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CANADA

Submitted to: [www.ifac.org](http://www.ifac.org)

Dear Ross

***IPSASB Strategy and Work Program 2024–2028***

Thank you for the opportunity to comment on the International Public Sector Accounting Standards Board (IPSASB) *Strategy and Work Program 2024–2028*. We broadly agree with the IPSASB's updated strategic objective and with its proposal to shift its focus towards the maintenance of existing IPSAS and supporting the implementation of recently-issued new and amended IPSAS. However, we have some recommendations as summarised below.

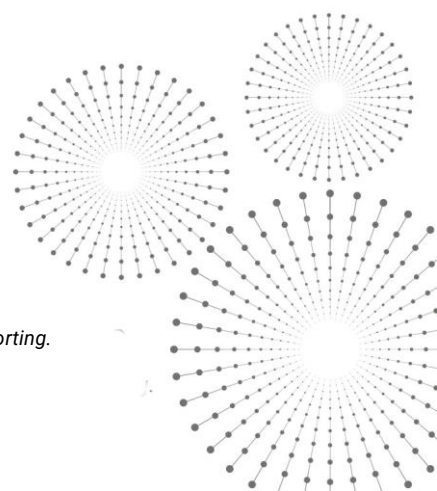
- **Application Panel:** To form a view on this proposal, we need greater clarity on the role and structure of the Panel, the scope of its work and the nature and authority of its outputs – and we think it would be important for the IPSASB to consider these matters carefully before proceeding.
- **Future financial reporting projects:** We recommend adding a project to develop an IPSAS on service performance reporting, as well as maintenance projects involving the review of IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* and of the guidance on recognition in the Conceptual Framework.
- **Post implementation review process:** We recommend IPSAS 34–38 (standards on interests in other entities), IPSAS 40 *Public Sector Combinations* and IPSAS 41 *Financial Instruments* as high priorities for the PIR process at this time.
- **Sustainability:** We do not recommend adding any further individual sustainability reporting standard projects to the IPSASB's work programme – but we recommend developing a conceptual framework for sustainability reporting, and careful consideration of funding.

Our recommendations and responses to the Specific Matters for Comment are set out in the Appendix to this letter. If you have any queries or require clarification of any matters in this letter, please contact Gali Slyuzberg ([gali.slyuzberg@xrb.govt.nz](mailto:gali.slyuzberg@xrb.govt.nz)) or me.

Yours sincerely



April Mackenzie  
Chief Executive – External Reporting Board



## APPENDIX

### Response to Specific Matters for Comment

#### 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.

Overall, we agree with the proposed strategic objective, which in our view aligns with the core role of the IPSASB and reflects the recent expansion of this role. By specifically referring to International Public Sector Sustainability Reporting Standards, the strategic objective is clear about the IPSASB's role in developing these standards for the public sector and helps underscore the increasing attention being paid to sustainability globally.

However, we recommend referring to 'high quality' in the description of how the updated strategic objective will be delivered. In the Consultation Document, one of the key activities for delivering the updated strategic objective is described as follows: "Delivering Global Standards: Developing and maintaining public sector financial and sustainability reporting standards". We note that the 2019–2022 Strategy and Work Programme document includes a similar description, except that it specifically refers to the development and maintenance of *high quality* standards. We suggest carrying forward this reference to "high quality" into the 2024 -2028 Strategy and Work Program – to emphasise the importance of developing and maintaining standards through rigorous due process, stakeholder engagement and technical excellence.

We also recommend that the Strategy and Work Programme document clearly addresses the funding/resourcing for delivering on the IPSASB's updated strategy, i.e. the funding and resourcing for the IPSAS maintenance and implementation support activities that the IPSASB plans to shift its focus towards, and for the development of Public Sector Sustainability Standards. Obtaining stable funding for these activities is important for enabling the IPSASB to deliver its strategic objective.

**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?

In the past two strategy periods, the IPSASB completed several major projects, which addressed important public-sector-specific matters – and there are several significant projects that are in progress on the IPSASB’s current work plan. Considering the major new standards and amendments that were issued (and will be issued in the near future), we agree with the IPSASB’s proposal to shift its focus towards the maintenance of IPSAS. We note that prioritising maintenance activities would:

- give public sectors around the world the opportunity to ‘bed down’ the application of the recently-issued major new and amended IPSAS; and
- allow the IPSASB to address application challenges experienced by reporting entities that use IPSAS, which would help maintain the relevance of the existing IPSAS suite and support its consistent application across different jurisdictions.

However, we have some recommendations relating to the specific maintenance activities that the IPSASB proposes to introduce, as noted below.

**Application Panel**

To form a view on whether we support establishing the proposed Application Panel, we need more information than is provided in the Consultation Document. In principle, an Application Panel focusing on identifying and addressing IPSAS application issues has the potential to enhance consistent application and interpretation of IPSAS – however, this will very much depend on how this Panel is set up and resourced, i.e.:

- The Panel’s composition: For the Panel to be effective in addressing IPSAS application issues, its overall composition is critical. Our view is that such a Panel must be composed of experts from diverse backgrounds, with extensive experience in applying IPSAS in practice and resolving public sector accounting issues. The Panel must also be able to adopt a global perspective and understand the different challenges faced by jurisdictions at various stages of IPSAS adoption or convergence. In order for the panel to establish credibility, members should be selected through a rigorous and transparent process that accounts for needed skillsets and geographical diversity.
- Output and scope of the Panel’s work: It is not clear whether the Panel will only make recommendations to the IPSASB on whether amendments to an IPSAS are needed, or whether the Panel will also issue authoritative material like the agenda decisions that the IFRS Interpretations Committee (IFRIC) issues when standard-setting is not recommended – with explanatory material on the application of Standards that draws its authority from the Standards it relates to, and therefore must be applied by reporting entities. We are also uncertain whether the Panel would focus on addressing application issues relating to public-

sector-specific requirements in IPSAS – and if so, whether the Panel would ‘endorse’ IFRIC agenda decisions in relation to IPSAS that are aligned with IFRS Accounting Standards, or issue analogous guidance, or remain silent. It would be important to consider and decide on these matters before setting up the Panel.

- Terms of reference: It would be important to consider the Panel’s terms of reference and how it will work with the IPSASB. We recommend considering whether the Panel should operate independently from the IPSASB, but under its oversight and supervision. We also recommend considering how the Panel would discharge its accountability to stakeholders. Publishing the Panel’s meeting agendas, papers and minutes and the outputs of its work in a timely and accessible manner could be useful in this regard.
- Sufficient resources: Given the complex nature of the issues it is expected to address and the expectation of high-quality outputs, the Panel will need appropriate resourcing. We note the recent expansion of the scope of the IPSASB’s work into sustainability reporting, which is a significant shift that will require substantial resources on an ongoing basis. We suggest that the IPSASB’s strategy document should outline how the IPSASB intends to equip the Panel with funding and resources so that it can fulfil its mandate effectively and efficiently.

Without information on the abovementioned aspects of the Panel, we are not able to form a view on the proposal to establish it.

#### **Post-implementation reviews (PIR)**

We support the IPSASB’s proposal to implement a PIR process, which would be useful for maintaining the quality and relevance of existing IPSAS.

In establishing the PIR process, we recommend that the IPSASB considers carefully and decides on the purpose of its PIRs, the type of work that would need to be carried out in preparation for a PIR (to decide on specific topics to focus on when asking stakeholders for information, etc.) and the timing of PIRs.

We note that the IASB’s PIRs typically aim to determine whether a new standard or amendments are working as intended and whether there are application issues that require a standard-setting response, taking into account cost/benefit considerations, etc. We also note that the IFRS Foundation’s [Due Process Handbook](#) includes a section on the PIR process followed by the IASB, including the timing of PIRs and the two phases of a PIR (identifying the matters to be examined in relation to the new standard/amendment, and then issuing a request for information for public consultation).

We recommend that the IPSASB considers adopting a PIR approach that is similar to the IASB’s approach, as we think this can enhance the consistency and comparability of financial reporting across sectors and jurisdictions, and we consider that the IASB’s approach works well. We also recommend leveraging the findings of the IASB’s PIRs for IFRS-aligned IPSAS, to avoid duplication of work and save resources. However, we note that it would be necessary to also consider the specific needs and circumstances of the public sector and consult with the IPSASB’s own stakeholders when conducting the PIR process, rather than being fully reliant on the IASB’s findings. In addition, in considering the timing of PIRs, it would be important to take into account that in jurisdictions that

apply standards based on IPSAS, the effective date of an IPSAS-based standard may not be the same as the IPSAS it is based on.

### **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?

### **Other major financial reporting projects**

Following the issuance of many substantive new IPSAS in recent years, preparers would benefit from a period of calm in which they have greater certainty over their reporting obligations. We therefore believe that the IPSASB should focus on completing its current financial reporting projects and providing guidance and support for the implementation of the new and revised standards.

However, we recommend adding a project to create an IPSAS on service performance reporting. Generally, the key objectives of public sector entities relate to serving the community – and these entities seek to achieve these objectives by using funds received from resource providers (e.g. taxpayers, ratepayers, grantors, etc.) to undertake activities for community or social benefit. Information about service performance is important for discharging a public sector entity's accountability towards users of its financial reports, including the abovementioned resource providers and service recipients. Therefore, service performance reporting is an important aspect of reporting by public sector entities, but there is currently no IPSAS on this topic. We understand that the IPSASB has previously issued a consultation document on Reporting Service Performance Information in 2011, but did not proceed with developing a final standard, instead issuing a non-authoritative RPG. We encourage the IPSASB to revisit this topic and to develop an IPSAS on service performance reporting. We understand that there was interest in such a project among attendees at the IPSASB's Public Sector Standard Setters Forum in 2022.

### **Maintenance programme**

We recommend adding the following projects to the IPSASB's maintenance programme:

- A review of IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, in light of the new standards on *Social Benefits, Revenue and Transfer Expenses*, and the updates to Chapter 5 of

the IPSASB Conceptual Framework. The IPSASB should check whether the recognition and measurement requirements for provisions and contingent liabilities in IPSAS 19 work coherently with the abovementioned new standards and amendments. We also recommend that the IPSASB considers the IASB's current project on *Provisions – Targeted Improvements*, including the IASB's work on providing more practical application guidance on this topic. We note that at the time of writing, the IFRIC is considering a question on the recognition of provisions for climate-related commitments, and that questions are increasingly being raised about whether governments should be recognising provisions relating to commitments made under the Paris Agreement in financial reports.

- Enhancing the IPSASB's guidance on recognition in the Conceptual Framework: As previously noted in our [comment letter](#) on ED 81 *Conceptual Framework Update – Chapter 3 Qualitative Characteristics and Chapter 5 Elements in Financial Statements*, we recommend enhancing the guidance on recognition in the IPSASB's Conceptual Framework, similarly to the enhanced guidance in the IASB's Conceptual Framework. We note that the IPSASB's 2023 updates to Chapter 5 of the Conceptual Framework included new paragraphs emphasising that the definition of a liability can be met even when the probability of a transfer of resources is low. However, the guidance on recognition in the IPSASB's Conceptual Framework is relatively limited. Enhancing the guidance on recognition in the IPSASB Conceptual Framework could help avoid a lack of clarity as to whether a liability where the probability of resource transfer is low should or should not be recognised in the financial statements. This could also help public sector entities in determining whether and when to recognise a liability with respect to a revenue or transfer expense transaction when applying the recently-issued IPSAS 47 and IPSAS 48.

### **PIR Process**

We support the IPSASB's proposal to implement a PIR process – please see our response to SMC 2 for our recommendations in relation to establishing this process.

Regarding prioritisation, we recommend that the IPSASB should prioritise a PIR for those IPSAS that have significant public sector implications, and/or have diverged from the corresponding IFRS Standards. Based on these criteria, we recommend the following IPSAS as high priorities for the PIR process at this time:

- Standards on interest in other entities – IPSAS 34 *Separate Financial Statements*, IPSAS 35 *Consolidated Financial Statements*, IPSAS 36 *Investments in Associates and Joint Ventures*, IPSAS 37 *Joint Arrangements*, IPSAS 38 *Disclosure of Interests in Other Entities*
- IPSAS 40 *Public Sector Combinations*
- IPSAS 41 *Financial Instruments*

The abovementioned significant standards were issued relatively recently – and given their effective dates, by the time of the 2024-2028 strategy period, entities will have gained sufficient experience with applying the requirements of these standards to identify whether they are operating as expected and whether there are any significant application issues. Also, IPSAS 40 contains public sector-specific requirements on accounting for amalgamations, and a PIR would be a good opportunity to assess how well these requirements are working in practice.

**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)?

We support the IPSASB's commitment to develop high quality International Public Sector Sustainability Reporting Standards. Stakeholder feedback in New Zealand shows strong support for the development of public sector sustainability standards, and that the IPSASB is an appropriate body to take on this work. Underlying this support, we make three points in this section of our feedback:

1. To fully deliver on its existing commitments, we do not recommend the addition of any further individual sustainability reporting standard projects to the IPSASB's work programme.
2. We do however recommend that the IPSASB consider developing a conceptual framework to clearly articulate the reporting objectives and to provide a cohesive basis for public sector sustainability reporting.
3. We also recommend that the IPSASB secure committed funding to deliver on this work programme.

**Deliver on existing commitments**

The three pre-committed sustainability reporting projects (Climate-related Disclosures, General Requirements for Disclosure of Sustainability-Related Information and Natural Resources – Non-Financial Disclosures) are significant pieces of work. While their development builds on existing private sector international guidance and standards, nonetheless, they will involve significant staff and Board time and attention. Sufficient time needs to be allocated to thoroughly think through and debate public sector specific reporting issues to ensure the standards are fit for purpose. In our view, there is a significant risk to the international credibility and potential uptake of these standards if this thinking is rushed. Our experience with sustainability reporting to date in New Zealand has shown us the critical importance of engaging with a significantly wider stakeholder base in contrast to stakeholders who traditionally have an interest in financial reporting, which also takes time to deliver on appropriately.

We recommend a staggered approach to the three pre-committed projects. We recommend that the IPSASB issues its Climate-related Disclosures Standard and then turns its focus to the adoption and implementation of that standard. Taking this approach means that the IPSASB can take a more iterative and learning-focused approach to its standards development work, which, in our experience, is a critical mechanism for ensuring stakeholder buy-in. The IPSASB will only be successful in its development of a suite of International Public Sector Sustainability Reporting Standards if those standards are adopted and implemented at a jurisdictional level.

We acknowledge the pressure that the IPSASB may come under to address other sustainability topics such as nature/biodiversity, and social or cultural topics. However, we recommend that the

IPSASB also reflects on the internal learnings from its climate-related disclosures project before commencing further sustainability reporting projects. Questions include: What did the IPSASB learn from the processes it used? Is the model appropriate for developing standards on other sustainability topics? Was it effective to rely on external expertise (in the form of the Climate Topic Working Group and Sustainability Reference Group)? Moving forward will it be necessary to establish a separate sustainability board? Reflecting on these questions will, in our view, more likely result in high-quality standards that are adopted, rather than those which are not deemed fit for purpose by jurisdictions.

### **Develop a conceptual framework**

Reiterating the [feedback we made in 2022](#) on the IPSASB's consultation paper, '*Advancing Public Sector Sustainability Reporting*', we recommend the IPSASB take the time to reflect on several foundational questions that need to be addressed, and which could take the form of a conceptual framework for public sector sustainability reporting. These include defining what is meant by 'sustainability' in the public sector context, who the intended primary users are, what their different information needs are, and how indigenous peoples' perspectives on sustainability should be addressed. While this may form part of the IPSASB's project on General Requirements for Disclosure of Sustainability-Related Information, we recommend that the IPSASB clarifies the need for a general requirements standard versus a conceptual framework. We consider that a conceptual framework may give much needed flexibility to different public sector reporting entities as opposed to a more prescriptive general requirements standard. It may also help to clarify the relationship between the IPSASB's proposed suite of standards and the jurisdiction-level implementation of the Sustainable Development Goals.

Similarly, we also [recommended to the International Sustainability Standards Board \(ISSB\)](#), that they focus their efforts on developing a conceptual framework, a long-term plan, and defining the standards architecture before they commenced any further individual standard setting projects.

### **Secure funding**

The IPSASB notes on page 2 of its consultation document—*Strategy and Work Program 2024-2028* that it "continues to seek support for the development of International Public Sector Sustainability Reporting Standards and requires additional resources to be able to scale up its efforts and move with pace". In our view, it is fundamentally necessary that the IPSASB ensures that it has an enduring and sufficient base of funding and other resources to be able to meet the demand for guidance and standards in this area.

### *Other comments*

We note that the IASB has a current project —*Climate-related and Other Uncertainties in the Financial Statements*. The purpose of the project is to explore whether and, if so, how targeted actions could improve the reporting of financial information about climate-related and other uncertainties in the financial statements. We recommend that the IPSASB consider adding a similar project to its Work Plan.