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Kris Peach
Chair
Australian Accounting Standards Board
PO Box 204, Collins St West
MELBOURNE VIC 8007

By online submission:- www.aasb.gov.au

Dear Kris

Invitation to Comment – ITC 41 The AASB's Approach to International Public Sector Accounting Standards

CPA Australia represents the diverse interests of more than 163,000 members working in 125 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia welcomes the opportunity to provide comments in response to the above AASB Consultation. Although the Consultation is seeking stakeholder views on conditions necessary for adoption of International Public Sector Accounting Standards (IPSAS) and AASB's involvement in International Public Sector Accounting Standards Board (IPSASB) standard-setting, we have also provided our views below on the suitability of IPSAS for adoption in Australia at the present time.

CPA Australia considers the stakeholder views expressed to the AASB in 2015 still remain live and relevant concerns. The views expressed were that IPSAS development lags behind International Financial Reporting Standards (IFRS) and that there is a need for the mobility of professionals across sectors with different reporting frameworks. As explained below, we are also of the view that some of the factors proposed by the AASB as necessary for adoption of IPSAS in Australia are currently not present:

- Appropriate governance and oversight arrangements – IPSASB currently operates under the International Federation of Accountants (IFAC) umbrella, in a similar fashion to the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standard Board for Accountants (IESBA). There are proposals currently considering the possibility of removing the IAASB and certain elements of IESBA from under the IFAC umbrella. Although the status of IPSASB is not currently under consideration, we suggest the AASB remains aware of this risk of structural change.
- IPSASB is adequately resourced and funded – The IPSASB has relatively limited resources and funding, requiring prioritisation of the various projects under development. Such limitation could also impact on the IPSASB's ability to develop timely IPSAS equivalents to new IFRS, and hamper timely development of standards and guidance to deal with public sector specific issues.
- Mixed group issues are not significant or can be mitigated – Feedback we have received from New Zealand, which has adopted IPSAS for the public sector, indicates that they face issues with mixed groups which include entities that adopt both IPSAS based, and IFRS based standards.

CPA Australia notes the AASB's view that if transition to IPSAS is to occur for the not-for-profit (NFP) public sector, then it should involve full adoption of IPSAS, without any significant Australian modifications. We observe that in New Zealand, the standard-setter has made a number of modifications to IPSAS to ensure the framework is suitable for application by NFP public sector entities in that jurisdiction. The AASB needs to be cognisant of the possibility that a similar situation could arise in Australia if or when a decision is made to adopt IPSAS in Australia.

CPA Australia also notes the AASB statement in paragraph 12 of the Consultation that, at some point, the AASB expects Australian Accounting Standards (AAS) relevant to the NFP public sector to be based on IPSAS. We support the AASB's periodic (not annual) assessment of the conditions necessary for the adoption of IPSAS as stated, however we request the AASB indicates to stakeholders how often it intends to assess the suitability of IPSAS.

In addition to the above comments, we have provided responses to the questions raised in the Consultation as an attachment. If you require further information on our views expressed in this submission, please contact Ram Subramanian, Policy Adviser – Reporting, on +61 3 9606 9755 or at ram.subramanian@cpaaustralia.com.au.

Yours sincerely



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Policy Adviser, Reporting
CPA Australia



Craig Laughton
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Policy, Advocacy and Public Practice
CPA Australia

Attachment

Specific questions/ comments

(a) the proposed conditions necessary for the AASB to adopt IPSAS for not-for-profit public sector accounting

We agree with the proposed conditions stated in paragraph 23 of the Consultation.

As described in the cover letter, we are of the view that some of the factors proposed by the AASB as necessary for adoption of IPSAS in Australia are currently not present. We reproduce our comments here:

- Appropriate governance and oversight arrangements – IPSASB currently operates under the International Federation of Accountants (IFAC) umbrella, in a similar fashion to the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standard Board for Accountants (IESBA). There are proposals currently considering the possibility of removing the IAASB and certain elements of IESBA from under the IFAC umbrella. Although the status of IPSASB is not currently under consideration, we suggest the AASB remains aware of this risk of structural change.
- IPSASB is adequately resourced and funded – The IPSASB has relatively limited resources and funding, requiring prioritisation of the various projects under development. Such limitation could also impact on the IPSASB's ability to develop timely IPSAS equivalents to new IFRS, and hamper timely development of standards and guidance to deal with public sector specific issues.
- Mixed group issues are not significant or can be mitigated – Feedback we have received from New Zealand, which has adopted IPSAS for the public sector, indicates that they face issues with mixed groups which include entities that adopt both IPSAS based, and IFRS based standards.

(b) additional conditions the AASB should consider

We suggest including a further condition as follows:

- The IPSASB has sufficient technical resources to address any issues identified by stakeholders post-issue and post-implementation of new standards.

(c) potential precedence of some conditions over others

It is not clear from the Consultation whether the AASB would seek to ensure that all the conditions set out in paragraph 23 will be met before it commences a consultation process that considers adoption of IPSAS. However, we suggest the AASB does seek to ensure that all conditions should be met before commencing consultation on adoption of IPSAS.

(d) the AASB's level of involvement in IPSASB standard-setting processes

It is our view that the AASB's current level of involvement in IPSASB standard-setting process is appropriate.

(e) other significant facts that the AASB should consider

As stated in the cover letter, we are of the view that the stakeholder views heard by the AASB in 2015, that IPSAS development lags behind International Financial Reporting Standards (IFRS) and that there are concerns with the mobility of professionals across sectors with different reporting frameworks, still remain relevant and live concerns.

To the latter point above on mobility of professionals, the AASB's transaction neutral approach to standard-setting has been a significant factor in ensuring the mobility of accounting professionals across the different sectors. As stated in the Consultation, a move to IPSAS will bring to an end, the transaction neutral approach to standard-setting and the various benefits associated with it.

The AASB has invested, and continues to invest, a significant amount of resources in developing public sector specific standards, modifications to standards and guidance. We recommend the AASB continues to pursue development of public sector specific material as reflected in its current work program. Any move to IPSAS, particularly without modification as currently being proposed, needs to be weighed against the potential loss of the public sector specific requirements and guidance created by the AASB over time, and the resources invested in the development this material.