



CARTER FINANCIAL
CONSULTING

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External Reporting Board

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Dear Tereza

Feedback on XRB Draft Comment Letter - IPSASB 2025 Work Programme Consultation

Thank you for the opportunity to provide feedback on the XRB's draft comment letter to the IPSASB regarding its 2025 Work Programme Consultation.

My comments are offered from the perspective of a New Zealand Chartered Accountant working in Pacific public sector financial reporting. I currently provide financial reporting advisory services to the Cook Islands Ministry of Finance and Economic Management (MFEM), assisting the Cook Islands Government in preparing its backlog of outstanding annual financial statements under international IPSAS. I also provide CFO-level advisory services to Te Aponga Uira, the Cook Islands' sole electricity utility, which reports under NZ PBE RDR IPSAS.

I have reviewed the draft letter alongside the IPSASB's Work Programme Consultation document and the accompanying Potential Projects paper. Overall, I consider the draft letter to be a substantive and well-reasoned submission. The positions taken on the architecture project, IFRS 17, the IFRS alignment projects, and the PIR priorities are well-supported, and I broadly endorse them. I offer the following specific comments, which I hope may be useful in finalising the letter.

Comments on Specific Matter for Comment 1 - Financial Reporting Projects

Architecture Project (paragraphs 1–6)

I strongly support this recommendation and the reasoning given. I would suggest the XRB consider adding a sentence acknowledging the particular importance of this project for jurisdictions that are still transitioning to IPSAS. In my experience working with Pacific public sector entities, the question of which IPSASB pronouncements are mandatory versus best-practice guidance is not merely an academic one - it is a practical concern for preparers, auditors, and oversight bodies alike. Even in jurisdictions that have been on IPSAS for a number of years, practitioners and government finance teams regularly encounter uncertainty about what the full suite of IPSASB literature requires of them versus what is recommended good practice. The current architecture of the literature makes that distinction harder than it should be. Noting this dimension would reinforce the public interest case for the project beyond the New Zealand context.

IFRS 17 Insurance Contracts (paragraphs 14–24)

The XRB's case for upgrading the feasibility rating from Medium to High is compelling and well-evidenced. I fully support this position.

One further angle the letter could consider is that the absence of IPSAS guidance on insurance contracts creates a disproportionate burden on smaller and lower-capacity jurisdictions. An entity operating a government-backed quasi-insurance or social insurance scheme has limited ability to independently navigate the IPSAS 3 hierarchy and develop robust accounting policies based on IFRS 17. This is a demanding technical exercise even for large, sophisticated entities. This strengthens the *consequences* case beyond the large-government insurance liability context cited in paragraph 14, and may help address the IPSASB staff's Low rating on that criterion.

Comments on Specific Matter for Comment 2 - Post Implementation Reviews

IPSAS 35 - Consolidated Financial Statements (paragraphs 29–31)

I support this recommendation. The XRB's comments on the predetermination guidance and its limitations in the New Zealand context are well-made. I would add that the challenges of applying the control principle may be even more acute in Pacific Island jurisdictions, where institutional structures frequently involve hybrid entities, statutory bodies with mixed ownership characteristics, and governance arrangements that do not map neatly onto the IPSAS 35 framework. If the XRB wished to add a sentence noting the relevance of this PIR to transitional and developing-country jurisdictions more broadly, I believe it would strengthen the submission.

IPSAS 40 - Public Sector Combinations (paragraphs 25–28)

I support this recommendation. The New Zealand modifications described are instructive, and the challenges are likely to be replicated in Pacific jurisdictions that are themselves mid-transition to IPSAS - particularly the difficulty of applying the modified pooling of interests method where one combining operation has not previously applied accrual-based standards at all.

Comments on Specific Matter for Comment 3 - Sustainability Reporting Projects

Climate-related Disclosures (paragraphs 38–42)

I support the XRB's emphasis on a decision-focused approach and a more targeted definition of primary user. The point about the breadth of the current definition potentially resulting in information that is immaterial to all users is important and well-made.

From a Pacific perspective, I would note that climate change represents an existential financial risk for many Pacific Island governments, and the ability of IPSAS to support meaningful accountability for climate-related financial exposures is of direct relevance. A tighter primary user definition - focused on those making specific, identifiable decisions - would make the reporting more actionable for these governments, which face acute physical risk but have limited reporting capacity. The XRB may wish to consider briefly acknowledging the relevance of this project to small island developing states, as this would reinforce the global public interest case.

Architecture Project Sequencing (paragraph 43)

The recommendation to prioritise the architecture project before committing to further sustainability reporting projects is sound and I fully endorse it. For jurisdictions still working out what existing IPSAS requires of them, adding further sustainability layers before the foundation is settled risks compounding rather than reducing adoption barriers.

Summary

The XRB's draft letter makes a strong and well-evidenced submission. My principal suggestions for the XRB's consideration are:

- Add a sentence in the architecture project section acknowledging the particular importance of this clarification for jurisdictions that are transitioning to IPSAS, where the mandatory/voluntary distinction has immediate practical consequences.
- Strengthen the IFRS 17 consequences case by noting the burden the current gap places on lower-capacity entities and jurisdictions that cannot readily apply the IPSAS 3 hierarchy to derive policies from IFRS 17 themselves.

- Note the relevance of the IPSAS 35 PIR to transitional jurisdictions and Pacific governance structures, where the control principle presents particular practical challenges.
- Consider briefly acknowledging the relevance of the climate-related disclosures project to small island developing states, consistent with IPSASB's adoption and implementation mandate.

I hope these comments are useful.

Yours sincerely

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