

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** Lisbon, Portugal

**Meeting Date:** September 12–16, 2022

## Agenda Item 10

For:

- ☐ Approval  
☒ Discussion  
☐ Information

### 3<sup>RD</sup> ACADEMIC RESEARCH FORUM – CALL FOR PAPER RESULTS

<b>Project summary</b>	The project objective is to enable a more structured relationship between the board and the academic community, and to maximize the contribution the community can make to the development of high quality IPSAS.	
<b>Academic Advisory Group Chair</b>	<ul style="list-style-type: none"> <li>Andreas Bergman, AAG Chair</li> </ul>	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">Academic Research Forum: Project Roadmap</a>	<a href="#">10.1.1</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">10.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">10.1.3</a>
<b>Decisions required at this meeting</b>	<a href="#">Research Papers and Academic Engagement Initiatives</a>	<a href="#">10.2.1</a>

**IPSASB MID-PERIOD WORK PLAN CONSULTATION:  
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
September 2022	1. Discuss and provide feedback on Academic Research Papers

**INSTRUCTIONS UP TO PREVIOUS MEETING**

Meeting	Instruction	Actioned
Not Applicable	Not Applicable	Not Applicable

**DECISIONS UP TO PREVIOUS MEETING**

Meeting	Decision	BC Reference
Not Applicable	Not Applicable	Not Applicable

## **Research Papers and Academic Engagement Initiatives**

### **Purpose**

1. To summarize the Academic Advisory Group's (AAG) activities in 2021 and 2022 and provide an overview of the three research papers received.

### **Background**

2. In its *2019–2023 Strategy and Work Plan* the IPSASB explained that some new public sector specific projects would be prioritized for research and scoping. The IPSASB planned to "...develop an approach that will facilitate groups including National Standard Setters (NSSs) undertaking initial research and scoping on important public sector accounting issues in advance of decisions on whether to proceed with IPSASB projects<sup>1</sup>."
3. The IPSASB decided to focus on encouraging academic research, rather than development of project briefs through partnership with NSSs. The IPSASB formed its AAG in 2019 to facilitate more structured relationships between the board and the academic community, and to maximize the contribution the community can make to the development of high quality IPSAS. (Biographies for the AAG's seven members are in [Appendix B](#).)

### **Research Results**

4. [Appendix A](#) summarizes the three research papers reviewed by the AAG. The appendix includes a brief overview of each paper.
5. The four researchers who authored these papers have been asked to attend this discussion, to allow IPSASB members to engage with them on their research. Researchers' availability will be updated at this agenda item. However, it is expected that at least one author per research paper will be able to respond to any questions that IPSASB members may have on their research.

### **Academic Engagement: Call for Papers, IPSASB Research Forum, and Research Papers**

6. The IPSASB Issued a "Call for Papers" in September 2021, which asked researchers to submit research proposals, (in the form of brief abstracts) on any one of the three research areas of interest:
  - (a) Research Area 1: Research on Practical IPSAS Implementation Challenges
    - Differential Reporting
    - Discount Rates
  - (b) Research Area 2: Research on Adoption and Implementation of Specific IPSAS
    - IPSAS 31, Intangible Assets
    - IPSAS 33, First-Time Adoption of Accrual Basis IPSAS

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<sup>1</sup> Pages 11-12, *IPSASB Strategy and Work Plan 2019–2023*.

(c) Research Area 3: Broad Future Focused Research

- Climate Change and Public Sector Financial Reporting Related to Sustainability
- Financial Reporting Impacts of Digitization in the Public Sector

The abstracts proposing research on work relevant to the IPSASB's work program were evaluated by the AAG to determine whether they should receive a research grant of US\$1,500.

7. There was strong interest from the academic community, with over 30 abstracts outlining research proposals received.

- (a) The AAG identified five research abstracts to receive grants;
- (b) One researcher withdrew before accepting the grant; and
- (c) One researcher withdrew after delivering the first draft of the paper for the AAG to review. The researcher indicated they would not be able to meet the final submission deadline and agreed to return the grant.

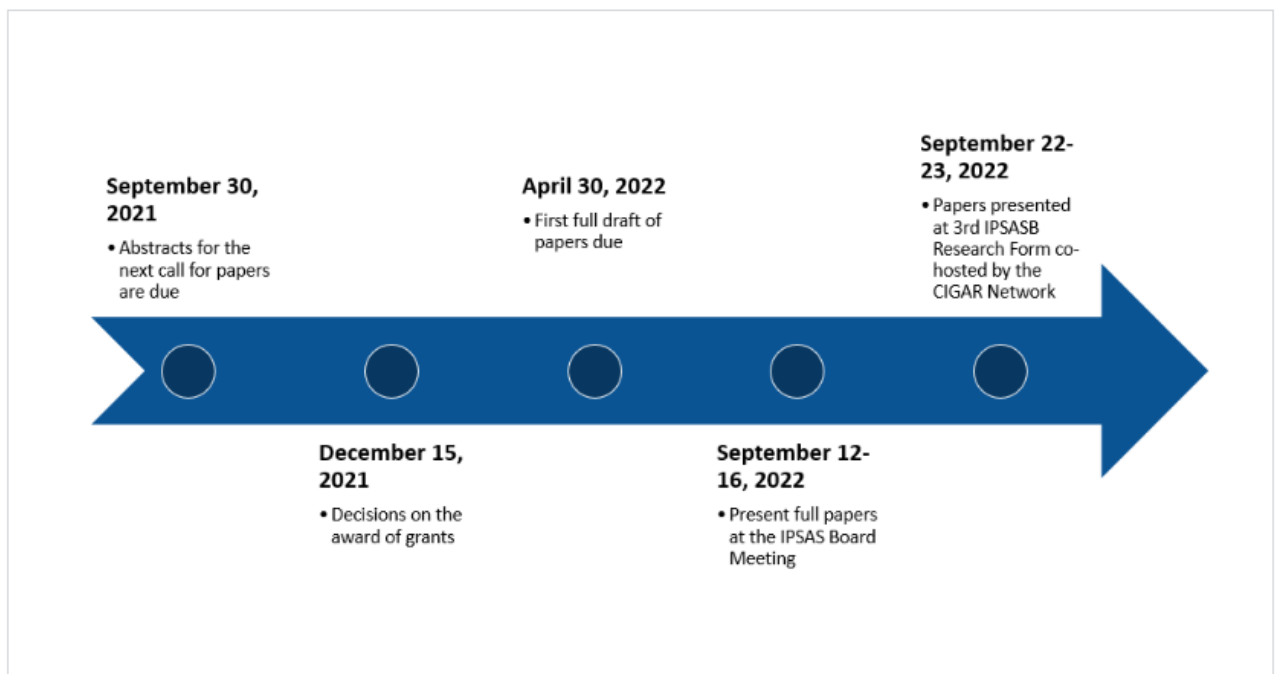
8. During 2021 and 2022:

Oct 2021 AAG members reviewed research abstracts submitted in response to the *Call for Papers* and selected abstract to be awarded a grant.

Dec 2021 Researchers were notified they were selected and began to develop their papers.

May 2022 AAG members reviewed first draft of papers and provided comments to researchers.

Sept 2022 Researchers present papers at 3<sup>rd</sup> IPSASB Research Forum in Berlin, Germany.



9. All researchers had submitted their final papers, for the IPSASB's consideration at its September 2022 meeting, by August 29, 2022.

**Discussion Questions**

10. What are IPSASB members' views on the academic engagement initiatives undertaken during 2021-2022 and the resulting research papers.

## **APPENDIX A – RESEARCH PAPERS**

### **Research Area 1— Research on Practical IPSAS Implementation Challenges (Discount Rates)**

“Development of empirical models for adoption as discounting rates in public sector enterprises”

#### **Authors**

Christopher Alozie (University of Nigeria, Nsukka)

#### **Research Questions:**

1. Determine financial rate returns to human capital investment of average physician's medical education program in Nigeria through government's full scholarship.
2. Determine social rate of returns from average physician's medical education program.
3. Establish financial returns to the forestry project in Nigeria.
4. Establish social return to forestry investment project in 3.
5. Determine economic returns to electricity expansion investment project in Mali.
6. Determine social returns to electricity project as in 5 above.
7. Establish economic returns to Dakar highway dualization project.
8. Determine social returns to the highway project in 7 above.

#### **Summary of the Paper**

- **Paper's focus:** Conduct a post and pre-implementation financial and economic (re)evaluation concentrating on social capital projects and public infrastructure development projects located in developing African countries.
- **Research approach:** The paper adopts ex-post facto quantitative method based on materials extracted from previous empirical studies in deriving social discounting rates for ex-post and pre-implementation evaluation of five different species of duly executed and a proposed public sectors' projects and programs in some African countries.
- **Results:** The deliverables from financial and social returns derived in four out of the five projects' case analyses confirmed that the dual social rate of returns are satisfactory. Adoption of financial, economic and social discounting rate techniques proved extremely useful and necessary in allocating scarce capital funds as investments in both the public and private sector entities.

#### **Abstract**

This research paper is basically concerned the development, deployment and institutionalization of suitable species of financial, economic and social discounting rates in pre-ante and ex-post economic evaluation public sector capital investment projects/program in policy making, selection of projects and investment decisions. The research conducted four distinct public capital projects that have been fully executed, commissioned and operating together with only one proposed / pre-implemented project, which brings total number projects case-reviewed studies to five. These include social capital investment. In commercial agro-forestry, petroleum refineries utilization turnaround maintenance expenditure – all in Nigeria. It also covers the review and revision of two empirical case studies contained postgraduate thesis



on an electricity generation / distribution expansion in Mali and a highway project in Senegal respectively. The research characterizes financial and socio-economic discounting rates empirical models with illustrations from selected projects case studies. It utilized percentages, averages, cost-benefit / benefit-cost analysis, cash-flows discounting techniques for deriving net present values and internal rate of returns method are used in measurement and determination of required of rates of returns in projects' evaluations and determining financial viability and social desirability of the projects and programs in developing African countries. The main objectives of this project case research study are among other things to conduct ex-post and pre-implementation evaluation of public capital investment / infrastructure development projects in some African countries using financial or economic) and social discounting rates as measurement approaches and determination of financial and socio-economic rates of returns. This research adopts ex-post quantitative method, anchored on the conceptual, theoretical and practical empirical models or methods. It practiced the used of net present values equating the internal rate of financial returns and social discounting rates of returns with illustrations from ex-post and pre-implementation evaluation of five different species drawn from prior studies of public sectors' capital investment projects and development programs in some developing African countries. Relevant secondary materials extracted from the projects reported in the prior empirical studies and employed in the analyses.

Results of the first case show that financial returns on social public investment in the average physician's medical education in Nigeria is greater than the rate of cost of fund; that the social rate of return on the same investment satisfied minimum acceptance criterion. Similar satisfactory results were obtained for the proposed forestry project in Nigeria. Financial and social returns on Turnaround maintenance with related petrol subsidy expenditures on Nigeria's moribund public refineries yield exceptionally high negative results. Economic and social rate of returns for the electricity and road infrastructure projects posted satisfactory results respectively. With these results, public investments in medical education and the proposed agro-forestry projects are worthwhile; while the concurrent spends on the old and moribund public refineries in Nigeria represents wastage of public money. The investments on infrastructure development projects in Mali and Senegal are also worthwhile. The research concludes that the adoption of financial, economic and social discounting rate approaches in very useful and necessary in allocating scarce capital funds as investments in the public sector just like in the private sector.

## **Research Area 2—Research on Adoption and Implementation of Specific IPSAS (IPSAS 33)**

“First-time Adoption of Accrual Basis IPSASs: A Transition Implementation Barrier”

### **Authors**

Lau Chee Kwong (University of Nottingham Malaysia)

### **Research Questions:**

1. Does practical difficulty in transition to accrual basis IPSAS positively affects the extent of transition implementation barrier?
2. Does technical complexity of accrual basis IPSAS positively affects the extent of transition implementation barrier?
3. Does practical difficulty in transition and technical complexity of accrual basis IPSAS negatively affect transition status to accrual basis IPSAS?

### **Summary of the Paper**

- **Paper's focus:** Examine the implementation barrier which causes the slow pace of transition to, and adoption of, accrual basis IPSAS among the public sector entities in Malaysia.
- **Research approach:** Documentary analysis, to gain an overview of the research field, and analysis of survey delivered to a sample of stakeholders of financial reporting in the public sector entities in Malaysia.
- **Results:** The generally high perceived challenging level of the transition exercise clearly indicates the existence of an implementation barrier, which challenges the transition progression from cash basis to accrual basis IPSAS among the public sector entities in Malaysia. Consistent with its hypotheses, this study concludes that the implementation barrier is attributable to practical difficulty in the transition and technical complexity of accrual basis IPSAS.

### **Abstract**

This study examines the implementation challenges and to what extent they are challenging the public sector entities during the first-time adoption of accrual basis IPSASs and its transition exercise, where the existing literature is focused on the behavioral and administrative aspects of the adoption and transition. It uses a questionnaire survey, grounded on a contingency model, administered to the stakeholders of financial reporting among the public sector entities in Malaysia. It finds that only 34.6% of the respondents reported an observed completed transition to accrual basis IPSAS among the public sector entities, after more than a decade from the adoption decision. The generally high perceived challenging level of the transition exercise clearly indicates the existence of an implementation barrier. Consistent with its hypotheses, this study finds that the implementation barrier is attributable to practical difficulty in the transition and technical complexity of accrual basis IPSAS. This implementation barrier creates a gap between the required capacity in adopting accrual basis IPSAS and the actual capacity of the public sector entities. Indeed, this capacity gap exists in the presence of the behavioral and administrative factors, such as staff training and development, management support, etc. which affect the transition exercise.

### **Research Area 3—Broad Future Focused Research (Climate Change)**

“The adaption of climate change in public sector financial reporting: A comparative case study between United Kingdom and Norway”

#### **Authors**

Elaine Stewart (Queen’s University Belfast, Northern Ireland); and

Victoria Edgar (University of Agder, Norway)

#### **Research Question:**

1. How does public sector financial reporting currently address climate change?
2. What are the perceived uses and usefulness of climate change information contained in public sector financial reports?
3. What are the perceived information needs for reporting information about climate change in public sector financial reports?

#### **Summary of the Paper**

- **Paper’s focus:** Address the gap in public sector research by exploring the current state of reporting on climate change in the United Kingdom and Norwegian central government. To understand how the public sector makes sense of a crisis when they know they are accountable. Do the UK and Norwegian governments identify the same challenges? Are they accountable for the way in which they make sense of the challenges they face?
- **Research approach:** Adopted a comparative case-design, using a two-stage methodology consisting of thematic analysis and semi-structured interviews to compare climate change reporting between the UK and Norway.
- **Results:** Paper found little evidence of reporting for the climate in the face of financial statements with the exception of greenhouse gas emissions. This is unsurprising as standard setters to date have not published any technical accounting standards.

#### **Abstract**

Climate change is a serious issue. From melting polar ice, rising sea levels and water scarcity to name a few, action on climate change has become a key concern for policy makers, business leaders and individuals worldwide. While most research on climate change reporting is focused on the private sector to date, public sector reporting on UN Sustainable Development Goals and how public sector activities affects the environment remains limited. Adopting thematic analysis of Norwegian and UK central government financial reports along with semi-structured interviews, our aim is to explore how public sector financial reporting currently addresses climate change, the perceived uses and usefulness of climate change information contained in public sector financial reports and the perceived information needs for reporting information about climate change in public sector financial reports. Similar to private sector research, we find that central government engages in climate-related sense making in their annual reports, but less so in the financial statements. Both countries make sense of climate change in different ways. Norway has a tendency to reflect on the social context with which it’s exploring, while the UK communicate via visual representations, demonstrating a continued commitment to new public

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management. Moreover, the interviews reveal a consensus between both countries that the current means to report on climate action within financial reports is limited in both uses and usefulness. Interviewees from both countries referred to the challenges of reporting for different stakeholders, ability to identify capability gaps and lack of guidance on how to use climate change information. The findings would suggest that at present, climate action that is communicated in financial reporting remains an accountability mechanism to comply with mandate for external legitimacy.

## **APPENDIX B – BIOGRAPHIES OF ACADEMIC ADVISORY GROUP**

The biographies of the IPSASB's Academic Advisory Group's seven members are provided below:

### **Andreas Bergmann**

Andreas Bergmann is Professor of Public Finance and Director of the Public Sector Department at the Zurich University of Applied Sciences, School of Management and Law. He chaired the IPSASB from 2010 to 2015, after being a member of the Board from 2006. He has been a member of the Swiss Accounting Standard Setter for the Public Sector (the SRS-CSPCP) since 2009 and a member of the European Commission's Accounting Advisory Group since 2010. He is a scientific advisor on Public Finance Management reforms to governments in Switzerland, Europe, Asia, Latin America, and to various international organizations.

Prof Bergmann is Deputy Editor of Public Money and Management, a scholarly journal in the field of Public Sector Accounting. He has been a Don Trow Fellow at Victoria University Wellington (New Zealand) in 2010.

### **Francesco Capalbo**

Francesco Capalbo is a Professor of Accounting at the University of Molise, Italy. He was a permanent observer on the IFAC Board from November 2014 to 2016 and a member of the IPSASB from 2017 to 2019. He convened the first IPSASB Research Forum in 2019. He is a qualified professional accountant and provides consulting advice to private companies and local governments. He is a member of several independent audit and compliance bodies. From 2003 until 2014, Professor Capalbo served on the Scientific Committee of the Internal Training Board of the Italian Auditor General (Corte dei Conti), where he oversaw development of training programs for the use of accrual accounting in the public sector. He has served as Head of the Accounting Department, Administration and Personnel of the Local State Council, and member of the Public-Sector Group of Accountancy Europe.

As an academic, Professor Capalbo has authored many publications on financial accounting issues and has been a visiting scholar at several universities including the University of Gent (Belgium), University of Birmingham (UK), University of Sydney (Australia), and Macquarie Graduate Management School of Sydney, where he is currently Adjunct Professor of Accounting and Finance. He holds a PhD in international accounting. His current areas of research include public accountability and the quality of financial statements of public sector entities including state owned entities.

### **Susana Jorge**

Susana Jorge is a PhD in Accounting & Finance (Local Government Accounting) and MSc in Business Management (Corporate Finance). Tenured Professor with Accreditation at the Faculty of Economics, University of Coimbra (Portugal), teaching Public Sector Accounting and Financial Business Accounting. Researcher at CICP – Research Centre in Political Science, University of Minho (Portugal). Research interests: public sector accounting, IPSAS and public financial management, especially focusing on financial reporting in local government. Between February 2013 and October 2017 Professor Jorge was a member of the Public Sector Accounting Standards Committee (CNCP) of the Portuguese Accounting Standards-Setting Commission, participating in the legislation adopting IPSASs to the Portuguese context.

Professor Jorge is currently the Chair of the Executive Board of the Comparative International Governmental Accounting Research (CIGAR) Network and Chaired the CIGAR Biennial Conferences in

2007 (20th anniversary of the Network) and 2017 (30th anniversary of the Network). She co-chaired the CIGAR PhD seminars from 2007 to 2019. She is the editor of the (CIGAR) book *Implementing Reforms in Public Sector Accounting*, Coimbra University Press (2008) and editorial member of the CIGAR Newsletter.

### **Mari Kobayashi**

Dr. Kobayashi is a professor at the Graduate School of Political Science, Waseda. Dr. Kobayashi was a president of the Board of Audit of Japan from 2018-2019, and the deputy president of the Board of Audit of Japan from 2013-2018.

In Japan, Dr. Kobayashi was a member of the Fiscal System Council; Business Accounting Council; Secretariat of Supervisory Commission for Public-Private and Private-Private Competitive Tenderings; Committee for the Promotion of the Private Finance Initiative; and Commission on Policy Evaluation and Evaluation of Incorporated Administrative Agencies, Ministry of Internal Affairs and Communications. Dr. Kobayashi was also a member and chief of executive committee for the working group on local public enterprise strategy throughout the 21st century for the Local Public Enterprise pre Communications, and an expert advisor for the Committee for the Promotion of the Private Finance Initiative.

Dr. Kobayashi earned a PhD in commerce at Waseda University and has published many articles and books including, the *Management Accounting for the Government*.

### **D. Scott Showalter**

Mr. D. Scott Showalter joined the IPSASB Board in January 2020, nominated by the American Institute of Certified Public Accountants. He is a Professor of Practice and Director of the Master of Accounting Program in the Poole College of Management at North Carolina State University. Prior to joining the faculty in 2008, Mr. Showalter was an audit partner with KPMG LLP, where he retired after a 33-year career. During his career with KPMG, he provided audit and consulting services to large Federal, state and local governments.

Professor Showalter is the former Chair and Member of the Federal Accounting Standards Advisory Board (FASAB) where he completed his 10-year term in June 2019. He is a past chair of the North Carolina Association of Certified Public Accountants Board and current member of the AICPA Council. He served two terms as a member of the Standing Advisory Group to the Public Company Accounting Oversight Board and has served in numerous leadership positions in the American Accounting Association. He has a bachelor's degree in accounting, Summa Cum Laude, from the University of Richmond and is a member of the American Institute of Certified Public Accountants and the North Carolina Association of Certified Public Accountants. He is a licensed Certified Public Accountant (active) and Chartered Global Management Accountant.

### **Mariafrancesca Sicilia**

Mariafrancesca Sicilia is an Associate Professor at Bergamo University in Italy and Visiting Fellow in the Department of Public Leadership and Social Enterprise (PuLSE) at The Open University in the United Kingdom. Her research covers public sector budgeting, accounting, performance measurement and management, and coproduction of public services. She has carried out research for Italian central government departments, local governments and other public bodies. She has published in academic journals such as the *Journal of Public Administration Research and Theory*, *Public Administration Review*, *Public Administration*, *Public Management Review*, *International Review of Administrative Science*, *Accounting, Auditing & Accountability Journal*, and *Public Money and Management*.

Professor Sicilia is a member of the Executive Committee of the Accounting and Accountability Special Interest Group of the International Research Society for Public Sector Management (IRSPM) and a member of the EAA's (European Accounting Association) Standing Scientific Committee with responsibility for the PSNP/ED panels. She is the coordinator of the IPSAS/EPSAS Task Force jointly created by the CIGAR network, the EGPA PSG XII, and the Accounting and Accountability SIG of the IRSPM. She is an associate editor of the Journal of Public Budgeting, Accounting & Financial Management and a member of the editorial board of Public Administration Review, Financial Accountability and Management, and Azienda Pubblica.

### **Patrícia Varela**

Patricia Siqueira Varela became a member of the IPSASB in January 2020. She was nominated by the Conselho Federal de Contabilidade (CFC), responsible for the regulation and representation of accounting professionals in Brazil.

Professor Varela is currently a researcher and a professor at the University of São Paulo (Brazil) in the School of Economics, Business and Accounting. She has supervised students in the Program of Postgraduate Studies in Controllershship and Accounting and is the leader of the research group Center of Studies in Accounting and Government. Her research and publications focus on public sector accounting and public policies performance.

Professor Varela also performs the role of standard setter as a member of both the Advisory Group for the Brazilian Accounting Standards for the Public Sector Accounting at Conselho Federal de Contabilidade and the Technical Committee linked to the National Treasury, responsible for issuing mandatory standards for public sector entities in all federation levels (municipalities, states and central government). Additionally, she has coordinated activities related to implementation of accounting standards based on IPSAS in the University of São Paulo. She holds a master's and a doctor's degree in Controllershship and Accounting from the University of São Paulo, and a postdoctoral degree in Public Administration and Government from the Getúlio Vargas Foundation in São Paulo.