

25 November 2021

Mr Ross Smith
Program and Technical Director
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International Federation of Accountants
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CANADA

Submitted to: www.ifac.org

Dear Ross

IPSASB MID-PERIOD WORK PROGRAM CONSULTATION

Overall comments

Thank you for the opportunity to comment on the IPSASB's *Mid-Period Work Program Consultation*.

We strongly support a mid-period "check-in" to confirm the appropriateness of the new projects to be added to the IPSASB's Work Program. A five-year work program covers an extended period, and the disruption of COVID-19 has shown us the importance of being nimble and re-evaluating priorities to take into account changes in the current environment.

Overall, we are supportive of the new projects the IPSASB is proposing to include in its Work Program as resources become available. However, we acknowledge that the IPSASB has a number of significant projects underway, in particular *Revenue and Transfer Expenses*, *Leases* (including concessionary leases), *Measurement*, and *Natural Resources*.

It is important that adequate time and staff resources are dedicated to completing these large projects before new projects are commenced. We anticipate that these projects will introduce significant changes that public sector entities will need to adopt and we encourage the IPSASB to ensure that adequate implementation support is provided as part of these projects.

We also encourage the IPSASB to collaborate with the IASB, particularly in relation to IFRS-alignment projects, and to carefully consider the cost-benefit of any divergence from IFRS® Standards at the commencement of each project.

Comments on the proposed projects

Alignment projects

Alignment with IFRS Standards is important for our New Zealand constituents and, as such, we support the following projects being added to the IPSASB's work plan:

- *Presentation of Financial Statements* (major project); and
- Practice Statement: *Making Materiality Judgements* (minor project).

IPSAS 31 Intangible Assets

We disagree with the IPSASB's view that the possible project on IPSAS 31 *Intangible Assets* is a limited-scope project. We believe it should be added as a major project and recommend that the IPSASB draw on the IASB's future work on intangibles. In our recent submission to the IASB's *Third Agenda Consultation*, we supported a holistic review of IAS 38 *Intangible Assets* as our highest priority project and, based on recent comments by the IASB, we consider it is likely the IASB will add a project on intangibles to its Work Plan. Our view is that IAS 38 has become outdated. It has not been substantively changed since it was developed in the 1990s and a plethora of intangibles have developed and evolved since that time. These new varieties of intangibles could not have been anticipated when IAS 38 was first issued.

As IPSAS 31 is based on IAS 38, we strongly support the IPSASB considering public sector-specific issues relating to intangible assets in preparation for an updated IFRS Standard. New varieties of intangibles in today's global economy are as much a reporting issue in the public sector as in the for-profit sector. In addition, intangible assets arising from a government's sovereign powers, such as the authority to issue pollution permits or auction parts of the electromagnetic spectrum, would need to be considered in light of any new international intangibles standard. There may also be new types of intangible items to consider, such as those connected to cryptocurrencies. We recommend that the IPSASB consider working alongside the IASB and pool resources where appropriate to progress the review of international accounting requirements in relation to intangible assets.

IPSAS 21 Impairment of Non-Cash-Generating Assets

We support, when resources become available, the IPSASB commencing a narrow-scope project on IPSAS 21 *Impairment of Non-Cash-Generating Assets*, as described in the Consultation Paper. Consistency of definitions across the financial reporting suite are important. We note that the *Measurement* project proposed that value in use be deleted as a measurement basis, a matter we did not agree with in our recent submission.

Other proposed projects

You have proposed two other projects which are not likely to be directly relevant to New Zealand constituents because we have domestic standards on these topics. These two projects are *Differential Reporting*, and IPSAS 33 *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*. However, we recognise the importance of undertaking these projects and support the IPSASB adding these to its Work Program as other major projects are completed.

We agree that an internationally accepted framework for public sector differential reporting would be useful.

We would be happy to assist the IPSASB in developing a differential reporting regime, based on our experience in developing the New Zealand reduced disclosure regime (RDR) for Tier 2 reporting entities.

Comments on broader financial reporting developments — sustainability

As part of its work in Theme C – *Developing Guidance to Meet Users’ Broader Financial Reporting Needs* the IPSASB proposes to actively monitor developments in broader narrative reporting, including the increasing focus on sustainability reporting. We support the IPSASB taking this approach and agree that it is not appropriate to undertake a formal project in relation to public sector sustainability reporting requirements at this stage.

We agree that it is appropriate for the IPSASB to bring its public sector perspective and expertise into discussions on development of unified international sustainability reporting guidance, particularly given the recent establishment of the International Sustainability Standards Board (ISSB). As the development of international sustainability standards becomes clearer, it will be important for the IPSASB to consider what role it will take in setting reporting standards on sustainability and broader environmental, social, and governance (ESG) matters for the public sector. As the IPSASB’s role in this area becomes clearer, it will need to consider what additional skills and experience are required in relation to these areas.

Additional project to consider

Some of our constituents have suggested that a project on *IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets* be added to the IPSASB Work Program to:

- review IPSAS 19 for consistency with the Conceptual Framework;
- consider when a provision should be recognised for a constructive or non-legally binding obligation (such as those arising from climate-related emissions targets, policy announcements and targets set in domestic legislation or international treaty ratification); and
- consider whether any changes to the recognition and measurement criteria of IPSAS 19 are required as a result of the potential amendments to the definition of liability being considered as part of the *Revenue and Transfer Expenses* project.

Closing comments

We appreciate the opportunity to respond to the IPSASB’s *Mid-Period Work Program Consultation*. Regular consultation on priorities contributes towards open and transparent standard-setting processes. We appreciate the IPSASB’s commitment to the development of high-quality standards and support the IPSASB’s work to improve public sector financial reporting.

We look forward to helping the IPSASB achieve its objectives over the coming years.

If you have any queries or require clarification of any matters in this letter, please contact Anthony Heffernan (Anthony.Heffernan@xrb.govt.nz) or me.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Carolyn Cordery', written in a cursive style.

Carolyn Cordery
Chair, New Zealand Accounting Standards Board