

Ian Carruthers
Chairman
IPSASB
IFAC

Submitted via website

Brussels, 22 June 2018

Subject: IPSASB Consultation on Strategy and Work Plan 2019-2023

Dear Sir,

We are pleased to respond to the IPSASB's Consultation Document concerning its Proposed Strategy and Work Plan 2019-2023.

We agree with the overarching Strategic Objective, as well as the two main areas of activity to deliver the Strategic Objective, which the IPSASB proposes to adopt for 2019-2023. The proposed future Strategic Objective refines the one currently in use and could as such enable a sharper focus for the IPSASB's future work. We also believe it is important that the IPSASB addresses the needs of entities already applying IPSAS next to the promotion of IPSAS adoption and implementation.

We agree with the IPSASB's five proposed Strategic Themes for the 2019-2023 period. We think moreover that the majority of the IPSASB's efforts should continue to focus on Theme A (Setting standards on public sector specific issues) to address key public sector specific issues not already addressed by the suite of IPSAS Standards.

Having said that, we recommend minimum deviation from IFRS Standards (Theme B: Maintaining IFRS convergence), i.e. the concept of consistency with IFRS principles 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.

Theme A: Setting standards on public sector specific issues

Natural resources

We agree that this is an important issue, particularly in jurisdictions with resource-based and resource rich economies (mainly outside Europe) because the recognition and measurement of these assets impact their management and the benefits derived by citizens from their extraction.

Considering the complexity of this potential project and link with other initiatives, we would however recommend the IPSASB to define a clear, and rather limited project scope to keep the project manageable. The project should in our opinion only cover specific accounting related issues concerning extractive resources (e.g. granted extraction rights).

Differential reporting

We see the benefits of a less complex set of requirements for small and medium sized public sector entities, with generally simple transactions, for which full IPSAS requirements might be too costly.

There are however different ways to achieve such differential reporting. We would suggest opting for a less resource incentive solution, for example by introducing less complex disclosure requirements for small and medium sized public sector entities.

Appendix A: Projects considered but not prioritized for the IPSAS Work Plan 2019-2023

Intangible Assets – Public Sector Specific

We suggest adding a project around public sector specific intangible assets to the 2019-2023 Work Plan. Current technological developments, for example, might result in important intangible assets in a public sector context.

IPSAS 31 *Intangible Assets* is also based on IAS 38 *Intangible Assets*, which has rigorous requirements for the recognition of intangibles. In this context, some constituents question for instance if research has different objectives in the public sector that justify capitalization prior to the development stage under specific circumstances in the public sector.

Sovereign Powers and their Impact on Financial Reporting

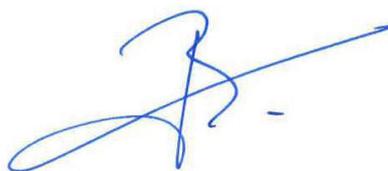
We propose to include a project in the 2019-2023 Work Plan on the impact of sovereign powers (e.g. the power to levy taxes and to issue permits, concessions and licenses) on financial reporting (intangible asset?). This project is also related to the proposed project on public sector specific intangible assets.

Please do not hesitate to contact Ben Renier (Ben@accountancyeurope.eu) in case of any additional questions or remarks.

Sincerely,



Edelfried Schneider
President



Olivier Boutellis-Taft
Chief Executive

About Accountancy Europe

Accountancy Europe unites 51 professional organisations from 37 countries that represent **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18).

Annex 1 - detailed response

- (1) We are pleased to present below our responses to the Specific Matters for Comment.

Question 1: Specific Matter for Comment 1

Do you agree with the IPSASB's proposed Strategic Objective 2019–2023? If you agree please provide any additional reasoning not already discussed in the document. If you do not agree please explain your reasoning and your proposed alternative.

- (2) We agree with the overarching Strategic Objective, as well as the two main areas of activity to deliver the Strategic Objective, which the IPSASB proposes to adopt for 2019-2023. The proposed future Strategic Objective refines the one currently in use and could as such enable a sharper focus for the **IPSASB's future work**. We also believe it is important that the IPSASB addresses the needs of entities already applying IPSAS next to the promotion of IPSAS adoption and implementation.

Question 2: Specific Matter for Comment 2

Do you agree with the IPSASB's five proposed Strategic Themes for the 2019–2023 period? If you agree please provide any additional reasoning not already discussed in the document. If you do not agree please explain your reasoning, including any proposed alternatives.

- (3) We agree with the **IPSASB's five proposed** Strategic Themes for the 2019-2023 period. We think moreover that **the majority of the IPSASB's efforts should continue to focus on Theme A (Setting standards on public sector specific issues)** to address key public sector specific issues not already addressed by the suite of IPSAS Standards.
- (4) Having said that, we recommend minimum deviation from IFRS Standards (Theme B: Maintaining IFRS convergence), i.e. the concept of consistency with IFRS principles 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.
- (5) The IPSASB has published its complete *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) in October 2014. A project to align all existing IPSASs to the Conceptual Framework has not been initiated, it seems like the IPSASB rather aims to align the IPSASs in a piecemeal fashion. It would be helpful if the IPSASB could clarify its approach on this important matter.

Question 3: Specific Matter for Comment 3

Do you agree with the criteria the IPSASB has used in deciding the proposed issues to add to its Work Plan 2019–2023? If you agree please provide any additional reasoning not already discussed in the document. If you do not agree please explain why, including any proposed alternatives.

- (6) We agree with the selection criteria used to assess potential projects related to Themes A, B and C (i.e. prevalence, consequences, urgency and technical/resource considerations). It is also helpful that 'projects considered but not prioritized' (list included in Appendix A) are assessed against the criteria as well in Appendix B.
- (7) It is however not always clear for us how the overall conclusion was reached not to include a certain project in the workplan based on the assessment of the 4 selection criteria (Appendix B). We also wonder how the different selection criteria are weighted to obtain the overall conclusion, i.e. we would for example expect that the 'prevalence' criterion is more important than the 'urgency' element. It would be helpful if the IPSASB would specify those important points in future strategy discussions.

Question 4: Specific Matter for Comment 4

Do you agree with the projects that the IPSASB proposes to prioritize for addition to the Work Plan 2019–2023 on Theme A: Setting standards on public sector specific issues (Natural Resources, Discount Rates, Differential Reporting and Conceptual Framework limited-scope Review)? If not please explain your reasoning, and any proposed alternatives.

Conceptual Framework limited-scope Review

- (8) We support including the ‘**Conceptual framework limited-scope**’ project in the Work Plan 2019-2023 on Theme A.

Natural resources

- (9) We agree that this is an important issue, particularly in jurisdictions with resource-based and resource rich economies (mainly outside Europe) because the recognition and measurement of these assets impact their management and the benefits derived by citizens from their extraction.
- (10) Considering the complexity of this potential project and link with other initiatives, we would however recommend the IPSASB to define a clear, and rather limited project scope to keep the project manageable. The project should in our opinion only cover specific accounting related issues concerning extractive resources (e.g. granted extraction rights).

Discount rates

- (11) We agree that the current IPSAS guidance concerning discount rates, covered in different IPSAS Standards, is sometimes unclear or even contradictory. We however believe that this topic should be covered in the ongoing *Public Sector Measurement project* instead of in a separate project.
- (12) Generally speaking it might also be helpful to have a specific mechanism in place to identify relevant emerging financial reporting issues that the IPSASB might need to address in the public sector-specific environment within the next five years. This is alluded to in Theme C, but may be equally relevant to Theme A.

Differential reporting

- (13) We see the benefits of a less complex set of requirements for small and medium sized public sector entities, with generally simple transactions, for which full IPSAS requirements might be too costly.
- (14) There are however different ways to achieve such differential reporting. We would suggest opting for a less resource incentive solution, for example by introducing less complex disclosure requirements for small and medium sized public sector entities.

Question 5: Specific Matter for Comment 5

Do you agree with the project that the IPSASB proposes to prioritize for addition to the Work Plan 2019–2023 on Theme B: Maintaining IFRS convergence (IPSAS 18, Segment Reporting)? If not please explain your reasoning, and any proposed alternatives.

- (15) Regarding IPSAS 18 *Segment Reporting* we think it is firstly important to understand why this Standard is rarely applied in practice before taking on a project: Is there any need for these requirements in a public sector environment (considering that they might already be covered in other public sector reporting channels) or are the current IPSAS 18 requirements not of good quality?
- (16) The IPSASB has not developed a policy yet as to the timing of an IFRS convergence project. For example, the recently issued ED 64 *Leases* converges an IFRS that is not yet applicable in the private sector. The development and communication of such a policy might be appropriate to allay fears some constituents may have as to the premature convergence of IFRSs that have not yet been tested within the private sector.

Question 6: Specific Matter for comment 6

Are there any projects in Appendix A that you believe should be added to the Work Plan 2019–2023 in place of a currently proposed project? If you believe that any Appendix A projects should be added, please explain your views on why the project should be included, which proposed project should not then be started and why.

Theme A: Setting standards on public sector specific issues

Intangible Assets – Public Sector Specific

- (17) We suggest adding a project around public sector specific intangible assets to the 2019-2023 Work Plan. Current technological developments, for example, might result in important intangible assets in a public sector context.
- (18) IPSAS 31 *Intangible Assets* is also based on IAS 38 *Intangible Assets*, which has rigorous requirements for the recognition of intangibles. In this context, some constituents question for example if research has different objectives in the public sector that justify capitalization prior to the development stage under specific circumstances in the public sector.

Sovereign Powers and their Impact on Financial Reporting

- (19) We propose to include a project in the 2019-2023 Work Plan on the impact of sovereign powers (e.g. the power to levy taxes and to issue permits, concessions and licenses) on financial reporting (intangible asset?). This project is also related to the proposed project on public sector specific intangible assets (see paragraph 18).

Theme B: Maintaining IFRS convergence

IFRS 17 Insurance contracts

- (20) We understand that the IPSASB might want to learn from the private sector experience, given the complexity of the topic, before kicking off such project in the public sector environment. On the other hand, we noted that the *Social benefits* project referred to IFRS 17 with respect to the insurance approach for recognition and measurement of certain social benefits.

Question 7: Specific Matter for comment 7

The IPSASB views building relationships with those working in the PFM space and engaging in their work as critical to furthering the use of IPSAS in PFM reform projects. Therefore, under Themes D and E, the IPSASB will actively monitor the work of others and look for appropriate opportunities to engage and support that work.

– Do you agree with the IPSASB's proposed approach under these Themes? If so, are you aware of any ongoing initiatives which the IPSASB should monitor and look to engage with (please provide details).

– If you do not agree, please explain your reasoning along with any proposed alternatives, and how those might be resourced.

- (21) We agree with the proposed approach under Theme D and E which entails actively monitoring the work of others and looking for appropriate opportunities to engage and support that work. Again, we **think that the majority of the IPSASB's efforts should continue to focus on Theme A (Setting standards on public sector specific issues)** to address key public sector specific issues not already addressed by the current suite of IPSAS Standards.