



PAFA

PAN AFRICAN FEDERATION
OF ACCOUNTANTS

BUILDING A BRIDGE TO A BRIGHTER AFRICA

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The International Public Sector Accounting Standards Board (IPSASB)

By email

BACKGROUND

The Pan-African Federation of Accountants (PAFA), continues to work in the interest of Africa's public, and in its unique regional capacity to facilitate PAOs and present a unified position of the profession, wishes to present comments on the consultation document for the proposed IFAC- IPSASB's Strategy and Work Plan for the 2019-2023 period issued in January 2018.

PAFA has provided initial responses in sequence of the specific matters for comment as they have been included in the consultation document. PAFA wishes to present these comments to members for further validation or update as required. Further detail on the IPSASB consultation document can be accessed through this link;

SECTION 1

THE IPSASB'S PROPOSED STRATEGIC OBJECTIVE AND STRATEGIC THEMES 2019-2023

This section proposes Strengthening Public Financial Management (PFM) globally through increasing the adoption of accrual-based IPSAS as the main objective for IPSASB for the period 2019-2023.

The board intends to deliver this through two main areas of activity as listed below:

1. Developing IPSAS and other high-quality financial reporting guidance for the public sector; and
2. Raising awareness of IPSAS and the benefits of accrual adoption.

In order to focus its work across these two areas of activity, the IPSASB proposes to base its Work Plan on five Strategic Themes as outlined below:

Theme A: Setting standards on public sector specific issues;

Theme B: Maintaining IFRS convergence;

Theme C: Developing guidance to meet users' broader financial reporting needs;

Theme D: Promoting IPSAS adoption and implementation; and

Theme E: Advocating the benefits of accrual in strengthening PFM.

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.

PAFA response:

We agree that strengthening Public Financial Management (PFM) globally through increasing adoption of accrual-based IPSAS is a key objective for the IPSASB.

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.

PAFA response:

We are in agreement with the IPSASB's five proposed Strategic Themes for the 2019-2023 period. In addition to the reasons given for the Board's focus on the five strategic themes; PAFA believes that:

- i. Strengthened PFM across different jurisdictions contributes towards economic development as a result of its emphasis on efficient and effective use of public resources; and**
- ii. Comparability of financial reports across different countries can act as an accelerator towards the attainment of regional integration. This has the potential of enhancing cooperation among countries through the formation of regional blocks to drive common interests/agenda among nations.**

Concerning Theme A "Setting standards on specific public sector issues", sectorial criteria should be highlighted in the paper as public financial information can concern different sectors (agriculture, infrastructure...) with different issues.

SECTION 2

PROPOSED WORK PLAN 2019-2023

In this section, the board has formulated a project prioritization criteria to be used in selecting projects that are to be included in the 2019-2023 Work Plan based on the understanding that these are the projects that will provide the greatest public interest benefits to users.

The project prioritization criteria are as follows:

- i. Prevalence** - Whether the financial reporting issue is widespread amongst public sector entities;
- ii. Consequences** - Whether the issue impairs the ability of the financial statements to provide useful and transparent information for accountability and decision-making;
- iii. Urgency** - Whether the emerging issue has recently gained significance and therefore requires consideration in the near term; and
- iv. Technical and Resource Considerations** - Whether a technically sound solution to the issue can be developed within a reasonable time period using available resources.

Based on the above criteria, the board has prioritized; Natural Resources, Discount Rates, Differential Reporting and Conceptual Framework – Limited Scope Review as projects to be included in the Work Plan under Theme A while IPSAS 18, *Segment Reporting* and Narrow scope amendment projects will be included in the Work Plan under Theme B.

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.

PAFA response:

We agree with the criteria the Board has used in deciding the proposed issues to add to its Work Plan 2019-2023.

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.

PAFA response:

We are in agreement with the IPSASB on the projects that have been prioritized for addition to the Work Plan 2019-2023 on Theme A. Whereas the board has found it necessary to consider Differential Reporting as one of the avenues of accelerating IPSAS adoption, PAFA is of the opinion that a Recommended Practice Guideline be developed to support government-wide financial reports consolidation especially in jurisdictions with a proportionate mix of large and small and medium size public entities.

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.

PAFA response:

We are in agreement with the Board's decision to prioritize IPSAS 18, *Segment Reporting* as an additional project under Theme B: Maintaining IFRS Convergence. This is in addition to current active projects to maintain convergence following the issue of new IFRSs.

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.

PAFA response:

Whereas we do not propose dropping of any of the currently proposed projects, we are of the opinion that some projects in Appendix A should be added to the Work Plan 2019–2023 as outlined below:

#	Proposed Project	Reason for inclusion
i.	Revising RPG 1, Reporting on the Long-Term Sustainability of an Entity's Finances	RPG 1 should be made mandatory in view of the increased government involvement in Social Benefits projects to its citizenry. Factors such as terrorism, civil wars and protracted conflicts, disease outbreaks such as Ebola, regional integration and cooperation among nations, soaring public debt, rampant corruption, effects of global financial crisis etc have an impact on the long-term sustainability of entities' finances.
ii.	Integrated Reporting <IR>	Necessitated by the need to develop a new internationally accepted approach to reporting; an approach which provides more comprehensive information for public sector entities in a clear, concise, consistent and comparable manner. The reports should incorporate issues of governance, social and environmental performance; and should flow from an organisation's overall strategy. PAFA is of the view that this project should ignite the development of a reporting framework based on <IR>

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.

PAFA response:

We agree with the Board's proposed approach in actively monitoring the work of others within the PFM space and in seeking for appropriate opportunities to engage and support that work. The Board is encouraged to monitor and engage on the following on-going initiatives;

- i. The partnership between PAFA and the African Accounting and Finance Association (AAFA) whose objective is to conduct research in emerging issues in accounting in order to influence Policy and Standard Setting;**
- ii. The African Professionalization Initiative which is a collaboration between the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E), the East and South Africa Association of Accountants General & PAFA aimed at growing the capacity of professional accountants and auditors**

**who are equipped to support accountability, transparency and good governance in the public sector;
and**

- iii. The World Bank is also involved in a number of projects aimed at strengthening the Public Financial Management systems in different countries.**