

Mr. Ian Carruthers  
Chairman  
International Public Sector Accounting  
Standards Board

Submitted via website

13 June 2018

## Re.: Comments to the IPSASB Proposed Strategy and Work Plan 2019-2023

Dear Mr. Carruthers:

We would like to thank you for the opportunity to provide our comments to the IPSASB Proposed Strategy and Work Plan 2019-2023. We are pleased to contribute with our experience and knowledge to the improvement of this important document that will define the path for the IPSASB efforts and activities in the next five years.

### 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.*

Proposed Strategic Objective 2019 - 2023:

*Strengthening Public Financial Management globally through increasing adoption of accrual-based IPSAS.*

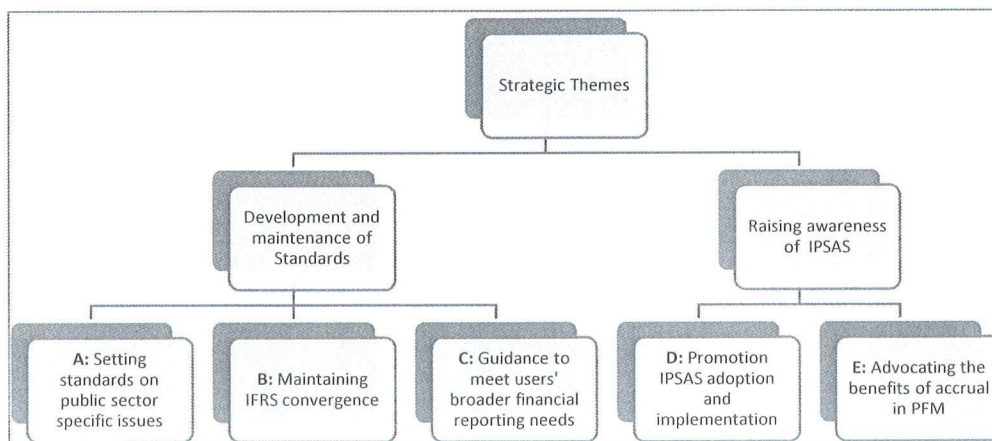
Delivered through two main areas of activity: Developing IPSAS and other high-quality financial reporting guidance for the public sector, and; Raising awareness of IPSAS and the benefits of accrual adoption.

We agree with the IPSASB's proposed Strategic Objective 2019-2023 and its two main areas of activity. In raising awareness of IPSAS and the benefits of accrual adoption, the IPSASB should execute a supportive role, and in doing so, we encourage to consider

the characteristics of each region. For instance, in Africa and Latin America, funds on development aid are provided by donors. To render account for such funds is of mutual interest to the donors as well as the beneficiaries. In Asia, IPSASs/accrual accounting has still not found its way into many governments' practices. In Europe, the EPSAS-project is getting into its decisive phase, however, there are countries or jurisdictions in Europe (such as for example the federal government of Germany) that still reject the implementation of accrual accounting in general. At the political level in Europe, it is necessary to promote the benefits of accrual accounting/IPSAS. In this sense, we recommend that the IPSASB provides support beyond the EPSAS project and foster a direct dialogue with European countries. Furthermore, we recommend that the IPSASB encourages countries currently applying IFRS in the public sector to apply IPSASs. The recent leases standard has for example shown that IFRSs are not fully suitable for application in the public sector.

## Specific Matter for Comment 2

*Do you agree with the 5 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.*



We agree with the 5 proposed Strategic Themes. We recommend that the IPSASB considers the future impact of technological developments (e.g. block chain, data analytics, and digitalization) in public sector accounting, and its potential implications on standard setting. For the strategic themes D and E, we suggest that IPSASB also elaborates on how to overcome the barriers for IPSAS adoption in different regions as

a new way to promote IPSAS adoption. According to our experience, developing countries have differences concerning their specific implementation barriers compared to developed countries, which are worthwhile to address. Finally, we suggest to develop further the Study 14 *“Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities”* to give specific insights on how to translate IPSAS requirements to the transaction level in IT systems.

### 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.*

1. Prevalence (widespread amongst public sector entities)
2. Consequences
3. Urgency
4. Technical and Resource Considerations

We support the criteria of prevalence, consequences and urgency. However, we suggest to eliminate the technical and resource considerations as a criteria to prioritize projects. In our opinion, the lack of resources or the complexity of projects should not influence the priority with which the projects will be executed. If the three other criteria were fulfilled for a potential project, the Board should rather consider to reprioritize its work plan, and defer or even drop existing projects in order to free up resources needed.

### Specific Matter for Comment 4

*Do you agree with the projects that the IPSASB proposed 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.*

Theme A	
Current Projects	New Projects
Social benefits	Natural Resources
Non-exchange expenses	Discount rates
Revenue	Differential Reporting
Public Sector Measurement	Conceptual Framework limited-scope review
Heritage	
Infrastructure Assets	

We agree with the new proposed projects on natural resources, discount rates and the conceptual framework limited-score preview. In our view, the project on differential reporting could be deferred to a later stage because as learnt from the private sector, the existence of such standard does not necessarily provide an important added value in SME's reporting.

We would recommend to consider a project on military assets given the materiality of the issue for many national governments and the current focus that is put on that area internationally. The EPSAS project has shown that there are similarities and synergies between military assets and current projects on infrastructure and heritage. Therefore, we suggest developing an application guidance to IPSAS 17 on Military assets in order to reduce the inconsistencies in its application (e.g. categorization, depreciation, the determination of useful lives). Furthermore, due to the complexity of IPSAS application in public investment projects, we suggest to consider the inclusion of a study on IPSASs application in the context of large public investment.

#### Specific Matter for Comment 5

*Do you agree with the project 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.*

We agree with the prioritised major projects on IFRS convergence, especially with a project on IPSAS 18. The issue paper on segment reporting within the EPSAS project has underlined the need for issuing revised guidance in that area. However, before the IPSASB engages in such a project, it is important to evaluate the perceived usefulness of the information that the implementation of the standard provides. If the users of the financial information consider that the added value in information from the application of IPSAS 18 is limited, then it might be better to prioritize other projects.

Based on the current work plan decisions, the IPSASB is currently up to date with the converging the newly published IASB standards IFRS 9, IFRS 15 and IFRS 16. This should give the IPSASB the time to focus on public sector specific projects. In some cases however, stakeholders might consider the convergence efforts invested by the Board as being premature, as for example in the case of IFRS 16. Here, the convergence is occurring before the standard is applied in the private sector. Therefore, the IPSASB should establish specific criteria to decide the proper timing for a new convergence

project in order to reduce the scepticism from stakeholders and the risks of implementation failure.

For the reasons exposed above, we recommend to use the limited resources of IPSASB on the development of public sector specific standards during the period 2019-2023, rather than focusing on new IFRS convergence projects. In the future, once new IFRS will be published, there could be a new catch-up period to update IPSASs with IFRS revisions similar to what the IPSASB achieved by the end of 2008/beginning of 2009.

### 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 your reasoning.*

As mentioned before, the project on differential reporting could be deferred to a later stage. In our view it should be an IPSASB priority to ensure completeness and consistency among the existing conceptual framework, the existing suite of accrual standards and the recommended practice guidelines. In this line, we suggest to develop a standard setting strategy in which, the Board focusses on the completion, the maintenance and the promotion of adoption of the current suite of standards first and only in a second stage looks into details such as developing approaches for differential reporting.

We would recommend to consider a project on military assets given the materiality of the issue for many governments. Further, we encourage the inclusion of the following two projects that in our perception are of increasing importance in the public sector: “Sovereign Powers and their Impact on Financial Reporting” and “Integrated Reporting”. For the latter, we suggest to continue the communication with the International Integrated Reporting Council (IIRC).

### Specific Matter for Comment 7

*The IPSAS 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.*

We agree with IPSASB's proposed approach for Themes D and E. The IPSASB should execute a supportive role, rather than carrying the main responsibility of these projects. In addition to what is proposed, we recommend to elaborate case studies/success stories on successful IPSAS implementations with practical examples on the contribution to public interest via the implementation of accrual IPSAS and on how to overcome adoption barriers in a regional context. The benefits of applying IPSAS should have higher priority in the IPSASB's literature and in its external communication to stakeholders. In order to improve the communication of benefits, we suggest to include a benefits section in the Basis for Conclusion of new, existing IPSASs and Recommended Practice Guidelines.

We hope our comments are useful for the IPSASB, should you need any further information, please do not hesitate to contact us.

Best Regards,



Thomas Müller-Marqués Berger  
Partner and Global Leader of International Public Sector Accounting

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft