Submitted by:

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COMMENT LETTER ON IPSAS EXPOSURE DRAFT 94

Linkages Between IPSAS Standards and the Government Finance Statistics Manual 2014 (Amendments to IPSAS 22)

1. Introduction

I appreciate the opportunity to comment on Exposure Draft 94 (ED 94).

As a **public sector finance practitioner actively involved in IPSAS implementation, financial reporting, and governance within Zimbabwe**, I strongly support initiatives that:

- Enhance **public financial management (PFM)**
- Improve **integration between financial reporting and fiscal statistics**
- Reduce **duplication and inefficiencies in reporting systems**

Given the Zimbabwean context—characterised by:

- Ongoing **IPSAS adoption**
- Parallel **GFSM-based fiscal reporting**
- Periodic **hyperinflationary conditions**

this Exposure Draft is **highly relevant and necessary**.

2. Overall Position

I **support the objectives and direction** of ED 94, particularly:

- Strengthening the link between IPSAS-based accounting data and GFSM 2014
- Enhancing the usefulness of financial data for macro-fiscal decision-making
- Promoting integrated financial reporting systems

However, I recommend **targeted enhancements** to improve:

- Practical implementation
- Clarity and usability
- Applicability in developing and resource-constrained environments

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3. Responses to Specific Matters for Comment

SMC 1: Non-authoritative Guidance to IPSAS 22

Reference: BC18–BC26; IG1–IG6

Position: Agree, with enhancements required

3.1 Risk of Limited Adoption Due to Non-authoritative Nature

Reference: BC18–BC19

Comment:
While the decision to issue non-authoritative guidance is understandable, in practice:

- Such guidance is often **not prioritised in implementation**, particularly in developing jurisdictions

Recommendation:

- Introduce **minimum required disclosures** relating to IPSAS–GFSM reconciliation; or
- Elevate the guidance to a **"strongly encouraged" status**

3.2 Absence of Practical Implementation Tools

Reference: IG3–IG5

Comment:
The ED assumes:

- Availability of robust accounting systems
- Availability of highly disaggregated data

However, in practice (including at regulatory bodies such as ZIMCHE):

- Systems are often **not configured to capture GFSM classifications**

Recommendation:

Include:

- **Standard IPSAS–GFSM mapping templates**
- Sample **Chart of Accounts aligned to GFSM classifications**
- Illustrative **data extraction and transformation workflows**

3.3 Data Disaggregation Requirements Are Operationally Challenging

Reference: IG11, IG13, IG15

Comment:

GFSM requirements such as:

- Domestic vs external classification
- Counterparty identification
- Economic flow categorisation

are not typically embedded in IPSAS systems.

This creates:

- Significant **system redesign costs**
- Increased **data collection burden**

Recommendation:

- Introduce **materiality-based thresholds**
- Provide **phased implementation guidance**
- Define **minimum data requirements vs advanced reporting levels**

3.4 Unclear Applicability Where IPSAS 22 Is Not Adopted

Reference: IG1–IG2

Comment:
IPSAS 22 is optional, yet:

- GFSM reporting is often mandatory at national level

It is unclear whether:

- The proposed guidance applies independently of IPSAS 22

Recommendation:

- Clarify standalone applicability; or
- Consider issuing the guidance as a **Recommended Practice Guideline (RPG)**

SMC 2: Measurement at Basis Level vs Technique Level

Reference: BC32; IG29–IG34

Position: Agree, with further practical guidance required

3.5 Need for Practical Measurement Reconciliation Guidance

Reference: IG31–IG34

Comment:
While conceptual alignment exists:

- IPSAS often uses **historical cost or fair value**
- GFSM requires **market value**

In practice, this creates:

- Complex reconciliation challenges

Recommendation:

Include:

- Detailed **worked examples** for:
    - Property, Plant and Equipment (IPSAS 45)
    - Financial Instruments (IPSAS 41)
    - Inventories (IPSAS 12)

3.6 Critical Gap: Hyperinflationary Economies

Reference: Paragraph 5 exclusions (IPSAS 10 not included)

Comment:

Excluding IPSAS 10 creates a **significant limitation** for jurisdictions such as Zimbabwe.

From practical experience:

- Inflation-adjusted financial statements materially affect:
    - Asset valuation
    - Monetary gains/losses
    - Fiscal reporting alignment

Recommendation:

- Include **supplementary guidance on hyperinflationary environments**; or
- Prioritise this area in **Phase 2 of the project**

3.7 Terminology Differences Require Operational Guidance

Reference: BC34

Comment:

Differences such as:

- “Fair value” vs “market value”

create confusion in implementation.

Recommendation:

- Include a **formal reconciliation glossary**
- Provide guidance on:
  - When differences are conceptual vs presentational

4. Additional Technical Comments

4.1 Consolidation and Boundary Differences

Reference: IG40–IG46

Comment:
Differences between:

- IPSAS control-based consolidation
- GFSM sector classification

create practical inconsistencies.

Recommendation:

- Provide a **step-by-step reconciliation framework**

4.2 Treatment of Transaction Costs

Reference: IG33

Comment:
Different treatments of transaction costs may:

- Distort comparability

Recommendation:

- Provide **standard adjustment approaches**

4.3 Absence of an Implementation Roadmap

Comment:
The ED lacks guidance on:

- Sequencing adoption

Recommendation:
Introduce a structured approach:

1. Basic alignment (disclosures)
2. Intermediate (data mapping)
3. Advanced (fully integrated systems)

4.4 Digital Systems and Integration

Comment:
The ED does not address:

- Integration with **IFMIS, ERP systems, or digital reporting frameworks**

Given my experience in public sector finance systems:

- This is a critical omission

Recommendation:

- Include guidance on:
    - Data architecture
    - System integration
    - Automation

5. Conclusion

I strongly support ED 94 as a **forward-looking and impactful initiative**.

However, to maximise its effectiveness—particularly in developing economies—the IPSASB should:

- Enhance **practical implementation guidance**
- Address **hyperinflationary contexts**
- Provide **structured reconciliation tools**
- Clarify **scope and applicability**

6. Closing Statement

I commend the IPSASB for its continued leadership in strengthening global public sector reporting. With the recommended enhancements, ED 94 has the potential to significantly improve the integration of financial reporting and fiscal statistics, thereby enhancing transparency, accountability, and macroeconomic management.