



**STRATEGY AND WORK PROGRAM 2019-2023 – MID-PERIOD
WORK PROGRAM CONSULTATION**

Issued 30 November 2021

ICAEW welcomes the opportunity to comment on the Mid-Period Work Program consultation published by the International Public Sector Accounting Standards Board (IPSASB) on 28 July 2021, a copy of which is available from this [link](#).

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Key points

Welcome the opportunity to respond

1. As an interested stakeholder in IPSASB's activities and output, we appreciate the opportunity to provide feedback on their strategy and work plan. This consultation not only underpins IPSASB's commitment to transparency, but it also ensures that the limited resources available are being allocated to the most effective projects, namely those that benefit the users most.

Priority of projects

2. The 2018 consultation on the proposed work plan for the period covering 2019-2023 included projects considered but not prioritised, which proved helpful in evaluating and ranking the projects that had made it to the shortlist. However, this mid-period work program consultation does not provide a full list of projects considered which is less helpful.
3. Given that there are only two years remaining of the current work program period and that there are a number of open projects, it is understandable that staff availability is a major consideration in coming to a final decision on which projects to proceed with. However, we do not think the distinction between major and minor is very insightful and may also prevent alternative projects being suggested as stakeholders would not really know whether their proposals would be classified as major or minor.
4. The consultation makes it clear that the chosen projects will most likely run into the next work program period i.e., beyond 2023. We understand the need for some flexibility, but the consultation seems to assume that this will be inevitable. There is a risk that the beginning of the next work program period could be congested with un-finished projects, potentially weakening the enthusiasm for the more comprehensive consultation on the 2024-2028 period due to take place in 2023.

Sustainability reporting

5. We are disappointed that IPSASB is not taking sustainability reporting further at this moment in time despite stating that 'without a robust widely shared reporting framework, public sector entities will struggle to demonstrate progress towards their Sustainable Development Goals (SDG) commitments'.
6. It appears that IPSASB is adopting a wait and see approach whilst international sustainability reporting standards are being developed for the private sector. Both IFAC and IPSASB have congratulated the IFRS Foundation for setting up the International Sustainability Standards Board (ISSB) but we would like to understand what role IPSASB will play in public sector sustainability reporting and how it will interact with the ISSB. As COP 26 has repeatedly demonstrated, the time to act is now and IPSASB should show more conviction and courage to fulfil their mandate under 'theme C' which is to *Develop Guidance to Meet Users' Broader Financial Reporting Needs*.
7. Given the vital role the public sector will play in transitioning to net zero we believe that it is vital that IPSASB should devote resources to non-financial reporting and its links to financial information. IPSASB should not remain a purist standard setter for financial reporting, it should broaden its scope to include non-financial reporting to ensure consistent, high quality information is being provided.

8. We are encouraged to see that IPSASB is involved with existing non-financial reporting organisations to advance the public sector perspective, but this may be insufficient given that the other organisations are working on private sector and investor focused guidance.
9. In our view IPSASB needs to be clearer on the role they could play in non-financial reporting for public sector entities and we call on the Board to identify major sustainability issues affecting the public sector and work on a timeline when these will be addressed.
10. IPSASB may be more involved in the sustainability debate than the consultation suggests and so it may just be a case for more detailed communication but the lack of any specific sustainability projects being proposed is disappointing. Governments are starting to legislate for net zero initiatives and expectations on disclosing climate related risks, such as the TCFD requirements, is growing in the private sector. Many government entities will face similar climate related risks to the private sector and there is no reason why the public sector should lag behind in the reporting of those by three or four years.

Answers to specific questions

Specific Matter for Comment 1

Do you agree with the major projects proposed by the IPSASB? If not, which major project(s) would you substitute for those proposed, and why?

11. In our opinion, it is a missed opportunity not to start thinking about sustainability reporting in more detail. Staff and the Board could have devoted some time in 2022 and 2023 to review all the current frameworks and how they could operate in a public sector context.
12. The ongoing IPSASB project on natural resources highlights a need to view some of these topics through a different lens. Currently the project consists of little more than applying the conceptual framework definition of an asset to various types of natural resources (eg water, subsoil) and concluding that the definition is rarely met, either due to measurement uncertainty or lack of control. However, these resources clearly represent a value to the public sector and looking at them through a financial reporting lens is limiting. What are the value drivers in the public sector? How could [Dasgupta's review](#) of the economics of biodiversity inform the debate and what is the enterprise value of a public sector entity and how is it linked to sustainability?
13. Government actions and their reporting on green issues will be increasingly under the spotlight and linking financial and non-financial information to provide a holistic view of an entity's operations will be key to meeting users' broader reporting needs (Theme C). IPSASB should communicate what it plans to do as well as a timeline to manage expectations.
14. Whilst we would have preferred to see IPSASB staff commence work on sustainability reporting, we agree with the Board's selection of *Presentation of Financial Statements and Differential Reporting* as an alternative.
15. The project on IPSAS 1 (presentation of financial statements) is a good opportunity to revisit some of the past decisions such as the omission of Other Comprehensive Income (OCI) and to liaise with stakeholders in respect of their informational needs.
16. The consultation doesn't make it clear what exactly differential reporting is. Is the aim to produce a completely different suite of standards for less complex public sector entities or to perhaps focus on more streamlined disclosure requirements of the existing standards? The consultation only says that this project would enable IPSASB to explore the characteristics of less complex entities and the appropriate financial reporting approach and guidance.

17. In our view there are quite lot of risks associated with the *Differential Reporting* project – in particular around transparency, completeness and quality that would need to be carefully considered.
18. There appears to be some momentum for jurisdictions moving from cash to accruals accounting; whether IPSAS would be more widely adopted following the differential reporting project remains to be seen. Many jurisdictions use IPSAS as a reference point due to specific local laws and regulations, it is difficult to envisage a suite of standards designed for less complex entities changing this.

Specific Matter for Comment 2

Do you agree with the minor projects proposed by the IPSASB? If not, which major project(s) would you substitute for those proposed, and why?

19. Subject to our comments regarding sustainability reporting, we agree with the proposed minor projects.