

25 May 2018

Ian Carruthers
Chair
International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

Dear Mr. Carruthers

Invitation to Comment – IPSASB Consultation Document *IPSASB Proposed Strategy and Work Plan 2019-2023*

The Australasian Council of Auditors-General (ACAG) welcomes the opportunity to comment on the IPSASB Consultation Document *IPSASB Proposed Strategy and Work Plan 2019-2023*. The views expressed in this submission represent those of all Australian members of ACAG.

ACAG supports IPSASB's proposed strategic objectives and work plan, and provides some suggestions on project priorities and for increased outreach and engagement.

ACAG appreciates the opportunity to comment and trust that you will find the attached comments useful.

Yours sincerely



Andrew Greaves
Chairman
ACAG Financial Reporting and Accounting Committee

IPSASB Consultation Document *IPSASB Proposed Strategy and Work Plan 2019-2023*

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.

Yes, ACAG agrees with the IPSASB's proposed Strategic Objective 2019–2023.

ACAG suggests the Strategic Objective also includes a focus not only on building awareness of International Public Sector Accounting Standards ("IPSAS"), but also on the benefits of applying IPSAS to public sector financial reports.

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.

Yes, ACAG agrees with the five proposed Strategic Themes for the 2019–2023 period and does not offer any additional reasoning that is not already covered in the Consultation Document.

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.

Yes, ACAG agrees with the criteria the IPSASB has used in deciding the proposed issues to add to its Work Plan 2019–2023.

ACAG suggests the inclusion of a criterion for project prioritisation linked to new (or significant) pronouncements issued by the International Accounting Standards Board ("IASB"). This would help to ensure timely alignment with broader market expectations and changes in international accounting practices.

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.

Yes, ACAG agrees with the projects that the IPSASB proposes to prioritise 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)*.

ACAG suggests greater priority be given to the Intangible Asset-Public Sector Specific project. This project was considered for the Work Plan 2019-2023, however, it is not currently prioritised for inclusion. As the prevalence, nature and reach of intangible assets is expected to increase substantially during this period, ACAG suggests the IPSASB consider the accounting impacts surrounding public sector intangible assets during the proposed Work Plan 2019-2023.

In relation to the proposed Natural Resources project, ACAG advises that Australia has developed a framework for accounting for water. This may be useful for IPSASB, and can be found at:

<http://www.bom.gov.au/water/standards/wasb/>

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.

Yes, ACAG agrees with the project that the IPSASB proposes to prioritise for addition to the Work Plan 2019–2023 on Theme B: *Maintaining IFRS convergence (IPSAS 18, Segment Reporting)*. ACAG believes that the IPSASB should look at this project wider than just an IFRS Convergence project. ACAG advises that Australia has adopted AASB 1052 *Disaggregated Disclosures* for segment-like reporting for some public sector entities, which IPSASB may find to be a useful reference.

ACAG are of the view that the current active projects require urgent IPSASB assessment.

ACAG also suggests that the recent changes by the IASB to IAS 1 under the Disclosure Initiative project should be included as a higher priority. In particular, the changes that “give permission” to preparers, auditors, and regulators not to use the disclosures as a checklist.

The above change addresses some of the behavioural issues identified by the IASB that cause clutter in the financial statements. With the above change, and the emphasis by numerous bodies on “decluttering” financial statements, “focused financial reporting”, and “streamlined financial reporting” there has been a significant improvement in public, and private, financial reporting.

The above change also has relevance for the differential reporting project, as significant decluttering can be achieved without having to establish an additional tier of reporting.

ACAG notes that the proposed strategy (page 5) refers to “the accessibility of financial statements” for non-specialist users needing improvement. ACAG believes that accessibility will be improved by adopting relevant parts of the IASB’s Disclosure Initiative project described above. ACAG also suggests that the IPSASB develop a digital reporting strategy, similar to the IASB, given the decreasing relevance of paper-based information distribution, and the increasing need for machine readability of decision-relevant information for automation.

ACAG are of the view that an additional project on accounting for insurance contracts within the public sector also requires urgent attention. As IFRS 17 was written with a for-profit focus, the absence of an equivalent IPSAS standard creates a public sector deficit. The Australian Accounting Standards Board (“AASB”) have commenced a project to cater for insurance and insurance-like contracts from a public sector perspective. ACAG suggests that the IPSASB engage and collaborate with the AASB in developing the core principles and requirements for this topic.

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 your reasoning.

ACAG believes that the Intangible Asset-Public Sector Specific project in Appendix A should be added to the Work Plan 2019–2023 (as discussed above under Specific Matters for Comment 4). ACAG

suggests this would replace the Natural Resources project, for the reasons outlined in Specific Matters for Comment 4.

Further, as suggested in Specific Matter for Comment 5, ACAG are of the view that the Insurance Contracts and IPSAS 1, Presentation of Financial Statements projects should be elevated to the Work Plan 2019-2023.

ACAG does not have any additional proposed projects to be added to Appendix A.

Specific Matter for Comment 7
<p>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.</p> <p>– 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).</p> <p>– If you do not agree, please explain your reasoning along with any proposed alternatives, and how those might be resourced.</p>

Yes, ACAG agrees with the IPSASB’s proposed approach under Themes D and E, noting the IPSASB’s resource restrictions.

ACAG suggests a greater level of outreach could be conducted through national organisations working across the public sector. For example, in Australia, the Heads of Treasuries Accounting and Reporting Advisory Committee (“HoTARAC”) addresses the key accounting issues faced by many public sector agencies within Australia, while ACAG represents the views of all Auditors-General within Australia. Outreach with such national bodies may provide the IPSASB with improved relationships, for a relatively low level cost of engagement.

In addition, as previously suggested in Specific Matter for Comment 5, IPSASB could collaborate with the AASB and its newly formed Transition Resource Group on the topic of insurance and insurance-like contracts in the public sector.