

28 April 2020

Mr. Olivier Boutellis-Taft
Chief Executive Officer
Accountancy Europe
Avenue d'Auderghem 22-28, 1040 Brussels
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Via email: jona@accountancyeurope.eu

Dear Olivier,

Interconnected Standard Setting for Corporate Reporting

CPA Australia represents the diverse interests of more than 166,000 members working in over 100 countries and regions around the world. We make this submission to Accountancy Europe on behalf of our members and in the broader public interest.

CPA Australia commends Accountancy Europe for its paper that considers how international standard-setting structures for corporate reporting in the broad areas of financial reporting and non-financial reporting could be brought under a unified standard-setting structure. The proposals in the paper recognise the ever-increasing demand for various types of non-financial information that goes beyond the more traditional and established financial reporting practices.

We support the proposed Approach 4 to a global reporting structure for an enhanced global interconnected standard setting structure. We offer some further observations in respect of this proposed approach below.

A universal standard-setting structure that includes public-sector accounting standards

In our view, the proposals in the paper could be broadened beyond standard-setting for corporate reporting and incorporate standard-setting for public sector reporting. We believe standard-setting for public sector reporting should be incorporated into a universal standard-setting reporting structure, because:

- The public sector globally is an important contributor to economic and social activity alongside global capital markets. Accordingly, consistent and comparable reporting by the public sector is desirable.
- International Public Sector Accounting Standards (IPSAS) are currently developed and issued by the International Public Sector Accounting Standards Board (IPSASB) that currently operates under the auspices of the International Federation of Accountants (IFAC). We have previously expressed a view that it would be beneficial for the IPSASB to operate under the auspices of the IFRS Foundation. Further details are provided in our [submission](#) to the Public Interest Committee that oversees the governance of the IPSASB.

- Alignment with IFRS has been a key pillar of pillar of the IPSASB Strategy¹ since the development of the IPSAS program in 1997. A universal standard-setting approach will ensure continued alignment between IPSAS and IFRS.
- Non-financial reporting forms an important part of reporting by public sector entities (e.g. service performance reporting) and a universal standard-setting approach that incorporates financial and non-financial reporting will benefit the public sector.

Specific comments on Approach 4

- Urgency – Buy-in by relevant organisations could be a significant challenge. For example, standard-setting for financial reporting is well established under the IFRS foundation and there is a view that moving the focus away from financial reporting to embrace non-financial reporting could be detrimental to standard-setting activities relating to financial reporting. There may also be political considerations in respect of territory and ownership that would need to be overcome.
- The notion of *conceptual framework(s)* is a key and highly commendable element essential to Approach 4. A number of challenges will need to be addressed to enable the successful progress of this preferred approach to corporate reporting standard setting. Within any *conceptual framework for non-financial reporting* careful consideration will need to be given to defining the boundaries of both non-financial information and non-financial reporting. The discussion paper addresses these challenges in a commendable manner through reference to such matters as materiality perspectives and advancements in technology. At a more ‘structural’, and indeed ‘institutional’, level there will be a need to determine what forms of non-financial information are initially addressed, whilst retaining capacity to include new forms as they emerge. In these evolving processes, recognition will also need to be given to the challenges around both the willingness of ‘owners’ to work within an Approach 4-type arrangement and the aggregation of information designed for different stakeholder needs.
- Critical to Approach 4 is driving connectivity through the development of a *conceptual framework for connected reporting*. Though essential to the overall Approach 4, we believe it important in such development to acknowledge that ‘connectivity’ in some instances may not be either possible or relevant, and that within these limitations there is both the reality of complexity and evolving capacity to deal with multiple sources and forms of information. Relatedly, such a conceptual framework also needs to allow for the critical role served by both governance and company director narrative disclosures, many of which have a basis in national regulation, and in some instances are drawn from international frameworks, models or guidance.
- Significant to both Approach 3 and Approach 4 is the proposed International Non-financial Standards Board (INSB). The INSB is discussed at page 18 of the discussion paper noting in the context of the urgency of action around climate change, that the “approach will allow the new standard setting organisations to crystallise the TCFD recommendations in INFRS as their first and most urgent priority.” Accountancy Europe will no doubt be aware of the numerous references in the TCFD recommendations about impact on elements of financial statements and the application of financial accounting standards. As such, CPA Australia sees a key role for the *conceptual framework for connected reporting* in not only driving connectivity, but also ensuring various technical rules of recognition/derecognition, measurement, and presentation and disclosure, advance in a manner which harmonise or coalesce around critical drivers of economic, environmental and social transformation. Insight into the adaption of accounting and audit to reflect the economic transformation challenges associated with international measures towards net-zero emissions are contained in [recent research](#) commissioned by CPA Australia. What is evident from this research is the growing responsiveness of corporate reporting to critical external drivers, whilst at the same time highlighting the imperative for meaningful

¹ [IPSASB Strategy and Work Plan 2019-2023](#)

communication of internal decision-making responses. The preferred approach canvassed by Accountancy Europe is a significant and highly commendable proposal to speed these vital transformations.

If you require further information on the views expressed above, please contact Dr. John Purcell on 03 9606 9826/john.purcell@cpaaustralia.com.au or Ram Subramanian on 03 9606 9755/ram.subramanian@cpaaustralia.com.au.

Your sincerely



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