



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

30 May 2014

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2
CANADA

Dear Stephenie

IPSASB STRATEGY CONSULTATION

The Accountant General Office of Malaysia ("AG Office") and the Malaysian Institute of Accountants ("MIA") are pleased to provide comments on the International Public Sector Accounting Standards Board ("IPSASB") Strategy Consultation.

We generally agree with the IPSASB's strategy, its strategic objective and its work program for the period 2015 – 2019. We agree with the Questions for Respondents raised in the consultation paper except as set out below.

Question for Respondent 3

Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

We agree on the outputs identified in the consultation paper. We propose the IPSASB to establish an equivalent interpretation committee as established by the IFRS Foundation to review on a timely basis widespread accounting issues in public sector that have arisen within the context of current IPSASs and to provide authoritative guidance on those issues.

Question for Respondent 4

What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

We note that the IPSASB gets feedback through its standards development processes and outreach activities. However, we wish to clarify what the outreach activities entail. We believe the outreach activities should be properly planned and structured to achieve the outcomes stated in the consultation paper. Further, it would be beneficial for constituents to understand the outreach activities the IPSASB undertakes so that they can provide feedback through appropriate channels.

As discussed in our comments to Question for Respondent 3 above, the establishment of an interpretation committee could also be another channel of getting feedback on the current IPSASs.

Question for Respondent 6

Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

The financial statements of the Government of Malaysia for the year ended 31 December 2015 will be prepared using the Malaysian Public Sector Accounting Standards ("MPSASs"). MPSASs are drawn primarily from the accrual-based IPSASs. Malaysia is making the final preparations to move to accrual accounting in 2015. The transition to accrual accounting started in 2011. Six years earlier, the Government of Malaysia adopted the Cash Basis IPSAS to attain better financial management. Adopting cash basis IPSAS was beneficial for Malaysia as it enhanced discipline around our procedures and it was a positive transitional step.

As such, we believe that the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally leading to the adoption of accrual-based IPSASs.

Question for Respondent 7

Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation?

Following our comments in question 6 above, we recommend option (b), as the Cash Basis IPSAS provides benefits for the transitioning entities. The outreach activities should include promotion of adoption and application of Cash Basis IPSAS.

Question for Respondent 8

Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

We believe the IPSASB should prioritise those projects to address public sector specific issues and those to maintain existing IPSASs. These projects should then be assessed in details using the five key factors identified on page 15 of the consultation paper as well as considering the time and resources required to undertake the projects.

In relation to those projects to address public sector specific issues, we propose the following projects to be undertaken as they are more critical than others:

- a) Non-exchange expenses – this has been highlighted in the consultation paper, *The Future Governance of the IPSASB* issued by the IPSASB Governance Review Group as one of the public sector issue that should be addressed by the IPSASB; and
- b) Trust funds – when Malaysia moves to accrual accounting, we determine the accounting treatment for trust funds as there is no guidance available. Guidance on the appropriate accounting treatment is warranted to provide guidance (as international best practice) as well as to ensure consistent treatment among jurisdictions.

As for those projects to maintain existing IPSASs, we propose those projects to be undertaken between 2015 and 2019 as these projects would only involve some amendments to the current IPSASs. However, certain projects such as construction contracts, leases and revenue would require more time due to major revision of the equivalent IFRS.

We hope our comment would contribute to the IPSASB deliberation in finalising its strategy for the period 2015 – 2019. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli at +603 2279 9200 or by email at rasmimi@mia.org.my.

Yours sincerely,



DATUK WAN SELAMAH WAN SULAIMAN
Accountant General of Malaysia
ACCOUNTANT GENERAL'S DEPARTMENT
OF MALAYSIA



JOHAN IDRIS
President
MALAYSIAN INSTITUTE OF ACCOUNTANTS



PO Box 1077
St Michaels, MD 21663
T. 410-745-8570
F. 410-745-8569

July 3, 2014

Ms. Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board (IPSASB)
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto, Ontario M5V 3H2 CANADA

Dear Ms. Fox:

1. The International Consortium on Governmental Financial Management (ICGFM) welcomes the opportunity to respond to the Strategy Consultation for 2015-2019 distributed by the IPSASB on March 31. We are pleased that the IPSASB is soliciting input on their strategy going forward.
2. Working globally with governments, organizations, and individuals, ICGFM is dedicated to improving public financial management by providing opportunities for professional development and information exchange. ICGFM conducts two major international conferences each year and publishes an international journal twice each year. Services are provided to its membership through an international network. ICGFM represents a broad array of financial management practitioners (accountants, auditors, comptrollers, information technology specialists, treasurers, and others) working in all levels of government (local/municipal, state/provincial, and national). Since a significant number of our members work within government and audit institutions around the world, our response to this consultative paper is one from an international perspective.
3. Our responses to the questions on the specific matters are as follows:
 - a. **Question 1.** Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised? **Response.** The strategic objective is fine for those countries in a position to adopt accrual accounting. However, it does not meet the needs of those developing countries or countries in

transition that will only be able to meet cash and budgetary reporting standards. Nor does it recognize the need to continue to work closely with the International Monetary Fund in the development of their Government Financial System (GFS) standards. We would recommend that the strategic objective be modified as follows: “Strengthening public financial management and knowledge globally through increasing adoption of ~~accrual-based~~ IPSASs by:

- a) Enhancing cash and budgetary reporting standards;
 - b) Developing high-quality accrual-based financial reporting standards;
 - c) Harmonizing with the GFS to maximum extent possible;
 - d) Developing other publications for the public sector; and
 - e) Raising awareness of the IPSASs and the benefits of their adoption.”
- b. **Question 2.** Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate? **Response.** The two outcomes are fine as presented except we would like to see the first output revised to recognize the importance of the GFS. In addition, the following outcome should be added: “Enhance control over cash and budgetary resources in order to maintain fiscal discipline and to hold government officials accountable for their actions.”
- c. **Question 3.** Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on? **Response.** In line with the proposed changes above in the strategic objective and the outcomes, we would suggest the following changes to the outputs:
 - a) Enhanced cash and budgetary reporting standards;
 - b) ~~Developing~~ High-quality accrual-based financial and statistical reporting standards as well as ~~and~~ other publications for the public sector; and
 - c) ~~Undertaking~~ Presentations, speeches and other outreach activities in order to engage with stakeholders.
- d. **Question 4.** What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders? **Response.** In the past, a Consultative Advisory Group (CAG) was established but never consulted (to the best of our knowledge). To take advantage of the expertise within this group, we highly recommend that the suggestions from the CAG be fully considered prior to the publication of any exposure drafts.
- e. **Question 5.** Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered? **Response.** The five key factors are adequate and no other factors are suggested.
- f. **Question 6.** Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs? **Response.** The Cash Basis IPSAS is an extremely valuable resource that provides guidance for developing countries and countries in transition. Once these countries have implemented the required Part 1 of the Cash Basis IPSAS, they are in a position to implement the optional Part 2. Implementation of standards addressed in the Cash Basis IPSAS provides the financial foundation so that the developing countries and countries in transition are in a position to transition to the

accrual-based IPSASs whenever they have the capacity and software to accomplish the more complex accrual-based standards.

- g. **Question 7.** Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation. **Response.** We would recommend that the first option (issue an ED to revise the existing Cash Basis IPSAS) be selected. The recommendations of the Task Force in 2010 are still applicable today and should be considered for inclusion in the proposed revision along with any other pertinent issues (e.g. third-party payments and consolidated whole-of-government financial statements) that have surfaced.
- h. **Question 8.** Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project. **Response.** Many countries around the world continue to have difficulties complying with the Cash Basis IPSAS let alone be concerned with implementing the accrual-based IPSASs. Our highest priority would be to revise the cash reporting standard to make it more meaningful and cost beneficial in the decision making process for the adoptees. As far as the accrual-based IPSASs are concerned, our highest priority would be a review of IPSAS 22 to assure that the accounting by governments are as closely aligned with the Government Financial Systems Manual (GFSM) as possible. Most governments with which we work are more concerned about compliance with the GFSM than they are in complying with the IPSAS. Thus, all other accrual-based IPSASs are beneficial but not of the highest concern to many countries.
4. We appreciate the opportunity to respond to this Strategy Consultation and would be pleased to discuss this letter with you at your convenience. If you have questions concerning this letter, please contact Dr. Jesse Hughes, CPA, CIA, CGFM at jhughes@odu.edu or 757.223.1805.

Sincerely,



ICGFM Accounting Standards Committee

Jesse W. Hughes, Chair

Iheanyi Anyahara

Anthony Bennett

Steve Glauber

Kennedy Musonda

Hassan Ouda

Anne Owuor

Michael Parry

Maru Tjihumino

Andrew Wynne

Cc: Manuel Pietra
President, ICGFM



LE PRÉSIDENT

5, place des vins de France
75573 PARIS Cedex 12
FRANCE
TELEPHONE: + 33 1 53 44 22 80
E-mail: michel.prada@finances.gouv.fr

Paris, July 1st, 2014

Ms Stephenie Fox
Technical director
International Public Sector Accounting
Standards Board
International Federation of Accountants
277 Wellington Street, 4th floor
Toronto
Ontario M5V 3H2 CANADA

Re: IPSASB Strategy Consultation and IPSASB Consultation on Work Program 2015-2019

Dear Ms Fox,

The French Public Sector Accounting Standards Council (CNOCP) welcomes the opportunity to comment on the public consultation *IPSASB Strategy Consultation and IPSASB Consultation on Work Program 2015-2019* published in March 2014.

We agree with the IPSASB's overall objective for the period from 2015 forward of strengthening public finance management and knowledge globally. We also gladly observe that most projects identified as potential projects to be addressed by the IPSASB touch on the public sector specific features.

However, because we believe that the IPSASB's activities need to remain focused on the public sector specificities, yet to be fully identified and addressed from an accounting perspective, we have some reservations as to how to achieve the proposed objective. Remaining focused on the development of high-quality financial reporting standards is to us all the more critical in times of tight resources.

Additionally, we are of the view that raising awareness of the IPSASs and the benefits of their adoption could also be well achieved through addressing practical narrow issues on a timely basis, alongside longer term standard-setting topics.

We set out in the following appendix our detailed responses to the questions asked in the IPSASB strategy consultation document.

Yours sincerely,

Michel Prada



APPENDIX

Question 1: *Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?*

The CNoCP broadly agrees with the IPSASB's tentative view on its strategic objective for the period from 2015 forward, given the challenges identified for the 2015-2019 period. However, we develop below some reservations we have on the means to achieve the proposed objective.

We acknowledge that the tentative view on the IPSASB's strategic objective fits the description in the IPSASB's terms of reference revised in 2012¹, although the CNoCP has always objected to the IPSASB dealing with broader issues than those directly related to general purpose financial statements.

However, we would like to alert the IPSASB on the necessity to focus on those issues that are of prominent importance for public sector accounting standard-setting, more specifically in a context of tight resources. We strongly believe that, at present, should other publications be developed the credibility of the IPSASB would be at stake.

In that respect, given the nature of the potential projects listed at the end of the strategy consultation, we are broadly confident that those remain mainly within the remit of accounting standard-setting. Nevertheless, we would be concerned if the IPSASB were to prioritise and take on their agenda for the period 2015-2019 two of the three potential projects labelled 'other projects', namely 'differential reporting' and 'integrated reporting'.

In addition, we are concerned that the IPSASB's strategic objective includes promoting IPSASs around the world with Board members acting on a voluntary basis and resources being tight. In that respect, we would encourage the Review Group to take the opportunity of the review of the IPSASB's governance to address the issue.

¹ Terms of reference paragraph 2: The IPSASB's objective is to serve the public interest by developing high-quality accounting standards and other publications.



Question 2: *Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?*

Question 3: *Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?*

The CNoCP is unsure what breaking down the strategic objective into outcomes and outputs adds to the approach undertaken and to the purpose it serves. Combining those outcomes and outputs, we understand that the IPSASB's objective reads: 'to strengthen public finance management by developing accounting standards and recommended practice guidelines and promoting the adoption of IPSASs worldwide'. Unless we're missing an important point, we truly believe that the IPSASB's objective would gain in efficiency and credibility if it was expressed in a more straightforward manner. Because we struggle to clearly outline the need for a distinction between outcomes and outputs, the response we provide below relates to both questions 2 (outcomes) and 3 (outputs).

Incidentally, we note that the objective of developing high-quality accounting standards and other publications is already stated as an overall IPSASB's objective in the IPSASB's terms of reference revised in 2012. To enhance credibility and to tie-in the objective more tightly to the well identified challenges of the 2015-2019 period, we would rather have the IPSASB focus on the dynamics of customising accounting standards to the specificities of the public sector.

Additionally, consistent with our earlier comment on the promotion of IPSASs using Board members' time, we think that increasing awareness of IPSASs and their public finance management benefits would be better achieved through setting-up a closer relationship between public sector standard-setting and public sector stakeholders. That process could be developed alongside the IPSASB. On this topic, please see also our response to question 4.



Question 4: *What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?*

We believe that receiving feedback from stakeholders might not be sufficient to ensure stakeholders that the IPSASB is working towards meeting their needs. As expressed in our response to questions 2 and 3, we would support, at some point in the future, setting-up a specific process that would provide workable solutions to practical day to day narrow issues that public sector stakeholders may face while implementing standards. Such a process would address narrow implementation issues quicker than the IPSASB would.

On the whole, the CNoCP thinks that this would meet both the objective of developing outreach activities and increasing credibility through a formalised process to collect and respond to issues raised, as well as the objective of improving standards accordingly.

It would also help assess how closely IPSASB's achievements meet users' needs and it would ensure closer engagement with users. This would work well towards strengthening the IPSASB's credibility and, as a consequence, towards widening IPSASs' adoption and/or endorsement processes across the world.

Question 5: *Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?*

The CNoCP believes that identifying key factors to make an informed decision on the projects to be initiated by the IPSASB is a critical part of the due process. Those factors need to be carefully chosen to ensure that the projects are taken to the agenda with the view to primarily serve the public interest.

In that sense, of the five factors proposed in the consultation document, the CNoCP notes that only 'significance for the public sector' and 'urgency of the issue' serve the public interest.

However, when it comes to convergence with IFRSs and to alignment with GFS, the CNoCP is of the view that those factors should rather be described as constraints to be dealt with as part of the process of developing all standards. As those constraints should apply to the development or maintenance of all standards, they should not be used as differentiating factors to take a project on the Board's agenda. With respect to convergence with IFRSs and alignment with GFS, we would also like to reassert our view that the objectives of GFSs and of IFRSs are different from those of accounting standard-setting in the public sector.



To the list of factors proposed in the consultation document, the CNoCP would propose the following amendments:

- Gaps in standards: the CNoCP would retain that factor, but we would add that the way an IPSAS is currently worded or structured might bring about deficiencies in the way particular types of transactions or activities are reported in financial reports. Should the significance and urgency criteria be also met, identification of deficiencies would indicate that the project should be addressed in priority;
- Additionally, the CNoCP would add the need to assess if the issue submitted to the IPSASB is more prevalent in some jurisdictions than others. In some cases, the issue could relate to specific regulation in a limited number of jurisdictions, which could be an indication that it would be more efficient to tackle the issue at a more interpretative level.

Consistent with the CNoCP's view on the necessity to set-up an interpretation committee, the due process would have to mention in which cases issues should be addressed first by the interpretation committee prior to a proposed solution being exposed to the IPSASB for approval. Criteria could relate to the scope of the project: for instance, a narrow project that would need to be addressed urgently could fit the remit of the interpretation committee. It would not use Board's time, but would still provide a solution on a timely basis for those stakeholders impacted by the issue.

Question 6: *Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?*

Question 7: *Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.*

Because accounting standards for the public sector in France are accrual-based, the CNoCP does not have strong views about the use of the Cash Basis IPSAS and its capacity to induce governments to adopt accrual-based IPSASs.



Question 8: *Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.*

Overall, the projects the CNoCP would prioritise are those that specifically deal with public sector specific issues.

Of the potential new projects listed in the consultation document, the CNoCP would recommend that the following projects should be prioritised for the reasons explained below:

- Sovereign powers and their impact on financial reporting: the CNoCP believes that this topic is overarching and is a critical factor for differentiating private from public sector accounting. In addition, it touches on the issue of the definition of the reporting entity; in that sense, it should be a topic for the Conceptual Framework project to deal with. Indeed, when setting the boundaries of the reporting entity, even more so of the ultimate consolidating entity, it is critical to identify those assets and liabilities that relate to the reporting entity, so as to analyse whether they meet the recognition criteria at the reporting entity level. This is all the more relevant if a body (eg sovereign powers) acts beyond the management of public finances because it sets the public policies. In setting public policies such a body may create rights and obligations for which it is accountable, but that do not meet the definitions of assets and liabilities of the reporting entity that operates the sovereign powers. In other words, this comes down to attributing to the reporting entity only those assets and liabilities that meet the definitions of assets and liabilities for that reporting entity. Therefore, the CNoCP strongly believes that the issue should be addressed before the project on the Conceptual Framework is finalised.
- Intangible assets: this project would be undertaken as a consequence of the previous topic. In addition to addressing costs related to research and development, the project would deal with those intangible assets that result from sovereign power (eg the power to raise taxes), but that are not intangible assets of the public entity that operates the sovereign power;
- Non-exchange expenses: those expenses represent a large and significant portion of the financial statements with specific features derived from public sector specificities.

2014-07-08

Respons to IPSASB strategy

Contacts info

The Swedish National Audit office
Alexandra Popovic
Senior Audit Director / Certified Public Sector Accountant
alexandra.popovic@riksrevisionen.se
+46 (0) 734 45 22 96

General comments

The Swedish National Audit Office finds the strategy and overall objectives to be relevant and of highest importance. The demands on more transparency and good governance within the public sector has never been higher. Relevant and accurate financial data/financial statements is one of the prerequisites for accountability. We agree with the IPSASB that the move towards accrual based accounting is a necessity and should be encouraged worldwide. But to implement accrual based accounting is not the only solution, there needs to be a set of robust and qualified accounting standards defined by an independent standard-setter and not drawn and decided by a government who presents the financial statements. There has been critics from the public sector towards the IPSAS due to their lack of relevance to critic areas relevant to the public sector.

We would like to encourage the IPASB to continue it's important work and consider to strongly focus on developing (and adjusting) IPSAS in the most essential areas such as taxes (non-exchange revenues), measurement of assets, non-exchange expenses, employ benefits and infrastructure.

Comments to specific questions

1. In overall we agree with the IPASB's tentative view on its strategic objectives.
2. Yes.
3. We believe that the outputs are relevant and will assist the achievement of the outcomes. The only thing we would like to point out is that it could be more clearly stated to which output most resources are allocated.
4. How feedback is received from stakeholders may vary, depending on the theme and matter. Without any in-depth

knowledge about Your current routines we would like to suggest a few examples for Your further consideration:

- Engaging on social media more extensively, such as Facebook, Twitter, LinkedIn etc. The pages/accounts should be held “live and vivid” if you want active respondents. It is an excellent (and cheap) way of starting discussions/debates and getting response quite quickly. Though the response will be based on personal views from the respondents. The social media is a good source of information related to trends and on-going debates but might not be fulfilling all the needs of in-depth information from relevant stakeholders.
- Identify **key**-stakeholders and build more robust relationships with regular meetings and follow-up on development. Who those key-stakeholders is best identified by IPSASB but we could mention for example the public audit organization INTOSAI (International Organization of Supreme Audit Institutions) or specific regions EUROSAI, ASIOSAI but also universities and specific standard-setters etc.

The interest in IPSAS and the work of IPSASB will increase as more countries adopt the IPSAS. The development within EU and the EPSAS project has indicated that there are several standards that are not suitable for the public sector and IPSASB needs to step up and focus on those standards/areas, by doing so, the interest and feedback from stakeholders will increase.

5. The listed five key factors to be considered in deciding whether to initiate a project are relevant. Though we would like to point out that there might be a need for stronger priorities in the near future and perhaps emphasizing just one or two of those key-factors.

Our comments should be read in the perspective of the development in the EU (EPSAS project) but also the call from different stakeholders (market, citizens, international organizations such as IMF etc.) for a more robust and accurate financial reporting from the public sector. The quality of the financial statements will depend on the accounting standards and in some cases these standards are drawn by the government itself. It has been difficult to identify relevant existing accounting standards, and this has forced several to design their own or adopt IPSAS/IFRS but with extensive modifications. These circumstances enhances the risk for a reporting that is adjusted to what a government *would like to report* in the financial statements, especially in those cases

where the country does not have a proper accounting standard-setting organization.

We believe that it would be in favor for the IPASB to focus on one or two of the factors and only chose projects that are closely related to those. The two factors would be nr 1 Significance to the public sector and nr 3 Gaps in standards. The reason for why those factors should be prioritized are motivated below.

- We believe that nr 1 **Significance to the public sector** is the most important factor as well as 2 **Gaps in the standards**. We believe that these two are closely related. If the standards are not relevant and applicable to the public sector, IPSASB will lose credibility and the outputs will not be fulfilled. The ongoing project with the development of EU accounting standards for the public sector (EPSAS) has shown that most of the EU countries consider that the IPSAS does not cover all important areas for the public sector environment. Countries that have implemented IPSAS has been forced to write complimentary standards on areas that are of the highest relevance for the public sector for example taxes and social benefits. We suggest that within a transition period the ISPASB might consider to focus on areas where the IPSAS has been lacking and this could be the key factor that will set the agenda.

We would like to point out that the key-factor nr 5 **Alignment with the GFS** could be considered as far more important than IFRS convergence, from a public sector perspective. The GFS reporting has for example been one of the reasons for starting up the EU project on developing EPSAS and the new EPSAS will as far as possible be aligned with GFS standards.

The alignment with the GFS is a very difficult and complicated. It is a challenge to design and set up standards for financial reporting and at the same time adjusting those to the standards for statistics where a huge part of the balance sheet is classified differently. In our opinion the IPSASB is the only internationally recognized standard-setting body for accounting principles and therefore it is very important for the IPSASB to take a lead on these issues.

6. From our perspective it is obvious that the adoption of accrual based accounting standards would be enhanced if the cash based IPSAS did not exist. It's existence verifies the cash-based method as internationally acceptable and it is doubtful whether the cash-based standard increases the adoption of the accrual-based IPSAS. The adoption of an accounting method, no matter which, is an expensive investment. The two step model, to adapt cash based

and then as step two adapt accrual based, does not seem to be rational and there is no much proof supporting this argument.

To invest in IT systems, education and other support for a cash-based systems and to do it all over again in a couple of years could be an expensive strategy, instead of moving towards accrual based immediately. The pressure to adopt accrual based accounting standards is global and the PFM (Public Financial Management) reforms that are on-going in the developing countries, and other as well, is focusing on the adoption of the accrual based accounting, especially after the financial crisis.

7. We would suggest a withdrawn of the standard in a five year perspective and without any further work done on the existing standard. The five year period will give the preparers of financial statements time to adopt the accrual based standards. By doing this there will be more resources available to the other projects. The rationale for our suggestion – see answer to question nr 6.
8. The listed potential projects are all relevant and important. Though we would like to suggest a more strict focus and prioritization on a few projects with the aim to finalize them in a shorter period. Below we have indicated which projects we believe should be of highest priority. The rationale for our choice is that these projects concern significant areas often mentioned as weak and poorly addressed in the IPSAS, in relation to the public sector specific environment, and they relate to large amounts.

Studies in EU has shown that countries which already had implemented IPSAS, in several cases has been forced to develop own standards for addressing certain areas, because the IPSAS has been defined as not applicable. We believe that the credibility of the IPSAS will raise and there will be fewer arguments for not adopting the IPSAS because important areas are not properly addressed.

- Projects to address public sector specific issues:
 - ✓ **Measurement – public sector specific.** The completion of this project will affect the other suggested projects on heritage assets, infrastructure assets etc and there should it be highlighted and of highest priority.
 - ✓ **Non-exchange expenses**
 - ✓ **Infrastructure assets, heritage assets and other asset related projects.**

- Projects to maintain existing IPSAS:
 - ✓ Improvements to **ISPAS 23 Non-exchange revenues**
 - ✓ Employee **benefits ISPAS 25**



WIRTSCHAFTSPRÜFERKAMMER . Postfach 30 18 82 . 10746 Berlin

By website: www.ipsasb.org

International Public Sector Accounting Standards Board
529 Fifth Avenue, 6th Floor
New York, NY 10017
USA

Geschäftsführung

Rauchstraße 26
10787 Berlin
www.wpk.de

July, 16, 2014
Contact: **WP**in Daniela Zintzsch
+49 30 726 161 325
INT/IPSASB/960

- please always indicate -

IPSASB Strategy Consultation

Dear Ladies and Gentlemen,

We are pleased to take this opportunity to comment on the IPSASB's Strategy Consultation Paper: IPSASB's Strategy for the period from 2015 forward and IPSASB's 2015–2019 work program.

IPSASB's Strategy for the period from 2015 forward

We support the identified strategic objective for the period 2015 forward to strengthening public financial management and knowledge globally. Especially the adoption of accrual-based accounting in all areas of the public sector entity is absolutely essential.

In what extent the IPSAS are appropriate to strengthening public financial management and knowledge by providing faithful, understandable and comparable information needs to be expressed more clearly. Therefore we see the need not only to raise awareness of the benefits of the adoption of the IPSAS but also of the benefits of the IPSAS itself.

IPSASB's 2015–2019 work program

With regard to the work program in general further adjustments to extant IPSASs or the development of new standards should be limited to a minimum level. This would provide users a stable platform for adoption and implementation of standards.

According to the key factors to be considered in deciding whether to initiate a project and assessing its relative priority we think that "IFRS convergence" is not a necessary key factor. The IPSASB should concentrate on the IPSAS itself and their target group. The IAS/IFRS are very extensive and complex, there are hard to understand and contain to many discretionary decisions. For providing faithful, understandable and comparable information by adoption of the IPSAS it is not recommendable to converge with the IAS/IFRS.

As an additional key factor to be considered we recommend the factor "cost effectiveness" what means that a project should only initiate when it is in proportion to the importance of the results and the benefits.

Relating to the three options you identified in relation to the Cash Basis IPSAS we would recommend to withdraw the Cash Basis IPSAS from the IPSASB Handbook. The Cash Basis IPSAS are not adequate to achieve your outcome to improve the ability of public sector entities to reflect the full economic reality of their finances.

In the course of the actual project of creating European Public Sector Accounting Standards (EPSAS) and implementing it in the EU Member States the European Commission concluded according to the suitability of the IPSAS for the EU member states that on the one hand "IPSAS cannot easily be implemented in EU Member States as it stands currently. On the other hand, the IPSAS standards represent an indisputable reference for potential EU harmonized public sector accounts." The last public consultation paper dealt with future EPSAS governance principles and structures. We recommend to await the results of this consultation and the further development for prioritization the potential projects of the IPSASB.

We would like to thank you for the opportunity to comment on the above mentioned consultation paper and hope that you will find our comments useful. We would be delighted to answer any further questions that you may have.

Kind Regards



Claus C. Securs
President



Dr. Reiner Veidt
Executive Director



DIRECTION GÉNÉRALE DES FINANCES PUBLIQUES

Service comptable de l'État / Service des collectivités locales

Mission Doctrine comptable et contrôle interne comptable

120 Rue de Bercy - Télédéc 787

75572 PARIS cedex 12

Affaire suivie par Stéphanie Ledoux et Virginie Dubois-Fernandes

stephanie.ledoux@dgfip.finances.gouv.fr

☎ 01 53 18 78 26 ☎ 01 53 18 62 36

virginie.dubois-fernandes@dgfip.finances.gouv.fr

☎ 01 53 18 35 05 ☎ 01 53 18 62 36

Référence : 2014-06-7658

Paris, le **18 JUIL. 2014**

Ms Stephenie Fox
Technical director
International Public Sector
Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th floor
Toronto,
Ontario M5V 3H2 CANADA

Subject : Response to the IPSASB Strategy Consultation.

I am writing on behalf of the French Directorate of Public Finances (DGFIP) to express our views on the mentioned above Consultation.

LE CHEF DE SERVICE



François TANGUY

This consultation paper (hereinafter mentioned as CP) deal with the strategic objectives of the IPSASB, and the suitability of the due process and resources necessary to meet those objectives. This CP also sets out to define the priorities for the projects to be included in the IPSASB's work program for the period 2015-2019.

The proclaimed IPSASB strategic objective is to strengthen public financial management and knowledge globally through increasing adoption of accrual-based IPSASs.

DGFIP acknowledges the need for a medium term strategic vision as part of a global efficiency-driven approach taking into account resources constraints.

These constraints require to define a precise strategic direction if the pre-defined objectives are to be achieved using the actual available resources.

Consequently, DGFIP believes that the strategic approach must focus on designing comprehensive accrual-based accounting standards and especially for the treatment of specific publicaccounting issues.

Lastly, greater transparency in the IPSASB's due process could help ensure the credibility of IPSAS standards. Thus, it would be useful if the analysis and iterative discussions of the IPSASB's due process were made public so as to improve the feedback to stakeholders.

Question for respondents n°1

Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward ? If not, how should it be revised ?

DGFIP believes that the first two items of the definition of the strategic objective which are the development of high quality accrual-based reporting standards and of other publications for the public sector are of major importance. However, the third item consisting of raising awareness of IPSASs and the benefits of their adoption seems to be the consequence of the first two items.

In order to meet those objectives and to improve the transparency and the legitimacy of the IPSASB, DGFIP suggests that additional inputs could be taken into account in the due process¹. Thus, identified inputs¹ could be completed as follows:

- Communicate more on the analysis of the two stages of the IPSASB's consultation²;
Indeed, more information could be given to the respondents and the stakeholders as a whole on the analysis of responses to public consultations and the way the latter are taken into account in determining the direction for finalizing the project. As for the IASB, the development and publication of a due process handbook, more detailed than paragraph 8 of the current introduction to the IPSAS handbook dealing with terms of reference, would help to clarify and to assist in the review of the due process of the IPSASB.
- Adjust the weighting of the responses received to avoid the over-representation of a country or category of respondents;
Moreover, all types of respondent (professional accountant, government official, or any interested party) should not be accounted for in the same way. Instead there should be a weighting to reflect the extent they represent the public sector. This is because it is critical in the case of designing accounting standards dedicated to the public sector to give more weight to the views of those with practical experience of the public sector and representatives of the official public bodies in charge of public entity accounting issues.
- Draw on the best existing national practices to better reflect the specific features of their organisation and constraints;
In particular, and in conjunction with making the due process transparent, it might be interesting to investigate and assess existing national practices and those of international organisations by introducing benchmarking of specific public sector features (sovereignty, economic and social regulation role, mainly non-commercial activity...).
- Continue to emphasize the proportion of Board members coming from public sector;
- Include in the decision-making process, an analysis of the known or even potential consequences of implementing the proposed IPSAS standards.

This analysis must include a cost-benefit assessment taking into account the international context of resources constraints and budgetary sustainability as well as the financial, economic and social issues inherent to all public policies.

¹ CP p 11 « Inputs: Funding; Staff; IPSASB members; IPSASB technical advisors; Stakeholder input; Operational procedures. ».

² CP and exposure draft.

Question for respondents n° 2

Do you think that the two outcomes identified³ are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

With regard to the answers to questions 1 and 3, DGFIP considers that the improvement of the ability of public sector entities to reflect the full economic reality of their finances, requires other inputs and outputs than those set out in the CP. The same is true for their ability to make these financial statements clear understandable and comparable for stakeholders, and more generally for all users.

Therefore, as stated previously in the DGFIP's different responses, the expected outcomes should take account multi-faceted identity of the users of financial statements (users of public services, citizen and taxpayer). Indeed, the users of financial statements are not all financial specialists or professional accountants.

Public sector accounts must be understandable and comparable over time.

Therefore, IPSASB's process could be directed towards the following outcomes:

- The development of accounting standards that are straightforward to apply and understandable by all users of financial statements and not just by accountants;
- The non-introduction of rules that lead to volatility and procyclicality in the financial statements (for example, the recurrent use of fair value as a measurement base for financial instruments);
- The reduction of options in the standards in order to promote the comparability of the financial statements of public entities⁴. The existence of options does not contribute to the comparability of the accounts of public entities. Nevertheless, some flexibility is required to adapt to the structural diversity of public entities, particularly, in terms of granularity, and the financial and accounting issues at stake.

Question for respondents n°3

Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

In connection with replies 1 and 2 above, the development of high quality reporting standards and other publications partially meets the objective of improving the quality of accounting standards. Indeed, the mentioned outputs should better reflect specificities of public action. This would enable standards to be introduced to cover key areas of public policy⁵ that are not currently dealt with in IPSASs.

³ Outcomes identified p.11 are :

- « Improved ability of public sector entities to reflect the full economic reality of their finances as well as of stakeholders to understand ;
- Increased awareness of IPSASS and their public finance management benefits in order to influence their adaption. »

⁴ The requirement to produce reliable and comparable financial statements is set out in Council Directive n° 2011/85/EU, of 8 November 2011, on requirements for the budgetary frameworks of Member States of the European Union.

⁵ For example EU Accounting Rule n°3 "Expenses and Payables" developed by the European Commission because of the lack of equivalent IPSAS.

In addition, over and above the outputs, the outcomes can only be achieved by employing the necessary resources. To this end, in order to increase the legitimacy and credibility of the IPSASB, a greater involvement of public sector accountants in the IPSASB conferences and other events would be useful.

Question for respondents n°4

What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

As stated above in reply 1, DGFIP believes that greater transparency in the analysis and feedback on responses to public consultations⁶ would contribute to the credibility and legitimacy of the IPSASB.

Question for respondents n°5

Do you agree with the five key factors⁷ the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

As stated in our response to the public consultation of October 2012⁸, the attempt to alignment with Government Finance Statistics (GFS) is necessarily limited by the differences in objectives and scope that characterise these two frameworks. Consequently, the fifth key factor does not seem relevant in deciding to initiate a project.

Moreover, the goal of convergence with IFRS (cf the fourth key factor) seems relevant only when public sector transactions have no specificities compared to those existing in companies (identical transactions).

Thus, for DGFIP, only three key factors should be considered:

- firstly, significance for the public sector highlighting its specific projects, especially those where there is no equivalent in the private sector (cf the first key factor);
- then, gaps in standards, to ensure that a complete set of standards for the public sector is ultimately developed (cf the third key factor);
- lastly, urgency of the issue for the public sector (cf the second key factor).

6 CP and exposure draft.

7 CP p 15 : « The key factors to be considered in deciding whether to initiate a project and assessing its relative priority are:

1. Significance for the public sector – generally this would be a public sector specific project that has high relevance to the public sector, likely for which there is no equivalent private sector issue.
2. Urgency of the issue – developments globally may result in changes in the environment and therefore an issue becoming more important. For example, as a result of the global financial crisis in 2008 the IPSASB accelerated work on IPSASs 28-30 as it deemed it important to have standards on financial instruments.
3. Gaps in standards – the project addresses an issue that has not previously been addressed in IPSASs or RPGs.
4. IFRS convergence – the project meets the goal of convergence with the IFRSs where deemed appropriate. This would allow leveraging resources in terms of possibly collaborating with the IASB.
5. Alignment with GFS – the project helps to reduce divergence between the IPSASs and GFS ».

8 IPSASs and Government Finance Statistics Reporting Guidelines, CP, October 2012.

Question for respondents n°6

Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

As the strategic objective requires increasing adoption of accrual-based IPSAS, it seems unnecessary to develop the Cash Basis IPSAS.

Nevertheless, DGFIP acknowledges a standard related to the transition between cash and accrual basis as useful⁹.

Question for respondents n°7

Of the three options identified in relation to the Cash Basis IPSAS¹⁰, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

DGFIP supports accrual-based accounting. In a budgetary constrained context, human and financial resources should be allocated to the main projects.

Question for respondents n°8

Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

Consistent with the previous replies and more particularly with the answer to question 5, columns 3 and 4 of the table entitled "Potential Projects" should not be considered¹¹.

In addition, DGFIP notes that the program proposed by the IPSASB seems very ambitious considering the human and financial resource constraints. Thus, as stated in the CP¹², the standard setting process takes from 18 to 48 months depending on the type of project. However, this consultation sets out to determine the new projects for the period 2015-2019, i.e. 60 months.

In view of the projects currently being examined by the IPSASB, the identification of 21 new topics corresponding to the draft proposals supported by DGFIP (cf. (a) Projects to address public sector specific issues and (b) Projects to maintain existing IPSASs), also appears very ambitious.

⁹ Public consultation october 2013 ED 53 *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards*.

¹⁰ CP p 19 :

(a) Retain the Cash Basis IPSAS and complete the review project using existing IPSASB resources ; this would mean issuing an ED that addresses the Task Force's recommendations, analysing responses and finalizing a revised Cash Basis IPSAS ;
(b) Retain the Cash basis IPSAS unchanged ; this would mean suspending the review project and doing non further work on the IPSAS ; or
(c) Withdraw the Cash basis IPSAS from the IPSASB Handbook ; this could be immediate or at some futur date. »

¹¹ Projects to converge with IFRS and other projects.

¹² CP Paper p 8« *The current structures and processes mean that a standardsetting project takes a minimum of 18 months, with the average project taking 24 to 30 months. More challenging projects take 36 to 48 months to completion* ».

In light of the above three key factors mentioned in answer 5, in order to respond to the public sector issues and, considering resource constraints, two major public sector topics have been identified as priorities:

- non exchange expenses;
- sovereign powers and their impact on financial reporting.

Finally, the concept of expense raises issues in connection with the relationship of expense-provisions- off balance sheet commitments which may well affect other standards in parallel. In addition, studying the exercise of sovereignty implies:

- an in-depth approach in relation to the conceptual framework;
- an analysis of the interaction between the exercise of sovereign power and other issues such as the right to use public property or the right to use the frequency spectrum;
- the very definition of the triggering event requires considerable thought in this particular context.

Version Française

La consultation que vous nous soumettez porte sur la définition des objectifs stratégiques de l'IPSASB, ainsi que sur l'adéquation des processus et moyens engagés pour y répondre. Elle vise également à déterminer les thématiques à inscrire au programme de travail prioritaire de l'IPSASB pour la période 2015-2019.

L'objectif stratégique de l'IPSASB est de renforcer la gestion des finances publiques et sa connaissance à l'échelle mondiale par l'adoption croissante des normes IPSAS fondées sur la comptabilité en droits constatés.

La DGFIP reconnaît la nécessité de disposer d'une vision stratégique à moyen terme, s'inscrivant dans une démarche globale et transversale d'efficience, dans un contexte contraint d'allocation des ressources.

Cette contrainte impose d'orienter la démarche stratégique selon des axes précis, afin d'atteindre des objectifs qui auront été préalablement définis compte tenu des ressources disponibles.

En conséquence, la démarche stratégique de l'IPSASB doit être, pour la DGFIP, d'élaborer des normes comptables exhaustives traitant notamment des spécificités du secteur public.

Enfin, une transparence accrue du processus décisionnel de l'IPSASB contribuerait au renforcement de la crédibilité des normes IPSAS. Ainsi, les travaux d'analyse et de raisonnement normatif menés par l'IPSASB de façon itérative pourraient utilement être publiés, de manière à améliorer l'information restituée aux parties prenantes.

Question 1

Êtes- vous d'accord avec la proposition d'objectif stratégique de l'IPSASB pour la période 2015-2019 ? Si non, comment la modifieriez-vous ?

La DGFIP estime que les deux premiers axes de déclinaison de l'objectif stratégique, à savoir, le développement, d'une part, de normes comptables de qualité fondées sur les droits constatés, et d'autre part, d'autres publications dédiées au secteur public, présentent un intérêt majeur. En revanche, le troisième axe d'action, visant une sensibilisation accrue aux IPSAS et aux avantages de leur adoption, nous semble constituer une résultante des deux premiers.

Pour répondre à ces objectifs et renforcer la transparence et la légitimité de l'IPSASB, la DGFIP propose que certains paramètres additionnels (inputs) soient intégrés au processus normatif. Ainsi, les inputs¹³ identifiés pourraient prendre en compte les axes suivants :

- communiquer davantage sur l'analyse issue des deux étapes constituant chaque procédure de consultation lancée par l'IPSASB : au stade du document de consultation et de l'exposé sondage¹⁴ ;

En effet, les réponses obtenues lors des consultations publiques, leur analyse, les modalités d'orientation et de finalisation des travaux pourraient être largement explicitées à l'ensemble des répondants, voire à l'ensemble des parties prenantes. A l'instar de l'IASB, l'établissement et la publication d'un guide de procédure dédié, plus détaillé que le paragraphe 8 actuel du chapitre introductif du recueil des normes IPSAS relatif aux termes de référence, améliorerait considérablement la connaissance et la revue du processus décisionnel interne à l'IPSASB.

- proratiser les réponses reçues de façon à éviter la sur-représentation d'un pays ou la sur-représentation d'une catégorie de répondants ;

Par ailleurs, la nature du répondant (expert comptable, représentation officielle d'un État, ou toute personne intéressée par le sujet) ne devrait pas être prise en compte de manière similaire, mais graduée, en fonction de sa représentativité du secteur public. En effet, il pourrait être pertinent, dans un processus de normalisation comptable dédié au secteur public, de privilégier le point de vue des praticiens des entités publiques, ainsi que les représentants d'organismes publics officiels en charge des problématiques comptables de ces entités.

- s'inspirer des bonnes pratiques existantes au sein des États afin de mieux tenir compte des spécificités de leur organisation et de leurs contraintes propres ;

En particulier, et en lien avec la transparence du processus décisionnel, il pourrait être intéressant de connaître et d'expertiser les pratiques existantes des États et des organismes internationaux, via la mise en place de parangonnages afin de tenir compte des spécificités du secteur public (souveraineté, mission de régulation économique et sociale, activité principalement non marchande....).

- accentuer la proportion de membres du Board issus du secteur public ;
- intégrer dans le processus décisionnel, l'analyse des conséquences connues, voire potentielles, de la mise en œuvre des dispositions normatives proposées par l'IPSASB.

¹³ Document de consultation publique p 11 « Inputs: Funding; Staff; IPSASB members; IPSASB technical advisors; Stakeholder input; Operational procedures. »

¹⁴ CP and exposure draft.

Cette analyse doit impérativement intégrer le rapport « coût-avantage », au regard d'une part, du contexte international contraint en termes de ressources et de soutenabilité budgétaire, et d'autre part, des enjeux financiers, économiques et sociaux sous-jacents à toute action publique.

Question 2

Pensez-vous que les deux résultats identifiés¹⁵ sont appropriés pour atteindre l'objectif stratégique ? Dans la négative, quels seraient les résultats les plus appropriés ?

En lien avec les réponses aux questions 1 et 3, la DGFIP considère que l'amélioration de la capacité des entités du secteur public à refléter pleinement la réalité économique de leurs finances nécessite d'autres résultats, que ceux proposés par l'IPSASB dans le document de consultation. Il en va de même pour la prise en compte de leur capacité à rendre ces productions compréhensibles, lisibles et comparables pour les parties prenantes, voire plus globalement pour l'ensemble des utilisateurs.

Ainsi, conformément aux différentes réponses antérieurement adressées par la DGFIP, les résultats attendus (outcomes) doivent prendre en compte l'aspect tripartite des utilisateurs des états financiers (l'usager, le citoyen et le contribuable). En effet, les utilisateurs des comptes des entités publiques ne sont pas tous des professionnels de la finance ou de la comptabilité.

Les comptes publics doivent pouvoir être compréhensibles et comparables dans le temps.

Aussi, les actions de l'IPSASB devraient être orientées vers les résultats (outcomes) suivants :

- la production de normes comptables simples dans leur mise en œuvre et compréhensibles par l'ensemble des utilisateurs des comptes, et non seulement par les praticiens de la comptabilité ;
- la non introduction de règles induisant de la volatilité et de la procyclicité dans les états financiers (par exemple, utilisation récurrente de la juste valeur comme méthode d'évaluation des instruments financiers) ;
- la réduction des options dans les normes afin de favoriser la comparabilité des états financiers entre entités publiques¹⁶. En effet, l'existence d'options n'est pas de nature à assurer la comparabilité des comptes des entités publiques. Néanmoins, il convient de garder une certaine souplesse pour s'adapter à la diversité des structures des entités publiques, notamment, en termes de granularité, d'enjeux financiers et comptables.

¹⁵ Outcomes identified p.11 are :

- « Improved ability of public sector entities to reflect the full economic reality of their finances as well as of stakeholders to understand
- Increased awareness of IPSASS and their public finance management benefits in order to influence their adoption. »

¹⁶ La nécessité de produire des états financiers comparables et fiables a été développée notamment dans la directive du Conseil n° 2011/85/UE, du 8 novembre 2011, sur les exigences applicables aux cadres budgétaires des États membres de l'Union européenne.

Question 3

Pensez-vous que les propositions de productions / prestations (outputs) contribueront à l'atteinte des résultats ? Dans la négative, sur quels types de productions pensez-vous que l'IPSASB devrait se concentrer ?

En lien avec les réponses 1 et 2 supra, la production de normes et d'autres publications de grande qualité contribue partiellement à l'atteinte de l'objectif d'amélioration normative. En effet, les productions (outputs¹⁷) présentées pourraient davantage tenir compte des spécificités de l'action publique. Ainsi, le référentiel existant pourrait utilement être complété afin de proposer des normes sur les sujets non encore traités à ce jour et qui constituent des domaines essentiels de l'action publique.

Par ailleurs, au-delà des outputs, l'atteinte des résultats doit également mobiliser les moyens adéquats (inputs). À cet égard, une participation accrue des praticiens de la comptabilité publique aux représentations et conférences de l'IPSASB contribuerait utilement au renforcement de la légitimité et de la crédibilité de l'IPSASB.

Question 4

Quels changements l'IPSASB doit-il faire pour s'assurer d'être bien informé concernant les points de vue des parties prenantes au cours des procédures de restitution ?

Conformément à la réponse 1 précédente, la DGFIP estime que la transparence accrue en matière d'analyse et de restitution des réponses aux consultations publiques (documents de consultation et exposés-sondage¹⁸) participe de la crédibilité et de la légitimité de l'IPSASB.

Question 5

Êtes-vous d'accord avec les cinq facteurs clés¹⁹ définis par l'IPSASB pour évaluer la priorité d'un sujet et initier des travaux sur ce thème ? D'autres facteurs devraient-ils être pris en compte ?

Comme indiqué dans notre réponse à la consultation publique d'octobre 2012²⁰, la recherche de convergence entre le référentiel des normes IPSAS et celui de statistiques de finances publiques nous semble limitée au regard de la divergence de leurs objectifs et de leur champ d'application respectifs. En conséquence, le facteur 5 "alignement sur le GFS" n'est pas essentiel dans le mécanisme décisionnel de choix des sujets à traiter par l'IPSASB.

Par ailleurs, l'orientation relative à la convergence des IPSAS avec les IFRS (cf. the 4th key factor) ne se justifierait, pour la DGFIP, qu'en présence d'opérations du secteur public ne présentant pas de spécificité par rapport à celles existant dans le secteur privé (opérations identiques).

17 Outputs identified p. 11 are :

- High-quality public sector financial reporting standards and other publications- IPSASs & RPGs ;
- Presentations, speeches and other outreach activities in order to engage with stakeholders. »

18 CP et Exposure Draft.

19 Page 15 du document de consultation : « The key factors to be considered in deciding whether to initiate a project and assessing its relative priority are:

1. Significance for the public sector – generally this would be a public sector specific project that has high relevance to the public sector, likely for which there is no equivalent private sector issue.
2. Urgency of the issue – developments globally may result in changes in the environment and therefore an issue becoming more important. For example, as a result of the global financial crisis in 2008 the IPSASB accelerated work on IPSASs 28-30 as it deemed it important to have standards on financial instruments.
3. Gaps in standards – the project addresses an issue that has not previously been addressed in IPSASs or RPGs.
4. IFRS convergence – the project meets the goal of convergence with the IFRSs where deemed appropriate. This would allow leveraging resources in terms of possibly collaborating with the IASB.
5. Alignment with GFS – the project helps to reduce divergence between the IPSASs and GFS ».

20 IPSASs and Government Finance Statistics Reporting Guidelines, CP, October 2012.

Ainsi, la position de la DGFIP conduit à retenir trois facteurs clés :

- tout d'abord, l'importance des sujets pour le secteur public afin de mettre en relief ses projets spécifiques, notamment ceux sans équivalent dans le secteur privé (cf. the first key factor) ;
- puis, les lacunes actuelles des normes, de manière à disposer à terme d'un référentiel complet pour le secteur public (cf. the third key factor) ;
- enfin, l'urgence du traitement du projet au regard des enjeux pour le secteur public (cf. the second key factor).

Question 6

Pensez-vous que la norme IPSAS sur la comptabilité de caisse constitue un atout précieux pour renforcer la gestion des finances publiques et sa connaissance à l'échelle mondiale via l'adoption croissante des normes IPSAS fondées sur la comptabilité en droits constatés ?

Dès lors que l'objectif stratégique ancre les normes IPSAS dans le système des droits constatés, il ne nous semble pas utile de développer un référentiel comptable « IPSAS » relatif à la comptabilité de caisse.

La DGFIP reconnaît, toutefois, l'intérêt d'une norme relative à la transition entre comptabilité de caisse et comptabilité en droits constatés²¹.

Question 7

Parmi les trois options²² identifiées concernant la norme IPSAS relative à la comptabilité de caisse, laquelle doit être privilégiée ? Merci de justifier votre choix.

La DGFIP soutient la comptabilité en droits constatés. Dans un contexte budgétaire contraint, les ressources humaines et financières nous semblent devoir être affectées aux projets porteurs d'enjeux majeurs.

Question 8

Compte tenu des différents facteurs et de ses contraintes, quels projets devraient être traités en priorité par l'IPSASB et pourquoi ? Lorsque cela est possible, merci d'expliquer votre point de vue au regard de la description et de la portée du projet.

En conformité avec les réponses précédentes et plus particulièrement la réponse à la question 5, les colonnes 3 et 4 du schéma intitulé « Projets potentiels » ne sont pas retenues.

Par ailleurs, la DGFIP relève qu'au regard des contraintes de ressources (humaines et financières), le programme proposé par l'IPSASB apparaît très ambitieux. Ainsi, comme indiqué dans le document support de cette consultation²³, le processus de normalisation s'étend, selon les projets, de 18 à 48 mois.

21 Consultation publique de l'IPSASB d'octobre 2013 ED 53 *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards*.

22 Page 19 du document de consultation :

« (a) Retain the Cash Basis IPSAS and complete the review project using existing IPSASB resources ; this would mean issuing an ED that addresses the Task Force's recommendations, analysing responses and finalizing a revised Cash Basis IPSAS ;

(b) Retain the Cash basis IPSAS unchanged ; this would mean suspending the review project and doing no further work on the IPSAS ; or

(c) Withdraw the Cash basis IPSAS from the IPSASB Handbook ; this could be immediate or at some future date. »

23 Document de consultation publique p 8 « *The current structures and processes mean that a standardsetting project takes a minimum of 18 months, with the average project taking 24 to 30 months. More challenging projects take 36 to 48 months to completion* ».

Or cette consultation doit permettre de déterminer les nouveaux projets pouvant être abordés pour la période 2015-2019, soit sur 60 mois.

Compte tenu des sujets en cours d'examen par l'IPSASB, le recensement de 21 thématiques dans le cadre des deux premières orientations soutenues par la DGFIP (cf. (a) Projects to adress public sector specific issues and (b) Projects to maintain existing IPSASs), s'avère également très ambitieux.

Dans la continuité des trois facteurs clés identifiés en réponse 5, et pour répondre aux enjeux du secteur public en tenant également compte des contraintes de ressources, deux sujets majeurs apparaissent, pour la DGFIP, devoir être traités en priorité, à savoir :

- non exchange expenses ;
- sovereign powers and their impact on financial reporting.

En effet, la notion de « dépense » soulève des problématiques liées à l'articulation charges-provisions-engagement hors bilan, qui risquent d'impacter d'autres normes en parallèle.

Enfin, les réflexions liées à l'exercice de la souveraineté implique :

- une réflexion de fond, en lien également avec le cadre conceptuel ;
- une analyse de l'articulation entre l'exercice du pouvoir du souverain et d'autres problématiques comme le droit d'utilisation du domaine public, ou encore le droit d'utilisation du spectre hertzien ;
- la définition même du fait générateur nécessite une réflexion approfondie dans ce contexte particulier.



NZ ACCOUNTING
STANDARDS
BOARD

23 July 2014

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto
Ontario M5V 3H2
CANADA
Submitted to: www.ifac.org

Dear Stephenie

IPSASB Strategy Consultation

Thank you for the opportunity to comment on the IPSASB *Strategy Consultation (Strategy Consultation)*. The *Strategy Consultation* has been exposed in New Zealand and some New Zealand constituents may have made comments directly to you.

We have a keen interest in the IPSASB's strategy and work program, given that the accounting standards New Zealand public benefit entities apply from 1 July 2014 are based on IPSASs.

We broadly support the specific proposals in the *Strategy Consultation*, as indicated in our responses to the specific questions, which are set out in the Appendix to this letter.

In particular, we wish to emphasise the importance of IFRS convergence when deciding whether to initiate a project and assessing its priority. In our view, any unnecessary differences between IPSASs and IFRSs may undermine the credibility and quality of IPSASs, particularly if the IPSASs are perceived to significantly lag behind major developments in reporting in the for-profit sector that would also improve reporting in the public sector.

In addition, for jurisdictions that apply IFRSs, unnecessary differences could create a barrier to adopting IPSASs if there are group reporting entities that comprise some entities that apply IFRSs and other entities that apply IPSASs, such as a group comprising a central government applying IPSASs and its government business enterprises (GBEs) applying IFRSs. Unnecessary differences in the accounting policies applied by entities in the group would compound consolidation issues and affect compliance costs for group reporting entities when preparing consolidated financial statements.

WELLINGTON OFFICE Level 7, 50 Manners St, Wellington • **AUCKLAND OFFICE** Level 12, 55 Shortland St, Auckland
POSTAL PO Box 11250, Manners St Central Wellington 6142, New Zealand • PH +64 4 550 2030 • FAX +64 4 385 3256

WWW.XRB.GOV.T.NZ

We acknowledge that the IPSASB will face a difficult task prioritising projects, having regard to the resources required to complete those projects that are already active. In keeping with our ongoing commitment to support the work of the IPSASB, we would be pleased to assist the IPSASB with one of its projects. We are particularly interested in a project to consider revenue. In our view, such a project should encompass both exchange and non-exchange revenue, considering the implications of IFRS 15 *Revenue from Contracts with Customers* and re-considering IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

We have been concerned about the amount of information in financial statements for a number of years, and that important information is getting lost amongst less relevant information. For this reason, we would encourage the IPSASB to initiate a project similar to the IASB's *Disclosure Initiative*. Such a project could clarify the current presentation and disclosure requirements, and explain the role of materiality and judgement in preparing useful and understandable financial statements.

Although we are broadly supportive of the specific proposals in the *Strategy Consultation*, we have a number of comments and recommendations in our responses to the questions, which are set out in the Appendix to this letter. If you have any questions or require clarification of any matters in this submission, please contact Aimy Luu Huynh (aimy.luuhuynh@xrb.govt.nz) or me.

Yours sincerely



Kimberley Crook

Chair – New Zealand Accounting Standards Board

APPENDIX

Questions for Respondents

1. Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

We support the IPSASB's proposed strategic objective, particularly the objective of setting high-quality financial reporting standards. We think that this objective could be enhanced by referring not only to "high quality" but also "principle-based" financial reporting standards.

When considering the IPSASB's strategic objective we reflected on the role of the Memorandum of Understanding (MOU) between the International Federation of Accountants (IFAC) and the International Accounting Standards Board (IASB). In the MOU, both parties have agreed to enhance initiatives of common and mutual interest. We encourage the IPSASB to maximise the potential of this MOU by identifying projects of mutual interest and engaging with the IASB to see how each body can contribute to such projects. We note that the IPSASB's research project on Emission Trading Schemes is to be undertaken as a joint project with the IASB and consider that this is a good example of how the MOU should work. We consider that such collaborative projects will benefit the work of both Boards.

2. Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

We agree that better financial reporting and increased adoption of IPSASs are important. However, we encourage the IPSASB to align the outcomes with the objectives of financial reporting set out in the Conceptual Framework. We consider there should be more emphasis on the development of IPSASs that provide information to users that is helpful for accountability and decision-making.

3. Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

We largely support the proposed outputs. However, we have the following recommendations:

- (a) We encourage the IPSASB to include another output regarding research into the effectiveness of IPSASs in achieving the desired outcomes. The IPSASB would not necessarily need to engage in such research directly. Rather, it could encourage academic research, such as research on the impact of accrual-based accounting on central governments. We note that such research does occur from time-to-time, but consider that there would be benefits from more widespread research¹.
- (b) We encourage the IPSASB to be more actively engaged in research to help identify the nature of issues, their prevalence and the impact that a standard might have. This could help improve the

¹ At the OECD 2014 accruals symposium there was a presentation on a project entitled "The potential impact of accrual-based public accounting harmonization on public policy making from the perspective of national governments".
<http://www.slideshare.net/OECD-GOV/d1-amsession4giovannadabbiccoitaly>

effectiveness and efficiency of the standard setting process.

4. What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

We recommend that the IPSASB consider establishing the following feedback mechanisms:

- (a) a Consultative Advisory Group to provide technical advice to the IPSASB on applicable topics; and
- (b) a forum for national standard setters and possibly regional groups to meet and share views, or encourage countries adopting IPSASs to establish such forums.

Other feedback mechanisms the IPSASB may want to consider are:

- (a) Using cost effective technologies for outreach to constituents such as webinars, teleconference discussion forums, and feedback statements on discussion papers and exposure drafts; and
- (b) Assessing the effectiveness of IPSASs through post-implementation reviews as more jurisdictions adopt IPSASs.

5. Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

We generally support the proposed factors and note the importance of IFRS convergence. In our view any unnecessary differences between IPSASs and IFRSs may undermine the credibility and quality of IPSASs, particularly if the IPSASs are perceived to significantly lag behind major developments in reporting in the for-profit sector that would also improve reporting in the public sector. In addition, for jurisdictions that apply IFRSs, unnecessary differences could create a barrier to adopting IPSASs if there are group reporting entities that comprise some entities that apply IFRSs and other entities that apply IPSASs, such as a group comprising a central government applying IPSASs and its GBEs applying IFRSs. Unnecessary differences in the accounting policies applied by entities in the group would compound consolidation issues and affect compliance costs for group reporting entities when preparing consolidated financial statements.

We acknowledge the IPSASB's desire to align IPSASs, as far as possible, with the GFS statistical reporting framework. In our view, alignment with GFS should be accorded a lower weighting because the IPSASB's prime focus should be on generally accepted accounting practice, which is suited to a wider range of users than GFS.

6. Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

The 2010 Task Force review (the Review) noted that the Cash Basis IPSAS has not been widely adopted and has not led to increased adoption of accrual basis IPSASs. This finding indicates that, in its current form, the Cash Basis IPSAS is not a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs. We acknowledge that, at the time this Standard was developed, the IPSASB considered that it would assist public sector entities to make the transition to accrual basis IPSASs. However, for the reasons noted by the IPSASB, it has not been widely adopted and has not led to increased adoption of accrual basis IPSASs. In our view, the IPSASB should consider if there is a cost-effective way of overcoming the key obstacles identified in the Review that would enable the Standard to achieve its original objective. If not, we do not support any further development of the Cash Basis IPSAS. The IPSASB's limited resources would be more effectively used in the development and improvements of accrual-based IPSASs.

7. Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

Based on the 2010 Task Force Review, option (a) does not appear to be a good use of the IPSASB's resources. However, if the IPSASB is able to identify a cost-effective way of overcoming the key obstacles identified in the Review, option (a) could be considered.

Nevertheless, given that one of the IPSASB's proposed outcomes is to improve the ability of public sector entities to reflect the full economic reality of an entity's finances, the role of the Cash Basis IPSAS (if retained) should be limited to providing a transitional step to adoption of accrual-based IPSASs, as the Cash Basis IPSAS is not consistent with this proposed outcome.

Based on the information available at present, option (b) appears to be the best option because it does not require the IPSASB's limited resources to be used for something with limited, if any, benefits, and the Cash Basis IPSAS remains available for use. However, in our view, option (b) is not a long-term solution because retaining a Cash Basis IPSAS that is not maintained creates a potential reputational risk for the IPSASB. Therefore, if option (b) is selected, a decision about whether to review or remove the Cash Basis IPSAS will need to be made within five years.

8. Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

We note that the IPSASB already has a number of important projects underway or committed and we consider that these projects should continue to be a high priority. These projects include the conceptual framework, public sector combinations, social benefits, and updating IPSASs 6 to 8 and IPSASs 28 to 30 (which will include reflecting the final version of IFRS 9 *Financial Instruments*).

The majority of IPSASs are based on IFRSs. In turn IFRSs, were developed having regard to the IASB's Conceptual Framework. We are pleased that once the IPSASB's Conceptual Framework is finalised, the IPSASB will embark upon a process to identify any inconsistencies between existing IPSASs and the Conceptual Framework and to prioritise projects where inconsistencies are identified. The IPSASB should continue to bear this in mind when prioritising future projects.

Having noted the above, there are a number of projects that we think the IPSASB should prioritise now including the following:

Revenue and non-exchange revenue

We are particularly interested in a project to consider revenue. In our view, such a project should encompass both exchange and non-exchange revenue, considering the implications of IFRS 15 *Revenue from Contracts with Customers* and re-considering IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

We consider that a convergence project to consider the implications of IFRS 15 should have a high priority now that the IASB has issued the final standard.

In considering IPSAS 23, a number of issues have been raised by our constituents, these include improving the distinction between exchange and non-exchange revenue, recognition of revenue depending on the conditions attached, and eliminating inconsistencies within the Standard. We note the revision of these standards will be influenced by the final Conceptual Framework.

In our view, there are synergies between the two standards which lends itself to being considered as one project. In keeping with our ongoing commitment to support the work of the IPSASB, we would be pleased to assist the IPSASB with this project.

Disclosure overload

We encourage the IPSASB to initiate a project similar to the IASB's *Disclosure Initiative*. We have concerns that important information is getting lost amongst less relevant disclosures in financial statements, and users are unable to see the "wood for the trees". Such a project could clarify the current presentation and disclosure requirements, and explain the role of judgement by preparers in improving the usefulness and understandability of financial statements.

Projects to Maintain Existing IPSASs

Since the completion of the IPSASB's convergence project in late 2009, the IPSASB's focus has been on public sector specific projects. We agree that this focus was appropriate at that time, particularly given the importance of developing a conceptual framework. Now that the Conceptual Framework project is nearly complete and a number of public sector specific projects are progressing, we suggest that the IPSASB should reconsider the balance between public sector specific projects and convergence projects. In determining this balance, the following factors should be considered:

- One of the IPSASB's objectives is to increase the adoption of accrual-based IPSASs. As more jurisdictions adopt accrual-based IPSASs, there are likely to be more instances of public sector entities being required to prepare consolidated financial statements that include for-profit entities that apply IFRSs. In our view any unnecessary differences between IPSASs and IFRSs may

undermine the credibility and quality of IPSASs, particularly if the IPSASs are perceived to significantly lag behind major developments in reporting in the for-profit sector that would also improve reporting in the public sector. In addition, for jurisdictions that apply IFRSs, unnecessary differences could create a barrier to adopting IPSASs if there are group reporting entities that comprise some entities that apply IFRSs and other entities that apply IPSASs, such as a group comprising a central government applying IPSASs and its GBEs applying IFRSs. Unnecessary differences in the accounting policies applied by entities in the group would compound consolidation issues and affect compliance costs for group reporting entities when preparing consolidated financial statements. We consider such issues should make convergence projects more of a priority.

- The IPSASB should consider various options for maintaining its suite of standards within its existing resource constraints. Possibilities could include partnering with national standard setters to assist with convergence projects, developing a more streamlined process for convergence projects so that they do not require as much board time as public sector specific projects, and encouraging other bodies to assist with the research phase of projects. Such strategies would allow IPSASB staff to focus more on public sector specific projects.



Mr Andreas Bergmann
Chairman
IPSASB
IFAC

E-mail: EDComments@ifac.org,

24 July 2014

Ref.: PSG/AKI/PGI/SRO

Dear Chairman,

Re: FEE comments on the IPSASB Strategy Consultation

FEE (the Federation of European Accountants, www.fee.be) is pleased to provide you below with its comments in relation to the Strategy Consultation issued by the IPSASB on 31 March 2014.

FEE have been long-term supporters of the IPSASB's objectives of create high quality international public sector accounting standards and promoting their worldwide use in furtherance of accountability, transparency, improved clarity and comparability in public sector accounting.

Consequently, we welcome the publication of this Consultation and the chance to make a contribution to the future development of IPSASs.

From FEE's perspective, the time period covered by the strategy consultation and work plan presents a unique opportunity for IPSASB to address the factors cited as reasons for IPSASs not yet being fully suitable for application in the EU. FEE acknowledges the IPSASB's contribution to the improvement and harmonisation of public sector accounting within Europe. In particular, improvements to IPSASB governance resulting from the recent consultation thereon will, we hope, serve to further legitimise IPSASB as an international standard setter and thus address one of the concerns that led to the suggestion that EPSASs be developed in the EU rather than IPSASs being adopted directly. Acknowledging the current debate in the EU, FEE strongly supports the involvement of the IPSASB with the EPSAS project, which can have a positive impact on the discussion. The IPSASB also has the opportunity to address gaps in the existing suite of standards and to improve some existing standards, and work on this may serve to further demonstrate that IPSASB is continuing to be responsive to the needs of public sector stakeholders.

FEE believes all of the strategic objectives identified by the IPSASB (developing high quality financial reporting standards, developing other publications for the public sector and raising awareness of the IPSASs and the benefits of their adoption) are important and also agrees with the outcomes and outputs identified as arising out of these objectives. However, FEE recognises the IPSASB's concerns it could be difficult fully realise all of these objectives with its current level of resources.



Consequently, FEE believes that, at the current time, if it is necessary for the IPSASB to concentrate on only one of the strategic objectives identified in the Consultation, the greatest long term benefit would be derived from concentrating on the development of high-quality financial reporting standards, particularly to fill the gaps relating to public-sector specifics perceived as being critical by Member States within the EU.

We believe that there is a need for the IPSASs and, indeed, the use of accruals based accounting, to be actively promoted to governments. Other international standard setters like the IASB and the IAASB are promoting their standards. The IPSASB should also engage in such outreach activities, provided that sufficient resources are available and that the perception of independence is not prejudiced. Additionally, it is important that individual IPSASB members continue to contribute to roundtables and other public outreach activities that they are already undertaking that contribute to the promotion of IPSAS.

We believe that of the key factors in initiating projects outlined in this Consultation, the most important are the significance of the projects to the public sector and addressing gaps in existing suite of standards.

With reference to addressing gaps, the IPSASB should continue to use standards already adopted by governments as a reference point, as more and more countries are developing public sector accounting standards. The IPSASB should continue to review what is considered to be best practice elsewhere, test this against the requirements of governments and then refine the output based on the results of this testing. We believe that this should not only expedite the process of filling gaps in the standards but also give the resulting standards greater credibility with their potential users.

The question of priorities also drives our response to the question of further development of the Cash Basis IPSAS. Whilst we feel that further development of this standard might be useful for those countries that still use cash based accounting, we believe that the IPSASB should concentrate its resources, first and foremost, on the far more pressing task of developing accruals based standards for the period addressed in the Consultation.

Finally, FEE believes that apart from gaps in the suite of standards, other important contributory factors to the resistance of some jurisdictions in Europe to adopting IPSASs include the lack of a public sector conceptual framework for reporting and the question of IPSASB governance.

Consequently, we are looking forward to the publication of the Conceptual Framework during 2014. Furthermore, FEE believes that the matter of governance is of crucial importance in establishing the legitimacy of IPSASs in the public sector. Based on the outcome of the governance consultation, we encourage all relevant parties to determine a course of action to resolve this issue as a matter of urgency. FEE's response to the consultation can be found at http://www.fee.be/images/publications/public_sector/IPSASB_governance_consultation_FEE_response_final.pdf.



FEE's views on the specific questions on which the IPSASB would particularly value comments are set out in the Appendix.

For further information on this letter, please contact Paul Gisby, Project Manager, at the FEE Team on +32 2 285 40 70 or via e-mail at paul.gisby@fee.be.

Yours sincerely,

A handwritten signature in blue ink, belonging to André Killesse. The signature is fluid and cursive, starting with a large 'A' and ending with a long, sweeping horizontal stroke.

André Killesse
President

A handwritten signature in blue ink, belonging to Olivier Boutellis-Taft. The signature is more angular and less cursive than the one to its left, featuring a prominent 'B' and a long, straight horizontal line extending to the right.

Olivier Boutellis-Taft
Chief Executive

Encl.



Appendix - Responses to the specific questions in the Strategic Consultation

Question 1

Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

- (1) FEE agrees in principle with the IPSASB's tentative view on its strategic objective for the period from 2015 onward of strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSASs. We note this strategic objective is to be pursued through: developing high quality financial reporting standards; developing other publications for the public sector and raising awareness of the IPSASs and the benefits of their adoption. It might, however, be challenging for the IPSASB to address all aspects of the strategic objective in the limited time span from 2015 to 2019 of the suggested work programme.
- (2) We believe that for the period under review the IPSASB should concentrate on developing high-quality accruals based financial reporting standards. In particular, it should concentrate on developing standards to cover the most important gaps currently perceived as existing in the suite of standards and also revise those current standards that are considered to be defective in some key respect. We believe this to be especially important as gaps in the standards are frequently cited in the EU as being one of the main reasons that the standards as a whole are not yet suitable for adoption.
- (3) We believe that there is a need for the IPSASs and, indeed, the use of accruals based accounting to be actively promoted to governments. Other international standard setters like the IASB and the IAASB are promoting their standards. The IPSASB should also engage in such outreach activities, provided that sufficient resources are available and that the perception of independence is not prejudiced. Additionally, it is important that individual IPSASB members continue to contribute to roundtables and other public outreach activities that they are already undertaking that contribute to the promotion of IPSAS.
- (4) We certainly regard the development of other publications for the public sector and raising awareness of IPSASs, and the benefits that derive from their adoption, as valid goals, but we believe that they are subsidiary to that of the development of standards. We can see the benefit of IPSASB developing other publications specifically for the public sector. However, we do believe that, for the foreseeable future, diverting resources away from the development of a full set of standards towards such projects is somewhat premature.



Appendix - Responses to the specific questions in the Strategic Consultation

Question 2

Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

- (5) FEE agrees with the two outcomes (the improved ability of public sector entities to reflect the economic reality of their finances and increased awareness of IPSASs and their public sector finance management benefits) identified in the Consultation. As with Question 1, however, we believe that IPSASB's current focus should be on the development of standards.
- (6) We are convinced that accounting standards, if well researched and developed, can assist public sector entities to "reflect the full economic reality of their finances", and they can certainly assist in providing a framework for improved transparency and comparability in the public sector.
- (7) As mentioned under Question 1, we believe that the IPSASB should also engage in promoting IPSAS, provided that sufficient resources are available and that the perception of independence is not impeded.

Question 3

Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

- (8) We agree that the outputs identified (of developing high-quality financial reporting standards and other publications and undertaking further outreach activities so as to engage with stakeholders) will assist in achieving the outcomes to a certain extent in that the suite of standards as a whole will gain more credibility as and when more standards are published dealing with public sector specific issues. The public sector does differ in certain aspects from the private sector and the perception that perhaps IPSASs are IFRSs with different terminology is one factor that could have an impact on their perceived relevance.
- (9) As mentioned above, we believe that there is probably further work to be done in convincing Member States which have not yet switched to accruals accounting of the practical benefits of accruals accounting in general, in particular highlighting the practical benefits that arise in delivering cost-effective public services. This would probably include research to evaluate and quantify the benefits that have arisen to jurisdictions that have moved from cash basis accounting to accruals accounting. However, we appreciate that the IPSASB may not have the resources available to fund such studies. We believe that there is also a role for national governments that have adopted high-quality accruals-based public sector accounting standards to highlight the practical benefits that they have obtained from adopting such an approach.



Appendix - Responses to the specific questions in the Strategic Consultation

Question 4

What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

- (10) As we mentioned in Question 3, we do believe that there is a need to further engage the preparers and users at the level of national government in the process of developing the accounting standards which they must implement. We believe that this strategy consultation and ongoing review of IPSASB governance is part of this process. We hope that the outcome of the Strategy Consultation will help the IPSASB focus on those areas of critical concern for the public sector and the successful completion of the governance review will give additional credibility to the resultant standards.
- (11) One feedback mechanism that could help in the standard setting development process is a commitment for a post implementation review of standards after a few years of practical experience in use. The IASB reviews new or substantially revised IFRSs after 2 years of implementation. We consider that these post implementation reviews are a powerful weapon in a standard setter's armoury when producing high quality and useable financial reporting standards, an approach which might be useful for IPSAS as well.
- (12) FEE is cognisant of the fact that post implementation reviews will put further calls on the IPSASB's resources. However, we believe that there could be some merit in the concept of releasing standards quicker, and then revising them in light of practical experience, rather than having an extended development period with the objective of having a "perfect standard". By spending less time on the initial consultation and development it may then be possible to divert resources to post implementation reviews to consider both the practical issues that hinder their adoption and also reflect changes. However, this suggestion does not mean releasing standards without due process or consultations, which will need to be maintained, but fashioned appropriately to this end.

Question 5

Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

- (13) FEE agrees with the five key factors (significance for the public sector; urgency of the issue; gaps in standards; IFRS convergence and alignment with government financial statistics) identified in the Consultation and has not identified any others that we believe that the IPSASB should consider.
- (14) We realise that the numbering used in the Consultation may not be indicative of the relative importance assigned to these factors by the IPSASB but believe that certain of the factors do carry more weight than others. The "significance for the public sector" (factor 1) and "addressing gaps in the standards" (factor 3) are considered to be of particular importance.



Appendix - Responses to the specific questions in the Strategic Consultation

- (15) The perception of “urgency” (factor 2) depends on the interaction of the topic under consideration and the prevailing conditions in the wider economic and political environment at a particular point in time. Consequently, we do not consider it to be a primary concern in the normal development process for accounting standards. The experience of private sector standard setting seems to indicate that, if a comprehensive set of standards are available, urgent issues mainly result in clarifications of specific technical points within standards rather than requiring a completely new standard or substantial revisions to existing ones.
- (16) FEE believes that “IFRS convergence” (factor 4) is an important consideration in setting IPSASs and that they should align where possible. FEE considers that such alignment is important because many services provided by the public sector have direct private sector competition. Alignment facilitates assessment of the performance of the public sector providers if their financial results are directly comparable to their private sector competitors. Private sector providers of finance would also take comfort in the public sector using accounting standards as close as possible to IFRS as they are familiar with these standards and used to interpreting financial information arising from their use.
- (17) However, where there is a compelling public sector case for divergence, convergence with IFRSs should not take precedence over significance in developing standards. Differences exist between the public and private sector so IPSASs should primarily be based around the needs of public sector stakeholders even if this does mean unavoidable divergence from the equivalent IFRS. Nevertheless, the reasons for any divergence from IFRS need to be clearly explained and justified either in terms of public sector specific characteristics (such as “non-exchange transactions” or “service delivery” being included as recognition criteria) or to eliminate certain private sector specific concepts (such as share-based payments). The IPSASB has specifically addressed this issue in its publication “Process for Reviewing and Modifying IASB Documents” and FEE believes that it is important that the IPSASB continues to specifically state and explain the reasons behind any decision to diverge from IFRSs.
- (18) IPSASB is undoubtedly aware of the current debate within the European Union regarding the harmonisation of accruals based accounting standards for the public sector. Certain issues have been raised by Member States regarding IPSASs that, in their view, does not make them suitable for adoption per se by the EU. However, we note the observation in the Eurostat Report of 6 March 2013 (page 8) that “the IPSAS standards represent an indisputable reference for potential EU harmonised public sector accounts.” It would, therefore, be useful for the IPSASB to continue its current active involvement in the EPSAS task force (such as its current work in assisting with an EPSAS conceptual framework) and thereby continue to be advised as to what national governments perceive to be required from public sector accounting standards and, particularly where the specific needs of the public sector require divergence from IFRSs.
- (19) In Europe, alignment with the ESA 95 (soon to be the ESA 2010) is considered desirable where possible and where it does not contradict the specific accounting requirements of the public sector. However, it should be accepted that accounting requirements for statistical purposes do not always align with those for financial reporting purposes and that some degree of differentiation between the two is inevitable.



Appendix - Responses to the specific questions in the Strategic Consultation

- (20) Whilst we have not specifically been asked to comment on IPSASB's existing commitments, we believe that it would be useful for the Board to be informed as to those projects that FEE believes to be of the greatest importance for 2015 to 2017.
- (21) In our opinion, the completion of the standard relating to social benefits and the projects relating to public sector financial instruments and the revisions to IPSASs 28-30 (covering the presentation, recognition and measurement and the disclosure of financial instruments) are of paramount importance. We suggest that early completion of these would be of benefit to stakeholders and could also increase the perceived usefulness of IPSASs as a whole.

Question 6

Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

- (22) FEE has been a long term supporter of accruals accounting for public sector entities and believes that it facilitates better planning, management and decision making as well as providing a means with which to assess financial resilience. It can also assist better performance measurement and therefore performance management. We believe that it brings these benefits irrespective of the development level of the jurisdiction involved or the size of the public entity in question.
- (23) However, we accept that the switch to accruals accounting requires a considerable outlay in time and resources, particularly with regard to implementing systems and training staff at all levels. We also accept that there is a political element to consider in introducing stakeholders to the concepts involved and in explaining the inevitable changes in financial performance and position that arise from the switch to accruals accounting. Consequently, the Cash Basis IPSAS may continue to be relevant for some time.
- (24) Therefore, we do believe that the Cash Basis IPSAS can be a valuable source in strengthening public finance management and can help lay the foundations for a subsequent move towards full accruals accounting.

Question 7

Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select?

- (25) If the IPSASB had unlimited resources we would support option (a), to retain the Cash Basis IPSAS and complete the review process, for the reasons stated above.
- (26) However, we believe that it would be of longer lasting benefit to divert, first and foremost, all resources into completing the suite of accruals based standards. We believe that this would assist in their more widespread adoption across the world. The review process could then be resumed when resources became available.



Appendix - Responses to the specific questions in the Strategic Consultation

- (27) Consequently, FEE supports option (b) as we believe that there is no compelling reason why the Cash Basis IPSAS should be withdrawn and that IPSASB should not dilute its efforts in completing the accruals based standards.

Question 8

Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

- (28) FEE believes that all the projects listed have merit as future projects for IPSASB.
- (29) Regarding “Public Sector Specific Issues”, we believe that “non-exchange expenses” is the most urgent subject for the IPSASB to deal with, primarily because guidance on this matter cannot be derived from existing public or private sector standards. Additionally, we have identified “measurement – public sector specific”, “role of government as owner rather than government” and “sovereign powers and their impact on financial reporting” as important projects for IPSASB due to the current lack of internationally accepted accounting standards dealing with these topics.
- (30) FEE also believes that “infrastructure assets” and “military assets” are useful projects because, although other IPSASs and IFRSs can be adapted to deal with these issues, there is currently considerable divergence between jurisdictions as to how these are accounted for.
- (31) To re-iterate that point that we made above under Question 5, in Europe the completion by the IPSASB of the standard on “social benefits” and the projects relating to public sector financial instruments and the revisions to IPSASs 28-30 are seen as highly important as it would address the largest perceived gaps in the existing suite of standards. We would encourage IPSASB to complete work on these standards as a matter of priority.
- (32) Regarding “Projects to Maintain Existing IPSASs”, FEE considers that “IPSAS 25 Employee Benefits” and “improvements to IPSAS 23 Non-exchange Revenues” are of particular importance. Additionally, “IPSAS 22 Disclosure of Financial Information about the Central Government Sector” is considered to be an issue to which priority should be given by the IPSASB.
- (33) An additional topic that the IPSASB should consider in the future was identified. A standard relating to insurance, particularly dealing with the distinction between self- and externally-sourced insurance, is considered to be a project of considerable utility.



24 July 2014

Prof. Dr. Andreas Bergmann
Chair
The International Public Sector
Accounting Standards Board
529 Fifth Avenue 6th Floor
New York, NY 10017
USA

submission via website: www.ipsasb.org

Dear Mr. Bergmann,

Re.: IPSASB Strategy Consultation

The IDW appreciates the opportunity to respond to the IPSASB Strategy Consultation (hereinafter referred to as "the Consultation").

The Board has made significant progress in recent years, firstly in having achieved a suite of IPSASs based on IFRS, then issuing certain additional standards specific to the public sector and most recently in developing a – shortly to be completed – Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. This Conceptual Framework will guide the Board in its standard setting activities going forward and should enhance the Board's credibility considerably. The IPSASB's outreach activities have contributed to a growing awareness and acceptance of IPSASs in many jurisdictions throughout the world. It also appears hopeful that, with the recent consultation by the Review Group, the way has been paved for the establishment of public oversight for the IPSASB.

This progress is reflected in the increasing take up of the IPSASs as detailed in the Consultation. In our view, the Board now urgently needs to focus its attention on completing its suite of standards, so that those key public-sector specifics not yet dealt with are also covered. We therefore believe that this is the right time for formal consultation with stakeholders as to the strategy and priorities for the work program. Indeed, following the 2012 work program consultation, this first full formal public consultation on the IPSASB's future

Institut der Wirtschaftsprüfer
in Deutschland e.V.

Wirtschaftsprüferhaus
Tersteegenstraße 14
40474 Düsseldorf
Postfach 32 05 80
40420 Düsseldorf

TELEFONZENTRALE:
+49 (0) 211 / 45 61 - 0

FAX GESCHÄFTSLEITUNG:
+49 (0) 211 / 454 10 97

INTERNET:
www.idw.de

E-MAIL:
info@idw.de

BANKVERBINDUNG:
Deutsche Bank AG Düsseldorf
Bankleitzahl: 300 700 10
Kontonummer: 7480 213
IBAN: DE53 3007 0010 0748 0213 00
BIC: DEUTDE33XXX
USt-ID Nummer: DE 119353203

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Dr. Klaus-Peter Feld, WP StB CPA;
Manfred Hamann, RA



page 2/8 to the comment letter to the IPSASB dated 24 July 2014

strategy and work plan has an important role in enhancing the credibility of the Board's standard setting process further.

In the attached Appendix the IDW is pleased to provide its views on the strategic direction of the IPSASB for the period from 2015 forward and as to the priority of individual projects for its work program for 2015-2019, in responding to the questions in the Consultation.

Yours sincerely,

Klaus-Peter Naumann
Chief Executive Officer

Gillian Waldbauer
Technical Manager,
International Affairs

494/584



page 3/8 to the comment letter to the IPSASB dated 24 July 2014

APPENDIX

Questions for Respondents

1. Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

We generally agree with the IPSASB's tentative view that its strategic objective will be to strengthen public financial management and knowledge globally through increasing adoption of accrual-based IPSASs.

Consequently, we believe that for the immediate future the IPSASB should focus its staff resources and Board meeting time on the development of public sector specific standards for general purpose financial reporting by public sector entities, i.e., on the accrual-based IPSASs and on the Recommended Practice Guidelines (RPGs) rather than on any further "other publications" or the cash based IPSAS. The Consultation is not entirely clear as to what the term "other publications" encompasses, so our response is on the assumption that papers such as Study 14, or similar are meant. We do not believe the Board currently has the resources to devote to this type of publication.

Furthermore, it would be useful to clarify that the phrase "developing high quality financial reporting standards" is intended to include development of new standards as well as appropriate maintenance of IPSASs and RPGs. Some revision may be needed in aligning existing IPSASs to the Conceptual Framework and also in response to the Board becoming aware of practical implementation issues or relevant emerging accounting issues. In the context of the latter, we would encourage the IPSASB to undertake formal post implementation reviews of its standards.

In addition, we agree that raising awareness of the IPSASs and the benefits of their adoption is extremely important, but do not believe this needs to be identified as an isolated part of the Board's strategic objective going forward.



page 4/8 to the comment letter to the IPSASB dated 24 July 2014

2. Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

The wording of the first of the proposed outcomes (and accompanying explanations) may give an overly optimistic impression of the potential benefits of the application of accrual-based IPSASs, in stating: "Improved ability of public sector entities to reflect the full economic reality of their finances as well as of stakeholders to understand". In our view, it is not appropriate to refer to the reflection of "full economic reality", since a full or all-encompassing picture of economic reality may never be attainable irrespective of whether a public sector entity applies IPSASs or another financial reporting framework. Also, since at present the accrual-based IPSASs relate solely to financial statements, and thus exclude additional reports such as those dealt with by RPGs, the phrase "economic reality of finances" may also be misunderstood. It would therefore be more appropriate to align this wording to that used in Chapter 2 the Conceptual Framework and IPSAS 1 as we suggest below.

With regard to the second outcome: "Increased awareness of IPSASs and their public finance management benefits in order to influence their adoption", we believe that increased awareness of the potential benefits both in terms of public finance management and enhanced transparency about accountability should be subsumed within the first outcome, since increased awareness is only a means to an end, but not an end in itself (i.e., IPSASs cannot improve ability for those who are unaware of either their existence).

We therefore suggest the IPSASB should focus on a single outcome with regards to adoption of accrual-based IPSASs, which could be worded along the following lines: "Outcome: Improved ability of public sector entities to present fairly their financial position, financial performance, and cash flows, for accountability and decision making purposes."

3. Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

As explained in our response to question 1, we believe that the outputs should focus on high quality standards (IPSASs and, where appropriate, RPGs), rather than on "other publications". The key output should be IPSASs, which need to



page 5/8 to the comment letter to the IPSASB dated 24 July 2014

be enhanced so as to deal with all key public sector specifics in order to define a complete set of financial statements in the public sector environment.

We agree that presentations, speeches and other outreach activities are also important output (albeit, these do not give rise to a separate outcome as discussed in our response to q. 2). In our view, the publication of consultations and exposure drafts should also be regarded as part of the stakeholder engagement in the wider sense, as these serve the twofold purpose of making stakeholders aware of the IPSASB's proposals at an early stage and of informing the IPSASB's decisions in finalizing pronouncements.

Until relatively recently, the Board held its meetings throughout the world, achieving considerable success in terms of promoting IPSASs and forging significant contacts within a variety of host jurisdictions. In addition, the Board's visits often provided an opportunity for the hosts to hold additional outreach events for a wider interested public. In our view, it is somewhat incongruous for the Consultation to identify outreach as a second output, when a recent change in policy has resulted in 3 of 4 of the IPSASB's meetings each year being held in North America – missing out on what is probably the most powerful means of raising awareness. Besides potential lost opportunities for expanding the Board's outreach, this change in policy may impact the acceptance of IPSASs by increasing perceptions that the Board's work is largely North American driven rather than truly international.

4. What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

Standard setting at an international level necessitates feedback on all aspects of proposals from a wide range of stakeholders, and in particular from those respondents able to envisage the potential practical impact of application of the Board's proposals.

The existing feedback mechanisms including the publication of consultation papers and exposure drafts for public comment should serve to illicit useful input to the standard setting process. However, we suspect that many public sector entities may be unable to devote the necessary resources to such tasks, whilst in other cases there may be a lack of awareness or acceptance of the need to contribute. These factors severely limit the IPSASB's formal feedback processes, and may lead to perceptions of biased input. One way to address this might be for the IPSASB to consider whether it could reach agreement with one or more organizations (e.g., International Consortium on Governmental



page 6/8 to the comment letter to the IPSASB dated 24 July 2014

Financial Management) to provide collective views of a broad range of constituents; constituents who are otherwise unable to voice their opinions individually.

Currently IPSASB's outreach is largely comprised of the Chair, individual board members and IPSASB staff participating in various events organized by others and being invited to publish articles etc. Therefore the IPSASB – whilst promoting awareness of its existence and of its work – is generally not in a position to decide which particular issues are to be addressed, nor to determine the depth of discussion or coverage.

We note that certain of the other standard setting boards operating under the auspices of IFAC have held a series of roundtable meetings at various locations throughout the world in relation to key issues. We suggest the IPSASB might consider whether it might be more proactive in this regard, certainly in relation to key or contentious issues. Roundtable discussions could be one way for the IPSASB to seek feedback from a broad range of interested parties.

5. Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

We agree with the five factors, in order of descending priority. For example, a single criterion such as “gaps in standards” alone should not be a decisive factor.

As mentioned in our covering letter, it is now essential for the Board to address those remaining key public-sector specifics not yet dealt with in its suite of standards. Thus significance for the public sector should be the primary factor in determining projects for the IPSASB's work plan 2015-2019.



page 7/8 to the comment letter to the IPSASB dated 24 July 2014

6. Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs? and
7. Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

The IDW supports accrual-based accounting in the public sector, as the informational value is superior to that derived from cash accounting alone. We therefore believe the Board should direct its resources towards ensuring its set of accrual-based standards deals with those key public-sector specifics currently not covered by IPSASs as soon as possible.

As reported in the Consultation there appears to be neither widespread support for, nor adoption of, the Cash Basis IPSAS. We therefore do not believe it is appropriate for the IPSASB to expend resources on maintaining the Cash Basis IPSAS going forward, and favor its withdrawal at a future date, as it becomes significantly outdated (option (b) and in the longer term (c)).

This would involve due notice of such intent, so as to allow those jurisdictions that are using the Cash Basis IPSAS to make alternative arrangements, including moving to accrual-based IPSASs and taking advantage of the provisions of the standard on first time adoption, which is due to be finalized shortly.

8. Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

As stated in our covering letter, in our view, key public-sector specifics need to be addressed as a matter of priority at present. Arguably the public sector specific projects of most major significance are already included within the current work program, e.g., social policy obligations and financial instruments. However, we believe the most urgent projects on the four lists of potential projects in the Consultation are "Non-exchange expenses" which are key issues in most countries, and issues logically following on from the Conceptual Framework: "Measurement – public sector specific" and "Sovereign powers and their impact on financial reporting", in conjunction with "Intangible assets – public sector specific".



page 8/8 to the comment letter to the IPSASB dated 24 July 2014

In our view, there is likely to be an expectation that following completion of the Conceptual Framework existing standards will be reviewed to ascertain whether revisions are needed. Whilst the Consultation refers to this as being part of its program for 2015-2019, it is not featured specifically under potential projects. We believe this should be viewed as a maintenance project. Certain of the individual IPSASs listed as projects to maintain existing IPSASs could be undertaken in conjunction with this assessment. In our opinion, IPSAS 25 "Employee Benefits" and IPSAS 23 "Non-exchange Revenues" ought to be addressed as a matter of priority.

The projects listed as other projects are not immediate key public-sector specifics, but may need to be addressed in the medium to longer term.



Ms Stephenie Fox
IPSASB Technical Director
International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2
Canada

E-mail: stepheniefox@ipsasb.org

18 July 2014

Dear Ms Fox,

IPSASB Strategy Consultation and Consultation on the Work Programme 2015-2019

We are pleased to respond to the invitation from the International Public Sector Accounting Board (IPSASB) to comment on the Strategy Consultation and Consultation on the 2015-2019 Work Programme (the Consultation Paper) on behalf of PricewaterhouseCoopers. Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of those firms that commented on the Consultation Paper. 'PwC' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We support the work the IPSASB undertakes to develop high-quality accounting standards for use by governments and other public sector entities around the world with the aim of enhancing the quality, consistency and transparency of public sector financial reporting worldwide.

We also support the IPSASB's decision to seek the views of its stakeholders on its strategy and priorities for the work programme covering the period 2015-2019. We agree that this approach will help contribute to the IPSASB's public accountability and legitimacy and therefore enhance the credibility of IPSASs.

We agree that the objectives and potential projects set out in the present consultation paper will be useful for constituents. However we believe the primary focus of the IPSASB should be on finalising the projects which are most critical to complete a high-quality framework that addresses the major accounting and financial reporting principles and topics that are relevant to public sector entities, and which is sufficiently tailored to address the specific characteristics of the public sector. We believe that this will greatly contribute to the credibility of the IPSAS framework and its recognition as a global and widely accepted framework.

PricewaterhouseCoopers International Limited, 1 Embankment Place, London WC2N 6RH
T: +44 (0) 20 7583 5000, F: +44 (0) 20 7212 4652, www.pwc.co.uk

PricewaterhouseCoopers International Limited is registered in England number 3590073.
Registered Office: 1 Embankment Place, London WC2N 6RH.



If you would like to discuss any of these points in more detail, please contact Jan Sturesson (+46 10 212 99 39), Jean-Louis Rouvet (+33 1 56 57 85 78), Patrice Schumesch (+32 2 710 40 28), or Tony de Bell (+44 20 7213 5336).

Yours sincerely

A handwritten signature in black ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers



Strategic objective

The IPSASB has put forward the following strategic objective for consideration as part of its strategy consultation:

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

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

Question 1

Do you agree with the IPSASB’s tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

We agree with the proposed strategic objective, which recognises the need for high-quality financial reporting standards and other publications for the public sector together with the increased acceptance and application of these standards as a means of strengthening public financial management.

However, we believe that the IPSASB’s first priority within this overall objective should be the development of high-quality financial reporting standards.

Increasing awareness through public engagement and with production of promotional materials is desirable but the primary objective should be the development of a comprehensive set of standards that adequately address issues that are specific to the public sector. Developing standards that sufficiently address key public sector-specific financial reporting needs will contribute to the secondary objective of raising awareness of the IPSASs and the benefits of their adoption by adding further credibility to the standards among users and other stakeholder groups.



Outcomes

The IPSASB has identified two outcomes that it seeks to achieve in order to meet its strategic objective:

- a) *Improved ability of public sector entities to reflect the full economic reality of their finances as well as of stakeholders to understand; and*
- b) *Increased awareness of IPSASs and their public finance management benefits in order to influence their adoption.*

Question 2

Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

We agree that these outcomes are appropriate, but we believe the primary focus should be on the first one. In order for the increased awareness of IPSASs to lead to adoption by governments, users must have confidence in the suitability of the standards in place and in their ability to appropriately reflect the economic reality of transactions and events. A sufficiently complete set of standards must be in place to capture routine and public sector-specific transactions that shape the economic reality of public sector finances.

The IPSASB could also consider aligning the wording in a) with the wording included in the IPSASB Terms of Reference posted on the IPSASB website: ‘enhanced quality and transparency of public sector financial reporting to provide better information to stakeholders for public sector financial management and decision making’.



Outputs

The IPSASB proposes to focus on delivering the following outputs in order to achieve the intended outcomes:

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

Question 3

Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

We believe that the IPSASB's primary focus should be on production of the standards themselves as the key output that enables public sector entities to reflect the economic reality of their finances and increase acceptance of the IPSASs.

Building public awareness and outreach activities are helpful but these promotional efforts will be more effective once a robust set of standards is in place. The standards must be acceptable to governments and other public sector entities and must be of sufficiently high quality to permit reflecting the underlying economic reality in their general purpose financial reports. We believe that it is important that the efforts relating to the promotion of standards focus on the front end of the standard setting process, at the discussion paper and exposure draft stages.



Feedback mechanisms

The IPSASB currently obtains feedback as part of its standards development process and through ongoing outreach activities. The IPSASB wants to consider whether feedback processes need to be enhanced.

Question 4

What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

Engaging with stakeholders both in the standard setting process and through ongoing outreach activities is important. Connecting with other national or supranational standard setters that have developed or are developing high-quality accounting frameworks brings useful insight as to the views of a large number of stakeholders who can inform the standard-setting process.

In the long term, the IPSASB may wish to consider establishing post-implementation reviews to obtain feedback from adopters on the implementation process, challenges faced in applying the standards, inconsistencies identified with other standards, etc. Establishing an interpretation committee to provide complementary interpretive guidance to accompany the standards might be a longer-term initiative to be considered once the standards themselves are sufficiently developed and applied.



IPSASB's Consultation on Work Programme 2015-2019

Assessing Potential Projects

The IPSASB's consultation proposes five key factors to be considered in deciding whether to initiate a project and assessing its relative priority, specifically:

1. *Significance for the public sector* - generally this would be a public sector specific project that has high relevance to the public sector, likely for which there is no equivalent private sector issue.
2. *Urgency of the issue* - developments globally may result in changes in the environment and therefore an issue becoming more important. For example, as a result of the global financial crisis in 2008 the IPSASB accelerated work on IPSASs 28-30 as it deemed it important to have standards on financial instruments.
3. *Gaps in standards* - the project addresses an issue that has not previously been addressed in IPSASs or Recommended Practice Guidelines (RPGs).
4. *IFRS convergence* - the project meets the goal of convergence with the IFRSs where deemed appropriate. This would allow leveraging resources in terms of possibly collaborating with the IASB.
5. *Alignment with the Government Financial Statistics (GFS)* - the project helps to reduce divergence between the IPSASs and GFS.

Question 5

Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

We recognise the importance of all of these factors in assessing projects for potential inclusion in the work programme. However, the first priority should be standards development and therefore the first three factors are especially important.

Gaps in the standards must be filled as early as possible to complete the standards and ensure that the IPSAS suite addresses the major accounting and financial reporting principles and topics that are relevant for public sector entities, and is sufficiently tailored to address the specific characteristics of the public sector.

Addressing issue significant for the public sector will help to further align the IPSASs with the sector-specific needs of its adopters. This could be achieved by issuing new standards for key topics where no other reference currently exists (i.e. under IFRS) or by providing implementation guidance and/or public sector-specific examples that can assist adopters to apply the existing standards (see also our response to question 8).

The urgency of an issue should reflect the particular facts and circumstances. At present, we believe that it is urgent to finalise a comprehensive set of standards that address the most significant



accounting issues for public sector entities. Considering emerging issues as they arise will demonstrate the responsiveness of the IPSASB and ensure that its work remains relevant to the needs of adopters and other stakeholders.

IFRS convergence is a necessary consideration within the standards development process. We support the existing process for IFRS convergence and the objective of maintaining convergence between IPSAS and IFRS for similar transactions in similar circumstances. The limited resources available for this work and the standard-setting priorities mentioned above suggest that no IFRS convergence work should be undertaken in areas where the IFRSs are expected to change because it would lead to a duplication of effort. Instead, IFRS convergence activities should focus on those IFRS standards which are stable and for which no further amendments are expected in the medium-term. The objective of IFRS convergence, where relevant, should not override the requirement that transactions or circumstances that are unique or specific to the public sector should be accounted for by taking into account the specific characteristics of those transactions and public sector entities.

Aligning accounting standards with GFS is desirable to reduce unnecessary inconsistencies and avoid the burden of dual reporting by governments. It is particularly important in some jurisdictions, for example in Europe, given the use of GFS figures at the EU-level for fiscal surveillance and monitoring of the fiscal rules (i.e. Maastricht criteria on debt and deficits) included in the European Union's Stability and Growth Pact. Certain differences may remain, however, as the two sets of reporting frameworks serve distinct purposes, with accounting standards focused on capturing individual transactions and events and reporting on financial position and performance at the micro entity-level while GFS provide macro-level aggregate figures for the purposes of economic and fiscal monitoring. Finally, alignment does not necessarily mean that IPSAS should always align to GFS; issuing high quality accounting standards should remain the overarching objective and, where relevant, GFS must also come closer to IPSAS.



Cash Basis IPSAS

The IPSASB is interested in knowing stakeholders' views as to the future of the Cash Basis IPSAS standard. It has identified the following three viable options for proceeding:

- (a) Retain the Cash Basis IPSAS and complete the review project using existing IPSASB resources; this would mean issuing an ED that addresses the Task Force's recommendations, analysing responses and finalizing a revised Cash Basis IPSAS;*
- (b) Retain the Cash Basis IPSAS unchanged; this would mean suspending the review project and doing no further work on the IPSAS; or*
- (c) Withdraw the Cash Basis IPSAS from the IPSASB Handbook; this could be immediate or at some future date.*

Question 6

Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

Cash Basis IPSAS is a valuable resource in the IPSASB's effort to strengthen public financial management and knowledge as it provides a transitional framework to public sector entities in the early stages of their accounting modernisation programmes. We have observed a trend among governments, particularly in developing countries, to use Cash Basis IPSAS as the first step in a gradual transition to accrual accounting. Good cash management and reporting practices are a necessary starting point for accruals accounting and the Cash Basis IPSAS provides guidance to reporting entities to help them achieve this.

We understand the value of the cash-basis standard for transitional purposes but stress that it should be seen as a stepping stone towards implementation of full accruals-based accounting practices.



Question 7

Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

The priority activity of the IPSASB in the medium term should be on completing the suite of accrual-based standards, filling any gaps in the standards and ensuring their suitability for public sector reporting entities. We therefore believe that no further resources should be invested in the cash-based standard.

We thus agree with the second option listed above (b), that the Cash Basis IPSAS should be retained unchanged and all current and future work related to the standard should be suspended at this time.



Potential New Projects

Projects to address Public Sector Specific Issues	Projects to Maintain Existing IPSASs	Projects to converge with IFRS	Other Projects
Biological assets held for the provision or supply of services	Borrowing Costs IPSAS 5	Extractive Industries (IFRS 6 interim standard but no comparable IPSAS)	Differential Reporting
Heritage assets	Construction Contracts IPSAS 11	Insurance Contracts (IFRS 4 interim standard but no comparable IPSAS)	Integrated Reporting
Infrastructure assets	Disclosure of Financial Information about the General Government Sector IPSAS 22	Non-current Assets Held for Sale and Discontinued	Interim Financial Reporting
Intangible assets - public sector specific	Employee Benefits IPSAS 25	Operations (IFRS 5 but no comparable IPSAS)	
Measurement - public sector specific	Improvements to IPSAS 23 Non-Exchange Revenues	Rate Regulated Industries	
Military assets	Leases IPSAS 13		
Natural resources	Presentation of Financial Statements IPSAS 1		
Non-exchange expenses	Related Party Transactions IPSAS 20		
Role of government as owner rather than government	Revenue IPSAS 9		
Sovereign powers and their impact on financial reporting	Segment Reporting IPSAS 18		
Trust funds			

The Appendix to the Consultation Paper addresses each of the potential projects above in more detail. Our views on these potential projects are presented below in response to Question 8.



Question 8

Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

We believe the IPSASB should complete by the end of 2014 four current projects, including those relating to the public sector conceptual framework and the review of the standards on consolidation and interests in other entities. The IPSASB should also finalise as soon as possible those current projects that are classified as existing commitments in the Consultation Paper, particularly social benefits, followed by the update of the standards on financial instruments and issuance of a new standard on public sector financial instruments.

We agree that all potential new projects listed above are relevant for future consideration in public sector financial reporting, but recognise that the limited resources available must be used to focus on the highest priority items over the next five years. We believe the IPSASB should focus on the projects listed in the category 'Projects to address Public Sector Specific Issues'.

Projects to address public sector specific issues

The Board's efforts should be concentrated on the major public sector specific items. A significant gap in the IPSASs currently exists in respect of the 'Non-exchange expenses' which is a very important item for governments and other public sector reporting entities. These types of expenses are a major source of expenditure for many public sector entities and the accounting should be addressed as matter of urgency in the 2015-2019 work programme.

Other priority topics include issues related to the 'Role of government as owner rather than government' and the 'Sovereign powers and their impact on financial reporting' which are two key conceptual issues that are unique to the public sector.

Infrastructure and military assets are a major source of government spending with high transaction frequency. Additional guidance is desirable, whether in specific standards or supplementary implementation guidance provided as part of the existing standard on property, plant and equipment (that latter option might be sufficient).

Heritage assets are a unique and valuable type of asset in the public sector context and additional guidance is also desirable, but we believe that the urgency of this item is lower. Pending specific guidance on this, pragmatic approaches to heritage asset valuation can be developed within the existing limited IPSAS guidance included in IPSAS 17 'Property, plant and equipment'.

Finally we identify 'Measurement - public sector specific' as an important project, which is integrally linked to the conceptual framework project, which should reach completion by the end of 2014. Any potential project on the issue of measurement should therefore be considered in light of the conceptual framework.



Projects to maintain existing IPSASs

We believe that the priority should be placed on the maintenance and improvement of the standards on revenue from non-exchange transactions and employee benefits because of their significance to the public sector.

Projects to converge with IFRS

We agree with the aim of convergence with IFRS where there is no rational basis to adopt a different accounting treatment in the public sector. However, we do not see the potential projects to converge with IFRS identified in this consultation paper as high priority at the current time.

Other projects

The project on differential reporting deserves also some attention when the comprehensive set of standards is finalised, because a pragmatic approach is needed for very small and less risky entities.

The 'other projects' listed above are interesting and of relevance for public sector reporting entities, however, we do not consider these to be major priorities for the 2015-2019 period given the more pressing public sector reporting issues outlined in our response to the present consultation.

Swiss Comments to

Consultation Paper IPSASB's Strategy and Work Program 2015-2019

Table of Content	Page
1. Introduction.....	1
2. Comments to Consultation Paper	1
2.1 General Remarks.....	1
2.2 Question 1	1
2.3 Question 2	1
2.4 Question 3	2
2.5 Question 4	2
2.6 Question 5	2
2.7 Question 6	2
2.8 Question 7	3
2.9 Question 8	3

1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP has discussed *Consultation Paper IPSASB's Strategy and Work Program 2015-2019* and comments as follows.

2. Comments to Consultation Paper

2.1 General Remarks

The SRS-CSPCP finds it in principle positive that the IPSAS Board has distributed for consultation a paper on its strategy and work programme for the next five years. From a strategic perspective the Committee, however, emphasised that the interest of the IPSAS Board should be concentrated primarily on the subject of accounting and financial reporting. In this area its competences are recognized and it enjoys a high degree of legitimacy. The SRS-CSPCP therefore considers it to be strategically false, if the IPSAS Board deals with topics of secondary importance or with topics that do not derive from its core competences. Looked at from this aspect the SRS-CSPCP considers the attempt of the IPSAS Board to provide guidance in performance reporting as an example of a secondary topic, which does not belong among the core competences of the IPSAS Board (*see ED Reporting Service Performance Information*).

2.2 Question 1

Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

The SRS-CSPCP agrees with the strategic objective that financial management and knowledge of public finances should be achieved by increased adoption of the IPSASs. It is, however, important that the IPSAS Board concentrates on accounting. In that perspective it is proposed that letter (b) be supplemented: "*developing other publications for the public sector that are **relevant for financial reporting***". In the strategic objectives a point concerning strengthening of the legitimacy of the IPSAS Board should be mentioned. In fact in Switzerland the IPSASB legitimacy or standards proposed by the IPSAS are sometimes disputed. A point (d) "Strengthening the legitimacy of the IPSAS Board" should therefore be added.

2.3 Question 2

Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

The two *outcomes* clearly concern the financial area and are therefore considered to be appropriate.

2.4 Question 3

Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

The SRS-CSPCP is by and large in agreement with the *outputs* described for achieving the *outcomes*. But as already mentioned in the response to Question 1, the RPGs (*Recommended Practice Guidelines*) should be restricted to the accounting and financial reporting area.

2.5 Question 4

What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

The SRS-CSPCP agrees with the proposed consultation procedure. This does not represent a change in respect of the present situation. The consultation procedure on the strategy of the IPSAS Board should offer interested parties (stakeholders) the opportunity to communicate their comments formally, e.g. about any weaknesses in the Standards. A time period and frequency of four years for a consultation by the IPSAS Board on its strategy is adequate. For feedbacks given in the interim, for example about specific developments of the Standards in practice, a less formal procedure is sufficient.

2.6 Question 5

Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

The proposed five selection criteria for prioritising projects are helpful in selecting the topics to be dealt with. As the IPSAS Board has at its disposal restricted resources (financial and personnel), it is important that they are deployed as efficiently as possible.

Point 4 should be changed as follows: *“IFRS – the project helps to reduce divergence between the IPSASs and the IFRSs”*) instead of *“the project meets the goal of convergence with the IFRSs”*). In Switzerland also similar selection criteria are used when there is a question of whether to draw up a new recommendation in the Harmonized Accounting Model (HAM2) or an interpretation.

2.7 Question 6

Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

The committee is of the opinion that the *Cash Basis IPSAS* makes no contribution towards strengthening the introduction of accrual-based accounting. The objective of the IPSASs is accrual-based accounting and therefore this Standard should receive no further support. The resort to cash-based accounting should be seen as a transitional solution towards the use of accrual-based accounting.

2.8 Question 7

Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

The SRS-CSPCP is of the opinion that the Standard concerned should be left as it is. It therefore supports Alternative (b) (*"Retain the Cash Basis IPSAS unchanged; this would mean suspending the review project and doing no further work on the IPSAS"*).

Alternative(c) (*"Withdraw the Cash Basis IPSAS from the IPSASB Handbook"*) is rejected, because otherwise the countries using this Standard suddenly stand there without a Standard.

Alternative (a) (*"Retain the Cash Basis IPSAS and complete the review project"*) is also rejected, because the IPSAS Board should deploy its limited resources for more important topics.

2.9 Question 8

Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

The SRS-CSPCP has taken notice with satisfaction that the IPSAS Board has taken into consideration its submissions on the *Work Program 2013-2014*. In December 2012 the SRS-CSPCP expressed the wish that *Non-exchange Expenses* (in conjunction with IPSAS 23), *Employee Benefits* (IPSAS 25) and *Presentation of Financial Statements* (IPSAS 1) be taken up in the work program. The Committee supports in each of the four categories mentioned the following projects:

1. *Projects to Address Public Sector Specific Issues*
 - *Non-exchange Expenses*: This wish was expressed already in the consultation to *Work Program 2013-2014*. Already at the time it was considered important that there is a counterpart to IPSAS 23 *Non-exchange Revenues*. Furthermore in Switzerland transfer payments, in particular in the form of investment contributions, are of great importance.
 - *Heritage Assets*: for the public sector it is difficult to estimate the value of its cultural assets and recognize them in the balance sheet.
 - *Infrastructure Assets*: these assets are typical for public entities; they represent more or less what is called 'administrative assets' (or productive investment) in the Swiss entities; compared to 'non-administrative assets' (that include financial investments).
 - *Natural resources and trust funds* are interesting and worldwide important topics, which can also be relevant for Switzerland. This applies in particular for trust funds, which are of great importance in Swiss practice.
2. *Projects to Maintain Existing IPSASs*
 - The projects *Segment Reporting (IPSAS 18)* and *Disclosure of Financial Information about the General Government Sector (IPSAS 22)* enjoy high priority and should be addressed together. In particular IPSAS 22 is to be cancelled and IPSAS 18 adapted in such a way that the information necessary for a statement on the General Government Sector can be taken from a revised IPSAS 18.
 - *Employee Benefits (IPSAS 25)* was put by the SRS-CSPCP on its wish list for the *Work Program 2013-2014* and is still a priority, because there is a small

variation between the calculation of the liabilities under Swiss law and IPSAS 25.

- *Presentation of Financial Statements (IPSAS 1)* was also on the wish list for the Work Program 2013-2014 and in the view of the SRS-CSPCP still retains its importance, in particular in its interaction with Government Finance Statistics (GFS).

3. *Projects to converge with IFRS*

This heading should be changed as follows: *Projects to reduce divergence from IFRS and GFS* (see response to Question 5)

- *Non-current Assets Held for Sale and Discontinued Operations (following IFRS 5)*: this project should be cancelled, because it is not particularly relevant for the public sector.
- An additional project is proposed: *Monitoring and addressing the extent of differences between IPSAS and GFS reporting guidelines on an on-going basis and development of solutions to manage the differences*. One can also entitle this more briefly *GFS Alignment Project*.

4. *Other Projects*

- *Differential Reporting* is supported by the SRS-CSPCP and should be further pursued by the IPSAS Board. Standards for small and medium-sized public sector entities should be developed (in the style of the *IFRS for SMEs*). It is important that small entities (like municipalities) and their needs are also borne in mind.
- *Integrated Reporting* should be cancelled, because the legitimacy of the IPSAS Board on these topics is at risk to be controversial.
- *Interim Financial Reporting* should also be set back. This topic is of secondary importance. For a true and fair view of the financial position it is sufficient to draw up public sector accounts once a year.

Lausanne, July 28, 2014

AT/PSC/JEB

IPSASB
Submit via [web site](#)

31 July 2014

Dear Sir/ Madam,

IPSASB STRATEGY CONSULTATION – RESPONSE FROM ICAS

Introduction

1. ICAS welcomes this opportunity to comment on IPSASBs strategy. We are a leading professional body for chartered accountants with over 20,000 members working across the UK and internationally. Our members work across the private and not for profit sectors. Our Public Sector Committee is a broad based committee of ICAS members with representation from across the public services. ICAS's Charter requires its Committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first.

Strategy and approach – key messages

2. IPSASB is strongly positioned to make a valuable contribution to public sector financial reporting internationally and we believe IPSASB is best placed to provide public sector accounting pronouncements. We see the high level objective as being to help increase the adoption of high quality accruals based public sector financial statements using an international framework. We believe there is potential for IPSASB to become more focused and relevant to accelerate the achievement of this. In our view, a radically different approach is required to ensure more benefit can be obtained from the work of the IASB in its development of IFRS by tweaking, not rewriting international accounting standards.
3. We see the proposals for European public sector accounting standards as a worrying development. It is crucial that IPSASAB gets its strategy right or other jurisdictions may develop their own accruals based standards. Whilst the aim at the outset may be to base standards on IPSAS, there is the inherent risk of significant deviation from an international norm over time which dilutes the original purpose of improving comparability and transparency. We would also like to see a strategy include greater outreach activity with a range of stakeholders around the globe, developing clear networks to support delivery.
4. ICAS sees three main priorities for this strategic review to position IPSASB more strongly to meet the various challenges ahead:
 - We need a strategy which is more strictly focused on addressing the material public sector differences which can be evidenced as affecting the true and fair view (or equivalent) of financial statements of public sector entities;
 - The establishment of a clear and consistently applied boundary that focuses on the financial statements rather than wider financial management; and
 - A more proportionate approach to addressing these differences which is based more on interpreting IFRS for the public sector and signposting good practice through the production of a 'companion' rather than recreating a full specialist alternative.

Focusing more strictly on the material public sector differences

5. We believe there is potential for greater clarity in the approach to adapting IFRS to avoid moving too far along a trajectory of greater public sector specialism. **Our principle would be minimum deviation – the principle of consistency with private sector standards should only be broken where there is a clear, justifiable need of a uniquely public sector matter that is material, adversely impacts the true and fair view and is not covered by IFRS.** Moreover, definition changes should be minimal. This would be more consistent with a higher level principles-based approach to address public sector differences, where an international framework should sit.

The establishment of a clear and consistently applied boundary

6. We believe it is essential for greater clarification of the purpose and the boundary of IPSASBs remit so it can be applied efficiently and consistently going forwards. This supports the need for a more targeted and achievable strategy. A clearly articulated boundary for scope of work reduces the risk of creating a more demanding framework and an unintentional barrier to adoption. Clarification includes:
- What should sit within mandatory accounting standards;
 - What should be part of recommended practice; and
 - What is better suited to national regulation by local jurisdictions.

A more proportionate approach to addressing public sector differences

7. ICAS is not convinced that the gap to tailor IFRS to the public sector is as large as IPSASB perceives and we urge rigorous challenge of the size of this gap moving forwards. We are not convinced of the need or cost/benefit of a detailed reworking of recognised international accounting standards, concepts and definitions to produce a full alternative suite for the public sector. This is lengthy and resource intensive for IPSASB and its stakeholders. It also raises a question on the sustainability of this approach in the face of resource constraints.
8. Practice for developing accounting standards has evolved and the historic approach being followed by IPSASB needs greater challenge. We would encourage consideration of recent developments. Our preference would be for international standards to develop and operate in a similar manner to the UK Accounting Standards Board who produced a concise principles based [Interpretation for Public Benefit Entities](#) in 2007 rather than a separate conceptual framework and secondly, the FRC Financial Reporting Standard (FRS) 102 in the UK. This is an all-encompassing accounting standard, substantially based on the IFRS for SMEs, which establishes one accounting framework for the private and not for profit sectors.
9. IPSASB is well placed to provide a more interpretative role targeting how to address the most significant public sector differences which affect a true and fair view and substance/economic reality of transactions (as per our principle in paragraph 5). We believe this would be a more effective use of IPSASB resources. Our vision would be for IPSASB to develop a companion to the IFRS i.e. one document which interprets IFRS for the public sector. This leverages existing standards and good practice more strongly and minimises the greater level of detail and duplication which is inherent in a full alternative framework. This would be more consistent with a principles based approach. A companion guide could perhaps also provide sector illustrations and signpost examples of pragmatic solutions used by other jurisdictions.

Establishing a stable platform for IPSAS's

10. The convergence policy with IFRS's and cycle of amendments are one contributory factor to not yet having a stable platform of IPSASs. An appropriate balance is needed between a continuous update of the standards and establishing a stable platform of standards for implementation. We suggest that IPSASB has scope to make a decision to improve stability. A pragmatic approach is needed to minimise disruption through establishing a change policy such as the UK FRC's envisaged approach for FRS 102 which commits to 3 years before revisions¹. This is in line with the IASB's timetable for the IFRS for SMEs.

Funding

11. In our [submission to the OECD on the future governance of IPSASB](#), we suggested that existing funding arrangements need reviewed and that a wider pool of funding should be investigated, such as at G20 level, to reduce the risk and perception of conflict of interests. International bodies with an interest in high quality, transparent financial reporting should also be considered as they are likely to have an incentive to support the development of high quality public sector public reporting standards. This may include the IMF, World Bank, OECD etc. amongst others.

Answers to specific questions

1. **Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?**

¹ [FRC - The Future of Financial Reporting in UK and ROI](#) (pg. 3)
Agenda Item 4.4

12. No, we suggest amending the mission statement and strategic objective from ““*developing high-quality accounting standards...and other publications*” to *interpreting* international accounting standards for the public sector. We do not believe it is either the best use of resources or a proportionate response to address public sector differences by recreating a separate suite for the public sector. We have concerns that the trajectory for greater specialism increases complexity which reduces transparency and understanding of public sector financial reporting for a wider audience. It also reduces comparability with the private sector (particularly relevant given the increasing use of Government Business Enterprises [GBEs] to deliver services by some public bodies).
13. The landscape is different from when IPSASB was first established. An international accounting framework already exists in the form of IFRS. The UK has now shown that IFRS can be successfully implemented in the public sector and obstacles can be successfully managed². This challenges the need for a whole separate specialist framework.
14. As an example, when IAS 19 Employee Benefits was adopted in the UK³ a public sector specific issue was addressed by introducing a statutory intervention to neutralise the potential and significant impact of holiday pay accruals affecting the local government tax calculation. This was addressed by a targeted approach with the solution led by the national jurisdiction. It demonstrates that public sector tailoring is not necessarily best achieved by a blanket approach of developing a separate standard but targeted action on a specific issue may suffice.
15. We also see a priority for IPSASB to encourage wider adoption of accruals based accounting by the public sector internationally. The consultation paper (page 10) cites “[the] only globally recognised accrual accounting standards for the public sector are IPSASs” yet it is not the only option available and the mission statement of IPSASB with its support for the adoption of accrual accounting should recognise this. The strategy should be updated to reflect that some jurisdictions may choose to adopt IFRS to achieve the same end and there is no added value (with potentially significant costs) of transferring from IFRS to IPSASs.
16. The existing approach and work programme may represent in an ideal world what IPSASB could do however there is insufficient evidence that the significant resource constraints will be addressed to support this or that the adoption rates for IPSASs and accruals based accounts justify such a detailed approach. In the context of today’s challenges, we question the sustainability of the business model to develop standards and keep pace with the IASB with their greater resource capabilities.
17. Some specific concerns we have identified on the current approach include recent consultations where IPSASB has redefined basic terms such as “assets”, “liabilities⁴”, “parent” and “subsidiary⁵”. We are not convinced that these changes are justifiable. This suggests a lack of focus on what is materially different in the way the public sector operates and why it may need to account differently to present a true and fair view or to better represent the substance of a transaction. Redefining basic terminology also does not consider the impact on public sector hybrid organisations and GBEs, such as those which are increasingly being used to deliver services in UK local authorities. There is a risk of an inconsistent approach followed by a group company based on IFRS which is not in accordance with local authority group policy definitions based on IPSASs. This could lead to the need for further consolidated accounting adjustments at the group level and potentially may also have implications on the audit opinion expressed.
18. We also note that recent exposure drafts on groups (ED 48-51) demonstrated closer alignment with IFRS equivalents which we support. This also raises the question of cost benefit and how IPSASB can justify the resource to rewrite and consult on these separate exposure drafts for the public sector if we are also seeking convergence with IFRS.
19. We believe IPSASB should identify a more proportionate approach to addressing public sector differences. Our preference is for IPSASB to produce a shorter, simpler **companion** which interprets IFRS, focusing on those areas which are material and particular to the public sector and signposts good practice examples of how other jurisdictions have managed specific issues. We also suggest engagement with the IASB perhaps through consultation at exposure draft stage to discuss how material public sector issues could be addressed and adding extra wording into the standard itself.

² ICAS research on **The implementation of IFRS in the UK devolved administrations** icas.org.uk/Connolly-wall/

³ [Explanation and statutory references \(England\) line 747](#)

⁴ Consultation paper Conceptual Framework - Elements and Recognition in Financial Statements

⁵ Exposure Draft 48 which changes terminology from IAS 27
Agenda Item 4.4

20. The IPSASB Conceptual Framework is, in our view, overly long, detailed and complex. We are not convinced of the need for a separate Conceptual Framework and do not believe that it is necessary to go back so far to first principles to address public sector differences. We question whether the correct balance is being struck to maintain a high level principles-based approach. Our preference would be for greater leveraging of the existing IFRS conceptual framework supported by an interpretation for the public sector, similar to the UK Accounting Standards Board who produced a concise [Interpretation for Public Benefit Entities](#) in 2007. This sets out the principles which should underlie the preparation and presentation of general purpose financial statements of public benefit entities.
21. Financial Reporting Standard (FRS) 102 in the UK is a new all-encompassing accounting standard, substantially based on the IFRS for SMEs, which establishes one accounting framework for the private and not for profit sectors but which can also be tailored by specialist sector Statements of Recommended Practice (SORPs). This is a more concise and proportionate approach building on common framework, without rewriting it, and only specialises for those material differences where a difference in accounting is needed to better represent the substance of a transaction. Notably, this approach is much quicker to implement. Development, consultation and implementation are quicker given its presentation as one comprehensive FRS and one SORP for all areas of the accounts rather than a series of papers on a suite of standards.
22. Although IPSASB does not set accounting standards for both companies and other entities as the UK Financial Reporting Council (FRC) does, it does demonstrate that with some flexibility, accounting standards can apply across all sectors without a need to 're-invent the wheel'. This is an approach which ICAS supports.
23. Less time spent developing and consulting on a public sector specific conceptual framework and standards would not only fit better with resource constraints but also enable more time to be spent looking outwards i.e. helping increase adoption of accruals based accounts and delivering the outcome of high quality financial reporting.
24. Once the outcome of this strategy review has been decided, it would be helpful to publish the SMART objectives, key performance indicators and milestones. The statistic quoted on page 4 "over 80 jurisdictions have either adopted or have processes in place to adopt IPSASs, directly or indirectly" is wide ranging. To strengthen scrutiny and inform strategic planning it would be helpful to have more specific information on the number of countries, over time, who:
 - Have fully adopted IPSASs;
 - Have partially adopted IPSASs with adoption rates for specific IPSASs;
 - Have plans in place and how long it takes to fully adopt IPSASs;
 - Apply IFRS (private and not for profit sectors); and
 - Apply cash or accruals based accounting.
- 2. Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?**
25. We agree with outcome 1: *"Improved ability of public sector entities to reflect the full economic reality of their finances as well as of stakeholders to understand."*
26. Outcome 2 is too wide ranging, our preference would be to prioritise increased adoption of accruals based accounts using an international framework to recognise the existence of IFRS and that it is used by some jurisdictions for the public sector. We also challenge the inclusion of financial management, preferring the focus to be on strengthening public sector [financial reporting](#), not to extend the role of IPSASB to address the significantly broader remit of financial management which risks conflicting with local jurisdictions' arrangements.
27. The boundary of IPSASBs scope needs to be more clearly articulated and applied consistently. Our view is that extending beyond the remit of an accounting standard setter risks conflicting with audit mandates and local statutory reporting arrangements. We have noted in the past, some apparent confusion around the boundary and scope of IPSASB's work on the financial statements and wider financial reports. We welcome the latest decision to introduce service performance reporting as an RPG. We hope that the recognition that service performance reporting is best suited to an RPG is indicative of greater clarity of where the IPSASB boundary sits.
28. A second example of providing an authoritative pronouncement on a topic that is not normally within the scope of accounting standards is IPSAS 24 (Presentation of Budget Information in Financial Statements). This appears to be mixing up management accounting and financial accounting in an

accounting standards framework. This is not normal accounting practice, as accounting and budget information may be prepared using different bases⁶. It is another area subject to local regulation and one we believe is better suited to national regulation so countries can develop their own tailored solutions and therefore an RPG would be more appropriate. Perhaps given IPSASBs clarification of its boundary with the recent work on service performance reporting, the status of IPSAS 24 needs reviewed to ensure its consistency with IPSASBs scope.

3. Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

29. Output 1 - it is not a proportionate approach to develop a full suite of public sector specific standards. Standard development, consultation and board paper analysis is all resource intensive. More targeted and proportionate approaches are needed (see our response to question 1).
30. Output 2 – it is not clear if there are resources to deliver outreach activities or if other mechanisms, such as networks are in place to have greater impact. We would like to see greater outreach activity across a range of stakeholders and a better understanding of how engaged IPSASB is with international organisations (e.g. OECD given the governance review consultation), EC (with the development of EPSAS), preparers, auditors and regulators across different jurisdictions. We believe it would be useful to seek more key stakeholder meetings across the globe. As an example other IFAC boards such as the IAASB hold roundtables on specific issues in key locations such as Asia, Europe, and South America etc.

4. What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

31. More open and automatic reporting of the outcome of consultations and how IPSASB has responded to the issues raised would be helpful to facilitate wider scrutiny and strengthen the accountability of IPSASB. We note that detailed analysis of consultation feedback is publicly available in Board minutes on the IFAC website along with staff conclusions. This could be more easily accessible on the website so that consultees can better identify how their points have been taken on board in the finalisation of a document and understand any reasons otherwise. We suggest that all updates, feedback analysis papers and conclusions are better signposted.
32. We would welcome clearer communication of the outcome of consultations in the form of a published summary report. This could identify the main issues raised by consultees to each question, any general matters, the IPSASB response, an explanation of conclusions, next steps and cross-referenced to the detailed analysis for the Board to avoid duplication. This would be more specific to the consultation questions than the project updates currently on the website. Greater transparency would help to show how IPSASB have considered and dealt with issues raised and support greater accountability.

5. Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

33. To increase focus, we would also add the principle of minimum deviation - consistency with private sector standards should only be broken where there is a clear, justifiable need of a uniquely public sector matter that is material, adversely impacts the true and fair view and is not covered by IFRS. A clearer articulation of the boundary as per paragraph 27 would help focus and reduce the risk of scope creep.
34. We understand that the IPSASB vision is to provide a clear expectation to governments of what they should be reporting publicly and help raise global standards. However, compelling evidence needs to be presented to support any proposals that depart from generally accepted practice and that it will not unnecessarily increase or overlap with existing regulation which could reduce likely adoption.

6. Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

35. The public interest would be served by all governments producing accruals based accounts and using such information for budgetary and decision making purposes. We do however; recognise that this ideal scenario will take time, particularly in developing nations. We therefore propose that the cash based standard is retained at present but IPSASB should detail a clear timetable for the withdrawal of this standard over the medium term. Allocating further resource to this project is inconsistent with the priority for wider adoption of high quality accruals based accounting. It is also incompatible with IPSASB's resource constraints.

⁶ [IPSAS 24](#) – para IN6(a)

7. Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

36. Option c – future withdrawal for the reasons given in paragraph 35 above.

8. Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

37. The breadth of projects listed against a backdrop of financial constraints poses questions on the feasibility of delivering the work programme and IPSASBs prioritisation. We are not convinced that all the topics listed merit a project and refer back to our principle in paragraph 5 and our view that more proportionate approaches to addressing specific public sector issues are needed. In terms of existing commitments, of all the projects listed, we suggest that progressing social benefits is a greater priority to help governments consistently quantify their social benefits programme, given its level of materiality.
38. A recurring theme which appears to underlie prioritisation and focus of work is the polarity of views received from stakeholders on what needs tailored for the public sector. It is not evident how representative these views are, whether independence or conflicts of interest have been considered and how this is managed by IPSASB in its formulation of priorities. More accessible feedback reports on the evidence basis for additional tailoring, judgements, representations and consultations could help the process of scrutiny and accountability. We also suggest that a more focused strategy based on what IPSASB can reasonably be expected to deliver within its constraints and the principle we set in paragraph 5 is used to aid decision making. Broadening outreach and stakeholder engagement activities is also relevant (paragraph 30).

Other projects

39. We are not convinced of the need for IPSASB to undertake a separate project on interim financial reporting or to allocate resource to develop a separate standard on differential reporting. With regards to the latter, we note the concerns relating to the definition of public accountability cited in the consultation paper. In the UK, when the ASB were drafting [FRS 102](#), which is based on the IASB's SME standard, they decided to amend the IFRS for SMEs by eliminating public accountability as a differentiator so that this standard is relevant to a broader group of preparers and users across both the private sector and public benefit entities⁷. We suggest that instead of looking to develop a public sector equivalent standard, IPSASB could liaise with the IASB to discuss making appropriate revisions to IFRS for SMEs to broaden its scope and use FRS 102 as a model to support this review.
40. We support modifying the existing approach to leverage the work undertaken by other organisations more greatly to reduce duplication of effort and question the priority of a project on Integrated Reporting whilst the IIRC are progressing this.

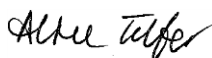
Convergence projects

41. We are not convinced IPSASB needs to revisit work by the IASB and rewrite a separate IPSAS. It would be more efficient to draft a concise interpretation of IFRS for the public sector.
42. We also note that the convergence projects include IFRS 6. IPSASB should stay loyal to the principle of IFRS convergence by deferring work until the IASB have completed their work. This approach should be applied consistently. Moreover, this topic is likely to be resource intensive yet IPSASB is resource constrained so this must also be factored into prioritisation.

Projects to address public sector specific issues

43. For heritage assets we would point to the pragmatic approach taken by the FRC in [FRS 30](#).

We trust this is helpful.



ALICE TELFER
Assistant Director, Business Policy and Public Sector
ICAS

⁷ See pages 4, 231 and 234 of FRS 102.

anan



250, Herbert Macaulay Street,
P.M.B. 1011,
Yaba, Lagos,
Nigeria.
Tel: 01-7642100, 7900926, 07038147508
Web Address: www.anan.org.ng
E-mail: info@anan.org.ng

Founded in 1979 and chartered by Act 76 of 1993 (now CAP A 26 LFN 2004)

Our Ref:

Your Ref:

June 24, 2014

AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION PROPOSED CONSEQUENTIAL AND CONFORMING AMENDMENTS TO OTHER ISAS

Association of National Accountants of Nigeria is very pleased to comment on the above mentioned Exposure Draft.

The Association of National Accountants of Nigeria (ANAN) was founded in 1979 and chartered by Act No. 76 of 1993 (CAP A26, LFN 2004) to advance the Science of Accountancy and determine the standards of knowledge and skill to be attained by persons seeking to become registered members of the Accountancy Profession and reviewing those standards from time to time as circumstances may require, as well as promoting the highest standards of competence, practice and conduct among the members of the profession.

The Association's membership is made up of all current registered members totaling 21,952 as at December, 2013. Its training arm, the Nigerian College of Accountancy, Jos, is a post graduate Professional College established under Sections 8 (1) (d) and 20 of ANAN Act. The College which has produced over 12,000 Professional Accountants in the last four years has 3,809 Students currently on enrolment for Professional Training.

LOCAL AFFILIATION

ANAN is a member of Association of Professional Bodies of Nigeria (APBN).

INTERNATIONAL AFFILIATIONS

The Association is also a member/associate of the under-listed international organizations: -

- i. International Federation of Accountants (IFAC).
- ii. Pan African Federation of Accountants (PAFA) (Board Member of PAFA)
- iii. The Association of Accountancy Bodies in West African (ABWA) (Board Member of ABWA).
- iv. Edinburgh Group
- v. International Association for Accounting Education and Research (IAAER).
- vi. Xtensible Business Reporting Language (XBRL)

ANAN is represented on the Board of the Financial Reporting Council of Nigeria (FRC) by two members.

Our responses to specific matters for comments (1-3) are set out below:

1. Whether the proposed strategic objective, outcomes and outputs are appropriate

Our Response:

Yes, ANAN agrees with the strategic objective as it is appropriate and in order. As a credible global standard setter, the need to strengthen public financial management through well researched and improved standards and creating awareness for its adoption cannot be over-emphasized and with the right inputs as outlined in the strategy consultation draft,, the outputs and outcomes are also adequate and relevant.

2. What stakeholders' views are on the future of the Cash Basis IPSAS?

Our Response:

The cash basis IPSAS may be withdrawn from IPSAS handbook for a full blown accrual basis IPSAS within the period of 2015-2019. The accrual-based should be fully developed for understanding by the public sector entities in developing economics.

3. Which projects the IPSASB should prioritize for the work program 2015-2019?

Our Response:

The project that the IPSAP should prioritize for the work plan 2015-2019 should be how to ensure that the IPSAS accrual basis is properly entrenched in the operational framework of accounting for financial transactions by governments across the developing countries. This is to ensure that there is transparency and accountability and total capturing of financial transactions by all government establishments.

Yours faithfully,

ASSOCIATION OF NATIONAL ACCOUNTANTS OF NIGERIA



SUNDAY A. EKUNE, B.Sc (Hons.) M.Sc, MIOD, FCNA
Registrar/Chief Executive



The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
Toronto, Ontario M5V 3H2
Canada
Per e-mail
31 July 2014

Dear Stephenie,

RESPONSE TO THE IPSASB STRATEGY CONSULTATION PAPER

We welcome the opportunity to respond to the IPSASB's Strategy Consultation Paper. We believe that the consultation process demonstrates the IPSASB's commitment to setting standards in the public interest, and believe that the process will yield positive results both for the IPSASB's future strategy and work plan.

This comment letter has been prepared by the Secretariat of the ASB. In formulating the comments outlined in this letter, the Secretariat has consulted a number of stakeholders through meetings and workshops. The stakeholders consulted include finance practitioners, auditors, as well as representatives of the Auditor-General of South Africa and the National Treasury. The Consultation Paper was also discussed at the ASB Board meeting held on 19 June 2014. The inputs received during these various consultations have been collated and are included in this letter, and thus represent a range of views.

Our detailed comments on the questions raised in the Consultation Paper are included as Annexure A.

Board Members: Mr V Jack (Chairperson), Mr S Badat, Ms T Coetzer, Mr B Colyvas, Ms CJ Kujenga,
Mr K Kumar, Mr G Paul, Ms N Ranchod, Ms R Rasikhinya, Mr M Sass
Alternates: Ms L Bodewig, Ms L le Roux
Chief Executive Officer: Ms E Swart

Please feel free to contact me should you have queries relating to any aspects of this letter.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Erna Swart'.

Erna Swart

Chief Executive Officer

Annexure A

Strategy for the period 2015 onwards

1. Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

1.1 The IPSASB's tentative view on its strategic objective is as follows:

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

(a) Developing high-quality financial reporting standards;

(b) Developing other publications for the public sector; and

(c) Raising awareness of the IPSASs and the benefits of their adoption."

1.2 While we agree in principle with the strategic objective, we do not believe that financial reporting standards can themselves enhance financial management. We believe that it is the credible, reliable, transparent information that is produced by applying those standards which facilitates strengthened financial management because users have better information to make decisions and hold entities accountable. As such we believe that the first part of the strategic objective should be reformulated to focus on the credible, reliable, transparent information that is produced by applying IPSASs, and that this facilitates the strengthening of public financial management through improved decision-making and accountability. An illustration of this re-formulation could be:

Facilitating the strengthening of public financial management through the production of credible, transparent financial information that results in improved decision-making and accountability, which is achieved by:....

2. Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

2.1 The first outcome states the following: "Improved ability of public sector entities to reflect the full economic reality of their finances as well as of stakeholders to understand".

2.2 We interpreted this outcome as referring to the ability of users to understand the financial information provided to them. We do not believe that the way or extent to which users understand information provided to them is solely within the IPSASB's control, nor do we think that this is measurable as an outcome. Consequently we believe that this outcome should be deleted.

2.3 We agree in principle with the second outcome as stated.

2.4 We are of the view that a key outcome of the IPSASBs work would be the number of governments or other organisations that adopt IPSASs. As such we believe that an additional outcome should be added which measures the actual adoption of IPSASs in jurisdictions or other entities.

3. Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

3.1 We agree with the outputs proposed.

- 3.2 While we commend the IPSASB for the extent of its outreach, which is undertaken voluntarily by board members and technical advisers, we do believe that improvements could be made in this area.
- 3.3 We would urge the IPSASB to consider a more targeted, focused approach when undertaking its outreach activities. This would include developing a more regular schedule of interactions with specific outcomes or objectives of the interaction, for example, is the objective of the interaction relationship building, imparting information i.e. a high level overview of a Standard, ED, RPG etc., or soliciting feedback on proposals. It would also be useful if the outreach is targeted towards those jurisdictions that clearly indicate that adoption of IPSASs is possible or feasible in their jurisdiction.
- 4. *What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?***
- 4.1 As demonstrated in the diagram on page 12 of the Consultation Paper, there is a considerable amount of effort focused on developing the requirements of the Standards and RPGs. We believe that receiving feedback after the development of the Standard, through interactions with jurisdictions or other entities that apply IPSASs, would be invaluable. This would provide the IPSASB with information about the adoption, application and implementation of the IPSASs, and enable it to assess (a) whether the principles in the Standards are appropriate, (b) where issues of divergence exist in accounting for similar transactions, and (c) whether amendments are necessary to the Standards as part of the improvements project or whether new projects to deal with issues should be initiated.
- 4.2 The IPSASB could use a number of mechanisms to receive this feedback. It could be formally through a post-implementation review process, or it could be informally as part of its outreach activities. This process could also be formalised through an Interpretations Committee, although this would have significant resource implications.
- 4.3 Other suggestions to improve the IPSASB's feedback mechanisms include the development of high level presentations and summaries of IPSASs and RPGs once they are issued, as well as train-the-trainer material.

Work plan for the period 2015-2019

- 5. *Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?***
- 5.1 We agree with the five factors used by the IPSASB in assessing the need for, and priority of, projects.
- 6. *Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?***
- 6.1 While we ourselves do not have specific experience in applying the cash basis IPSAS, we can provide feedback on what we have heard through our discussions with other jurisdictions that apply the cash basis IPSAS, as well as how we have used the cash basis IPSAS to develop our modified cash framework.

- 6.2 We have recently encountered a number of jurisdictions where the cash basis IPSAS is being adopted, mainly because particular organisations or funders critical to their development have requested that they adopt the cash basis IPSAS. It would therefore appear that there is a need to retain the cash basis IPSAS. We can however not provide specific information about what the potential issues are or have been in adopting the cash basis IPSAS in those jurisdictions.
- 6.3 The National Treasury has used the requirements of the cash basis IPSAS, as well as the encouraged disclosures, as a basis for developing the modified cash reporting framework applied by our government entities pending migration to accrual accounting. From our experience, the cash basis IPSAS provides an important “stepping stone” to migrate to accrual accounting, and as such, believe it is a valuable resource.
- 7. *Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for our recommendation.***
- 7.1 We would support retaining the cash basis IPSAS, but we can unfortunately not provide a clear view on whether the project to review the cash basis IPSAS should be continued or not. In principle we support completing the project as this is likely to resolve many of the issues currently experienced by users of the Standard, and may even increase the adoption rate of the IPSAS (and potentially accrual basis IPSASs in the future). We would however balance the need for continuing this project with the other priorities of the IPSASB.
- 7.2 If the IPSASB were to continue work on the cash basis IPSAS and spend resources on updating and revising it, it may be appropriate to consider how this project contributes to the adoption of accrual basis IPSASs in the long term. If the IPSASB could articulate the importance of adopting the cash basis IPSAS as a stepping stone on the way to adoption of full accrual accounting, then this might be a more appropriate way to justify continuing with the project.
- 7.3 The review of the cash basis IPSAS could also be supported by, for example, a clear roadmap of adoption from cash to accrual, and how entities could use the cash basis IPSAS in this context. For example, this roadmap could articulate the initial application of the cash basis IPSAS with the required disclosures as a first step, a second step would be to add the encouraged disclosures, and subsequent steps could include recognising items previously disclosed on the statement of financial position, and so on.
- 8. *Considering the various factors and constraints, which projects should the IPSASB prioritise and why? Where possible, please explain your views on the description and scope of the project.***
- 8.1 The priority projects identified through our consultations are outlined in paragraph 8.2. Many of these priorities reflect the needs of our constituents for guidance in certain areas. We may have issued guidance on, or already dealt with, some of the topics listed in the Consultation Paper. This means that our constituents may not have identified them as priority projects. This does however not mean that the IPSASB should not consider these as they will add to accounting in the public interest. These issues have been discussed separately.

8.2 The issues identified by our constituents as priority projects are as follows:

Public sector specific projects

- Infrastructure assets.
- Non-exchange expenses.
- Measurement of assets.
- Intangible assets and military assets.
- Trust accounts.
- Role of government as owner.

Projects to maintain existing IPSASs

- Revisions to IPSAS 23 *Non-exchange Revenue (Taxes and Transfers)*.
- Revisions to revenue related standards.

The rationale for supporting these projects is outlined in paragraphs 8.3 to 8.17 below.

- 8.3 With the exception of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (which is discussed separately below), our constituents did not support any of the projects to converge with IFRS. Most felt that the IFRSs could either be used, or sufficiently modified, to suit their needs where these transactions existed. There was also no strong support expressed for the Other Projects listed. Our Board has already dealt with differential reporting (and concluded that differential reporting is not appropriate for the public sector), and constituents were of the view that the other projects were “nice to haves” rather than critical. These projects also implied a level of maturity in reporting which many jurisdictions do not have at present.

Infrastructure assets

- 8.4 During discussions with our constituents on the application of our Standards (which are based on IPSASs), accounting for infrastructure assets is consistently raised as an issue. Issues are raised regarding the level of componentisation required, that the annual assessment of residual values and useful lives is onerous, that it is difficult to make clear decisions about whether subsequent expenditure on an asset is repairs and maintenance or of a capital nature, and a number of issues have been raised on the impairment of these assets.
- 8.5 We recently completed a post-implementation review of our equivalent Standards on *Property, Plant and Equipment* and *Investment Property*. The results of this review may be useful in identifying key issues to include in this project. These results can be accessed on our website.
- 8.6 Given that a number of issues exist in this area for which clear guidance is needed, we believe this is a high priority project.

Non-exchange expenses

- 8.7 We are often asked how to account for these expenses, and given that there is currently no guidance on these transactions, we believe that this should be a high priority project for the IPSASB.

Revisions to IPSAS 23 on *Non-exchange Revenue (Taxes and Transfers)*

- 8.8 While the consultation document did not outline the specific examples or issues that require amendment to IPSAS 23, we believe that amendments are needed in certain areas based on our experience in applying an equivalent IPSAS 23.
- 8.9 Our constituents have applied the equivalent of IPSAS 23 for some time. One of the key issues we have identified during the application of that Standard is the treatment of services in kind. Some of our entities receive significant services in kind, e.g. secondment of staff from other entities or are provided free office accommodation. Where the receipt of these services is significant to an organisation, merely encouraging disclosure of these services is insufficient. In these instances, we believe recognition should be mandatory.
- 8.10 We have also identified a few minor changes which could be effected to IPSAS 23.
- 8.11 In principle, we support initiating this project, and believe it would be useful to request jurisdictions which have applied IPSAS 23 to provide information to the IPSASB about application issues they have experienced.

Revisions and possible alignment of revenue from exchange and non-exchange transactions (including revenue from construction contracts)

- 8.12 Given the recent approval of IFRS 15 *Revenue from Contracts with Customers*, and the withdrawal of IAS 18 *Revenue* and 11 *Construction Contracts* by the IASB, we support a revision of the equivalent IPSASs. We would however urge the IPSASB to consider whether using one approach to the recognition of all types of revenue (exchange and non-exchange) is feasible. As such we support a broader revision of the package of revenue standards.

Measurement of assets

- 8.13 Given the unique nature of assets in the public sector, and that they are held to generate service potential rather than to realise cash, we support a project on the measurement of assets. We believe that this project should focus on applying the principles in the conceptual framework, as well as consider the need to issue an equivalent of IFRS 13 *Fair Value Measurement* which could deal with when fair value is appropriate in the public sector, and how fair value should be determined given the types of assets held.

Military assets and intangible assets

- 8.14 While we do not have an immediate need for guidance on accounting for military assets generally, we would be interested in the linkages between military assets and the intangible assets project in relation to research and development costs. A significant amount of resources are expended every year on research into military assets and military applications, and thus a change in the treatment of research costs incurred in the public sector context may be useful to explore.

Trust accounts

- 8.15 We have a number of "trust" accounts, which often relate to the collection and holding of funds for specific individuals or communities. The "trust" accounts may be governed by a specific trust deed, although often they are not; while some are established in terms of specific legislation.

- 8.16 These “trust” accounts create a number of issues for entities in terms of: (a) whether they control the “trust”, (b) what reporting framework should be applied for the “trust”, (c) whether the entity acts as a principal or an agent in relation to the “trust”, and (d) what should be recorded in the public sector entity’s financial statements in relation to the trust. If the project addresses these accounting issues, we believe it would be valuable to initiate a project of this nature as no clear guidance exists.

Role of government as owner

- 8.17 We believe that this is an important issue to resolve, but any project of this nature should be undertaken in conjunction with the IASB. The main issue relates to the treatment of amounts received by entities which are controlled by government but apply IFRSs, and whether these should be treated as transactions with owners or as revenue. While this is an important issue, it is less important relative to other projects outlined above.

Other projects

- 8.18 As noted above, the identification of our key projects is based on constituents’ experiences and needs. That being said, we believe that a number of the other projects listed would be useful to pursue. In these instances, we have issued our own local Standard, or have adopted an IFRS equivalent when the IPSASB is yet to do so.
- Heritage assets. Given their significance to the public sector, urgent guidance is needed. We have developed a Standard on how to account for these assets (GRAP 103 *Heritage Assets*).
 - Biological assets held for the provision or supply of services. This is a significant issue in terms of accounting for animals held in zoos; service animals such as those used in policing, customs, border control or in the military; animals used in agricultural research, etc. We have recently initiated a research project on this issue and will publish a Discussion Paper *Living and Non-living Resources* in due course.
 - Natural resources. African countries hold a variety of natural resources, which range from conservation areas to mineral resources such as gold, platinum, copper, diamonds, natural gas, and oil. Given that these are often significant sources of revenue for these governments, it is critical that clear accounting guidance is provided for these resources. It may also be an opportunity to develop reporting outside the financial statements as many of these resources are held in a custodial capacity by the government. The Discussion Paper mentioned in the previous bullet also deals with these issues.
 - Related party transactions. We believe that the IPSASB should initiate a project to align IPSAS 20 *Related Party Disclosures* with IAS 24 *Related Party Disclosures* as a matter of urgency. In particular, relationships relating to control are dealt with differently in IPSAS 20 and IAS 24, and we believe that these need to be addressed. The need to undertake this project is also highlighted by the IPSASB’s revisions to IPSAS 6 *Consolidated and Separate Financial Statements*, IPSAS 7 *Investments in Associates*, and IPSAS 8 *Interests in Joint Ventures* which modify the concept of control.

- Segment Reporting. We have adopted IFRS 8 *Operating Segments* as application of it results in the most amount of flexibility for entities to report segment information. This facilitates better linkages between the financial statements and performance information. We urge the IPSASB to consider aligning IPSAS 18 *Segment Reporting* with IFRS 8 as a matter of urgency.
- Non-current assets held for sale and discontinued operations. While we do not support the measurement, presentation and disclosure of non-current assets held for sale in the public sector, we do support the discontinued operations presentation and disclosure in IFRS 5 and believe that this is a key gap in the current suite of IPSASs.

IPSASB strategy consultation

Comments from ACCA to the International Public Sector Accounting Standards Board

31 July 2014

Our ref: TECH-CDR-1282

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 170,000 members and 436,000 students throughout their careers, providing services through a network of 91 offices and centres. Our global infrastructure means that exams and support are delivered – and reputation and influence developed – at a local level, directly benefiting stakeholders wherever they are based, or plan to move to, in pursuit of new career opportunities.

www.accaglobal.com

Further information about ACCA's comments on this matter can be obtained from:

Gillian Fawcett

Head of Public Sector

Email: gillian.fawcett@accaglobal.com

ACCA welcomes the opportunity to comment on IPSASB's strategy proposals for beyond 2015. We believe our professional accountancy expertise; experience and international reach across the public sector will allow us to make an informed contribution to the strategy and way forward. The views expressed in this response reflect the opinions of our Global Public Sector Forum, which includes senior finance professionals, academics and advisors from around the world.

SUMMARY

For a number of years ACCA has been highly supportive of the work of the IPSASB and its strategic approach to developing accounting standards for the public sector. Overall, we agree with the strategic objectives outlined by the IPSASB in the consultation and its general approach to developing high quality standards.

It is pleasing to see that international consistency and comparability of accounting standards for the public sector are at the heart of the objectives of the IPSASB. In our view this consultation is very timely, particularly given the need for governments to become more accountable and transparent in the aftermath of a sovereign debt crisis.

However, we are surprised that the strategy makes no reference to current developments in the EU in respect of developing European Public Sector Accounting Standards (EPSASs) and IPSASB's strategy for dealing with this significant development. It would be helpful if the IPSASB could set out clearly how the development of EPSASs will impact on its future work programme, if at all.

We recognise that producing cash accounts is a challenge for many countries around the world with more than a third of countries struggling to produce cash accounts based on the IPSAS cash standard. We recognise from our work with countries particularly in developing countries and emerging economics that there are no quick fixes and transition is often complex. Therefore, we believe that the cash basis IPSAS is an important accounting standard for countries to adopt as a first step on their journey to move towards accruals.

As a final point we are also aware of the finite resources of the IPSASB as set out on page 7 of the document and encourage it to inject some realism into what it can deliver post 2015.

SPECIFIC COMMENTS

Question 1

Do you agree with the IPSASB's tentative view on its strategic objective for the period? from 2015 forward? If not, how should it be revised?

We support the strategic objectives going forward. It is pleasing to see that international consistency and comparability of accounting standards for the public sector are at the heart of the objectives of the IPSASB.

However, we are surprised that the strategy makes no reference to current developments in the EU in respect of developing European Public Sector Accounting Standards (EPSASs) and IPSASB's strategy for dealing with this significant development. It would be helpful if the IPSASB could set out clearly how EPSAS developments will impact on its future work programme, if at all.

Question 2.

Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

In our view both the outputs and outcomes outlined are realistic for achieving IPSASB's strategic objectives.

Question 3.

Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

Yes, we agree that the outputs identified will assist in achieving the outcomes specified. However, it might be helpful if IPSASB could introduce an evaluation process to capture whether or not the outcomes are being achieved, in particular, whether outreach activities are leading to increased adoption and raised awareness about IPSAS. The findings may help inform future strategies.

Question 4.

What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

The current feedback mechanism appears to work satisfactorily and therefore we recommend no changes.

Question 5.

Do you agree with the five key factors the IPSASB considers in deciding to initiate a project in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

The five factors for prioritising IPSASB's work appear sensible.

Question 6.

Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

We understand that producing cash accounts is a challenge for many countries around the world with more than a third of countries struggling to produce cash accounts based on the IPSAS cash standard. We recognise from our work with countries particularly in developing countries and emerging economies that there are no quick fixes and transition is often complex. Therefore, we agree that the cash basis IPSAS is an important accounting standard for countries to adopt as a first step on their journey to move towards accruals.

Question 7.

Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

We would recommend Option (A) as the most viable option for retaining the Cash Basis IPSAS and updating it accordingly. This provides the most practicable approach.

Question 8.

Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

We believe that the main priority for IPSASB is to concentrate on developing accounting standards i.e. filling the gaps in key areas such as heritage assets, military assets and social benefits accounting rather than pursuing new areas. The lack of a complete set of accounting standards and the failure to address key accounting issues was highlighted by the European Commission as a key reason for not wanting to adopt IPSAS and set about developing EPSAS standards instead.

Rather than seeking to develop new areas such as integrated reporting, we suggest that the IPSASB keeps a watching brief on new reporting developments and their impact in other sectors. IPSASB's resources would be better focused on promoting, for example, its recent exposure draft on service performance reporting.

IPSASB Strategy Consultation

response to consultation

31 July 2014

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/ 140731 SC0212

Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
Toronto
Ontario M5V 3H2
CANADA
Submitted electronically

July 2014

Dear Stephenie Fox

IPSASB Strategy Consultation

CIPFA is pleased to present its response to this consultation, which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.

General comment

As noted in successive responses, CIPFA strongly supports IPSASB's development of high quality standards for public sector financial reporting, whether through the development and maintenance of IPSASs on topics covered by IFRS, through wholly public sector specific IPSASs, or through other initiatives which may be necessary to support the requirements of public sector financial reporting.

Now that the work on the Conceptual Framework is drawing to a conclusion, and the Board's governance arrangements are in the process of being formalised, we believe it is important that the Board is seen to build on this foundation and:

- ensure that existing standards remain fit for purpose;
- review the IPSASB literature to identify any gaps to be filled by standards or guidance; and
- develop such standards and guidance deemed necessary, as well as
- maintaining the suite of standards in the light of the work and pronouncements of the International Accounting Standards Board.

The Board's strategic direction from 2015 should reflect this and CIPFA looks forward to continuing to support the Board's work over the coming years.

As the consultation notes, the effects of the financial crisis and the related sovereign debt issues have both highlighted the need for improved public sector financial reporting and, beneficially, have increased the appetite for improved reporting. The Board has a crucial opportunity to serve the public interest by facilitating high quality reporting, but at the same time it is particularly important to make the best use of the Board's resources.

The enlarged field of IPSAS implementation also reinforces the need for the Board to consider the needs of preparers at very different stages of the implementation process, including governments and international organisations with stable and secure implementations, governments in transition to accruals IPSAS from cash based or other financial reporting, current users of the Cash Basis IPSAS, and

governments which have yet to apply any international standards to their financial reporting. At the same time, the Board needs to have regard to the wide range of stakeholders other than preparers, including citizens and service recipients, taxpayers, international donors, lenders and other funding providers.

The dynamics of the adoption of IPSAS are complicated, and one of the most recent developments is in relation to the improvement and harmonisation of public sector reporting in Europe, where IPSASB standards have, after some discussion and debate during consultations by Eurostat, been proposed as a reference for standards rather than being directly adopted or incorporated as local standards.

Perceptions of improved governance that should result from the recent consultation led by OECD may also stimulate improvements in the level of engagement with some public sector stakeholders. IPSASB standards were subject to some criticism during the Eurostat consultations, although in our view some of this may have been unfair, or perhaps more relevantly, may have taken a view of the nature of standard setting which is unrealistic for standard setters in any sector. Nevertheless, against this background we suggest that a key element of the Board's program is to address stakeholder perceptions that the IPSASB set of standards is incomplete. This is not a new consideration for IPSASB: indeed the Board has for many years considered the read across between IFRS and IPSAS with a view to developing standards corresponding to IFRS where these are of significance to public sector preparers, while also considering those public sector specific issues which most warrant additional standards or guidance.

We are conscious that Europe is only part of the stakeholder community to which IPSASB needs to pay attention, so 'gap filling' activity should not only be justified in terms of the effect on EPSAS, but should have regard to the benefits to all public sector stakeholders globally. Furthermore, while the most straightforward approach to gap filling is to ensure that IPSAS standards cover all matters in IFRS which are relevant to public sector preparers, there may be other approaches which are helpful in the short term. In particular, in those cases where the Board has decided not to converge with a particular IFRS because it is not urgent, it might be helpful if the Board were to separately publish an information sheet setting out the reasons for the decision: this might include signposting to the relevant IAS or IFRS, an explanation of the Board's perception that the standard is applicable to relatively few public sector situations, and any view the Board might have on the ease with which the private sector standard could be applied to those cases where it was relevant. On the latter point, the experience of jurisdictions such as the United Kingdom might be relevant, given that in many cases the UK applies IFRS without adaptation, or with a small amount of additional guidance.

Further to the above, we are also conscious that education and outreach have a key role to play both in the European discussion and more generally. We strongly support the Board's activities in this regard, including its engagement with the EPSAS project and participation in FEE round tables on this topic. While the strategy consultation is clear that the Board's resources are limited, and the standards development agenda will be demanding, it is still vital that the Board is seen to be engaged with stakeholders and promoting the benefits of IPSAS in order to encourage adoption. While we see the development of standards and guidance as the principal activity of the Board, we strongly support the inclusion of paragraph (c) in the IPSASB strategic objective.

Once the Board has processed the proposals in the light of responses from stakeholders, we expect the remaining workload will be challenging, but with the potential to substantially contribute to improved public sector financial reporting.

CIPFA will of course continue to support the Board through contributing to its consultations and by other means.

Response to specific questions

Observations on the questions for respondents are provided in the attached Annex.

I hope this is a helpful contribution to the Board's planning process. If you have any questions about this response, please contact Steven Cain (e: steven.cain@cipfa.org, t: +44(0)20 7543 5794).

Yours sincerely

Alison Scott
Assistant Director, Policy and Technical
CIPFA
3, Robert St, London, WC2N 6RL
Tel: 01604 889451
e: alison.scott@cipfa.org
www.cipfa.org

Questions for Respondents

Question 1:

Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

CIPFA agrees with the IPSASB's tentative view on its strategic objective for the period from 2015 forward.

Clearly it is fundamental to the Board's purpose to strengthen public financial management and knowledge globally through developing high-quality accrual based financial reporting standards.

CIPFA also supports the Board's development of other publications such as Recommended Practice Guidelines, which can address issues on which it is problematic to develop international standards. These are nevertheless of considerable importance and potentially cover a wider range of issues than in private sector reporting, where the IASB has issued non-mandatory guidance only in the area of Management Commentary. While we envisage the main output of the Board being in the development of accrual IPSAS, we do agree that development of RPGs will in some cases be necessary and beneficial.

As explained in the covering letter, it is also important that IPSASB engages with key stakeholders to raise awareness of the benefits of adopting high quality accrual based accounting in line with standards developed by and for the international public sector financial reporting community. The ultimate objective is of course that governments should achieve these benefits by implementing accrual IPSAS, rather than just be aware of the benefits.

Question 2: Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

CIPFA agrees that both of these are appropriate.

CIPFA agrees that accrual IPSASs and RPGs should be designed to improve the ability of public sector entities to reflect the full economic reality of their finances. While accrual reporting is, almost by definition, more complete than most cash basis reporting, the further benefit of IPSASs is that they seek to better address the economic substance of public sector transactions and balances. While it may arguably not be possible to represent the 'full' economic reality, the IPSAS standards need to provide relevant and reliable information for accountability and decision making, having regard to the need to balance the costs and benefits of information provision. RPGs provide further non-mandatory guidance on how to provide a more complete understanding of the affairs of the entity and its effect on citizens, service recipients and other stakeholders. These matters have been extensively discussed in the development of the conceptual framework, while also noting that that financial reporting should be as understandable as possible – a position with which CIPFA also strongly supports.

Furthermore, having taken steps to develop high quality standards and guidance, these are only useful if they are adopted by governments and other public sector entities. IPSASB cannot and impose or mandate its standards, and so it is in the public interest that, having developed high quality material in line with stakeholder needs and following the exacting due process required of a standard setter, IPSASB promotes this material in a persuasive manner to encourage adoption. There is perhaps a risk that such activities might be seen as 'self-serving' on the part of IPSASB or IFAC, and this may be something that the Board needs to manage, to make it clear that this work is a key part of its public interest role: we hope that the Board's position in this regard, will be eased by developments in its governance arrangements over time.

Question 3: Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

In line with our response to Question 2, CIPFA agrees with the Board's proposed focus on

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

A key factor linking these outputs is that the Board's materials must be seen to be relevant, sufficiently comprehensive, and responsive to the needs of public sector stakeholders. IPSASB pronouncements also need to be clear and sufficiently easy for preparers to interpret, while in turn promoting financial reporting which is clear and as easy as possible for readers to understand.

Question 4: What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

The IPSASB Board is well aware of the need to engage preparers and users in government in a wide range of jurisdictions, and has made some efforts to liaise with governments and international pan-public sector organisations in order to encourage this. Nevertheless, the majority of responses to consultation and other communications with IPSASB are from a limited number of correspondents, and in many cases the organisation or key individuals within the organisation are members of IFAC's professional accounting community.

We hope that the ongoing review of IPSASB governance will lend further credibility to the Board and its standards, which may make it easier to engage with wider categories of stakeholder, and get them to participate in the main consultation processes. We would also encourage the Board to maintain its current engagement with governments and international organisations such as the OECD and the World Bank which may serve to provide input on stakeholder needs in those jurisdictions which do not currently have the capacity to contribute to IPSASB discussions.

While ultimately governments need to reach their own view of the benefits of IPSASs, we would also encourage the board to continue to work through IFAC member bodies, INTOSAI members and through donor organisations who may often be in a better position to understand local issues relevant to PFM improvement and to influence governments.

Additionally, we note that IPSASB analyses of responses to consultations include a linguistic breakdown, and these indicate that responses from English speaking jurisdictions are frequently in the majority. While we recognise that the primary business of the Board is for practical reasons conducted in English, we suggest that it would be beneficial to increase the reach of the Board's consultation process so that it ranges more widely outside the Anglophone community.

The process of translation into other languages is of course, potentially very expensive. However, the Board could demonstrate its awareness of the issues around language by asking questions in its consultation documents which ask respondents to consider whether the text of proposed pronouncements raises any issues from the perspective of non-English speakers. The IAASB includes a specific question on issues which might arise from translation of its standards: a similar question could be included in IPSASB exposure drafts and consultations. The Board might also consider another approach which might increase engagement, which is the translation of its short 'At A Glance' documents into a small number of languages such as French and Arabic which might directly help speakers of those languages, and act as a better bridging language than English in certain other jurisdictions.

In addition to the pre-standard consultation process, IPSASB may wish to consider whether it would be beneficial to carry out post-implementation reviews, although this may be an approach which will work better after a larger number of jurisdictions have adopted IPSASs. An alternative approach, which while possibly less objective would probably consume less resources, would be to seek views on implementation from current known users, either through a survey process, or in a less structured manner.

Question 5: Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

CIPFA agrees generally with the five key factors identified.

The drafting of the first factor 'significance for the public sector' could be clarified and improved to explain that this includes both public sector specific issues where it is more likely that there will be a 'gap' in standards, but also includes generic material which applies to large numbers of reporting entities in both the public and private sector. An example of this would be financial instruments, which in the United Kingdom and many other jurisdictions are highly relevant to government as a whole.

We have not identified any other factors that the IPSASB should consider.

Question 6: Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

CIPFA supported the development of the Cash Basis IPSAS by IPSASB both as an expedient approach for jurisdictions lacking the capacity to develop and maintain the necessary reporting systems, and also as a stepping stone to full accrual accounting.

The Cash Basis provides inherently less useful information than accrual accounting, and in practice we understand that governments almost always supplement this reporting with additional information which they find helpful. While well intentioned, this often means that the information is less useful than it would be if presented in a standardised manner developed through consultation.

On balance, we are inclined to see the Cash Basis IPSAS as a useful resource and one which is in some cases followed by a transition to full accrual – this has been more evident recently.

In some cases, the Cash Basis IPSAS may serve to reinforce reliance on cash. While this is obviously less desirable, there is some benefit from the adoption of this international standard than operating without standards, or using standards which are not subject to as rigorous a development process.

Question 7: Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

The Cash Basis IPSAS fulfils a useful function although the current form of the standard is not necessarily the best one. In due course it might be useful to redevelop the standard to provide a staged transition to the accrual based IPSAS, having regard to the material which is already in Study 14 *Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities*, and linking this to material which the Board is developing on its proposed IPSAS on first time adoption; it is also possible that this might be best developed through RPGs or other non-mandatory guidance.

Having regard to the position in Europe which is the constituency within which CIPFA has most direct intelligence, the greatest benefit for the period under consultation would be obtained if the Board focussed its efforts on accruals based standards, and so followed option (b). This would also be helpful to other jurisdictions which have implemented or are moving to the accrual IPSAS standards.

Bearing in mind our wider experience in countries where reporting is less well developed and accountancy resources may be highly constrained, we can also see merit in pursuing option (a). However, given the constraints on resources, CIPFA suggests that it may be most practical in the short term to follow option (b), except that the Board might see whether it is feasible to collect or make more publicly available any guidance, implementation aids and other resources which have already been developed by preparers and their auditors. One such example might be disclosure checklists developed by SAIs such as the UK National Audit Office in their work on Cash Basis IPSAS accounts.

Question 8: Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

All the projects listed have merit as future projects for IPSASB, but on balance we suggest that priority should be given to the following projects.

Public Sector Specific Issues

Non-exchange expenses

Measurement – public sector specific

Infrastructure assets

Projects to Maintain Existing IPSASs

IPSAS 25 Employee Benefits

Improvements to IPSAS 23 Non-exchange Revenues



Deloitte Touche Tohmatsu Limited
2 New Street Square
London
EC4A 3BZ
United Kingdom

Tel: +44 (0) 20 7936 3000
Fax: +44 (0) 20 7583 1198
www.deloitte.com

Direct: +44 20 7007 0884
Direct fax: +44 20 7007 0158
vepoole@deloitte.co.uk

Mr. Andreas Bergmann, Chairman
International Public Sector Accounting Standards Board
529 5th Avenue, 6th Floor
New York, New York 10017
United States of America

31 July 2014

Dear Mr Bergmann,

Re: International Public Sector Accounting Standards Board Strategy Consultation

Deloitte Touche Tohmatsu Limited is pleased to respond to the IPSASB Strategy Consultation (the Consultation). We commend the International Public Sector Accounting Standards Board (the 'Board' or 'IPSASB') for undertaking this review, especially in view of the on-going review by the IPSASB Governance Review Group about how best to strengthen the oversight, governance and accountability of the IPSASB. The Board's Consultation addresses the likely period for the implementation of the Governance Review Group's recommendations and it is appropriate that the IPSASB has a clear view both of its strategic objective and work plan if the Board's efforts to develop high-quality financial reporting by the public sector are to continue during this period of organisational change.

With respect to the Consultation, we support a Strategic Objective to improve transparency in financial reporting by the public sector through increasing adoption of accrual-based IPSASs and continuing to develop high-quality financial reporting standards. In view of the need to focus limited resources most effectively, we suggest that the Board concentrate on developing IPSASs and to commit only limited resources to the suggested related activities. Undertaking presentations, speeches and other outreach activities are of utmost importance but they may also be carried out by governments, multilateral organizations and IFAC through its Transparency Now campaign.

Some aspects of the Board's current due process do not reflect fully current best practices and we encourage the Board (and any future oversight and/or monitoring body) to review this as a matter of priority to ensure that the standard-setting process is sufficiently robust to support developing high-quality IPSASs. In particular, we would support establishing a Consultative Advisory Group (CAG) for the IPSASB, similar to the CAG of other IFAC standard-setting boards, to provide both advice on technical issues and on IPSASB's work program and project priorities, and more strategic matters.

When assessing potential future projects, we support an approach of basing IPSASs on International Financial Reporting Standards, but with adaptations made for the public sector specificities. In addition, we think that the general presumption should be that if convergence between IPSASs and IFRSs means that alignment with Government Finance Statistics is not possible, convergence with IFRSs (subject to sector-specific considerations) should be the normative action.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte Touche Tohmatsu Limited is a private company limited by guarantee incorporated in England & Wales under company number 07271800, and its registered office is Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom.



Our detailed responses to the invitation to comment questions are included in the Appendix to this letter.

If you have any questions concerning our comments, please contact Frans Van Schaik in Rotterdam at +31 882 881 357, or Veronica Poole in London at +44 20 7007 0884.

Yours sincerely

A blue ink signature of Frans Van Schaik, consisting of a series of connected loops and a final horizontal stroke.

Frans Van Schaik
Global Leader
Public Sector Accounting & Auditing

A black ink signature of Veronica Poole, featuring a stylized, cursive script.

Veronica Poole
Global IFRS Leader



Appendix

Developing the IPSASB's Strategy

1. *Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?*

We agree that the sovereign debt crisis emphasised that there is an urgent need to strengthen the quality and credibility of financial management and financial reporting by governments around the world. Sovereign issuers are major participants in public capital and debt markets and should provide information that is prepared using high-quality accounting standards and is comparable across governments. The work of IPSASB to develop high-quality accounting standards for the public sector that serve the objectives of financial reporting by public sector entities in public capital and debt markets, providing information about the entity that is useful for accountability and decision-making purposes, is an integral part of meeting this need.

Transparent and credible reporting contributes to global fiscal (and financial) stability and should assist citizens and lenders in holding governments accountable for the resources committed to them. Consequently, we support a Strategic Objective to improve transparency in financial reporting by the public sector through increasing adoption of accrual-based IPSASs and continuing to develop high-quality financial reporting standards. Improving financial management should also result from the discipline established by reporting under accrual-based IPSASs.

2. *Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?*

We agree with the strategic outcomes identified by the Board. However, until the Board's governance and oversight arrangements are reformed as a result of the IPSASB Governance Review Group's recommendations, we suggest that the IPSASB prioritise the first outcome: an "improved ability of public sector entities to reflect the...economic reality of their finances as well as of stakeholders to understand."

We do not think any system of accounting and financial reporting can ever show the 'full economic reality' of a reporting entity (private sector or public sector). What is important is that accounting and financial reporting present fairly the economic phenomena that they purport to present.

At present, until such time as a complete set of accrual-based IPSASs is achieved and given that the Board's resources are limited, we think that raising awareness of IPSASs through presentations, speeches and other outreach activities should not be a priority of the Board at this time. Preparers (governments), in particular, are best placed to demonstrate the benefits of adopting IPSASs both to their constituents and to other governments. Multilateral agencies such as the World Bank, the IMF, and the OECD play an important role in raising awareness of IPSASs, as does IFAC through its Transparency Now campaign.



3. *Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?*

Consistently with our view on outcomes, we support the outputs in general, but suggest that the Board concentrate on developing high-quality financial reporting standards (which might include, for a transitional period, the cash basis IPSASs). In particular, the Board should ensure that as an IPSAS is developed or amended, it is based on IFRSs but with adaptations made only for public sector specificities. Any differences between an IPSAS and a related IFRS should be transparent and discussed in the IPSAS's basis for conclusions.

Although the IPSASs now for the first time are approaching a comprehensive set of accrual-based accounting standards underpinned by a robust conceptual framework, much time-consuming standard-setting work remains to be done. Whilst undertaking presentations, speeches and similar activities is important, governments, multilateral organizations and IFAC through its Transparency Now campaign should play a more prominent role the IPSASB itself in this type of activity.

We encourage the Board to devote much of its outreach activity to support its standard-setting activity. Recent experience from the IFRS Foundation and the International Accounting Standards Board has demonstrated that the quality of standards can benefit significantly from a properly planned and executed outreach strategy throughout the development and implementation of a standard.

4. *What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?*

We encourage the Board to make improvements to its current due process to reflect current best practices for an international public interest standard setter. Consequently, we encourage the Board (and any future oversight and/or monitoring body) to review the due process as a matter of priority to ensure that the standard-setting process and related oversight is sufficiently robust to support the development of high-quality IPSASs.

In comments to the IPSASB Governance Review Group, we supported in particular establishing a Consultative Advisory Group (CAG) for the IPSASB, similar to the CAG of other IFAC standard-setting boards, to provide both advice on technical issues and on IPSASB's work program and project priorities, and more strategic matters. The initial membership of the CAG might include IPSASB's current Observers. In addition, we encourage greater involvement in IPSASB's standard-setting activities by those with experience of financial reporting in the public sector at the highest level, such as senior civil servants or CEOs/ CFOs of public sector agencies.

We think that the Board's due process could be improved through the use of consultation or discussion papers as the initial due process step particularly in areas in which specific public sector solutions are sought and departures from IFRSs are contemplated. Such a step would enable stakeholders to provide input, insight and potential solutions at an early stage, which could make the development of a standard more efficient.

Further, we think that the Board has an opportunity to increase the acceptance and adoption of IPSASs through the use of public roundtables and similar targeted outreach activities as part of its due process. Such meetings can identify issues and explore potential alternatives in a much more



effective way than comment letters. They can also bring together different constituents so that each may understand the others' positions and concerns.

Finally, we suggest that the Board explore establishing mechanisms for assessing whether an IPSAS has achieved what was intended when the Board issued the Standard. Such post-implementation reviews can identify matters that need amendment or further implementation guidance, or were not anticipated when the standard was issued. In addition, such reviews provide useful information on how the standard is operating in reality.

Assessing potential projects

5. *Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?*

We agree that the following factors should be considered when deciding to initiate a standard-setting project and assessing its relative priority:

- Significance for the public sector
- Urgency of the issue
- Gaps in IPSASs or Recommended Practice Guidelines
- Convergence with International Financial Reporting Standards, subject to public sector specificities
- Alignment with economic and statistical reporting, such as IMF's *Government Finance Statistics Manual (GFSM)*.

We note that GFS and IPSASs have different objectives and that these differences 'result in some fundamental differences on how and what is reported' (*Government Finance Statistics Manual 2014*, section A6.12). We think it would be useful for the Board to develop a document that explains the objective of transparent financial reporting and how and why that objective differs from a statistical accounting approach.

With respect to convergence with IFRSs, we think that the differences between IPSAS and IFRS should be kept to a minimum by maintaining its current policy of only deviating from IFRS for public-sector specific reasons. These deviations should be transparent and discussed in the Basis for Conclusions. We think that the general presumption should be that if convergence between IPSASs and IFRSs means that alignment with GFS is not possible, convergence with IFRSs (subject to sector-specific considerations) should be the normative action. Transparency about differences between an IPSAS and GFS can be provided by identifying and explaining any such differences in the basis for conclusions, which would allow users to assess the effect of such differences.

The relationship between financial information provided under IPSASs and GFS can be explained through a reconciliation or similar supplementary disclosure, which would assist users in understanding the relationship between the two sets of financial information.

These suggestions are consistent with the Board's proposed strategic objective, which is focused on delivering 'credible and transparent financial reporting' in the public interest (Consultation, p. 10). IPSASs are oriented to evaluating financial performance and position, the stewardship and accountability of government and government entities, and reporting to public capital and debt



markets. The interests of the users of financial information prepared in accordance with IPSASs should have priority over national and regional statistical information.

We support the on-going effort of the IPSASB to ascertain the nature and extent of differences between IPSASs and the statistical bases. In particular, evidence arising from this analysis will inform any decisions about whether there is scope to reduce or harmonise differences identified between IPSASs and the statistical bases.

Considering existing commitments

6. *Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?*

Ideally, governments should report on an accruals basis, but we acknowledge that the Board's Cash Basis IPSAS is a helpful first step for governments seeking to adopt accrual-based IPSASs. On that basis, we support maintaining the Cash Basis IPSAS as a transitional measure. In our view, the Cash Basis IPSAS should include a clear statement ('*health warning*') indicating that the IPSASB considers compliance with the Cash Basis IPSAS just an intermediate step towards the implementation of the accrual-based IPSASs.

7. *Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.*

Consistently with our response to Question 6, the considerable number of governments currently implementing the Cash Basis IPSAS warrants retaining this standard as a transitional measure. However, we encourage the Board to consider whether a 'sunset provision' is required for this Standard. In addition, we encourage the Board to consider developing a programme to encourage governments to move from Cash Basis IPSASs to full accrual-based IPSAS.

Given the active usage of the Cash Basis IPSAS, were the Board to withdraw the standard now, it might discourage governments from adopting accrual basis IPSASs. We note that the Cash Basis IPSAS contains valuable public sector-specific guidance on the reporting of cash flows which might ultimately be integrated into IPSAS 2 Cash flow statements making IPSAS 2 a more public sector-specific than at present.

The multilateral and bilateral donor community might be approached to fund a review and possible amendment of the Cash Basis IPSAS. Using a Task Force, following directions from the Board, could reduce the time commitment of the Board.



Potential new projects

8. *Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.*

In our view, the IPSASB should prioritise the following accounting issues relating to aligning IPSASs with the relevant IFRSs:

- *Social benefits.* Although public sector expenditure on social benefits is often significant, the IPSASB has not been able to issue guidance on how to account for them and what disclosure to include in IPSAS-compliant financial statements.
 - The significance of social benefits to many governments and related agencies suggests strongly that accounting guidance is necessary. The impending completion of the IPSAS Conceptual Framework should provide a suitable trigger for adding this topic to the Board's technical agenda with suitable priority.
 - Any IPSAS on social benefits should explicitly include national social security pension schemes. Such a standard is necessary and consistent with the Board's proposed strategic objective. A majority of citizens contribute to these schemes, and it is incumbent on governments to demonstrate accountability for the contributions they have received from their citizens and the pension promises they have made to them.
- *Completion of the revision to IPSASs 6-8.* We encourage the Board to complete the revision of IPSASs 6-8 and their efforts to align these standards as far as possible with the equivalent IFRSs 10-12. Departures from the principles in the IFRSs should be public sector-specific, transparent and discussed thoroughly in the Basis for Conclusions. In our view, without robust consolidation standards in place, it is not possible to achieve a fair presentation of public sector finances.
- *Public sector combinations.* We encourage the Board to continue the project to develop standards on accounting and reporting public sector combinations, and to build upon the experience of jurisdictions that have IFRS-based public sector reporting standards that address such combinations in place.
- *Emission Trading Schemes.* We encourage the IPSASB to consider cooperating with the IASB on this topic, so that a standard (or standards) can be issued for both private and public sectors. Many of the issues facing the two Boards (particularly with respect to preparer/ participants) will be the same and the Boards would benefit from shared insights and perspectives.

In addition, the IPSASB should prioritise the following accounting issues relating to 'non-exchange transactions.' Non-exchange transactions are important for public sector entities, both in number and in amounts.

- *Expenses from grants.* Public sector entities transfer large amounts of money and other assets to other parties (including lower levels of government) and report these transfers in different ways because of a lack of guidance from IPSASB. The nature and extent of these transfers and the accountability of both grantors and recipients would be enhanced were the IPSASB to develop guidance. This would not only improve transparency and comparability, it would also respond to the suggestions from significant constituents of IPSASB to address the issue.
- *Revenue from non-exchange transactions (IPSAS 23).* The recently issued IFRS 15 on revenue provides a suitable trigger for the IPSASB to consider revisiting this controversial



standard. The Board should, in particular, consider whether there is any justification for differences between IFRS 15 and IPSASs in this area.

Finally, we support a project on *Sovereign powers and their impact on financial reporting*. The Consultation notes that governments have a number of sovereign powers (including the power to raise taxes and issue permits, concessions and licences). We encourage the Board to consider developing guidance on how these powers impact financial reporting and how these might be disclosed in government financial statements. At this time, we see a disclosure standard as the optimal way to improve financial information and believe this approach to be more feasible at present than attempting to measure the effects of such powers on the financial statements.

Other matters: XBRL

We encourage the Board to develop an explicit approach to XBRL, such that ultimately there is a framework for the consistent adoption and implementation of IPSASs with a high-quality IPSASB XBRL Taxonomy, preferably developed by the IPSASB (or another credible body). Capital market participants are increasingly expected to submit their market filings in XBRL, and it is likely that public-sector issuers will be in this situation soon. An explicit and disciplined approach would enable the IPSASB to demonstrate how IPSAS-compliant information may be disclosed electronically and assist governments to meet digital reporting requirements that are already in place (e.g., in the United States) or that are likely to be put in place. It would also be consistent with the structured approach to integrating XBRL into standard-setting that has already been adopted by the US FASB, the IASB and the GRI, among others.



EUROPEAN COMMISSION

Directorate General BUDGET
EUROSTAT

Luxembourg, 30 July 2014
ESTAT/C-TF EPSAS/AR/ms/D(2014)

NOTE TO THE IPSAS BOARD

Subject: Comments to IPSASB Strategy Consultation

We are grateful for the opportunity to comment on the future strategic direction of the IPSAS Board and on the priority of individual projects for the five-year period from 2015-2019. As the European Commission (hereinafter referred to as “Commission”) is required by the Financial Regulation of the European Union (EU) to prepare financial statements for its institutions and bodies based on IPSAS, this consultation is very important as it provides an opportunity for preparers and other stakeholders to participate in planning the standard setting agenda for the coming years and it also enhances the legitimacy of IPSASs. Moreover, this is also of importance to the Commission in the context of the development of European Public Sector Accounting Standards (EPSAS) and its work on government finance statistics generally.

The Commission very much welcomes the priority currently being given by the Board to completing the IPSAS Conceptual Framework in the short-term. Once this project is complete, the Commission would propose that freed-up resources should be devoted as a priority to projects of direct relevance for public sector financial reporting, including, and not least, those which are needed to maintain or renew the existing standards for recent developments in the conceptual framework, IFRS and government finance statistics. Moreover the Commission hopes that the current discussion of IPSAS governance can be concluded quickly and thereby will not delay or impede the core work of the Board in the coming years.

As you know, a Commission Communication on future European Public Sector Accounting Standards is currently being prepared, wherein IPSAS would be a reference basis for EPSAS. We welcome and value the role that IPSAS Board members continue to play in the discussions of EPSAS.

Taking into account the EPSAS discussions held so far, we would like to highlight some issues that IPSASB may wish to consider when finalising its own work program:

The priority for EPSAS standard-setting is expected to be given to key public sector specific issues where current IPSAS standards are not considered sufficiently developed, in particular for taxes, social benefits.

IPSAS standards are applicable to all sizes of government entities, but that need not necessarily be the case for a future set of EPSAS standards. It is to be expected that the

extent of implementation for smaller entities would be limited, or at least that the more important entities would be prioritised, taking into account their materiality.

It is expected that an interpretation function would be needed for EPSAS, while this does not exist for IPSAS.

Please find in annex our comments on the specific questions raised in the IPSASB Strategic Consultation.

We look forward to continuing our good cooperation with the IPSAS Board.



Manfred Kraff
Deputy Director-General DG Budget,
Accounting Officer of the European Commission



James Whitworth
Acting Director: National accounts,
prices and key indicators, Eurostat

Annex: Comments on specific questions

Copy: R. Aldea Busquets, DG Budget Directorate C
A. Makaronidis, Eurostat



Annex: Comments on specific questions

Question 1: Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

Question 2: Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

Question 3: Do you think that the outputs identified will assist in achieving the outcomes? If not what outputs do you think the IPSASB should focus on?

Question 4: What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

Comment:

The European Commission supports the adoption of accrual accounting as a fundamental step towards improving governments financial reporting and absolutely agrees that credible and transparent financial reporting is positive for the decision-making in the public sector, for accountability towards resource providers and service recipients and for the enhancement of global fiscal stability and sustainability.

Broadly we agree with the IPSASB strategic objective of strengthening public financial management and knowledge globally through increasing the adoption of accruals-based IPSASs and as in line with IPSASB mission of providing high-quality accounting standards and other pronouncements for general purpose financial reports for use by the public sector.

The Commission considers that that IPSASB should focus on standard-setting and outreach as the two key outputs for achieving the IPSASB strategic objectives. As regards feedback mechanisms we would like to encourage the Board to reconsider the idea of implementing a Consultative Advisory Group that would provide feedback on standard setting projects to the Board from a wide range of stakeholders. The feedback to IPSASB exposure drafts and consultation papers in particular from European preparers can currently be described as rather low in particular as compared to the feedback the Commission has received from its EPSAS consultation papers.

Question 5: Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

Comment:

The European Commission considers that the five key factors are appropriate and functional and welcomes in particular the focus on the significance for the public sector and the inclusion of alignment between IPSAS and GFS as an aspect to consider.

Question 6: Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

Question 7: Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

We have no particular comments on the cash-based IPSAS.

Question 8: Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

Comment:

From our reply to the previous consultation on IPSASB work program 2013-2014, we welcome that the discussion of Government Business Enterprises and Emission Trading Schemes were put on the agenda and that IPSASB has recognised the importance of the project on social benefits and re-initiated work on that issue. We highlight again the importance we give to completing the projects on those issues.

One of the main objectives of the EU as supranational organisation is the implementation of the EU budget following the policy objectives set by the European Parliament and the Council. In order to implement those objectives the Commission incurs mainly non-exchange expenses resulting from pre-financing and other advance payments provided to Member States and other beneficiaries. As no IPSAS on non-exchange expenses exists, the Commission has many years ago developed its own accounting rule on non-exchange expenses. After about ten years of experience in the application of this accounting rule the Commission would need to look again at this topic and possibly improve the rule. Since this topic is not only of major importance to the Commission but also to many Member States we would encourage the Board to take this project on its agenda. In this context the IPSAS on non-exchange revenue could be improved as well as indicated in your paper since it is one of the IPSASs with main relevance in our day to day work.

Another important mechanism for the implementation of the budget is the increasing use of trust funds. The EU provides funding to a number of trust funds of the UN and the World Bank and intends to set-up new EU trust funds in the area of humanitarian aid and development. The accounting guidance on trust funds appears to us rather limited and a comparison conducted by Commission staff has shown that trust funds are quite differently accounted for in international organisations and countries. Since trust funds will become an important element of implementing the EU budget we would like to encourage the Board to take this project on its agenda.

As previously stated in the Commission's contributions concerning your consultation on the work program for 2013-2014, we consider as of significant interest the project on sovereign powers and their impact on financial reporting. We also support the development of the project

on differential reporting and the discussion of the issues related to the burden and challenges for smaller entities. In addition, from the list presented of potential projects, we encourage the IPSASB to give priority to the work on leases, not only because of its relevance to public sector entities but also taking into account the alignment with the potentially major changes on the approach to lease accounting by the IASB. Another potentially interesting project would be to review the relevance and content of the standard on segment reporting (IPSAS 18) given experience of its application in some jurisdictions.

INSTITUTE OF CHARTERED ACCOUNTANTS OF JAMAICA

COMMENTS ON IPSAS B STRATEGY CONSULTATION

The Institute of Chartered Accountants of Jamaica (ICAJ) wishes to commend the IPSAS Board for affording its stakeholders the opportunity to participate in the process of shaping the strategic direction of the IPSASB. This consultative approach will undoubtedly facilitate the development of an agenda that addresses the needs and priorities of the users of public sector accounting standards, and will achieve the desired effects of enhancing the credibility of IPSAS, and contributing to the IPSASB's public accountability and legitimacy.

Set out below are the responses to the specific questions raised in the strategy consultation paper, as well as some general comments/observations arising from the information contained therein.

SPECIFIC RESPONSES TO QUESTIONS FOR RESPONDENTS

Question 1

Do you agree with the IPSASB's tentative view on its strategic objective from 2015 forward? If not, how should it be revised?

Response

Yes. The strategic objective proposed is appropriate. However, it is recommended that the phrase ***"..which responds to the needs of the users of public sector reports" be added to bullet "a)".***

Question 2

Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

Response

The outcomes identified are appropriate for achieving the strategic objective. However, it is proposed that Outcome 1 be separated into two outcomes and expanded to read as follows:

"Improved ability of public sector entities to prepare high-quality financial reports which reflect the full economic of reality their finances and which meet the needs of the users of these reports"

"Improved ability of stakeholders to understand and effectively utilize public sector financial reports "

Question 3

Do you think that the two outputs identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

Response

The two outputs identified are appropriate for achieving the strategic objective. However, there are two recommendations in this area as follows:

- i) There should be an output relating to capacity building in the area of implementation of IPSAS. The following text or some similar formulation is proposed: ***"Developing a framework for, and facilitating the process of, capacity building for the implementation of IPSAS."***
- ii) In identifying the outcomes and the outputs, it is suggested that some performance criteria, which would facilitate measurement of the achievements, be included.

INSTITUTE OF CHARTERED ACCOUNTANTS OF JAMAICA

COMMENTS ON IPSAS B STRATEGY CONSULTATION

Question 4

What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

Response

The IPSASB's feedback processes could be enhanced by greater use of Information Technology, particularly social media. Virtual focus group meetings could be facilitated, for example, after comments are received on Exposure Drafts. This will allow stakeholders the opportunity to further aerate views and will allow for more effective exchange of ideas on critical and/or contentious areas.

Question 5

Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority. Are there other factors you think should be considered?

Response

The five key factors identified are considered relevant and appropriate. However, it is recommended that an additional factor be included in relation to ***"Achievement of a balance between resources required and the effect/impact of a project"***.

Question 6

Do you think the Cash Basis IPSAS is a valuable resource in strengthening public financial management and knowledge globally by increasing the adoption of accrual-based IPSASs?

Response

Yes. The Cash Basis IPSAS enhances the quality of financial reports prepared on this basis and facilitates exposure of the users to IPSAS in general. Accordingly, it is viewed as an important stepping stone that can help to prepare entities for the adoption of accrual based IPSASs.

Question 7

Of the three options identified in relation to Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

Response

It is recommended that the IPSASB select Option a. We agree with the conclusion of the Task Force that the Cash Basis IPSAS should be retained, subject to modifications and restructuring. These modifications would aim to address the obstacles to adoption identified by the Task Force in its report.

As indicated in the response to Question 6, the Cash Basis IPSAS enhances the quality of financial reports prepared on this basis and facilitates exposure of the users to IPSAS in general. It is viewed as an important stepping stone that can help to prepare entities for the adoption of accrual based IPSASs and should, therefore, be retained.

Question 8

Considering the various factors and resource constraints, which projects should the IPSASB prioritise and why? Where possible, please explain your views on the description of the project.

INSTITUTE OF CHARTERED ACCOUNTANTS OF JAMAICA

COMMENTS ON IPSAS B STRATEGY CONSULTATION

Response

The projects that are considered to be of priority are listed below:

PROJECT	COMMENTS
Heritage Assets	This is an area peculiar to the public sector, for which no real guidance exists. Heritage assets are quite valuable and are of great interest from the perspective of the public. The scope of the project is considered adequate. It is also agreed that the project should be deferred until completion of the Conceptual Framework, and it is further proposed that this be undertaken in the latter part of the five year horizon, given the resource requirements.
Measurement – public sector specific	Issues with valuation are a major challenge in the process of adopting IPSAS. It is also necessary to ensure that measurement techniques are most suitable in the context of the operations of public sector entities, and will result in the economic reality of their performance being fairly presented in financial reports. The scope of the project is considered adequate.
Natural Resources	Natural resources can be a major asset for governments and may give rise to economic benefits. These resources should, therefore, be considered in public sector financial reports. The scope of the project is considered adequate.
Borrowing Costs	This is considered to be a project of the highest priority as borrowing is a key element of the financing of many public sector operations. It is also an area closely monitored by international lending organisations. However, for the reasons outlined, it is agreed that this should be deferred until completion of the Conceptual Framework. The scope of the project is considered adequate.
Construction Contracts	This is considered to be a project of the highest priority, given the key role of governments to provide infrastructure that will promote development, and impact the quality of life of its citizens. The peculiarities experienced in relation to public-private sector partnerships, which are becoming increasingly commonplace, present challenges for financial reporting and accountability. It is envisaged that this would be addressed in a standard covering this area.
Disclosure of Financial Information About the General Government Sector	The main purpose of financial statements prepared in accordance with statistical bases of financial reporting is to provide information suitable for analyzing and evaluating fiscal policy. Given the increased emphasis on this area, the General Government Sector financial information disclosure project is considered useful. The scope of the project is considered to be adequate.
Employee Benefits	Employee benefits tend to represent a major portion of the expenses of public sector entities. It is extremely important to have pension fund liabilities accurately calculated and reflected in public sector financial reports. This will facilitate informed decision making by the appropriate authorities and

INSTITUTE OF CHARTERED ACCOUNTANTS OF JAMAICA

COMMENTS ON IPSAS B STRATEGY CONSULTATION

PROJECT	COMMENTS
	will also allow beneficiaries/stakeholders to consider and assess issues relating to funding etc.
Presentation of Financial Statements	This is considered to be of high priority as the organisation and presentation of information in financial reports affect the interpretation of the reports. In addition, it is considered desirable to achieve congruence with this standard's IFRS counterpart, except where departures are necessary to address certain unique nuances of public entities. The scope of the project is considered to be adequate.
Revenue IPSAS	This is considered to be of high priority. Alignment with IFRS is desirable, wherever possible, and this project will address that issue. The scope of work should, however, also include identification and consideration of areas that may not be adequately addressed due to peculiarities of the operations of public sector entities.
Segment Reporting	This is considered to be of medium priority. Segment information is useful in undertaking in-depth analyses of public sector financial reports and helps to present a clearer picture of financial performance. The scope of the project is considered to be adequate.
Differential Reporting	This is considered to be of high priority. Based on the issues outlined in the strategy paper, development of such a standard would promote a greater level of adoption of IPSAS by addressing some of the obstacles to implementation.

It is also agreed that the finalisation of the Conceptual Framework is of the highest priority as it impacts greatly on other standards.

GENERAL COMMENTS

Resource Constraints

The ICAJ has taken note of the IPSASB's resource constraints outlined in the strategy consultation paper. As highlighted in the document, the current context in which the IPSASB operates is shaped by a number of factors, including the following:

- The fact that high quality accrual based financial reporting is considered critical for accountability and transparency in government financial reporting;
- The increasing demand for development and implementation of robust financial reporting standards for the public sector, in the context of sovereign debt crises;
- The enhanced focus on public sector management.

Against this background, it can be foreseen that additional demands will be made of the IPSASB going forward, in order to meet the needs of its stakeholders. The current structures and processes for staffing and funding of the operations of the IPSASB may, therefore, be inadequate to support this anticipated increase in demands made of the Board. It is, therefore, recommended that a review be conducted on possible options to address this concern and that this be incorporated into the discussions on strategy.

INSTITUTE OF CHARTERED ACCOUNTANTS OF JAMAICA

COMMENTS ON IPSAS B STRATEGY CONSULTATION

Facilitating the Implementation Process

An increase in the number of public sector entities adopting IPSAS is one measure of the success in achieving the strategic objective of the IPSASB. Such an increase would also lend further credibility to and promote greater acceptance of the standards. Given that difficulties in (first-time) implementation of the standards are a deterrent to adoption of IPSAS, it is felt that IPSASB must consider the extent to which it should play a role in facilitating the implementation process.

In our view, there is a role for the IPSASB in:

- Linking stakeholders;
- Facilitating the process of sharing information on experiences, pitfalls and best practices for conversion;
- Developing or encouraging development and sharing of tools to facilitate transition;
- Highlighting common transition issues and sharing information on solutions to these problems.

Institute of Chartered Accountants of Jamaica
31st July 2014



**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

San Juan, Puerto Rico, July 31st, 2014

Members of the Group

**THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD
GOVERNANCE REVIEW GROUP**

REF: IPSASB Strategy Consultation 2015-2019

Dear Members of the Group,

The Inter-American Accounting Association (AIC – in Spanish), welcomes the opportunity to comment on the **Consultation Paper “IPSASB Strategy Consultation 2015-2019 (IPSASB)”**

This reply summarizes the views of different member countries of the AIC, according to the following due process:

Due process:

The Draft was submitted to the different AIC member, the Inter-American Technical Commissions (ITC) and the Sponsor Organizations (SO), hence all members had the opportunity to participate in the discussion of the Draft.

All comments received from the ITC and SO, were compared and discussed, before preparing a reply which has been approved upon by all members.

If you have any questions about our comments, please do not hesitate to contact us.

Sincerely,

Gustavo Gil Gil
PRESIDENT



**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

Comment Letter of the Interamerican Accounting Association- IAA on the document for public discussion referred to “*The Future Governance of the International Public Sector Accounting Standards Board (IPSASB)*”

We have answered the five questions of the document in accordance with the provided instructions. Please see our answers and related comments below.

Question 1 Do you agree with the IPSASB’s tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

In general we agree, but it is important to emphasize achievements and intermediate dates with the expected results in each sub-step. We do not agree to work towards a harmonization with IFRS for private companies.

Question 2 Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

We are in complete agreement with the expected results. It is essential to emphasize the basis to achieve the first outcome "Improving the capacity of public sector entities to reflect the full economic reality of their finances, as those of stakeholders in order to understand" but always with a proper direction for public sector entities.



**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

Question 3 Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

As in the previous question, we agree with the identified outputs, as this means that the high quality of these standards and that all presentations and speeches to be held indicate a clear position of a proper direction for the standards of the Public Sector.

Question 4: What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

We believe that no changes should be made in the overall process, however, more and better information of the analyzes performed should be delivered so that the different opinions are known by all stakeholders, in which it is clear in which part of the mechanism the decisions are to be found.

Question 5: Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

We strongly agree on the general explanation of the five factors. Also, we strongly agree with the priority identified by the same indicated number where it is necessary to start considering the explanation defined in point 1. We believe that this is the key part of the five factors explained. Also we believe that clarity to address this key factor can lead to the success of the project.

Point number four is also essential. We believe that this harmonization study has to be extensively studied because we promote a separate path of the IFRS.

Question 6: Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

We estimate that on a cash basis IPSAS is a valuable resource in this accounting basis for state enterprises. It is essential, though, to deliver and report on the



**ASOCIACION INTERAMERICANA DE CONTABILIDAD
INTERAMERICAN ACCOUNTING ASSOCIATION
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

progress of this analysis to all stakeholders

Question 7: Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

We believe that the only viable option at this moment is option A. Our rational and professional analysis is based on the consideration of all the work performed. Obviously we believe that much work remains to be done, however, a lot of work has already been performed and hopefully the analyzes will continue moving forward while taking into account that the characteristics of private companies are different from companies in the public sector.

Question 8: Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

After much consultation to our professionals we have been unable to agree to a prioritization of individual projects, but we definitely absolutely agree on prioritizing all projects related to the first column "Projects to address specific Issues of the Public Sector".

Institute of Certified Public Accountants of Kenya
CPA Centre, Ruaraka, Thika Road.
P. O. Box 59963 – 00200 Nairobi, Kenya
Tel: (020) 2304226/7; 8068570/1
Mobile: (+254) 727531006 / 733856262 / 721469796
Fax: (020) 8562206
Drop in box no. 164 Revlon Professional Plaza



Our Ref: PSC/C&S/ED016/2014

Monday, 21 July 2014

Stephanie Fox,
IPSASB Technical Director,
International Public Sector Accounting Standards Board,
International Federation of Accountants,
277 Wellington Street West,
Toronto, Ontario M5V 3H2,
Canada

Dear Stephanie,

Re: IPSASB Strategy Consultation 2015-2019

The Institute of Certified Public Accountants of Kenya (ICPAK) welcomes the opportunity to comment on the IPSASB Strategy Consultation 2015-2019, issued by the International Public Sector Standards Board (IPSASB) of the International Federation of Accountants.

We agree with the proposed strategy and believe that it will enable the board to focus on the crucial projects which will ensure financial statements are of high quality and fairly presented. Review of the Cash basis IPSAS and introduction of timelines for transition from cash basis to accrual basis will assist the board in achieving its strategic objective.

We have included our responses to each of the Specific Matters for Comment and IPSASB's Preliminary view in an appendix to this letter.

If you would like to discuss these comments further, please contact the undersigned on icpak@icpak.com or the undersigned at nixon.omindi@icpak.com.

Yours Faithfully,

Nixon Omindi
For Professional Standards Committee

ICPAK Submissions on the IPSASB Strategy Consultation 2015-2019

1. Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

We agree with the IPSASB's tentative view on its strategic objective for the period 2015 forward, strengthening public financial management knowledge and awareness is crucial in ensuring accountability, high quality reporting standards and transparency in government reporting.

2. Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

Yes, the outcomes identified are appropriate for achieving the strategic objective.

3. Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

Yes, the outputs will achieve high quality financial statements and enhance public awareness.

4. What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

Conduct surveys through national standard setters to collate feedback from the preparers and users of financial statement; this would enable the board to identify key issues in a more comprehensive manner and perhaps the way forward through publishing exposure drafts.

5. Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

We agree with the key factors the IPSASB considers in deciding to initiate a project and assessing its priority.

6. Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

Yes, the Cash basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally since the Cash basis IPSAS has been entry for first time users before they change to the accrual basis.

7. Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

Option A

ICPAK Submissions on the IPSASB Strategy Consultation 2015-2019

The cash basis IPSAS should be reviewed and a timeline given within which transition should occur ,For example after two years the reporting should have shifted from cash basis to accrual reporting.

- 8. Considering the various factors and constraints which projects should IPSASB prioritize and why? Where possible explain your views on the description and scope of the project.**

i. Public sector conceptual framework project-Accrual Basis

This project is applicable to the preparation and presentation of general purpose financial reports for all public sector entities. It is important because it will include modifications to address public sector circumstances as well as developing requirements and guidance on public sector specific issues.

ii. First-time Adoption of IPSAS

This project is aimed at developing an IPSAS that will provide guidance for entities adopting IPSASs for financial reporting for the first time. This will give guidance to first time adopters of IPSASs.



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

CASLB/G/10

July 31, 2014

Stephenie Fox
Technical Director,
International Public Sector Accounting Standards Board,
International Federation of Accountants,
277 Wellington Street West,
Toronto, Ontario M5V 3H2 CANADA

Dear Stephenie,

Sub: Comment on Exposure Draft 'IPSASB Strategy Consultation 2015 Forward'

We are pleased to provide comments on the Exposure Draft (ED) on "IPSASB Strategy Consultation 2015 Forward" issued by the International Public Sector Accounting Standards Board (IPSASB) of International Federation of Accountants (IFAC). Our views on the each of the specific questions for comments are enclosed with this letter.

Please feel free to contact us, in case any further clarification in this regard is required.

Thanking you,

Yours sincerely,

(Dr. Avinash Chander)
Technical Director
Institute of Chartered Accountants of India
Ph: 011-30110449, 464
E-mail Id: caslb@icai.in; avinash@icai.in



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

Annexure

Comments on the Exposure Draft on 'IPSAS Board Strategy consultation'

Specific Questions:

1. Do you agree with the IPSASB's tentative view on its strategic objectives for the period from 2015 forward? If not, how should it be revised?

ICAI's View:

Yes, we agree with the view of the IPSAS Board in respect of its given below strategic objective. However, interpretations of IPSASs can be issued similar to IFRSs interpretations issued by the IASB.

"Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSASs by: a) developing high-quality financial reporting standards; (b) developing other publications for the public sector; and (c) raising awareness of the IPSASs and the benefits of their adoption."

2. Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

ICAI's View:

The following outcomes are identified by the IPSASB:

- *Improved ability of public sector entities to reflect the full economic reality of their finances as well as of stakeholders to understand.*
- *Increased awareness of IPSASs and their public finance management benefits in order to influence their adoption*

In this regard, it is mentioned that the outcome mentioned at bullet no 1 (above) seems to be very broad and vague. It is suggested that the said outcome should be more focused on improvement in financial reporting by the Public Sector entities. The suggested outcome may be as:

"Improved ability of the public sector entities to reflect economic reality of its financial information reported through financial reports to enable the stakeholders to understand"



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

3. Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

ICAI's View:

Outputs identified by the IPSAS Board:

- *High-quality public sector financial reporting standards and other publications- IPSASs & RPGs*
- *Presentations, speeches and other outreach activities in order to engage with stakeholders*

It is felt that the both identified outputs will assist in achieving the stated outcomes. In respect of the output mentioned above at second bullet, it is mentioned that IASB organises a World Standards Setters meet every year wherein various technical issues are discussed and their experience is shared with the National Standard Setters (NSS).

On the same lines, it is suggested that a meeting/conference of the National Standard Setters for Government/ Public sector may be organised wherein the NSS may share their experience in government accounting and discuss their issues.

It may also be useful to include webinars/ webcasts in the outreach activities of the IPSAS Board.

4. What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

ICAI's View :

In this regard, it is mentioned that apart from the feedback mechanism mentioned in the Exposure Drafts of the IPSAS Board, it may be mentioned that the various outreach activities as suggested above would also help them in getting the views of the stakeholders.

5. Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

ICAI's View :

Yes, we are agree with the five key factors i.e. *significance for the public sector, urgency of the use, gaps in standards, IFRS convergence and alignment with GFS*, as identified by the IPSAS Board to be considered in deciding about initiating a project in assessing relative priority.



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

- 6. Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?**

ICAI's View:

It may be mentioned that similar to other countries, India is also moving towards implementing accrual basis of accounting. Many Urban Local Bodies and various Government Departments have adopted accrual basis of accounting and some are in transitioning phase. However, many others such as rural local bodies are yet on cash basis of accounting. Similarly, many other developing countries could also be in transitioning phase.

In view of this, it is felt that in the countries who are yet to adopt accrual basis of accounting or are in transitioning phase, the Cash Basis IPSAS may be used as an interim measure till the whole of the Government shift to accrual basis of accounting. Since the Standard prescribes various disclosures relating to assets and liabilities, it would facilitate transitioning to accrual basis of accounting and adopting accrual based IPSASs. The use of Cash Basis IPSAS would also enhance the transparency in the financial reporting under the existing cash basis of accounting.

- 7. Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.**

ICAI's View:

It is felt that revising the existing Cash Basis IPSAS may not be of very use. More focus required on accrual basis of IPSASs, existing commitments and other resource constraints such as manpower and funding etc, suggests that IPSAS Board may adopt the second option i.e.

'Retain the Cash Basis IPSAS unchanged; this would mean suspending the review project and doing no further work on the IPSAS'

- 8. Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.**

ICAI's View:

Following potential Projects as identified by the IPSAS Board can be undertaken in the order as given in the Exposure Draft:



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

- *Projects to address public sector issues*
- *Projects to maintain existing IPSAS*
- *Projects to converge with IFRS*
- *Other projects*

The suggestions in respect of the projects given under all above four heads are given below:

All projects mentioned under the '*Projects to address public sector specific issues*' are important. In this regard, it may be suggested that given below projects can be taken up on priority considering their importance and need for public sector in the following order:

Infrastructure Assets

Role of Government as owner rather than Government

Heritage Assets

Military Assets

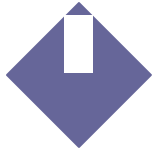
Non-Exchange Expenses

Natural Resources

It may also be mentioned that various projects under this head such as Infrastructure Assets, Intangible Assets-Public Sector Specific which are addressed in the relevant existing IPSAS. As per the Exposure Draft some research is required in regard to such subjects as to whether these can be handled through revision in the respective existing IPSAS. Such research may also be undertaken on priority basis so as to make the position clear. Subsequently, on the basis of the research findings the projects may be taken up for formulation of new IPSASs or revision of existing IPSAS as the case may be.

Secondly, under the head '*Projects to maintain existing IPSASs*' there are various IPSASs such as IPSAS 1, IPSAS 23, and IPSAS 5 etc, whose revision was deferred until the completion of the IPSAS Conceptual Framework. Since the completion of the Conceptual Framework is expected to be completed by the end of the year 2014 as per the IPSAS Board, therefore, we are of view that the projects which were deferred earlier until the completion of the aforesaid framework, may be taken up on priority on completion of the conceptual framework.

It may also be suggested that formulation of the IPSASs which are less resource intensive may be taken up along with the above/other priority projects as completion of these may take less time and manpower.



**The Japanese Institute of
Certified Public Accountants**

4-4-1 Kudan-Minami, Chiyoda-ku, Tokyo 102-8264, Japan

Phone: 81-3-3515-1129 Fax: 81-3-5226-3356

Email: hieirikaiei@sec.jicpa.or.jp

July 31, 2014

Ms. Stephenie Fox

Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street West

Toronto, Ontario, Canada M5V 3H2

Comments on Consultation Paper “IPSASB Strategy Consultation”

Dear Ms. Fox,

The Japanese Institute of Certified Public Accountants (JICPA) is pleased to comment on Consultation Paper “IPSASB Strategy Consultation” (“CP”) as follows.

I. Comments on specific matters

Questions for Respondents 1:

Do you agree with the IPSASB’s tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

We agree with the IPSASB’s tentative view on its strategic objective for the period from 2015 forward.

Questions for Respondents 2:

Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

With respect to Outcome (b), we suggest that the IPSASB concretely shows the “public finance management benefits” by splitting them into the benefits provided by public sector entities inwardly and outwardly. As examples of the internal benefits of adopting the IPSASs, we believe that public sector entities may minimize the cost for achieving their administrative objectives or improving organizational operation.

Questions for Respondents 3:

Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

Examples of outputs include “undertaking presentations, speeches, and other outreach activities in order to engage with stakeholders.” We suggest that the IPSASB should explain the practical benefits of adopting the IPSASs in its outreach activities.

CP identified “high-quality financial reporting standards” in Output (a). We think that quality needs to be shown in the context of the benefits provided by implementation of the IPSASs.

Questions for Respondents 4:

What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

We suggest that the IPSASB should develop a standard policy for outreach activities undertaken to engage with stakeholders, rather than having the IPSASB board members individually implement such activities through their own methods.

Questions for Respondents 5:

Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

We agree with the five key factors.

Questions for Respondents 6:

Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

We do not think the Cash Basis IPSAS is a valuable resource because we feel that the very limited adoption of the Cash Basis IPSAS limits its contribution to improving public finance management.

Questions for Respondents 7:

Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

We would select Option (c). The IPSASB does not need to address the Cash Basis IPSAS by allocating limited time and human resources to it. If there is a need for the Cash Basis IPSAS, other international organizations should address it.

Questions for Respondents 8:

Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

We recommend that the following projects should be given priority.

1. Projects to Address Public Sector Specific Issues

(1) Heritage assets

The Japanese central government and many local governments own heritage assets, including museums and historically valuable structures. This is also the case for not-for-profit entities such as public interest corporations. There are no authoritative rules in private sector accounting standards for these heritage assets. We therefore

believe that the development of recognition and measurement standards for heritage assets should be given priority. If recognition and measurement requirements for heritage assets are discussed in detail, awareness of the IPSASs as benchmark standards is certain to be enhanced.

(2) Infrastructure assets

Public sector entities hold many infrastructure assets, and compared to other assets they hold, many of these assets have more qualitative and quantitative materiality. Measuring the service potential of numerous infrastructure assets that do not directly generate revenue (e.g.: roads, river and sea banks, harbor facilities, bridges, and tunnels) is a critical challenge.

Going forward, many issues related to aging and obsolete infrastructure built up during earlier decades of development are certain to emerge as conspicuous problems in many jurisdictions around the world. To address these problems, estimates for the renewal and reconstruction of this infrastructure will be essential. The recognition, measurement, and depreciation of these infrastructure assets may have significant effects on the accuracy of government estimates for renewal and reconstruction.

We believe that there are a lot of other issues to be addressed, including the evaluation of gratis transfer and the adoption of the replacement approach for network assets such as railroads.

As we stated in our comments on “Consultation on IPSASB Work Program 2013-2014,” the current status of accounting for infrastructure assets should be investigated and the needs of the users of financial information should be analyzed in order to assess whether an accounting treatment different from that for ordinary fixed assets will be required.

(3) Measurement – public sector specific

Several relatively detailed measurement approaches have now been developed and defined in the measurement section of the Conceptual Framework, and a measurement approach to be applied to the IPSASs is expected to finally be developed. If the details

of the measurement approach are defined separately in the respective standards (or are left undefined), practical application of the measurement approaches may vary on a standard basis, even though the name of the approach is the same (e.g.: fair value). We think disclosures of the measurement approach should be described in a comprehensive standard rather than being described and defined separately in different standards. One description in a comprehensive standard would be certain to improve consistency and contribute to the enhanced understanding of users. We believe that a measurement project specific to the public sector should be prioritized.

Since the fair value measurement is a representative measurement approach for the International Financial Reporting Standards (IFRSs), the respective standards apply the fair value measurement approach. However, measurement approaches specific to financial instruments, such as the amortized cost method, are only within the scope of International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*. For measurement approaches specific to the public sector, approaches applied by several standards should be adopted.

(4) Natural resources

Natural resources are issues specific to the public sector. The development of an aligned standard for assessing the value of natural resources whose assessments differ across jurisdictions would be useful, as it would enhance the comparison among jurisdictions.

(5) Non-exchange expenses

The financial results of public sector entities may differ depending on whether they defer the recognition of non-exchange transaction expenses under government grants as their effect arises. Since each public sector entity is expected to carry out non-exchange transactions, the effect of accounting for non-exchange transaction expenses would be significant.

As the Conceptual Framework allows the recognition of some debit-side items such as those similar to deferred assets, discussions of government grant disbursement, etc. (e.g.: investments, deferred assets, and expenses) should be prioritized and finalized.

2. Projects to Maintain Existing IPSASs

(1) Construction Contracts (IPSAS 11) and Revenue (IPSAS 9)

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15, *Revenue from Contracts with Customers*. The interpretation of construction contracts is therefore expected to change significantly. The IPSASB should undertake the deliberations and discussions necessary to ensure consistency with the IFRS.

In our view, these two projects can be considered “Projects to converge with IFRS” rather than “Projects to Maintain Existing IPSASs.”

If they are treated as “Projects to converge with IFRS,” they should ideally be projects to develop standards containing IPSASs 9 and 11.

IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, which is a standard for revenue recognition by public sector entities, should be developed independently for the following reasons

- 1) The revenue recognition flow significantly differs from that under IPSASs 9 and 11.
- 2) We think it is appropriate that IPSAS 23 provides an accounting treatment for deferred items now under consideration in the context of “Elements and Recognition in Financial Statements” as Phase 2 of the Conceptual Framework.

Yours sincerely,

Naohide Endo
Executive Board Member
Public Sector Accounting and
Audit Practice
JICPA

Azuma Inoue
Executive Board Member
Public Sector Accounting and
Audit Practice
JICPA



Australian Government

**Australian Accounting
Standards Board**

Level 7, 600 Bourke Street
MELBOURNE VIC 3000

Postal Address

PO Box 204
Collins Street West VIC 8007
Telephone: (03) 9617 7600
Facsimile: (03) 9617 7608

1 August 2014

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario M5V 3H2
CANADA

Dear Stephenie

IPSASB Strategy Consultation

The Australian Accounting Standards Board (AASB) is pleased to provide comments on the IPSASB Strategy Consultation.

While the AASB broadly agrees with many of the proposals, it has a number of specific suggestions. The AASB's main comments on the ED, which are expanded on in the attached Appendix, include recommending:

- removing 'strengthening public sector financial management' from the IPSASB's stated strategic objective as it is a desired outcome and not an objective in itself;
- the IPSASB have a strategic objective to develop a public sector conceptual framework;
- the IPSASB investigate ways of using web-based communication techniques as a means of developing a feedback loop; and
- in addition to progressing the projects that are already approved, prioritising the improvements to IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

The AASB's comments on the Questions for Respondents are set out in the attached Appendix.

If you have any queries regarding any matters in this submission, please contact Joanna Spencer (jspencer@aab.gov.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Angus Thomson'.

Angus Thomson
Acting Chair

AASB's Comments on the IPSASB Strategy Consultation

The AASB's views on the Questions for Respondents in the Strategy Consultation document are as follows:

Question for Respondents 1

Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

The AASB does not entirely agree with the IPSASB strategic objective as proposed. In particular, the AASB considers that 'strengthening public financial management' is a desired outcome that results from strategic objectives but is not an objective itself, therefore this phrase should be removed from the IPSASB's strategic objective.

The AASB considers that another strategic objective for the IPSASB is to develop a public sector conceptual framework and suggests that development of a public sector conceptual framework is added to the objectives listed in subparagraph (a)-(c) on page 9 of the Strategy Consultation document.

In addition, the AASB continues to support the IPSASB move towards convergence with International Financial Reporting Standards (IFRSs) and considers that differences between IFRSs and IPSASs should be minimised to the extent possible, and differences should only occur when there are specific public sector reasons for them. Therefore, the AASB recommends the IPSASB should have convergence with IFRSs as a strategic objective.

As a minor point, the AASB recommends the objective of 'developing high-quality financial reporting standards' be amended to read 'developing high-quality public sector financial reporting standards' [additional text underlined] to clarify that the IPSASB does not develop private sector accounting standards.

Question for Respondents 2

Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

The AASB generally agrees with the outcomes proposed in the Strategy Consultation document but, as mentioned in the response to Question 1, considers that 'strengthening public sector financial management' is an outcome, rather than an objective. Accordingly, the AASB recommends this be included in the proposed outcomes.

The AASB considers that because the role of the IPSASB is to develop accounting standards for financial reporting, it may be more appropriate for the proposed outcome to specify that it is an entity's financial reporting, rather than the entity itself that will reflect the full economic reality of its finances. It is only within the IPSASB's ability (via IPSASs) to influence the financial statements of an entity and not the entity itself. Therefore, the AASB recommends the outcome identified at sub-paragraph (a) on page 10 of the consultation document be amended to read 'improved ability of public sector entities' financial reporting to reflect the full economic reality ...' [additional text underlined].

Question for Respondents 3

Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

The AASB generally agrees with the proposed outputs. However, the AASB suggests that the output at sub-paragraph (b) on page ten of the consultation document ('undertaking presentations, speeches and other outreach activities in order to engage with stakeholders') focus on the engagement with constituents rather than on the undertaking of presentations, speeches and other outreach activities. By focusing on the engagement, this would allow for an informative qualitative measure of how successful that engagement has been rather than on a quantitative measure of how many outreach activities were undertaken, which may or may not have been effective in achieving the outcome of increased awareness of IPSASs.

Whilst the AASB is aware of the uncertainty surrounding the future governance of the IPSASB, the AASB considers it would be appropriate to include an output that reflects the IPSASB's accountability to its governing body.

Question for Respondents 4

What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

The AASB considers a key component of a transparent due process is to have viable feedback mechanisms whereby constituents can provide input to the IPSASB before and after the issuance of pronouncements. An approach to deciding which feedback mechanisms to implement is to consider what an ideal model would be if resources were not limited and then devise a strategy to achieve that model.

The AASB acknowledges the resource constraints of the IPSASB, but still considers there are many ways feedback could be provided to the IPSASB, and suggest that the IPSASB explore using web-based communication techniques as a way of receiving feedback from constituents. This may be via social media, chat rooms, and holding webinars.

Question for Respondents 5

Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

The AASB agrees with the five key factors the IPSASB considers when deciding to initiate a project and assessing its priority. However, the AASB is unsure if these factors are ranked in order of priority (as set out in the Consultation Paper). The AASB does not consider that these factors should be ranked and a statement that clarifies that they are not ranked would be useful. Further, the AASB is unsure how the different factors are balanced – for example, there is the potential for conflict between the 'IFRS convergence' and 'alignment with GFS' factors and it would be useful to clarify the criteria used to make a decision when the factors conflict.

Question for Respondents 6

Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

The AASB considers that, because the Cash Basis IPSAS is not being applied as intended, it is currently not a valuable resource in strengthening public finance management. However, the AASB considers that if entities using the Cash Basis IPSAS could have an 'IPSAS label' on their financial statements for a specified transitional period of time (e.g. three years) then it may help to encourage more entities to adopt full accrual IPSASs in future periods.

Question for Respondents 7

Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

As mentioned in the response to Question 6 above, the AASB considers that the Cash Basis IPSAS should be retained, but with a purpose. The AASB considers that the Cash Basis IPSAS does have value, as it allows public sector entities to gain some acceptance because they have adopted a standard from an independent body. However, the AASB does not recommend any further IPSASB resources be committed to amending the standard.

Question for Respondents 8

Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

Consistent with the AASB's comment letter to the IPSASB's *CP Consultation on IPSASB Work Program 2013-2014* in November 2012, the AASB considers that updating IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)* should be a priority for the IPSASB.

Regarding other potential projects, the AASB has no particular preference. However, the AASB notes that the IPSASB may need to expend considerable resources to converge with the IASB's major projects on leases, revenue, insurance and financial instruments, due to the significance and extent of the scope of these topics.

Cour des comptes



**Comité consultatif sur la
normalisation des comptes
publics**

Le Président

À Paris, le 1^{er} août 2014

**Objet : consultation relative à la stratégie et au programme de travail
2015-2019 de l'IPSAS Board.**

La Cour des comptes souhaite formuler ses observations dans le cadre de la consultation ouverte sur la stratégie et le programme de travail 2015- 2019 de l'IPSAS Board.

La Cour prend acte des réalisations accomplies par l'IPSAS Board depuis plusieurs années, notamment en ce qui concerne le cadre conceptuel des normes comptables internationales du secteur public. Elle relève toutefois qu'en dépit d'efforts importants en matière de promotion et de communication, la diffusion des normes IPSAS au sein du secteur public, notamment auprès des gouvernements nationaux et locaux, n'a pas progressé de manière significative et reste toujours limité aux seules organisations internationales. Il conviendrait au surplus de distinguer, parmi les gouvernements et entités publiques, ceux, manifestement peu nombreux, dont les états financiers ont effectivement fait l'objet d'une opinion de conformité avec le référentiel IPSAS délivrée par des auditeurs externes indépendants, de ceux ayant mis en œuvre ces normes de manière partielle ou seulement manifesté leur intention de le faire dans l'avenir.

La Cour voit ici l'illustration des effets du choix discutable de l'IPSAS Board de rechercher avant tout la convergence entre normes IPSAS et normes IFRS, choix qui a conduit à faire passer au second plan la prise en compte des spécificités du secteur public et a assigner au secteur public une obligation implicite d'évolution pour être en mesure de se conformer à des normes totalement détachées des réalités de ce secteur.

La Cour appelle donc de ses vœux une inflexion stratégique qui s'écarterait du postulat selon lequel les normes IFRS, initialement élaborées pour le secteur privé et pour les entreprises soumises à une gouvernance privée, devraient aussi servir de référentiel au secteur public alors même que celui-ci présente des caractéristiques bien différentes.

La Cour considère que la priorité de l'IPSAS Board devrait être de proposer un référentiel comptable international du secteur public permettant sa bonne appropriation par les entités publiques et sa plus large diffusion. De ce point de vue, elle ne partage pas la priorité affirmée de se consacrer à l'amélioration du « Public Finance Management », concept au demeurant abstrait et plus large que le domaine de compétence de l'IPSAS Board.

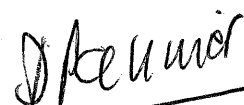
Si la Cour prend acte du second objectif affirmé – la production de normes comptables internationales de haute qualité pour le secteur public – elle ne considère pas que la production d'autres documents, tels que les « Recommended Practice Guidances » (RPGs) relèvent de la même priorité, sauf à les maintenir dans le domaine de l'application des normes comptables et du partage des bonnes pratiques en la matière.

Pour ce qui relève du programme de travail 2015-2019, la Cour prend acte de l'engagement de l'IPSAS Board dans des projets majeurs, notamment l'élaboration d'une norme comptable en matière de « Social Benefits » qui, malgré la difficulté du sujet, correspond à une attente et un besoin manifestes dans le secteur public.

La Cour appuie l'orientation donnée à des projets prenant en compte les spécificités du secteur public et ne partage pas, comme indiqué plus haut, le degré de priorité stratégique accordée à la convergence avec les normes IFRS. Au demeurant, la priorité proposée par ailleurs de maintenance et d'actualisation des normes IPSAS existerait un caractère irréaliste si la convergence avec les IFRS devait demeurer prioritaire, dans la mesure où les moyens et ressources modestes de l'IPSAS Board seraient automatiquement absorbées par cette mise à jour eu égard aux modifications qui affectent très régulièrement les IFRS.

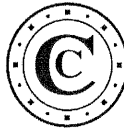
Enfin, la Cour ne souhaite pas que l'IPSAS Board renonce à la norme « Cash Basis ». La comptabilité de caisse reste très largement pratiquée dans le monde, y compris au sein de l'Union Européenne, laquelle travaille à l'élaboration de son propre référentiel de comptabilité publique. La comptabilité de caisse est appliquée aussi bien dans des économies connaissant un degré élevé de solvabilité et de développement que dans nombre de pays en développement, où elle représente une étape préalable et de moindre coût à la modernisation de systèmes comptables souvent embryonnaires. Ces considérations devraient donc plutôt inciter à rechercher une amélioration et une actualisation de la norme « Cash Basis » afin de mieux répondre aux attentes des entités du secteur public, compte tenu de leur grande diversité.

P/O le Président de la
première chambre



Dominique Pannier

Cour des comptes



Paris, August 1st 2014

**Comité consultatif sur la normalisation
des comptes publics
(Advisory Committee on Public Sector
Accounting Standards)**

The Chairman

IPSASB Strategy Consultation

Dear Mrs. Fox,

The Cour des Comptes would like to submit its comments in the framework of the consultation on the IPSAS Board's strategy and work programme for the period 2015-2019.

The Cour des Comptes takes note of the achievements of the IPSAS Board over several years, in particular as regards the conceptual framework for international public sector accounting standards. However, it points out that despite significant efforts made on promotion and communication, the diffusion of IPSASs within public sector, especially among national and local governments, has not significantly improved and remains confined to international organisations. Furthermore, a distinction should be made, among governments and public sector entities, between those, which are apparently few in number, whose financial statements have indeed been the subject of a statement of compliance with IPSASs issued by independent external auditors and those which have partially implemented these standards or have merely signalled their intention to adopt them in the future.

The Cour des Comptes sees here the results of the questionable choice made by the IPSAS Board to pursue convergence between the IPSASs and the IFRSs, which led to less consideration for the distinctive features of the public sector and placed the latter under a tacit obligation to evolve in order to comply with standards which are totally detached from this sector realities.

Therefore, the Cour des Comptes calls for a strategic shift which would deviate from the assumption that IFRSs, which were initially developed for the private sector and enterprises under private governance, should also serve as a standard for the public sector even though the latter has very specific characteristics.

The Cour des Comptes considers that the IPSAS Board's first priority should be to propose an international public sector accounting standard allowing good appropriation by public sector entities and enabling its wider diffusion. In this regard, it does not share the stated priority of focusing on the improvement of "Public Finance Management", which, for that matter, is an abstract concept with a larger scope than the field of competence of the IPSAS Board.

If the Cour des Comptes takes note of the second stated objective – the production of high-quality international accounting standards for public sector– it does not consider that the production of other documents, such as the "Recommended Practice Guidance" (RPGs), should be given the same priority, unless they remain in the scope of the implementation of accounting standards and sharing of good practice in this area.

As regards the 2015-2019 work programme, the Cour des Comptes takes note of the IPSAS Board's commitment in major projects, in particular the development of an accounting standard on "Social Benefits" which, despite the difficulty of the topic, meets clear expectations and needs in the public sector.

The Cour des Comptes supports the orientation given to projects which take into account the distinctive features of the public sector and does not share, as mentioned above, the degree of strategic priority given to convergence with IFRSs. For that matter, the priority set elsewhere of maintaining and updating existing IPSASs would be unrealistic if convergence with IFRSs were to remain itself a priority, as the limited means and resources of the IPSAS Board would be automatically absorbed by these updates, due to the very frequent changes affecting IFRSs.

Finally, the Cour des Comptes does not want the IPSAS Board to abandon the "Cash Basis" standard. Cash accounting is still widely used in the world, including in the European Union which is working to develop its own public accounting standard. Cash accounting is applied in highly solvent and developed economies as well as in many developing countries, where it is the least cost step prior to modernising what are often embryonic accounting systems. Therefore, these considerations should rather be an incentive to aim at improving and updating the "Cash Basis" standard in order to better address the expectations of public sector entities, given their great diversity.

P/O le Président de la
première chambre



Dominique Pannier



Building a better
working world

Ernst & Young Global Limited
Becket House
1 Lambeth Palace Road
London SE1 7EU

Tel: +44 [0]20 7980 0000
Fax: +44 [0]20 7980 0275
www.ey.com



INVESTOR IN PEOPLE

Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West, 6th Floor
Toronto,
Ontario M5V 3H2,
Canada

1 August 2014

Email: stepheniefox@ipsasb.org

Dear Ms. Fox

IPSASB Strategy Consultation

Ernst & Young Global Limited, the central coordinating entity of the global EY organization, welcomes the opportunity to offer its views on the above consultation. We agree with the IPSASB that this formal public consultation process will help contribute to the IPSASB's public accountability and legitimacy, and ensures that the Board's priorities are aligned with stakeholders' needs.

Please find our responses to the specific questions for respondents set out in the Appendix to this cover letter. Should you wish to discuss the contents of this letter with us, please contact Thomas Müller-Marques Berger at (+49) 711 9881 15844 or via email at thomas.mueller-marques.berger@de.ey.com or Serene Seah-Tan at (+65) 6309 6040 or via email at serene.seah-tan@sg.ey.com.

Yours sincerely,

Ernst & Young Global Limited



Appendix

Question 1:

Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

We broadly agree with the stated objective but suggest the following wording improvements:

- ▶ For bullet point (a), we suggest adding 'developing high-quality financial reporting standards specific to the needs of the public sector'. First, that would put the focus back on public sector entities, which is consistent with the language in bullet point (b). More importantly, we believe that the IPSASB should focus on developing standards that would provide accounting guidance on public sector-specific issues that is currently lacking in the IPSASB's literature. For example the treatment of non-exchange expenses.
- ▶ For bullet point (b), we suggest explicitly stating the purpose for these 'other publications'. If the purpose of these other publications is to promote better reporting and increase accountability of public sector entities for the benefit of users, the objective could make that clearer. For example, 'developing other publications that would result in better reporting for the public sector'.

Question 2:

Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

Comments on outcome a):

- ▶ The outcome to 'reflect the **full economic reality** of their finances' may be beyond the objectives stated in bullet points (a) and (b) of the tentative strategic objectives and purposes of financial reporting. We think that the outcome needs to reflect what is achievable through the financial reporting framework. In addition, we do not think that this outcome is achievable through general purpose financial statements alone; and other reports such as an intergenerational equity report and budgetary reports would be needed to achieve that outcome.
- ▶ In outcome (a), it is unclear to us what stakeholders should understand and whether the Board intended for stakeholders to understand the 'full economic reality' of an entity's finances.

Question 3:

Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

We agree with the outputs identified.

Question 4:

What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

As mentioned in the strategy consultation document, there has been increasing interest in IPSASs and a strong trend towards their adoption which is anticipated to continue. With the increasing number of jurisdictions implementing IPSAS, there would be more implementation issues arising from various jurisdictions. Therefore it may be time to consider establishing an interpretations committee to address application issues arising from existing IPSASs. This would be in line with what is envisaged in the European context in relation to *European Public Sector Accounting Standards* (EPSAS). An interpretations committee is also an additional channel available to preparers and other stakeholders to provide feedback on how operational the standards are and where there is guidance missing in the application of a standard.

Question 5:

Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

We agree.

Question 6:

Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

Question 7:

Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation?

Cash Basis IPSAS is a valuable resource for jurisdictions that are looking to strengthen their public finance management and accountability of public sector entities, but are not ready and lack the resources to implement accrual-based accounting. Therefore we believe that the IPSASB should retain the Cash Basis IPSAS.



However, the Board should consider taking measures to clearly differentiate between the suite of accrual-based IPSASs and Cash Basis IPSAS. It may not always be clear when entities or jurisdictions claim to be applying IPSAS, whether they are referring to accrual IPSAS or Cash Basis IPSAS. Therefore we think a greater differentiation would ensure greater clarity for constituents regarding which set of standards is being applied.

As mentioned previously, we support retaining the Cash Basis IPSAS, and retaining it unchanged. Taking into account the resource constraints at the IPSASB and that we have not observed any significant defect in the Cash Basis standard, we suggest suspending the review project and that the IPSASB should only restart the project if specific funding or resources are available from other organizations to progress this project for the benefit of jurisdictions that are or will be using Cash Basis IPSAS.

Question 8:

Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

As noted previously, we believe that the IPSASB should focus on addressing public sector-specific financial reporting gaps where there is a lack of guidance in current IPSAS literature. In terms of priority, we believe non-exchange expenses and revenue recognition - including improvements to IPSAS 23 *Revenue from Non-exchange Transactions* - should be of top priority.

The next group of topics that are of importance would be standards addressing the recognition and measurement of assets specific to public sector entities such as infrastructure and military assets and other intangible assets of public sector entities. In our view the project on intangible assets (public sector specific) is closely linked to the projects on sovereign powers and their impact on financial reporting. Therefore we recommend that the Board consider taking these projects on board collectively.

We would also place high importance on maintaining ongoing alignment of IPSAS with IFRS as there should not be divergence between the two suites of standards except for public sector-specific issues.

5 August 2014

Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
TORONTO, ONTARIO
CANADA M5V 3H2

Email: stepheniefox@ifac.org

Dear Stephenie

IPSASB Strategy Consultation

Thank you for the opportunity to comment on the International Public Sector Accounting Standards Board (IPSASB) Strategy Consultation paper (the Consultation Paper). CPA Australia and Chartered Accountants Australia and New Zealand have considered the Consultation Paper and our comments are as follows.

CPA Australia and Chartered Accountants Australia and New Zealand represent over 250,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia.

We welcome the IPSASB's request for input in shaping its strategic objective and work programme for 2015–2019.

Our 2012 submission to the IPSASB work programme consultation emphasised the importance of the IPSASB completing the Conceptual Framework project. We are therefore pleased that this project will be completed by the end of 2014. In 2012, we encouraged the IPSASB to consider how its relationship with the International Accounting Standards Board (IASB) might be demonstrated in a future work programme. While progress has been made, the full potential of this relationship has not been realised and we would encourage the IPSASB to reflect on how this might be advanced. We note that the existing Memorandum of Understanding (MoU) between the IASB and the International Federation of Accountants (IFAC) will be reviewed by both parties prior to the end of 2014. We suggest that the IPSASB's relationship with the IASB, particularly in respect to a future work programme, might be usefully addressed in the new MoU.

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

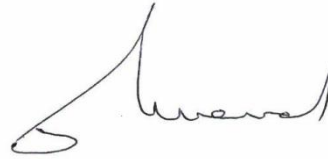
charteredaccountantsanz.com

More specific, detailed comments which address the questions posed in the Consultation Paper are set out in the Appendix. If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at mark.shying@cpaaustralia.com.au or Michael Fraser (Chartered Accountants Australia and New Zealand) at michael.fraser@charteredaccountantsanz.com.

Yours sincerely



Paul Drum
Head of Policy
CPA Australia Ltd



Rob Ward
Head of Leadership and Advocacy
Chartered Accountants Australia and New Zealand

Appendix

Question 1

Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

Yes, we agree with the IPSASB's tentative view on its strategic objective to strengthen public financial management and knowledge.

Question 2

Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

Yes, we think the two outcomes "improved ability of public sector entities to reflect the full economic reality of their finances as well as of stakeholders to understand" and "increased awareness of IPSASs and their public finance management benefits in order to influence their adoption" are appropriate for achieving the strategic objective.

Question 3

Do you think the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

Yes, we think the development of high-quality financial reporting standards for the public sector is critical to achieving the outcomes. We agree that a full range of outreach activities to raise awareness of IPSASs and the benefits of their adoption will play an important role in enhancing public sector financial management, as will the development of other publications.

Question 4

What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

Currently, the IPSASB receives feedback through its standards development processes and outreach activities. We think these will continue to play an important role.

We believe that there would be a number of benefits for the IPSASB if it were accountable to a governance body (or separate IPSASB monitoring and oversight bodies). One of those benefits would be enhanced feedback from a governance body with a broad membership.

There will be occasions when issues arise in the application of IPSASs. An Interpretations Committee could play a number of useful roles in such situations, including that of feedback mechanism.

Question 5

Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

Yes, we agree with the five key factors to be considered in deciding whether to initiate a project and assess its relative priority. We would like the description of the key factor "IFRS convergence" to make clear that the goal is ongoing convergence with IFRS rather than convergence with IFRS at a particular point in time. We agree with the proposal that the key factors include "Alignment with GFS". We understand that reducing the divergence between IPSASs and GFS might be difficult in respect to recognition and measurement. For this reason it might be useful if the description of "Alignment with GFS" included a reference to disclosures.

Question 6

Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

No, we do not think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally.

Question 7

Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

We recommend the IPSASB withdraw the Cash Basis IPSAS from the IPSASB Handbook as we do not think it makes a useful contribution to the improvement of public sector financial management. Subject to budget considerations, we believe a publication on accrual accounting in the public sector would be a valuable resource.

Question 8

Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

We would like the IPSASB to give priority to public sector-specific measurement. Measurement of heritage, infrastructure and military assets would appear to warrant particular attention. We encourage the publication of a standard with an objective the same as that of IFRS 13 *Fair Valuation Measurement* in the for-profit sector. We would also like the IPSASB to address non-exchange expenses and revenue, the role of government as owner, employee benefits (IPSAS 25) and leases (IPSAS 13).



ACT
Government

Chief Minister and Treasury

Ms Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017 United States of America

Dear Ms Fox

IPSASB Strategy Consultation 2015-19

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on their consultation paper: IPSASB Strategy Consultation.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee is comprised of the senior accounting policy representatives from all Australian States, Territories and the Australian Government.

Comments by HoTARAC on questions from the consultation paper are attached. HoTARAC is generally supportive of the tentative strategic objective of IPSASB as well as its proposed outputs and outcomes. HoTARAC also recommends that the IPSASB should include funding considerations and the development of an engagement strategy with the IASB in its strategies.

If you have any queries regarding HoTARAC's comments, please contact Peter Gibson from the Australian Department of Finance on +612 6215 3551.

Yours sincerely

David Nicol

Chair

Heads of Treasuries Accounting and Reporting Advisory Committee

6 August 2014

Attachment 1: HoTARAC comments on IPSASB Strategy Consultation 2015-19

HoTARAC General Comments

Funding

HoTARAC recommends the strategy consultation paper give further consideration to funding, as adequate resources will be required to progress the strategies developed and work program proposed in the consultation paper.

HoTARAC notes that the paper has been written on the assumption of current funding being maintained (page 8). However, a number of issues addressed in the paper will require additional resourcing:

- Additional staff will be needed to implement oversight changes (page 16).
- The second outcome on page 11 seeks increased adoption of IPSASs from the current 80 jurisdictions. Increasing the rate of adoption potentially puts more strain on limited resources:
 - to address the increased number of financial reporting issues (page 8); and
 - for outreach activities and need for feedback from new adopters (page 13).
- Calls to establish a mechanism to deal with urgent issues/interpretations of IPSASs (page 8).

Engagement with the International Accounting Standards Board (IASB)

HoTARAC strongly recommends the IPSASB develop a strategy for its engagement with the International Accounting Standards Board (IASB). The consultation paper raises the possibility of collaborating with the IASB as one of the key factors in deciding whether to initiate a project (page 15). This could be better addressed as part of a broader strategy for engagement with the IASB. HoTARAC's preference would be working toward the long-term goal of eventual integration of the two bodies.

HoTARAC notes that an initial step was taken in the signing of a Memorandum of Understanding (MoU) between the International Federation of Accountants (IFAC) and the IASB to enhance cooperation in developing private and public sector accounting standards in 2011. The MoU is scheduled for review in December 2014 and this will represent an opportunity to further enhance cooperation as part of an overall strategic goal.

Suggestion to adopt a strategy to address urgent issues

While acknowledging the IPSASB's resource constraints, HoTARAC recommends that the IPSASB consider developing a strategy to address urgent issues that may, from time to time, emerge for public sector entities. Often such urgent issues (e.g. when narrow amendments or interpretations are required) need to be resolved in a timely manner but do not take a significant amount of staff and board members' time and effort compared to other more complicated projects. A streamlined process (e.g. by establishing a separate Interpretations Committee as suggested below for Question 4, or adopting an out-of-session voting system on urgent and non-essential issues) may serve the purpose of enhancing the board's efficiency in addressing these issues.

Questions for respondents

1. Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

HoTARAC agrees with IPSASB's tentative view on its strategic objective. HoTARAC further suggests IPSASB include "globally accepted" in its objective as follows:

(a) *Developing high-quality, **globally accepted** financial reporting standards*

Globally accepted standards will help IPSASB achieve its strategic objective, in particular strengthening public financial management and knowledge globally and raising awareness of the IPSASs.

2. Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

HoTARAC agrees, subject to the remarks on funding in the general comments above.

HoTARAC further suggests IPSASB replaces "finances" with broader terminology that also encompasses service performance.

3. Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

HoTARAC agrees with the outputs identified.

4. What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

HoTARAC suggests the IPSASB consider establishing a body similar to the IASB Interpretations Committee to address urgent accounting issues and some process for reviewing the implementation of new standards. HoTARAC notes this is subject to available resourcing.

HoTARAC welcomes the recent initiative taken by the IPSASB of publishing its work program on its website so information on upcoming issues is more accessible to users.

5. Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

HoTARAC generally agrees.

It is suggested that the **Gaps in standards** factor might be broadened to also include clarifications needed for standards and urgent issues as noted in the question above.

HoTARAC notes that the IPSASB considers both IFRS convergence and alignment with GFS are key factors to be considered in assessing priorities of potential projects. However, given IFRS convergence and alignment with GFS may have different objectives, the IPSASB may need to explain its logic in balancing between the two key factors when setting IPSASB's future work program.

Additionally, HoTARAC recommends the IPSASB:

- Avoid numbering the key factors unless they are listed in order of significance or priority; and
- In key factor 1, consider whether the phrase "*...likely for which there is no equivalent private sector issue*" is necessary as we would expect IFRS to consider key accounting issues that affect the private sector.

6. Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

HoTARAC does not think that the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally. In fact, it may detract from the IPSASB achieving the strategic objective as proposed in the paper.

7. Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

HoTARAC would recommend IPSASB select option c - *Withdraw the Cash Basis IPSAS from the IPSASB Handbook.*

Given the current constraints on inputs identified in the Consultation paper, HoTARAC is of the view that IPSASB's resources would be better used in progressing Accrual-Based IPSAS projects rather than on Cash-Basis IPSAS. This is because adoption of Cash-Basis IPSAS has been lower than anticipated and still requires rework. Additionally, as the IPSASB has an accrual-based focus, HoTARAC suggests that IPSASB direct their efforts on encouraging entities to transition from a cash basis to an accrual basis, rather than to follow/adopt an (intermediary) Cash-Basis IPSAS.

As an alternative, and if not administratively onerous, HoTARAC suggests that IPSASB produce a guidance document for jurisdictions which have not yet implemented accrual accounting and would like to utilise the principles in their reporting.

8. Considering the various factors and constraints, which projects should the IPSASB prioritise and why? Where possible please explain your views on the description and scope of the project.

- **Measurement – public sector specific:** HoTARAC recommends that this project addresses measurement across different standards and that consideration be given to this being a convergence project with IFRS 13 *Fair Value Measurement*. It would be of benefit if specific public sector issues are addressed and clarifications on the application of fair value are made. HoTARAC does not believe that the focus of the project should include addressing “*whether references to ‘fair value’ in existing IPSASs should be retained if it is defined as exit value as in IFRS 13, Fair Value Measurement*”, but rather should consider the application of fair value to public sector assets which often lack active markets. HoTARAC jurisdictions currently apply the exit value principle under the Australian equivalent of IFRS 13. Our experience suggests that the use of exit values is not a significant issue. Progress on the measurement issue and the application of fair value would also be relevant to other projects listed in the consultation document such as infrastructure assets, heritage assets and military assets and the IPSASB may consider the extent to which these projects can be merged.
- **Military assets:** The valuation of military assets will be an important issue as adoption of accrual based IPSAS increases, particularly as GFS now requires these assets to be held at fair value. This issue should be addressed either as part of the measurement project, as suggested above, or as a standalone project.

- **Leases IPSAS 13:** Leasing activity commonly occurs amongst public sector entities and can represent a large component of their financial operations. A new approach to accounting for leasing is proposed for IFRS and the IPSAS should be updated accordingly.
- **Improvements to IPSAS 23 Non-Exchange Revenues and Non-Exchange Expenses:** Revenues and expenses resulting from non-exchange transactions may represent a large proportion of the financial transactions in the public sector. The recently issued IFRS standard on *Revenue from Contracts with Customers* and the upcoming *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* represent a good opportunity for the IPSASB to review the appropriateness of the existing revenue recognition principles in IPSAS 23 for non-exchange transactions and IPSAS 32 for service concession arrangements. To ensure common principles are applied to both the revenue and expenditure sides, HoTARAC suggests that the non-exchange expenses project be merged with the non-exchange revenue project.
- **Employee Benefits IPSAS 25:** HoTARAC recommends this standard be revisited following the most recent changes to IAS 19 in relation to defined benefit plans, which have had a significant impact on the Australian public sector.
- **Role of the Government as owner rather than Government:** transfers of assets and liabilities from the Government, to the Government and between entities controlled by the same Government are common. To ensure such transfers are accounted for consistently, additional guidance should be included in IPSAS 23 on how to determine whether the substance of a transfer is a contribution by or distribution to owners would be useful.

Denise Silva Ferreira Juvenal

rio1042370@terra.com.br

Accountant

Commentary individual

Rio de Janeiro / Brazil

Sir

Chair and Steering Committee

The Technical Director

International Public Sector Accounting Standards Board

International Federation of Accountants

277 Wellington Street West

Toronto, Ontario M5V 3H2 CANADA

stepheniefox@ifac.org.

08 August, 2014

IPSASB Strategy Consultation 2015-2019

I'm Denise Juvenal this pleasure to have the opportunity to comment on this consultation. This is my individual commentary for IFAC-IPSASB about IPSASB Strategy Consultation 2015-2019.

Questions for Respondents

1. Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

Yes, I agree with the IPSASB's tentative view on its strategic objective for the period from 2015.

2. Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

Yes, I think that the two outcomes identified are appropriate for achieving the strategic objective.

3. Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

Yes, I think that the outputs identified will assist in achieving the outcomes.

4. What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

I think that for the IPSASB the principal feedback has relation with the Internal Control and the Governance for application in the Public Sector, because the activities are very complex and the governance is very difficult considering the political decisions in the budget.

However, I understand that the mechanisms have direct relation with transparency when I describe which the principles the public sector needs to apply. In this fact, transparency and mechanisms methods need to work together for reduce the complexity of laws of public sector around the world.

I do not know if the IPSASB should make to ensure it fully informed about views of its stakeholders, but I understand that the IPSASB need to know what aspects of the implementation of IPSAS in each country that accept use them.

Although, The IPSAS are the principal point for development in the public sector high quality of transparency and public interest, if the public sector does not implement with high quality, the IFAC/IPSASB could have problems for application of international standards for public sector around the world.

Finally, I agree with this proposal, but, I suggest for the board, if agrees, that consult the key international regulators (OECD¹, CIPFA², IASB³, IFAC⁴, G20⁵, IVSC⁶, FRC⁷, EUROSTAT/European Commission⁸ and ESMA⁹) in relation what are

¹ <http://www.oecd.org/gov/regulatory-policy/ria.htm> and <http://www.oecd.org/gov/budgeting/ipsasb-governance-review.htm>

² <http://www.ifac.org/publications-resources/international-framework-good-governance-public-sector>

³ <http://www.ifrs.org/Alerts/Governance/Documents/2014/IPSASB-Review-Response-April-2014.pdf>

⁴ <http://www.ifac.org/publications-resources/definition-public-interest>

⁵ http://www.b20australia.info/Documents/20140123_B20_MediaRelease_Davos_B20%20supports%20G20%20agenda%20FINAL.pdf and <http://www.pm.gov.au/media/2014-06-22/g20-leaders-encouraged-drive-economic-growth>

⁶ <http://www.ivsc.org/content/ivsc-releases-valuation-proposals-investment-property>

⁷ <https://www.frc.org.uk/Our-Work/Publications/Professional-Oversight/Consultation-Documents/Regulation-of-Auditors-of-Lo.pdf>

⁸ http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/1_EN_ACT_part1_v5.pdf

⁹ <http://www.esma.europa.eu/content/Keynote-Speech-AFME-Post-Trade-Conference-reform-financial-markets-halfway-there-Steven-Maij>

mechanisms for reduce the problems in the application of IPSAS around the world and the implementation of the governance for the public sector.

5. Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

Yes, I agree with the five key factors the IPSASB considers in deciding to initiative a project and assessing its priority. No, I think that there are not other factors should be considered.

6. Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

Yes, I think that the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs.

7. Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

I think that the option “a” identified in relation Cash Basis IPSAS, “(a) Retain the Cash Basis IPSAS and complete the review project using existing IPSASB resources; this would mean issuing an ED that addresses the Task Force’s recommendations, analyzing responses and finalizing a revised Cash Basis IPSAS.”

8. Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

Projects to Address Public Sector Specific Issues	Observations
Biological assets held for the provision or supply of services	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Heritage assets	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Infrastructure assets	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.

Intangible assets – public sector specific	I think that this is important considering the new focus in measurement. I understand that intangible assets is very complex for public sector, however I consider the importance of this project. I suggest for the board, if agrees, The European Commission legislation and in practice relating to: EuSEFs and the EaSI ¹⁰ for this proposal, I do not know if have direct impact, so, I think that can improve this discussion.
Measurement – public sector specific	I think that this is important considering the new focus in measurement. I understand that measurement is very complex for public sector, however I consider the importance of this project. I suggest for the board, if agrees, The European Commission elaborated the Quality of Service Measurement ¹¹ and The Fair Value Option ¹² .
Military assets	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Natural resources	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Non-exchange expenses	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Role of government as owner rather than government	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Sovereign powers and their impact on financial reporting	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Trust funds	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Projects to Maintain Existing IPSASs	Observations
Borrowing Costs IPSAS	I think that this is important considering the Borrowing Costs IPSAS ¹³ . In this moment this

¹⁰ http://ec.europa.eu/internal_market/social_business/docs/expert-group/social_impact/140605-sub-group-report_en.pdf

¹¹ http://ec.europa.eu/internal_market/post/activities/qualitymeasurement_en.htm

¹² http://ec.europa.eu/internal_market/accounting/docs/arc/2005-07-08-ias39-fair-value-option_en.pdf

¹³ <http://www.ifac.org/news-events/2008-09/ifacs-ipsasb-proposes-modifications-borrowing-cost-accounting>

	project has great points in the IASB ¹⁴ and in the European Commission ¹⁵ prepared Economic Review of the Financial Regulation Agenda, these observations can improve this discussion.
Construction Contracts IPSAS 11	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Disclosure of Financial Information about the General Government Sector IPSAS 22	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Employee Benefits IPSAS 25	I think that this is important considering the Employee Benefits IPSAS 25. The GASB elaborated discussion about this subject ¹⁶ and Pensions Plans ¹⁷ .
Improvements to IPSAS 23 Non-Exchange Revenues	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Leases IPSAS 13	I think that this is important considering the Leases IPSAS 13. The IASB includes new information for Leases ¹⁸ , I do not know if have some impact for this project.
Presentation of Financial Statements IPSAS 1	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Related Party Transactions IPSAS 20	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Revenue IPSAS 9	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Segment Reporting IPSAS 18	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Projects to converge with IFRS	Observations

¹⁴ <http://www.ifrs.org/Current-Projects/IASB-Projects/IFRS-1-Borrowing-costs>

¹⁵ http://ec.europa.eu/internal_market/finances/docs/general/20140515-erfra-working-document_en.pdf

¹⁶ http://www.gasb.org/cs/BlobServer?blobkey=id&blobnocache=true&blobwhere=1175828897160&blobheader=application%2Fpdf&blobheadername2=Content-Length&blobheadername1=Content-Disposition&blobheadervalue2=1433297&blobheadervalue1=filename%3DED_-_Accounting_%2526_Financial_Rptg_for_Postemployment_Benefits_Other_Than_Pension_%2528Employer_ED%2529.pdf&blobcol=urldata&blobtable=MungoBlobs

¹⁷ http://www.gasb.org/cs/BlobServer?blobkey=id&blobnocache=true&blobwhere=1175828897172&blobheader=application%2Fpdf&blobheadername2=Content-Length&blobheadername1=Content-Disposition&blobheadervalue2=819833&blobheadervalue1=filename%3DED_-_Financial_Rptg_for_Postemployment_Benefit_Plans_Other_Than_Pensions.pdf&blobcol=urldata&blobtable=MungoBlobs

¹⁸ <http://www.ifrs.org/Current-Projects/IASB-Projects/Leases/Pages/Leases.aspx>

Extractive Industries (IFRS 6 interim standard but no comparable IPSAS)	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Insurance Contracts (IFRS 4 interim standard but no comparable IPSAS)	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Non-current Assets Held for Sale and Discontinued Operations (IFRS 5 but no comparable IPSAS)	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Rate Regulated Industries	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Other Projects	Observations
Differential Reporting	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.
Integrated Reporting	I think that Integrated Reporting is very important. I know that the IFAC elaborated work with CIPFA for public sector. I understand that this point needs to observe the internal control for public sector.
Interim Financial Reporting	I think that this project could be in future. I agree with proposal of IFAC/IPSASB in this discussion.

Thank you for opportunity for comments this proposal, if you have questions do not hesitate contact to me, rio1042370@terra.com.br.

Yours,

Denise Silva Ferreira Juvenal

rio1042370@terra.com.br

5521993493961

Answers of Colegio de Contadores Públicos de Costa Rica

Questions for Respondents

1. Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

First, IPSASB needs to identify the IPSAS stakeholders in the document PSASB Strategy Consultation. It would help to set the strategy and actions plans.

Second, IPSASB needs to solve the financial issue. In the document IPSASB Strategy Consultation, the word resource constraints appear 3 times (pages. 8, 19, 20), the word limited resources appear 1 time (pages. 2), the word scarce resources appear 1 time (pages. 3), and the word resource limitations appear 1 time (page 14)

Third, IPSASB needs staff and board members resources (page 6). In order to get resources, IPSASB needs external funding and to get a structure which enables to develop IPSAS. We do not find any strategic action related to get the required funds to support the IPSASB's activities or plan.

Fourth, we think that without a proper structure and funding, the strategy's deliverables would be hard to get. The same problem face AISB with greater resources as Hans Hoogervost, president of IASB said:

"However, a single set of standards does not mean a single accounting standard setter.

IFRS has long been a joint effort by the worldwide standard-setting community. There is no way the IASB with around 60 technical staff and 16 board members can adequately engage with stakeholders across more than 100 countries. Without your help, we would struggle to identify the practical, gritty issues companies and investors would face when applying the new standards¹."

IASB have 60 technical staff versus IPSASB 7.5 people.

Fifth, IPSASB needs to get a quick win. IPSASB need to get IPSAS implementation in one country, hopefully, a third World country and/or a developed Country.

¹ **Strengthening institutional relationships.** Hans Hoogervost. IFRS Foundation World Standard-Setters Conference. September 23, 2013, London. Page 1. www.ifrs.org

Sixth, IPSASB should identify which countries are using IPSAS. It seems to be the same problem it happened to IFRS foundation about the worldwide IFRS implementation.

Hans Hoogervorst, president of IASB said:

The SEC Report also touched upon a lack of clarity on the extent to which IFRS jurisdictions had actually adopted the standards. So, during 2013 former IASB Board member Paul Pacter has led a major research programme looking to answer exactly that question².

Strategic Objective

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

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

We agree with the strategic objective. However, we think there are issues to be resolved (e.g., structure, financing, etc.) in order to accomplish the strategic objective.

2. Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

We agree with the two outcomes. The outcomes are easy to understand, clear and helpful to set the path.

² **Opening remarks**, Hans Hoogervorst. AICPA 2013 Conference on current SEC and PCAOB Developments. Washington, DC. 10 December 2013. Page 3. www.ifrs.org

**3. Do you think that the outputs identified will assist in achieving the outcomes?
If not, what outputs do you think the IPSASB should focus on?**

We agree with the two outcomes. The outcomes are easy to understand, clear and helpful to set the path.

However, we think as native Spanish speakers, the IPSAS presentations and speeches should be translated. We have faced a big issue regarding the translation of International Auditing and Assurance standards.

4. What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

In theory, there should not be any change of your feedback mechanisms. Our concerns are related to the IPSASB's structure and timely answers.

5. Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

According to the IPSASB Strategy Consultation document, there are five actors the IPSASB considers in deciding to initiate a project and assessing its priority:

1. Significance for the public sector
2. Urgency of the issue
3. Gaps in standards
4. IFRS convergence
5. Alignment with GFS (Government Finance Statistics)

We agree with these factors:

1. Significance for the public sector

2. Urgency of the issue
3. Gaps in standards

We do not agree with these factors

4. IFRS convergence
5. Alignment with GFS (Government Finance Statistics)

These are our reasons

- a. IFRS convergence

It is too difficult to get an agreement on accounting standards. Also, IFRS are designed to profit oriented entities and IPSAS are for public sector entities. Besides, there are some IFRS standards which are currently under review.

IPSASB's objective should be to state that IFRS are standards which should be look upon in case there is no specific IPSAS. But IPSAS should prevail in order to have a single set of global accounting standards for public entities.

Even IASB is not longer trying to converge with FASB as Michel Prada, Chairman of the IFRS Foundation Trustees, said:

“.. we have moved from a period of bilateral convergence with the FASB to a more inclusive, multilateral approach to standard-setting. This involves much tighter integration with a range of national and regional standard-setting bodies, including the FASB.”³

- b. **Alignment with GFS (Government Finance Statistics)**

This is a no win solution. Government Finance Statistics will depend on each jurisdiction and sometimes in “silo” management. Our experience in Costa Rica is that Governmental statistics differ in such a material way from IPSASS and public statistics cannot be comparable based on their different measurement, disclosures

³ **The bumpy path towards global accounting standards.** Michel Prada, Chairman of the IFRS Foundation Trustees Frankfurt, 16 October 2013. Page 5. www.ifrs.org

and region (some public Costa Rican entities use different regions for information purposes).

6. Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

Currently there is a problem with IFRS and IFRS for Small and Medium-sized Entities (IFRS for SMEs) for accountants. It sounded great to have two different sets of standards, but it means accountants need to know both. So an economic transaction could be recorded differently if you use the IFRS or IFRS for SMEs. It has brought more confusion to the accountants and most crucial, to the decision makers.

The world's economies are moving to an accrual accounting. The G20 leaders want a single set of global accounting standards and they have requested that to IASB. IPSASB should not act differently.⁴

According to the IPSASB Strategy Consultation document, high-quality, robust and effective accrual-based financial reporting systems, such as those based on International Public Sector Accounting Standards (IPSASs), are integral to enhancing accountability and transparency in government financial reporting.

There is a contradiction with IPSASB's objective (accrual-based financial reporting systems) and Cash Basis IPSAS

7. Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

⁴ **The bumpy path towards global accounting standards.** Michel Prada, Chairman of the IFRS Foundation Trustees Frankfurt, 16 October 2013. Page 5. www.ifrs.org

We chose option number c, Withdraw the Cash Basis IPSAS from the IPSASB Handbook; this could be immediate or at some future date.

First, Cash Basis IPSAS is not based on accrual-based IPSASs.

Second, it not a part of the strategic objective of IPSASB.

Third, it does not belong to G20's mission to have a mission of a single set of global accounting standards.⁵

8. Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

First of all, we think that IPSAS are based on principles, not specific rules. Having said that, we think that some issues should be solved by guides prepared by IPSASB's staff. We think to issue a standard takes too long to be effective.

Also, we would rather have a partial, but quick solution to an issue than wait for a full standard to fulfill our needs.

Second, we do need a stability period. Even if the standards are not perfect and we think they will never be. IASB have developed new standards, but they are XXX

We think IPSASB should emphasize the IFRS as a supporting framework when there is not IPSAS related.

Third, IPSASB should forget the IFRS convergence project, because it is an unattainable goal. We think IPSASB should state that IFRS are supplementary to IPSAS

Fourth, we consider that most of IPSAS implementations issues are related to lack of guides. It would be important for the IPSASB to develop guides and examples of

⁵ **Strengthening institutional relationships.** Hans Hooverovost. IFRS Foundation World Standard-Setters Conference. September 23, 2013, London. Page 1. www.ifrs.org

IPSAS implementation. IPSASB should consider the IFRS implementation guides provided without a charge by some big auditing firms.

Our major points of concern are the following.

1. First time adoption

At least in Costa Rica, we need a detailed guide with examples and details. The Study 14 Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities is a great help. However, we need more guidance and specific examples

2. Consolidation

We consider a specific guide for public entities about the consolidation process.

3. Non exchange revenues

There is not detailed action in the standard related to Central Government transfers to public entities. We think this issue should be addressed by the IPSASB:

4. Pensions

Public pensions are a relevant issue in most economies. There should be stronger efforts to develop a more detailed standard related to this urgent matter.

Hans Hoogervost, president of IASB said:

“In most jurisdictions, the public accounting standards are set by public authorities. Whether these standards always lead to a complete picture of a country’s financial position is in doubt.

The most obvious shortcoming in public sector accounting is the treatment of pension liabilities. There are only a few countries—such as Australia and New Zealand—that fully consolidate public sector pension obligations in the public accounts. Tellingly, these countries have made great progress in making their pension systems realistic and sustainable.

Most countries around the world, however, keep their pension liabilities off balance sheet. Several studies have found these liabilities in many countries to be more than

twice as big as the official public debt. Full consolidation of these enormous amounts would make it immediately clear that these pension obligations cannot possibly be met without deep reform. As a former minister of finance I can assure you that the political incentives for keeping an inconvenient truth off the books are very strong indeed!

So, standard-setting in a politicised environment is very likely to lead to suboptimal results. The IPSASB Governance review group, chaired by the IMF and the OECD, recently noted ‘that national standard-setters for the public sector are often inherently conflicted by the fact that they are working under the auspices of ministries of finance that are subject to these standards’.”⁶

Our opinion regarding the potential project is summarized in the next tables:

⁶ **BUILDING TRUST IN FINANCIAL MARKETS.** Hans Hooverovost. Ken Spencer Memorial Lecture, Sydney, 10 April 2014. Page 6. www.ifrs.org

Table 1 Potential projects

Projects to Address Public Sector Specific Issues	Summary	Comments	Priority
Biological assets held for the provision or supply of services	IPSAS 27 deals with biological assets and agricultural produce for sale, including exchange and non-exchange transactions.	We think there is no need for a new Standard. We need IPSAS guide about this subject, specially about biological assets held by universities	Low
Heritage assets	IPSAS 17, Property, Plant and Equipment, nor IPSAS 31, Intangible Assets, define heritage assets or require recognition of heritage assets. If heritage assets are recognized by a public sector entity, the IPSASs require until completion of the Public Sector Conceptual Framework Project because of the potential implications the development of a definition of an asset may have on heritage assets. Applying disclosure requirements and allow but do not require applying the measurement requirements. The IPSASB decided to defer this project	We think there is not a need to measure heritage assets.	Low
Infrastructure assets	In the public sector, the infrastructure assets account for a large part of the total assets. Infrastructure assets are included in the scope of	We think a guide would be a great help. However, we do not think a new standard would be	Medium

Projects to Address Public Sector Specific Issues	Summary	Comments	Priority
	IPSAS 17, Property, Plant and Equipment.	needed.	
Intangible assets – public sector specific	Responses to the Consultation Paper, IPSASs and Government Finance Statistics (GFS) Reporting Guidelines, highlighted the view that differences remain between IPSASs and GFS with respect to the treatment of costs related to research and development (R&D). IPSAS 31, Intangible Assets, is based on IAS 38, Intangible Assets.	This is a thorny issue even for IASB. We think we should not address this issue due to its controversial status.	Low
Military assets	IPSAS 17, Property, Plant and Equipment, applies to specialist military equipment. Similar to infrastructure assets, these items or transactions usually involve large amounts for governments. The IPSASs and Government Finance Statistics (GFS) project identified that guidance for defense weapons on requirements with respect to capitalization, classification and measurement (for example, expense versus capitalize) would be helpful.	The military expense is the greatest expense in the world (even than drugs) and we think there should be some IPSAS guide about this issue.	High
Natural resources	In the public sector the point of recognition of natural resources differs between jurisdictions. There is often little idea of their value, despite their prominence. They are frequently granted	There is not IFRS related standard and this issue is controversial.	Low

Projects to Address Public Sector Specific Issues	Summary	Comments	Priority
	for use by third parties (gold and copper mines, sand extraction, oil exploitation, use of rivers and energy resource, use of waters). A project on natural resources would consider whether these are assets of governments and if so how they should be measured.		
Non-exchange expenses	This project would develop guidance and requirements for expenses incurred in non-exchange transactions. It would have a broader scope than the recently reactivated project on social benefits and respond to the characteristic that many public sector entities have a high volume of financially significant non exchange transactions.	We think a guide would be a great help. However, we do not think a new standard would be needed.	Medium
Role of government as owner rather than government	GBEs are currently required to apply IFRSs not IPSASs. IFRSs include IAS 20, Accounting for Government Grants and Disclosure of Government Assistance.	We think a guide would be a great help. However, we do not think a new standard would be needed.	Low
Sovereign powers and their impact on financial reporting	This potential project has been identified as a result of the Public Sector Conceptual Framework project. Governments are unique in that they have a number of sovereign powers, for example,	This is a thorny issue even for IASB. We think we should not address this issue due to its controversial status.	Low

Projects to Address Public Sector Specific Issues	Summary	Comments	Priority
	the power to issue permits, concessions and licenses or to impose taxation.		
Trust funds	Trust funds are frequently used in the public sector to draw funds from the financial administration and manage them more independently, or at least with greater flexibility from the budgetary aspects	This issue should be addressed by IPSAS consolidation standard.	Low

Table 2 Projects to Maintain Existing IPSASs

Projects to Maintain Existing IPSASs	Summary	Comments	Priority
Borrowing Costs IPSAS 5	IPSAS 5 is based on the December 2003 version of IAS 23. The IASB issued a revised version of IAS 23 in March 2007 which is now different from IPSAS 5. The main difference is that IAS 23 does not allow an option to immediately expense borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset.	We think we should adopt the amended IFRS	Medium
Construction Contracts IPSAS 11	Some stakeholders have proposed that this standard be adapted to provide guidance that is more public sector specific.	This current standard is clear. It is based on IFRS and this IFRS standard has not changed in a long time.	Low
Disclosure of Financial Information about the General Government Sector IPSAS 22	IPSAS 22 was issued in December 2006. Since then there have been significant developments, including revisions to the GFS related pronouncements referred to in IPSAS 22.	We think the accounting information should be the same and related Government information issues should not be addressed.	
Employee Benefits IPSAS 25	Pension fund liabilities are prominent in the public sector. IAS 19, Employee Benefits, has been revised, and some stakeholders have proposed that a revision of IPSAS 25 is therefore	We should IPSASB should address the problem with public pensions	High

Projects to Maintain Existing IPSASs	Summary	Comments	Priority
	needed. Any differences between IAS 19 and IPSAS 25 should be a result of public sector specific reasons.		
Improvements to IPSAS 23 Non-Exchange Revenues	The IPSASB considered this project in March 2011 and decided to defer this project until completion of the Public Sector Conceptual Framework project because of the potential implications the development of a definition of revenues may have.	We should IPSASB should give more detail about Central Government transfers	High
Leases IPSAS 13	The objective of the project would be to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying IFRS. The project would result in a new IPSAS that would replace IPSAS 13.	We should wait until the new IFRS is approved.	Low
Presentation of Financial Statements IPSAS 1	IPSAS 1 is based on the December 2003 version of IAS 1. The IASB issued a revised version of IAS 1 in September 2007 which includes the notion of comprehensive income. The IPSASB has not considered this notion.	IASB does not have clear other comprehensive income. We think IPSASB should expect IASB new standard. Hans oogervost, president of IASB said: "The distinction between net income and OCI, however, lacks a well-defined	Low

Projects to Maintain Existing IPSASs	Summary	Comments	Priority
		foundation. While the P&L is the traditional performance indicator on which many remuneration and dividend schemes are based, the meaning of OCI is unclear. It started as a vehicle to keep certain effects of foreign currency translation outside net income and gradually developed into a parking space for ‘unwanted’ fluctuations in the balance sheet. There is a vague notion that OCI serves for recording unrealised gains or losses, but a clear definition of its purpose and meaning is lacking” ⁷	

⁷ **The imprecise world of accounting.** Hans Hooverst, International Association for Accounting Education & Research (IAAER) conference, June 20, 2012. Page 2. www.ifrs.org

Projects to Maintain Existing IPSASs	Summary	Comments	Priority
Related Party Transactions IPSAS 20	In 2009 the IASB issued a revised IAS 24 to simplify the definition of “related party” and to provide a partial exemption from the disclosure requirements for some government related entities. The structure and substance of IPSAS 20 differs significantly from IAS 24.	We think there should be an amendment according to the ISA 550 Related parties. The ISA 550 definitions, paragraph 10, states that "However, entities that are under common control by a state (that is, a national, regional or local government) are not considered related unless they engage in significant transactions or share resources to a significant extent with one another." This is the major IPSAS amendment that we suggest.	Medium
Revenue IPSAS 9	The objective of the project would be to develop revised requirements for revenue from exchange transactions in order to maintain alignment with the underlying IFRS. The project would result in a new IPSAS that would replace IPSAS 9 and IPSAS 11.	This current standard is clear. It is based on IFRS and this IFRS standard has not changed in a long time.	Low
Segment Reporting IPSAS 18	Concerns have been raised about the usefulness of the reporting requirements in IPSAS 18 and	This current standard is clear. It is based on IFRS and this IFRS standard has not changed in a	Low

Projects to Maintain Existing IPSASs	Summary	Comments	Priority
	whether these should be amended.	long time.	

Table 3 Projects to converge

Projects to converge	Summary	Comments	Priority
Extractive Industries (IFRS 6 interim standard but no comparable IPSAS)	The IASB developed IFRS 6 as an interim standard until it develops a comprehensive standard for exploration for and evaluation of mineral resources. Extractive industries are the exploration for and discovery of minerals, oil and natural gas deposits, developing those deposits and extracting the minerals, oil and natural gas	Due to IPSASB limited resources according to the document, these projects should be postponed.	Low
Insurance Contracts (IFRS 4 interim standard but no comparable IPSAS)	The IASB developed IFRS 4 as an interim standard that allows insurers to continue using various existing accounting practices that have developed in a piecemeal fashion over many years.	Due to IPSASB limited resources according to the document, these projects should be postponed.	Low
Non-current Assets Held for Sale and Discontinued Operations (IFRS 5 but no comparable IPSAS)	IFRS 5 was issued in 2004 to replace IAS 35, Discontinuing Operations. IFRS 5 sets out requirements for measurement and presentation on non-current assets held for sale.	Due to IPSASB limited resources according to the document, these projects should be postponed.	Low
Rate Regulated Industries	Rate regulation is the setting of prices that can be charged to customers for services or products through regulations. Generally, it is imposed by regulatory bodies or governments when an entity has a monopoly or dominant market position that gives it significant market power.	Due to IPSASB limited resources according to the document, these projects should be postponed.	Low

Table 4 Other Projects

Other Projects	Summary	Comments	Priority
Differential Reporting	The IASB issued a standard on small and medium enterprises in 2009 with the objective of developing an IFRS to meet the financial reporting needs of entities that (a) do not have public accountability and (b) publish general purpose financial statements for external users.	There are no financial resources to manage this project. We think we should emphasize the most important issues.	Low
Integrated Reporting	<IR> is a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation.	There are no financial resources to manage this project. We think we should emphasize the most important issues.	Low
Interim Financial Reporting	A project on interim financial reporting would provide guidance on what should be included in interim reports.	There are no financial resources to manage this project. We think we should emphasize the most important issues.	Low

12 August 2014

Stephenie Fox
Technical Director
International Public Sector Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Via email: stepheniefox@ifac.org

Dear Stephenie

SAICA SUBMISSION ON THE IPSASB STRATEGY CONSULTATION

Please find enclosed our comment on the *IPSASB Strategy Consultation* (“Strategy”) containing the staff views of the South African Institute of Chartered Accountants (SAICA).

Thank you for the opportunity and please contact us should you require further information.

Yours sincerely,

Gerhardus Burger

Project Director: Public Sector and Assurance

CC: Muneer Hassan (SAICA Senior Executive: Standards)

Nazeer Essop (Chairman: SAICA Public Sector Committee)

SAICA submission on the IPSASB Strategy Consultation

ANNEXURE

RESPONSES TO QUESTIONS FOR RESPONDENTS

1. *Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?*

Response:

We believe that poor public finance management may have dramatic adverse economic consequences. We also believe that public finance management may be strengthened globally by the improved ability of public sector entities to reflect the full economic reality of their finances, and among other things, by users' improved ability to understand those to make appropriate decisions.

We support the notion that the adoption of accrual-based IPSASs will improve the ability of public sector entities to reflect the full economic reality of their finances and provide meaningful reporting to users in the public sector, and hence may strengthen public finance management to create or maintain economic stability, as it may improve the ability of users to make appropriate decisions – but only because public entities provide users with sound information.

These beliefs, as cited in the Strategy, may be summarised as follows:

Hypothesis 1	Economic stability is improved by good public finance management
Hypothesis 2	Public finance management is strengthened by quality financial reporting (public sector entities reflecting the full economic reality of finances in order to make appropriate decisions)
Hypothesis 3	The adoption of quality accrual-based standards improves the ability of public sector entities to reflect the full economic reality of finances
Strategic objective	Strengthening public finance management and knowledge globally through increasing adoption of accrual-based IPSASs

We therefore agree with the view that public financial management may be strengthened globally by the adoption of accrual-based IPSASs, and it can be achieved by developing high-quality financial reporting standards that are actually adopted and applied. We also note that:

- The IPSASB's views on sustainable public finance management as stipulated in the Strategy supports IFAC's vision, i.e. that the global accountancy profession be recognised as a valued leader in the development of strong and sustainable organisations, financial markets and economies, and
- The IPSASB's strategic objective of strengthening public financial management is in keeping with IFAC's mission, specifically by:
 - Contributing to the development of high-quality standards and guidance, and
 - Facilitating the adoption and implementation of high-quality standards and guidance.

We support of IFAC's vision and mission, and are also in support of the IPSASB's strategic objective. However, we want to make note that the strength of public finance management and knowledge does not depend solely on the adoption of high-quality accrual-based IPSASs. It may be one of the influences which indirectly strengthen public finance management, but there are other factors beyond the IPSASB's terms of reference that may also play a role.

This is because the IPSASB's objective in its terms of reference is very specific in its scope within the context of strengthening public finance management:

SAICA submission on the IPSASB Strategy Consultation

The IPSASB's objective 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.

We understand that the IPSASB plays a very specific part in strengthening public finance management (within its terms of reference). We wish to see it clarified a bit more in the strategic objective in the Strategy, because the holistic content in the strategic objective may confuse a "cold reader".

The strategic objective as indicated in the Strategy appears to resemble more of a general vision or mission statement than a focused, five year, measurable strategic objective. So in our opinion, under the IPSASB's overall objective of serving "the public interest by developing high-quality accounting standards and other publications", the strategic objective can be focused on the adoption of accrual-based IPSAS over the next few years.

We have made a suggestion in our response to question 2 below.

2. *Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?*

Response:

We agree in principle that the two salient outcomes listed in the Strategy support the strategic objective. However, both outcomes of "improved ability of public sector entities to reflect the full economic reality of their finances" and "increased awareness of IPSASs and their public finance management benefits" are onerous to measure, with no or little risk of failure. For instance, only one speech, presentation or outreach activity (outputs) may have the effect of increasing awareness (outcome).

(The "improved ability of stakeholders to understand" is not only onerous to measure but also partly beyond the IPSASB's control, except for producing standards that are clear and understandable to a wide range of preparers and users, which supports sound financial reporting by entities.)

We want to highlight that the definitive adoption of IPSASs is measurable, which seems to be a conduit of the strategic objective. We are mindful that the risk of failure to achieve the measurable objective (i.e. a definite adoption of accrual-base IPSASs) is much greater than the two qualitative supporting outcomes, as there may be many factors beyond the IPSASB's control or mandate which may frustrate the adoption of IPSASs. There are even more factors beyond the IPSASB's control and terms of reference which may weaken public finance management, making the core of the strategic objective also uncontrollable – its ambit is much wider than the adoption of IPSASs.

It appears that the two outputs are measurable, the "conduit" part of the strategic objective that deals with the definitive adoption of IPSASs is measurable, but the outcomes linking the outputs and the strategic objective are not really measurable. Also, the "core" part of the strategic objective dealing with strengthening public sector finance management appears not to be measurable either.

Therefore, though the outcomes support the strategic objective's "conduit" (the adoption of IPSASs) in a way, the outcomes are not measurable, the "core" of the strategic objective (strengthening public finance management) is not measurable either, and beyond the IPSASB's control and role.

SAICA submission on the IPSASB Strategy Consultation

We suggest thus that the following proposed changes be considered:

- The IPSASB's ethos is that economic stability should be sustained.
- The IPSASB's vision is to strengthen public sector finance management (it supports our belief on economic stability).
- Mission: Improving public sector financial reporting. It supports our vision of strengthening public finance management globally. However, the specific role the IPSASB plays is improving the quality of financial reporting, in other words its mission. More specifically, the IPSASB's mission is regarding standard-setting (refer to the IPSASB terms of reference).
- Strategic objective for 2015—2019: Increasing the adoption of accrual-based IPSASs.
- The outcome that will enable us to assess whether we have met our strategic objective is the adoption of accrual-based IPSASs by X countries within the next five years.
- Outputs that will effectively result in the above outcome:
 - Issuance of X high quality standards
 - Y outreach activities and Z communications
 - X implementation projects with stakeholders/donors/partnerships
 - ?
- Projects supporting the outputs:
 - Issuance of X high quality standards:
 - Natural resources,
 - Borrowing costs, etc.
 - Outreach activities:
 - List projects...
 - Implementation projects
 - Country A, with funding by donor B, or in partnership with...
- Implementation project 1:
 - List milestones, project plan...

Finally, note that our understanding of “developing other publications for the public sector” is that it refers in general to publications that would support the strategic objective, but it refers more specifically to RPGs accompanying IPSASs. Those other publications are therefore still within the scope of the strategic objective and within the mandate of the IPSASB.

3. *Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?*

Response:

Output #1

Output	Outcome	Strategic objective
High-quality public sector financial reporting standards and other publications (IPSASs & RPGs)	Improved ability of public sector entities to reflect the full economic reality of their finances as well as of stakeholders to understand	Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSASs

We believe that the above output will assist in achieving the above outcome. However, we want to make note that the output only supports the outcome if it is placed within context of the strategic objective. Without the output being in keeping with the strategic objective, it will not achieve the outcome.

SAICA submission on the IPSASB Strategy Consultation

This is because high-quality standards that support their adoption are not necessarily exceedingly technically complex. They rather provide succinct and clear guidance on financial reporting issues which are relevant to public finance management. Such standards will be increasingly adopted because the benefits thereof outweigh the cost by far.

This is why the key factors in deciding whether to initiate a project should always be considered with the strategic objective in mind. We propose no specific changes to this output, with the understanding that the output will always be considered with due regard to the strategic objective, which is the adoption of accrual-based IPSASs in order to strengthen public finance management.

Output #2

Output	Outcome	Strategic objective
Presentations, speeches and other outreach activities in order to engage with stakeholders	Increased awareness of IPSASs and their public finance management benefits in order to influence their adoption	Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSASs

We believe that this output will assist in achieving the related outcome and consequently may have a positive effect on the strategic objective. We propose no changes, but are of the view that longer term, focused projects could be more efficient than once-off presentations and speeches (see our response to question 4 below). Yet, presentations and speeches should not be neglected.

4. What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

Response:

Views of new stakeholders and possible stakeholders

It could be worthwhile to explore implementation projects, for instance partnering with stakeholders who can provide resources for transition to IPSASs projects, e.g. in certain developing countries. It may promote the global adoption of accrual-based IPSASs if these projects are tracked or some feedback is provided on implementation experiences. Such projects may be very similar to the IPSASB's "A Closer Look At:" series that examines the challenges and benefits of governments adopting IPSASs and accrual accounting.

The resources could possibly be shared between the IPSASB and the affected stakeholders on such focused projects, or ring-fenced funding may possibly be provided by affected stakeholders for those country-specific projects. Medium to long-term successes can be shared with potential adopters of accrual-based IPSASs, and the perceived barriers of adoption can be addressed by case studies.

Views of existing stakeholders

Given the limited resources of the IPSASB, we are of the view that the current feedback mechanisms are appropriate. As South Africa is represented, and because SAICA comments on exposure drafts, we believe that the current feedback mechanisms are also sufficient.

Should the IPSASB be of the view that feedback mechanisms may be improved, we can suggest member countries share post-implementation review feedback with the IPSASB. Such projects can be managed in collaboration with member countries who wish to participate.

SAICA submission on the IPSASB Strategy Consultation

5. Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

Response:

We agree in principle, but suggest minor variations to consider.

Key factor #1: Significance for the public sector

An issue may be deemed significant due many reasons. A large number of enquiries on a particular issue do not necessarily mean that the issue has a significant impact on financial statements. We believe that the impact on financial reporting or on user decision-making in the public sector is more relevant. When accounting issues materially impact the decisions of users of financial reports, they consequently have an adverse effect on public finance management.

The problem with this suggested amendment (impact on financial reporting instead of significance in the public sector) is that it is more difficult to assess the impact of an issue on user decision-making. It requires some more research, which means initiating the project and committing resources. In our response below to question 8, we have used a mix of the two ideas, but often found it difficult to provide a view on the impact of issues on financial reporting in the public sector.

We suggest then that this key factor be kept as is, but when projects are initiated, the impact on financial reporting in the public sector should be kept in mind as a project develops in order to continuously assess its priority. This key factor (of significance) may thus be used to decide whether to initiate a project, but when deciding to re-prioritise or continue with a project, one may also consider the actual impact of the issue on public sector financial reporting.

We also believe that the one aspect of this key factor as stated in the Strategy, “likely for which there is no equivalent private sector issue” actually plays a role in key factor #4, “IFRS convergence”. If there is no similar issue in the private sector, IFRS convergence is not likely. Whether there is a similar private sector issue or not, it should not make a difference to whether it is an issue in the public sector.

Key factor #2: Urgency of the issue

This key factor deals specifically with the timing. We support the notion that key factors #1 and #2 are separated. In our response to question 8, we realised that the link between the two key factors (#1 and #2) is that if an issue is not significant to us, then it is difficult to gauge its urgency. We propose no changes, but want to highlight that the two key factors should not be confused.

Key factors #3-5: Gaps in standards, IFRS convergence and alignment with GFS

We propose no changes, but we suggest that these key factors carry a secondary weighting to key factors #1 and #2. The rationale behind this is that we believe when an issue:

- Has a high significance for the public sector (or material impact on public sector financial reporting), and
- Is urgent,

And is consequently addressed, then such action generally supports the global adoption of accrual-based IPSASs.

“Gaps in standards” are usually implied by the issue being significant in the public sector (key factor #1), and having an impact on financial reporting. If there is no gap in standards, then there is not supposed to be a significant standards issue.

Similar to our problem with key factor #1, it could take up some resources to identify exactly what the gap and its magnitude is, and whether the issue is a standards issue or not. If a gap is already

SAICA submission on the IPSASB Strategy Consultation

identified before initiating a project, it should serve as a bonus factor when assessing the need for a project.

The other key factors:

- IFRS convergence, and
- Alignment with GFS,

Does not necessarily enhance the global adoption of accrual-based IPSASs (unless if their absence were perhaps identified by the IPSASB as significant barriers of adoption). Therefore these two factors should also serve as bonus factors only.

An additional key factor that may to be considered: Development

Another key factor which may be considered is the potential development of an issue. This key factor may be seen as the “growth” of an issue. The sovereign debt crisis was not urgent very long before it had occurred and the significance was not prevalent globally until shortly before it hit. However, the signs may have been there long before. Had the development of the issue been considered, it could have accelerated work on IPSASs 28-30 even at an earlier stage.

This additional key factor is to pre-empt future horizon changes in the priority of projects.

6. *Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?*

Response:

We believe that the Cash Basis IPSAS is:

- A valuable resource in strengthening public finance management and knowledge globally, and
- Is possibly a valuable resource by increasing the adoption of accrual-based IPSASs,

Provided that the preference for the adoption of accrual based public sector financial reporting standards are advocated.

Strengthening public finance management and knowledge globally (without necessarily increasing the adoption of accrual-based IPSASs)

The Cash Basis IPSAS has sufficient qualitative characteristics to being suitable criteria required for reasonably consistent measurement or evaluation of an underlying subject matter. The Cash Basis IPSAS therefore allows cash basis financial statements to be audited or reviewed, where without any suitable criteria it is not possible. Therefore, the Cash Basis IPSAS supports the general part of the strategic objective of “strengthening public finance management” because it is suitable criteria which allows assurance to be placed on financial statements.

Strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs

As long as the adoption of accrual based public sector accounting standards are encouraged, we do not see the existence of the Cash Basis IPSAS as a threat against the adoption of accrual based public sector accounting standards.

However, less emphasis could be placed on, and resources spent on, improvements to the Cash Basis IPSAS than on accrual-based IPSASs, unless the improvements encourages the eventual adoption of accrual based IPSASs more than other projects. The situation should be continuously monitored whether the Cash Basis IPSAS serves as a stepping stone facilitator to the eventual adoption of accrual based IPSASs or whether it rather delays the adoption thereof.

SAICA submission on the IPSASB Strategy Consultation

7. *Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.*

Response:

Not (c)

We do not have enough information to provide a definite view, but we are weary to withdraw the Cash Basis IPSAS from the IPSASB Handbook (option (c)). This is because certain spheres of government in South Africa apply a modified cash basis, and the Cash Basis IPSAS is certainly a helpful benchmark to have at hand.

As mentioned above, should there be jurisdictions that apply the Cash Basis IPSAS either because:

- It is helpful as suitable criteria for assurance purposes, or
- It is a step towards accrual based standards,

Then the Cash Basis IPSAS does support the strengthening of public finance management in general. If the Cash Basis IPSAS is not used or considered by anyone, then there is no harm in keeping it either. If there are jurisdictions that apply the Cash Basis IPSAS, but do not consider the adoption of accrual-based IPSASs or any equivalent, then withdrawing the Cash Basis IPSAS is not necessarily going to encourage the adoption of accrual-based IPSASs or any equivalent.

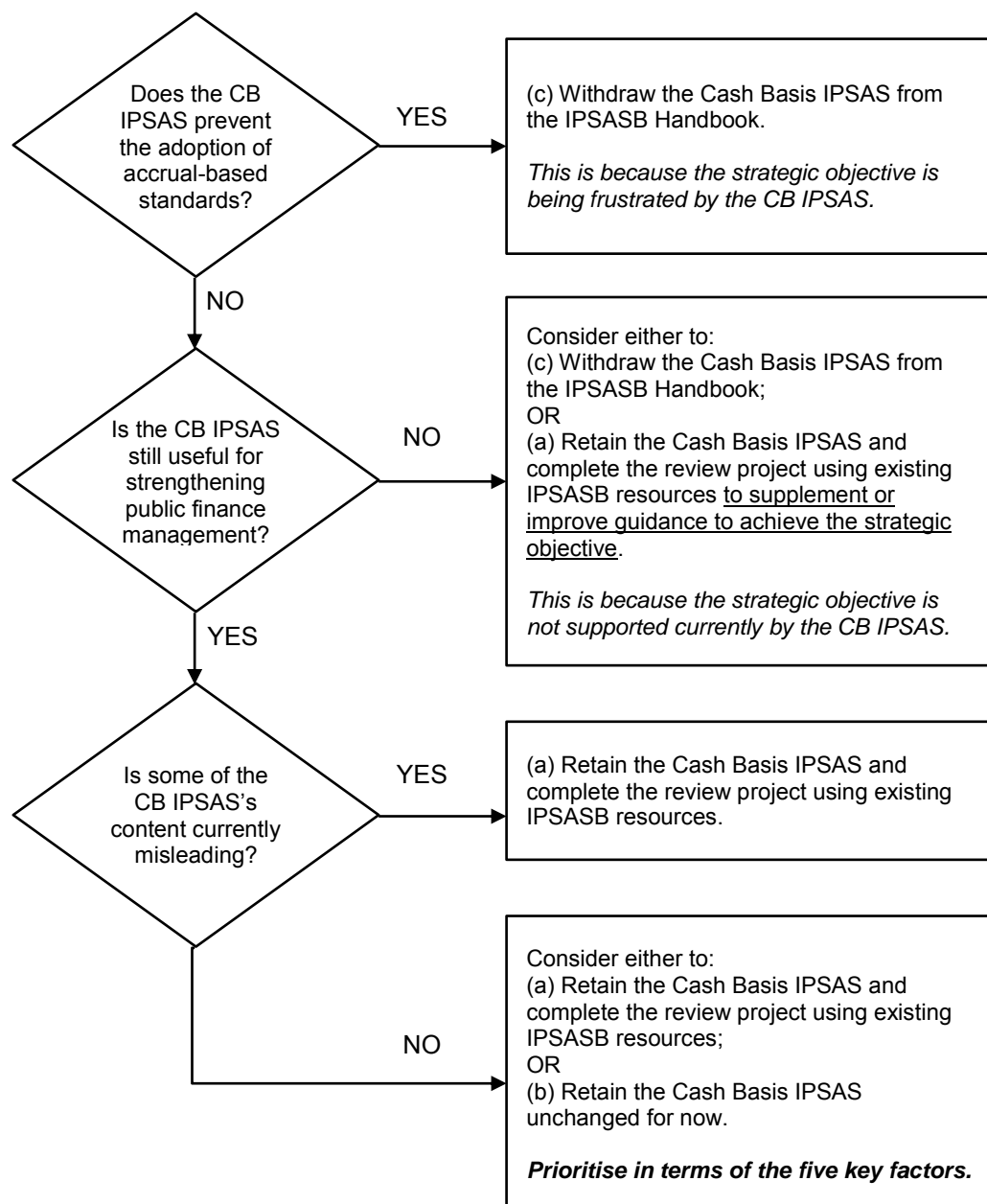
Contrary to simply withdrawing the Cash Basis IPSAS, additional guidance or publications may solve the problem by bridging the accrual basis adoption gap. The barriers of adoption may otherwise be beyond the IPSASB's control, in which case the Cash Basis IPSAS meanwhile supports the strengthening of public finance management in general by providing suitable criteria.

Either (a) or (b)

The decision whether to complete the review project depends on available and required resources. Required resources may depend on how relevant the research material still is. It appears that the research was concluded in 2010, which is four years ago already. However, the results of Task Force report may still be relevant as the facts and circumstances pertaining to the report may have remained materially unchanged, and therefore it may not take up considerable resources to complete the project.

We suggest that this project be evaluated against the five key factors as discussed in question 5 above. Another way of reasoning in making this decision may be illustrated as follows:

SAICA submission on the IPSASB Strategy Consultation



SAICA submission on the IPSASB Strategy Consultation

8. *Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.*

Response:

We believe the potential projects should be prioritised in the following order:

COMBINED SCORES	
PROJECT	PRIORITY SCORE
Infrastructure Assets	+10
Natural Resources	+9
Biological Assets Held for the Provision or Supply of Services	+8
Measurement – Public Sector Specific	+8
Related Party Transactions IPSAS 20	+7
Non-exchange Expenses	+6
Improvements to IPSAS 23 Non-exchange Revenues	+6
Revenue IPSAS 9	+6
Segment Reporting IPSAS 18	+6
Presentation of Financial Statements IPSAS 1	+5
Heritage Assets	+4
Construction Contracts IPSAS 11	+4
Role of Government as Owner rather than Government	+3
Trust Funds	+3
Extractive Industries	+3
Leases IPSAS 13	+2
Non-current Assets Held for Sale and Discontinued Operations (IFRS 5 but no comparable IPSAS)	+2
Borrowing Costs IPSAS 5	+1
Integrated Reporting <IR>	+1
Intangible Assets – Public Sector Specific	0
Military Assets	0
Sovereign Powers and their Impact on Financial Reporting	0
Differential Reporting	0
Rate Regulated	-1
Interim Financial Reporting	-1
Insurance Contracts (IFRS 4 Interim Standard But No Comparable IPSAS)	-2
Disclosure of Financial Information about the General Government Sector IPSAS 22	-3

SAICA submission on the IPSASB Strategy Consultation

PROJECTS TO ADDRESS PUBLIC SECTOR SPECIFIC ISSUES	
PROJECT	PRIORITY SCORE
Infrastructure Assets	+10
Natural Resources	+9
Biological Assets Held for the Provision or Supply of Services	+8
Measurement – Public Sector Specific	+8
Non-exchange Expenses	+6
Heritage Assets	+4
Role of Government as Owner rather than Government	+3
Trust Funds	+3
Intangible Assets – Public Sector Specific	0
Military Assets	0
Sovereign Powers and their Impact on Financial Reporting	0

PROJECTS TO MAINTAIN EXISTING IPSASs	
PROJECT	PRIORITY SCORE
Related Party Transactions IPSAS 20	+7
Improvements to IPSAS 23 Non-exchange Revenues	+6
Revenue IPSAS 9	+6
Segment Reporting IPSAS 18	+6
Presentation of Financial Statements IPSAS 1	+5
Construction Contracts IPSAS 11	+4
Leases IPSAS 13	+2
Borrowing Costs IPSAS 5	+1
Disclosure of Financial Information about the General Government Sector IPSAS 22	-3

PROJECTS TO CONVERGE WITH IFRSs	
PROJECT	PRIORITY SCORE
Extractive Industries	+3
Non-current Assets Held for Sale and Discontinued Operations (IFRS 5 but no comparable IPSAS)	+2
Rate Regulated	-1
Insurance Contracts (IFRS 4 Interim Standard But No Comparable IPSAS)	-2

SAICA submission on the IPSASB Strategy Consultation

OTHER PROJECTS	
PROJECT	PRIORITY SCORE
Integrated Reporting <IR>	+1
Differential Reporting	0
Interim Financial Reporting	-1

Our methodology

In our response above to question 5, we agree (with minor amendments) with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority. So we followed the methodology we support. We considered the five key factors, as amended in our response to question 5 above, and also added the factor of “Development”, which considers the possible growth of an issue’s significance or impact. Furthermore, we have added double weighting to the key factors “Significance in the public sector / impact on financial reporting”, and “Urgency”.

We treated “Gaps in standards”, “IFRS convergence”, and “Alignment with GFS” as “bonus” factors, and have also considered two additional factors, “Development” and “Constraints” (as required in this question) both carrying a lower weighting as well.

The method of scoring was therefore as follows:

Key Factors and Constraints	Positive	No influence	Negative
<i>Primary key factors</i>			
Significance in the public sector / impact on financial reporting	+2 points	0 points	-2 points
Urgency	+2 points	0 points	-2 points
<i>Secondary key factors</i>			
Gaps in standards	+1 bonus	-	-
IFRS convergence	+1 bonus	-	-
Alignment with GFS	+1 bonus	-	-
<i>Development and constraints</i>			
Development	+1 point	0 points	-1 point
Constraints	+1 point	0 points	-1 point

Following are our detailed considerations.

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
Projects to Address Public Sector Specific Issues		
<i>Biological Assets Held for the Provision or Supply of Services</i>		<i>Total: +8</i>
Significance in the public sector / impact on financial reporting	<p>In South Africa, biological assets held for the provision or supply of services is a significant accounting issue. We have a very high prevalence of biological assets in the public sector, their impact on public sector financial reporting depends on whether:</p> <ul style="list-style-type: none"> • <u>Public sector entities which hold biological assets apply accrual-based Standards of Generally Recognised Accounting Practice (GRAP)</u>, which is based on IPSASs. For instance, the South African Police Service makes use of biological assets (police dogs) but do not apply accrual-based Standards of GRAP. The guidance however, may encourage the adoption of accrual-based standards. Other entities like municipalities and nature reserves hold significant values of biological assets and also apply accrual-based standards. • <u>Whether the items would be material or significant</u>. It appears that certain biological assets like police dogs and street trees are less material to users' decision-making. However, environmental biological assets like plants and animals in nature reserves are significant in value but appear not to be under the reporting entities' control, and therefore do not meet the definition of an asset. There are exceptions like zoos where the biological assets are under the entity's control and their values are material, even significant, to the reporting entity. <p>Keeping in mind the strategic objective of encouraging the adoption of accrual-based standards, one has to respond also to the needs of both preparers and users. Many preparers in South Africa had been raising this issue for quite a while as they were uncertain about the accounting treatment, sometimes because there were different views between auditors and preparers. Members of our parliament also raised this issue during a recent briefing by the Accounting Standards Board (ASB) on its role and mandate. This project could give effect to changes in current accounting treatment and may diminish current divergent views, by providing significant guidance in the public sector.</p> <p>It is our view that this matter is significant in the public sector in South Africa.</p>	+2
Urgency	Although this issue had been on the local agenda for many years, Discussion Paper 10, <i>Accounting for Living and Non-living Resources</i> was issued recently, so it would be very constructive for South Africa if this project is dealt with urgently.	+2

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
Gaps in standards	Many aspects of this project are not addressed in current standards, e.g.: <ul style="list-style-type: none"> • Delineating control, • Subsequent measurement, and • Units of measure. 	+1
IFRS convergence	<p>The IASB recently issued amendments to IAS 16 and IAS 41 which change the financial reporting for bearer plants (e.g. grape vines). Prior to these amendments, IAS 41 <i>Agriculture</i> required all biological assets related to agricultural activity to be measured at fair value less costs to sell, because their biological transformation during their lifespan is best reflected by fair value measurement. However, bearer plants are used to grow produce over several periods. Once a bearer plant is mature, it is biologically transformed and starts bearing produce, which is the only significant future economic benefit it generates.</p> <p>This IASB project is not entirely the same because it deals with biological assets in agriculture while the public sector issue is regarding biological assets held for the provision of services; however, IFRS stakeholders are also re-thinking the subsequent measurement of biological assets.</p>	+1
Alignment with GFS	Biological assets held for the provision or supply of services are not economic events, and probably do not have significant economic impact. However, this project will not affect GFS alignment negatively.	0
Development	This issue could develop significantly due to various factors, e.g. climate change. Reporting trends indicate development in this area.	+1
Constraints	There is very little literature available on this issue.	-1
	The ASB in South Africa issued a discussion paper on this which may be useful.	+1
	The project can be combined with the proposed Natural Resources project.	+1
<i>Heritage Assets</i>		<i>Total: +4</i>
Significance in the public sector / impact on financial reporting	In South Africa, a heritage assets standard had already been issued. It therefore had been deliberated and it was decided by the ASB board that this issue was significant for South Africa. We agree with the ASB board.	+2

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
Urgency	This issue had been dealt with locally already (the ASB issued GRAP 103, <i>Heritage Assets</i> in July 2008, effective April 2012) and it would be supportive to us if this project is also dealt with on IPSASB level as soon as possible.	+2
Gaps in standards	We believe that there is a gap (in IPSASs). Refer to the basis of conclusions in GRAP 103, <i>Heritage Assets</i> that can be downloaded from the ASB's website: http://download.asb.co.za/download/GRAP%20103%20Heritage%20Assets%20(July%202008)%20-%20Original.pdf .	+1
IFRS convergence	There is no IFRS convergence on this project that we are aware of. Heritage assets are public sector specific and a departure from IFRS.	0
Alignment with GFS	This project does not lend itself to GFS alignment.	0
Development	We are of the view that there is not a great chance that this issue will develop significantly.	-1
Constraints	There is very little literature available on this issue. The IPSASB may leverage off the standard published by the ASB in South Africa.	-1 +1
<i>Infrastructure Assets</i>		<i>Total: +10</i>
Significance in the public sector / impact on financial reporting	In South Africa, there have been a number of enquiries raised regarding infrastructure assets. The ASB in South Africa issued a separate FAQ guide, <i>Accounting for Infrastructure Assets - Facts and Fiction</i> which is available on: http://www.asb.co.za/index.php?option=com_content&view=article&id=80&Itemid=109 Infrastructure assets usually carry high values and therefore its accounting treatment may consequently have significant impact on public sector financial reporting.	+2
Urgency	The ASB already had to address uncertainties with a local publication. Moreover, the ASB's recent post-implementation review highlighted the issue. It would therefore be beneficial to South Africa if this is dealt with sooner.	+2
Gaps in standards	Infrastructure assets are dealt with to a very large extent in IPSAS 17. Some questions about infrastructure assets are contained in the abovementioned guide. Though some of the underlying issues might be a matter of training or competence, many of the issues or questions do indicate a standards-issue because IPSAS 17 does not provide sufficient guidance. We are therefore of the view that there are some gaps in existing standards.	+1
IFRS convergence	On certain aspects (e.g. componentisation) there is a possibility of IFRS convergence.	+1

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
Alignment with GFS	We believe this project may impact GFS alignment.	+1
Development	Our view is that this issue's significance and impact may develop, and may not be solved without guidance.	+1
Constraints	The project deals with only certain aspects of financial reporting of a certain type of property, plant and equipment.	+1
	The ASB in South Africa issued FAQ guidance on this topic already which the IPSASB may leverage off from.	+1
<i>Intangible Assets – Public Sector Specific</i>		<i>Total: 0</i>
Significance in the public sector / impact on financial reporting	This issue is not prevalent in South Africa and we are not aware that this issue significantly impacts users' (of public sector financial statements) decisions globally.	-2
Urgency	This issue appears to be recent according to recent responses to the Consultation Paper, <i>IPSASs and Government Finance Statistics (GFS) Reporting Guidelines</i> , stating that differences remain between IPSASs and GFS. Though this view had been reported recently, it does not necessarily indicate urgency. It indicates that it was recently discovered that there is room for GFS alignment. We do not have enough information to gauge its urgency as it is not an issue which we are extremely familiar with.	0
Gaps in standards	This issue appears to be an enquiry on a singular issue, which may indicate a different accounting treatment in the public sector. We are not aware of a specific gap in current standards.	0
IFRS convergence	This project does not seem to lend itself to IFRS convergence, because it appears to be public sector specific.	0
Alignment with GFS	This issue is related to GFS alignment.	+1
Development	There are no that indications that this issue is becoming more or less prevalent.	0
Constraints	The project deals with a single aspect of an area that is already covered by IPSAS 31. It could be combined with the "Role of Government as Owner" and/or "Sovereign Powers and their Impact on Financial Reporting" projects.	+1
<i>Measurement – Public Sector Specific</i>		<i>Total: +8</i>
Significance in the	Our view is that the Conceptual Framework has a significant impact on public sector financial reporting, including the	+2

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
public sector / impact on financial reporting	concept of measurement. Consequential alignment to the Conceptual Framework could also enhance the clarity of standards and consequently encourage the adoption of accrual-based IPSASs.	
Urgency	The Conceptual Framework project is due for completion very soon and therefore consequential amendments may be needed urgently.	+2
Gaps in standards	There is an indication of a gap in standards due to possible Conceptual Framework alignment.	+1
IFRS convergence	This project appears to be public sector specific, but there might be future convergence coming out this project with regard to certain aspects like the application of replacement cost, or various valuation approaches, or convergence in IFRS 13.	+1
Alignment with GFS	We believe that this project is a good opportunity to deliberate alignment with GFS, considering current market price measurement in GFS and fair value, historic cost and other bases in IPSASs.	+1
Development	This issue could develop significantly because of future possible differences between standards and the Conceptual Framework, which may become both a reputational risk and an adoption barrier.	+1
Constraints	We are not aware of any constraint factors which influence this project's priority.	0
<i>Military Assets</i>		<i>Total: 0</i>
Significance in the public sector / impact on financial reporting	SAICA have not received any enquiries pertaining to the accounting treatment of military assets. The ASB's published FAQs do not contain any specific enquiries thereof either. This is probably because the South African Department of Defence does not apply accrual-based Standards of GRAP, but a modified cash basis. We cannot speculate whether addressing this issue globally will encourage the adoption of accrual-based IPSASs, and are therefore unable to gauge whether this issue has significance to the public sector globally, and more specifically, will have an impact on public sector financial reporting, user decision-making and public finance management - globally. So for South Africa, it appears that this issue is less significant.	-2
Urgency	We are unable to comment on urgency with the information we have.	0
Gaps in standards	The Strategy states that, "Specialized military equipment is currently included in the scope of IPSAS 17. <u>One of the key</u>	0

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
	<p><u>aspects of the project would be to consider whether this is appropriate</u> or whether applying IPSAS 12, Inventories, would be more appropriate" (own emphasis added).</p> <p>This statement indicates to us that no gap in standards had yet been identified.</p>	
IFRS convergence	We are not aware of any possible IFRS convergence on this project.	0
Alignment with GFS	The Strategy mentions the IPSASs and Government Finance Statistics (GFS) project identified that guidance for defence weapons on requirements with respect to capitalisation, classification and measurement would be helpful. We accept this.	+1
Development	We are unable to comment with the information we have.	0
Constraints	This project is very limited in terms of its scope and affected stakeholders. For these reasons, it will probably be less resource intensive.	+1
<i>Natural Resources</i>		<i>Total: +9</i>
Significance in the public sector / impact on financial reporting	<p>In South Africa, natural resources could have a significant impact on financial reporting. We have a very high prevalence of natural resources, but their impact on public sector financial reporting depends on whether:</p> <ul style="list-style-type: none"> • <u>Public sector entities which "hold" or "control" natural resources apply accrual-based Standards of GRAP.</u> For example, both the Department of Energy and Department of Mineral Resources that typically issues mining and energy licenses, and the Department of Public Works that owns ample rural land, do not apply accrual-based Standards of GRAP. The guidance however, may encourage the adoption of accrual-based standards. Other types of public sector entities in South Africa which apply accrual-based standards may also hold or control natural resources. We believe that this project may have significance in the public sector in South Africa. • <u>Whether the items would be material or significant.</u> We believe that public sector entities in South Africa which apply accrual-based standards may hold or control natural resources with material values on an entity level. <p>It is our view that this matter is significant in the public sector in South Africa and may have a material impact on financial reporting. There are many enquiries on this topic in the public sector.</p>	+2
Urgency	This issue appears to be urgent locally as the ASB recently issued a similar discussion paper, Discussion Paper 10, <i>Accounting for Living and Non-living Resources</i> , though it had been on the local agenda for quite a while.	+2

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
Gaps in standards	Many aspects of this project are not addressed in current standards, e.g.: <ul style="list-style-type: none"> • Delineating control, • Subsequent measurement, and • Units of measure. We believe that there may be a gap in standards.	+1
IFRS convergence	There may be an opportunity for convergence, for example with the Extractive Activities research project of the IASB.	+1
Alignment with GFS	Alignment with GFS may be considered.	+1
Development	Natural resources (e.g. energy supplies) are often under threat and this issue could develop significantly. Sustainability reporting trends indicate that this issue is becoming more and more prevalent.	+1
Constraints	The project is resource intensive because there is very little literature available internationally on this issue.	-1
	The ASB in South Africa is busy with a similar project, and the IPSASB may use very recent published literature.	+1
	This project can be combined with the Biological Assets Held for the Provision or Supply of Services project.	+1
<i>Non-exchange Expenses</i>		<i>Total: +6</i>
Significance in the public sector / impact on financial reporting	There were some enquiries recently pertaining to the accounting treatment of non-exchange expenses. It appears to be an issue in South Africa.	+2
Urgency	We would deem a counterpart to IPSAS 23 to be urgent in order to have a complete suite of standards for the public sector.	+2
Gaps in standards	The issue is not addressed in current standards.	+1
IFRS convergence	We believe that there is not an opportunity for IFRS convergence on this project.	0
Alignment with GFS	We believe that there is not an opportunity for alignment with GFS on this project.	0
Development	We are unable to comment with the information we have.	0

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
Constraints	This project is very limited in terms of its scope. It will probably be less resource intensive.	+1
<i>Role of Government as Owner rather than Government</i>		<i>Total: +3</i>
Significance in the public sector / impact on financial reporting	We believe this issue may be relevant in South Africa currently. Some government business enterprises (GBEs) apply IFRS or still apply the withdrawn "SA GAAP" currently and it seems like in future many GBEs will still apply IFRS.	+2
Urgency	This issue does not address alignment to other standards or the Conceptual Framework. It may encourage adoption of accrual-based IPSASs, but GBEs normally apply accrual-based standards in any case. We do not believe that this is a very urgent issue at the moment.	-2
Gaps in standards	This issue appears to have originated from a gap in IAS20 for which there is no current guidance in IPSASs either.	+1
IFRS convergence	This project lends itself to IFRS convergence.	+1
Alignment with GFS	This issue appears not to have much relevance to GFS alignment.	0
Development	We are not aware that that this issue may become more or less prevalent.	0
Constraints	The project is not resource intensive, because it deals with a single aspect of an area covered by IAS20. Resources may be shared by combining this project with the Intangible Assets – Public Sector Specific and/or Sovereign Powers and their Impact on Financial Reporting projects.	+1
<i>Sovereign Powers and their Impact on Financial Reporting</i>		<i>Total: 0</i>
Significance in the public sector / impact on financial reporting	As far as we are aware, this is not a prevalent issue in South Africa currently. We believe that this project would not impact much on user decision-making and consequently on public finance management. It may complicate and discourage the adoption of accrual-based IPSASs, without aiding users' of public sector financial statements decision-making.	-2
Urgency	This issue does not address alignment to other standards, but may address alignment to the Conceptual Framework. We have no specific views on this project's urgency.	0

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
Gaps in standards	There is current guidance on intangible assets, but we note that for this specific public sector issue, additional guidance may be required.	+1
IFRS convergence	This project does not lend itself to IFRS convergence, because it appears to be public sector specific.	0
Alignment with GFS	This issue appears not to have much relevance to GFS alignment.	0
Development	We are not aware that that this issue may become more or less prevalent.	0
Constraints	The project is not resource intensive, because it deals with a single aspect of an area covered by IAS20. This project may be combined with the Intangible Assets – Public Sector Specific and/or Role of Government as Owner rather than Government projects.	+1
<i>Trust Funds</i>		<i>Total: +3</i>
Significance in the public sector / impact on financial reporting	Trust accounts are frequently used in the public sector in South Africa, and are sometimes not specifically regulated as in certain industries in the private sector, except where government operates attorneys trust accounts (Legal Aid Board), may act as estate agent, or provides financial services. They may not always be material to the reporting entity, but have political significance. We believe that public administration of trust funds have a significant impact on public sector financial reporting.	+2
Urgency	This issue does not address alignment to other standards, or alignment to the Conceptual Framework. We have no indication that this project is urgent or less urgent.	0
Gaps in standards	We note that inconsistencies in practice may indicate that guidance could be unclear. The divergent views in practice are also noted in the private sector, especially with attorneys trust accounts and estate agent trust accounts.	+1
IFRS convergence	This project lends itself to IFRS convergence, because the issue is not only specific to the public sector. In South Africa, trust funds are handled by public sector entities, attorneys (lawyers), estate agents and financial services firms.	+1
Alignment with GFS	This issue appears not to have much relevance to GFS alignment.	0
Development	We are not aware that that this issue may become more or less prevalent.	0
Constraints	It could potentially become a very wide and lengthy project, especially if IFRS convergence is considered.	-1

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
Projects to Maintain Existing IPSASs		
<i>Borrowing Costs IPSAS 5</i>		<i>Total: +1</i>
Significance in the public sector / impact on financial reporting	We believe that borrowing costs are not very significant in the public sector in South Africa. The capitalisation of borrowing costs is less significant, due to the low number of enquiries we have received.	-2
Urgency	It appears as if this issue has been on the IPSASB agenda for a while. We are not sure about the project's urgency.	0
Gaps in standards	We believe that the gap between the revised IAS 23 v IPSAS 5 and the polarised views both indicate that there may be a gap in IPSASs at the moment.	+1
IFRS convergence	This project focuses on possible IFRS alignment.	+1
Alignment with GFS	This issue appears not to have much relevance to GFS alignment.	0
Development	We are not aware that that this issue may become more or less prevalent.	0
Constraints	It is likely that this project will be less resource intensive.	+1
<i>Construction Contracts IPSAS 11</i>		<i>Total: +4</i>
Significance in the public sector / impact on financial reporting	Construction contracts are significant in the public sector in South Africa.	+2
Urgency	Nothing in the information provided indicates that the issue is more or less urgent than other issues.	0
Gaps in standards	We believe that there may be a gap in standards relating new public sector situations and also other areas of improvement such as contract key in hand issues.	+1
IFRS convergence	There may be possible IFRS convergence, but we are not sure.	0
Alignment with GFS	We are not able to assess at this stage whether the project has much relevance to GFS alignment.	0

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
Development	We are not aware that that this issue may become more or less prevalent.	0
Constraints	It is likely that this project will be less resource intensive.	+1
<i>Disclosure of Financial Information about the General Government Sector IPSAS 22</i>		<i>Total: -3</i>
Significance in the public sector / impact on financial reporting	Because this IPSAS is not applied by more than one jurisdiction, we are of the view that this project will not have much impact on financial reporting globally. In South Africa, public sector entities are bound by strict National Treasury reporting requirements in their annual reports.	-2
Urgency	This issue appears to be less urgent than other issues, unless there is an indication that the current IPSAS 22 is hampering the adoption of IPSASs, for instance due to possible conflicts with reporting requirements of various jurisdictions.	-2
Gaps in standards	There are no gaps in standards we are aware of that the project may address.	0
IFRS convergence	We are not aware of any possible IFRS convergence which might be significant.	0
Alignment with GFS	We are not aware of any possible GFS alignment.	0
Development	We are not aware that that this issue may become more or less prevalent.	0
Constraints	It is likely that this project will be less resource intensive.	+1
<i>Improvements to IPSAS 23 Non-exchange Revenues</i>		<i>Total: +6</i>
Significance in the public sector / impact on financial reporting	We believe that non-exchange revenues are generally significant in the public sector.	+2
Urgency	We believe that alignment to the Conceptual Framework will be urgent.	+2
Gaps in standards	The inconsistencies pointed out between IPSAS 23 and other IPSASs indicate that there is a gap in standards.	+1
IFRS convergence	We are not aware of any possible IFRS convergence.	0

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
Alignment with GFS	We are not able to assess at this stage whether the project has much relevance to GFS alignment.	0
Development	We are not aware that that this issue may become more or less prevalent, other than the finalisation of the Conceptual Framework.	0
Constraints	It is likely that this project will be less resource intensive.	+1
<i>Leases IPSAS 13</i>		<i>Total: +2</i>
Significance in the public sector / impact on financial reporting	We note that the topic is controversial in the private and possibly in certain jurisdictions in the public sector. However, the issue is not more or less significant in the South African public sector than any other issues. We are unsure whether the project will have a significant impact on financial reporting.	0
Urgency	Because the IASB's ED is scheduled for approval during 2014, this issue is relevant at the moment.	+2
Gaps in standards	There is no indication at the moment that a gap in standards has been identified yet.	0
IFRS convergence	The project lends itself to possible IFRS convergence.	+1
Alignment with GFS	We are not able to assess at this stage whether the project has relevance to GFS alignment.	0
Development	We are not aware that that this issue may become more or less prevalent.	0
Constraints	It is likely that this project could be resource intensive because of controversy and possible polarised views.	-1
<i>Presentation of Financial Statements IPSAS 1</i>		<i>Total: +5</i>
Significance in the public sector / impact on financial reporting	It is our view that the presentation of financial statements is significant in the public sector and has an impact on financial reporting.	+2
Urgency	We believe that with the finalisation of the Conceptual Framework and the recent revisions to IAS 1, this project may be urgent.	+2
Gaps in standards	The areas identified, like the idea of comprehensive income, is something that is not in the current suite of standards.	+1

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
	There may not be any significant amendments to conform to the revised IAS 1, but at the moment there is an indication of possible gaps in IPSAS 1.	
IFRS convergence	This project may have possible IFRS convergence.	+1
Alignment with GFS	We are not able to assess at this stage whether the project has much relevance to GFS alignment.	0
Development	We are not aware that that this issue may become more or less prevalent, other than the finalisation of the Conceptual Framework.	0
Constraints	This project will probably be more resource intensive.	-1
<i>Related Party Transactions IPSAS 20</i>		<i>Total: +7</i>
Significance in the public sector / impact on financial reporting	We believe that the disclosure of related party transactions is significant in the public sector. Often, transactions take place between public sector entities in the same or different spheres of government and other related parties.	+2
Urgency	The recent revision of IAS 24 calls for urgency from a convergence or alignment perspective.	+2
Gaps in standards	The fact that there had been recent improvements to the IFRS equivalent indicates that there may be a gap in IPSAS 20.	+1
IFRS convergence	The project lends itself to possible IFRS convergence.	+1
Alignment with GFS	We are not able to assess at this stage whether the project has much relevance to GFS alignment.	0
Development	We are not aware that that this issue may become more or less prevalent, other than the finalisation of the Conceptual Framework.	0
Constraints	It is likely that this project will be less resource intensive.	+1
<i>Revenue IPSAS 9</i>		<i>Total: +6</i>
Significance in the public sector / impact on financial	It is our view that exchange revenue is significant in the public sector and that this particular project may impact financial reporting significantly, such as the issues of identifying separate performance obligations, clarifying the definition of performance obligations and the requirements for determining when a performance obligation is satisfied over time –	+2

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
reporting	these are relevant in the public sector in the context of binding arrangements.	
Urgency	The recent revision of IAS 11 indicates urgency.	+2
Gaps in standards	The recent improvements to the IFRS equivalent indicate that there may be a gap in IPSAS 9.	+1
IFRS convergence	The project lends itself to possible IFRS convergence.	+1
Alignment with GFS	We are not able to assess at this stage whether the project has much relevance to GFS alignment.	0
Development	We are not aware that that this issue may become more or less prevalent, other than the finalisation of the Conceptual Framework.	0
Constraints	We do not have any specific view on whether this project will be more or less resource intensive.	0
<i>Segment Reporting IPSAS 18</i>		<i>Total: +6</i>
Significance in the public sector / impact on financial reporting	Segment reporting is significant in the South African public sector. We have a local equivalent to IFRS 8.	+2
Urgency	The recent amendments to IFRS indicate that this issue is urgent.	+2
Gaps in standards	We have identified a gap in current IPSASs, which is why our local standard is IFRS-based.	+1
IFRS convergence	The project lends itself to possible IFRS convergence.	+1
Alignment with GFS	We are not able to assess at this stage whether the project has much relevance to GFS alignment.	0
Development	We are not aware that that this issue may become more or less prevalent, other than the finalisation of the Conceptual Framework.	0
Constraints	We do not have any specific view on whether this project will be more or less resource intensive.	0
Projects to Converge with IFRSs		
<i>Extractive Industries</i>		<i>Total: +3</i>

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
Significance in the public sector / impact on financial reporting	In South Africa the exploration of minerals is prevalent. However, the public sector does not extract minerals and gas, but issues licenses to the private sector in this regard (except for minor "mining" activities related to road works). It is our view that this matter will not have much of an impact on financial reporting in the public sector. If this project's scope is widened to include natural resources such as water, it may be more relevant.	-2
Urgency	Due to the timing of convergence with the IASB's project, this project may or may not be regarded as urgent (it depends on the IASB's project).	0
Gaps in standards	We believe that there is a gap in standards at the moment.	+1
IFRS convergence	There is an opportunity for IFRS convergence.	+1
Alignment with GFS	Alignment with GFS may be considered.	+1
Development	This issue could develop significantly, especially with regard to sustainability reporting trends.	+1
Constraints	This project can be combined with the Natural Resources project.	+1
<i>Insurance Contracts (IFRS 4 Interim Standard But No Comparable IPSAS)</i>		<i>Total: -2</i>
Significance in the public sector / impact on financial reporting	Insurance contracts are not significant in the South African public sector. The lack of uptake on a comparable project indicates that it may not be significant globally.	-2
Urgency	This issue appears to be less urgent.	-2
Gaps in standards	There is not currently a comparable IPSAS.	+1
IFRS convergence	The project lends itself to possible IFRS convergence.	+1
Alignment with GFS	We are not able to assess at this stage whether the project has much relevance to GFS alignment.	0
Development	We are not aware that that this issue may become more or less prevalent.	0
Constraints	We do not have any specific view on whether this project will be more or less resource intensive.	0

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
<i>Non-current Assets Held for Sale and Discontinued Operations (IFRS 5 but no comparable IPSAS)</i>		<i>Total: +2</i>
Significance in the public sector / impact on financial reporting	The IPSASB considers that this topic has relevance in the public sector. In South Africa, this issue may be relevant when there is a transfer of functions. Transfers of functions do not occur as often, but when it does, this issue becomes imperative.	+2
Urgency	This issue appears to be less urgent.	-2
Gaps in standards	There is not currently a comparable IPSAS.	+1
IFRS convergence	The project lends itself to possible IFRS convergence.	+1
Alignment with GFS	We are not able to assess at this stage whether the project has much relevance to GFS alignment.	0
Development	We are not aware that that this issue may become more or less prevalent.	0
Constraints	We do not have any specific view on whether this project will be more or less resource intensive.	0
<i>Rate Regulated</i>		<i>Total: -1</i>
Significance in the public sector / impact on financial reporting	This issue is not a burning topic in South Africa at the moment.	-2
Urgency	This issue appears to be less urgent.	-2
Gaps in standards	There is not currently any guidance in this regard.	+1
IFRS convergence	The project lends itself to possible IFRS convergence.	+1
Alignment with GFS	We are not able to assess at this stage whether the project has much relevance to GFS alignment.	0
Development	In our view, this issue could potentially become a very contentious issue in future should it be raised by any preparers, users or auditors.	+1

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
Constraints	We do not have any specific view on whether this project will be more or less resource intensive.	0
Other Projects		
<i>Differential Reporting</i>		<i>Total: 0</i>
Significance in the public sector / impact on financial reporting	This issue was debated in South Africa a while ago, and the ASB did extensive research on this resulting in a position paper, <i>Differential Reporting in the South African Public Sector</i> . It appears that the issue is coming up again. Parliament recently raised issue with qualified audit reports in the public sector due to the alleged complexity of accounting standards. This pertains especially to smaller municipalities. In our view, this matter raised is a capacity building or competency problem and not a standard-setting problem, and differential reporting is not going to solve the problem.	-2
Urgency	This issue appears to be neither more nor less urgent at the moment.	0
Gaps in standards	There is not currently any differential reporting standards for small and medium public entities.	+1
IFRS convergence	The project lends itself to possible IFRS convergence.	+1
Alignment with GFS	We are not able to assess at this stage whether the project has much relevance to GFS alignment.	0
Development	In our view, this issue could potentially become a very contentious issue in future should it be raised by any preparers, users or auditors, especially in light of recent audit failures, specifically by smaller municipalities.	+1
Constraints	This project will be extremely resource intensive.	-1
<i>Integrated Reporting <IR></i>		<i>Total: +1</i>
Significance in the public sector / impact on financial reporting	In South Africa, only major entities (major government business enterprises which apply IFRS) and very few others, for example the Independent Regulatory Board for Auditors (IRBA) publish Integrated Reports at the moment. Most public entities only publish their annual reports in keeping with National Treasury requirements, which include performance reports. We would like to change that because we are of the view that <IR> is meaningful corporate reporting and that it will aid users' decision making and significantly strengthen public finance management.	-2
Urgency	This issue appears to be neither more nor less urgent at the moment.	0

SAICA submission on the IPSASB Strategy Consultation

KEY FACTOR OR CONSTRAINT	SAICA'S VIEWS	PRIORITY SCORE
Gaps in standards	There is currently an <IR> Framework. However, more specific guidance is needed for the public sector.	+1
IFRS convergence	The project lends itself to possible convergence with the IASB and also with the IIRC.	+1
Alignment with GFS	The project will probably not have much relevance to GFS alignment.	0
Development	In our view, this issue will (and should) develop significantly.	+1
Constraints	This project could be resource intensive, and could even be outside the scope of the IPSASB's mandate, and may even conflict with the work of the IIRC.	-1
	However, the IPSASB can partner with the IIRC and various local <IR> councils in order to share the workload and avoid duplication of efforts.	+1
<i>Interim Financial Reporting</i>		<i>Total: -1</i>
Significance in the public sector / impact on financial reporting	We believe that this issue is not very significant in the public sector at the moment, but could prove very useful. Interim results are reported to National Treasury at the moment, but not generally to the public. National Treasury has strict guidelines on interim and quarterly reporting. Therefore, considering the number of users at the moment and the sort of current guidance, we believe that there is not a great significance in the public sector.	0
Urgency	This issue appears to be less urgent at the moment.	-2
Gaps in standards	There is not currently any equivalent guidance in IPSASs (to IAS 34).	+1
IFRS convergence	The project lends itself to possible IFRS convergence.	+1
Alignment with GFS	The project does not have much relevance to GFS alignment.	0
Development	In our view, this issue has a lower chance of developing.	-1
Constraints	We are not sure of resource requirements.	0

oOo

To: IPSASB Technical Director

Date: August 2014

Questions

1. Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

Yes, I agree with the strategic objectives.

However, it should be extended to also include “**develop IPSAS implementation guidance**”. A lot of awareness has been created in Africa and the countries want to implement the standards but don't know “how to”. While I acknowledge the Board roles as that of standard setting, to meet the increasing demand of countries wanting to implement the standard, the Board should play the instrumental and stop gap role of developing necessary implementation tools. This should include: strategy to implement IPSAS; template financial statements especially for countries that have made a decision to transition to accrual based IPSAS over a number of years, a framework that such countries can use etc. Constantly, countries are requesting for such a **framework** as they have moved beyond cash basis of reporting. On the other hand, especially in Africa, there is limited expertise to develop such guidance hence the need for the Board to step in. The Board should consider inviting partners to develop the guideline and hence address resource gap. The above would address existing risk where consultants are providing wrong advice to Governments: say to apply Cash Based IPSAS where a country has already moved beyond cash basis of reporting.

2. Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

Since the strategic objectives are linked to Public Finance Management, I am of the view that the outcomes should also be closely aligned to the expected outcome of a country operating an effective PFM system, namely: aggregate fiscal discipline and stability, strategic and efficient allocation of resources and delivery of quality services to citizens.

3. Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

In respect to presentations, speeches and other outreach activities in order to engage with stakeholders, I am of the view that the Board should:

- a. Extend the stakeholders to include professional accountancy organizations, the Cabinet (in addition to the Minister of Finance) and civil society organizations.

The PAOs should serve as the Board's ambassadors in promoting the standards in the countries especially with the Government authorities, support the Government to implement the standards by developing implementation strategies and guidelines and holding Government hands throughout the process, including IPSAS subjects in the professional and technician qualification etc. Engaging the entire cabinet will enhance the knowledge on the importance and contribution of the standards on service delivery. Civil Societies empowerment would accelerate the demand for good governance which requires application of the standards.

- b. "Sharpen" the awareness message to focus on improved fiscal discipline and service delivery by adopting the standards i.e. focus on why. In this regard, the Board should consider designing brochures with such a message that can be used by the IPSAS ambassadors. The discussion with the Government authorities should not be adopt IPSAS standards but rather to enhance service delivery, it is important for the country to have quality financial information which can be produced by adopting IPSAS standards.

4. What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

- Use questionnaires or survey with professional accountancy bodies (annually)
- Use questionnaires or survey with Accountant –Generals (annually). Develop a data base of AGs.

5. Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

Agreed

7. Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

Retain the Cash Basis IPSAS and complete the review project using existing IPSASB resources with proviso that the Board develops a framework that can be used by countries that are transitions to accrual based standards over a number of years (as mentioned in 1 above).

The Cash Basis standards would be relevant and of benefit to the countries that are in the initial stages of developing their financial reporting regimes in the public sector. It is important to have a standard that they can refer to.

8. Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

Yes, prioritize ensuring that IPSAS standards that are based on IFRS are updated regularly to ensure they are in line with the latest respective IFRS. This will address existing perception that there are major differences between IPSAS and IFRS and also enhance quality.

Please note that the above are personal comments and are not of the organization that I serve in.

Patrick Kabuya (pkabuya@gmail.com)