need to be referred to the IPSASB for discussion.
13. The above issue selection process is depicted by the following flowchart:



14. Staff will perform the detailed analysis of whether an issue is to be analyzed by the IAP. A listing of issues that will not be analyzed in detail, along with a summary of how these issues do not meet the four criteria above, will be provided to the IAP for their review. Once reviewed by the IAP, this listing will then be presented to the IPSASB for the final decision on whether or not to analyze an issue in detail.
15. In addition, in the event that an issue is so prevalent or material that it cannot be adequately addressed by the IAP, the issue will be referred directly with the IPSASB.

### How the Analysis Should be Performed

16. To ensure consistency with the quality of analysis performed in the development of IPSAS Standards or IPSASB SRS Standards, the detailed analysis is performed and presented to the IAP by the IPSASB staff.

<sup>1</sup> When the IPSASB develops guidance based on an IFRS Accounting Standard or an IFRS Sustainability Disclosure Standard, the IPSASB considers if the principles from an IFRS Standard are appropriate for the public sector. Where the IPSASB identifies public sector differences related to the transaction or sustainability-related context, it modifies or adds guidance to ensure public sector needs are appropriately addressed. Therefore, while the IAP will not focus on the private sector guidance which formed the basis of an IFRS-aligned IPSAS Standard or IPSASB SRS Standard, the public sector-specific modifications or additions can be selected for analysis by the IAP.

17. Staff's analysis will apply the principles from the IPSASB's Standards to the case facts submitted and provide a recommendation to the IAP. The IAP will discuss the issue and either agree with the recommendation or ask staff to clarify the aspects of the analysis for the panel to review at a future meeting.
18. When the IAP agrees with the recommendation, or agrees on an alternative, the recommendation becomes the IAP's recommendation and will be presented to the IPSASB.

**Potential Outputs from the IPSASB Application Panel**

19. The IAP's discussions and recommendation will be documented in an agenda item and presented to the IPSASB. Potential recommendations may include:
  - (a) The conclusion, along with supporting documentation, that the submitted issue is adequately addressed by existing IPSAS and that no further analysis is necessary; or
  - (b) The conclusion that the submitted issue warrants consideration by IPSASB on whether changes to existing guidance or the development of additional application and/or implementation guidance are necessary. This can include issues that cannot be adequately addressed by the IAP.
20. Based on the IAP's recommendation in the agenda item presented, the IPSASB decides if additional standard setting activities<sup>2</sup> should be undertaken. As noted in paragraph 4, the IAP is similar to a Task Force which provides recommendations to the IPSASB and does not have the authority to set standards or issue authoritative interpretations of the IPSAS Standards or IPSASB SRS Standards.

**Potential Due Process Considerations**

21. As the output from the panel will be no different than the output from a Task Force, there is no need to publish the outputs externally. However, the analyses of issues will be publicly available in the agenda items posted for discussion at the IPSASB's meetings. In situations that could result in a proposed change to the IPSASB's Standards, the IPSASB will need to apply its Due Process to the development and exposure of any new guidance.

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<sup>2</sup> Such standard setting activities could include the development of a new standard, the amendment of the principles within an existing standard, the addition of application guidance or non-authoritative guidance to support the implementation of the principles in an existing standard, or minor amendments of an existing standard through the IPSASB's annual improvements process.