

# Stakeholder participation in the IPSASB's due process

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## **LIST OF PUBLICATIONS BASED ON THIS DOCTORAL RESEARCH**

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## **LIST OF ABBREVIATIONS**

CAG	Consultative Advisory Group
CBN	Commissie voor Boekhoudkundige Normen
CD	Consultation document
CF	Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities
CL	Comment letter
CP	Consultation paper
CS	Consultation strategies
EC	European Commission
ED	Exposure draft
EPSAS	European Public Sector Accounting Standards
EU	European Union
HA	Heritage Assets
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
PIC	Public Interest Committee
PIR	Post Implementation Reviews
PSC	Public Sector Committee
PV	Preliminary Views
RPG	Recommended Practice Guideline
RPG	Recommended Practice Guideline
SB	Social Benefits
SMC	Specific Matters for Comment
SSB	Standard-Setting Board
UN (VN)	United Nations (Verenigde Naties)



## NEDERLANDSTALIGE SAMENVATTING

De *International Public Sector Accounting Standards Board* (IPSASB) is een internationale organisatie dat boekhoudstandaarden voor de publieke sector ontwikkelt, beter bekend als *International Public Sector Accounting Standards* (IPSAS). Voor de ontwikkeling van IPSAS hanteert de IPSASB een *due process* waarin stakeholder participatie een prominente rol speelt. Participatie is van groot belang aangezien de IPSASB geen autoriteit heeft om het gebruik van IPSAS op te leggen, en een transparant consultatieproces met stakeholder participatie bijdraagt aan de legitimiteit van de organisatie.

*Hoofdstuk één* is een inleidend kader voor dit onderzoek waarin de motivatie voor het onderzoek, de onderzoeksdoelstelling en het algemeen theoretisch kader wordt uiteengezet.

*Hoofdstuk twee* gaat in op de stakeholder participatie voor consultatie paper (CP), *Financial Reporting for Heritage in the Public Sector*. In 2017 heeft de IPSASB deze CP ontwikkeld om aanvullende begeleiding te bieden over het controversiële onderwerp. In dit hoofdstuk wordt gekeken of deze CP de eerste stap kan zijn om het lopende debat over dit onderwerp te beëindigen. Overeenkomsten en verschillen in de meningen van de IPSASB, respondenten en academici worden gezocht met betrekking tot drie kwesties: (1) moeten erfgoeditems als activa op de balans worden erkend? (2) Zo ja, moeten ze op de balans worden gewaardeerd? (3) Zo niet, moeten ze dan elders worden vermeld? Op dit moment is het niet mogelijk om te spreken van een consensus tussen de drie partijen. De CP ontving 40 *comment letters* (CL's). De meerderheid van de CL's was afkomstig van publieke sectorentiteiten en beroepsverenigingen, met als meest vertegenwoordigde gebieden Europa en Oceanië. De geografische locatie van de respondenten, de geïmplementeerde boekhoudwetgeving in hun land en hun affiliatie werden geanalyseerd om te zien of deze factoren de meningen van de respondenten beïnvloedde. Er was geen bewijs dat de eerste twee factoren dit deden, maar er was wel een indicatie dat de affiliatie een invloed had op de standpunten van de respondenten.

De bevinding dat verschillende affiliaties en geografische gebieden ongelijk vertegenwoordigd waren in het consultatieproces van deze CP, leidde tot een focus op de input-legitimiteit van de IPSASB. Input-legitimiteit wordt bereikt wanneer de input die een organisatie ontvangt de mening van al hun stakeholders correct weergeeft. Het *derde hoofdstuk* gaat hier dieper op in door de representativiteit van stakeholders in het consultatieproces van de IPSASB (2005-2020) te onderzoeken, meer specifiek de representativiteit van de lidstaten van de Europese Commissie (EC). In 2012 lanceerde de EC een openbare raadpleging over de toepasbaarheid van IPSAS voor de lidstaten van de Europese Unie (EU), waarin kritiek werd geuit op de beperkte deelname van EU-lidstaten in het IPSASB-consultatieproces. In dit hoofdstuk wordt nagegaan of er nog steeds zo'n beperkte deelname van EU-lidstaten is, en of er een evolutie in de participatie zichtbaar is. De resultaten wijzen op een daling van de EU-deelname. Daarnaast namen respondenten uit traditioneel actieve gebieden, namelijk Noord-Amerika en Oceanië, door de jaren heen minder deel in tegenstelling tot respondenten uit doorgaans minder vertegenwoordigde gebieden zoals Afrika, Azië en Zuid-Amerika die meer deelnamen. Zowel in het algemeen als voor de EU in het bijzonder zijn de meeste respondenten, zoals in hoofdstuk twee, publieke sector entiteiten en beroepsverenigingen. De deelname van die eerste neemt echter af, net als die van andere boekhoud standaardsetters en universiteiten.

Het *vierde hoofdstuk* bouwt voort op deze vaststelling van een ongelijkheid in de stakeholder participatie. Het pleit voor het gebruik van een nieuwe statistische benadering voor het analyseren van determinanten van stakeholder participatie, namelijk het *hurdle negative binomial regression model* (voortaan hurdle model). Het hurdle model analyseert niet alleen de invloed van bepaalde kenmerken op hoe vaak een stakeholder deelneemt, maar ook op de stakeholder zijn beslissing om al dan niet deel te nemen in eerste instantie. In dit hoofdstuk wordt de invloed onderzocht van drie kenmerken: IPSAS-implematieniveau; Engels vaardigheidsniveau; economisch ontwikkelingsniveau. Het kijkt naar de ontvangen CLs voor alle consultatiedocumenten gepubliceerd over de periode 2005-2018. De resultaten wijzen op een positieve relatie tussen stakeholder participatie en een hogere IPSAS-implematiestatus

en een hoger economisch ontwikkelingsniveau, zowel voor de vraag of en hoe vaak stakeholders deelnamen. Er zijn geen aanwijzingen dat stakeholders meer geneigd zijn deel te nemen als ze de Engelse taal beter beheersen; als ze echter deelnemen, zullen de stakeholder met een hoger Engels vaardigheidsniveau meer CLs schrijven dan minder bekwame stakeholders. Deze nuance toont de meerwaarde van het hurdle model.

Ongeacht wie deelneemt aan het consultatieproces, of die deelname al dan niet een invloed heeft op de uiteindelijke IPSAS en dus meer is dan alleen een instrument om een indruk van participatie en transparantie te creëren, is een veelbesproken vraag in eerder onderzoek. Bovendien heeft voorgaand onderzoek aangetoond dat stakeholders terughoudend kunnen worden om deel te nemen als ze vinden dat er geen rekening wordt gehouden met hun mening. Daarom is het belangrijk dat, hoewel het voor de IPSASB onmogelijk is om aan ieders wensen te voldoen, het laat zien dat alle standpunten zijn overwogen en dat het transparant is over het besluitvormingsproces. Dit leidt tot *hoofdstuk vijf* waarin de nadruk ligt op procedurele legitimiteit. Deze legitimiteit kan een organisatie claimen als stakeholders de perceptie hebben dat zij na het indienen van hun input voldoende verantwoording krijgen voor de uiteindelijke beslissingen van de organisatie.

Naast een onderzoek naar wie de respondenten zijn bij *Exposure Draft (ED) 63, Social Benefits*, en in hoeverre zij de ED steunen, wordt de kwaliteit van het due process van de IPSASB zelf geanalyseerd. In dit hoofdstuk wordt onderzocht in hoeverre de input van respondenten is meegenomen en geïntegreerd in de uiteindelijke IPSAS. De resultaten tonen dat de IPSASB, wanneer geconfronteerd met een problematische sectie, veel eerder deze sectie zal verwijderen of onaangeroerd zal laten met de belofte van bijkomende begeleiding. Dit gebrek aan integratie van de input van respondenten geeft aan dat de IPSASB zelden de input van respondenten volgt, wat het rechtvaardigen van zijn beslissingen des te belangrijker maakt vanuit het oogpunt van procedurele legitimiteit. De resultaten wijzen echter op een gebrek aan transparantie met betrekking tot de analyse van de verkregen input. Hierdoor zou het

besluitvormingsproces willekeurig en subjectief kunnen lijken en mogelijk een negatief effect hebben op de legitimiteit van de IPSASB.

*Hoofdstuk zes* sluit het onderzoek af met de algemene bevindingen, reflecties en praktische implicaties.

## SUMMARY IN ENGLISH

The International Public Sector Accounting Standards Board (IPSASB) is an international organisation which aims to develop public sector financial reporting standards, better known as International Public Sector Accounting Standards (IPSAS). To develop IPSAS, the IPSASB employs a due process in which public consultation plays a prominent role. Participation is paramount as the IPSASB lacks the authority to impose IPSAS, and transparent standard setting with stakeholder participation contributes to the organisation's legitimacy. *Chapter one* introduces this research and sets out the motivations, research objectives and the general theoretical frame.

*Chapter two* explores stakeholder participation for the consultation paper (CP), *Financial Reporting for Heritage in the Public Sector*. In 2017 the IPSASB developed this CP to provide additional guidance on the controversial subject. We assess whether this CP might be the first step in ending the ongoing debate on the subject. If the IPSASB is able to resolve these issues by providing the needed technical solutions and guidance, this would not only mean an end to the ongoing debate but also a strengthening of the IPSASB's output legitimacy. Similarities and differences in the positions of the IPSASB, respondents and academics are sought regarding three issues: (1) should heritage items be recognized as assets on the balance sheet? (2) If yes, should they be valued in the balance sheet? (3) If not, should they be disclosed elsewhere in the financial statements? Currently it is not possible to speak of a consensus between the views of the IPSASB, respondents and academics. The CP received 40 comment letters (CLs). The majority of the CLs came from public sector entities and professional associations, with the most represented areas being Europe and Oceania. The respondents' geographical location, implemented accounting legislation and affiliation were analysed to see whether these factors influence their opinions. There was no evidence that the first two factors influenced respondents' replies, but there was an indication of the affiliation influencing responses.

The finding that different affiliations and geographic areas were unequally represented in the due process of the CP examined in chapter one, lead to a focus on the IPSASB's input legitimacy. Input-

legitimacy is achieved when the input an organisation receives correctly reflects the opinion of all stakeholders. The *third chapter* delves deeper into this, by examining the representativeness of stakeholders in the IPSASB's due process (2005-2020), more specifically, the representativeness of European Commission (EC) member states. In 2012, the EC launched a public consultation regarding the applicability of IPSAS for the European Union (EU) member states. During the consultation, the limited participation of EU member states in the consultation process used to develop IPSAS was criticized. This chapter examines whether there is still such a limited participation of EU member states, and whether there is a visible evolution in participation. The results indicate a decline in EU participation. In addition, respondents from traditionally active areas, namely North America and Oceania, participated less throughout the years in contrast to respondents from typically less represented areas such as Africa, Asia and South America who participated more. Both generally and for the EU specifically, most respondents are, as in chapter one, public sector entities and professional associations, but the participation of public sector entities is declining, as is that of other accounting standard-setters and universities.

The *fourth chapter* builds upon the previous conclusions that there is an imbalance in stakeholder participation. It makes a case for a new statistical approach to analyse the influence of country characteristics on stakeholder participation in the due process of standard setting boards, namely the hurdle negative binomial regression model (hence hurdle model). The hurdle model not only analyses the influence of certain characteristics on how often a stakeholder participates, but also on whether they decide to participate in the first place or not. This chapter explores the influence of three country characteristics on participation in the IPSASB's due process: IPSAS implementation level; English proficiency level; economic development level. It applies a multi-issue and multi-period analysis of 1,456 comment letters (CLs) (2005–2018). Results indicate a positive relationship between stakeholder participation and a higher IPSAS implementation status and a higher economic development level, both for whether and how often respondents participated. There are no indications that



stakeholders are likelier to participate if they are more proficient in English; however, if they participate, the more proficient stakeholders will write more CLs than less proficient stakeholders. This nuance shows the added value of the hurdle model.

Regardless of who participates in the due process however, whether that participation makes a difference to final standards and is more than just an instrument to create an impression of participation and transparency is a debated question in previous research. Additionally, research has indicated that stakeholders can become reluctant to participate if they feel their opinions not taken into consideration. Therefore it is important that, even though it is impossible for the IPSASB to satisfy everyone's wishes, it shows that all views were considered and that they are transparent regarding their decision-making process. This leads to *chapter five* in which to focus shifts from input legitimacy to procedural legitimacy, which an organization can claim to have if stakeholders have the perception that, when submitting their input, they will receive adequate justification for the organisation's final decisions.

Besides an examination of who the respondents are in the due process of Exposure Draft (ED) 63, *Social Benefits*, and to what extent they support the ED, the quality of the IPSASB's due process itself is analysed. In this chapter the extent to which respondents' input was considered and integrated in the final IPSAS is examined. The results demonstrate that when facing a problematic section, the IPSASB will much sooner either delete it, or leave it untouched with a promise for additional guidance later. This lack of integration of respondents' input indicates that the IPSASB rarely follows respondents' input, which makes justifying its decisions even more important from a procedural legitimacy viewpoint. There is however a lack in transparency regarding how respondents' input is analysed. This could make the decision-making process seem arbitrary and subjective and could potentially have a negative effect on the IPSASB's legitimacy.

Chapter six concludes this research with general conclusions, reflections and practical implications.



# Chapter 1

## Introduction

Founded in 1986 as the International Federation of Accountants Public Sector Committee and renamed in 2004, the International Public Sector Accounting Standards Board (IPSASB) is an international organisation which aims to develop high-quality public sector financial reporting standards, better known as International Public Sector Accounting Standards (IPSAS). To this day there is no unity in the application of accounting methods by public sector entities. Not only do different countries apply different methods, even when looking at different public sector entities from the same country, there is no assurance that the same accounting method is applied. The application of IPSAS could harmonize public sector accounting, increasing the comparability and transparency of financial information both within and across different regions (Brusca and Martínez, 2016; Schmidhuber et al., 2020).

To develop IPSAS, the IPSASB employs public consultation known as the due process. Once the IPSASB has initiated a project, they develop a draft version of a standard, also known as a consultation document (CD). This can be done in the form of either a consultation paper (CP) or an exposure draft (ED). The development of a CD is usually done with the assistance and advice of the Consultative Advisory Group (CAG) and the Public Interest Committee (PIC). Once a CD is finalized, it is published online for a finite amount of time, during which stakeholders or anyone interested can submit written feedback in the form of comment letters (CLs). Once the allotted time has passed, the CLs are analysed, after which the IPSASB considers the issues raised by respondents. The IPSASB is then left with the choice whether to make changes to the draft version or not. They can re-expose a new version for public consultation (e.g., when significant changes are made), or they can approve the final standard. A majority of two-thirds of the voting rights on the IPSASB is required for approval of CPs, EDs, and standards (IPSASB, 2016).

As an organization, the IPSASB lacks elected or other governmental authority. This means that it is unable to impose IPSAS. The implementation of IPSAS depends on the recognition and support the IPSASB receives from its stakeholders. What an organization in their situation needs, is legitimacy. Luckily, the due process is more than just a method to identify potential problems and gauging potential support the IPSAS would receive. The due process, and the transparency it provides, gives institutions such as the IPSASB, which in themselves have no authority, a legitimacy it would otherwise lack (Eisenschmidt & Krasodomska, 2017). This legitimacy can help increase the IPSASB's societal acceptance, which in its turn can help motivate stakeholders to implement IPSAS.

The due process of accounting standard settings boards has not gone without criticism, however. By some authors it is described as a ritual procedure without substance, which only use is creating an impression of transparency. In this regard, the main flaws are a lack of voting rights for stakeholders and the standard setters' veto power. Some suggest the need for an open public debate to justify decisions made and actions taken. Without this, this process could be viewed as symbolic rather than substantive.

One could ask if the IPSASB's due process is working to its full potential. Very rarely a country completely implements the IPSAS. Mostly, countries will adjust an IPSAS to better suit their own needs before implementing it. The aim of this study is to assess the influence of the IPSASB's due process and stakeholder participation on its legitimacy.

Richardson and Eberlein (2011) identified three types of legitimacy that can be gained from a due process: input, throughput and output legitimacy. Input-legitimacy is achieved when the input an organisation receives correctly reflects the opinion of all stakeholders. Throughput-legitimacy requires a fair process in which these inputs are formed into outputs. Output legitimacy refers to the successful achievement of appropriate results.

The second chapter examines the IPSASB's output legitimacy by examining whether the IPSASB can successfully develop an IPSAS which resolves technical problems for a contested issue.

The IPSASB often uses the IFRS as basis for their own standards. On the one hand, this is done because the IPSASB strives for convergence with the IFRS, on the other hand the IPSASB simply does not have the resources to start from scratch with every standard it develops. Previous research has shown that those which are not based on IFRS are often found to be of lower quality (Christiaens & Vanhee, 2020, Cîrstea et al., 2015). For typical public sector issues however, it is impossible to follow an IFRS example as it simply does not exist. Heritage is a classic example of a typical public sector issue.

Since the development of the first IPSASs, the problem of how to financially report heritage has been unresolved. In 2017 the IPSASB developed the CP, *Financial Reporting for Heritage in the Public Sector* to provide additional guidance on the controversial subject. This chapter assesses whether this CP might be the first step in ending the ongoing debate on the subject by examining whether the IPSASB gets to the core of the issue with financial reporting for heritage, as identified in academic literature. If the IPSASB is able to resolve these issues by providing the needed technical solutions and guidance, this would not only mean an end to the ongoing debate but also a strengthening of the IPSASB's output legitimacy.

Interestingly, by analysing who the respondents were for the CP on heritage, an imbalance was discovered in the participation. There were big differences in how active not only different regions were, but also different affiliations. The respondents were mostly public sector entities and professional associations, with the most represented areas being Europe and Oceania. This indicated potential issues with the IPSASB's input legitimacy.

Chapter three delves deeper into the IPSASB's input-legitimacy by not only examining the representativeness of stakeholders in the IPSASB's due process (2005-2020), but also the evolution in participation. As the IPSASB aims for IPSAS to be applied on an international scale, ideally the stakeholder participation in the due process would be representative of that international scale. The results of chapter three show however, that the imbalance found in chapter two was not a onetime

problem, but a problem in the IPSASB's due process as a whole. The respondents were mostly public sector entities and professional associations, with the most represented areas being Europe and Oceania. Interestingly, there is an evolution where the traditionally most active regions (Europe, Oceania, North America) participate less throughout the years, while the traditionally less active regions (South America, Africa, Asia) participate more. Most respondents are public sector entities and professional associations, but the participation of public sector entities is declining, while the participation of firms and professional associations is increasing.

The fourth chapter builds upon the finding of the IPSASB's imbalanced stakeholder participation. The aim of chapter four is analysing whether a country's characteristics (IPSAS implementation status, English-proficiency, economic development) influences the participation of the IPSASB's stakeholders from that country. So far, this has never been done for the IPSASB. Additionally, this chapter introduces a new statistical approach to analyse the influence of these country characteristics on stakeholder participation in the due process of standard setting boards, namely the hurdle negative binomial regression model (hence hurdle model). The hurdle model is a two-tiered model, meaning it first tests whether these country characteristics influence a stakeholder to participate (regardless of how often), and then tests whether these characteristics influence how often a stakeholder participates.

Regardless of who participates in the due process however, whether that participation makes a difference to final standards and is more than just an instrument to create an impression of participation and transparency is a debated question in previous research. This boils down to an organisation's throughput or procedural legitimacy. To achieve this type of legitimacy, an organisation requires transparent and fair decision-making processes, which show that all views were considered. Stakeholders need to have the perception that, after submitting their input, they will receive adequate justification for the organisation's final decisions.

Chapter five focusses on the IPSASB's procedural legitimacy by analysing the due process of ED 63, *Social Benefits*. In this chapter the extent to which respondents' input was considered and integrated in the final IPSAS is examined. The results demonstrate that when facing a problematic section, the IPSASB will much sooner either delete it, or leave it untouched with a promise of additional guidance later. This lack of integration of respondents' input indicates that it rarely follows respondents' input, which makes justifying its decisions all the more important from a procedural legitimacy viewpoint. There is however a lack of transparency regarding how respondents' input is analysed. This could make the decision-making process seem arbitrary and subjective and could potentially have a negative effect on the IPSASB's legitimacy.

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# Chapter 2

## Heritage assets in the due process of the IPSASB

### Introduction

In 2017 the International Public Sector Accounting Standards Board (IPSASB) published a consultation paper (CP) titled *Financial Reporting for Heritage in the Public Sector*. Heritage consists of special items that have an infinite lifespan, need to be preserved and are not kept for economic, but for social reasons (e.g., historical buildings). They do need funding (e.g., maintenance costs) however, which makes them complex to report (Aversano and Christiaens, 2014). The IPSASB's purpose of the CP was to understand stakeholders' views on the subject, to improve financial reporting for heritage by public sector entities. Additionally, they wish to support the comparability of heritage-related information in general purpose financial reports (GPFs), while providing information that users need for accountability and decision making (IPSASB, 2017a).

In the CP the IPSASB proposes following description of heritage items: “*items that are intended to be held indefinitely and preserved for the benefit of present and future generations because of their rarity and/or significance in relation, but not limited, to their archaeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific or technological features.*” (IPSASB, 2017a). Generally, heritage items are seen as assets even if they do not have the generation of future economic benefits as their goal. The IPSASB's decision to begin with “heritage items” provided scope to explicitly consider whether (and the extent to which) such items could be assets for financial reporting purposes. Many discussions of financial reporting for heritage begin with the term ‘heritage asset’ (HA). However, this implies that heritage necessarily complies with the definition of an asset and must therefore be included in the financial statements (Ellwood, 2018). The IPSASB (2017a)

defines assets as “*resources presently controlled by the entity as a result of a past event*”. These resources are items with service potential or the ability to generate economic benefits. HAs can be controlled by an entity, they can produce economic benefits and have service potential, however, this is not the case for most heritage items, which leads to dispute on how to financially report them.

Because financial reporting for heritage is such a difficult concept and has so little adequate guidance it has proven to be a subject of much debate. This article does not intend to add another opinion to the debate but aims instead to assess whether this CP might be the first step in ending this ongoing debate. To this end, this article examines whether the views of the majority of academics based on academic research, the IPSASB’s preliminary views in the CP and the input provided by respondents align. If there is alignment of views, then this could lead to an accounting standard which every stakeholder could support.

The results showed that though the IPSASB was aware of the core issues regarding financial reporting for heritage, they were unable to create the needed guidance. To this day, the issue still has not been resolved, as can be seen by the continuing search with the rather recent publication of ED 78.

This article begins by shedding light on the context for the publication of the CP, followed by a brief explanation of the IPSASB’s due process. Then, an overview of previous literature on consultation processes by accounting standard setters is given, followed by the research questions and methodology. After this, the findings are presented, starting with an overview of the most prominent HA financial reporting issues derived from our review of the academic literature, and analysis of the CP and the comment letters (CLs) that the IPSASB received. After this, insight is provided into the respondents’ backgrounds and the relationship between their background and their replies to the CP is discussed.

### **Context for the IPSASB’s consultation paper**

Since the development of the first IPSASs, the problem of how to financially report heritage has been unresolved. The most controversial issue raised in CLs submitted by respondents to the exposure

draft (ED) 14 *Property, Plant and Equipment* in 2000 was whether heritage and cultural assets should be recognized and could be reliably measured. The Public Sector Committee (PSC), IPSASB's predecessor, agreed that all property, plant and equipment (including HAs) should be recognised. However, in the final standard on property, plant and equipment (2001) the recognition of HAs is not required (PSC, 2001; IPSASB, 2001), and they are, in effect, scoped out of the Standard. The Standard, IPSAS 17, *Property, Plant and Equipment*, merely states that if public sector entities decide to recognize HAs, they must comply with IPSAS 17's disclosure requirements. Furthermore, IPSAS 17 does not restrict entities' measurement of heritage assets (IPSASB, 2001). Since this regulation leads to an unintended variety in reporting practices, the IPSASB started a HAs project in collaboration with the United Kingdom's Accounting Standards Board (ASB) in 2004, for which they published a CP on *Accounting for Heritage Assets under the Accrual Basis of Accounting* (2006). This was based on ASB's discussion paper '*Heritage Assets: Can Accounting Do Better?*'. However, this CP did not resolve the issues and the IPSASB decided to defer further work on heritage accounting until after completion of its Conceptual Framework. Since then, the IPSASB has continued to struggle with heritage, with this topic arising for discussion within several different IPSASB initiatives.

As heritage items can be intangible assets (e.g., rituals, knowledge, events) the publication of IPSAS 31 on *Intangible Assets* (2010) could have given further guidance. However, this was not the case as IPSAS 31 allowed preparers again to decide whether they recognize HAs, using essentially the same approach as that used in IPSAS 17, whereby the Standard's disclosure requirements applied if the entity recognized its intangible heritage assets, but the preparer could also choose what it considered to be an appropriate measurement approach. In 2011 an ED on *Key Characteristics of the Public Sector with Potential Implications for Financial Reporting* was published, which states that "*Governments and other public sector entities may have extensive responsibilities for the national and local heritage*", including protection and preservation. The ED also speaks of the issue of recognizing heritage as assets, but it does not present any possible approach to address this problem.

After this ED the IPSASB did not publish anything that was focused exclusively on heritage until its CP published in 2017. However, financial reporting for heritage was considered during development of the IPSASB's Conceptual Framework project, from 2006 to 2014. The set of CPs and EDs issued for the four phases of this project referred to HAs, from the perspectives of, for example, assets held by the public sector entities and the recognition and measurement of such assets. The IPSASB's General Purpose Financial Reporting by Public Sector Entities (CF), issued in 2014, states that public sector entities may hold items of historical and cultural character, or even areas of natural significance that are not generally held for sale and may embody service potential. They have a responsibility to preserve and maintain them for current and future generations. They are called 'Public Sector Assets'. The majority of the IPSASB concluded that the decision of whether to recognize an item as assets should be made following an assessment of whether the item meets the definition of an asset and its recognition criteria. The CF discusses measurement issues relevant to heritage assets. Symbolic value is often proposed as an appropriate measurement basis for heritage assets. However, the IPSASB considered this issue during development of its CF. The CF excludes symbolic value from its list of measurement bases applicable to assets. The relevant Bases for Conclusions explains that the majority of IPSASB members "[...] took the view that symbolic values do not meet the measurement objective, because they do not provide relevant information on financial capacity, operational capacity or the cost of services.". The IPSASB accepts that in cases where it is impossible or very costly to obtain a valuation, it is important that the information to be provided through disclosures is carefully considered at standards level. The completion of its CF in 2014 meant that the IPSASB could once again consider financial reporting for heritage, with this topic remaining a priority from the perspective of its stakeholders. The IPSASB initiated a new Heritage Project in the second half of 2015.

Eventually, in 2017, the IPSASB published a new CP on *Financial Reporting for Heritage in the Public Sector*. This CP is seen as the first step towards providing adequate financial reporting guidance for HAs (IPSASB, 2017a). At the time of writing the IPSASB was still working on its review

of issues raised in the CLs to come to either an official standard or additional guidance in existing IPSASs. Since then, the IPSASB has progressed the heritage project with publishing ED 78, *Property, Plant, and Equipment* (2021) which adds measurement guidance and options for assets within its scope, identifies characteristics of heritage, and proposes new guidance on how this should be recognized and measured.

### **The IPSASB's due process and legitimacy**

When developing standards, the IPSASB's due process includes public consultation, which allows interested parties to submit their comments. The IPSASB decides whether a standard should be developed or not and either chooses to start with an ED directly or first a CP and develop the ED afterwards in a second phase of consultation. They are usually developed with the input of two consultation groups, the Consultative Advisory Group (CAG) and the Public Interest Committee (PIC). When finalised, the documents are made publicly available and open to comments for a finite amount of time, usually four months (IPSASB, 2016).

The CLs are analysed, and possible changes are considered as a result of the issues raised. If significant changes are made, the IPSASB can re-expose the document for further review, otherwise they approve the final standard. A majority of two-thirds of the voting rights on the IPSASB is required for approval of CPs, Eds, and standards (IPSASB, 2016).

This due process is in line with those of other standard setters in the private sector, e.g., the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) (Deloitte, 2018; FASB, 2018).

As the IPSASB lacks elected or other governmental authority, this due process is needed to gain legitimacy (Eisenschmidt & Krasodomska, 2017). Suchman (p. 574, 1995) defined legitimacy as '*a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions*'. Richardson and

Eberlein (2011) identified three types of legitimacy: input, throughput and output legitimacy. Input-legitimacy is achieved when the input an organisation receives correctly reflects the opinion of all stakeholders. Throughput-legitimacy requires a fair process in which these inputs are formed into outputs. Richardson and Eberlein (2011) describe output legitimacy as results- and expertise-based, meaning an organisation claim legitimacy to the extent that they make qualitative decisions, and in this case, successfully develop appropriate IPSAS. An appropriate standard would resolve technical problems or facilitate future developments.

### **Previous research on the due process in accounting standard setting**

The majority of research in this field considers private sector standard setters rather than public sector standard setters.

Research on the participation of academics in the due process of standard-setters typically concludes that there is too little participation by this stakeholders group (e.g., Larson and Herz, 2011). Tandy and Wilburn (1996) state that academics play a unique role in this process as they are economically independent and should have theoretical understanding to evaluate issues. They find, however, that few academics participate, and most only once. Reasons that deter them from writing CLs are low expectations of affecting the standard-setters' decisions, lack of time and resources, inadequate rewards by their universities, and the technical nature of issues. Alvarez *et al.* (2014) aimed to highlight the relevance of academic input in the accounting standard setting process by proving that the introduction of academic opinions yields different results in consultation processes.

Previous research has indicated the importance of the geographical area of respondents. Various studies show that the continents are never equally represented (Mellado-Bermejo and Esteban, 2014; Huian, 2013a, 2013b; Eisenschmidt and Krasodomska, 2017). The overall majority of respondents consist of English-speaking countries such as the U.K., the U.S., and Australia, as well as E.U. members (Jorissen *et al.*, 2012; Larson and Herz, 2013; Wingard *et al.*, 2016). Participation is influenced by



income, language (Jorissen *et al.*, 2013; Larson and Herz, 2013; Dobler and Knospe, 2016) and creditor protection of country of origin (Mellado,-Bermejo and Esteban, 2014). Other potential factors of influence may be the legal system, the financing system, the tax system and national accounting traditions (Nobes, 2006). Some authors even hypothesize that the cultural characteristics of a country may play a role (Eisenschmidt and Krasodomska, 2017; Jorissen *et al.*, 2006, 2013; Dobler and Knospe, 2016).

There is only a small amount of research into public sector standard setting, which mainly focuses on national standard setting. Ryan *et al.* (1999, 2000) found that, in Australia, the ED's subject matter was a significant factor for the participation levels of different groups, and that account preparers generally gave different answers than other respondents. There is even less research into the IPSASB's due process. Manes Rossi and Aversano (2015) provided an analysis of the respondents' affiliation and geographical area for the IPSASB's CP on *Reporting Service Performance Information*. The majority of respondents consisted of professional organisations, followed by public sector entities and standard setters. Bisogno *et al.* (2015) analysed the CLs on ED No. 49 on *Consolidated Financial Statements*, which evidenced that the majority of responses came from public sector entities, professional organisations and international organisations. These studies reveal that the unequal geographic distribution of respondents is also an occurrence in the IPSASB's due process.

## **Research Questions**

1. This research aims to assess whether the IPSASB's CP on financial reporting for heritage is the first step in ending the ongoing debate on the topic. For that purpose, following research questions were developed: Which are the main issues raised in academic literature regarding the financial reporting of heritage?
2. Did the IPSASB take these main issues into account in its consultation paper?

3. To what extent do respondents' comment letters to the consultation paper align (as evidenced by agreement rates) with the views of the IPSASB on the one hand, and with the view of academics on the other?
4. Are CLs influenced by the respondent's background as indicated by their affiliation, geographical area, and/or national accounting legislation)?
5. Is there consensus between the views put forward by respondents, the IPSASB, and the majority of academics on the main issues regarding the financial reporting of heritage?

## Research Method

Firstly, an extensive literature review of the most prominent issues in financial reporting of heritage was performed. The three most discussed issues were selected, for which the supporters and opposers amongst academics that have published research in these issues were categorized (cf. Table 2.1). Secondly, an analysis was made of the CP to detect the IPSASB's proposals on these three issues. Even though the entirety of the CP is open for feedback, the IPSASB has written down thirteen points on which they specifically wanted feedback. These are divided into two groups: Specific Matters for Comment (SMC) and Preliminary Views (PV) (IPSASB, 2017a). Respectively ten statements of which the IPSASB asks whether respondents (dis)agree and three points where the IPSASB asks for opinions without making a statement themselves (cf. Table 2.2).

Next, the CLs, which are all publicly available on the IPSASBs website, were analysed. There were 40 CLs, with an average of 8.13 pages a letter (ranging from 3 to 23). The CLs were categorized in line with the research method of Bisogno *et al.* (2015) according to the affiliation (cf. Figure 2.1) and geographical area (i.e., originating continent and country) of the respondents (cf. Figure 2.2). The selection of affiliations was based on the prior categories of Chen (1994), Lowensohn and Kidwell (2011) and Bisogno *et al.* (2015). The options were: international organisations, governmental organisations, professional organisations, counties, academics, and audit/consulting firms, budget

officers, bureaucratic managers, citizens, elected officials, finance officers, financial markets, government accountants, media, other governments, standard setters, state auditors/controllers, government auditors, and lastly, interest groups. The respondents to this CP could be divided into eight of these categories (cf. Figure 2.1). The next step was the content analysis of the CLs, which leads to the categorization of the replies given to the PVs and SMCs (cf. Table 2.2). A distinction was made between six categories according to the level of agreement:

1. The respondent agrees with IPSASB's statement.
2. The respondent agrees but had some side comments/suggestions/questions, which do not diminish their overall agreement with the statement.
3. The respondent agrees with a part of the statement but disagrees with another. There is a mixed input, which makes it impossible to count this as a favourable response or not.
4. The respondent is neutral and does not wish to comment.
5. The respondent disagrees with the statement.
6. The respondent has not mentioned the particular statement, and as such has not given an answer.

Questions that were left unanswered by respondents were also included in this analysis because neglecting to answer a question is a sign of the importance – or lack thereof – respondents assign to these questions (Huian, 2013a).

The views of all three groups, the academics, the IPSASB and the respondents, were compared and examined for similarities and differences in the final step. The final step was a review of the given replies and the earlier established background (i.e., affiliation, geographical area and the existing accounting legislation) of the respondents and assessing possible connections (cf. Table 2.3).

## **Findings**

### ***The academics' point of view***

In the existing academic literature, many issues with respect to financial reporting of heritage are brought up. It was decided to focus on the following three, most important and central issues: should heritage items be recognized in the balance sheet? If yes, should they be assigned a monetary value? If not, should they be disclosed elsewhere in the financial statements? Though it is not unusual for accounting standards to prescribe both a reporting approach on the balance sheet and additional specific disclosures on the notes to the account, it was decided for practical reasons to divide the issues in this analysis.

Table 2.1 presents an overview of these issues and their most prominent supporters and opponents.

Mautz (1988) was one of the first academics to write on the subject of financial reporting of heritage. He thought of them more as liabilities than assets, as a result of the negative cash flow they incur in their use and maintenance, and the inability to sell them. He suggested the term ‘facilities’. Carnegie & Wolnizer (1995) also suggest this term, or ‘liabilities’ and keep them separate from other assets, as they believe it can be inferred that heritage is able to absorb wealth but not to generate it in financial terms. Though Pallot (1990, 1992) does not disagree that HAs should be included in the balance sheet, she does however also want to keep them separate from other assets by calling them ‘community assets’ and perhaps even give them a separate financial statement, called a stewardship statement. Ouda (2014) agrees that HAs need to be distinguished from other assets but sees this as too broad a term as community assets also include public infrastructural assets. Barton (2000) believes heritage should be treated as ‘trust assets’, which are held by the government for future generations and are as a result not really their possession to control. They have a responsibility to preserve them but should keep them separate from their own assets and report them separately. Ouda (2014) supports this vision that the government is only a custodian of heritage. If the government has unrestricted use of the heritage it should be capitalized on the balance sheet, otherwise they should use a separate Trust Statement. Barton (2000) believes that capitalizing HAs would not be representative of the real financial situation of the

organisation. He does not consider heritage as assets due to their public goods nature (i.e., a commodity or service provided without profit to all members of a society), and the fact that they are not for sale nor maintained for generating income and are mainly funded by non-exchange revenues, with which Biondi and Lapsley (2014) later agree.

The fact that they are not for sale, is often a reason why academics do not want them reported in the balance sheet, nor do they see how a monetary value could be established (e.g., Rentschler and Potter, 1996). Carnegie and Wolnizer (1995) view this economic value as ‘*an accounting fiction*’, which can have a negative impact on the decision-making process. Aversano and Christiaens (2014) agree, and Ellwood and Greenwood (2016) go even further by saying that it can distort the perceived cultural value. Many believe that a monetary value does not show the future benefit of HAs to society (Rentschler and Potter, 1996; Glazer and Jaenicke, 1991). A monetary value emphasises commercial value, but not the scientific, cultural, and historical value. Stanton and Stanton (1997) consider that a monetary value fails to measure the service value and economic benefits of HAs. This results in inconsistent information with the economic rationale and a valuation process that may be prejudiced. They see a case for widening the concept of value to include non-use values or not measuring HAs.

Literature reveals four other ways HAs could be valued: historical cost, replacement cost, fair value and value in use. All four are however problematic. Historical cost is useful for recently acquired or constructed HAs, but most will be gifts or so old that the price is not relevant anymore. Replacement costs are impossible for most HAs as they are often unique and therefore irreplaceable. Value in use is a problem as many HAs are public goods and fair value would mean there is a market, which HAs often lack or the value is very subjective, or the government is simply not allowed to sell it (Ellwood, 2018). Biondi and Lapsley (2014) and Näsi et al. (2001) do not see a possibility to evaluate HAs at fair market value or by any of the other evaluation methods.

Other authors reveal that due to government policy and decisions heritage items become ‘social/cultural capital goods’ that are not intended to be sold or to yield economic benefits (Christiaens

et al., 2012). Therefore, they should be reported off balance and disclosed in social reports. In cases where they are not preserved by the government, they get the status of ‘business-like assets’, which are recognized and disclosed as assets. This different status explains why cultural capital goods are so difficult to measure financially whereas business-like capital goods are relatively straightforward to value financially. Aversano et al. (2018) showed how users wished for more narrative information (e.g., identification of funding sources, descriptions of HAs, policies and costs for preservation). She supports recognizing HAs only in a qualitative way without assigning any value to them. Barton (2000) agrees that commercial valuations are not able to give reliable information on the social value of HAs. He wants descriptive information. Barker (2006) also believes non-financial information should be given, on the basis that assigning an economic value is not the only way to improve accountability.

Rowles (1991, 1992) and Micallef and Peirson (1997) however do recognize heritage items as assets, arguing that they have the same characteristics as other assets and thus believe that correct representation is not possible without a monetary value. According to them, HAs can be commercially quantifiable even if they are not for sale.

### ***The IPSASB’s point of view: content of the CP***

The CP offers proposals on the description of HAs, whether they meet the definition of assets and whether they can be measured and recognized in financial statements. It further discusses whether heritage preservation responsibilities involve present obligations for entities (liabilities) and how heritage assets and heritage-related information should be presented in the financial statements and other GPFs (IPSASB, 2017a). The preliminary views pronounced in the CP are tentative and rely on the support of respondents to become definite, however, they are formulated by the IPSASB without outside influence of stakeholders, and as such, will be viewed as the IPSASB’s opinion in this research.

The IPSASB proposes that the special characteristics of heritage items do not prevent them from being considered as assets for the purposes of financial reporting. They should be recognized in the statement of financial position if they meet the recognition criteria in the CF. An asset is defined in the

CP as ‘a resource presently controlled by the entity as a result of a past event’. This resource is an item with service potential or the ability to generate economic benefits. They believe that most HAs can comply with these requirements. The IPSASB believes that in many cases it will be possible to assign a monetary value to Has, applying the measurement bases historical cost, market value and replacement cost (IPSASB, 2017a). In answer to the second research question, therefore, the IPSASB’s CP does address the three main issues that this paper identifies in the academic issue (i.e., recognition of heritage items as assets in the balance sheet, whether such assets should be measured using a monetary value, and disclosure of heritage-related information). However, it is clear that the views of the IPSASB do not coincide with those of the majority of academics.

### *Nature of the responses*

Of the 40 CLs, there were 38 which followed the structure set out in the CP. Two others replied in a different manner by explaining their own experiences and giving suggestions for further thoughts on the subjects. Their different structure makes it difficult to analyse them in line with the other CLs, which is why they were excluded in the results below. However, they are not without value. These two CLs show that the structure of the ED has its implications. By posing questions referring to certain paragraphs, even the way the question itself is posed, influences respondents to answer in a certain way on certain matters.

Table 2.2 provides an overview of the replies to thirteen of the PVs and SMCs. Responses to PV 2, PV 7 and PV 8 have been excluded as they were not relevant to the discussion on how to report and measure heritage . After Table 2.2 there is an analysis of the replies and given comments. Not all arguments given in the CLs are included in this analysis, only those that are given frequently and/or are relevant to this subject. SMC 3-5 are left blank, as these were not agree/disagree questions, however, they are retained in the overview as reference points during the analysis following the table.

PV 4 stands out with its high agreement rate of 71%. It states that HAs should be recognized in financial statements if they meet the recognition criteria of the CF. However, responses to SMC 3 show

that support given to PV 4 is not as straightforward as it seems: 67% of respondents state that there are situations where HAs should not initially be recognized or measured as it is not possible to assign a verifiable monetary value or the costs of doing so would not justify the benefits. Generally, the comments say that HAs should only be recognized when they can be measured reliably and when recognized, the financial statement should contain information regarding the restrictions and/or conditions that come with the HA.

Respondents frequently mention that the information given in a balance sheet may not be sufficient for users and that it would not add to the inherent understanding of HAs for management purposes. Interest in heritage items is more often in relation to an entity's ability to maintain and manage such items. Users would benefit from disclosure of non-financial information. A qualitative description of HAs, as suggested by academics in Table 2.1 (Christiaens *et al.*, 2012; Aversano *et al.*, 2018; Barton, 2000; Barker, 2006), recommended by respondents.

When the remarks and comments are set aside and the first two categories are combined, the IPSASB receives higher levels of support for more PVs than only PV 4: SMC 1 (71%), PV 1 (82%), PV 3 (84%), and PV 4 (87%). PV 3 states that heritage items can be defined as assets: 84% agreed (42% completely, 42% with additional comments, 13% partially). However, multiple supporters of PV 3 do wish for a separation between assets and HAs. They see them as a special category for which they would prefer a larger focus on disclosure rather than values (as suggested by Pallot, 1990, 1992; Mautz, 1998; Carnegie & Wolnizer, 1995, see Table 2.1).

Many of the issues raised on defining heritage as assets revolve around the concept of control. Firstly, ownership of HAs cannot easily be defined. Here the idea of Barton (2000) that some entities hold HAs 'in trust' rather than control them finds support in CLs. Secondly, some HAs can be controlled by more than one entity. Lastly, there is the question of whether some HAs can truly be controlled, such as natural assets and *Knowledge-in-Action* (intangible cultural heritage such as languages and rituals). Knowledge-in-action falls into the description of a heritage item, but cannot be controlled by a single



entity, and therefore does not meet the definition of an asset. This CP received many questions on how these items are to be included in the financial statements, how to establish their limits and how to derive a monetary valuation. Many respondents questioned whether it is possible for all HAs to be measured with a reliable monetary valuation. Some respondents suggest exceptions: when either it is not possible to assign a relevant monetary value or the costs of recording the assets exceed the benefits (e.g., if there is little benefit because a monetary value would not provide relevant and useful information for the financial reporting users), and therefore the heritage item should not be recognized as an asset.

One CL comments that the term ‘assets’ is misleading as they have nothing to do with the financial performance and position of a government. The respondent argues that if a government decides to assign a good the status of a heritage item, then it is not intended to deliver economic benefits (they are not held to generate economic profits, nor can they be sold or alienated); instead, they are available for direct use by the public at large. As such, the provided benefits (e.g., cultural and educational) do not benefit the government as an accounting entity, but flow back to the citizens who are different entities and which are not part of a government’s general ledger. In other words, capital goods that per se provide cultural and social benefits for current and future generations are not assets in accounting terms and do not belong on the balance sheet but need to be disclosed off-balance sheet in the notes to the financial statement or in a separate report, as also suggested by several academics (e.g., Christiaens *et al.*, 2012; Aversano *et al.*, 2018; Barton, 2000; and Barker, 2006; see Table 2.1).

The IPSASB states in PV 5 that in many cases it will be possible to assign monetary values to HAs that meet the definition of an asset, and that this will be beneficial for both users and public sector entities. This is a more disputed statement as 45% of the respondents agree, 36% disagree, 16% partially agree and 3% remain neutral. A key concern they raise is that this will lead to seeking financial gain, which is at odds with the purpose of HAs, as also stated by Carnegie and Wolnizer (1995), and Aversano and Christiaens (2014) (see Table 2.1).

As measurement bases the IPSASB suggests historical cost, market value and replacement cost (incl. restoration cost). Many respondents agree that in most cases a monetary value can be assigned to a HA and that these measurement bases are the most appropriate, however, they remark the same issues with these measurement bases as those raised by academics (see Table 2.1). It appears that the IPSASB does not take all the restrictions (legal, ethical, etc.) that accompany HAs enough into consideration, nor do they capture the intangible value of HAs.

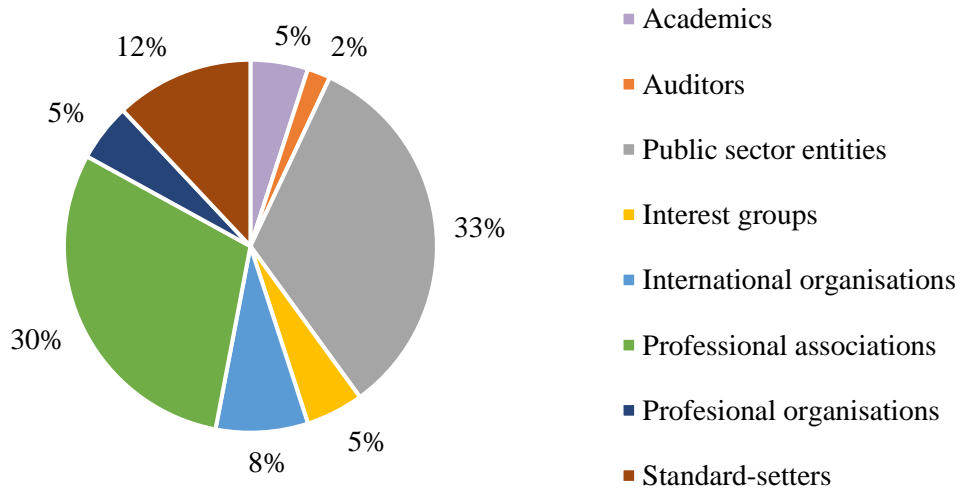
Replies to SMC 5 give a further indication of respondents' views that measurement of HAs, which involves assigning a monetary value, raises many difficulties. A majority (65%) identified issues for the measurement of HAs such as the need to revalue their financial worth, of which the costs are high but the benefits low. There is also the paradox that the significance/value of a HA can increase over time even if its physical form deteriorates. The true significance might not be reflected in a monetary form. The remarks or suggestions given by respondents often align with the views of the academics, which suggests that their opinions do not lie as far from each other as the sometimes high agreement levels with the IPSASB suggests. This is possibly a result of the IPSASB's phrasing of the PV's and SMC's in the CP. Most are phrased with conditions or with loose descriptions, e.g., *'Items may be considered as assets for the purposes of financial reporting if they have service potential or an ability to generate economic benefits'* or *'In many cases it will be possible to assign a monetary value'*. Many respondents agreed with these statements, but the question remained on what to do when these were not the case (e.g., in the cases where it is not possible to assign a monetary value), which is when they often align with the academics. Two CLs were written by academics, one by an individual who did not follow the structure of the CP, and for which it is therefore not clear whether the respondents' views align with the IPSASB or other academics. The other CL was written by a collaboration of fifteen academics of three different groups (IRSPM A&A SIG, CIGAR Network and EGPA PSG XII) from different regions of the world. As was to be expected, given our findings with respect to the majority of academic's views, they disagreed with every SMC and PV mentioned in Table 2.2, only partially agreeing with PV 1.

***Connection between respondents and their background***

*Affiliation*

The respondents were categorized according to eight different affiliations (cf. Figure 2.1): Academics, Auditors (individual), Public sector entities, Interest groups, International organisations, Professional associations, Professional organisations, and Standard setters. Professional organisations and -associations are respectively companies and unions between people of the same profession.

**Figure 2.1 Respondents’ affiliations in the due process of CP, heritage assets**



The largest group consists of public sector entities (33%), which makes sense as the CP is an IPSASB initiative. Another large group which was to be expected to respond, is that of other standard setters (12%). The private sector is well represented by professional associations (30%).

The replies of each affiliation were compared to see whether the affiliation of the respondents influenced their opinion. This analysis was only possible for public sector entities and professional

associations (cf. Table 2.3), as there were too few CLs to be representative for the other affiliations. The replies given by these two groups were divided in three categories: agree (majority agrees), disagree (majority disagrees), and controversial (no clear majority). SMC 3-5 have been left blank as these were not agree/disagree.

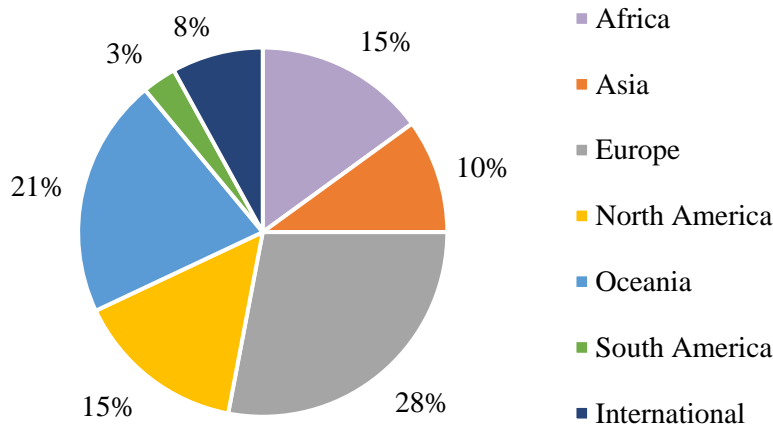
On five statements both affiliations reply similarly, for the other two the overall replies differ. SMC 2 has a disagree from profession associations and a controversial from public sector entities. PV 5 on assigning a monetary value, however, stands out as it receives a clear majority of agreement from professional associations, and a clear majority of disagreement from public sector entities. This indicates that the affiliation of an entity potentially influences their opinions.

### *Geographical area*

The geographical area of respondents was analysed to assess whether this also influences the replies. It was possible to identify the geographical background (i.e., continent) of 35 of the CLs. Of the remaining five, four are written by international organisations and one by fifteen academics associated with three different organisations, two of which work on an international basis, and one focuses on Europe.

Even though Europe is the largest group, respondents from all continents have participated (cf. Figure 2.2). Only South America seems underrepresented, yet respondents from seven countries (Chile, Colombia, Ecuador, Mexico, Peru, Paraguay, and Panama, of which Mexico is technically not South American, but due to majority of South American countries in this collaboration this CL was placed in this category) are represented in one CL. Prior research predicted a much less equal representation (e.g. Mellado-Bermejo and Esteban, 2014; Huian, 2013a, 2013b; Wingard *et al.*, 2016; Eisenschmidt and Krasodomska, 2017; Bisogno *et al.*, 2015).

**Figure 2.2 Respondents’ geographical location in the due process of CP, *heritage assets***



These findings confirm what is also happening in the academic debate, where the most relevant contributions come from these areas (i.e., Australia). It would make sense that the participation is influenced by the amount of HAs a continent possesses. When looking at the list of acknowledged HAs by the World Heritage Convention (2018) of the United Nations, it seems however not the case. Even though Europe has by far the most HAs (45%) of all the properties included, they are followed by Asia (24%), Africa (12%), North America (10%), South America (7%) and only as last Oceania (2%), which is not in line with the ranking found in this research.

Unfortunately, a comparison between continents to assess a potential geographical influence on respondents’ replies was not possible as most CLs were written by European stakeholders and no other continent reached a sufficient number of CLs to allow for a sound comparison.

### *Legislative background*

Another element that might influence the replies of respondents is the accounting legislation they currently follow and what it says on HAs. When excluding CLs originating from more than one country, there are 32 CLs left. Only very few originate from the same countries, and even then, there

are too few CLs to be representative. It was decided to look into the CLs written by Germany and the UK due to their very differing accounting legislations. Germany has no real legislative rules on accounting for HAs, whilst the UK generally follows IFRS rules. As there is no IFRS on HAs, the UK follows modified UK GAAP on HAs as required in the local authority accounting code and the government accounting manual. In brief, some but not all heritage items are recognized and included in the balance sheet applying UK's use of IFRS with local requirements, while Germany's legislation means that heritage is generally not recognized. Looking at their replies (cf. Table 2.4), they reply similarly to every question. This lack of difference in replies, is an indication that the influence of accounting legislation is limited, but further research with more data would be needed.

## **Conclusions**

The financial reporting of heritage is a controversial topic in the public sector accounting domain. Several studies evidenced that IPSAS 17 does not provide adequate guidance, and stakeholders have been waiting anxiously for the publication of the IPSASB's CP aimed to develop additional guidance on financial reporting for heritage, in order to meet the needs of users of GPFs.

This paper aimed to assess whether this CP could be a steppingstone towards ending the ongoing debate regarding the financial reporting of heritage by seeing which the main issues are raised in academic literature, whether the IPSASB takes these into account in their CP, and most importantly, whether the views of the majority of academics in the field, the IPSASB and the respondents to the CP align on these issues. Furthermore, the influence of respondents' background on their views voiced in their CLs is analysed. Three main issues in financial reporting for heritage were identified: whether heritage items should be recognized in the balance sheet; if yes whether they should be assigned a monetary value; and if no, whether they should be disclosed elsewhere in the financial statements.

A large part of the CP revolves around these issues, which indicates that the IPSASB is aware of the main topics in the debate. The majority of academics do not believe HAs should be disclosed in

the balance sheet or should be assigned a monetary value. They support disclosing HAs off-balance sheet in the financial statements. The opinion of the IPSASB is the exact opposite of the academics.

The CP received 40 comment letters (CLs). A majority of responses came from public sector entities (33%) and professional associations (30%). With respect to the geographical area of respondents the continent with the largest number of respondents was Europe (28%). Next were Oceania (21%), Africa and North America (each 15%), although some CLs were received from each of the six inhabited continents. When looking at these percentages and the amount of HAs they possess according to UNESCO, the analysis indicates a lack of support for the idea that more HAs equal more participation.

The geographical area, the accounting legislation of origin and the affiliation of the respondents were analysed to see whether these factors influence the responses given. Public sector entities and professional associations evidence different levels of agreement according to their different interests regarding this topic. Supposedly, public sector entities are interested in giving a value to the enormous heritage richness at their disposal, while professional associations are more interested in applying business-like accounting and reporting also for typical governmental items, such as heritage.

The comparison between continents and their replies was not possible due to too few CLs. When looking at two countries with completely different accounting legislation regarding HAs, namely Germany and the UK, no particular differences could be found. Thus, there is no evidence that the geographical area nor the accounting legislation influences the respondents' replies but the difference noted above between public sector entities and professional associations suggests that affiliation influences the opinions of respondents on certain topics as they each have their own practical experiences and traditions. However, these conclusions should be treated cautiously as there were not enough CLs to be truly representative.

As previous research suggested there is a lack of participation by academics, which is surprising for an accounting issue for which there are such strong reactions in the academic world. One of the two CLs submitted by academics was written by a collaboration of fifteen academics. Perhaps had they

participated more separately, their influence would have been felt more, as there are currently no indications that the IPSASB took into account that this was written by such a large group.

Currently it is not possible to speak of a consensus between the views put forward by respondents, the IPSASB, and the majority of academics on the main issues raised by financial reporting of heritage. As the current research shows, most respondents agreed more with the views of the IPSASB than with those of the academics. No less than 84% generally agreed with the IPSASB that HAs should be recognized as assets. The possibility of assigning a monetary value to HAs is supported by 45% completely, and 16% partially. When looking at the remarks or suggestions given by respondents however, it can be seen that they often align with the views of the academics, which suggests that their opinions do not lie as far from each other as the agree/disagree percentages suggest. A possible reason for this could be the way the IPSASB phrases its questions. Most questions were phrased with conditions or with loose descriptions, e.g., *'Items may be considered as assets for the purposes of financial reporting if they have service potential or an ability to generate economic benefits'* or *'In many cases it will be possible to assign a monetary value'*. Many respondents agreed with these statements, but the questions remained on what to do when these were not the cases. Yet because of their agreement for the situations that the IPSASB explained, they are counted as supportive by the IPSASB. Therefore, the analysis of (dis-)agreement rates here and the analysis of the IPSASB, rarely matches completely, which shows that this is a very subjective exercise. Unless the respondent clearly stated "Yes, I agree" or "no, I don't agree", it is mostly a matter of interpretation. As the IPSASB does not say anything on what to do in other cases (e.g., when it is not possible to assign a monetary value), this CP did not reach its potential of being a first step in ending the issues with the financial reporting of heritage. Even though the CP asks the questions that lie at the core of the debate, it still lacks guidance where it is needed most. The fact that this CP would not be able to end the debate was confirmed later on by the issuance of ED 78 in April 2021 and its discussion concerning heritage. Though this chapter was limited to one case, it does indicate that the IPSASB struggles to develop adequate guidance for typical public sector topics



for which no International Financial Reporting Standards (IFRS) example exists, which could jeopardize their output legitimacy.

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## Tables

**Table 2.1 Prominent issues raised in the academic literature on financial reporting of heritage**

Views on financial reporting of heritage items	Authors
<i>Heritage items should be recognized in the balance sheet of financial statements</i>	Rowles (1991) Micallef & Peirson (1997) Pallot (1990, 1992) Ouda (2014) (if unrestricted use)
<i>Heritage items should not be recognized in the balance sheet of financial statements</i>	Barton (2000) Biondi & Lapsley (2014) Rentschler & Potter (1996) Carnegie & Wolnizer (1999) Mautz (1998) Christiaens <i>et al.</i> (2012) Ouda (2014) (if restricted use)
<i>If they are included in the balance sheet, they should be assigned a monetary value</i>	Rowles (1991) Micallef & Peirson (1997)
<i>If they are included in the balance sheet, they should not be assigned a monetary value</i>	Carnegie & Wolnizer (1995) Aversano & Christiaens (2014) Rentschler & Potter (1996) Glazer & Jaenicke (1991) Stanton & Stanton (1997) Biondi & Lapsley (2014) Näsi <i>et al.</i> (2001)
<i>If they are not included in the balance sheet, they should be disclosed in the notes to the financial statement</i>	Christiaens <i>et al.</i> (2012). Aversano <i>et al.</i> (2018) Barton (2000) Barker (2006)
<i>If they are not included in the balance sheet, they should not be disclosed in the notes to the financial statement</i>	Rowles (1991) Micallef & Peirson (1997)



**Table 2.2 Categorization of responses of CLs (total replies: 38)**

	<b>Specific Matter for Comment (SMC)</b>	<b>Agree</b>	<b>Agree with remarks</b>	<b>Partially agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>No reply</b>
SMC 1	Do you agree that the IPSASB has captured all of the characteristics of heritage items and the potential consequences (regarding measurement, value, preservation, restrictions, benefits to others) for financial reporting in paragraphs 1.7 and 1.8?	16 42.1%	11 28.9%	5 13.2%	1 2.6%	5 13.2%	0 0.0%
SMC 2	Do you support initially recognizing HAs at a nominal cost of one currency unit where historical cost is zero, such as when a fully depreciated asset is categorized as a HA then transferred to a museum at no consideration, or an entity obtains a natural HA without consideration?	7 18.4%	4 10.6%	4 10.5%	0 0.0%	22 57.9%	1 2.6%
SMC 3	Are there heritage-related situations in which HAs should not initially be recognized and/or measured because: (a) It is not possible to assign a relevant and verifiable monetary value; or (b) The cost-benefit constraint applies and the costs of doing so would not justify the benefits?	-	-	-	-	-	-
SMC 4	What additional guidance should the IPSASB provide through its Public Sector Measurement Project to enable these measurement bases to be applied to HAs?	-	-	-	-	-	-
SMC 5	Are there types of HAs/heritage-related factors that raise special issues for the subsequent measurement of HAs?	-	-	-	-	-	-
PV 1	The following description reflects the special characteristics of heritage items and distinguishes them from other phenomena for the purposes of financial reporting: Heritage items are items that are intended to be held indefinitely and preserved for the benefit of present and future generations because of their rarity and/or significance in relation, but not limited, to their archaeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific or technological features.	15 39.5%	16 42.1%	3 7.9%	1 2.6%	3 7.9%	0 0.0%
PV 3	The special characteristics of heritage items do not prevent them from being considered as assets for the purposes of financial reporting.	16 42.1%	16 42.1%	5 13.2%	0 0.0%	1 2.6%	0 0.0%
PV 4	HAs should be recognized in the statement of financial position if they meet the recognition criteria in the CF.	27 71.0%	6 15.8%	1 2.6%	0 0.0%	3 7.9%	1 2.6%
PV 5	In many cases it will be possible to assign a monetary value to HAs. Appropriate measurement bases are historical cost, market value and replacement cost.	9 23.7%	8 21.0%	6 15.8%	1 2.6%	14 36.8%	0 0.0%
PV 6	Subsequent measurement of HAs: (a) Will need to address changes in HA values that arise from subsequent expenditure, consumption, impairment and revaluation. (b) Can be approached in broadly the same way as subsequent measurement for other, non-HAs.	8 21.0%	3 7.9%	6 15.8%	1 2.6%	18 47.4%	2 5.3%

**Table 2.3 Comparison replies public sector entities and professional associations**

	SMC 1	SMC 2	SMC 3	SMC 4	SMC 5	PV 1	PV 3	PV 4	PV 5	PV 6
<b>Public sector entities</b>	A	C	-	-	-	A	A	A	D	C
<b>Professional associations</b>	A	D	-	-	-	A	A	A	A	C

A = Agree. C = Controversial. D = Disagree.

**Table 2.4 Comparison of replies from the UK and Germany**

	SMC 1	SMC 2	SMC 3	SMC 4	SMC 5	PV 1	PV 3	PV 4	PV 5	PV 6
<b>UK</b>	A	D	-	-	-	A	A	A	A	A
<b>Germany</b>	A	D	-	-	-	A	A	A	A	A

A = Agree. C = Controversial. D = Disagree

# Chapter 3

## Het consultatieproces van de IPSASB: een blik op de Europese participatie

### Inleiding

Al jarenlang streeft de Europese Commissie (EC) naar een uniforme en vergelijkbare boekhouding op transactiebasis voor de centrale overheden van al haar lidstaten. Tot nu toe kennen de lidstaten een grote variatie aan boekhoudsystemen, zowel onderling als intern. Een potentiële oplossing is het opleggen van de Internationale Publieke Sector Accounting Standaarden (IPSAS), reeds toegepast binnen organisaties zoals de NAVO, OECD, UN en de EC zelf. In 2012 lanceerde Eurostat een publieke consultatie met betrekking tot de geschiktheid van IPSAS voor de EU-lidstaten. Een jaar later publiceerde ze ook de resultaten van een studie over dezelfde materie. Deze legden bloot dat de lidstaten niet overtuigd waren van de toepasbaarheid van de IPSAS in de EU. Het voorstel om Europese Publieke Sector Accounting Standaarden (EPSAS) te ontwikkelen kwam naar boven. EPSAS zijn boekhoudstandaarden specifiek opgesteld voor de EU-lidstaten, maar sterk gebaseerd op de IPSAS (Grossi & Soverchia, 2011; EC, 2012, 2013; Aggestam & Brusca, 2016; Brusca, Caperchione, Cohen & Manes-Rossi, 2017).

Kritieken die werden geuit tijdens de publieke consultatie en in de studie waren onder andere dat de IPSAS niet altijd beantwoorden aan de specifieke noden van de publieke sector en dat de EU-autoriteiten te weinig participeren in de governance van de International Public Sector Accounting Standards Board, of kort de IPSASB (EC, 2012, 2013; Aggestam & Brusca, 2016). Problematisch gezien publieke participatie in het ontwikkelen van IPSAS een enorm belangrijke rol speelt, enerzijds voor de IPSASB maar zeker ook voor stakeholders. Aangezien de IPSASB het volgen van zijn standaarden niet

kan opleggen, is een transparante werking met participatie van stakeholders van groot belang. Publieke participatie helpt niet alleen bij het inschatten of de IPSAS veel steun of kritiek zal krijgen, het helpt ook bij het evalueren en inschatten van eventuele problemen met de IPSAS alvorens ze zijn gefinaliseerd. Kortom, een beperkte publieke participatie kan de kwaliteit van de IPSAS schaden (Jorissen et al., 2012; Durocher & Fortin, 2011). Voor de stakeholders zelf is participeren uiteraard zeer interessant om zo invloed te kunnen uitoefenen op de inhoud van de finale IPSAS. Zo zou bijvoorbeeld de kritiek dat de IPSAS niet altijd beantwoordt aan publieke sector noden iets zijn dat stakeholders kunnen aankaarten tijdens de publieke participatie.

Momenteel, zoveel jaar later, zijn er nog steeds geen EPSAS hoewel er inmiddels verschillende van de kritieken geuit tijdens de consultatie en in de studie, verholpen zijn. Zo was er bijvoorbeeld de kritiek dat er geen IPSAS over Social Benefits bestond, maar in januari 2019 werd hierover IPSAS 42 gepubliceerd. Er was ook de kritiek dat het Conceptual Framework nog niet was afgewerkt, maar deze is afgerond in 2014 (EC, 2012, 2013).

Concreet stelt deze studie volgende vraag: in welke mate participeren EU-lidstaten in het IPSASB-consultatieproces en in welke mate evolueert deze participatie? Aan de hand van deze onderzoeksvraag, wordt gekeken of de kritiek van een te lage participatie van EU-lidstaten in het IPSASB-consultatieproces ook verholpen is sinds 2012. Dit gebeurt via een vergelijkende analyse van participatie in het consultatieproces in de periode voordat de kritiek voor de eerste maal geuit werd (2005-2012) en de periode nadien (2013-2020). Het IPSASB-consultatieproces geeft stakeholders de mogelijkheid hun mening te delen, in de vorm van een brief, over de inhoud van een ontwerpversie van een IPSAS vooraleer deze officieel wordt goedgekeurd door de IPSASB. Aan de hand van het analyseren van de auteurs van deze brieven onderzoekt deze studie wie de respondenten waren (2012-2020). Zowel de geografische herkomst van de respondenten wordt onderzocht om de evolutie in participatie van EU-lidstaten vast te kunnen stellen, als ook respondenten hun affiliatie om te kijken naar de evolutie van de participatie van publieke sector entiteiten.

De resultaten indiceren dat, in tegenstelling tot andere kritieken die geuit werden tijdens de EC's publieke consultatie en studie, het probleem van een gebrek aan EU-participatie nog niet opgelost is, maar zelfs vergroot is. Verder wordt vastgesteld dat de traditionele actieve gebieden zoals Noord-Amerika en Oceanië een dalend participatieniveau kennen, terwijl de traditionele zwakke gebieden zoals Afrika, Azië en Zuid-Amerika een stijging in participatie kennen. Bovendien tonen de resultaten dat niet alleen publieke sector entiteiten uit de EU, maar stakeholders in het algemeen, minder gaan participeren, net zoals andere boekhoud standaard-setters en universiteiten.

Deze studie is opgedeeld als volgt: eerst wordt kort gekeken naar wat de IPSAS en EPSAS precies zijn. Daarna wordt voorgaand onderzoek bekeken met betrekking tot participatie in consultatieprocessen van boekhoud standaard-setters, en specifiek dat van de IPSASB. Vervolgens worden de onderzoeksvraag en -methodologie uiteengezet, waarna de resultaten overlopen worden. De resultaten zijn opgedeeld in drie delen: de geografische herkomst van respondenten, hun affiliaties en ten slotte een specifiekere blik op de participatie uit de EU-lidstaten. Er wordt afgesloten met een korte conclusie.

## **IPSAS of EPSAS?**

In 1996 besloot de Internationale Federatie van Accountants (IFAC) om haar Publieke Sector Comité (PSC), dat tot dan fungeerde als een discussie- en informatieforum voor publieke sector accounting en – financiële managementkwesties, om te vormen tot een standaard-setter. De PSC werd officieel een standaard-setter voor internationale publieke sector accounting standaarden in 1997, waarna het in 2004 veranderde van naam naar de IPSASB. De organisatie heeft als doel het beheer en de kennis van overheidsfinanciën wereldwijd te versterken door middel van het ontwikkelen van IPSAS (Jensen & Smith, 2013; IPSASB, 2020).

In 2012 organiseerde Eurostat een eerste publieke consultatie over de geschiktheid van IPSAS voor de EU-lidstaten. Van de lidstaten die geparticipeerd hebben, stond de meerderheid eerder positief ten aanzien van het implementeren van IPSAS in de EU. Er werden veel voordelen geïdentificeerd, zoals

onder andere meer transparantie, meer vergelijkbaarheid en een hogere betrouwbaarheid van de financiële rapportering. Dit in combinatie met het feit dat de EC zelf al IPSAS toepast sinds 2005 en de EU in 2011 ook heeft beslist over te stappen naar IPSAS, doet IPSAS implementeren in EU-lidstaten als een logische volgende stap klinken. Er werd echter ook veel kritiek gegeven op de IPSAS tijdens de publieke consultatie en in de studie die de EC publiceerde volgend op de consultatie in 2013. Zo reageerden respondenten met ongenoegen over het feit dat de IPSAS nog geen volledig afgewerkt geheel vormden, dat sommige IPSAS zeer complex zijn en vaak nog interne keuzemogelijkheden geven wat de vergelijkbaarheid niet ten goede zou komen. Een vaak opgebrachte kritiek was dat IPSAS niet gericht zijn op de specifieke situatie van de publieke sector (denk bijvoorbeeld aan erfgoed of subsidies), en dat ze te veel gevormd worden door standaarden en praktijken uit de privésector (zoals IFRS). Er werd ook kritiek geuit op de governance praktijken van de IPSASB, aangezien die opgesteld is door de IFAC. Meer precies was de kritiek dat er te weinig participatie uit EU-lidstaten was (Council Directive 2011/85/EU, 2011; Grossi & Soverchia, 2011; EC, 2012, 2013; Aggestam & Brusca, 2016; Polzner & Reichard, 2019).

Het idee van EPSAS ontstond in navolging van de publieke consultatie (2012) en de studie (2013), waarna de EC een task force startte met als opdracht het ontwikkelen van EPSAS, refererend naar IPSAS waar mogelijk (EC, 2013). Tot op vandaag is de task force nog steeds aan het werk, maar zijn er nog geen EPSAS verschenen. Hoewel er tussen 2016-2018 verschillende studies i.v.m. accounting praktijken gepubliceerd werden door de task force, uitgevoerd door consultancybureaus, lijkt dit stilgevallen. Ook de ontwerpversie van het conceptual framework lijkt sinds 2018 onaangeroerd gelaten (EC, 2020). Het geloof bestaat dat door de voorgestelde ontwikkeling van EPSAS, het potentieel voor de implementatie van IPSAS in de EU sterk afgezwakt is (Kidwell & Lowensohn, 2019). Aan de andere kant kan vastgesteld worden dat wetenschappelijk onderzoek met betrekking tot IPSAS na de publieke consultaties sterk toegenomen is. Het heeft de IPSAS als het ware op de kaart gezet bij veel

onderzoekers in de EU. Mogelijks heeft het hetzelfde gedaan voor andere stakeholders binnen de EU-lidstaten waardoor de participatie toegenomen zou kunnen zijn sinds 2012.

### **Participatie in het consultatieproces van de IPSASB**

Er bestaan indirecte en directe vormen van participatie in de werking van de IPSASB. Voorbeelden van indirecte participatie zijn lobbyen of druk uitvoeren via organisaties zoals de Wereldbank of Verenigde Naties. Zo heeft de EC zelf een observator binnen de IPSASB. Hoewel er geen bewijs is dat deze observator op rechtstreekse wijze deelneemt aan het IPSAS-ontwikkelingsproces, aangezien hij een adviserende rol heeft, neemt deze observator wel deel aan meetings en zijn er wel indicaties gevonden dat de EC-standpunten steeds in acht genomen worden (Grossi & Soverchia, 2011).

Mogelijkheden tot directe participatie zijn beperkter: voorstellen voor nieuwe projecten kunnen ingediend worden en meningen kunnen gedeeld worden over ontwerpversies van IPSAS. Deze laatste vorm van participatie is het meest toegankelijke voor onderzoek omdat er effectief tastbaar bewijs is van de participatie. Wanneer de IPSASB een nieuwe standaard wenst te ontwikkelen past het een consultatieproces (*‘due process’*) toe dat stakeholders de mogelijkheid biedt feedback te geven op de inhoud van een ontwerpversie van een standaard vooraleer deze officieel wordt goedgekeurd door de IPSASB. De IPSASB evalueert deze feedback en heeft de mogelijkheid de inhoud van de ontwerpversie nog aan te passen indien de IPSASB dat wenst. Dit consultatieproces geeft stakeholders de kans inspraak te hebben over de inhoud van IPSAS en het geeft de IPSASB de mogelijkheid om latere tegenstand te voorkomen door nu reeds zoveel mogelijk meningen te verzamelen. De stakeholders delen hun meningen in de vorm van brieven (*‘comment letters’*). Deze brieven vormen meestal de structuur aangereikt door de IPSASB, namelijk het beantwoorden van specifieke vragen opgesteld door de IPSASB die verwijzen naar de inhoud, maar stakeholders zijn ook vrij om van deze structuur af te wijken.

Voorgaand onderzoek over participatie in consultatieprocessen van boekhoud standaard setters focust vooral op standaarden voor de private sector (vb. IFRS). Studies hebben een onevenwichtige representatie blootgelegd van respondenten zowel op vlak van hun geografische herkomst, als op vlak van hun affiliatie. Er werd vastgesteld dat de meeste respondenten voor de IFRS afkomstig zijn uit respectievelijk Europa, Noord-Amerika en Azië. De minste respondenten komen uit Afrika en Zuid-Amerika (e.g. Huian, 2013a, 2013b; Wingard, Bosman & Amisi, 2016; Eisenschmidt & Krasodomska, 2017). Bovendien werd aangetoond hoe de meeste respondenten afkomstig zijn uit EU-lidstaten en landen met Engels als officiële taal (Jorissen, Lybaert, Orens & Van der Tas, 2012; Larson & Herz, 2013; Wingard et al., 2016).

Verder stellen voorgaande studies vast dat in de consultatieprocessen van de IFRS het grootste aandeel respondenten personen zijn die financiële statements voorbereiden, accountants en personen werkzaam in regulerende entiteiten, terwijl gebruikers van financiële statements het kleinste aandeel uitmaken (Jorissen, Lybaert, Orens & Van der Tas, 2013; Eisenschmidt & Krasodomska, 2017).

Voor de IPSASB zijn er gelijkaardige resultaten. De meeste studies focussen zich op één consultatiedocument, zo onderzochten Manes Rossi en Aversano (2015) de consultatiepaper, *Reporting Service Performance Information*. Zij vonden dat de respondenten voornamelijk bestonden uit professionele associaties, publieke sector entiteiten en andere boekhoud standaard-setters. In datzelfde jaar onderzochten Bisogno, Santis & Tommasetti (2015) exposure draft 49, *Consolidated Financial Statements*. Zij vonden gelijkaardig bewijs dat de meeste respondenten uit publieke sector entiteiten en professionele associaties bestonden, maar ook internationale organisaties. De auteurs stelden verder vast dat bijna de helft van de respondenten afkomstig waren uit Europa en een kwart uit Oceanië. Deze bevindingen worden ondersteund door De Wolf, Christiaens & Aversano, (2020), die de consultatiepaper, *Financial Reporting for Heritage in the Public Sector*, analyseerden. Zij vonden dat het merendeel van respondenten publieke sector entiteiten en professionele associaties representeerden, en dat zij voornamelijk uit Europa en Oceanië afkomstig waren.



De uitgebreidste studie over de IPSASB's consultatieproces werd uitgevoerd door Kidwell en Lowensohn (2019). Ze onderzochten onder andere welke stakeholders participeerden in het consultatieproces voor de periode 2010-2017. Er werd opnieuw vastgesteld dat de meeste respondenten uit Europa kwamen, maar de auteurs merkten op dat er slechts een beperkt aantal EU-lidstaten deelnamen aan het proces. Slechts dertien van de zevenentwintig lidstaten participeerden in het consultatieproces, en zes daarvan schreven maximum drie brieven. Het merendeel van de brieven bleken enkel uit Frankrijk en het Verenigd Koninkrijk afkomstig te zijn. Dit bevestigt de geuite kritieken in verband met de lage participatie niveaus uit de EU-lidstaten. Bovendien wordt de situatie nog problematischer wetende dat het Verenigd Koninkrijk inmiddels de EU verlaten heeft. Hun onderzoek toont verder aan dat de meeste respondenten bestonden uit professionele associaties, nationale standaard-setters, thesaurieën, ministeries van financiën en rekenkamers.

Deze studie probeert een stap verder te gaan door niet alleen naar de participatie van de EU-lidstaten in het algemeen te kijken, maar te onderzoeken of er een evolutie vastgesteld kan worden.

## **Onderzoeksvraag en methodologie**

De onderzoeksvraag luidt als volgt: *In welke mate trachten EU-lidstaten invloed uit te oefenen op de IPSASB via participatie in het IPSASB-consultatieproces en in welke mate evolueert deze participatie?*

Om deze onderzoeksvraag te beantwoorden wordt gekeken naar de mate waarin respondenten uit EU-lidstaten brieven hebben ingediend tijdens het IPSASB-consultatieproces (2005-2020) en of hier een evolutie in zat doorheen de jaren.

Er wordt enkel gekeken naar directe participatie in het IPSASB-consultatieproces (cf. supra). Onder respondenten worden de auteurs van deze brieven verstaan. Dit kan gaan over individuen, maar ook organisaties in hun geheel.

De eerste stap van het onderzoek was het verzamelen van de brieven geschreven door de respondenten. De eerste brieven die verzameld werden, werden ingediend in 2005 aangezien vanaf dat

jaar de brieven online beschikbaar zijn gemaakt door de IPSASB. Het onderzoek begon in de aanvang van 2020, de laatste brieven inbegrepen in dit onderzoek werden ingediend in januari 2020. In totaal komt dit neer op 1.629 brieven. Alle brieven zijn vrij beschikbaar op de website van de IPSASB (<https://www.ipsasb.org/>). Een database werd opgesteld waarin voor elke brief de volgende informatie werd verzameld: naam van de auteur(s); herkomst van de auteur(s) (zowel continent als land); affiliatie van de auteur(s); en op welk consultatiedocument ze gereageerd hebben. Deze informatie was voornamelijk afleidbaar uit de brieven zelf. Indien dit niet zo was, werd verdere informatie gezocht via het internet. Dit onderzoek kijkt alleen naar de affiliatie en geografische herkomst van de brieven die respondenten hebben ingediend, niet naar de inhoud van de brieven zelf. Deze studie focust zich niet op wat de mening van stakeholders is, maar in welke mate ze hun mening delen met de IPSASB.

De volgende stap was het categoriseren van de brieven volgens geografische herkomst, voor zowel de periode 2005-2012 en de periode 2013-2020. Dit liet toe de participatieniveaus van stakeholders uit verschillende gebieden te vergelijken. De verschillende gebieden bestaan uit de verschillende continenten, waarbij Europa gesplitst is volgens EU-lidstaten en andere Europese landen die niet tot de EU behoren. Voor de analyse die loopt tot 2012, zijn er 27 lidstaten, voor de analyse die loopt vanaf 2013 zijn er 28 lidstaten aangezien in 2013 Kroatië officieel een EU-lidstaat werd. Het Verenigd Koninkrijk trad pas uit op 31 januari 2020, dus valt net nog binnen dit onderzoek (EU, 2020). Verder bestaat er ook een categorie met internationale organisaties, zowel bedrijven als intergouvernementele organisaties zoals de Verenigde Naties (VN), de Wereldbank, e.a., en een categorie “overige”, voor respondenten waarvoor geen specifieke locatie kon geïdentificeerd worden (bijvoorbeeld anonieme brieven). De brieven worden ingedeeld in de periodes volgens de publicatiedatum van het consultatiedocument waarop ze reageren.

In de voorgaande stap werd voor elke respondent gekeken uit welk geografisch gebied ze afkomstig waren. Natuurlijk representeert niet elke respondent zijn gebied. In de volgende stap van het onderzoek wordt daarom gekeken naar de affiliaties van de verschillende respondenten, ten einde te

kunnen uitmaken welke van de respondenten hun gebied representeren, en welke eerder zelfstandig optreden. Deze categorisering naargelang de affiliatie van de respondenten werd opnieuw uitgevoerd voor de periodes 2005-2012 en 2013-2020. Dit liet toe de evolutie in de participatieniveaus van verschillende soorten stakeholders te vergelijken. Er werden acht verschillende categorieën geïdentificeerd: (1) boekhoud standaard-setters; (2) individuen; (3) intergouvernementele organisaties; (4) privébedrijven; (5) professionele associaties; (6) publieke sector entiteiten; (7) universiteiten; en (8) overig. De eerste categorie bestaat uit organisaties die zelf boekhoudstandaarden ontwikkelen zoals de IPSASB. De tweede categorie bestaat uit individuen die los van de organisaties waarvoor ze werken een brief hebben geschreven. Vier verschillende groepen werden hieronder geïdentificeerd: accountants, academici, auditors en anderen. De derde categorie bestaat uit intergouvernementele organisaties, zoals de EC, de VN, e.a. De vierde categorie bestaat uit privébedrijven, en de vijfde uit professionele associaties. De zesde categorie zijn publieke sector entiteiten. Hierin werd voornamelijk onderscheid gemaakt tussen federale, provinciale en lokale instanties, maar er werd verder ook onderscheid gemaakt met adviesorganen, onderzoeksinstituten en een groep anderen. De zevende categorie waren universiteiten, en de laatste was een categorie “overige”, voor de organisaties die niet pasten binnen bovenstaande indeling.

De laatste stap in dit onderzoek was voor beide periodes 2005-2012 en 2013-2020 de respondenten afkomstig uit de EU-lidstaten te categoriseren volgens affiliatie. Eerst algemeen met alle categorieën, hierna specifiek kijkend naar de publieke sector entiteiten.

## **Resultaten**

### ***Algemene analyse***

De IPSASB heeft in de periode 2005 – 2020 in totaal 58 documenten ter consultatie publiek beschikbaar gemaakt, waarvan veertig exposure drafts, zestien consultatiepapers en twee

consultatiestrategieën (CS). De IPSASB ontving hiervoor 1.629 brieven van stakeholders, wat neerkomt op een gemiddelde van 29 brieven per consultatiedocument.

Verder publiceert de IPSASB gemiddeld vier consultatiedocumenten per jaar. De organisatie was het actiefst in 2009 en 2013, wanneer het acht consultatiedocumenten per jaar publiceerde en het minst actief was het in 2006 en 2007, wanneer het geen enkele publiceerde. Sinds 2015 publiceert ze er standaard vier per jaar. Van de 58 consultatiedocumenten werden er 27 in de periode 2005-2012 gepubliceerd, en 31 in de periode 2013-2020.

### ***Analyse geografische herkomst***

Tabel 2.1 toont de resultaten van de geografische analyse van de respondenten voor de periodes 2005-2012, 2013-2020 en 2005-2020.

Kijkend naar de participatie niveaus in het IPSASB-consultatieproces van de verschillende gebieden in het algemeen (2005-2020, totaal: 1.629 brieven), kan worden vastgesteld dat de EU (25%) veruit het sterkst gerepresenteerd is van alle gebieden. Brieven kwamen ook in grote aantallen uit Oceanië (17%), Noord-Amerika (14%), en Afrika (12%). De minste brieven kwamen uit Azië (9%) en Zuid-Amerika (4%). Dit toont veel overeenkomsten met voorgaand onderzoek zowel voor de IPSAS als IFRS, dat zegt dat de meeste respondenten uit Europa, Noord-Amerika en Oceanië afkomstig zijn. (cf. supra).

Respondenten kwamen uit 62 verschillende landen, waaronder zestien verschillende EU-lidstaten. Echter uit zeven van de zestien lidstaten kwamen slechts minder dan vijf brieven en enkel uit vier lidstaten kwamen er meer dan tien brieven. Hoewel de cijfers op het eerste zicht dus een sterke EU-participatie indiceren, blijkt dit vooral te komen door enkele zeer actieve landen, zoals het Verenigd Koninkrijk (104 brieven) en Frankrijk (141 brieven), en actieve Europese organisaties (52 brieven), wat in lijn is met resultaten uit voorgaand onderzoek (Kidwell en Lowensohn, 2019). Dit is problematisch, zeker wetende dat het Verenigd Koninkrijk inmiddels de EU verlaten heeft. De landen met de meest actieve respondenten zijn Canada (10%), Australië (10%), Frankrijk (9%), het Verenigd Koninkrijk

(6%), en Nieuw-Zeeland (6%). Op Frankrijk na, allemaal Angelsaksische landen, zoals ook gezien kan worden in onderzoek met betrekking tot het IFRS-consultatieproces (Jorissen et al., 2012; Larson & Herz, 2013; Wingard et al., 2016). Een andere mogelijke verklaring voor de hoge participatieniveaus van deze landen kan gevonden worden in de historische studie over de IPSASB door Jensen en Smith (2013). Zij stellen een relatie vast tussen de herkomst van de voorzitter en de inhoud en thematiek van de IPSASB-werkzaamheden. De resultaten tonen ook een potentiële connectie tussen de herkomst van de voorzitter (en dus de accounting gewoontes die hij inbracht bij de IPSAS) en de hoeveelheid brieven afkomstig zijn uit dat gebied. De eerste twee voorzitters waren afkomstig uit Nieuw-Zeeland, waarbij één in Australië woonde. Hun opvolgers waren een Fransman, een Brit en een Zwitser (Zwitserland zijnde het zesde actiefste land in het IPSAS-consultatieproces). Het enige land met zeer actieve respondenten maar zonder voorzitter is Canada, maar Canada was wel een stichtend lid van de IPSASB en is steeds een sterke voorstander geweest van internationale standaard setting (Kidwell en Lowensohn, 2019).

De 1.629 brieven werden geschreven door 288 verschillende auteurs, waarvan 69 afkomstig uit EU-lidstaten of een organisatie actief in de EU. Meer dan de helft van de respondenten (136), hebben slechts éénmaal een brief ingediend. Dat zoveel respondenten slechts één brief indienen is tweezijdig: aan de ene kant toont dit dat weinig organisaties zeer geëngageerd zijn in de ontwikkeling van IPSAS, aan de andere kant suggereert het dat deze organisaties wel de IPSAS-ontwikkelingen in het oog houden en reageren wanneer zij het echt nodig achten.

Indien de geografische analyses voor de periode 2005-2012 (totaal: 841 brieven) en 2013-2020 (totaal: 788 brieven) worden vergeleken kan een verandering in participatie worden vastgesteld. Het grootste aandeel brieven komt voor beide periodes uit de EU (21%), maar de voorsprong op andere regio's verkleint doorheen de tijd. Er zijn in de tweede periode maar liefst een derde minder brieven ingediend afkomstig uit de EU, ondanks dat er meer opportuniteiten waren om brieven in te dienen. Ook opvallend minder brieven waren afkomstig uit Noord-Amerika in de tweede periode, bovendien heeft

daartegenover een verdubbeling plaatsgevonden van het aandeel van brieven uit Afrika (16%) en Azië (12%).

Een diepgaandere geografische analyse van de EU-participatie voor de periode 2005-2020 (totaal: 410 brieven) toont aan uit welke lidstaten deze participanten precies komen. Frankrijk (34%) en het Verenigd Koninkrijk (25%) zijn veruit de actiefste lidstaten.

Een vergelijking van de cijfers van de EU-participatie voor de periode 2005-2012 (totaal: 243 brieven) en 2013-2020 (totaal: 167) toont hoe het Verenigd Koninkrijk een enorme daling gekend heeft. De hoeveelheid brieven afkomstig uit het Verenigd Koninkrijk zijn meer dan gehalveerd. Hoewel de percentages indiceren dat Frankrijk een sterke stijging heeft gekend, is er slechts één brief meer geschreven in deze periode in vergelijking met de voorgaande periode. Hetzelfde kan gezien worden bij Europese organisaties en Duitsland: een opvallende stijging in percentages maar in effectieve brieven zo goed als hetzelfde als de vorige periode.

Hoewel het grootste aandeel van de brieven uit de EU komen, kan worden vastgesteld dat deze brieven voornamelijk uit slechts enkele actieve lidstaten afkomstig zijn. Verder is er een daling zichtbaar in participatie uit EU-lidstaten. Als de publieke consultatie uit 2012 en de EC's studie in 2013 reeds concludeerde dat het participatieniveau toen te laag was, kunnen de resultaten hier concluderen dat deze IPSAS-kritiek niet verholpen is sinds 2012.

### ***Analyse affiliatie***

De volgende stap in het onderzoek was het analyseren van de affiliaties van de respondenten. De resultaten kunnen gevonden worden in tabel 2.2 voor de periodes 2005-2012, 2013-2020 en 2005-2020. Overeenkomstig met voorgaand onderzoek (bv. Manes Rossi & Aversano, 2015; Bisogno et al., 2015; De Wolf et al., 2020; Kidwell & Lowensohn, 2019) zijn de brieven (2005-2020, totaal: 1.629) grotendeels geschreven door professionele associaties (34%) en publieke sector entiteiten (33%), samen verantwoordelijk voor 67% van de brieven. De publieke sector entiteiten bevinden zich vooral op het federale niveau, en specifiek ministeries van financiën of onderliggende entiteiten zoals Rekenhoven.

Wanneer de analyses voor de periodes 2005-2012 (totaal: 841 brieven) en 2013-2020 (totaal: 788) worden vergeleken, valt op dat in effectieve aantallen er een stijging van participatie van professionele associaties en privébedrijven is. Dit komt mogelijks door de *outreach* activiteiten van de IPSASB naar professionele associaties toe. Zo heeft voorzitter Ian Carruthers lezingen gegeven bij de organisaties zoals de Consultative Committee of Accountancy Bodies (CCAB), een overkoepelend orgaan voor professionele associaties van Britse chartered accountants (zoals CIPFA), de International Consortium of Government Financial Managers, en de Malaysian Institute of Accountants (Kidwell & Lowensohn, 2019).

Daartegenover kan er een daling worden vastgesteld van participatie van publieke sector entiteiten, boekhoud standaard-setters en universiteiten, ondanks dat in de tweede periode meer consultatiedocumenten werden gepubliceerd en er dus meer inputmogelijkheden waren. Bij privébedrijven is er een omgekeerde beweging, met een stijging van participatie in de tweede periode. Dit is een gevaarlijke tendens: indien dit verder blijft duren zal de IPSASB belangrijke input gaan missen aangezien academici en boekhoud standaard-setters een andere soort kennis en ervaring kunnen bijdragen.

### ***Analyse participatie EU-lidstaten***

De kritiek over een tekort aan participatie van EU-lidstaten die tijdens de publieke consultatie (2012) en in de EC's studie (2013) naar boven kwam, was natuurlijk niet gericht op ongelijke participatieniveaus tussen verschillende geografische gebieden in het IPSASB-consultatieproces, maar was specifiek gericht op participatie uit de EU-lidstaten. In tabel 2.1 kon worden vastgesteld hoe frequent respondenten uit de EU-lidstaten geparticipeerd hebben. Er kan echter niet van uit gegaan worden dat elke respondent zijn lidstaat representeert. In tabel 2.3 worden alle brieven uit EU-lidstaten opgedeeld volgens de affiliaties van de respondenten om na te kunnen gaan wie ze precies zijn, en of ze representatief zijn voor hun lidstaat. Deze cijfers tonen aan dat de algemene trend van alle respondenten

(cf. tabel 2.1 en 2.2) hier wordt doorgezet: er is een opvallende daling in participatie in het algemeen, en zeker op vlak van publieke sector entiteiten en boekhoud standaard-setters.

Hoe belangrijk het is dat dit onderscheid tussen affiliaties gemaakt wordt, is direct zichtbaar bij de twee EU-lidstaten met de meeste brieven, Frankrijk en het Verenigd Koninkrijk. Van de 141 brieven afkomstig uit Frankrijk, zijn er 137 geschreven door publieke sector entiteiten, dit in tegenstelling tot het Verenigd Koninkrijk waarbij van de 104 brieven slechts 28 afkomstig zijn van publieke sector entiteiten. De vraag is dan: wie zijn de andere respondenten uit de EU?

Er hebben drie boekhoud standaard-setters deelgenomen: twee afkomstig uit het Verenigd Koninkrijk, namelijk de Accounting Standards Board (15), en de Financial Reporting Council (7); en één afkomstig uit Nederland, namelijk de Dutch Local Government Accounting Standards Board (3). Er hebben ook drie intergouvernementele organisaties uit Europa deelgenomen aan het consultatieproces, zijnde de EC (16), de Europese Centrale Bank (1), en de Europe Organisatie voor de Exploitatie van Meteorologische Satellieten (EUMETSAT) (1).

De individuen zijn voornamelijk academici (9). Verder namen ook een auditor (1), een fiscale expert (1), een voormalige president van de Europese Rekenkamer (1) en twee accountants (2) deel. Ook kwam er input uit de academische wereld van tien verschillende universiteiten, waarvan vier gelegen in het Verenigd Koninkrijk (6), één in Zweden (1), één in Finland (1), één in Nederland (1), en ten slotte één brief samen geschreven door twee Italiaanse universiteiten.

In lijn met voorgaand onderzoek (e.g. Manes Rossi en Aversano, 2015, Bisogno et al., 2015; De Wolf et al., 2020; Kidwell en Lowensohn, 2019) zijn de brieven afkomstig uit EU-lidstaten vooral geschreven door publieke sector entiteiten (52%) en professionele associaties (29%). Er hebben veertien verschillende professionele associaties deelgenomen, waaronder de meest actieve zijn: Accountancy Europe (het voormalige Fédération des Experts Comptables Européens, (34), Institut der Wirtschaftsprüfer (26), The Institute of Chartered Accountants in England and Wales (23), Institute of Chartered Accountants of Scotland (18). Ook een Belgische professionele associatie heeft regelmatig



deelgenomen, namelijk het Instituut van de Bedrijfsrevisoren (9). Onder de noemer ‘publieke sector entiteiten’ kan natuurlijk een brede waaier aan organisaties vallen, en niet elke organisatie zal een autoriteit zijn op het vlak van accounting. Zo kan er gezegd worden dat van de drie Europese intergouvernementele organisaties de participatie van het EUMETSAT minder gewicht heeft in het representeren van de EU op dit gebied dan de brieven van de overige twee organisaties. In tabel 2.4 wordt een overzicht gegeven van welke publieke sector entiteiten uit de EU-lidstaten precies hebben deelgenomen en hoe frequent.

Wat direct opvalt voor de gehele periode 2005-2020 (totaal: 215) is dat het voornamelijk organisaties zijn op federaal niveau (69%) die geparticipeerd hebben. Geen regionale of lokale entiteiten namen deel, op één na: een regionale rekenkamer uit Frankrijk, namelijk de Regional Court of Audit in Ile-de-France. De organisaties op federaal niveau kunnen worden opgedeeld in twee categorieën: ministeries van financiën zelf of organisaties die werkzaam zijn onder het ministerie van financiën, zoals rekenkamers, thesaurieën of anderen. De ministeries van financiën die geparticipeerd hebben, zijn afkomstig uit vier verschillende landen, namelijk uit Oostenrijk (2), Frankrijk (3), Italië (2) en Nederland (1). De actiefste entiteiten onderliggend aan het ministerie van Financiën zijn de Direction Générale des Finances Publiques (50) en de Swedish National Financial Management Authority (19). Er zijn negen Rekenhoven die geparticipeerd hebben, waarvan de actiefste de Cours des Comptes (30), Wales Audit Office (10), Maltese Audit Office (7) en de Swedish National Audit Office (7) waren.

Adviesorganen die zelf een publieke sector entiteit zijn en andere publieke sector entiteiten adviseren, zijn ook verantwoordelijk geweest voor een aanzienlijk deel van de brieven. Zij bestaan vooral uit één actieve respondent, namelijk de Conseil de Normalisation des Comptes Publics (48).

De cijfers in tabel 2.4 tonen dat er een algemene daling heeft plaatsgevonden in participatie van alle publieke sector entiteiten.

## **Besluit**

In 2012 organiseerde de Europese Commissie (EC) een publieke consultatie om na te gaan wat de EU-lidstaten dachten over een eventuele algemene implementatie van Internationale Publieke Sector Accounting Standaarden (IPSAS) in de EU. In 2013 volgde de publicatie door de EC van een studie over de geschiktheid van de IPSAS voor lidstaten. In deze documenten werd de kritiek geuit dat EU-lidstaten en de publieke sector noden te weinig gerepresenteerd waren in de IPSAS en de Internationale Publieke Sector Accounting Standaarden Boards consultatieproces. Participeren in het IPSASB-consultatieproces kunnen stakeholders doen door een brief in te dienen met hun mening over ontwerpversies van IPSAS of andere IPSAS-gerelateerde documenten.

Deze studie onderzocht enerzijds in welke mate EU-lidstaten participeren in het IPSASB-consultatieproces in het algemeen. Anderzijds, onderzocht het in welke mate er een evolutie is in hun participatie om te kunnen evalueren of de kritiek over het te kort aan participatie van EU-lidstaten nog geldig is anno 2020. Verder werd ook een blik geworpen op wie de respondenten uit de EU-lidstaten precies zijn.

Er werd een database opgesteld met alle brieven die respondenten hebben ingediend in het consultatieproces voor de periode 2005-2020. Aan de hand van deze database werden de respondenten hun geografische herkomst en affiliaties geanalyseerd. Dit werd niet alleen gedaan voor de periode 2005-2020 algemeen, maar ook gesplitst voor de periodes 2005-2012 en 2013-2020, met als scheidingsjaar 2012, het jaar van de publieke consultatie. Dit zal toelaten om de situatie in te schatten toen de kritiek geuit werd tijdens de EC's publieke consultatie en in de studie, en of de situatie sinds dan veranderd is.

Algemeen tonen de resultaten dat de IPSASB een daling in participatie kent. In de tweede periode (2013-2020) werden minder brieven ingediend, ondanks dat er in deze periode meer opportuniteiten waren om brieven in te dienen. Uit voorgaand onderzoek bleek dat de EU, Noord-Amerika en Oceanië steeds het meest gerepresenteerd zijn, en dit wordt bevestigd door de cijfers in deze

studie. Hoewel de meeste respondenten voor beide periodes uit de EU kwamen, heeft er toch een sterke daling plaatsgevonden. De andere gebieden die het sterkst gepresenteerd zijn, zoals Noord-Amerika en Oceanië kennen ook dalingen in participatie in de tweede periode. Noord-Amerika zelfs meer dan een halvering. De gebieden die in voorgaand onderzoek steeds het minst gerepresenteerd zijn, zijnde Afrika, Azië en Zuid-Amerika, zijn dit ook in dit onderzoek. Opmerkelijk is wel dat deze drie gebieden allemaal een stijging in deelname kennen in de tweede periode. Afrika en Azië zelfs bijna een verdubbeling. Hoewel de resultaten voor de periode 2005-2020 de conclusies uit voorgaand onderzoek dus bevestigen, tonen de tussenresultaten voor 2005-2012 en 2013-2020 dat er evolutie is. Respondenten uit de typische actieve gebieden zijn aan het afzwakken, terwijl de respondenten uit de klassiek minder gerepresenteerde gebieden aan het opkomen zijn.

Een analyse van de affiliaties van de auteurs van de brieven (2005-2020) toont dat voornamelijk publieke sector entiteiten en professionele associaties brieven participeren, wat opnieuw in lijn is met voorgaand onderzoek. De tussenperiodes tonen echter dat terwijl professionele associaties iets actiever worden, publieke sector entiteiten veel minder gaan participeren. Verder valt een stijging in participatie van privébedrijven op, en een daling in participatie van andere boekhoud standaard-setters en universiteiten. Dit kan een gevaarlijke trend voor de IPSASB zijn. Ze boeten in aan praktische kennis van academici, collega standaard-setters én hun doelpubliek, de publieke sector.

De focus van dit onderzoek lag natuurlijk niet op de algemene participatie in het IPSASB-consultatieproces, maar op de participatie uit de EU. Hoewel hierboven geconcludeerd werd dat de meeste respondenten uit de EU kwamen, blijkt dit vooral te komen door enkele zeer actieve landen. Van de zestien EU-lidstaten die participeerden zijn er slechts vier die meer dan tien brieven schreven. De twee landen waaruit meer dan de helft van de brieven uit de EU komen, zijn Frankrijk en het Verenigd Koninkrijk. Dit is problematisch, zeker wetende dat het Verenigd Koninkrijk inmiddels de EU verlaten heeft. Wanneer de twee periodes met elkaar vergeleken worden, kan gezien worden dat participatie uit de EU enorm gedaald is; zo heeft het Verenigd Koninkrijk de helft minder brieven ingediend in de

periode na 2012. De EC's interesse in de IPSAS in 2012 heeft dus geen grotere participatie van EU-lidstaten teweeggebracht, integendeel. Mogelijks vonden lidstaten vanaf toen dat er geen reden meer was om deel te nemen aan IPSAS indien er EPSAS zouden komen.

In lijn met de analyses van de affiliaties van alle brieven, zijn ook voor de EU-lidstaten de publieke sector entiteiten en professionele associaties het sterkst gerepresenteerd, hoewel de publieke sector entiteiten hier veel sterker staan in vergelijking met de professionele associaties. Uit de resultaten van de tweede periode blijkt dat alle affiliaties een daling in participatie kennen, op professionele associaties na. De publieke sector entiteiten bestaan voornamelijk uit entiteiten die actief zijn onder ministeries van financiën, en dan voornamelijk Rekenhoven. Verder participeren universiteiten, individuen (academici of mensen met ervaring in de praktijk), intergouvernementele organisaties en andere boekhoud standaard-setters actief in de EU. Er kan aldus geconcludeerd worden dat de respondenten uit de EU-lidstaten die deelnemen representatief zijn voor hun lidstaat of de EU in het algemeen.

Zo goed als alle respondenten uit de EU-lidstaten zijn individuen en organisaties met praktische kennis van zaken die een meerwaarde kunnen bieden aan het IPSASB-consultatieproces, maar dit aantal is verwaarloosbaar *in the bigger picture* van alle brieven die de IPSASB ontving, en is bovendien dalend. In tegenstelling tot andere kritieken die geuit werden tijdens de EC's publieke consultatie (2012) en studie (2013) is het probleem van een gebrek aan EU-participatie nog niet opgelost, integendeel, deze studie bewijst dat de situatie er enkel op achteruit gegaan is.

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**Tables**
**Tabel 3.1 Brieven opgedeeld per geografische herkomst respondenten**

Gebied	2005-2012	2013-2020	2005-2020
Afrika	67 (8%)	128 (16%)	195 (12%)
Azië	53 (6%)	92 (12%)	145 (9%)
E.U.	243 (29%)	167 (21%)	410 (25%)
<i>België</i>	8 (3% <sup>o</sup> )	2 (1%)	10 (2%)
<i>Cyprus</i>	2 (1% <sup>o</sup> )	0 (0%)	2 (0%)
<i>Denemarken</i>	4 (2%)	3 (2%)	7 (2%)
<i>Duitsland</i>	14 (6%)	13 (8%)	27 (7%)
<i>Finland</i>	3 (1%)	0 (0%)	3 (1%)
<i>Frankrijk</i>	70 (29%)	71 (43%)	141 (34%)
<i>Hongarije</i>	0 (0%)	1 (1%)	1 (0%)
<i>Ierland</i>	2 (1%)	3 (2%)	5 (1%)
<i>Italië</i>	3 (1%)	1 (1%)	4 (1%)
<i>Luxemburg</i>	1 (0%)	0 (0%)	1 (0%)
<i>Malta</i>	6 (2%)	1 (1%)	7 (2%)
<i>Nederland</i>	10 (4%)	0 (0%)	10 (2%)
<i>Oostenrijk</i>	0 (0%)	2 (1%)	2 (0%)
<i>Spanje</i>	2 (1%)	0 (0%)	2 (0%)
<i>Verenigd Koninkrijk</i>	74 (30%)	30 (18%)	104 (25%)
<i>Zweden</i>	18 (7%)	14 (8%)	32 (8%)
<i>Europese organisaties</i>	26 (11%)	26 (16%)	52 (13%)
Ander Europa	30 (4%)	33 (4%)	63 (4%)
Noord-Amerika	163 (19%)	59 (7%)	222 (14%)
Oceanië	145 (17%)	135 (17%)	280 (17%)
Zuid-Amerika	27 (3%)	31 (4%)	58 (4%)
Internationaal	111 (13%)	121 (15%)	232 (14%)
<i>Internationale bedrijven</i>	29	51	80
<i>Internationale organisaties</i>	82	70	152
Overig	2 (0%)	22 (3%)	24 (1%)
<b>Totaal</b>	<b>841</b>	<b>788</b>	<b>1629</b>



**Tabel 3.2 Brieven opgedeeld per affiliatie respondententen**

Affiliatie	2005-2012	2013-2020	2005-2020
Boekhoud standaard-setters	136 (16%)	111 (14%)	247 (15%)
Individueen	54 (6%)	39 (5%)	93 (6%)
<i>Accountant</i>	22	6	43
<i>Academicus</i>	25	16	28
<i>Auditor</i>	1	5	6
<i>Ander</i>	6	12	16
Intergouvernementele organisaties	32 (4%)	21 (4%)	53 (4%)
Privébedrijven	33 (4%)	61 (8%)	94 (6%)
Professionele associaties	261 (31%)	296 (37%)	556 (34%)
Publieke sector entiteiten	307 (37%)	237 (30%)	544 (33%)
<i>Federale overheid</i>	176	133	309
<i>Auditeur-generaal</i>	27	10	37
<i>Ministerie van Financiën en         onderliggende entiteiten</i>	130	108	238
<i>Ministerie van Financiën zelf</i>	26	11	37
<i>Rekenkamer</i>	42	24	66
<i>Thesaurie</i>	27	22	49
<i>Andere onderliggende entiteiten</i>	35	51	86
<i>Ander</i>	19	15	34
<i>Provinciale overheid</i>	34	3	37
<i>Provinciale comptroller</i>	4	0	4
<i>Provinciale overheid</i>	30	3	33
<i>Lokale overheid</i>	3	7	10
<i>Adviesorganen</i>	77	79	156
<i>Wetenschappelijk onderzoeksinstituut</i>	0	9	9
<i>Ander</i>	17	6	23
Universiteiten	16 (2%)	2 (0%)	17 (1%)
Overig	2 (0%)	21 (3%)	24 (1%)
<b>Totaal</b>	<b>841</b>	<b>788</b>	<b>1629</b>

**Tabel 3.3 Brieven van respondenten uit E.U.-lidstaten opgedeeld per affiliatie respondent**

Affiliatie	2005-2012	2013-2020	2005-2020
Boekhoud standaard-setters	24 (10%)	1 (1%)	25 (6%)
Individuen	11 (5%)	3 (2%)	14 (3%)
Intergouvernementele organisaties	10 (4%)	8 (9%)	18 (6%)
Professionele associaties	63 (26%)	63 (34%)	126 (29%)
Publieke sector entiteit	126 (52%)	89 (53%)	215 (52%)
Universiteiten	9 (4%)	1 (1%)	10 (2%)
Ander	0 (0%)	2 (1%)	2 (0%)
<b>Totaal</b>	<b>243</b>	<b>167</b>	<b>410</b>

**Tabel 3.4 Brieven van publieke sector entiteiten uit E.U.-lidstaten**

Publieke sector entiteit	2005-2012	2013-2020	2005-2020
Federale overheid	84 (67%)	65 (73%)	149 (69%)
<i>Ministerie van Financiën en onderliggende entiteiten</i>	84	65	149
<i>Ministerie van Financiën zelf</i>	5	3	8
<i>Rekenkamer</i>	40	17	57
<i>Thesaurie</i>	5	0	5
<i>Andere onderliggende entiteiten</i>	33	45	78
Provinciale overheid	1	0	1
Lokale overheid	0	0	0
Adviesorganen	29 (13%)	24 (27%)	53 (25%)
Overig	13 (6%)	0	13 (6%)
<b>Totaal</b>	<b>126</b>	<b>89</b>	<b>215</b>

# Chapter 4

## **The hurdle model: Analysing the influence of country characteristics on participation in the IPSASB's due process**

### **Introduction**

In search of harmonising public sector accounting, the International Federation of Accountants Public Sector Committee was founded in 1986. In 2004, it was renamed the International Public Sector Accounting Standards Board (IPSASB). The IPSASB's purpose is to develop high-quality public sector financial reporting standards and to raise awareness of the International Public Sector Accounting Standards (IPSAS) and the benefits of their adoption, in order to strengthen public financial management and knowledge globally, through increasing the adoption of accrual based IPSAS (IPSASB, 2018).

Similar to other accounting standard-setting boards (SSBs), the IPSASB employs a due process to develop new IPSAS in which they request participation from their stakeholders. As SSBs in both the public and private sector often lack elected or other governmental authority and are therefore unable to impose the standards they create, transparent standard setting with participation from stakeholders is paramount. It not only helps SSBs assess the opinions of those who would apply their standards, and therefore gauge the potential support the standards would have, but successful stakeholder participation also helps to evaluate the standards and identify potential problems before they are finalised. A lack of stakeholder participation would thus harm the quality of standard-setting outputs. Additionally, representative stakeholder participation is needed to gain input legitimacy as an organization. As the IPSASB aims to develop international accounting standards for public sector entities (which would affect not only these entities, but anyone related to them, such as civilians, firms, etc.), the stakeholder

group is highly varied; therefore IPSASB's received input should also be. (Durocher and Fortin, 2011; IPSASB, 2016; Jorissen et al., 2012; Richardson and Eberlein, 2011).

Previous researchers into public and private sector SSB's due processes have uncovered an imbalance in stakeholder participation, both regarding the affiliation of respondents as their geographic background (e.g., Huian, 2013a, 2013b; Jorissen et al., 2013). Multiple researchers have examined the possible explanations of these imbalances for private sector SSBs (e.g., Dobler and Knospe, 2016; Eisenschmidt and Krasodomska, 2017), with nearly all of them applying a linear or rank regression model including solely data from respondents in the SSB's due process. This means that although they, for example, found evidence that English proficiency has a positive influence on stakeholder participation, they only examined those stakeholders who had participated and not those who had not, but may very well be fluent in English.

The influence of country characteristics on participation in the IPSASB's due process has remained unexamined so far. The purpose of this study is twofold. First, we aim to take a first step to fill this research gap by analysing the impact of three country characteristics on stakeholder participation in the IPSASB's due process. The three variables are a higher implementation level of IPSAS, a higher percentage of English proficiency, and lastly, a higher level of economic development.

Second, we aim to complement and contribute to previous empirical studies and verify whether a different method could provide more nuanced results. For this reason, this research breaks with the tradition of linear regression and makes a case for applying a statistical method new to the topic of stakeholder participation for accounting standard setting boards that would remedy this limitation and could take research to the next level: the hurdle negative binomial model (hereafter referred to as hurdle model). By applying a hurdle model, this article not only includes the data of all respondents in the IPSASB's due process (2005–2018) but also data of the jurisdictions which were not represented. The model separates the 'probability'-decision (does the stakeholder participate in the first place or not?) from the 'frequency'-decision (if the stakeholder has decided to participate, how often?). This will

provide us not only with information on whether these country characteristics influence how often a stakeholder participates, but it will also provide information of if these characteristics influence the stakeholder to participate in the first place or not.

The results indicate that when stakeholders participate there is a positive relationship between a jurisdiction's stakeholder participation and that jurisdiction having a higher IPSAS implementation status, a higher English-proficiency level, and a higher economic development level. However, the nuance that was only possible to discover with the Hurdle method is that, though a higher level of English proficiency has a positive influence on how often stakeholders participate, it does not influence whether they participate in the first place or not. There are indications that if a stakeholder's jurisdiction has a higher level of IPSAS implementation or a higher economic development level, they are more likely to participate. Additionally, it tests the influence of including non-respondents on results.

This article is structured as follows. First, previous research regarding both stakeholder participation in the due processes of SSBs and the use of the hurdle model in this and other research fields are discussed; second, the hypotheses and methodology are presented; third, the results are reported and discussed; and finally, we give our conclusions.

### **The due process and legitimacy**

There are direct and indirect forms of participating in the workings of the IPSASB. Forms of indirect participation are lobbying or applying pressure through different organisations. An example is the observer of the European Commission within the IPSASB. Although the observer only has advisory role, and there is no evidence that this observer participates directly in the IPSAS development process, he does participate in meetings and there have been indications that insights shared by this observer are always taken into account (Grossi & Soverchia, 2011).

The options to participate directly are more limited: one can submit proposals for new projects, and opinions can be shared on the draft versions of IPSAS in the form of comment letters. Most research focusses on this last option as this is most accessible due to its tangible character. These opinions are

shared via the IPSASB's due process. Once the IPSASB has identified a topic on which more guidance is needed, it develops a draft version of a standard, either in the form of a CP or ED. This draft is then made available to the general public for a finite amount of time. Anyone can provide feedback by submitting a CL within the given timeframe. After the consultation period has ended, the CLs are analysed. The IPSASB considers whether it wishes to revise the draft IPSAS based on the received feedback. If it does, the IPSASB can consider re-issuing the document for further review and comment. Once the IPSASB is satisfied with their draft, it can be approved and published. A majority of two-thirds of the voting rights on the IPSASB is required for approval of CPs, Eds and standards (IPSASB, 2016a).

As the IPSASB lacks elected or other governmental authority, this due process is needed to gain legitimacy (Eisenschmidt & Krasodomska, 2017). Suchman (p. 574, 1995) defined legitimacy as '*a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions*'. Richardson and Eberlein (2011) distinguish three types of legitimacy an organisations such as the IPSASB can gain through its due process: input, throughput and output legitimacy. Input-legitimacy is achieved when the input an organisation receives correctly reflects the opinion of all stakeholders. Throughput-legitimacy requires fair processes in which these inputs are formed into outputs. Output legitimacy refers to the successful achievement of appropriate results.

## **Previous research**

SSBs are facing imbalances in the representation of stakeholders from different regions and affiliations. For the IPSASB most active affiliations are public sector entities, professional associations and other standard setters. Most represented areas are EU member states, North America and Oceania (e.g., Bisogno et al., 2015; De Wolf et al., 2020; De Wolf and Christiaens, 2020, Kidwell and Lowensohn, 2019; Manes Rossi and Aversano, 2015).

Similarly, studies regarding private sector SSBs indicate that, respectively, Europe, North America and Asia are the most active, while Africa and South America generally participate the least. Most

respondents originate from English-speaking countries (e.g., UK, USA and Australia), and EU member states. Furthermore, for private sector SSBs preparers, accountants and regulators dominate, while users are under-represented (e.g., Eisenschmidt and Krasodomska, 2017; Huian, 2013a, 2013b; Jorissen et al., 2013; Larson and Herz, 2013; Wingard et al., 2016).

The establishment of the imbalance is as far as research for the IPSASB goes. For the private sector, however, a great variety of explanations for these differing participation levels have been proposed. Examples are level of creditor rights (Mellado-Bermejo and Esteban, 2014); legal system (Eisenschmidt and Krasodomska, 2017); cultural characteristics (Eisenschmidt and Krasodomska, 2017; Dobler and Knospe, 2016); number of input opportunities on CDs or complexity of a CD (Dobler and Knospe, 2016); familiarity with the SSB's accounting values; familiarity with private sector standard-setting systems; and cost of non-compliance with accounting standards (Jorissen et al., 2013).

As this is a first explorative study for the IPSASB, we do not explicitly apply a theoretical model to identify determinants underlying stakeholder participation. Because of this, we draw on determinants that have been widely used in previous studies.

The most frequently researched determinants are (1) the implementation level of the relevant standards in a certain country, (2) how proficient a country is in the publication language of the standards, and lastly, (3) the level of a country's economic development.

In line with previous research on IFRS, the assumption is made that there is an IPSAS obligation in a country (or will become so in the near future), stakeholder participation will increase, as the people in this country are then affected by these standards because they will have to abide by those standards once the SSB officially publishes them. Oppositely, if a country does not apply IPSAS, there will not be a strong incentive to participate as they will not be as affected by the standards (e.g., Dobler and Knospe, 2016; Jorissen et al., 2013; Mellado-Bermejo and Esteban, 2014). A preliminary view of our dataset indicates that there will be a positive relationship between the level of IPSAS implementation and stakeholder participation. Countries that have (partially) adopted IPSAS or have official plans to do so in the future produce an average of 7.3

CLs per country, while countries that have not implemented (nor have any official plans to do so) produce an average of 5.5 CLs.

That a higher level of English proficiency has a positive influence on stakeholder participation in the due process of private sector SSBs has been confirmed multiple times (e.g., Standish, 2003; Mellado-Bermejo and Esteban, 2014; Jorissen et al., 2013; Larson and Herz, 2013; Dobler and Knospe, 2016). The IPSASB's official language is also English, and the lack of English skills could hinder stakeholder participation. The analysis of the IPSASB's stakeholder participation (2010-2017) by Kidwell and Lowensohn (2019) indicate that this could be the case as their results show that 63% of the respondents reside in countries where English is either the primary spoken language or the official language used in government activities.

A positive relationship between stakeholder participation and the level of a country's economic development has also been demonstrated in previous research (e.g., Mellado-Bermejo and Esteban, 2014; Eisenschmidt and Krasodomska, 2017; Larson and Herz, 2013; Dobler and Knospe, 2016). Previous research has also suggested that the IPSASB's input legitimacy is questionable as the input it receives is dominated by Europe, Oceania and North America and a limited of participation from developing countries and countries with emerging economies (De Wolf and Christiaens, 2020). This indicates that there could also be a positive relationship for the IPSASB.

Though these results are very interesting and valuable, they should be nuanced. These authors analyse the data on stakeholders who have already decided to participate. When they conclude that a certain country characteristic has a positive influence on stakeholder participation. They exclude all the stakeholders who have never participated but may very well possess that characteristic. To illustrate: one cannot claim that a higher level of English proficiency has a positive influence on stakeholder participation if the countries that have never been represented by a CL are excluded from the data set. It could be that those countries are very fluent in English, which would mean that English is not a key factor of influence. However, the inclusion of data on jurisdictions which have not participated, will result in the dependent variable often having a value of zero. This means that linear or rank regression models as applied in the previous research discussed above



are not appropriate. The search for a different regression model which could accommodate our goal of including data on unrepresented countries, lead to hurdle models.

While Cragg (1971) first proposed using a two-part process for continuous data that separates the probability-decision (does this happen?) from the frequency-decision (if it happens, how often does it happen?), it was Mullahy (1986) that developed hurdle models for count data. Gurmu and Trivedi (1996) would eventually popularize the Hurdle models for zero-inflated and over dispersed counts. The fundamental concept of hurdle models, as described by Bhaktha (2018) is that a binomial probability model governs the binary outcome - whether it has a zero or a positive outcome. If it is positive, then the 'Hurdle' has been crossed and the conditional distribution of positive counts is then governed by truncated at zero count process or distribution. In other words, it's a two-part model where one-part models the values of zero, and the other part models the positive count data. Though hurdle models are typically used when there is zero inflation in the count-data, the models can also be used with zero-deflation. Additionally, the 'hurdle' can also be a value that is not zero (Bhaktha, 2018; Miller, 2017).

Other research fields have already discovered and incorporated the hurdle model. Many examples can be found in the field of agricultural economics (e.g., Bilgic and Florkowski, 2017; Gilbert et al., 2011; Yen, 1999; Yen et al., 1997; Su and He, 2013), or the field of health economics (e.g., Jones, 1989, 1992; Van Ophem, 2011; Bethell et al., 2010; Hu et. al. 2011; Arens et al., 2014; Hofstetter et al., 2016) and applied economics (e.g., Newman et al., 2003; Steven and Jones, 1997).

An extensive literature review showed that no hurdle model has ever before been applied in the field of stakeholder participation in the due processes of SSBs, and only once in other accountancy related research. Bouten et al. (2012) analyse determinants of voluntary social and environmental disclosure. Previous research assumed that the determinants underlying a company's decision to disclose and the disclosure level are the same, Bouten et al. (2012) however find that not distinguishing between the determinants underlying the decision to disclose and the disclosure level may be misleading.

## **Hypotheses**

Drawing on determinants that have been widely used in previous studies on stakeholder participation and private sector SSBs, and until now unexamined for the IPSASB, this article hypothesises a positive relationship between stakeholder participation in the IPSASB due process and the stakeholder's jurisdiction having a:

1. A higher implementation level of IPSAS (fully completed or only initiated);
2. A higher percentage of English proficiency;
3. A higher level of economic development as a country.

## **Research methodology**

### ***Data collection***

This research includes data on all the CLs for all published CPs and Eds between the beginning of 2005 and the end of 2018. The period under review starts in 2005, as CLs to earlier CDs were not available; it ends at the end of 2018, when this research began. This amounted to 52 CDs in total, consisting of 15 CPs and 37 Eds. For these CDs, the IPSASB received a total of 1,456 CLs. Further information on the CDs can be found in Tables 4.1 and 4.2.

The dependent variable in this research is the number of CLs written per country (cf. Table 4.4). As a reference point for 'all countries', the 193 United Nations (UN) member states were used. While collecting data, it was decided to exclude two member states, the Democratic People's Republic of Korea and the Kingdom of Eswatini, as there was no adequate information available (UN, 2019). The first step was setting up a database containing the following data for each of the 1,456 CLs: respondent's name (organisation or individual); respondents' affiliation; respondent's country and continent of origin. Most information was retrievable in the CLs themselves; if not, online research was conducted.

If it was impossible to define one specific country or continent of origin, they were placed in the categories ‘international’ (international operative companies, e.g., EY, or international operative organisations, e.g., United Nations) or ‘other’ (respondents that are not internationally active but cannot be defined by one country either, e.g., Task Force IRSPM A&A SIG, CIGAR Network, EGPA PSG XII). An overview of the respondents’ geographical background and affiliation can be found in Table 4.3.

The value of the dependent variable for those countries from which no stakeholders had submitted a CL is zero.

Next, the three hypotheses were operationalised into independent variables (cf. Table 4.4). As there are no stakeholders for many of the countries considered in this research, these independent variables could not be operationalised based on the respondents. For example, the English-proficiency level of each respondent could not be used as many countries were not represented by any respondents. Therefore it was chosen to operationalize these independent variables based on the jurisdictions.

For H1, the independent variable is the implementation level of IPSAS in the different countries coded into 0 or 1, in line with previous research (e.g., Jorissen et al., 2013; Eisenschmidt and Krasodomska, 2017): 0 means that IPSAS has not been implemented, nor were any indications found of official plans to start implementing IPSAS in the future; 1 means either a full implementation of IPSAS or that the country is in the process of implementing or has official plans to do so in the future. Other public sector (accrual) accounting systems are not taken into account in this analysis.

Information on the IPSAS implementation level was retrieved from IFAC in combination with different sources of national government institutions. If no reference to IPSAS was found via these sources, nor via broader online searches, the lack of information was deemed a sign of no implementation, nor any interest in future implementation. In line with Jorissen et al. (2013), a country is considered as having implemented IPSAS from the moment the decision to switch to IPSAS has been made public. This information on the IPSAS implementation status was collected at the end of 2018. It would have been preferable to have been able to assess the IPSAS implementation status per country on a year-to-year basis,

but it was impossible to pinpoint the implementation status per year; therefore, the choice was made to use the implementation status of the final year (2018) and use this as representative for all years. The implementation of IPSAS is not something that happens overnight. As the implementation of IPSAS is a long process which is often preceded by extensive preparation and transitional periods before full implementation, we argue that if a country implemented IPSAS in 2018, it has been interested in the IPSASB and its workings for longer than just 2018. For H2, the independent variable chosen was the level of English proficiency per jurisdiction. This was again operationalised by a dummy variable of 0 or 1, in line with previous research (e.g., Larson and Herz, 2013; Mellado-Bermejo and Esteban, 2014); the latter means a country is considered proficient, the former otherwise.

Similarly, as with IPSAS implementation, the English proficiency level of member states in 2018 was used, as it was impossible to precisely pinpoint the proficiency levels for every year. Data on English proficiency was initially collected via the Central Intelligence Agency's (CIA) World Factbook (2019). If this database described English as a major or official language, a language used by the government, or that the country had been an English colony, it was categorized as proficient in English. However, the results were adjusted according to the EF (Education First) English Proficiency Index (EPI) (EF, 2018), as countries that do not fit these requirements can also be fluent. EF is an international education company focusing on language, academics, cultural exchange and educational travel. The eighth edition of the EPI was based on data from 1.3 million participants around the world. When a country reaches a high score on the index (very advanced or advanced) or a very low score (beginner level), the data gained from the World Fact Book was adjusted (e.g., Sweden). This mixed-source approach was applied as the EF, in itself, does not possess information on all UN member states.

Finally, for H3, the independent variable that was chosen to represent the economic development level of a country was the average gross domestic product (GDP) per capita for the period under review, in line with previous research (e.g., Larson and Herz, 2013; Dobler and Knospe, 2016).

This information was retrieved from the World Bank for the period 2005-2017, as data for 2018 was not yet available. When the GDP per capita was not available for all years between 2005–2017, the average of all the available data was used.

### ***Choice of statistical method***

This inclusion of data on all UN member states, even those from which no stakeholders participated, resulted in a value of zero for many of the dependent variables. This means that linear or rank regression models are not appropriate, as these would underfit the zeros significantly. The most appropriate fit for this type of data is the hurdle negative binomial regression model, which was confirmed by an analysis of goodness-of-fit via Akaike's information criterion (AIC) and contrasting histograms in the statistical program R.

The hurdle model is a two-part model: one part for zero counts and the other for positive counts. The first part of the hurdle model is a binary logit model (essentially, a logistic regression). It is an extension of a simple linear regression used to predict the relationship between two or more independent variables and binary dependent variables (either the respondent participated or not). If the count is positive – in this case, if they have participated – the 'hurdle' has been crossed. The second part is a zero-truncated Poisson regression, meaning that only the positive counts are modelled, as the value of zero is no longer possible after the binary logit model. Applied to this research, the model separates the decision the 'participation'-decision from the 'frequency'-decision, meaning it first considers if the independent variables influence whether a stakeholder participates, regardless of how often they participate, and then it considers whether the independent variables influence how often the respondents participate, excluding those that have never participated. As the model works in two parts, it also provides two different outputs, one for each part of the model, although both can be interpreted as any other regression model (Zorn, 1996; Zeileis et al., 2008; Saffari et al., 2012; Hofstetter et al., 2016).

The hurdle model regresses the number of CLs per country with the independent variables that represent countries' IPSAS implementation level, their level of English proficiency, and their average GDP.

The number of records (n) included in this model is 191, namely, every UN member state, even those that have not submitted any CLs, excluding the two mentioned above (cf. supra).

In the next section, the results of the hurdle model will be discussed, but first, descriptive and correlation analyses are made. The correlation analysis helps to assess the relationship between the variables (Spearman rank correlation and Pearson correlation test).

## **Results**

### ***Descriptive statistics***

The descriptive results can be found in Table 4.5. The IPSASB has received 1,456 CLs (2005–2018), divided over 52 Eds or CPs. This total of 1,456 CLs means an average of 28 CLs per CD. The smallest number of CLs (four) related to the CP *Financial Instruments: Disclosures*. The CPs *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* and *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Phase 1* received the highest number of CLs, 55 each.

The CLs were written by 238 different authors. The maximum number of different writers from one country was 35 (from Canada). The most CLs written by one respondent was 56, contributed by the Canadian Public Sector Accounting Standards Board. The comment periods were an average of 18.79 weeks long – the shortest period being only nine weeks, for *Improvements to IPSAS, 2018*, and the longest being 28 weeks, for *Reporting Service Performance Information*.

### ***Correlation results***

The Spearman's rank correlation coefficient and Pearson's correlation coefficient evaluate the ranked values of the variables. A value of 1 signifies a perfect association between the ranks; the closer to 0, the weaker the correlation between variables. The variables do not seem strongly correlated (cf. Table 4.6).

## ***Regression results***

The first part of Table 4.7 presents the Zero hurdle model coefficients. As explained in the research method, this part of the model applies the dependent data on a binary basis: either the countries have not produced a CL or they have, regardless of how many. This part of the model will indicate whether the independent variables influence respondents to participate or not. The additional variable Theta represents the probability that no events are present, i.e., zero counts. The second part of Table 4.7 presents the Count model coefficients, meaning that only the positive counts of the dependent variable are used. This will give indications as to whether the independent variables influence the number of CLs the countries produce, without zero being an option.

The higher the Z-value, the greater the evidence against the null hypothesis. A low Z-value ( $<2.0$ ) evidence that the variable is not statistically significant. In Table 4.7, only English proficiency (H2) is not found to be significant in the Zero hurdle model.

Together with the significance asterisks, which have the same purpose, the p-value ( $\Pr(>|z|)$ ) provides the same conclusions as the Z-value: the independent variable English proficiency (H2) is not statistically significant in the Zero hurdle model. This indicates that the English proficiency level of a country does not influence whether or not that country participates in the IPSASB's due process by writing a CL. In other words, there are no indications that a country is more likely to participate if its English proficiency is higher than a country that is less proficient in English. However, if a country has a higher level of English proficiency, it is more likely to contribute a higher number of CLs than countries with a lower level of English proficiency.

Hypotheses 1 and 2 cannot be rejected. Hypothesis 1 indicates a higher IPSAS implementation status having a positive influence on whether a country has participated, and on how often it has participated. Hypothesis 2 indicates a higher economic development level having a positive influence both on whether a country participates or not and on how often it participates.

## Conclusions

Previous research has revealed an imbalance in the International Public Sector Accounting Standards Board's (IPSASB) stakeholder participation by both respondents' geographical origin and affiliation, similar to the situation faced by private sector standard-setting boards (SSBs). This jeopardizes the IPSASB's input legitimacy, which requires the input to be representative of all the IPSASB's stakeholders.

The purpose of this study was twofold. (1) Contrary to private sector SSBs, there is no research into possible determinants of stakeholder participation for the IPSASB. This research takes a first step to fill this research gap by analysing the impact of three country characteristics on stakeholder participation in the IPSASB's due process. (2) This research for the private sector SSBs focused only on the respondents in the due processes, which means that although they, for example, found evidence that English proficiency has a positive influence on stakeholder participation, they only examined those stakeholders who had participated and not those who had not, but who may very well have been fluent in English. Including data on jurisdictions from which no stakeholders participated however, means that the traditional linear or rank regression are not a suited analysis method. This paper aims to contribute to previous empirical studies and verify whether a different method could provide more nuanced results. This paper explores a statistical approach that is innovative in the topic of stakeholder participation for accounting SSBs: the hurdle negative binomial model (hereafter referred to as hurdle model). The model separates the decision to participate (probability-decision) from the decision, if someone participates, how often they participate (frequency-decision).

The impact of three country characteristics on participation (2005-2017) in the IPSASB's due process are examined, namely the (1) IPSAS implementation level; (2) English proficiency level; and (3) economic development level.

The hypotheses on a positive relationship between a jurisdiction's stakeholder participation and a higher IPSAS implementation status and a higher economic development level cannot be rejected. This positive relationship is visible both for whether and how often respondents participated. The non-rejection of the hypothesis on the influence of the IPSAS implementation level on stakeholder participation contradicts



similar research for private sector SSBs, while the non-rejection of the hypothesis on the influence of economic development on stakeholder participation is in line with previous research on private sector SSBs.

The results on the hypothesis of a positive relationship between stakeholder participation and English proficiency is twofold. On the one hand, there are no indications that if respondents' jurisdictions are more proficient in English, they are likelier to participate. On the other hand, however, if a respondent participates, those from more proficient jurisdictions are more likely to write a higher number of CLs than less proficient areas. This difference in outcome in the binary logit part and the positive counts part of the hurdle model for H2 shows the importance and added value of the model. It supports the findings in similar research for private sector SSBs that the more proficient a respondent is, the more CLs they are likely to write; however, it nuances the conclusions of these previous studies as it shows that English proficiency is not a hurdle that will stop stakeholders from participating.

These results also nuance the findings of Kidwell and Lowensohn (2019) that the majority of respondents were from English-speaking countries. Though these countries produce the most CLs, when looking at the pool of stakeholders without taking into account how many CLs they have written, these English-speaking countries do not make up the same majority. This is actually a good sign for the IPSASB's input-legitimacy. It shows a greater variety in stakeholders that at times participate. However, this positive sign is still too small not to be overshadowed by the problematic of how big the difference is in how often they write CLs.

Though it could be argued that the language issue may lose its relevance over time due to improvements to education on a global scale, there clearly is still a difference in how active stakeholders are. An initial method to try and remedy this could be in simply translating the IPSAS officially in several major global languages.

These results could be used by the IPSASB to increase participation from less economically developed countries and those which have not shown any interest in implementing them as of yet. A potential method is by increasing the directness of the discourse by organising round tables or forums in those regions.

Additionally, the IPSASB could try to collaborate with national authorities to attempt to increase public attention for the IPSASB and to increase participation. This type of analyses can help the IPSASB to identify which regions could benefit most from special outreach programs.

This research is not only relevant for the IPSASB, but also for research for private sector SSBs as it shows that the hurdle negative binomial model is better suited to this type of research than those which were used in other research. By separating the ‘participation’-decision from the ‘frequency’-decision, it provides a nuance in the findings that can help identify possible determinants of participation.

This paper provides a starting point for more consideration, in further research, of what influences stakeholder participation in the IPSASB’s due process and of the overarching topic of respondent behaviour. Additionally, it offers insights into a new statistical model better suited to this type of research. This research is relevant for any organisation that seeks stakeholder participation, but specifically for the governance of SSBs and the quality and credibility of their consultation and engagement with stakeholders. It provides insight into respondents’ behaviour in consultation processes and the influence of respondents’ characteristics on participation. This can help SSBs to improve their consultation process and increase the quantity of their received input, as well as the diversity in the respondents.

There are several limitations to this study. First, the operationalisation of the data that was used. This has not been done on a year-to-year basis and therefore does not account for possible changes made over the years, e.g., the IPSAS implementation status. It would be an interesting exercise for further research to compare the year-to-year changes of these determinants with their accompanying participation levels for those same years.

Second, the lack of control variables and the limitedness of the chosen variables. There could be some dependencies among the observations, such as English proficiency which could be linked to a country’s economic development. In future research control variables should be added. Further research should also analyse other variables that influence participation, e.g., the connection between IPSASB members and participation from organisations to which they are tied, the influence of IFAC membership on participation,

and the influence of the consultation documents' subjects on participation. The characteristics analysed in this paper are solely based on the geographical background of respondents. It would be interesting for future research to analyse the influence of respondents' affiliations on their participation, or the influence of characteristics of the due process itself on participation (e.g., length of comment periods).

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## Tables

**Table 4.1 CPs and EDs published by the IPSASB in chronological order (2005-2018)**

Consultation Papers	CD Type	Publication date	Deadline submission	No. of CL's
Long-Term Interests in Associates and Joint Ventures and Prepayment Features with Negative Compensation	ED	20/aug/18	20/oct/18	11
Improvements to IPSAS, 2018	ED	11/apr/18	15/jul/18	9
Leases	ED	31/jan/2018	30/jun/18	39
Social Benefits	ED	31/oct/2017	31/mar/18	41
Financial Instruments	ED	24/aug/17	31/dec/17	22
Accounting for Revenue and Non-Exchange Expenses	CP	22/aug/17	15/jan/18	38
Financial reporting for Heritage in the Public Sector	CP	11/apr/17	30/sep/17	40
Public Sector Specific Financial Instruments	CP	27/jul/2016	31/dec/16	31
Public Sector Combinations	ED	28/feb/2016	30/jun/16	31
Amendments to Financial Reporting under the Cash Basis of Accounting	ED	3/feb/2016	31/jul/16	18
Amendments to IPSAS 25, Employee Benefits	ED	13/jan/2016	30/apr/16	24
Impairment of Revalued Assets	ED	14/oct/2015	15/jan/16	15
Improvements to IPSASs 2015	ED	14/oct/2015	15/jan/16	12
	ED	30/jul/2015	30/nov/15	26
The Applicability of IPSASs				
Recognition and Measurement of Social Benefits	CP	29/jul/2015	31/jan/16	36
The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities	CP	27/aug/14	31/dec/14	28
Improvements to IPSASs 2014	ED	30/jul/2014	30/sep/14	8
First-Time Adoption of Accrual Basis International Public Sector Accounting Standards	ED	24/oct/2013	15/feb/14	24
Consolidated Financial Statements	ED	21/oct/2013	28/feb/14	31
Disclosure of Interest in Other Entities	ED	21/oct/2013	28/feb/14	26
Investments in Associates and Joint Ventures	ED	21/oct/2013	28/feb/14	23
Joint Arrangements	ED	21/oct/2013	28/feb/14	22
Separate Financial Statements	ED	21/oct/2013	28/feb/14	27
Reporting Service Performance Information	ED	20/oct/2013	31/may/14	24
Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports	ED	17/apr/13	15/aug/13	33
Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements	ED	7/nov/12	30/apr/13	40
Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements	ED	7/nov/12	30/apr/13	39

IPSASs and Government Finance Statistics Reporting Guidelines	CP	17/okt/12	31/mar/13	25
IPSASB Consultation Paper on 2013-2014 Work Program	CP	30/jul/12	31/okt/12	38
Public Sector Combinations	CP	25/jun/12	31/okt/12	26
Financial Statement Discussion and Analysis	ED	2/apr/12	31/jul/12	38
General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports	CP	29/jan/12	31/may/12	39
Reporting Service Performance Information	CP	19/oct/11	14/apr/12	34
Recommended Practice Guideline, Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances	ED	18/oct/2011	28/feb/12	38
Key Characteristics of the Public Sector with Potential Implications for Financial Reporting	ED	28/apr/11	20/aug/11	38
Improvements to IPSASs 2011	ED	28/mar/2011	29/jun/11	15
Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (phase 2): Elements and Recognition in Financial Statements	CP	14/dec/10	14/jun/11	36
Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: phase 1	ED	14/dec/10	14/jun/11	55
Financial Reporting by Public Sector Entities (phase 3): Measurement of Assets and Liabilities in Financial Statements	CP	14/dec/10	14/jun/11	37
Service Concession Arrangements: Grantor	ED	18/02/2010	29/jun/10	34
Reporting on the Long-Term Sustainability of Public Finances	CP	23/nov/09	29/apr/10	35
Improvements to IPSASs	ED	29/06/2009	29/sep/09	10
Entity Combinations from Exchange Transactions	ED	6/05/2009	14/aug/09	14
Intangible Assets	ED	6/05/2009	14/aug/09	19
Financial Instruments: Disclosures	ED	22/apr/09	30/jul/09	4
Financial Instruments: Presentation	ED	22/apr/09	30/jul/09	32
Financial Instruments: Recognition and Measurement	ED	22/apr/09	30/jul/09	5
Agriculture	ED	30/03/2009	29/jun/09	15
Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities:	CP	29/sep/08	30/mrt/09	55
Accounting and Financial Reporting for Service Concession Arrangements	CP	9/mrt/08	31/jul/08	33
Social Benefits: Disclosure of Cash Transfers to Individuals or Households	ED	5/03/2008	14/jul/08	30
Financial Reporting Under the Cash Basis of Accounting - Disclosure Requirements for Recipients of External Assistance	ED	3/02/2005	14/jun/05	33

**Table 4.2 Information on IPSASB's published CPs and Eds on year-to-year bases (2005-2018)**

<b>Year</b>	<b>No° of published CDs</b>	<b>Total No° of CLs received</b>	<b>Average No° of CLs received</b>
2018	3	59	19.67
2017	4	141	35.25
2016	4	104	26
2015	4	89	22.25
2014	2	36	18
2013	8	210	26.25
2012	7	245	35
2011	4	125	31.25
2010	4	162	40.5
2009	8	134	16.75
2008	3	118	39.33
2007	0	-	-
2006	0	-	-
2005	1	33	33

**Table 4.3 Overview of the received CLs for all published CPs and EDs (2005-2018)**

<b>Geographic background</b>		
<b>Continent</b>	<b>Total No° of CLs</b>	<b>Percentage</b>
<b>Africa</b>	163	11%
<b>Asia</b>	117	8%
<b>Europe</b>	437	30%
<b>North America</b>	207	14%
<b>Oceania</b>	259	18%
<b>South America</b>	44	3%
<b>International</b>	213	15%
<b>Other</b>	16	1%
<b>Total</b>	1456	100%
<b>Affiliation</b>		
<b>Affiliation type</b>	<b>Total No° of CLs</b>	<b>Percentage</b>
<b>Academic entities</b> (e.g. academic individuals, universities)	48	3%
<b>Firms</b>	82	6%
<b>Individuals (non-academic)</b>	51	4%
<b>Intergovernmental organisations</b>	53	4%
<b>Other</b>	7	0%
<b>Professional associations</b>	459	32%
<b>Public Sector Entities</b>	531	36%
<b>SSBs</b>	223	15%
<b>Unknown</b>	2	0%
<b>Total</b>	1456	100%

**Table 4.4 Description of Variables**

<b>Dependent Variables</b>			
<b>Variable (abbrev.)</b>	<b>Definition</b>	<b>Operationalization</b>	<b>Data Source</b>
<b>Number of comment letters per country (CLS/COUNTRY)</b>	The amount of CLs that were prewritten by authors from the same country.	The sum of all CLs written by authors originating from the same country (2005-2018).	IPSASB, 2019
<b>Independent Variables</b>			
<b>Variable</b>	<b>Definition</b>	<b>Operationalization</b>	<b>Data Source</b>
<b>IPSAS implementation level (IMPLEMENT)</b>	How far progressed the IPSAS implementation is in each country	Coded 0 if a country has not started implementing IPSAS, nor has official plans to do so in the direct future.  Coded 1 if they have fully implemented IPSAS, are currently implementing IPSAS or have official plans to do so in the direct future	EY, 2012; ACCA, 2017; IFAC, 2019
<b>English proficiency (ENGLISH)</b>	How proficient the population of a country is in English, the official language of IPSAS.	Coded as 1 if the country is proficient in English. Coded 0 if otherwise	CIA, 2019; EF, 2018
<b>Economic development level (ECONOMY)</b>	The average GDP per capita (2005-2017)	The average GDP per capita (2005-2017)	World Bank, 2019

**Table 3.5 Descriptive statistics**

<b>Count model data</b>				
	<b>CLs/Country</b>	<b>Implement</b>	<b>English</b>	<b>Economy</b>
<b>Mean</b>	6.35	0.49	0.50	18280.63
<b>Standard error</b>	1.59	0.04	0.04	1690.66
<b>Median</b>	0.00	0.00	0.00	10176.61
<b>Mode</b>	0.00	0.00	0.00	#N/B
<b>Std. Deviation</b>	22.03	0.50	0.50	23365.33
<b>Sample Variance</b>	485.34	0.25	0.25	545938541.75
<b>Kurtosis</b>	24.61	-2.02	-2.02	11.61
<b>Skewness</b>	4.79	0.05	0.01	2.93
<b>Range</b>	151.00	1.00	1.00	154329.25
<b>Min.</b>	0.00	0.00	0.00	485.66
<b>Max.</b>	151.00	1.00	1.00	154814.90
<b>Zero hurdle model</b>				
	<b>CLs/Country</b>	<b>Implement</b>	<b>English</b>	<b>Economy</b>
<b>Mean</b>	19.55	0.58	0.58	23484.87
<b>Standard error</b>	4.49	0.06	0.06	2488.33
<b>Median</b>	3	1	1	17454.46
<b>Mode</b>	1	1	1	#N/B
<b>Std. Deviation</b>	35.35	0.50	0.50	19593.09
<b>Sample Variance</b>	1249.40	0.25	0.25	383889216.30
<b>Kurtosis</b>	5.81	-1.95	-1.95	0.83
<b>Skewness</b>	2.50	-0.34	-0.34	0.97
<b>Range</b>	150	1	1	89026.40
<b>Min.</b>	1	0	0	1305.31
<b>Max.</b>	151	1	1	90331.71

**Table 4.6 Univariate correlations (Pearson and Spearman correlations) and Variance Inflation Factors**

<b>Count model data</b>				
	<b>COUNTRY</b>	<b>IMPLEMENT</b>	<b>ECONOMY</b>	<b>ENGLISH</b>
<b>COUNTRY</b>				
<b>IMPLEMENT</b>	-0.002			
<b>ECONOMY</b>	0.338	-0.227		
<b>ENGLISH</b>	0.153	-0.209	0.117	
<b>Zero hurdle model</b>				
	<b>COUNTRY</b>	<b>IMPLEMENT</b>	<b>ECONOMY</b>	<b>ENGLISH</b>
<b>COUNTRY</b>				
<b>IMPLEMENT</b>	0.0327			
<b>ECONOMY</b>	0.3067	-0.119		
<b>ENGLISH</b>	0.149	0.0365	0.156	

**Table 4.7 Results Hurdle model**

<b>Count model coefficients</b>				
	<b>Estimate</b>	<b>Standard Error</b>	<b>Z Value</b>	<b>Pr(&gt; z )</b>
<b>(Intercept)</b>	-8.5516	77.9146	-0.110	0.912603
<b>Implementation status</b>	1.2899	0.6267	2.058	0.039575*
<b>GDP per capita</b>	2.0052	0.5309	3.777	0.000159***
<b>English-proficiency</b>	1.7460	0.6358	2.746	0.006030**
<b>Log (theta)</b>	-10.3508	77.9140	-0.133	0.894312
<b>Zero hurdle model coefficients</b>				
	<b>Estimate</b>	<b>Standard Error</b>	<b>Z Value</b>	<b>Pr(&gt; z )</b>
<b>(Intercept)</b>	-1.2898	0.2930	-4.402	1.07e-05***
<b>Status</b>	0.6616	0.3245	2.039	0.0414*
<b>GDP per capita</b>	0.3384	0.1612	2.100	0.0358*
<b>English-proficiency</b>	0.3938	0.3209	1.227	0.2198

N: 191 records

Significance codes: '0 \*\*\*' 0.0'1 \*\*\*' 0.'1'\*' 0.'5''! 0'1'' 1



# Chapter 5

## Stakeholder participation in the development of IPSAS 42, Social Benefits

### Introduction

The International Public Sector Accounting Standards Board (IPSASB) is an international organisation whose objective is to develop high-quality public sector financial reporting standards. The IPSASB encourages awareness of the International Public Sector Accounting Standards (IPSAS) and the benefits of their adoption. Through the increasing adoption of accrual based IPSAS, the IPSASB wishes to strengthen public financial management and knowledge globally (IPSASB, 2019).

Before official IPSAS are issued, the IPSASB develops either a consultation paper (CP) or an exposure draft (ED). These are made available to the public for feedback, in the form of comment letters (CLs). The issues raised in CLs are analysed by the IPSASB, and possible changes to the CP or ED are considered. This is known as due process. In short, to develop an IPSAS, the IPSASB requests input from stakeholders, or in other words, stakeholder participation.

Most research regarding both public and private sector accounting standard-setting boards (SSBs) and stakeholder participation focuses on the SSBs' input legitimacy by examining who the respondents are. Input-legitimacy is achieved when the input an organisation receives correctly reflects the opinion of all stakeholders. The IPSASB aims to develop international accounting standards for public sector entities, which would affect not only these entities, but anyone related to them (e.g., civilians, firms, financial organisations, oversight bodies). The stakeholder group is highly varied; therefore IPSASB's received input should also be. However, previous research has revealed an unequal representation of respondents in terms of their geographic origin and affiliation.

Regardless of who participates in due process, whether or not that participation makes a difference to final standards is much debated in previous research (e.g., Wingard et al., 2016). One could wonder then, why SSBs apply due process if they do not intend to use the received input. As SSBs in both the public and

private sector often lack elected or other governmental authority and are, therefore, unable to impose the standards they create, transparent standard-setting with participation from stakeholders is often used to gain more societal acceptance and motivate stakeholders to implement the standards. Additionally, previous research has indicated that stakeholders can become reluctant to participate if they feel their opinions are discounted (e.g., Glicken, 2000). It is considered highly important that SSBs demonstrate that all views are considered and that they are transparent regarding the decision-making process. Suchman (1995) calls this procedural legitimacy. An organisation will gain procedural legitimacy if stakeholders have the perception that when submitting their input, they will receive adequate justification for the organisation's final decisions.

Although the research on stakeholder participation for the IPSASB is steadily growing, it has so far mainly focused on the IPSASB's input legitimacy, and the extent of the IPSASB's procedural legitimacy remains unanswered. This article contributes to the steadily growing body of research into the IPSASB's input legitimacy by examining respondents' input in the due process of ED 63, Social Benefits. Furthermore, it investigates the IPSASB's -procedural legitimacy by examining to what extent the input provided by stakeholders in reaction to ED 63, Social Benefits was considered and integrated by the IPSASB.

This will be a first step towards filling the gap in research regarding IPSASB's procedural legitimacy. It will offer fresh knowledge on the IPSASB's due process and stakeholder participation and will be relevant for any organisation that seeks stakeholder participation, specifically for the governance of SSBs and the quality and credibility of their consultation and engagement with stakeholders. The IPSASB initiated a social benefits (SB) project in 2002 as they found that providing SBs was an important part of governments' expenses, and the IPSAS at that time did not provide adequate guidance on how to account for those expenses (IPSASB, 2017). In October 2017 the IPSASB launched ED 63 which included a definition of SBs; it proposed requirements for the recognition and measurement of SB schemes, and contained additional disclosure requirements (IPSASB, 2017). IPSAS 42, Social Benefits was published in January 2019, completing the SBs project (IPSAS, 2019). The subject of SBs was chosen for several reasons, one of them being its turbulent project history (cf. *infra*). Its ED also received a very high level of stakeholders' input for

the IPSASB (41 CLs). Furthermore, it is a typical public sector topic for which the IPSASB could not base their drafts on International Financial Reporting Standards (IFRS). We believe that the content in the ED will be up for discussion as stakeholders are not yet familiar with the methods in other standards.

The results show that respondents originated mostly from Europe and Oceania, and the majority of respondents were professional associations and public sector entities. The IPSASB's staff appears to have performed a thorough analysis of the CLs, however, the method applied to analyse the respondents' input is unexplained. When facing a problematic section, the IPSASB will much sooner either delete it, or leave it untouched with the promise of additional guidance later. This lack of integration of respondents' input indicates that it rarely follows respondents' input, which makes justifying its decisions all the more important from a procedural legitimacy viewpoint. There is a clear lack of transparency regarding how respondents' input is analysed. This could make the decision-making process seem arbitrary and subjective and could potentially have a negative effect on the IPSASB's legitimacy.

The essay is structured as follows. First, a short overview outlines the history of the IPSASB's social benefits project. Next, previous research regarding stakeholder participation and legitimacy in the SSB's due processes is discussed. The third section presents the research questions and methodology. Fourth, the results are reported and discussed after which the article finishes with concluding remarks.

### **IPSASB's social benefits project: A brief history**

The SBs project was initiated in 2002, with the first publication in 2004 that included an Invitation to Comment, Accounting for Social Policies of Government. The IPSASB chose this project as they felt that providing SBs was an important part of governments' expenses and the IPSAS at that time did not provide adequate guidance on how to account for those expenses (IPSASB, 2017). IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets (2002), excludes provisions related to SBs in non-exchange transactions from its scope. As a result, users may not be able to obtain the information needed to evaluate the nature and financial effect of an SB scheme and the impact of SBs on the government's finances.

In 2008, both ED 34, *Social Benefits: Disclosure of Cash Transfers to Individuals or Households*, and CP, *Social Benefits: Issues in Recognition and Measurement*, were published. However, the IPSASB decided to put the project on hold until the completion of its Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (CF) because they were unable to reach a consensus at that point in time. Nevertheless, before finalizing the CF the IPSASB published Recommended Practice Guideline (RPG) 1, *Reporting on the Long-Term Sustainability of an Entity's Finances*, which states that financial statements are unable to meet all of the users' information needs on SBs and, therefore, further information about the long-term fiscal sustainability of those SB schemes was required (IPSASB, 2019b). In 2014 the CF was issued, and the project was restarted.

In July 2015, the IPSASB launched the CP, *Recognition and Measurement of Social Benefits*. This CP continued previous work and was influenced by recent IPSASB work, such as the CF and RPG 1. This was followed up in October 2017 with the publication of ED 63, *Social Benefits*, which developed a definition of SBs and proposed requirements for the recognition and measurement of SB schemes and additional disclosure requirements (IPSASB, 2017). Both documents were open for public comment.

In January 2019, IPSAS 42, *Social Benefits*, was published, completing the SBs project. IPSAS 42 provides guidance on accounting for SB expenditures. It has defined SBs as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk; examples given include state retirement benefits, disability benefits, income support and unemployment benefits. IPSAS 42 requires an entity to recognise an expense and a liability for the next SB payment, establishes principles and requirements for recognising and measuring expenses and liabilities for SBs and determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of SBs and how to present this information (IPSAS, 2019).

## **Previous literature: Stakeholder participation and legitimacy**

In this article, stakeholder participation is defined as an affected individual or group who actively takes part in the decision processes of organisations that will influence them either directly or indirectly. An often-used term for the stakeholders' efforts and actions to influence SSBs is lobbying (Sutton, 1984).

Most previous research on stakeholder participation has been limited to examining SSBs' input legitimacy by analysing CLs to assess who the respondents are and whether respondents oppose or support the draft versions of standards. It has revealed an unequal representation of respondents in terms of their geographic origin and affiliation (Eisenschmidt & Krasodomska, 2017; Huian, 2013a, 2013b; Larson, 2008; Mellado-Bermejo & Esteban, 2014). The overall majority of respondents usually consists of English-speaking countries (e.g., the UK, USA and Australia) and EU member states (Jorissen et al., 2012; Larson & Herz, 2013; Wingard et al., 2016). Preparers, accountants and regulators participate the most, while users of financial statements participate the least (Eisenschmidt & Krasodomska, 2017; Jorissen, et al., 2013).

Research into the IPSASB's input legitimacy indicates similar results, and most studies focus on one consultation document. For example, Manes Rossi and Aversano (2015), examined the CP, Reporting Service Performance Information, and found that respondents were mainly professional associations, public sector entities and other SSBs. In the same year, Bisogno et al. (2015) examined ED 49, Consolidated Financial Statements, and found similar evidence that most respondents are public sector entities and professional associations, as well as international organizations. The authors also found that the majority of respondents were from Europe and Oceania. These findings are supported by De Wolf et al. (2020) who analysed the CP, Financial Reporting for Heritage in the Public Sector, for which the majority of respondents were public sector entities and professional associations mainly from Europe and Oceania.

The most comprehensive study on the IPS'SB's input legitimacy was conducted by Kidwell and Lowensohn (2019). They examined, among other things, which stakeholders participated in the consultation process for the period 2010–2017. It was found that most of the respondents were from Europe, but the authors noted that only 13 of the 27 EU member states had participated, and six of them wrote a maximum

of three letters. Additionally, most respondents were professional associations, national standard-setters, treasuries, ministries of finance and audit offices.

However, regardless of who participates in the due process and whether or not that participation makes a difference to final standards remains a debatable question. According to Wingard et al. (2016), due process is a dispute resolution mechanism and show of transparency without restricting the decision-making authority of the organisation, which in their case was the International Accounting Standards Board (IASB). Fogarty (1994) called the Financial Accounting Standards Board's due process a ritual maintaining the perception among constituents that their input could, to some level, influence the final standards. Burlaud and Colasse (2011) go further by calling it a ritual procedure intended to create an impression of a transparent process in which all voices are heard but which possesses fundamental flaws. They indicate that the main flaws are the lack of voting rights for stakeholders, the cost that comes with participating and the SSBs' veto power. This final concern was voiced earlier by Johnson and Solomons (1984) who argued that open public debate was required to justify decisions made and actions taken. Without this, there are fears that this process might be viewed as symbolic rather than substantive.

In Suchman's (p. 574, 1995) analysis of strategic and institutional approaches, he defined legitimacy as 'a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions'. He identified three primary forms of organisational legitimacy: pragmatic, cognitive, and moral legitimacy. Pragmatic legitimacy is described as audience self-interest, meaning stakeholders analyse the workings of an organisation and participate out of self-interest to influence the consequences of the board's workings and decisions to suit them. Both Sutton (1984) and Tandy and Wilburn's (1996) research are in line with Suchman's idea of pragmatic legitimacy as they argue that individuals will participate if the perceived benefits, such as influencing the outcomes, outweigh the costs of participating.

Cognitive legitimacy refers to comprehensibility and taken-for-grantedness. According to Durocher et al. (2007), it is taken for granted that specialists carry out certain actions. This means that alternatives to

the organisation and the product or structure it creates seem non-existent; and therefore, it is unthinkable not to follow this organisation.

The third primary organisational legitimacy form is moral legitimacy. This refers to normative approval, meaning it is not based on whether the board makes a decision in the self-interest of participants but whether it is doing 'the right thing' in general. A way to garner moral legitimacy, according to Suchman (1995), is through procedural legitimacy, which refers to embracing socially accepted techniques and procedures. Durocher et al. (2007) found that whether or not stakeholders' views are considered in the due process influences the organisation's procedural legitimacy stakeholders.

Previous research has indicated that whether or not an organisation possesses procedural legitimacy influences stakeholder participation. For example, Tandy and Wilburn (1996) found there are many reasons that deter stakeholders from participating, one of which is low expectations of affecting the SSB's decisions. Similarly, Glicken (2000) found that stakeholders can be reluctant to participate if they feel their opinions are discounted because decisions have already been made or they feel their input is simply sought as an exercise without real meaning. Durocher and Fortin (2011) agree that stakeholders must feel they can truly influence the content of potential standards and their opinion will be heard. They feel it is paramount that, even though SSBs cannot satisfy everyone's wishes, the SSBs show that all views are considered and that they are transparent regarding their decision-making process. More recently, Beyers and Arras (2020) examined stakeholder consultations and the legitimacy of regulatory decision-making and concluded that procedural legitimacy increases decision acceptance and compliance among stakeholders who do not generally agree with the regulations.

Only a limited amount of previous research, however, examines the consideration and integration of respondents' input in final standards. All studies found after a thorough literature review only look into IFRS. Huian (2013a) examined stakeholder input for the ED preceding IFRS 9 on Financial Instruments. He found split opinions amongst the respondents, but a satisfactory level of integration of the respondents' input in the final standard. Ram and Newberry (2013) on the other hand concluded that the IASB often lacked

consideration for the submitted comments and only made changes when powerful regulators got involved. Other authors focussed on the different levels of influence certain stakeholder groups have over SSBs, such as Chee Chio Kwok and Sharp (2005) who analysed the influence of different stakeholder groups (users, preparers, accountants and regulators) on the standard-setting process of the IASB's forerunner and found a mixed power situation where no party had absolute power though they did notice a significant influence by preparers. Bamber and McMeeking (2016) analysed the possible reasons why some respondents' opinions are included and others are not for the IASB. They found indications that accounting firms had significantly less influence than other stakeholders, that the IASB reacted less favourably to UK proposals, and comments from the US were more likely to be discussed.

Although research on the IPSASB's stakeholder participation is steadily growing, so far it mainly focusses on the IPSASB's input legitimacy as discussed above (e.g., Bisogno et al., 2015; De Wolf et al., 2020; De Wolf & Christiaens, 2020; Manes Rossi & Aversano, 2015; Mitu & Tiron-Tudor, 2013). The extent to which the IPSASB possesses procedural legitimacy remains unanswered. This gap in research was highlighted by Lowensohn and Kidwell (2019) who discussed the IPSASB's input-legitimacy by examining which stakeholders, in what circumstances and in what tone, participate in its due process. Their study revealed that to what extent SSBs integrate their stakeholders' input is still an important unanswered question, especially for the IPSASB.

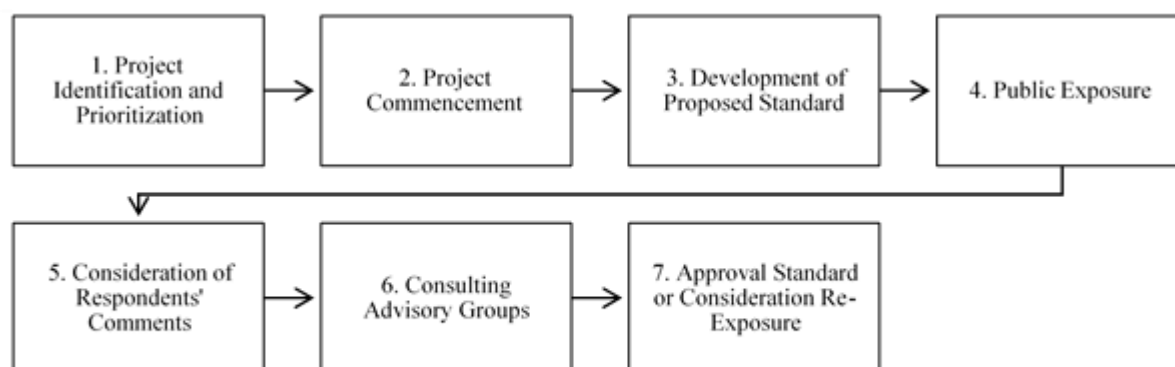
## **Research questions and methodology**

To develop a standard the IPSASB uses a due process that allows which gives interested parties to submit comments. The process of developing a standard can be divided into six stages (Figure 5.1). It starts with identifying what the needs for new IPSAS are and starting up a project on the subject. The next step is developing a draft version of the standard, either in the form of a CP or ED, which is then made available to the general public for a finite amount of time. Anyone can provide feedback by submitting a CL within the given timeframe. After the consultation period has ended, the CLs are analysed and considered. If changes to the CP or ED are made after the responses, the IPSASB can consider re-issuing the document for further



review and comment. Based on the comments received, the IPSASB revises the proposed standard to finally approve it. A majority of two-thirds of the voting rights on the IPSASB is required for approval of CPs, EDs and standards (IPSASB, 2016).

**Figure 5.1 The process of developing IPSAS**



This article focuses on the processing of ED 63’s stakeholder input and its impact on the final standard, IPSAS 42 (steps four to six of the due process). The fact that we do not apply a broader view by looking at all stakeholder input for each public consultation within the SBs project, but rather focus on one ED, could be considered a weakness of the research. This decision was made for two reasons. First, an ED typically succeeds a CP. CPs explore a subject in detail and provide the basis for further discussion, development, and policy formation, while ED’s are more a draft version of what will be included in the actual final IPSAS. This makes it more crucial for stakeholders to participate as an ED contains more what will be included as accounting standard. Second, as the ED was the final public consultation in the entire SBs project, one could argue that it was even more important for the IPSASB to be transparent in their decision-making process as there would be no opportunity for stakeholders to respond after this.

The research questions this article aims to answer are: (RQ1) Who are the respondents participating in ED 63’s due process and to what extent do they support the content of ED 63, Social Benefits? (RQ2) To what extent does the IPSASB consider and integrate stakeholder input received via CLs when developing IPSAS 42, Social Benefits?

To answer the first research question, it is important to examine the respondents' opinions to see whether they support or oppose the content of the ED. For this, a method based on previous research by Huian (2013a, 2013b) was chosen, which assesses the respondents' opinions via a scoring system of the level of (dis)agreement (agree, partially agree, disagree, no comment) for each SMC (Table 5.3). ED 63 consists of six specific matters for comment (SMCs) related to accounting for SBs. Each SMC revolves around a different topic and consists of one or more specific questions the IPSASBs wishes feedback on. The SMCs will be discussed in the order they are found in the ED (Table 5.1), excluding SMC 6 as it does not relate to the content of the standard being developed but focuses on other developed of future IPSASB projects. The next step is a content analysis of the respondents' input to see whether minor, moderate or major adjustments were requested, in line with Bamber and McMeeking (2016). Minor adjustments are those that do not alter the meaning of the original content (e.g., simple spelling or grammatical changes for clarity). Moderate adjustments are slight changes in meaning or interpretation (e.g., extra guidance, word changes altering the meaning). Major adjustments request fundamental content changes. As minor adjustments do not change anything about the content, only the moderate and major changes are discussed in this research. Additionally, the decision was made to narrow it down to moderate and major issues mentioned by at least 10% of the respondents (Table 5.4). Most issues were only raised by only a single respondent. It could be argued by the IPSASB that they cannot extensively discuss each single issue. Therefore, we focus on those issues raised by at least 10%, indicating that a large group of respondents struggle with this issue and it therefore necessitates discussion by the IPSASB.

To answer the second research question, it is important to underline that it is highly unlikely that all respondents will agree on every point. The IPSASB will be confronted with different opinions and will have to decide which of the respondents' recommendations to follow, if any. Therefore, it is impossible for the IPSASB to fully please every respondent. However, even if the IPSASB decides not to follow any or certain respondents' input, the fact that it considers and discusses their opinions (cf. step 5 in Figure 1) is also a characteristic of successful participation. It could make respondents feel heard and potentially provide the

IPSASB with a sense of procedural legitimacy. With this in mind, to find indications of how the IPSASB processed respondents' input, the next step is a content analysis of all publicly available IPSASB documents from the SBs project after the completion of the ED's consultation period, e.g., minutes of IPSASB meetings) ([www.ipsasb.org](http://www.ipsasb.org)). The full list can be found in the references of this study. Even though it is possible that the IPSASB considered and discussed more input stemming from the CLs than is made clear in these documents, it was decided to focus on this dataset as it is the stakeholder who attributes procedural legitimacy to the IPSASB, and this is the only information stakeholders have access to. From that perspective one might argue that no consideration could be seen as a complete lack of discussion or analysis of the respondents' input. Successful consideration could be seen as a thorough, transparent analysis of the respondents' input with a clear description of the Staff's thought- and decision process.

## **Results**

### ***Respondents' profiles***

The public consultation received 41 CLs, which is a large amount for the IPSASB. The IPSASB receives an average of 28.6 CLs per consultation document, and it received 1,429 CLs up until the finalisation of ED 63 for 50 different consultation documents.

The 41 CLs originated from 23 countries and 10 organisations that operate on an international scale (Table 5.2). The majority of CLs originated from Europe (37%) and Oceania (20%); The least active was South America (2%) with only one CL. Expectations based on previous literature on the level of activity of different affiliations were fulfilled with the respondents mostly consisting of professional associations (41%) and public sector entities (34%). The least active was the group of academics (2%) with only one CL; however, it is important to clarify that this CL was collaboration between 15 academics. One could wonder if the IPSASB takes this into account or whether the academics' opinions would be felt more if they had written separate CLs.

Of the 41 respondents, 22 had previously participated in the due process of a former CP on SBs, which shows that nearly half of the respondents were responding for the first time on this issue (at least in the second phase of the SB project). This could indicate that those who had initially participated were not fully satisfied with the decisions made and felt the need to participate again.

### ***Respondents' support of ED 63***

ED 63 comprised 13 SMCs related to accounting for SBs that were classified into five topics. Most respondents followed the ED's structure provided by the SMCs. Some did not respond to all of the SMCs, or simply replied 'agree/disagree' without argument. Three respondents followed a different structure by simply expressing their opinion on the entirety of the ED or some facets of it. Although this made analysing them more difficult, it reveals that the ED's structure has its complications. By posing questions referring to certain paragraphs, even the way the question is posed influences respondents to answer in a certain way.

Table 5.3 demonstrates that the ED received an overall agreement from the respondents. The majority agreed with 10 of the 13 SMCs; for the other three (SMC 3a, 4 and 5d), the majority disagreed. However, it is noteworthy that for every SMC, excluding SMC 3c, at least 10% of the respondents always disagreed. This indicates that the respondents were not fully supportive of any of ED 63's SMCs.

A deeper analysis reveals which parts of the ED respondents most disagreed with and wanted changes made. Table 5.4 provides an overview of this study's analysis of the moderate and major issues in the CL raised by at least 10% of the respondents. This analysis will help identify which changes the IPSASB should consider or integrate if they take notice of their respondents' input. An important side note is that the respondents who raised these issues did not necessarily disagree with the SMC; often supporters of SMCs also express certain concerns. Nineteen moderate or major issues were identified, with SMC 3d and 5b being the only ones without. Although a few of the issues were raised in only four or five CLs, some issues were raised in a significant number of CLs, such as the timeframe suggested in SMC 5d, which is the most contested part of the ED with 44% of respondents taking issue with it. The largest number of different issues for the ED was four issues for SMC 2a, which discusses the definition of SBs. Although only a few CLs raise

the issues for this SMC, it is worth considering as the definition can be seen as the basis of the entire ED. If the definition is not clear to all respondents, how will they apply this to future IPSAS?

### ***Consideration and integration of respondents' input***

Once the consultation period was finished, the IPSASB's staff was tasked with analysing the CLs. They presented their findings and advice for the next steps to the IPSASB during three board deliberations (June, September and December 2018). The staff provided an overview of how many respondents (dis)agreed with the SMCs (Table 5.5) and delved further into the content of certain CLs before formulating advice for the next steps.

When comparing the results of the staff's analysis of the respondents' support for the ED (Table 5.5) with our analysis (Table 5.3), it can be seen that the ranking from the biggest category to the smallest remains the same for both, and the differences are mostly small; however, for most SMCs, the concrete numbers differ between both analyses. This indicates that it is not as straightforward a process as one would think, and it relies on a certain level of subjectivity. In the cases where respondents do not state a clear 'Yes, I agree' or 'No, I do not agree', it is, to a certain extent, down to the reader's interpretation.

As well as an overview of the general support, the staff also provides conclusions and advice based on the content of the CLs which is also made publicly available. The staff's analysis itself, however, is not shared, nor are any explanations about the process of the analysis, only the conclusions of their analysis, which makes it impossible for respondents to know why some CLs or specific issues are discussed and others are not mentioned.

Table 5.6 provides an overview of the staff's conclusions for each SMC. The issues they raise do not always match the 19 moderate or major issues that this study identified (Table 5.4), which indicates that the staff does not simply discuss the issues that were raised most often. Additionally, for three SMCs (1, 3a and 3d), the staff concluded that the CLs had not contained any new issues that were significant enough to require changes. However, this research shares that conclusion only for SMC 3d. The word 'new' could indicate that these issues were already mentioned and discussed in previous consultations, but this is not explained in this

discussion. Additionally, if more than 10% of respondents bring it up again, it can be argued that the previous discussion has not resolved the issue and it should either be discussed again, or there should be a reference to a previous discussion.

After the staff has set out its analysis and advice, the IPSASB makes the final decisions, for which an overview is provided in the second part of Table 5.6. The IPSASB follows its staff's advice completely for the majority of SMCs (2b, 3a, 4, 5a, 5b, 5c and 5d). Additionally, it will consider formalising processes for post-implementation reviews (PIRs), which has never been done before but was advised by the staff for multiple SMCs.

The IPSASB members do not blindly follow its staff's conclusions but also considers the respondents' input for themselves. For example, in SMC 1, the IPSASB disagrees with the staff that there are no new issues significant enough for alterations, and actually follows the respondents' input limiting the scope to cash transfers.

When looking at all of the IPSASB's final decisions regarding this ED, it is evident that they can be put into one of three categories: (1) make no changes relating to the respondents' requests; (2) provide additional guidance either in IPSAS 42 or other IPSASs; (3) delete the problematic paragraphs. Only twice has the IPSASB completely followed the requests, i.e., in SMC 1 and SMC 2a, by adding that SBs are cash transfers.

The fact that the IPSASB rarely follows respondents' input here makes justifying its decisions all the more important to garner procedural legitimacy. The IPSASB attempts to do this in its 'Basis for Conclusions' which is included in each IPSAS. Though the Basis for Conclusions does provide more insight into the IPSASB's discussion and decision process, it retains the vagueness that can be found in the staff's analysis. It is clear not all input is discussed, which could be understandable, but on what basis do they decide which input (and with it, which respondent) is deserving of a clear answer? Does this depend on how many respondents mention certain things or does it depend on who the respondents are? In that train of thought it is also not clear if and how the IPSASB weighs CLs. Does a CL written by an individual carry the same

weight for example as one written by the head of an organisation in name of said organisation, or by a collaboration of several people?

## **Conclusion**

This paper contributes to the understanding of stakeholder participation within the International Public Sector Accounting Standards Board's (IPSASB) due process. In line with previous research on this subject, the IPSASB's input legitimacy has been examined by analysing who the respondents are to exposure draft (ED) 63, Social Benefits (SBs), and to what extent they support ED 63. Furthermore, it initiates research into the IPSASB's procedural legitimacy by examining to what extent the feedback provided by stakeholders to ED 63, Social Benefits was considered and integrated in the final International Public Sector Accounting Standard (IPSAS) 42.

Input legitimacy refers to an organisation receiving stakeholder input that correctly reflects the opinion of all stakeholders. In this research, stakeholders' input was retrieved via the 41 comment letters (CLs) that were submitted in ED 63's due process; 31 of these originate from 23 countries and the other 10 from organisations that operate on an international scale. The majority of respondents originated from Europe and Oceania, and the least number of CLs came from South America. The CLs were mostly written by professional associations and public sector entities; only one CL was written by academics, but there does not appear to be a lack of interest from this stakeholder group as it was written by a collaboration of 15 academics. These findings support previous results regarding the imbalances in who participates in the IPSASB's due process.

ED 63 comprised 13 questions, categorized in five Specific Matters for Comment (SMC). Overall, respondents agreed with the content of the ED. The majority agreed with 10 of the 13 SMCs and disagreed with the other three. It is noteworthy that for 12 of the SMCs at least 10% of the respondents always disagreed, and the content analysis showed that 19 issues were raised by at least 10% of the respondents. This indicates that the respondents were not fully supportive of any of ED 63's SMCs. The most contested topic was the obligating event approach that five years is an appropriate timeframe over which to disclose future cash flows

related to an entity's SB schemes. The topic that raised the most diverse number of issues was the definition of SBs.

Procedural legitimacy, part of Suchman's (1995) moral legitimacy theory, can be gained if stakeholders perceive that when they submit input, they will receive adequate justification for the organisation's final decisions. To examine the IPSASB's procedural legitimacy the extent of the IPSASB's consideration and integration of respondents' input from the viewpoint of stakeholders is analysed. The IPSASB tasked its staff with analysing the input received after the public consultation for ED 63. Although the staff's conclusions and advice after their analysis are publicly available, neither the analysis itself nor the method they applied is described. This is problematic as the analysis is not straightforward but riddled with possible subjectivity. For example, when comparing the results of the staff's analysis of the respondents' support for ED 63 with our own, it can be seen that for most SMC's, the concrete numbers differ. Additionally, for three SMCs, staff concluded that no new issues were raised that were significant enough to require changes. However, this research shares that conclusion only for one of the SMCs. These issues may have already been discussed in a previous consultation, but if more than 10% of respondents brought it up again, it can also be argued that the previous discussion had not resolved the issue. This lack of explanation in the publicly available documentation could potentially have a negative effect on their procedural legitimacy as it could make the process seem arbitrary and subjective.

An analysis of the IPSASB's final decision demonstrates that, although this research identified nineteen moderate and major issues raised by respondents, the IPSASB only followed a respondents' input twice, both essentially the same thing: limiting the scope to cash transfers and adding this in the definition. When facing a problematic section, the IPSASB will much sooner either delete it, or leave it untouched and promise additional guidance later on. This lack of integration of respondents' input makes justifying its decisions all the more important from a procedural legitimacy viewpoint. Though the 'Basis of Conclusions' in the final IPSAS does provide more insight than the staff's documents, it misses the same specifics that could help make this process feel objective (e.g., are the CLs weighed?).



Though the IPSASB's due process does not seem to be merely ritual, this analysis indicates a clear flaw in the lack of transparency in how CLs are analysed and on what basis it is decided which respondents' comments are discussed or not.

Understandably, the IPSASB and its staff seem to follow a certain fixed outline when analysing CLs within a certain project (e.g., model document of staff's advice). This however indicates that the lack of transparency is likely not only an issue for this particular project but for every project. The main limitations of this study were its focus on ED 63 rather than the entire SB project's history and its lack of discourse with IPSASB members and staff. Further research should therefore be performed on stakeholder participation for the entirety of the project and on what extent the IPSASB integrates respondents' input into its decision-making processes for other IPSAS by replicating this method. Additionally, further research on the processing and integration of CLs should use different methods, such as interviews with IPSASB members and staff. It would be interesting to examine on what basis SSBs follow certain CLs and not others, such as whether any particular stakeholder groups are more effective at persuading SSBs.

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## Tables

**Table 5.1 ED 63's Specific Matters for Comment**

<b>Topic</b>	<b>SMC</b>	<b>Do you agree...</b>
<b>Scope</b>	<b>SMC 1</b>	...with the scope of this ED, and specifically the exclusion of universally accessible services for the reasons given in paragraph BC21(c)?
<b>Definitions</b>	<b>SMC 2a</b>	...with the definition of social benefits that is included in this ED?
	<b>SMC 2b</b>	...with the definition of social risks that is included in this ED?
	<b>SMC 2c</b>	...with the definition of universally accessible services that is included in this ED?
<b>Insurance approach</b>	<b>SMC 3a</b>	...that, with respect to the insurance approach: It should be optional?
	<b>SMC 3b</b>	...that, with respect to the insurance approach: The criteria for determining whether the insurance approach may be applied are appropriate?
	<b>SMC 3c</b>	...that, with respect to the insurance approach: Directing preparers to follow the relevant international or national accounting standard dealing with insurance contracts (IFRS 17, Insurance Contracts and national standards that have adopted substantially the same principles as IFRS 17) is appropriate?
	<b>SMC 3d</b>	...that, with respect to the insurance approach: The additional disclosures required by paragraph 12 of this ED are appropriate?
<b>Obligating event approach</b>	<b>SMC 4</b>	...that, under the obligating event approach, the past event that gives rise to a liability for a social benefit scheme is the satisfaction by the beneficiary of all eligibility criteria for the next benefit, which includes being alive (whether this is explicitly stated or implicit in the scheme provisions)?
	<b>SMC 5a</b>	...that, the disclosures about the characteristics of an entity's social benefit schemes (paragraph 31) are appropriate?
	<b>SMC 5b</b>	...that, the disclosures of the amounts in the financial statements (paragraphs 32–33) are appropriate?
	<b>SMC 5c</b>	...that, for the future cash flows related to from an entity's social benefit schemes (see paragraph 34): It is appropriate to disclose the projected future cash flows?
	<b>SMC 5d</b>	...that, for the future cash flows related to from an entity's social benefit schemes (see paragraph 34): Five years is the appropriate period over which to disclose those future cash flows?

**Table 5.2 Respondents to ED 63**

<b>Continent</b>	<b>Country</b>	<b>Academic</b>	<b>Company</b>	<b>Public sector entity</b>	<b>Professional association</b>	<b>SSB</b>	<b>Total (41)</b>	<b>%</b>
<b>Africa</b>	South Africa; Kenya; Nigeria	-	-	-	1	2	3	7%
<b>Asia</b>	Malaysia; Japan; Korea; Pakistan	-	1	-	3	-	4	10%
<b>Europe</b>	U.K.; Switzerland; Ireland; Scotland; Sweden; Germany; Hungary; Malta; France; Denmark; Accountancy Europe	-	1	8	6	-	15	37%
<b>North America</b>	Canada; U.S.	-	-	2	-	1	3	7%
<b>Oceania</b>	New Zealand; Australia; Australasian Council of Auditors-General	-	-	4	2	2	8	20%
<b>South America</b>	Asociación Internamericana de Contabilidad	-	-	-	1	-	1	2%
<b>International</b>	IAA; ICGFM; EY; PwC; ACCA; CIPFA; Task Force IRSPM A&A SIG, CIGAR Network, EGPA PSG XII	1	2	-	4	-	7	17%
<b>Total</b>		1	4	14	17	5	41	100%
<b>%</b>		2%	10%	34%	41%	12%	100%	



**Table 5.3. Support of ED 63 by SMC**

<b>SMC</b>		<b>Agree</b>	<b>Partially agree</b>	<b>Disagree</b>	<b>No comment</b>	<b>Total (41)</b>
<b>1</b>	<b>N (%)</b>	26 (63%)	9 (22%)	5 (12%)	1 (2%)	41 (100%)
<b>2a</b>	<b>N (%)</b>	18 (44%)	7 (17%)	13 (32%)	3 (7%)	41 (100%)
<b>2b</b>	<b>N (%)</b>	19 (46%)	7 (17%)	13 (32%)	2 (5%)	41 (100%)
<b>2c</b>	<b>N (%)</b>	19 (46%)	2 (5%)	13 (32%)	7 (17%)	41 (100%)
<b>3a</b>	<b>N (%)</b>	12 (29%)	9 (22%)	14 (34%)	6 (15%)	41 (100%)
<b>3b</b>	<b>N (%)</b>	15 (37%)	7 (17%)	4 (10%)	15 (37%)	41 (100%)
<b>3c</b>	<b>N (%)</b>	21 (51%)	6 (15%)	3 (7%)	11 (27%)	41 (100%)
<b>3d</b>	<b>N (%)</b>	20 (49%)	2 (5%)	4 (10%)	15 (37%)	41 (100%)
<b>4</b>	<b>N (%)</b>	14 (34%)	11 (27%)	16 (39%)	-	41 (100%)
<b>5a</b>	<b>N (%)</b>	28 (68%)	5 (12%)	4 (10%)	4 (10%)	41 (100%)
<b>5b</b>	<b>N (%)</b>	26 (63%)	3 (7%)	6 (15%)	6 (15%)	41 (100%)
<b>5c</b>	<b>N (%)</b>	16 (39%)	10 (24%)	12 (29%)	3 (7%)	41 (100%)
<b>5d</b>	<b>N (%)</b>	8 (20%)	4 (10%)	21 (51%)	8 (20%)	41 (100%)
<b>Total</b>	<b>N (%)</b>	242 (45%)	82 (15%)	128 (24%)	81 (15%)	533 (100%)

**Table 5.4 Moderate and major respondents' issues to ED 63**

<b>SMC</b>	<b>Respondents' issues</b>	<b>Support</b>
<b>1</b>	Unclear boundaries both internally (e.g. between SBs and UAS) and externally with other IPSAS.	7 (17%)
	Concerns about ensuring similar accounting treatment for transactions with a similar economic substance.	4 (10%)
<b>2a</b>	It is not a definition.	6 (15%)
	Add that they are transfers in cash or kind.	4 (10%)
	Complex to apply in practice.	6 (15%)
	Concerns about the phrase 'Society as a whole'.	5 (12%)
<b>2b</b>	Complex to apply in practice.	11 (27%)
	Disagreement with the exclusion of risk from disasters (e.g. earthquakes).	5 (12%)
<b>2c</b>	UAS definition is unclear and redundant.	6 (15%)
<b>3a</b>	Giving options reduces consistency and comparability.	10 (24%)
	If the criteria are met, the insurance approach should be mandatory.	12 (29%)
<b>3b</b>	Issues with the criteria that the SB scheme is intended to be fully funded from contributions.	8 (20%)
<b>3c</b>	Doubts about the appropriateness of discount rates and risk adjustments in IFRS 17 to the public sector.	5 (12%)
<b>3d</b>	No moderate or major issues raised.	-
<b>4</b>	Much support for the alternative view.	9 (22%)
	Issues with the treatment of 'being alive'.	9 (22%)
	Issues with the proposed point of recognition.	7 (17%)
<b>5a</b>	Concerns that it would add considerable length to the financial statements, which could obscure other useful information.	8 (20%)
<b>5b</b>	No moderate or major issues raised.	-
<b>5c</b>	This information should not be disclosed in financial statements.	8 (20%)
<b>5d</b>	Disagreement on the suggested timeframe.	18 (44%)

**Table 5.5 Respondent support of ED 63 according to the IPSASB’s staff (IPSASB, 2018d)**

<b>SMC</b>		<b>Agree</b>	<b>Partially agree</b>	<b>Disagree</b>	<b>No comment</b>	<b>Total (41)</b>
<b>1</b>	<b>N (%)</b>	27 (66%)	8 (20%)	5 (12%)	1 (2%)	41 (100%)
<b>2a</b>	<b>N (%)</b>	17 (41%)	9 (22%)	12 (29%)	3 (7%)	41 (100%)
<b>2b</b>	<b>N (%)</b>	19 (46%)	7 (17%)	13 (32%)	2 (5%)	41 (100%)
<b>2c</b>	<b>N (%)</b>	16 (39%)	7 (17%)	11 (27%)	7 (17%)	41 (100%)
<b>3a</b>	<b>N (%)</b>	10 (24%)	9 (22%)	16 (39%)	6 (15%)	41 (100%)
<b>3b</b>	<b>N (%)</b>	16 (39%)	6 (15%)	5 (12%)	14 (34%)	41 (100%)
<b>3c</b>	<b>N (%)</b>	20 (49%)	7 (17%)	3 (7%)	11 (27%)	41 (100%)
<b>3d</b>	<b>N (%)</b>	20 (49%)	2 (5%)	3 (7%)	16 (39%)	41 (100%)
<b>4</b>	<b>N (%)</b>	14 (34%)	12 (29%)	15 (37%)	-	41 (100%)
<b>5a</b>	<b>N (%)</b>	25 (61%)	5 (12%)	5 (12%)	6 (15%)	41 (100%)
<b>5b</b>	<b>N (%)</b>	25 (61%)	3 (7%)	6 (15%)	7 (17%)	41 (100%)
<b>5c</b>	<b>N (%)</b>	15 (37%)	9 (22%)	12 (29%)	5 (12%)	41 (100%)
<b>5d</b>	<b>N (%)</b>	6 (15%)	5 (12%)	25 (61%)	5 (12%)	41 (100%)

**Table 5.6 Overview of staff’s advice and the IPSASB’s final decisions (IPSASB, 2017; 2018a–2018i; 2019a, 2019b)**

<b>SMC</b>	<b>Staff’s advice</b>	<b>IPSASB’s decision</b>
<b>1</b>	No new issues were raised that were significant enough to make alterations, although changes to the definitions may be needed to clarify the scope.	Scope is limited to cash transfers to remove the confusion about the boundary between SBs and UAS.
<b>2a</b>	Asks the IPSASB if it wishes to (1) remove the references to eligibility criteria; (2) retain references to social risks and provide guidance on disaster relief; (3) remove references to UAS. Recommends a new approach based on two CLs.	References to social risks and eligibility criteria are retained, but the UAS reference is removed as this was made obsolete by limiting the SB definition to cash transfers. The IPSASB agree to provide additional application guidance on cash equivalents.
<b>2b</b>	Suggests retaining the link between the ED’s scope and social risks and advises addressing the request for guidance on disaster relief (IPSAS 19).	Definition remains unchanged. The IPSASB agree to provide additional guidance on disaster relief (IPSAS 19).
<b>2c</b>	Unless the IPSASB agrees to include the newly suggested approach under SMC 2a, the staff believes the UAS definition is necessary.	UAS definition is removed.
<b>3a</b>	No new issues were raised that were significant enough to make alterations, although a review of the insurance approach would be appropriate if the IPSASB undertakes a PIR.	Remains optional.
<b>3b</b>	Suggests changing the requirement from ‘fully’ to ‘substantially funded’, providing additional guidance and reviewing the wording regarding the management of the scheme to ensure these paragraphs focus on substance over form.	The requirement that a scheme is fully funded should be retained; however, the IPSASB agree to include additional guidance regarding government funding and substance over form.
<b>3c</b>	Staff ask whether the IPSASB stands by their earlier decision to not provide additional guidance as asked by respondents. If so, they recommend providing it later, perhaps as part of the PIR.	There should be no change to the application of IFRS 17, <i>Insurance Contracts</i> .

<b>3d</b>	No new issues were raised that were persuasive enough to require amendments; however, a PIR has been suggested.	A new requirement that entities should explain the implications of not applying the insurance approach when the criteria have been met.
<b>4</b>	Staff think it is unlikely to reach a consensus. They find no new issues significant or persuasive enough to modify the proposals, apart from the treatment of being alive. They suggest exploring alternative descriptions of the recognition point that puts less focus on being alive as an eligibility criterion for all benefits. If being alive is retained, as in the ED, the staff suggest providing further explanations and guidance. Suggest a PIR again.	Agrees that a consensus is unlikely and decides to continue developing IPSAS 42 based on the ED's obligating event approach. Additionally, it will consider formalising processes for PIR. It agrees to modify the requirements to reduce the emphasis on being alive and will include additional guidance on the satisfaction of the eligibility criteria.
<b>5a</b>	Should the IPSASB allow cross-referencing to other documents, it will need to consider how this would affect the auditability of financial statements. They suggest leaving as is.	The IPSASB wish to retain the requirement to disclose the characteristics of a scheme.
<b>5b</b>	Respondents raised concerns about the level of detail required on the amounts in the financial statements. Staff suggests removing the proposed reconciliation.	The IPSASB agree to remove the requirements to disclose the reconciliation of the liability but consider that users would need information about the expenditure on each material SB scheme; it now requires this disclosure.
<b>5c &amp; 5d</b>	Staff asks whether to retain, amend or remove the disclosure of five years' future cash outflows. They note the support for disclosing future cash flows in separate financial sustainability reports, but RPG 1 is not mandatory, and they do not recommend making it so. They suggest allowing the choice of disclosing future cash flows or cross-referring to sustainability reports.	The IPSASB agree to remove the disclosure of five years' future cash flows. An additional requirement of a narrative disclosure explaining the demographic, economic and other external factors that affect its SB schemes is added. Added new mandatory requirements for sustainability reporting, based on RPG 1.



# Chapter 6

## Conclusions and reflections

To develop standards, the International Public Sector Accounting Standards Board (IPSASB) employs a due process in which stakeholders can submit feedback in the form of comment letters (CLs). This participation is paramount for the IPSASB for several reasons, such as their lack of authority to impose standards, gauging support, and identifying problems. However, it matters most of all, to gain legitimacy, which can help motivate stakeholders to implement International Public Sector Accounting Standards (IPSAS). The main objective of this research was to assess the influence of the IPSASB's due process and stakeholder participation on its legitimacy. Three types of legitimacy were analysed: input, throughput and output legitimacy. To gain all three, the IPSASB should create an environment in which all stakeholders participate, it should process all inputs fairly and transparently, and it should create appropriate IPSAS that provide the guidance that is needed.

This research contributes to the existing literature for all three types of legitimacy for the IPSASB. First, this dissertation advances our understanding of the IPSASB's output legitimacy by analysing its work regarding financial reporting for heritage. The results showed that though the IPSASB was aware of the core issues regarding financial reporting for heritage, they were unable to create the needed guidance. To this day, the issue still has not been resolved, as can be seen by the continuing search with the rather recent publication of ED 78. Though this chapter was limited to one case, it does indicate that the IPSASB struggles to develop adequate guidance for typical public sector topics for which no International Financial Reporting Standards (IFRS) example exists, which could jeopardize their output legitimacy.

To enhance its output legitimacy, the IPSASB should consider making more use of stakeholders' knowledge and expertise even before developing a draft version. Round table discussions could be organised with academics, colleague standard-setting boards (SSBs), national authorities, etc. Additionally, the

IPSASB could benefit strongly from high level accounting research, which can take the form of exploratory studies as well as empirical user need studies.

At the same time, the results evince to stakeholders that their participation is especially needed for typical public sector topics as the IPSASB's base is weaker than when it can follow and IFRS-example.

Second, though the IPSASB's due process gives opportunity to all stakeholders to participate, this research provides evidence that the received input is not representative for the IPSASB's stakeholders, both regarding stakeholders' affiliation and their geographic background.

Not only are stakeholders from some geographic regions (Europe and Oceania) far more active than others, some affiliations, such as professional associations and public sector entities, also heavily outweigh others, such as academics. This strongly threatens the IPSASB's input legitimacy.

One could argue that the stakeholders who do not participate are simply not interested, and only those that are currently participate. This could be seen as possibly having a positive effect on the quality of the input and therefore perhaps even the IPSASB's output legitimacy. This is however, a problematic train of thought. First, without widespread participation, the due process can be more influenced by lobbying and will receive one-sided input. Second, representative participation is crucial, both for the IPSASB as the stakeholders themselves. The IPSASB aims for harmonisation on a global scale. This would mean that all public sector entities would implement IPSAS. Therefore, for the IPSASB it's paramount that all stakeholders are involved in the due process to foster social acceptance which will stimulate implementation. For the stakeholders themselves it is important to make sure the IPSAS are also suited to their needs.

Several shifts in the IPSASB's stakeholder participation were uncovered. A positive one being that the typically least active areas, such as Africa, have started participating more throughout the years. A negative one being that stakeholder participation in general is declining throughout the years (2015-2020), even though the IPSASB is offering more participation opportunities. It can be seen that the participation of public sector entities, universities and other standard-setting bodies are declining. This, combined with the fact that there is an increase in participation of professional associations and companies, could become



problematic. The IPSASB loses the practical knowledge of academics, fellow standard-setters and its target audience, the public sector. This could have a negative impact on the quality of their IPSAS, and therefore their output legitimacy even.

The IPSASB needs to be aware of the shift in participation, and the possible consequences. To increase the validity of the input legitimacy, they could work pro-actively to increase participation from those less active regions and affiliations. Though we do not know the IPSASB's motives, and therefore whether it is because they too noticed this decline in scientific input, it can be seen that they already do this for academic input. In the last several years, they have committed themselves to organising seminars, such as the Research Forums hosted by the CIGAR Workshop, which bring together academia and standard-setting bodies to discuss current and committed projects on the IPSASB's work program. They could implement these types of forums with other affiliations, such as public sector entities or a forum for ministries or finance. Similarly, forums could be organised in different regions. South America is the least active region, why not organise an IPSASB forum in South America? Additionally, the IPSASB could try to collaborate with national authorities to attempt to increase public attention for the IPSASB and to increase participation.

On the other hand, we reiterate that it is also important for stakeholders from these less represented regions and affiliations to realise the possible consequences this lack in participation could have for them. By not grasping the chance to participate, and therefore possibly influencing the IPSASB, the IPSAS will be developed heavily influenced by the more active regions and affiliations and could therefore end up completely unsuitable to their own needs.

In chapter four, possible determinants are examined that could explain why stakeholders from some regions are more active than others. The results indicate a positive relationship between stakeholder participation and a higher IPSAS implementation status and a higher economic development level, both for whether and how often respondents participated. For the third variable the findings are more nuanced: stakeholders participate more often if they are more proficient in English, the official language of the IPSASB and the only language in which the official consultation documents are published. The nuance in the results

is that being less proficient in English does not prevent stakeholders from deciding to participate in the first place. These results might not explain why these stakeholders participate less, but they could help the IPSASB to identify which regions could benefit most from special outreach programs.

Above all else, this chapter has proven that the hurdle negative binomial model is better suited to this type of research than those which were used in other research. By separating the ‘participation’-decision from the ‘frequency’-decision, it provides a nuance in the findings that can help any organisation looking into possible hurdles for their stakeholders to participate or participate more frequently.

Lastly, Theory on throughput-legitimacy emphasizes how important it is that the IPSASB demonstrates that all views are considered and that they are transparent regarding the decision-making process as stakeholders can become reluctant to participate if they feel their opinions are discounted. Stakeholders must feel that they will receive adequate justification for the organisation’s final decisions when they have participated. The results indicate a lack of transparency in the due process, which could have a negative effect on the IPSASB’s throughput legitimacy.

Though it was only examined for one consultation document, it becomes clear that the IPSASB follows a certain format. For each reviewed consultation document, it publishes the same type of documents, which never include a methodological overview of how the staff analyses the CLs, nor on what basis they decide which CLs to discuss with the IPSASB members. This compromises the IPSASB’s throughput legitimacy. An easy solution would be to make these elements public. Knowing how often the IPSASB applies consultation processes, a certain analysis method must have been established. Additionally, knowing the IPSASB publishes all received CLs publicly online, there is no argument of keeping this private to respect respondents’ privacy. Not only is this relevant for the IPSASB however, but also for other SSBs or advisory groups. An example close to home is here is, such as the Belgian Commissie voor Boekhoudkundige Normen (CBN), which advises the government and the legislator, amongst other things, on the development of accounting principles and rules, particularly for the not-for-profit organisations. Similarly to the IPSASB,

CBN applies public consultations but has been critiqued to lack transparency in its stakeholder participation processes.

The aim of this study was to assess the influence of the IPSASB's due process and stakeholder participation on its legitimacy. In short, how the IPSASB's due process currently runs has a negative impact on its legitimacy and does not correspond with the high impact the IPSAS can have on its stakeholders. Its input is not representative for its stakeholders, its throughput lacks transparency, and it struggles to develop adequate output for typical public sector topics.

Even though this research is critical of the IPSASB's due process, the IPSASB cannot do without. Regardless of its limitations, there is no clear alternative. Therefore, it is important that the IPSASB examines ways to enhance its current process which could not only improve its currently declining stakeholder participation, or its legitimacy, but ultimately also the quality of its IPSAS and possibly the implementation numbers.

Overall, this research offers fresh knowledge about the relevant topic of standard-setting in the accounting sector. The research can be useful for policy- and decision-makers, and standard setters (especially the IPSASB). It is also relevant to the governance of SSBs and the quality and credibility of what SSBs are doing regarding consultation and engagement with their stakeholders. It provides insight into how the due process influences an organisation's legitimacy. Additionally, it shows how respondents' background (e.g., geographic background) and the organisation's workings can influence participation, which can help SSBs who actively seek to improve their consultation process and increase the quantity of their received input and diversity in who participates.

This research provides a starting point for more consideration of the over-arching topic: stakeholder participation in the due processes of SSBs, more specifically for the IPSASB. Naturally however, further research is possible and needed, both for the IPSASB itself as other SSBs. In the conclusions of each chapter we identified specific future research opportunities but generally speaking further research should be performed on the IPSASB's output and throughput legitimacy as this dissertation only analysed one

consultation document for each legitimacy type. Further research is also needed to analyse other potential determinants that influence participation. Additionally, this dissertation focused on CLs as it is the most tangible to research stakeholder participation. More qualitative research is needed by applying other methods, such as interviewing not only the IPSASB and its staff but also potential and actual respondents.