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## Comment Letter: Proposed International Public Sector Accounting Standards Strategy

Dear Mr. Stanford,

Rutgers University appreciates the opportunity to share its views on the need to include data exchange and comparability guidance into the standard of the IPSAS. In a digital age it is anachronistic and self-defeating just thinking on measurement guidance if data interchange and fluidity are ignored.

On behalf of the Continuous Audit and Reporting Laboratory of the Rutgers Business School, I am writing to provide our comments about IPSASB Strategy and urge the IPSASB to start an initiative for the development of XBRL based filings for governments using the IPSAS. We offer our strong support for a move that will help ensure that financial reporting used by government around the world becomes more relevant and decision-useful information is available in a machine-readable format that can be utilized by both citizens, and policy makers alike throughout the world for better transparency and accountability.

XBRL is a global standard developed to enhance transparency and accountability in business performance globally by providing the open data exchange standard for business reporting. The XBRL standard is supported by more than 600 organizational members worldwide and is freely available and are an important part of the fabric of reporting used in more than 70 countries around the world, in use by well over 100 regulators, and used by in excess of 10 million private and public companies globally.

[Sixty percent of financial statement data is already being consumed electronically](#), and this figure will continue to grow, according to [International Accounting Standards Board](#) Chairman, Hans Hoogervorst. This same financial reporting standard used in the private sector can be leveraged over to the government financial reporting sector and be used by government reporting stakeholders for better government.

The IPSASB has an opportunity to create a broad policy framework that ensures that better data is being provided by governments and other stakeholders in a

machine readable, structured digital form. Greater usability of the IPSAS will enhance adoption worldwide of the standard.

Almost every sector of the planet has been impacted over the last 5-10 years by rapid digitization and increased data analytics to drive decisions. Consider the impact that facebook, Amazon, Google, Apple and others have made on smart phones, laptops, and digital technologies used in vehicles have had on the lives of literally billions of people.

With the advent of: big data technologies, artificial intelligence and machine learning that takes advantage of big data capabilities; and new modes of trusted computing and distributed computing (cloud and increasingly, blockchain), the technical pillars that have supported the financial system are quickly being reinvented. These technical innovations are coming swiftly and will have enormous implications for business in the financial sector and on Main Street. They are happening so quickly at present (with fintech investment by venture capital firms exceeding USD13 billion in 2016) that it is impossible for policy makers to predict which innovations will provide the combination of efficiency, utility and necessary safety to replace legacy approaches, and which innovations will fail. Regulatory sandboxes and regulator supported Fintech/Regtech labs are, therefore, the right approach today. It is impossible to say which of these specific technologies will win out. It is, however, possible to conclude that the raw ingredient for a successful and truly digitized financial sector is ensuring that the policy conditions are set to ensure that market participants (young and old) produce and can consume better data.

To this end, we urge the IPSASB to begin development of technologies like XBRL which will mean that there will be better data, in both human and machine readable form provided directly by governments to various stakeholders in the financial reporting supply chain. Ensuring that machine readable data is the responsibility of governments itself, and that this vital information is not substituted for a later approximation of this information provided by an intermediary is a condition precedent for better data running governments supporting billions of people and the critical services they receive from governments.

## **XBRL lowers costs and improves clarity.**

Users of government financial data need and will increasingly rely on structured, digital data to make better policy decisions. This means that governments that have poor quality structured data, or issue IPSASB financial reports in PDF format, will miss out on the transparency and accountability use of XBRL provides including investment attention and suffer from reduced liquidity and analytic coverage as a result because information is difficult to obtain and analyze.

Citizens and investors in government programs will claim that government financial statements remain a critical part of the reporting process and that they will remain so into the foreseeable future. They also say that they need that information to be in a structured, open format for better government entity collaboration. Policy makers, government executives, city and state/provincial officials, the software industry and end users of government data all need to work together to bring public sector reporting into the 21st century using structured data like XBRL.

What we know today is that government financial reporting is not timely, accurate, reliable and usable and collaboration using standards like XBRL is critical to helping create these end results.

IPSASB can create an IPSAS standards-based modeling approach to develop a governmental accounting taxonomy. This is a very large step, and it will require commitment from IPSASB staff to actively participate in developing the taxonomy, to sufficiently fund resources, and to support professional and academic teams to build. Once the international governmental accounting taxonomy is developed, the IPSASB should introduce a volunteer program for reporting tagged and interactive IPSAS data, then progressively require use of the interactive taxonomy based on a government's financial statement in a particular fiscal year.

Countries should select software to create instance documents. Some software can be all-inclusive of the required functionality for taxonomy extension, instance document creation, and validation; while other software may offer this functionality separately or as part of a suite of tools.

When preparing financial statements and mapping the information to XBRL in an integrated way, governments will incorporate XBRL into their internal financial systems. Thus, financial reports can be created from XBRL-tagged financial systems without the statements first being prepared in a human-readable format using the IPSAS Standard.

Next, the government identifies the financial information to tag, chooses the IPSAS accounting taxonomy, and downloads it into the XBRL software product.

Each individual account value must be separately mapped to (or tagged with) a specific XBRL element (such as an account identifier) from the governmental accounting taxonomy. Each summary value, such as net position or total assets, is also mapped to a separate XBRL tag. The "tagging" process is then validated to identify any errors in the XBRL specification. Once errors are corrected, the software generates the financial statements.

After the final step of reviewing the instance document for reasonableness and obvious errors, the financial statements can be issued for use in analyzing

government financial performance using the XBRL IPSAS standard.

## Conclusion

XBRL represents a global agreement of the semantics of financial reporting concepts and business rules. These semantics have already been created for IPSAS. This taxonomy provides agreed-upon semantics aligned with respective government accounting standards and the IPSAS standard.

The benefits of the tagged data include enhancing transparency, comparability, and accessibility of financial information. The benefits for governments and the users of IPSAS are expected to exceed the benefits thus realized in the private sector, considering the special nature of government operations and the uniqueness of information needed for IPSAS users.

There have been significant efforts and initiatives by universities, and governments to develop a taxonomy for governmental accounting for use in financial reporting. Unfortunately, there is no tangible outcome to date. The IPSASB needs to take the lead in these efforts, beyond the role of facilitator or adviser. The IPSASB should introduce a plan for specific actions to develop a taxonomy for governmental accounting, using the standards-based approach used by IPSASB. Once the taxonomy is completed, the IPSASB can follow the steps the US SEC or the European Securities Market Authority or UK HRMC used: start with a volunteer program, then increasingly require interactive electronic IPSAS over time, based on the size of a government's net position or general fund balance.

When complete, the informational value of the IPSAS will be maximized when all federal governments are able to report tagged and interactive IPSAS for comparison and better international relations to support billions of citizens world-wide through better government as being released in the capital markets currently using XBRL.

Sincerely,

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