

International Public Sector Accounting Standards Board  
Mr Ian Carruthers, IPSASB Chair  
and Mr Ross Smith, IPSASB Program and Technical Director  
277 Wellington Street West  
Toronto, Ontario M5V 3H2  
Canada

E-mail: [ian@iancarruthers.org](mailto:ian@iancarruthers.org), [RossSmith@ipsasb.org](mailto:RossSmith@ipsasb.org)

15 February 2024

Dear Sir/Madam,

### **Consultation Paper on IPSASB Strategy and Work Program 2024-2028**

We are pleased to respond to the invitation from the International Public Sector Accounting Standards Board (IPSASB) to comment on the Consultation Paper (CP) *IPSASB Strategy and Work Program 2024-2028* on behalf of PricewaterhouseCoopers. Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of those firms. “PricewaterhouseCoopers” or “PwC” refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We support the work the IPSASB undertakes to develop high-quality accounting standards for use by governments and other public sector entities around the world with the aim of enhancing the quality, consistency and transparency of public sector financial reporting worldwide.

Overall, we support IPSASB’s proposals included in its consultation paper on its strategy and work program 2024-2028. We agree with IPSASB’s 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 with its proposal to deliver on this through both delivering global standards and inspiring implementation.

We agree with the shift of IPSASB’s work and resources towards maintenance activities and the development of sustainability reporting standards, and provide recommendations on how this should be done.

Finally, we share our view on the priorities the IPSASB should have in maintaining IPSAS standards and in developing sustainability reporting standards. On the latter, we highlight the importance for the IPSASB to consider reporting on the central and crucial role that the public sector has and the actions it takes to set the tone, regulate and monitor the good application of sustainability rules and behaviours by entities and individuals.

Our detailed responses to the specific questions in the Consultation Paper can be found in the Appendix to this letter.

If you would like to discuss any of these points in more detail, please contact Henry Daubeney (henry.daubeney@pwc.com) or Patrice Schumesch (patrice.schumesch@pwc.com).

Yours sincerely,

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

**The Specific Matters for Comment requested for the Consultation Paper are provided below.**

- **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 proposed alternatives.**

We agree with IPSASB's strategic objective and its proposal to deliver on this through both delivering global standards and inspiring implementation.

The suite of IPSAS standards has significantly developed over the past few years, covering now the most important issues in accounting and financial reporting, including issues that are specific to the public sector, and after consideration of the needed convergence with International Financial Reporting Standards ('IFRS') when no public sector specificity warrants a different treatment, and with GFS (government finance statistics) rules where possible.

As more and more jurisdictions are adopting accrual basis IPSAS or similar (i.e., regional or national standards based on IPSAS) or intend to do so, a period of calm in the development of the standards would provide a stable platform facilitating the actual implementation of these standards by governments and other public sector entities that are making the move.

We therefore agree with the shift of IPSASB's focus towards maintenance activities that will provide that stable platform and support high quality application of the standards in practice.

We also support the development of sustainability reporting standards as explained in our response to IPSASB's consultation paper 'Advancing Public Sector Sustainability Reporting' dated 9 September 2022. This updated strategic objective recognises the increasing importance of sustainability reporting globally and reflects IPSASB's leadership role in developing sustainability reporting standards and guidance for the public sector.

- **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.**

As explained under SMC1, we fully support IPSASB's proposals to add maintenance activities on its work program.

We support inclusion of a process to assess application challenges in order to promote high quality application of the standards and facilitate their implementation. However, we believe that the objective should be clearly defined and delineated in order to avoid expectation gaps and debating again difficult decisions made in issuing the standards. In particular, analysis of the application challenges should be limited to:

- The challenges in implementing IPSAS and not a variation of the standards as translated in regional or national legislations or regulations.
- Those issues that are of general interest and widespread across (certain types of) public sector entities.

One should indeed avoid that the IPSASB staff be considered as a helpdesk for solving all sorts of implementation issues arising on specific projects.

The process should be well articulated and fully transparent. Public communication should be organised on the composition of the Application Panel in charge of assessing the application challenges submitted by constituents, the criteria for submitting them to the IPSASB for consideration and those submitted issues in scope that are not taken onto IPSASB's agenda.

We support IPSASB's proposals to undertake post implementation reviews (PIR). Each PIR should include public consultation. Again, the process should be clearly explained and fully transparent, including the reasons why the feedback obtained from constituents has or has not resulted in a revision of the standard(s) under review. We recommend that the IPSASB leverages the experience of the IASB, to introduce a robust and effective PIR process.

- **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 have not identified any other major financial reporting projects that the IPSASB should consider adding to its potential future financial reporting standard setting project list.

In the list proposed, we highlight the following:

- The importance of the project on 'Accounting for tax expenditures' as the disclosure of foregone tax revenue to the benefit of certain entities or individuals to encourage or discourage certain behaviours is an important element of the accountability and decision-making objective of financial statements.
- The importance of the project on 'Better communication in financial reporting'. Extensive disclosure requirements are often cited among the most common barriers to IPSAS implementation, and clearer guidance on the topic would help public sector entities make meaningful judgments in assessing which information is material and should be disclosed or not. As the burden of extensive disclosures is particularly heavy for smaller and less risky entities, we would also welcome the IPSASB to include as part of the scope of the project specific consideration of the issue for these entities. Finally, we encourage the IPSASB to align with IFRS developments, including with the upcoming publication of IFRS 18 'Presentation and disclosure in financial statements', where deemed appropriate for the public sector.
- Inclusion of IFRS 17 'Insurance contracts' does not seem a priority and should in our opinion be removed from the list as working on this project would not be a good use of IPSASB resources. As indicated in the consultation document, there are likely few entities issuing insurance contracts in the public sector or operating social benefit schemes that are fully funded from contributions and that could be considered as managed as insurance contracts and to whom the provisions of IFRS 17 would or could apply under IPSAS 42 'Social benefits'. In addition, application of IFRS 17 for such social benefit schemes is always optional and entities can opt for the application of the general approach which is easier to apply. Finally, management can refer to paragraphs 12, 14 and 15 of IPSAS 3 'Accounting policies, changes in accounting estimates and errors' and apply IFRS 17 if they want.

We have no specific comments on the list proposed by the IPSASB for its potential future maintenance projects.

A candidate for PIR might be IPSAS 35 'Consolidated financial statements' that was issued in 2015 and is effective from 2017. We are aware that conceptual discussions, especially around the definition of the scope of consolidation, are still regularly taking place. A PIR might not

necessarily lead to a (substantial) revision of the standard but may serve as a useful information gathering process to inform of areas needing additional guidance or any future didactic initiative by the IPSASB on the usefulness of consolidated financial statements for accountability and decision making and to strengthen public financial management.

When issuing IPSAS 42 ‘Social benefits’ in January 2019, divergent opinions were expressed by IPSASB members and stakeholders on the recognition and measurement rules under the general approach of IPSAS 42. In paragraph 103 of the Basis of Conclusions of the standard, the IPSASB noted that preparers’ experiences of applying an IPSAS on social benefits along with users’ experiences of using the information provided may suggest ways of better reconciling the different views that exist. The IPSASB therefore considered it likely that a post-implementation review of IPSAS 42 would be appropriate at some point in the future. As IPSAS 42 ‘Social benefits’ is effective from 2023 only, it might be more beneficial to wait until 2027-2028 or later to organise such a PIR.

Given the consideration of IFRS accounting standards in the development of IPSAS, we encourage the IPSAB to monitor and adjust its PIR work program based on the equivalent process undertaken by the IASB. For example, the PIR on financial instruments performed by the IASB has identified various areas of desired clarifications and modifications to IFRS 9. The IPSASB would benefit from monitoring such modifications and consider whether they would be relevant for public sector entities applying IPSAS 41.

Other than that, we have not identified specific IPSAS standards that would be candidates for a PIR.

- **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?**

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

Upon completion of the three pre-committed sustainability reporting standard projects (1. Climate-related disclosures, 2. General requirements for disclosure of sustainability-related information, 3. Natural resources - Non-financial disclosures), we believe that those other environmental issues (threat to biodiversity, water scarcity and pollution, etc.) identified by the International Panel on Climate Change (IPCC) in its scenarios on the progression of global warming and the destruction of our ecosystems, are equally pressing topics. In particular, biodiversity seems to us as the clear next priority to be taken on board by the IPSASB. As a longer term objective, we encourage the IPSASB not to restrict their scope to the E (Environmental) of the ESG criteria but also to consider social and governance matters (the S and G of ESG), specifically in relation to Human Rights given the responsibilities of public sector bodies in this area.

To do that, we recommend that the IPSASB capitalises to the greatest possible extent on the sustainability reporting standards already developed, such as standards and guidance already developed by the ISSB (International Sustainability Standards Board), the European

Commission, the SEC (Securities and Exchange Commission) and the GRI (Global Reporting Initiative), rather than on the 17 Sustainable Development Goals which are high level goals rather than specific topics that can easily be adapted to standards.

Finally, we highlight the central and crucial role that the public sector has in not only providing public services that should contribute to a sustainable world, but also in having the power to require or incentivise both private and public sector entities and individuals to act in a sustainable manner. Sufficient attention should therefore be devoted to the reporting requirements about the specific role that the public sector has in its capacity of regulator, in areas such as the impact of taxation and subsidy schemes, procurement strategies, regulation and policies, along with their enforcement, and about the actions it takes to drive behaviours of entities and citizens.

We recommend that the IPSASB places immediate strong focus on developing clear guidance on these aspects. We believe that this is particularly important for accountability purposes towards all citizens.

Differences in the reporting requirements would be expected between public sector entities depending on the role they have in advancing the sustainability agenda. For example, more requirements might legitimately be expected from those public sector entities that have the power to regulate sustainability matters or oversee their application by the various actors, both public and private, and should be held accountable for what they do.