

Ian Carruthers  
Chair  
IPSASB

Submitted online

Brussels, 30 January 2024

### **Consultation Response – Strategy and Work Programme 2024-2028**

Dear Mr Carruthers,

Accountancy Europe is pleased to provide you with our comments on the IPSASB's public consultation, *Strategy and Work Programme 2024-2028*.

Accountancy Europe agrees with the stated strategic objective of “*Strengthening Public Financial Management and sustainable development globally through increasing adoption and implementation of accrual IPSAS and International Public Sector Sustainability Reporting Standards*” and the proposal to deliver on this through *Delivering Global Standards and Inspiring Implementation*.

We also strongly support the proposal to add maintenance activities to the IPSASB's work programme, including the introduction of Post Implementation Reviews (PIRs).

PIRs should include a formal public consultation element, and the IPSASB can leverage the experience and processes of other standard setters, such as the IASB, to develop a robust due process.

However, in view of the fact that implementation of IPSAS at national level often involves varying degrees of customisation to suit the national legislative framework, it is important that the IPSASB clearly indicates the role of PIRs and manages expectations of what can be expected from them. This should help reduce the possibility that jurisdictions will seek amendment to standards that have arisen because of their own specific implementation of the standard.

We have not identified any new specific major or minor financial reporting projects that the IPSASB should prioritise. There is concern amongst our constituents that IPSAS are difficult to implement for smaller and less risky entities and that the Differential Reporting project has been demoted from a standard setting project. As one of the most commonly cited issues of complexity relates to disclosure requirements, we ask the IPSASB to consider whether the proposed major project *Better Communication in Financial Reporting (disclosure project)* could consider how disclosure requirements could be simplified and made more relevant for smaller and less complex public sector entities.

We continue to support the IPSASB in promoting ‘double-materiality’ sustainability reporting in the public sector and in developing standards specific for the public sector based on existing private sector reporting standards.

After the completion of the sustainability reporting projects in the current pipeline, it will be important that the IPSASB focuses its resources on those areas where it can add unique value. There is already

a significant body of private sector sustainability reporting standards that could be (and are being) adapted for public sector entities.

However, we are not aware of any internationally accepted sustainability standards driving comparable reporting by national governments of the policies and laws that they introduce to promote sustainability and how effective the policies and laws are in achieving their aim. This is an area where the IPSASB could provide real value, building on the existing Recommended Practice Guidelines.

We present below our responses to the specific matters for comment.

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### 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)?*

*If you do not agree, please explain your reasoning and your proposed alternatives.*

1. We agree with the strategic objective and the proposal to deliver on this through *Delivering Global Standards and Inspiring Implementation*.
2. Many IPSAS have a sufficient level of maturity that common issues in application will have become apparent. It is appropriate that the IPSASB applies resources to dealing with such issues – not least because it should help with adoption by jurisdictions that do not yet apply accruals IPSAS. In this respect, the IPSASB is following the experience of other standard setters.
3. As we have stated in responses to other public consultations, Accountancy Europe has stressed the importance of the public sector in dealing with the climate crisis and other ESG issues and fully supports the IPSASB making public sector sustainability reporting a key strategic element for the next five years.

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### Specific Matter for Comment 2

*The IPSASB proposes to add maintenance activities to its Work Programme, 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 any 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.*

4. We strongly support the proposal to add maintenance activities to the IPSASB’s Work Programme.

5. However, the IPSASB will need to clearly communicate the purpose behind the maintenance work and of the process. This will help reduce undue expectations that questions of judgement or purely jurisdictional implementation issues will be covered by the maintenance process and hopefully reduce the resources that the IPSASB would otherwise have to deploy.
6. In our experience, a considerable issue that arises from the national implementation of IPSAS is either deliberate changes to certain standards to accommodate national specificities or different interpretations.
7. As such, post implementation reviews (PIR) will help determine:
  - a. To what degree jurisdictions that claim to have implemented IPSAS have amended them or interpreted them differently and why, and
  - b. Whether such different interpretations indicate issues with the underlying standards themselves or difficulties in transposing the standards into the legal and financial basis underpinning their public sector (for example, disclosures being driven by national budgetary rules).
8. Differences in national implementation will be a key issue for the Application Panel to consider when considering whether issues seen in the application of a particular standard are of a national or international importance.
9. It is important that the PIR process includes public consultation in respect of conceptual and implementation issues. The IPSASB should leverage the experience of other standard setters, such as the IASB, to introduce a robust and effective PIR process. Again, the role of the public consultation in this process would need to be clearly explained to avoid undue expectations that the PIR process will automatically lead to a revision of the relevant standard and that every issue raised, or proposal made during the public consultation would be included in a revised standard.
10. Also, regarding the PIR process, direct implementation of IPSAS is still quite rare and with indirect implementation the question is likely to arise as to what the basis of comparison is and how differences should be interpreted.

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### 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 reporting projects the IPSASB should consider adding to its Potential Future Financial Reporting Standard Setting Projects list?*
2. *Are there are other IPSAS that the IPSASB should consider as a potential project for its maintenance programme?*
3. *If the IPSASB's proposal to implement a PIR process is supported, which 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?*

#### Major projects

11. We have not identified any other major reporting projects that the IPSASB should consider adding to its list of *Potential Future Reporting Standard Setting Projects*.
12. In respect of the potential major reporting projects listed in Appendix A, we believe that the potential disclosure project *Accounting for Tax Expenditures* is important for stakeholders to assess the impact and effectiveness of using the tax system to provide social benefits and to adjust behaviour. This is one element that has been included in the European Commission's proposed revision to the [Directive](#) for budgetary frameworks for Member States. Tax expenditures also have clear links to sustainability related issues – for example, tax subsidies provided to industries that are heavy greenhouse gas emitters.
13. There is disappointment amongst some of our constituents that the IPSASB has decided not to initiate a standard setting solution in respect of differential reporting.
14. Many smaller and less risky public sector entities are overwhelmed by general requirements to provide financial information and lack the resources to implement IPSAS. As extensive disclosures are often cited as being particularly resource intensive for smaller and less risky entities, we are wondering if there is scope to include consideration of necessary disclosures for smaller entities in the proposed project '*Better Communication in Financial Reporting (disclosure project)*' included in Appendix A. We would see this as being of more value than a project on IAS 34, *Interim Financial Reporting*, for example.
15. In any event, we also see this disclosure project as being an important project in order to ensure that useful and relevant information is presented to the varied group of users of public sector financial statements.
16. Some of our constituents consider that a public sector standard based around IFRS 17 Insurance Contracts would be useful. There is a link between insurance contracts and IPSAS 42 *Social Benefits* and it is considered that, although difficult to apply, accounting for some social benefits using the insurance contract approach could provide more useful information. However, it could be argued that this should take place after the PIR of IPSAS 42 takes place (see below).
17. Many public sector entities provide insurance or insurance-like services to other public and private sector entities, so we also see benefits in applying the disclosure requirements of IFRS 17. IFRS 17 is a complex standard, and it would be advantageous if the IPSASB were able to reduce some elements of the complexity when adapting it to public sector activities. This is

particularly the case with the IFRS 17 disclosure requirements, and it would be important for the IPSASB to determine which disclosure requirements are pertinent to the public sector, linked to the project on *Better Communication in Financial Reporting*.

#### Maintenance projects

18. We agree with the maintenance projects listed in Appendix A.
19. We also consider a review of IPSAS 35 *Consolidated Financial Statements* to be relevant. We are aware that this standard is not commonly adopted, with most jurisdictions using their domestic law or custom.
20. It would be beneficial to ascertain whether there are internationally consistent issues around adoption of IPSAS 35, perhaps influenced by certain public sector specificities such as:
  - a. No initial cost of investment for entities
  - b. How control of an entity is defined, especially where no share capital is in issue.
21. IPSAS 42 *Social Benefits* should be reviewed, perhaps after the midpoint of the next five-year period. It is a flagship standard that still is not widely applied, even by jurisdictions that have been enthusiastic adopters of other IPSAS. Point 103 of the Basis of Conclusion of IPSAS 42 states that a post-implementation 'would be appropriate at some point in the future'. If the standard continues to have patchy adoption it could be worthwhile investigating at an earlier stage the overarching reasons why at an earlier stage - for example, if the conceptual basis of the standard is satisfactory or not.
22. In respect of post-implementation reviews, it could also be worth considering the IASB's exploration of how to [improve reporting of climate related risks](#). The public sector in many countries is particularly exposed to the risk of stranded assets, having to adapt for the delivery of public services (i.e. water) because of the effects of climate change and the possibility additional contingent liabilities and payment when guarantees are called upon. We propose that consideration of climate-related risks could be added as a criterion in Appendix B *Project Prioritisation Criteria*.

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#### 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 Programme?*

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

23. Completion of the current project on climate related reporting for entities is obviously the most urgent priority.
24. In our responses to previous IPSASB consultations on sustainability reporting, we stated that the IPSASB should then concentrate on developing entity-level sustainability standards covering the other main areas of concern, particularly those such as pollution, biodiversity, and social issues.
25. Whilst we still believe that this is important, we have moved towards proposing that the IPSASB should concentrate on sustainability reporting reflecting the unique characteristics of the public sector. There are already private sector sustainability standards that can be, and are being, leveraged by public sector entities so duplicating this work may not be the best use of the IPSASB's resources.
26. There is still a shortage of sustainability reporting in respect of disclosing sustainability risks, policies, actions, costs, results and impacts at a whole of government level. What reporting exists is based on national exigencies and tends to lack international consistency and comparability. We feel that there is a key role for the IPSASB in this area.
27. Ultimately, sustainability and sustainable public finances are less a matter of reporting and more a matter of changing behaviour. Governments have a critical role of changing behaviour that impact both the public and private sectors – particularly through its role as regulator.
28. We are unaware of any internationally accepted standards to ensure comparable reporting by national governments of the policies and laws that they introduce to promote sustainability and how effective (and cost-effective) these are in achieving their aim. This is an area where the IPSASB could provide real value, building on the existing Recommended Practice Guidelines.
29. It will not be feasible nor appropriate for every single public sector body to start producing full sustainability reports. Different public sector bodies will face very different risks and have very different impacts on the various elements of sustainability reporting. Perhaps the IPSASB could work to achieve consensus on the minimum level of disclosures that different types of public sector entities would be expected to disclose and how this should be linked to the financial accounts.
30. This disclosure should include narrative elements as we believe that these are essential for meaningful disclosure of sustainability related risks and impacts. The impact of sustainability on fiscal sustainability is also of key importance and there are elements of Recommended Practice Guideline 1 *Reporting on the Long-Term Sustainability of an Entity's Finances* and RPG 2 *Financial Statement Discussion and Analysis* that should be included in standards rather than in guidelines.
31. In respect of Figure 4., we are not convinced that the 17 Sustainable Development Goals are a good starting point for developing sustainability reporting standards. They are high level goals rather than specific topics that can be adapted to standards. It would be preferable to start from

the many existing private sector standards, such as those produced by GRI and the European Sustainability Reporting Standards, that already break themes into discrete topics, such as Resource use and circular economy, Biodiversity and Workers in the value chain.

32. We believe that sustainability reporting should, as far as is practical, be linked to the financial statements and that sustainability reporting standards should reflect this interlinkage. In this respect, it is essential that the disclosures should be auditable. Basing sustainability standards on the SDGs could undermine the auditability of the standards, which would undermine adoption by national governments who may be concerned about the possibility of a disclaimed or adverse audit opinion.

Sincerely,



Olivier Boutellis-Taft  
Chief Executive

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Accountancy Europe unites 50 professional organisations from 35 countries that represent close to **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond. Accountancy Europe is in the EU Transparency Register (No 4713568401-18).