

7 June 2018

Mr Ian Carruthers  
Chairman  
International Public Sector Accounting Standards Board  
529 Fifth Avenue  
New York, NY 10014  
USA



CPA Australia Ltd  
ABN 64 008 392 452  
Level 20, 28 Freshwater Place  
Southbank VIC 3006  
Australia  
GPO Box 2820  
Melbourne VIC 3001  
Australia  
Phone 1300 737 373  
Outside Aust +613 9606 9677  
Website [cpaaustralia.com.au](http://cpaaustralia.com.au)

Via online submission: [www.ipsasb.org](http://www.ipsasb.org)

Dear Ian

### **Strategy and Work Plan 2019-2023 Consultation Document**

CPA Australia represents the diverse interests of more than 163,000 members working in 125 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia commends the IPSASB for the depth and rigour it has applied in developing its proposed strategy and work plan. We broadly support the strategic direction and objectives of the IPSASB. Some of our high-level observations are provided below, with additional comments in response to the questions posed in the Consultation included in the **Attachment**.

#### **Project prioritisation**

CPA Australia agrees with the criteria used by the IPSASB to evaluate potential projects to include in the proposed work plan. We suggest the IPSASB applies the same criteria to prioritise between the chosen projects that are included in the final work plan. However, we are concerned that given both the complexities associated with some of the projects and limited resources at the disposal of the IPSASB could hinder efforts to complete all projects identified for this cycle. Placing a higher priority on some of the chosen projects using the specified criteria could assist the IPSASB focus on completing these projects before turning its attention to the other chosen projects. Please refer to our comments below and in the attachment to this letter on the projects which we consider priorities for the IPSASB work program.

#### **IFRS convergence**

CPA Australia supports the inclusion of maintaining IFRS convergence as a separate theme. The misalignment between IPSAS and IFRS continues to pose significant challenges for jurisdictions such as New Zealand that adopt IPSAS for the public sector and IFRS for the private sector. The New Zealand standard-setter XRB continues to amend the locally applied IPSAS to ensure consistency with IFRS. To ensure the continuing credibility and uptake of IPSAS across jurisdictions, particularly in those which also adopt IFRS, we recommend the IPSASB continue to focus on projects that maintain convergence with IFRS.

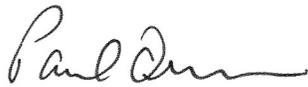
#### **Emerging forms of external reporting**

CPA Australia recommends that the IPSASB plays a more active role in the development of broader reporting initiatives beyond financial reporting. The prevalence of service performance reporting in the public sector in both Australia and New Zealand indicates this is an important information source on public sector performance. Similarly, we believe reporting on long-term sustainability is likely to increase in significance over time, as has been highlighted through the Social Benefits project. The reporting of

natural resources, which has been included as a priority project in the proposed work plan in some instances could also - - be considered non-financial reporting. For example, the Australian Water Accounting Standard, developed and issued in Australia, sets out a framework for reporting non-financial metrics on water resources. As a step towards playing a more active role in broader financial reporting initiatives, the IPSASB may wish to consider participating in the Corporate Reporting Dialogue.

If you require further information on our views expressed in this submission, please contact Ram Subramanian, Policy Adviser – Reporting, on +61 3 9606 9755 or at [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read "Paul Drum". The signature is fluid and cursive, with a long horizontal stroke at the end.

Paul Drum FCPA  
Head of Policy

**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.**

We agree with the proposed overall Strategic Objective.

Other than the possibility of revising RPG 1 *Reporting on the Long-Term Sustainability of an Entity's Finances* there appear to be no other active guidance development projects considered for the work plan at this stage. We appreciate that the IPSASB is maintaining a watching brief over some potential projects, and choice of projects will also depend on resource constraints. We suggest clarifying the strategic objective in the final work plan to address any similar concerns around guidance development that may arise from stakeholders.

**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.**

We agree with the five proposed Strategic Themes. See also our comments in the cover letter on Theme B, maintaining IFRS convergence.

**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.**

We agree with the criteria used by the IPSASB. See also our comments in the cover letter on project prioritisation.

**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.**

CPA Australia suggests the IPSASB includes an equivalent project to the IASB's *Better Communication in Financial Reporting* initiative. We note that the proposed strategy seeks to address a number of challenges including "accessibility of financial statements for non-specialist users, and civil society in general...". We believe accessibility can be improved by addressing some common issues identified with financial statements in general, including unnecessary clutter and complexity. Adopting a similar approach to the IASB's initiative including an emphasis on decluttering and streamlining financial reports will result in better communication through public sector financial reporting.

We support inclusion of the Discount Rates project as low and negative interest rates continue to pose significant challenges in measuring public sector assets and liabilities. We also support inclusion of a project to undertake a limited scope review of the Conceptual Framework.

We do not support inclusion of a project on Natural Resources as we do not perceive this to be an issue that requires the urgent attention of the IPSASB compared to some of the other projects. We also do not support inclusion of a project on differential reporting. We believe this is a jurisdictional matter that should be determined by each jurisdiction based on their own public sector structure, and information needs.

#### **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.**

See our above comments in response to SMC 4 suggesting inclusion of an equivalent project to the IASB's *Better Communication in Financial Reporting* initiative.

#### **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.**

See our comments above in response to SMC 4.

#### **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.**

CPA Australia supports the IPSASB proposals under Theme D (promoting IPSAS adoption and implementation) and Theme E (advocating the benefits of accrual in strengthening public finance management).

We suggest the IPSASB gives some consideration to the needs of emerging economies that are adopting or are looking to adopt IPSAS. The IASB has set up an Emerging Economies Group to address some of the issues that arise from IFRS adoption in emerging economies. In addition, the IFRS Foundation has entered into a Memorandum of Understanding with the World Bank to collaborate on implementation of IFRS, capacity building and engagement in standard-setting, primarily in the context of emerging markets and developing economies. The IPSASB may wish to consider similar initiatives to encourage and assist with IPSAS adoption in emerging economies.