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Ms Stephenie Fox
Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
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CANADA

Dear Stephenie

IPSASB Strategy Consultation

The Australian Accounting Standards Board (AASB) is pleased to provide comments on the IPSASB Strategy Consultation.

While the AASB broadly agrees with many of the proposals, it has a number of specific suggestions. The AASB's main comments on the ED, which are expanded on in the attached Appendix, include recommending:

- removing 'strengthening public sector financial management' from the IPSASB's stated strategic objective as it is a desired outcome and not an objective in itself;
- the IPSASB have a strategic objective to develop a public sector conceptual framework;
- the IPSASB investigate ways of using web-based communication techniques as a means of developing a feedback loop; and
- in addition to progressing the projects that are already approved, prioritising the improvements to IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

The AASB's comments on the Questions for Respondents are set out in the attached Appendix.

If you have any queries regarding any matters in this submission, please contact Joanna Spencer (jspencer@aasb.gov.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read "Angus Thomson", is located below the "Yours sincerely," text.

Angus Thomson
Acting Chair

AASB's Comments on the IPSASB Strategy Consultation

The AASB's views on the Questions for Respondents in the Strategy Consultation document are as follows:

Question for Respondents 1

Do you agree with the IPSASB's tentative view on its strategic objective for the period from 2015 forward? If not, how should it be revised?

The AASB does not entirely agree with the IPSASB strategic objective as proposed. In particular, the AASB considers that 'strengthening public financial management' is a desired outcome that results from strategic objectives but is not an objective itself, therefore this phrase should be removed from the IPSASB's strategic objective.

The AASB considers that another strategic objective for the IPSASB is to develop a public sector conceptual framework and suggests that development of a public sector conceptual framework is added to the objectives listed in subparagraph (a)-(c) on page 9 of the Strategy Consultation document.

In addition, the AASB continues to support the IPSASB move towards convergence with International Financial Reporting Standards (IFRSs) and considers that differences between IFRSs and IPSASs should be minimised to the extent possible, and differences should only occur when there are specific public sector reasons for them. Therefore, the AASB recommends the IPSASB should have convergence with IFRSs as a strategic objective.

As a minor point, the AASB recommends the objective of 'developing high-quality financial reporting standards' be amended to read 'developing high-quality public sector financial reporting standards' [additional text underlined] to clarify that the IPSASB does not develop private sector accounting standards.

Question for Respondents 2

Do you think that the two outcomes identified are appropriate for achieving the strategic objective? If not, what outcomes do you think are more appropriate?

The AASB generally agrees with the outcomes proposed in the Strategy Consultation document but, as mentioned in the response to Question 1, considers that 'strengthening public sector financial management' is an outcome, rather than an objective. Accordingly, the AASB recommends this be included in the proposed outcomes.

The AASB considers that because the role of the IPSASB is to develop accounting standards for financial reporting, it may be more appropriate for the proposed outcome to specify that it is an entity's financial reporting, rather than the entity itself that will reflect the full economic reality of its finances. It is only within the IPSASB's ability (via IPSASs) to influence the financial statements of an entity and not the entity itself. Therefore, the AASB recommends the outcome identified at sub-paragraph (a) on page 10 of the consultation document be amended to read 'improved ability of public sector entities' financial reporting to reflect the full economic reality ...' [additional text underlined].

Question for Respondents 3

Do you think that the outputs identified will assist in achieving the outcomes? If not, what outputs do you think the IPSASB should focus on?

The AASB generally agrees with the proposed outputs. However, the AASB suggests that the output at sub-paragraph (b) on page ten of the consultation document (‘undertaking presentations, speeches and other outreach activities in order to engage with stakeholders’) focus on the engagement with constituents rather than on the undertaking of presentations, speeches and other outreach activities. By focusing on the engagement, this would allow for an informative qualitative measure of how successful that engagement has been rather than on a quantitative measure of how many outreach activities were undertaken, which may or may not have been effective in achieving the outcome of increased awareness of IPSASs.

Whilst the AASB is aware of the uncertainty surrounding the future governance of the IPSASB, the AASB considers it would be appropriate to include an output that reflects the IPSASB’s accountability to its governing body.

Question for Respondents 4

What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?

The AASB considers a key component of a transparent due process is to have viable feedback mechanisms whereby constituents can provide input to the IPSASB before and after the issuance of pronouncements. An approach to deciding which feedback mechanisms to implement is to consider what an ideal model would be if resources were not limited and then devise a strategy to achieve that model.

The AASB acknowledges the resource constraints of the IPSASB, but still considers there are many ways feedback could be provided to the IPSASB, and suggest that the IPSASB explore using web-based communication techniques as a way of receiving feedback from constituents. This may be via social media, chat rooms, and holding webinars.

Question for Respondents 5

Do you agree with the five key factors the IPSASB considers in deciding to initiate a project and assessing its priority? Are there other factors you think should be considered?

The AASB agrees with the five key factors the IPSASB considers when deciding to initiate a project and assessing its priority. However, the AASB is unsure if these factors are ranked in order of priority (as set out in the Consultation Paper). The AASB does not consider that these factors should be ranked and a statement that clarifies that they are not ranked would be useful. Further, the AASB is unsure how the different factors are balanced – for example, there is the potential for conflict between the ‘IFRS convergence’ and ‘alignment with GFS’ factors and it would be useful to clarify the criteria used to make a decision when the factors conflict.

Question for Respondents 6

Do you think the Cash Basis IPSAS is a valuable resource in strengthening public finance management and knowledge globally by increasing the adoption of accrual-based IPSASs?

The AASB considers that, because the Cash Basis IPSAS is not being applied as intended, it is currently not a valuable resource in strengthening public finance management. However, the AASB considers that if entities using the Cash Basis IPSAS could have an 'IPSAS label' on their financial statements for a specified transitional period of time (e.g. three years) then it may help to encourage more entities to adopt full accrual IPSASs in future periods.

Question for Respondents 7

Of the three options identified in relation to the Cash Basis IPSAS, which would you recommend the IPSASB select? Please provide the rationale for your recommendation.

As mentioned in the response to Question 6 above, the AASB considers that the Cash Basis IPSAS should be retained, but with a purpose. The AASB considers that the Cash Basis IPSAS does have value, as it allows public sector entities to gain some acceptance because they have adopted a standard from an independent body. However, the AASB does not recommend any further IPSASB resources be committed to amending the standard.

Question for Respondents 8

Considering the various factors and constraints, which projects should the IPSASB prioritize and why? Where possible please explain your views on the description and scope of the project.

Consistent with the AASB's comment letter to the IPSASB's *CP Consultation on IPSASB Work Program 2013-2014* in November 2012, the AASB considers that updating IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)* should be a priority for the IPSASB.

Regarding other potential projects, the AASB has no particular preference. However, the AASB notes that the IPSASB may need to expend considerable resources to converge with the IASB's major projects on leases, revenue, insurance and financial instruments, due to the significance and extent of the scope of these topics.