15 February 2024

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

Via website: www.ipsasb.org

Dear Ian

International Public Sector Accounting Standards Board (IPSASB) Strategy and Work Program 2024-2028

As the representatives of over 300,000 professional accountants, Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia thank you for the opportunity to comment on the IPSASB Strategy and Work Program 2024-2028. We make this submission on behalf of our members and in the public interest.

We appreciate the IPSASB's efforts to conduct a review of the strategy and work program for 2024-2028. Our main observations and recommendations based on feedback received from stakeholder outreach as part of developing this submission are set out below.

Overall comments

We agree with the proposed update to the strategic objective which reflects the shift in the balance of public sector financial reporting needs towards the maintenance of IPSAS and the development of International Public Sector Sustainability Reporting Standards. We also agree with the proposal to add maintenance activities to the Work Program.

We have heard consistent feedback from our members and stakeholders that the IPSAS standards have reached a point of maturity and completeness. Preparers appreciate a period of calm with no new standards or major amendments to standards, to implement the recent new standards including IPSAS 43 *Leases*, IPSAS 46 *Measurement* and IPSAS 47 *Revenue*. Preparers are challenged by significant ongoing disruption and uncertainty, particularly resourcing constraints within accounting and finance teams. Therefore, we support the strategic objective to shift the focus of the work program away from the development of new accounting standards towards maintenance activities.

We urge the IPSASB to prioritise the revision of the guidance on the recognition of liabilities in chapter 6 of the Conceptual Framework. Currently, there is an inconsistency between the recognition and measurement chapters because the IPSASB has not taken in all the changes made by the IASB to its Conceptual Framework in 2018. We acknowledge that under the accounting hierarchy, an accounting standard requirement overrides the concepts in the Conceptual Framework. Nevertheless, we are concerned that this inconsistency may lead to a lack of clarity as to whether certain obligations should be recognised in the financial statements.

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Our responses to the specific matters for comment are included in the **Attachment** to this letter. If you have any questions about our submission, please contact either Amir Ghandar (CA ANZ) at amir.ghandar@charteredaccountantsanz.com or Tiffany Tan (CPA Australia) at tiffany.tan@cpaaustralia.com.au.

Yours sincerely

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Attachment

Specific Matter for Comment 1

The IPSASB proposes to update its strategic objective to reflect the shift in the balance of public sector financial reporting needs towards the maintenance of IPSAS and the development of International Public Sector Sustainability Reporting Standards.

a) Do you agree with the strategic objective?

Strengthening Public Financial Management and sustainable development globally through increasing adoption and implementation of accrual IPSAS and International Public Sector Sustainability Reporting Standards.

b) Do you agree with the IPSASB's proposal to deliver its Strategic Objective through two main activities (Delivering Global Standards and Inspiring Implementation)?

a) We agree with the strategic objective.

b) We agree with the IPSASB's proposed approach to deliver its Strategic Objective. However, we note the consultation is silent on the extant Five Strategic Themes (A-E) related to the Strategic Objective 2019-2023. Therefore, it is not clear whether the extant Five Strategic Themes (A-E) have been superseded by the new strategic objective or would supplement it. For clarity, we urge the IPSASB clarifies and explains the transition towards the proposed Strategic Objective and the two main activities which deliver the outcome.

Specific Matter for Comment 2

The IPSASB proposes to add maintenance activities to its Work Program, including a process to assess IPSAS application challenges and to undertake post implementation reviews. Therefore, at this time, the IPSASB is not proposing to add new major financial reporting standard setting projects.

Do you agree with the proposal to add maintenance activities? If you do not agree, please explain why, including any proposed alternatives.

Yes, we agree with the proposal to add maintenance activities to the Work Program. We also welcome the proposal of not adding new major financial reporting standard setting projects to the Work Program for reasons detailed in our cover letter.

We reiterate that the maintenance activities should start with the revision of the guidance on the recognition of liabilities in chapter 6 of the Conceptual Framework as discussed in our cover letter.

In principle, we support the proposal to establish an Application Panel (AP) to consider application challenges identified by stakeholders and advise the IPSASB. However, we are not in a position to comment further due to insufficient information concerning the AP in this consultation paper. For example, information is needed on how the AP would be constituted, how it fits into the governance structure, and its terms of reference, all of which will be critical to the AP's ability to achieve the IPSASB's strategic objective. The equivalent in the private sector – the IFRS Interpretations Committee – performs a valuable role by responding to stakeholders' questions, providing timely guidance, and interpreting the application of IFRS Accounting Standards to ensure consistent accounting practices around the world.

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We also support the proposal to establish a post-implementation review (PIR) process. The International Accounting Standards Board's (IASB) PIRs have been an integral part of the standard setting process for IFRS Accounting Standards. It provides an opportunity to assess whether the effects of applying the new requirements are as intended, and whether the benefits of new requirements exceed its costs. PIRs have also proven to help identify improvement areas and ensure that standards remain relevant and fit for purpose. Where an IPSAS is aligned with an IFRS Accounting Standard, the IPSASB could leverage the IASB's PIR for efficiency. We note that the IASB does not consider PIRs to be maintenance projects (MP) and has recently re-categorised PIRs from standard-setting projects (SP) to research projects (RP).

We also urge the IPSASB to further collaborate with the IASB to closely align the standards. In addition to the PIRs, we consider that the IASB's standard-setting activities could be leveraged by the IPSASB for efficiency and to avoid duplication.

We recommend the IPSASB maintains a Work Program that is achievable and manageable, and to prioritise the completion of current projects within a reasonable timeframe before commencing on other priorities.

Specific Matter for Comment 3

The IPSASB's Potential Future Financial Reporting Projects, see Appendix A, include projects for the development of new IPSAS and the maintenance of existing IPSAS.

1. **Are there other major financial reporting projects the IPSASB should consider adding to its Potential Future Financial Reporting Standard Setting Projects list?**
2. **Are there other IPSAS that the IPSASB should consider as a potential project for its maintenance program?**
3. **If the IPSASB's proposal to implement a PIR process is supported, what IPSAS are of the highest priority in your jurisdiction?**

For each potential financial reporting project identified, please explain why you believe this has international relevance that requires a standard setting solution such that the IPSASB should consider it, and elaborate on the nature of the issue you think should be explored.

1. We have been advised by members and stakeholders that the IPSAS standards have reached a point of maturity and a level of completeness. Preparers are calling for a period of calm with no new standards or major amendments to standards, to enable implementation of the recent new standards including IPSAS 43 *Leases*, IPSAS 46 *Measurement* and IPSAS 47 *Revenue*. Preparers are challenged by significant ongoing disruption and uncertainty, particularly resourcing constraints within finance teams. Therefore, we support the strategic objective's focus and the work program's shift from the development of new standards towards maintenance activities. We do not recommend any further major financial reporting standard-setting projects.
2. We recommend that the IPSASB enhances the guidance on the recognition of liabilities in Chapter 6 of the Conceptual Framework – consistent with the IASB's Conceptual Framework – to clarify that when the likelihood of a transfer of resources is low, an item may meet the definition of a liability but might not meet the criteria for recognition.

The IPSASB updated the definition of a liability, and the guidance that accompanies this definition, in Chapter 5 of the Conceptual Framework. These changes align with the changes made by the IASB to its Conceptual Framework in 2018.

In updating its Conceptual Framework in 2018, the IASB also updated the guidance on the recognition of liabilities. The IASB's updated guidance clarifies that when the likelihood of a transfer of resources is low, an item may meet the definition of a liability but might not meet the criteria for recognition. However, the IPSASB did not make the equivalent amendments to Chapter 6 of the Conceptual Framework to clarify and align the recognition criteria for liabilities. In principle, the requirements in accounting standards should be developed based on consistent concepts described in the Conceptual Framework. Therefore, we are concerned that this inconsistency may lead to a lack of clarity for those using the Conceptual Framework as to whether obligations with a low probability of resource transfer should be recognised in the financial statements.

3. We support the implementation of a PIR process. We recommend that the IPSASB prioritises PIR projects based on the application of the Project Prioritisation Criteria in Appendix B. There is a reasonable expectation that a PIR is conducted for every new standard or major amendment. However, given the volume of the new IPSAS over the past 10 years, the IPSASB will need to decide how far back to go in determining where to start. In our view, IPSAS 34–38 may be a good starting point for the first tranche of PIRs on the basis that these standards have been implemented for a few reporting periods, working forward chronologically after that. However, the standards we believe are of the highest priority for a PIR are IPSAS 41 *Financial Instruments*, IPSAS 43 *Leases*, IPSAS 46 *Measurement* and IPSAS 47 *Revenue*. But the earliest a PIR could start is after the new requirements have been implemented for at least two reporting periods. However, financial statements that reflect this are generally available in practice only about 2.5–3 years after the effective date of the new requirements.

Specific Matter for Comment 4

Upon completion of the three pre-committed sustainability reporting standard projects, what are the key public sector sustainability reporting issues the IPSASB should consider adding to its Work Program?

When answering please provide your rational as to why the IPSASB should undertake such a project(s).

In our joint submission on the IPSASB Consultation Paper, *Advancing Public Sector Sustainability Reporting,* we expressed support for the development of International Public Sector Sustainability Reporting Standards and are supportive of the IPSASB as the body to develop these standards.

There are multiple considerations with respect to incorporating sustainability standards into the public sector reporting environment. For example:

- We support a climate first approach, but we strongly recommend that a conceptual framework be developed, to clearly articulate the reporting objectives and which brings the standards together.
- We also expressed support for other topics including nature and biodiversity, resource management (for example: water, air quality, energy), First Nations people and human rights, fair

trade, and ethical, equitable and responsible practices including the application of anti-corruption mechanisms, as priorities with long term impact. We do not see these priorities losing their validity or interest over the coming years.

- Consideration should be given to upskill the IPSASB members and staff to undertake this activity. From a governance perspective, we recommend that the current skills matrix be updated to reflect these needs. In addition, a broad-based and stable funding model for the IPSASB is essential to develop high-quality, International Public Sector Sustainability Reporting Standards.

We support alignment with the International Sustainability Standards Board's (ISSB) work in developing Public Sector Sustainability Reporting Standards. We strongly recommend a coordinated approach to the development of private and public sector sustainability reporting standards to achieve international harmonisation and avoid potential future fragmentation. Therefore, we recommend the IPSASB establishes a collaborative working relationship with the ISSB and leverages its work in this area. The CA ANZ and CPA Australia joint submission on the ISSB's agenda priorities, and as members of the Peak Australian Bodies, are available here (numbers 296 and 297).

We also recommend the IPSASB initiates a project to give due consideration to ensuring connectivity between financial reporting and sustainability disclosures. The IPSASB may consider a similar approach to the IASB in pursuing this project to enable connectivity in reporting that has the goal of providing holistic, comprehensive and coherent public sector annual reports. As part of this project, we suggest the IPSASB identify standards or specific requirements / paragraphs / examples in standards that are required to be updated to take into consideration the impact of climate-related risks.