



The International Public Sector Accounting Standards Board (IPSASB)

By email

PREFACE

The Pan African Federation of Accountants (PAFA) is a network partner of the International Federation of Accountants (IFAC) and the regional organisation for the accountancy profession in Africa. Our membership consists of 56 professional accountancy organisations in 45 countries in Africa. Through these organisations we reach more than 125 000 professional accountants in Africa – all potential agents of change.

PAFA's vision is sustainable value creation to benefit the citizens of Africa. We achieve this by strengthening the influence and capacity of the accountancy profession to enhance trade, the quality of services, and trust in institutions. Our strategic actions aimed at promoting and supporting good governance, transparency, and accountability in the public sector are integrated into our three strategic areas of focus—Effective PAOs | Technical Excellence | Quality & Mobility.

Presented below are PAFA's responses to the specific matters raised in the Strategy and Work Program 2024 – 2028 Consultation issued by the International Public Sector Accounting Standards Board (IPSASB). The responses detailed below, have been prepared in consultation with our members and other stakeholders in the region.

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?

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“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) PAFA agrees with the IPSASB’s strategic objective to strengthen public financial management (PFM). 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 appropriate 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.

We therefore suggest 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

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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 adoption of International Public Sector Sustainability Reporting Standards.”*

- b) PAFA 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.

We support the addition of maintenance activities and the decision, in line with the clear criteria for project prioritization 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 four potential benefits.

Firstly, the sense that new standards are not continually emerging provides ‘breathing space’ for government and other public sector bodies 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. This is now the case and may provide an impetus for more widespread progress on adoption and implementation.

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

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IPSAS. It is important that the 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.

Fourthly, some standards are difficult to apply in practice because the adaptation of IFRS standards to the public sector has not been thoroughly developed in some cases. Taking time to take stock of implementation will help to highlight these challenges.

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 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 considering feedback from constituents; we 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, therefore, we have no additional suggestions. We welcome the commitment to further consultation with stakeholders in due course on which projects should be brought forward, 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. We have no additional suggestions.
3. The phased implementation of a PIR process is supported by PAFA; criteria for assessing which standards would be subject to a PIR would be helpful. In line with its usual approach to transparency, it would be helpful if IPSASB could make the outcome of its PIRs publicly available.

General Comment:

We are not sure if popular reporting initiatives have been considered in enhancing citizen-centric financial reporting in entities that adopts the IPSAS. One of the misgivings of the IPSAS based financial report is its complexities, which makes it unattractive source of accountability information to the ordinary citizens.

However, the Conceptual Framework on general purpose financial reporting underscores the importance of citizens as a primary user of the financial information provided. To address this issue, some local governments (particularly in the US) have initiated popular reporting initiatives where the financial information



is craftly stepped-down to meet the user needs of the ordinary citizens. This has since become an emerging research interest of scholars (see for example, Yusuf et al, 2013; Manes-Rossi, Aversano & Tartaglia, 2019; Cohen & Karatzimas, 2015; Biancone, Secinaro, & Brescia, 2016; Grossi, Biancone, Secinaro & Brescia, 2021; Cohen & Karatzimas, 2023).

We are of the view that IPSASB should make a pronouncement on the objective, the presentation and disclosures is to regulate the practice and enhance dialectic financial reporting. Such a project will not only enhance the quality of the popular financial reports but will deepen the credibility and public value of the IPSASB and the Accounting Profession in the eyes of the ordinary citizens. It may either be integrated into IPSAS 1: Presentation of Financial Statements or developed as a separate IPSAS comparable to IPSAS 2: Cash Flow Statement.



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).

PAFA supports the prioritization of the three current sustainability reporting standards projects; however, we would welcome a focus on broader aspects of sustainability in addition to climate change in IPSASB's medium-term Work Program.

The fundamental purpose of the public sector to act in the public interest means public sector sustainability reporting must 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 indicators, reflecting the different types of public sector entities, their respective responsibilities, and accountabilities. 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 establishing a set of overarching principles for reporting on impact.

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

IPSASB should prioritize consideration of how proposed sustainability reporting can be aligned with the UN Sustainable Development Goals (SDGs). Although not all SDGs can be straightforwardly incorporated into a reporting framework, their breadth nevertheless indicates the range of subjects related to sustainability. Consequently, further consideration of how SDGs (or any successor objectives) can be integrated into public sector sustainability reporting should be a high priority for future work.