

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.