



IPSASB Proposed Strategy and Work Plan 2019-2023

Issued 1 June 2018

ICAEW welcomes the opportunity to comment on the consultation *Proposed Strategy and Work Plan 2019-2023* published by the International Public Sector Accounting Standards Board (IPSASB) in January 2018, a copy of which is available from this [link](#).

This response of 1 June 2018 has been prepared on behalf of ICAEW by its Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the Faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. Comments on public sector financial reporting are prepared with the assistance of the Faculty's Public Sector Financial Reporting Committee. The Faculty provides an extensive range of services to its members including providing practical assistance with common financial reporting problems.

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MAJOR POINTS

Support for the consultation

1. We welcome the opportunity to comment on IPSASB's consultation paper on *Proposed Strategy and Work Plan 2019-2023*.

IFRS convergence

2. IFRS convergence should be a primary objective of IPSASB given the commonality of financial reporting issues between the public and private sectors. Whilst IFRS convergence has been formally recognised as one of the main strategic themes, we recommend including this as a specific criteria for project prioritisation. This should help ensure that IPSASs based on IFRS remain up to date and divergence is minimised.
3. In our view, consulting on changes to IPSAS 1 *Presentation of Financial Statements*, to introduce Other Comprehensive Income, should be a priority project and included in the work programme.

Adoption of IPSASs

4. We believe that a project on differential reporting is not warranted given the relatively low level of current adoption of IPSASs. Whilst we can see the attractiveness of the differential reporting project, we don't feel that this should be a priority for IPSASB given the number of other important projects included in the work plan and the resource constraints IPSASB is under.
5. Furthermore, the development of an SME standard would lead to a real risk that jurisdictions would never move to the full version of IPSAS.

RESPONSES TO SPECIFIC QUESTIONS FOR COMMENT

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.

6. We agree with the proposed overarching Strategic Objective, as well as the two main areas of activity designed to deliver the Strategic Objective.
7. However, we feel that the phrase 'raising awareness' in the supporting activities is not strong enough and recommend changing the wording to 'Encourage adoption of IPSAS by raising awareness of their benefits'. Both delivery mechanisms would then start with a strong action point that is easily understood.
8. The current objectives are very much focused on 'increasing adoption', which does not cover the needs of all stakeholders of an international standard-setting body. In future years we expect the focus to change so there is implementation support and educational materials to help those who have adopted the standards. IPSASB will probably have to adopt a two-pronged approach – continuing work to increase adoption as well as supporting those that have adopted. The resource implications of this change in activities will need to be considered.

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.

9. We agree with IPSASB's five proposed Strategic Themes for the 2019–2023 period.
10. IFRS convergence is explicitly stated as a Strategic Theme and we believe this to be a key objective of IPSASB. Fundamentally, many financial reporting issues are common to both private and public sectors and divergence should therefore be minimised, with IPSASB's resources being focussed on developing standards that respond to public sector-specific financial reporting issues.

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.

11. We believe that IFRS convergence is of paramount importance. Therefore we would like to see this as a specific criteria for project prioritisation. This should prevent the IPSAS standards that are based on IFRS becoming significantly out of date, including IPSAS 1 *Presentation of Financial Statements*, which is based on 2003 IAS 1 *Presentation of Financial Statements*. See SMC 5 for more detail.
12. We believe that one further prioritisation criteria to consider is the interaction of a proposed project with either current or other proposed projects. For example, we consider

there to be links between the following three projects: 'Natural Resources' project, 'Sovereign Powers & Impact on Financial Reporting' and 'IFRS 6, Exploration for and Evaluation of Mineral Resources'. However, only the Natural Resources project is a priority for the 2019-23 work plan. Considering the natural linkages between projects would help the planning and scoping phase as more wide ranging issues are deliberated from the beginning.

Specific Matter for Comment 4:

Do you agree 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)? If not please explain your reasoning, and any proposed alternatives.

13. We strongly support the prioritisation of the projects on Discount Rates and the Conceptual Framework limited-scope Review but have some reservations regarding Natural Resources and Differential Reporting, as explained below.
14. The Discount Rate project is especially significant to the public sector given the long term nature of some of the liabilities on public sector entities' balance sheets. Whilst IASB have included discount rates as part of their research projects, this project nevertheless provides IPSASB with an opportunity to take a lead in this important area.

Natural Resources

15. We have some concerns regarding the scope of this project because the underlying issue appears to be one of valuation, which may be more suitable for the public sector measurement project. The project description on page 12 of the consultation paper does not make it obvious what the financial reporting issues are that IPSASB are looking to address and we have difficulty imagining what outcomes are to be achieved. We recommend that IPSASB carry out more research to determine what the financial reporting issues are and whether a standard or additional guidance is actually required before considering amending or developing an IPSAS.
16. We believe that scoping will be critical as it is likely that NGOs and other interested parties may seek to extend the scope of any potential standard, meaning IPSASB will need to ensure focus is kept on core financial reporting issues.

Differential Reporting

17. According to the description provided, this project is about the creation of a less complex set of requirements for small and medium sized public sector entities. However, the term differential reporting is not normally used to describe simplified accounting standards for SMEs. Instead it usually describes decreased disclosures (yet with same recognition and measurement as full standards). Notwithstanding the type of project envisaged, we do not believe there is sufficient take up yet of the full IPSAS suite to warrant a SME or differential reporting standard.

18. Furthermore, the development of a SME standard could lead to a real risk that jurisdictions would never move to the full version of IPSAS. Whilst we can understand the attractiveness of having specific standards for smaller entities, we do not believe that this project should be a priority now, or indeed in the near future.

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.

19. We agree with the proposed narrow scope projects to continue IFRS alignment; IPSASB should make use of the fact that the IASB is not currently engaged in any major standard setting projects.
20. We do not agree with the priority given to the update of IPSAS 18 *Segment Reporting*. As per the description of this project on page 14 of the consultation paper, it appears that this standard does not produce information that conforms to the qualitative characteristics of the conceptual framework. Therefore IPSASB may wish to consider the suitability of having a segmental reporting standard based on IFRS. A consultation may provide insights into whether this standard should be removed altogether (and allow preparers to follow relevant international guidance, if so desired) or whether a public sector specific standard should be created.
21. By contrast we feel that IPSAS 1 *Presentation of Financial Statements* and IPSAS 20 *Related Party Transactions* should be moved ahead of IPSAS 18 as a priority, rather than being only a potential project.. In relation to IPSAS 1, we feel that IPSASB should formally consult on the adoption of OCI as this divergence from IFRS is fundamental and should be fully considered as a priority project.
22. The disclosure and transparency of related party transactions is an important issue for the public sector and we feel that convergence with IAS 24 should be prioritised.

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.

23. In our response to SMC4, we recommend that the Differential Reporting project be abandoned. Rather than propose a Theme A specific project to replace Differential Reporting, we believe that IPSASB should, alongside the other Theme A projects, focus on IFRS convergence.

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.

24. We agree with the proposed approach for Themes D and E, which is to actively monitor the work of others and look for appropriate opportunities to engage and support that work. Links should be maintained with statistical authorities and ratings agencies to ensure that IPSASs are able to meet their needs as potential key users of financial statements prepared using those standards.