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Ms Stephenie Fox  
Technical director  
International Public Sector Accounting  
Standards Board  
International Federation of Accountants  
277 Wellington Street, 4<sup>th</sup> floor  
Toronto  
Ontario M5V 3H2 CANADA

**Re: IPSASB Strategy Consultation and IPSASB Consultation on Work Program 2015-2019**

Dear Ms Fox,

The French Public Sector Accounting Standards Council (CNOCP) welcomes the opportunity to comment on the public consultation *IPSASB Strategy Consultation and IPSASB Consultation on Work Program 2015-2019* published in March 2014.

We agree with the IPSASB's overall objective for the period from 2015 forward of strengthening public finance management and knowledge globally. We also gladly observe that most projects identified as potential projects to be addressed by the IPSASB touch on the public sector specific features.

However, because we believe that the IPSASB's activities need to remain focused on the public sector specificities, yet to be fully identified and addressed from an accounting perspective, we have some reservations as to how to achieve the proposed objective. Remaining focused on the development of high-quality financial reporting standards is to us all the more critical in times of tight resources.

Additionally, we are of the view that raising awareness of the IPSASs and the benefits of their adoption could also be well achieved through addressing practical narrow issues on a timely basis, alongside longer term standard-setting topics.

We set out in the following appendix our detailed responses to the questions asked in the IPSASB strategy consultation document.

Yours sincerely,

Michel Prada

## APPENDIX

**Question 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 CNoCP broadly agrees with the IPSASB's tentative view on its strategic objective for the period from 2015 forward, given the challenges identified for the 2015-2019 period. However, we develop below some reservations we have on the means to achieve the proposed objective.

We acknowledge that the tentative view on the IPSASB's strategic objective fits the description in the IPSASB's terms of reference revised in 2012<sup>1</sup>, although the CNoCP has always objected to the IPSASB dealing with broader issues than those directly related to general purpose financial statements.

However, we would like to alert the IPSASB on the necessity to focus on those issues that are of prominent importance for public sector accounting standard-setting, more specifically in a context of tight resources. We strongly believe that, at present, should other publications be developed the credibility of the IPSASB would be at stake.

In that respect, given the nature of the potential projects listed at the end of the strategy consultation, we are broadly confident that those remain mainly within the remit of accounting standard-setting. Nevertheless, we would be concerned if the IPSASB were to prioritise and take on their agenda for the period 2015-2019 two of the three potential projects labelled 'other projects', namely 'differential reporting' and 'integrated reporting'.

In addition, we are concerned that the IPSASB's strategic objective includes promoting IPSASs around the world with Board members acting on a voluntary basis and resources being tight. In that respect, we would encourage the Review Group to take the opportunity of the review of the IPSASB's governance to address the issue.

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<sup>1</sup> Terms of reference paragraph 2: The IPSASB's objective is to serve the public interest by developing high-quality accounting standards and other publications.

**Question 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?*

**Question 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 CNoCP is unsure what breaking down the strategic objective into outcomes and outputs adds to the approach undertaken and to the purpose it serves. Combining those outcomes and outputs, we understand that the IPSASB's objective reads: 'to strengthen public finance management by developing accounting standards and recommended practice guidelines and promoting the adoption of IPSASs worldwide'. Unless we're missing an important point, we truly believe that the IPSASB's objective would gain in efficiency and credibility if it was expressed in a more straightforward manner. Because we struggle to clearly outline the need for a distinction between outcomes and outputs, the response we provide below relates to both questions 2 (outcomes) and 3 (outputs).

Incidentally, we note that the objective of developing high-quality accounting standards and other publications is already stated as an overall IPSASB's objective in the IPSASB's terms of reference revised in 2012. To enhance credibility and to tie-in the objective more tightly to the well identified challenges of the 2015-2019 period, we would rather have the IPSASB focus on the dynamics of customising accounting standards to the specificities of the public sector.

Additionally, consistent with our earlier comment on the promotion of IPSASs using Board members' time, we think that increasing awareness of IPSASs and their public finance management benefits would be better achieved through setting-up a closer relationship between public sector standard-setting and public sector stakeholders. That process could be developed alongside the IPSASB. On this topic, please see also our response to question 4.

**Question 4:** *What changes to feedback mechanisms should the IPSASB make to ensure it is fully informed about the views of its stakeholders?*

We believe that receiving feedback from stakeholders might not be sufficient to ensure stakeholders that the IPSASB is working towards meeting their needs. As expressed in our response to questions 2 and 3, we would support, at some point in the future, setting-up a specific process that would provide workable solutions to practical day to day narrow issues that public sector stakeholders may face while implementing standards. Such a process would address narrow implementation issues quicker than the IPSASB would.

On the whole, the CNoCP thinks that this would meet both the objective of developing outreach activities and increasing credibility through a formalised process to collect and respond to issues raised, as well as the objective of improving standards accordingly.

It would also help assess how closely IPSASB's achievements meet users' needs and it would ensure closer engagement with users. This would work well towards strengthening the IPSASB's credibility and, as a consequence, towards widening IPSASs' adoption and/or endorsement processes across the world.

**Question 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 CNoCP believes that identifying key factors to make an informed decision on the projects to be initiated by the IPSASB is a critical part of the due process. Those factors need to be carefully chosen to ensure that the projects are taken to the agenda with the view to primarily serve the public interest.

In that sense, of the five factors proposed in the consultation document, the CNoCP notes that only 'significance for the public sector' and 'urgency of the issue' serve the public interest.

However, when it comes to convergence with IFRSs and to alignment with GFS, the CNoCP is of the view that those factors should rather be described as constraints to be dealt with as part of the process of developing all standards. As those constraints should apply to the development or maintenance of all standards, they should not be used as differentiating factors to take a project on the Board's agenda. With respect to convergence with IFRSs and alignment with GFS, we would also like to reassert our view that the objectives of GFSs and of IFRSs are different from those of accounting standard-setting in the public sector.

To the list of factors proposed in the consultation document, the CNoCP would propose the following amendments:

- Gaps in standards: the CNoCP would retain that factor, but we would add that the way an IPSAS is currently worded or structured might bring about deficiencies in the way particular types of transactions or activities are reported in financial reports. Should the significance and urgency criteria be also met, identification of deficiencies would indicate that the project should be addressed in priority;
- Additionally, the CNoCP would add the need to assess if the issue submitted to the IPSASB is more prevalent in some jurisdictions than others. In some cases, the issue could relate to specific regulation in a limited number of jurisdictions, which could be an indication that it would be more efficient to tackle the issue at a more interpretative level.

Consistent with the CNoCP's view on the necessity to set-up an interpretation committee, the due process would have to mention in which cases issues should be addressed first by the interpretation committee prior to a proposed solution being exposed to the IPSASB for approval. Criteria could relate to the scope of the project: for instance, a narrow project that would need to be addressed urgently could fit the remit of the interpretation committee. It would not use Board's time, but would still provide a solution on a timely basis for those stakeholders impacted by the issue.

**Question 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?*

**Question 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.*

Because accounting standards for the public sector in France are accrual-based, the CNoCP does not have strong views about the use of the Cash Basis IPSAS and its capacity to induce governments to adopt accrual-based IPSASs.

**Question 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.*

Overall, the projects the CNoCP would prioritise are those that specifically deal with public sector specific issues.

Of the potential new projects listed in the consultation document, the CNoCP would recommend that the following projects should be prioritised for the reasons explained below:

- Sovereign powers and their impact on financial reporting: the CNoCP believes that this topic is overarching and is a critical factor for differentiating private from public sector accounting. In addition, it touches on the issue of the definition of the reporting entity; in that sense, it should be a topic for the Conceptual Framework project to deal with. Indeed, when setting the boundaries of the reporting entity, even more so of the ultimate consolidating entity, it is critical to identify those assets and liabilities that relate to the reporting entity, so as to analyse whether they meet the recognition criteria at the reporting entity level. This is all the more relevant if a body (eg sovereign powers) acts beyond the management of public finances because it sets the public policies. In setting public policies such a body may create rights and obligations for which it is accountable, but that do not meet the definitions of assets and liabilities of the reporting entity that operates the sovereign powers. In other words, this comes down to attributing to the reporting entity only those assets and liabilities that meet the definitions of assets and liabilities for that reporting entity. Therefore, the CNoCP strongly believes that the issue should be addressed before the project on the Conceptual Framework is finalised.
- Intangible assets: this project would be undertaken as a consequence of the previous topic. In addition to addressing costs related to research and development, the project would deal with those intangible assets that result from sovereign power (eg the power to raise taxes), but that are not intangible assets of the public entity that operates the sovereign power;
- Non-exchange expenses: those expenses represent a large and significant portion of the financial statements with specific features derived from public sector specificities.