



**MINISTÈRE
DE L'ÉCONOMIE,
DES FINANCES
ET DE LA SOUVERAINETÉ
INDUSTRIELLE ET NUMÉRIQUE**

*Liberté
Égalité
Fraternité*

**Conseil de normalisation
des comptes publics**

Le Président

Paris, January 23, 2024

Mr Ross Smith
Technical director
International Public Sector Accounting Standards
Board
International Federation of Accountants
277 Wellington Street, 4th floor
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Ontario M5V 3H2 CANADA

Re: Response to the Consultation on the IPSASB Strategy and Work Program for 2024-2028

Dear Mr Smith,

The French Public Sector Accounting Standards Council (CNOCP) welcomes the opportunity to comment on the Consultation on the Strategy and Work Program for 2024-2028 (the Consultation).

Overall, we find the Consultation document well written and the objective and proposed strategy for 2024-2028 well thought through. The scope of proposed future activities, namely the shift towards maintenance of existing financial reporting standards on the one hand, and the development of sustainability reporting standards on the other hand are in line with current stakeholders' expectations. We believe that indeed priority should now be given to a period of stability in financial reporting standards that would help preparers keeping up to date with the latest requirements as well as help implementing them.

On the financial reporting maintenance activities, we would suggest the IPSASB should communicate clearly on the new process to be implemented as well as on the issues and questions raised by constituents.

In addition, while we agree on the IPSASB taking a step backwards from major financial reporting standard-setting projects, we would appreciate if the Board could consider at some point reflecting on segment reporting and on the aggregation of entities' accounts in the public sector, that is, beyond the principle of control while not duplicating information from national accounts.

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With respect to Sustainability Reporting projects, we would recommend that the IPSASB should direct resources towards reflecting on the following topics that we believe are critical for sound Sustainability Reporting standard-setting:

- the necessary balance between impact and financial materiality in the public sector;
- the concept of value chain in the public sector, what it refers to and to what extent it is possible to action that concept while respecting the constraints on information in GPFRs;
- the provision of guidance on how to report on government's assessment of the public policies they enact to mitigate environmental, social and governance-related challenges; and
- the provision on guidance on how to best reflect the fact that public money is appropriately directed at investments in sustainable activities.

In that still recent area of expertise, we believe transparency and good communication are key, as they are for financial reporting. We would therefore suggest that the IPSASB should communicate clearly on any new groups formed to provide inputs to the Board, and on their relations to the IPSASB and to the Consultative Advisory Group (CAG). We understand that there may have been recent developments since the publication of the Consultation and we would appreciate if they could be reflected in the final document. In addition, while we understand and support establishing expert groups, we also believe that it is critical that some level of expertise, in proportion to the complexity and breadth of the topic, should be reflected also at Board and staff levels.

Lastly, we would like to draw the attention of the Board to the importance of ensuring in the long run some form of consistency between the various reports that may exist in the public sphere in relation to public finance management such as reports on budgetary data.

We present detailed responses to the Specific Matters for Comments in the appendix.

Yours sincerely

Michel Prada

APPENDIX

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.

Based on the suitability of IPSASs consultation carried out by the European Commission in 2012-2013, we note that the suite of IPSASs has since largely evolved to cover now specific public sector topics that were previously left aside such as Public Sector Combinations, Social Benefits, Measurement, Transfer Expenses and to a lesser extent Collective Goods and Services. We appreciate the efforts made to develop relevant guidance in those areas taking into account the specificities of the public sector. We believe that priority should now be given to a period of stability in financial reporting standards that would help users keeping up to date with the latest requirements as well as help implementing them. In that sense, we fully agree with the proposed shift towards the maintenance of IPSASs on financial reporting.

We also commend the IPSASB for investing resources and time to explore Sustainability Reporting and its effects on Financial Reporting, given the current concerns on the effects of climate changes, and more generally on the environment. If we may share our own experience on this, the CNoCP has just recently reviewed its scope of activities to include work on Sustainability Reporting.

We note that the strategic objective covers both financial and sustainability reporting legs of standard-setting which should help keeping accounting and disclosure requirements aligned whenever appropriate. We strongly support the IPSASB engagement to work on alignment, consistency and interoperability between the various sets of standards on Sustainability Reporting. We believe that it is equally critical that the IPSASB should take into account the regional initiatives on sustainability

reporting. This is paramount in the public sector where resources are scarce and where public sector entities cannot bear the entailed costs of having to report in accordance with different sets of standards. In that sense, and also because of the various landscapes of jurisdictional legislations and regulations, we would suggest that the IPSASB seek to keep sustainability reporting disclosure requirements at a minimum. In addition, absent an effort of coordination, we believe comparability would be at stake; providing comparable data across entities and across jurisdictions is critical where Sustainability Reporting is concerned.

With respect to the Strategy objective, we would urge the IPSASB to communicate clearly on the articulation between “sustainable development globally” and SDGs and/or ESG. This would provide an overall picture of the purpose of Sustainability Reporting and a lead as to what topics should be considered for future standard-setting. Also, to us, a critical step towards efficient standard-setting is determining the best way to calibrate Sustainability Reporting for public sector entities. That is in terms of breadth of information, as well as the level of entities or groups of entities that should report on Sustainability.

With respect to the means to deliver the strategic objective, we agree that the IPSASB activities should focus on delivering standards on both financial and sustainability reporting as a first priority, and strengthen requirements with a robust and transparent process to respond to implementation issues.

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.

Maintaining the suite of standards is an integral part of the remit of the IPSASB, especially now that the suite of standards is mature. Post-implementation reviews (PIRs) and regular improvements for alignment with IFRSs and for consistency with statistics, as well as dealing with application issues, are activities that we believe should provide sufficient coverage to ensure the suite of standards is kept up to date.

More specifically with respect to dealing with application issues, we would like to emphasise to the Board the need for a transparent process and appropriate level of communication. All issues reported to the IPSASB should be dealt with and public feedback should be provided for those issues that are not taken

onto the IPSASB's agenda. From a reputational risk angle, this would ensure constituents that the IPSASB is looking at all issues. On the practical side, public report back would help tracking questions to, as well as answers from, the IPSASB. Good management of the flow of questions from the IPSASB as well as from constituents' perspectives would help promoting adoption of IPSASs across the world.

Moreover, with a view to promoting adoption and implementation, we are of the opinion that a challenge that should be faced head on is getting parliamentarians and political decision-makers grasp the benefits of accrual financial statements.

However, we believe that there is still substantial work to perform on the topic of consolidation in the public sector (for more detail on this topic, see question 3).

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.

We note that the topic of regrouping public sector entities, be it using consolidation or other type of aggregation methods is not listed within the list of major topics in appendix A. We believe that there is still substantial work to perform on the topic of consolidation in the public sector. Issues to reflect on range from what consolidation means in a context where control is not the main relationship between public sector entities, to how to connect aggregated accounts to statistics without duplicating macro-economic information. The challenge would be limited to exploring the relationship between stakeholder entities and drawing consequences on how to "read" net assets in the public sector. Resources would then be directed at how to reflect such relationship in financial reporting. This is an issue that many

jurisdictions face across the world and that is in the public interest. As for the other projects listed as major projects in appendix A, none of them seem more critical to take on than a project on “aggregation”.

Within the list of projects for maintenance activities, we would prioritise the project on segment reporting. In France, segment reporting requirements for the public sector derive from the equivalent IPSAS. Public sector entities, and mainly the Central government, express concerns about the complexity of the requirements and face challenges when it comes to applying those requirements. Complexity arises mainly in the allocation of long-term assets and tax revenue to operating segments. We understand that such challenges were also mentioned by other jurisdictions in Europe.

Lastly, we fully support the idea that maintenance activities should include the implementation of a PIR process. However, we would like to draw the attention of the IPSASB on the importance for such a PIR process to focus on requirements that are specific to the public sector. This is because a lot of requirements are similar to those in the IFRS suite of standards. This should help alleviating the burden in terms of resources.

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 rationale as to why the IPSASB should undertake such a project(s).

We note that a reason why the IPSASB decided to take on sustainability reporting standard-setting is that “sovereign bonds make up almost 40 percent of the US\$100 trillion global bond market, and public funding and financing make up a significant proportion of global financial activity” (World Bank - Sovereign Climate and Nature Reporting report published in January 2022). We are also conscious of the importance in the public sector of the appropriate direction of public money to sustainable activities.

With these crucial elements of context in mind, we are of the view that governments should be provided guidance on how to report on their assessment of the public policies they enact to mitigate environmental, social and governance-related challenges. Assessing the efficiency of public policies directed at ensuring sustainable economic development is a specificity of the public sector that should be the focus of the discussions at the IPSASB on Sustainability Reporting. Sustainability reporting disclosure requirements in that area would help securing sustainable financing on the markets, and would also provide sound grounds for comparability purposes. We would suggest that this structuring point

should be addressed in the future project on General Requirements for Disclosure of Sustainability-Related Information.

We believe that sustainability reporting in the private sector should equally apply to public sector entities in that they share features relating to their operating capacities. Therefore, we wouldn't spend too much time adapting private sector guidance to public sector entities, resources being too scarce to reinvent the wheel there.

Conversely, we draw the attention of the IPSASB on impact materiality, to us a pivotal topic for the public sector. As much as financial materiality is important in the public sector given the volume of sovereign bonds and public funding and financing, we think that impact materiality is equally important and should be addressed in its own right. Another notion that should get the IPSASB's attention is that of public sector's value chain that is necessarily different from the private sector's perspective. Therefore, materiality and value chain are two concepts that we would like the IPSASB explore further with a view to highlighting public sector specificities.

Lastly, we would appreciate if the IPSASB could consider adding to its agenda a project that would address providing guidance on the entity level at which jurisdictions should disclose relevant sustainability information, especially where requirements deal with the assessment of public policies.