

**LATIN AMERICAN
GOVERNMENT ACCOUNTING
FORUM - FOCAL**



**COMMENTS ON CONSULTATION
“STRATEGY AND WORK PROGRAM 2024-
2028” - IPSASB**

San Salvador, March 15, 2024.

Subject: Comments from the member countries of the FORUM OF GOVERNMENT ACCOUNTANTS OF LATIN AMERICA (FOCAL), on "STRATEGY AND WORK PROGRAM 2024-2028: CONSULTATION".

Mr. Ian Carruthers


Chairman of the International Public Sector Accounting Standards Board (IPSASB)

Dear Mr. Carruthers,

I extend cordial greetings and thanks for the technical support of the IPSASB towards FOCAL on the different topics of Public Accounting.

In this sense, I present for your consideration the comments of the member countries of the Forum of Government Accountants of Latin America (FOCAL), on the topic "STRATEGY AND WORK PROGRAM 2024-2028: CONSULTATION". With these actions, FOCAL continues to strengthen joint work with the IPSASB, providing the experience of each country in the application of Public Sector Accounting regulations.

Sincerely,



Joaquín Alberto Montano Ochoa
General Director of Public Accounting
Ministry of Finance of El Salvador
FOCAL President



CC.

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COMMENTS ON CONSULTATION "STRATEGY AND WORK PROGRAM 2024-2028" - IPSASB

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.

COMMENTS:

a) **Do you agree with the strategic objective?**

- ✓ Yes, we agree with the strategic objective, however, in relation to the International Public Sector Sustainability Standards, although it is true, it is a global concern and leads to its prioritization, we suggest that said Standards in their initial stages of scope, coverage and other regulations has a simpler or more basic level so that Latin American accounting offices have enough time to: 1. Not be distracted from the current IPSAS implementation processes and 2. Aspects of logistics, and coordination with other entities that manage most of the data that the Sustainability Reports will contain.

Furthermore, as is known, the implementation of IPSAS has brought challenges to each government, therefore, each country is at different levels of progress in the implementation process. In this sense, it is suggested to evaluate that the adoption and implementation of international sustainability reporting standards is progressive, allowing countries to advance and complete their IPSAS adoption/implementation processes as a priority, since they face a series of limitations and casuistries, depending on what each government has done with its implementation processes and its degree of complexity; Therefore, it can be noted that at the regional level, each country is at different levels of progress.

b) **Do you agree with the IPSASB's proposal to deliver its strategic objective through two main activities (Delivering Global Standards and Inspiring Implementation)?**

- ✓ Yes, we agree, however regarding the development of global standards since these will be achieved by responding to the demands of the constituents, collaborating internationally and clarifying the principles; It will be very important to coordinate, reach consensus and agree on the legal and technical criteria, as well as the areas of application, particularly for the Public Sector, which is the main interest for FOCAL. With respect to inspiring implementation, we suggest expanding the dissemination of IPSASB standards to other bodies other than the accounting regulators of each country, in a way that promotes common interest in the scope of each competence, based on the development of guides. that exemplify those relationships.
- ✓ Likewise, it is important to point out, with respect to providing global standards, that it is necessary to reinforce, above all, the maintenance actions of the financial reporting standards issued by the IPSASB to date, which allow for greater clarity for implementation purposes. , in accordance with the reality of the countries at the regional level.

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.

COMMENTS:

Do you agree with the proposal to add maintenance activities? If you do not agree, please explain why, including any proposed alternatives.

- ✓ Yes, we agree to add maintenance activities, in relation to IPSAS and to carry out evaluations of the application challenges and after their implementation, allowing us to continue updating the accounting regulatory framework, taking into account any changes that may occur. occur in the IPSAS, in order to be more effective in their implementation.
- ✓ Likewise, we consider it important that these maintenance activities can be carried out by the IPSASB in regular periods of 3 or 4 years; which would allow countries that have initiated progressive implementation processes and others whose processes are ongoing to have a stable accounting framework for said implementation. Therefore, we consider that the activities of the IPSASB should

focus mainly on the maintenance of the current IPSAS, prioritizing such activities over the development of new standards.

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.

COMMENTS:

1. Are there other major financial reporting projects the IPSASB should consider adding to its Potential Future Financial Reporting Standard Setting Projects list?

- ✓ Yes, the topic on Digital Assets (cryptocurrencies, tokens or other types of the digital asset ecosystem) is proposed within the work program, due to the need to adapt to the changing business environment with the increase and globalization of financial operations of this type of assets, therefore, the need arises to regulate them technically, since currently there is no regulatory framework identified that establishes the criteria for recognition, measurement, registration and its subsequent presentation in the financial statements, and disclosure in the accompanying explanatory notes.

When consulting with the other FOCAL member countries, they have expressed that they foresee a trend in their countries towards the management of financial operations through Digital Assets. In this sense, on behalf of FOCAL, it is proposed to the IPSASB to evaluate the preparation of a regulatory framework on Digital Assets within the Work Program.

- ✓ It is also considered that the IPSASB must take into account among its new issuance projects, a Standard for Medium and Small Entities, which, although it would not replicate the complete IPSAS, would be referenced in said accounting framework and would encourage the application of basic criteria. for the uniformity of the Public Sector as a whole, at the level of recognition, measurement,

presentation and disclosure of the elements of the financial statements, contributing to the effective implementation of the IPSAS standard at all levels.

2. Are there other IPSAS that the IPSASB should consider as a potential project for its maintenance program?

- ✓ Yes, we consider that, in addition to those that the IPSASB has contemplated (IPSAS: 2, 18,20,22, and 40), the following can be incorporated into the maintenance project:
 - IPSAS 12 - Inventories
 - IPSAS 28 - Financial Instruments, Presentation
 - IPSAS 30 - Financial Instruments, disclosures
 - IPSAS 33 - First-Time Adoption of Accrual Basis IPSAS.
 - IPSAS 41 - Financial Instruments, Recognition
 - IPSAS 42 - Social Benefits.
- ✓ Regarding IPSAS 33 First-time adoption of accrual-based IPSAS, since this is the key standard for the purposes of the standard implementation processes, and given that its current perspective, it contains a series of complexities that do not contribute to the understanding (for example, the determination of the attributed cost of assets and liabilities, the exemplification of the application of exemptions and the required disclosures) and therefore, to its applicability by users with implementation processes in progress.
- ✓ For the maintenance program, it is suggested to consider some specific aspects linked to different IPSAS, such as the following:
 - a) Evaluate the possibility and relevance of capitalizing expenditures on research activities as part of the cost of intangible assets.
 - b) Evaluate the applicability of the expected credit loss approach for determining impairment in accounts receivable.
 - c) Reconsider the classification of leases into operating and financial leases for tenants, according to the transfer of risks and benefits, as well as the accounting treatment for each of these classifications.

3. If de IPSASB's proposal to implement a PIR process is supported, what IPSAS are of the highest priority in your jurisdiction?

- ✓ Regarding what is proposed according to Appendix A - Possible future financial information projects of the IPSASB Strategy and Work Program 2024-2028 document, the following order is proposed:
 - IPSAS 24, Presentation of budget information in financial statements
 - IPSAS 40, Public Sector Combinations
 - IPSAS 22, Disclosure of financial information about the general government sector
 - IPSAS 18, Segment financial reporting
 - IPSAS 20, Transactions with related parties
 - IPSAS 2, Statement of cash flows
 - Updates to recommended practice guidelines

- ✓ In addition to the previous proposal, it is suggested to incorporate IPSAS 12 - Inventories into the evaluation process after its implementation.

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).

COMMENTS:

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).

- ✓ It is considered necessary to give priority to the foundations and principles that will be taken into account for the preparation of this type of information. Therefore, it is suggested that before issuing standards based on IFRS-S1 and S2, issues such as: double materiality, the multi-stakeholder perspective and their information needs, as well as the definition of the reporting entity, be considered. These foundations and principles will determine what information will be included in the reports and whether it meets the information needs of interested parties.
- ✓ The issue of materiality is important since this is one of the key concepts to determine what information should be included in the preparation and presentation of a sustainability report. Due to the different approaches that can be presented regarding the definition of this concept, it is considered important to prioritize its definition and development taking into account the context of the public sector.
- ✓ The issue of the reporting entity is important since, after defining it, it can be evaluated whether there are already other standards that address the preparation of information at a macroeconomic level (for example, the Environmental and Economic Accounting System) and the entity that would have the competence to regulate and prepare in each country the information that users require. We consider it relevant to study the forms of alignment of the regulation issued by the IPSASB with the SDGs and with the monitoring of public spending aimed at the goals of said objectives.
- ✓ It should also be taken into account that the financial information produced by the Public Sector must go beyond the numerical expression of the amounts contained in the financial statements, and tend towards a long-term perspective, providing other types of information; This could be possible through

disclosures regarding information that helps understand the governance, processes, controls and procedures used to monitor and manage significant risks and opportunities related to climate, natural resources and their sustainability. long-term.

- ✓ It is also important to consider the scope that future sustainability standards will have, considering that the public sector includes the entities that regulate environmental care and that dictate the standards for this. Consider whether the required disclosures will be at the level of what each entity carries out in accordance with existing regulations on the matter, or probably at the country level that includes actions carried out by private sector entities. That is to say, for example, that it would be enough for the Ministry of the Environment, as rector of that issue, to make a list of the regulations issued related to the care of the environment; or it would have to present some measurement of the impact of said regulations, for which it would have to have information provided by private companies. This information is generally difficult to obtain and may not be fulfilled by such disclosure.
- ✓ Finally, we express that, in order to contribute to the promotion of the adoption and application of the IPSAS, it is recommended that the Spanish editions of the IPSAS be made available annually, and in a timely manner, which are an input for the processes. regulatory updates carried out by local regulators in the countries. The above given that there are years in which updated editions are not published or they are not translated into Spanish.