

IPSASB Consultation  
*Proposed Strategy and Work Plan 2019–2023*

**Response from the Chartered Institute of  
Public Finance and Accountancy (CIPFA)**

15 June 2018

**CIPFA, the Chartered Institute of Public Finance and Accountancy**, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at [www.cipfa.org](http://www.cipfa.org)

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IPSASB Consultation, *Proposed Strategy and Work Plan 2019–2023*

CIPFA is pleased to present its comments on the Board's proposed strategy and work plan which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.

### **General comment**

As noted in successive responses, CIPFA strongly supports IPSASB's development of high quality standards for public sector financial reporting, whether through the development and maintenance of public sector appropriate standards on topics covered by IFRS, through wholly public sector specific standards, or through other initiatives which may be necessary to support the requirements of public sector financial reporting.

CIPFA responded in 2014 to the Board's consultation on its 2015-19 strategy and work plan. Since that time considerable progress has been made, and the context within which IPSASB operates has changed in a number of ways.

As the consultation notes, the pace and scale of IPSAS adoption have increased significantly in recent years. IPSAS standards and guidance will need to meet the practical requirements of a significantly expanding potential user group.

### **Response to Specific Matters for Comment**

CIPFA supports the proposed refinements to IPSASB's objective, which addresses the needs of current and potential users of IPSAS by developing and maintaining the body of IPSAS standards, while also seeking to increase the overall benefit to global Public Financial Management through increased IPSAS adoption.

We generally agree with the other proposals in the consultation. However, the agenda set out by the Board is quite substantial, and the Board will need to work hard to ensure that progress is maintained and the expectations of stakeholders are managed. We agree that the Board should promote IPSAS by explaining the benefits of high quality financial reporting for decision-making, budget planning and other aspects of public financial management, but care should be taken to avoid this being at the expense of promised standards development.

Against this background, and having regard to what the Board has already achieved, we suggest that while IFRS alignment is important, it may be time to place less emphasis on IFRS as a driver of IPSASB's agenda. We also suggest that some of the projects proposed in this consultation might be narrowed in scope, or might be progressed within existing projects.

Detailed responses to the SMCs are attached as an Annex.

**Specific Matter for Comment 1:**

Do you agree with the IPSASB's proposed Strategic Objective 2019–2023?

If you agree please provide any additional reasoning not already discussed in the document.

If you do not agree please explain your reasoning and your proposed alternative.

CIPFA agrees with the proposed Strategic Objective.

It is fundamental to the Board's purpose to strengthen public financial management and knowledge globally through developing high-quality accrual based financial reporting standards.

CIPFA also supports the Board's development of other high quality publications such as Recommended Practice Guidelines, which can address issues on which it is problematic to develop standards. These are nevertheless of considerable importance and potentially cover a wider range of issues than in private sector reporting. While we envisage the main output of the Board being in the development of accrual IPSAS, we do agree that development of RPGs will in some cases be the most effective way to support high quality financial reporting.

Furthermore, having taken steps to develop high quality standards and guidance, these are only useful if they are adopted by governments and other public sector entities. IPSASB cannot impose or mandate its standards, and so it is in the public interest that, having developed high quality material in line with stakeholder needs and following the exacting due process required of a standard setter, IPSASB promotes this material in a persuasive manner to encourage adoption.

**Specific Matter for Comment 2:**

Do you agree with the IPSASB's five proposed Strategic Themes for the 2019–2023 period?

If you agree please provide any additional reasoning not already discussed in the document.

If you do not agree please explain your reasoning, including any proposed alternatives.

CIPFA generally agrees with the proposed Themes, but we have some reservations on Theme B, and we suggest that the manner in which this is articulated should be reframed, and the degree of emphasis placed on IFRS reduced.

In our view, maintaining convergence with IFRS is not an adequate characterisation of what the IPSASB already does. When developing the *Process for Reviewing and Modifying IASB Documents* the Board correctly framed this in terms of avoiding 'unwarranted departures' or minimising inappropriate misalignment between IFRS and IPSAS when developing new standards. IFRS treatments can be taken straightforwardly into IPSAS in many cases where the substance of government transactions is comparable to the for-profit sector. However, where necessary, the Board develops approaches which can be very different to IFRS, having regard to the public sector context and the needs of the users of public sector financial reports and in order to support the objective of financial reporting. CIPFA believes that 'Alignment' would be a better term than 'Convergence'.

Obviously there are benefits to having comparable treatments in private and public sector financial statements, and given the widespread usage of IFRS in the international context, maximising appropriate alignment during the standards development process is beneficial, and there may also be benefits in maintaining alignment when IFRS are amended or new IFRS are developed. In practice the Board has already achieved this for the standards for which this is particularly important.

Having regard to the significant progress already made by the Board, we now wonder whether maintaining IFRS alignment should continue to be the key driver of IPSAS development. We suggest that it might be better to express this as a key desirable, after first considering alignments with Government Financial Statistics (GFS). We note that the current 'Process' document does acknowledge the existence of 'statistical' bases.

We therefore suggest that Theme B might be better reframed as 'Maintaining alignment with international frameworks'. Also, while we recognise that IFRS will be the natural starting point for standards development on topics where there is already an IFRS, it may be appropriate to update the 'Process' document to reflect subsequent developments in the IPSASB and IASB conceptual frameworks, and to more thoroughly encompass wider considerations of relevant framework.

Such a reframing may also better reflect the relevance of IPSAS to government, which may be important to the IPSASB's objective to promote IPSAS adoption.

**Specific Matter for Comment 3:**

Do you agree with the criteria the IPSASB has used in deciding the proposed issues to add to its Work Plan 2019–2023?

If you agree please provide any additional reasoning not already discussed in the document.

If you do not agree please explain why, including any proposed alternatives

CIPFA agrees with the proposed criteria

**Specific Matter for Comment 4:**

Do you agree with the projects that the IPSASB proposes to prioritize for addition to the Work Plan 2019–2023 on Theme A: Setting standards on public sector specific issues (Natural Resources, Discount Rates, Differential Reporting and Conceptual Framework limited-scope Review)?

If not please explain your reasoning, and any proposed alternatives.

CIPFA agrees straightforwardly with the proposals for projects on Differential Reporting and a limited scope review of the Conceptual Framework.

However, CIPFA has some concern over the potentially very substantial reach of a project on Natural Resources and we suggest that a narrower focus is required. This heading could encompass several significant projects, depending on what aspect is being investigated. Governments in some jurisdictions might be interested in the development of guidance on

- Recognition and valuation of un-extracted deposits and reserves of fossil fuels, mineral ores and similar resources
- Similar issues in respect of water supplies, and perhaps the infrastructure assets which deliver water supplies to citizens
- Issues in relation to natural heritage assets including preservation of flora or fauna that has the potential to yield future economic and non-economic returns
- Accounting for the adverse effects of extractive and other industries on the natural environment, such as pollution, social dislocation and abandoned mines.

CIPFA would also question whether a separate project on Discount Rates is required. We recognise that the determination of a discount rate is an important issue in relation to the measurement of certain assets and liabilities which reflect flows over an extended period of time, and we agree that IPSASB should devote resources to this. However, CIPFA are of the view that this already needs to be dealt with in the existing Measurement project.

**Specific Matter for Comment 5:**

Do you agree with the projects that the IPSASB proposes to prioritize for addition to the Work Plan 2019–2023 on Theme B: Maintaining IFRS convergence (IPSAS 18, Segment Reporting)?

If not please explain your reasoning, and any proposed alternatives.

CIPFA agrees that Segment Reporting is an important topic in which there is stakeholder interest.

In line with our response to SMC 2, we suggest that this should be progressed under the banner of maintaining alignment with international frameworks, although we would not expect the result to be different to that which would be obtained under current IFRS convergence heading. In practice, we believe that for some preparers, departures from IFRS will be appropriate. It would also be sensible to consider GFS classifications where these may be helpful for segmental reporting purposes.

**Specific Matter for Comment 6:**

Are there any projects in Appendix A that you believe should be added to the Work Plan 2019–2023 in place of a currently proposed project?

If you believe that any Appendix A projects should be added, please explain your views on why the project should be included, which proposed project should not then be started and why.

There are no projects in Appendix A which CIPFA considers should be added to the Work Plan 2019-23 in place of a currently proposed project.

**Specific Matter for Comment 7:**

The IPSASB views building relationships with those working in the PFM space and engaging in their work as critical to furthering the use of IPSAS in PFM reform projects. Therefore, under Themes D and E, the IPSASB will actively monitor the work of others and look for appropriate opportunities to engage and support that work.

- Do you agree with the IPSASB's proposed approach under these Themes? If so, are you aware of any ongoing initiatives which the IPSASB should monitor and look to engage with (please provide details).

- If you do not agree, please explain your reasoning along with any proposed alternatives, and how those might be resourced

CIPFA agrees with the IPSASB's approach. Engagement with key stakeholders in the PFM space is critical to furthering the use of IPSAS in PFM improvement, and also helps reinforce the credibility of the IPSASs.

In line with our comments on SMC 2, we also support the IPSASB's engagement with the GFS community, and suggest that this may be of increasing importance in demonstrating the relevance of IPSAS to jurisdictions which have so far not been convinced of the benefits of IPSAS adoption.