



IPSASB 2024-2028 STRATEGY AND WORK PROGRAMME

Issued 15 February 2024

ICAEW welcomes the opportunity to submit evidence to a consultation from the International Public Sector Accounting Standards Board (IPSASB or the Board) on its *Strategy and Work Programme 2024-2028* issued on 3 October 2023, details of which are available from this [link](#).

We support IPSASB's proposed strategic direction and work programme

- We concur with IPSASB's proposal to focus on global implementation of accruals accounting given the need to speed up adoption by governments around the world.
- We also support IPSASB's standard setting activities on climate and natural resources, given the key role public bodies will play in tackling the climate emergency.
- We recommend a post-implementation review on IPSAS 42 on social benefits to understand why it has not been widely adopted and in the light of subsequent implementation of IFRS 17 on insurance contracts.

Governance reform is needed

- We believe IPSASB's credibility and ability to resource itself would be strengthened outside of IFAC, similar to the recent changes to audit and ethics standard setters.
- Our preferred model would be for IPSASB to be part of the IASB and ISSB structure, but under the auspices of a separate independent public sector reporting foundation.

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This response has been prepared by ICAEW's Public Sector team, part of Reputation and Influence, in consultation with ICAEW's Public Sector Advisory Group. ICAEW's Public Sector team supports members working in and with the public sector to deliver public priorities and sustainable public finances, including over 12,000 in ICAEW's Public Sector Community. ICAEW engages with policy makers, public servants, and others to promote the need for effective financial management, audit and assurance, financial reporting and governance and ethics across the public sector to ensure public money is spent wisely.

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KEY POINTS

Strategic direction and work programme

1. ICAEW welcomes the opportunity to respond to IPSASB's consultation on its strategy and work programme covering 2024 to 2028.
2. We congratulate IPSASB for their hard work in developing a suite of standards that have now reached a level of maturity which permits the Board to shift their focus away from new standard setting towards the maintenance and the development of International Public Sector Sustainability Standards.
3. We concur with IPSASB's proposal to focus on global implementation of accruals accounting given the need to speed up adoption by governments around the world.
4. We also support IPSASB's standard setting activities on climate and natural resources, given the key role the public sector will play in tackling the climate emergency.
5. We recommend a post-implementation review of IPSAS 42 on social benefits to understand why it has not been widely adopted and in the light of subsequent implementation of IFRS 17 on insurance contracts.

Governance reform

6. One question not asked explicitly in this consultation is the future of IPSASB's governance model. We think that it may be time for the International Federation of Accountants (IFAC), and IFAC's Public Interest Committee to review the governance arrangements for IPSASB and for how International Public Sector Accounting Standards (IPSAS) are set.
7. In particular, we believe that IPSASB would enhance its credibility and its ability to resource itself outside of IFAC.
8. IPSASB consulted in 2014 on this topic and suggested three options for reforming the governance of IPSASB: (i) moving IPSASB under the auspices of the IFRS Foundation; (ii) establishing separate monitoring and oversight bodies while remaining under IFAC (the current model); or (iii) establishing IPSASB outside of IFAC with its own monitoring and oversight bodies.
9. We supported the first option but agreed that retaining IPSASB within IFAC made sense in the medium-term. However, since then the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) have transferred from IFAC to the International Foundation for Ethics and Audit.
10. ICAEW continues to believe that IPSASB's standard setting work would be best fulfilled in conjunction with the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB) given the substantial overlaps between financial and sustainability standards in the private and public sectors.
11. However, we now recognise a need for a separate independent foundation to oversee and fund standard setting for the public sector, independent of the IFRS Foundation, with 'dotted-line' accountability over the IASB and ISSB on public sector related matters. Such a model would ensure the IFRS Foundation and a future public sector reporting foundation would benefit from pooling standard setting resources while maintaining separate missions and funding arrangements.¹

¹ An example of such a governance model is Audit Scotland, which carries out central government audits for the Auditor General of Scotland, and local government audits for the Accounts Commission of Scotland.

ANSWERS TO SPECIFIC QUESTIONS

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.

12. Yes, we agree with the strategic objective as outlined, and the proposal to deliver on this through ‘Delivering Global Standards and Inspiring Implementation’.
13. We also agree with the shift in balance of public sector financial reporting needs from the creation of new standards towards the maintenance and promotion of the current suite of IPSAS. IPSASB has worked hard since EU’s 2013 review of the suitability of IPSAS for EU member states to fill gaps in public sector specific standards, one of the key concerns that was preventing adoption by some governments.
14. In our view there are relatively few outstanding public sector specific financial reporting topics that still require attention, permitting IPSASB to switch their focus to other key areas such as implementation and sustainability reporting.

Specific Matter for Comment 2

The IPSASB proposes to add maintenance activities to its Work Programme, 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.

15. Yes, we support IPSASB’s proposal to add maintenance activities to its work programme.
16. Most jurisdictions that apply IPSAS do so indirectly via some form of endorsement mechanism to accommodate national specificities or different interpretations. In our view the proposed Application Panel and post-implementation reviews are a good opportunity to examine the degree to which the standards have been amended and why. While differing national implementations could make post-implementation reviews more challenging since there may not be a consensus on how the standard is being applied and so make comparisons difficult, there should be opportunities to learn from such differences.
17. Clear communications will be required with regards to the due process with which the application of the standards will be assessed. It will be important to ensure that only genuine application issues are considered, where the principles are either hard to apply or too ambiguous, rather than jurisdictional specific issues. IPSASB need to carefully manage expectations in this regard.

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?

18. We agree with the projects listed in appendix A and have not identified any other major financial reporting or maintenance projects.
19. Social Benefits (IPSAS 42) is the flagship public sector specific standard that took many years to create yet it is not widely adopted, even by those jurisdictions that apply IPSAS. Paragraph 103 in the Basic for Conclusions of IPSAS 42 states that a post-implementation review 'would be appropriate at some point in the future' and we recommend that IPSASB commence a review of this standard during the 2024-2028 work programme period.
20. We make the above recommendation, not just because of its low adoption rate, but also in light of IFRS 17 *Insurance Contracts*. There is a link between insurance contracts and accounting for social benefits and we believe that accounting for some social benefits using the principles of IFRS 17 could provide more useful information.
21. The UK's finance ministry has issued a very useful exposure draft suggesting how IFRS 17 could be simplified for adoption in the public sector. Further details can be found using this [link](#).

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).

22. In our view the three pre-committed projects are likely to occupy significant Board time for the whole of the period under review. The climate disclosures project is forecast to be finalised in September 2025 and whilst the other two projects could and most probably should commence before then, there are outstanding questions around staff resources and relevant expertise.
23. The climate and general disclosure projects can be based on existing standards, but the nature project may require public sector specific expertise to be relevant, applicable and to provide information that can be used to hold entities to account.
24. In our view every jurisdiction should use the UN's Sustainable Development Goals as a foundation on which to base their policies which would naturally lead to specific, localised reporting requirements. We therefore support IPSASB's strategy and work programme which includes this internationally recognised framework to frame its own standards development into the future.