

IPSASB Strategy and Work Program 2024 to 2028 Consultation: *Submission by the Association of Chartered Certified Accountants*

15 February 2024

Submission via website

The Association of Chartered Certified Accountants (ACCA) welcomes the opportunity to comment on IPSASB's proposed Strategy and Work Program for 2024-2028. Appendix A sets out ACCA's detailed responses to the specific matters for comment and more information about ACCA is contained in Appendix B.

ACCA and the Pan African Federation of Accountants (PAFA) collaborate on issues to support good practices in both public financial management and sustainability reporting in the public sector across Africa and around the world. Although ACCA and PAFA are submitting separate responses to this consultation due to the timing of an IPSASB consultation event in Africa, ACCA and PAFA have previously submitted joint responses to IPSASB's consultation papers. In particular, over the last two years ACCA and PAFA have engaged with IPSASB, as its work on sustainability reporting has developed, and responded jointly to 'Advancing Public Sector Sustainability Reporting' in September 2022, 'Natural Resources' in October 2022 and 'Reporting Sustainability Program Information - RPGs 1 and 3: Additional Non-Authoritative Guidance' in January 2023.

The adoption and implementation of international accounting and sustainability reporting standards is critical to strengthening transparency and accountability in the public sector. Reporting to recognised, common standards provides decision-useful information to inform public sector entities' policy and decision-making process and supports good value for money from public services. ACCA therefore strongly supports IPSASB's overarching goals of developing global standards and inspiring implementation, as set out in the consultation on the Strategy and Work Program for 2024-2028.

For financial reporting, ACCA has consistently advocated for the importance of the public sector adopting accrual accounting. ACCA undertakes a variety of initiatives to promote accrual financial reporting the public sector and therefore strongly supports IPSASB's intention to redirect resources to actively facilitate work in raising awareness, building alliances, and supporting regional and international initiatives. ACCA welcomes the recognition in the consultation document (e.g. Figure 2) of the important role professional accountancy organisations play in promoting adoption and implementation.

In recent years ACCA has strongly supported the development of sustainability reporting in the public sector. For example, ACCA held two global [roundtables](#) on sustainability reporting in early 2023 which helped to inform work on developing IPSASB's initial three sustainability reporting projects. More recently, together with IFAC and the INTOSAI Development Initiative, ACCA published a [report](#) on 'Preparing for

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sustainability reporting and assurance in the public sector'. The report sets out the key reasons why public sector bodies should undertake sustainability reporting and the importance of effective oversight arrangements for audit and assurance of sustainability information. Consequently, ACCA is strongly supportive of IPSASB's proposed work on public sector sustainability reporting.

ACCA looks forward to the finalised Strategy and Work Program, as well as continuing to work closely with IPSASB to strengthen public financial management and sustainability reporting in the public sector in the years ahead. We are happy to discuss or provide further information about our comments.

Yours sincerely,

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Appendix A

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.

a) ACCA supports IPSASB’s strategic objective to strengthen public financial management (PFM), a priority which is also shared by ACCA. The prominence given to sustainability reporting standards in IPSASB’s strategic objective, alongside accrual IPSAS, is also welcome and indeed necessary. However, recognising that IPSASB’s work on sustainability reporting standards is at the developmental stage, it may be more sensible to separate these distinct strands of work more clearly in IPSASB’s strategic objective.

As the Strategy and Work Program makes clear, accrual IPSAS are mature and the importance of their adoption in strengthening PFM is widely understood. IFAC’s 2020 International Public Sector Financial Accountability Index forecasts a significant ongoing transition from cash to accrual across the globe, with many jurisdictions referencing IPSAS. If these plans are implemented, this will increase the user base of the IPSASB.

In contrast, sustainability reporting in the public sector is not widespread and most public sector entities are yet to implement substantive sustainability reporting practices. As a result, IPSASB’s role in advocating for, and explaining the advantages of, sustainability reporting will require a greater degree of effort and intensity than for accrual IPSAS.

ACCA therefore suggests that the wording of the strategic objective could be amended slightly, to emphasise the distinction between the well-established accrual standards and the nascent sustainability reporting standards. This would acknowledge the important differences in IPSASB’s role for each of these two areas of work. For example, the objective could be split into two parts with very limited changes to the actual wording: *“Strengthening Public Financial Management through increasing adoption and implementation of accrual IPSAS, and supporting sustainable development globally through the introduction of International Public Sector Sustainability Reporting Standards.”*

- b) ACCA agrees with the proposed two activities, which clearly encapsulate IPSASB's core roles. Again, as outlined above, there will obviously be a different emphasis in IPSASB's activities for financial reporting standards and sustainability reporting standards.

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 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.

ACCA supports the addition of maintenance activities and the decision, in line with the clear criteria for project prioritisation in Appendix B of the consultation, not to add new projects at this stage. The focus on maintenance and assessment of implementation, rather than additional standards, has three potential benefits.

Firstly, the sense that new standards are not continually emerging provides 'breathing space' for government and other public sector entities to focus on sustained and effective implementation of existing standards. A succession of new standards could provide an implicit justification for implementation not to begin until the standards landscape is more settled.

Secondly, the proposal to concentrate more resources on supporting the application of financial reporting standards may also help to increase the number of governments and entities adopting and implementing IPSAS. It is important that IPSASB formally recognise and identify some of the challenges in implementing standards, both to enable lessons learned for future standards development and to consider additional resources and support which could be made available for entities which are implementing the standards. Support for the implementation of sustainability reporting standards, as highlighted in response to SMC 1 a) above, is fundamental to their successful adoption.

Thirdly, the focus on ensuring existing standards are up-to-date should help to maintain the credibility and legitimacy of IPSAS among those implementing the standards, users of financial reports and, where applicable, national standard setters with a role in public sector standards.

Finally, in terms of the details of the activities, it would be helpful if the finalised Strategy and Work Program could further clarify the role of the Application Panel. In particular, the process for determining criteria for which particular application challenges will be assessed and its responsibility, if any, in relation to the Post-Implementation Reviews (PIRs). The draft Strategy refers to the Panel assessing challenges identified by constituents and PIRs taking into account feedback from constituents; ACCA would urge IPSASB to seek structured feedback from a wide range of stakeholders to ensure these activities are as useful and inclusive as possible.

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?

1. The list of potential projects for new pronouncements appears to be comprehensive and ACCA has no additional suggestions. The commitment to further consultation with stakeholders in due course on which projects should be brought forward is welcome, recognising IPSASB's resources are fully committed in the short-term.
2. All of the proposed maintenance projects in Appendix A appear sensible and have clear justification for their inclusion in the list. ACCA has previously recommended that IPSASB include tax expenditures as a high priority topic (see ACCA's [2018 response to the IPSASB's 2019 to 2023 Work Plan](#)). Many jurisdictions maintain tax expenditures to support government objectives, but these are accompanied by limited accountability mechanisms or published evaluations on effectiveness. For example, a [2020 UK National Audit Office report](#) found that the UK government provided about £155 billion in tax expenditures, but only published evaluations for tax expenditures worth about £11 billion. Many jurisdictions face a significant accountability gap relating to tax expenditures that could be addressed through a disclosure project by the IPSASB.
3. The phased implementation of a PIR process is supported by ACCA, though criteria for assessing which standards would be subject to a PIR would be helpful. ACCA works across many jurisdictions and therefore direct IPSASB to comments from specific jurisdictions. In line with its usual approach to transparency, it would be helpful if IPSASB could make the outcome of its PIRs publicly available.

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).

ACCA supports the prioritisation of the three current sustainability reporting standards projects. As IPSASB considers future priorities, the objectives of sustainability reporting and the needs of the primary users of this information must be central to determining additional projects.

ACCA believes the primary users of sustainability information will be the same broad categories as those identified for financial reports in IPSASB's Conceptual Framework, namely 'service recipients' and 'resource providers'. Similarly, the objectives of financial reporting identified in the Conceptual Framework, to provide information that is useful to users for accountability purposes and decision-making purposes, equally apply to sustainability reporting information.

It therefore follows that the sustainability reporting information published by public sector entities will have a much broader group of primary users than defined in IFRS S1 as 'existing and potential investors, lenders and other creditors'.¹ Equally, the range of decisions which could be based on sustainability reporting information by public entities is more extensive than those set out in IFRS, S1 which are focused on providing resources to a private sector entity.²

In this context, ACCA welcomes IPSASB's intention to develop standards from a baseline which includes both IFRS Sustainability Disclosure Standards and GRI Standards. If the principles outlined above for objectives and primary users are followed, public sector sustainability reporting will encompass consideration of entities' wider impact on sustainability.

IPSASB should be ambitious in considering how the public sector could report on a broad range of sustainability information, prioritising consistency and comparability, but reflecting the different types of public sector entities, their respective responsibilities and accountabilities, including funding arrangements. Given the scope of roles and activities undertaken by public sector entities, the potential breadth of sustainability reporting could be huge.

Accordingly, it will be important for IPSASB to engage with stakeholders to establish a set of overarching principles to determine the extent of information that could be reported on. These principles should recognise public sector entities' differing size, function and ability to impact on sustainability-related matters. Even in the largest entities, resources are limited and capacity for reporting will need to be developed. It is

¹, IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information, p.23

²IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information p.28 paragraph B14

therefore crucial for IPSASB to begin consideration of this key issue at the earliest opportunity.

Progress on achieving the UN Sustainable Development Goals (SDGs) is an important priority for many national governments and providing information on progress to stakeholders is crucial for accountability and decision-making. IPSASB should explore how SDGs (or any successor global goals, given their time-bound nature) can be integrated into public sector sustainability reporting. For example, mapping the IPSASB Sustainability Reporting Standards to UN SDGs using a similar approach to the GRI resources would support incorporating SDGs into an overarching sustainability reporting approach by public sector entities.

Appendix B

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants. We're a thriving global community of 241,000 members and 542,000 future members based in 178 countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. In December 2020, we made commitments to the UN Sustainable Development Goals which we are measuring and will report on in our annual integrated report.

We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.