



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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**Agenda Item  
6**

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**DATE:** October 9, 2008  
**MEMO TO:** Members of the IPSASB  
**FROM:** Ian Carruthers & John Stanford  
**SUBJECT:** Long-Term Fiscal Sustainability

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**ACTION REQUIRED**

The Committee is asked to:

- **Note** recent developments in this project, including the responses to a questionnaire completed by Staff Force members and the meeting of the Task Force on Long-Term Fiscal Sustainability (Task Force) on September 4<sup>th</sup> and 5<sup>th</sup> 2008;
- **Consider** a proposed outline structure for the Consultation Paper and the key issues identified by the Task Force;
- **Provide** directions on the outline structure and key issues; and
- **Note** the comments of respondents on the project brief.

**AGENDA MATERIAL**

- 6.1 Copy of Questionnaire Distributed to Members of Task Force
- 6.2 Responses to Questionnaire by Task Force Members (*sent separately to Members, TAs and Observers*)
- 6.3 Proposed Outline Consultation Paper Structure and Key Issues
- 6.4 Cut and Paste of responses on Project Brief, “Long-Term Fiscal Sustainability”
- 6.5 Project Brief, “Long-Term Fiscal Sustainability” (*issued previously on website*)

**OBJECTIVE OF THIS SESSION**

The objective of this session is to obtain clear, high level directions on the structure of the Consultation Paper, the topics to be addressed in the Consultation Paper and the key issues that relate to those topics. The directions provided by Members will enable a draft Consultation Paper to be brought to the February meeting.

The paper on the outline structure, topics and key issues at Agenda Item 6.3 is a short document intended to generate discussion and reflects the time available for this item in Zurich. It will be expanded on by the Task Force Chair and Staff during the session at Zurich. Agenda Item 6.3 is cross-referenced to the questionnaire analysis at Agenda Item 6.2, which provides some more detail on the issues highlighted in the outline structure.

## **BACKGROUND**

At its meeting in Beijing in November 2007, Members agreed to initiate a project on long-term fiscal sustainability. Members acknowledged that the issue of prospective information in the context of general purpose financial reporting (financial reporting) was under consideration in the Conceptual Framework project and that subsequently constituents would be asked for their views on the scope of financial reporting. Nevertheless, because of its importance, Members decided that this project should not be deferred until after responses to the Consultation Paper had been analyzed. Therefore, a Project Brief was issued together with ED 34, “Social Benefits: Disclosure of Cash Transfers to Individuals or Households” and the Consultation Paper, “Social Benefits: Issues in Recognition and Measurement” in February 2008. Constituents were invited to provide comments on the Project Brief. The IPSASB also agreed that a Task Force should be established and be chaired by Ian Carruthers, the UK Technical Advisor.

The Task Force was established in the February-April period and includes the following members:

- Tim Beauchamp: Public Sector Accounting Board: Canada
- Pierre-Alain Bruchez: Federal Ministry of Finance: Switzerland
- Arthur Camilleri: Commonwealth Department of Finance and Deregulation: Australia
- Marie-Pierre Cordier: Cour des Comptes: France & IPSASB Member
- Frank Eich: UK Treasury
- Abdul Khan/Marco Cangiano: International Monetary Fund
- Jonas Norlin: Swedish National Audit Office
- Wendy Payne: United States: Federal Accounting Standards Advisory Board
- John Verrinder: Eurostat
- Ken Warren: New Zealand Treasury

Soon after their appointment, the Task Force members were requested to complete a questionnaire providing details of the approach to long-term fiscal sustainability reporting in their jurisdictions. A copy of the questionnaire is provided at Agenda Item 6.1. The responses to the questionnaire are provided at Agenda Item 6.2 (sent out separately). The responses to the questionnaire informed a meeting of the Task Force, which took place in London on September 4<sup>th</sup> and 5<sup>th</sup>. The Task Force developed a proposed outline structure for the Consultation Paper and highlighted a number of key issues on which directions are requested. This is provided at Agenda Item 6.3.

## **COMMENTS ON PROJECT BRIEF, “LONG-TERM FISCAL SUSTAINABILITY”**

Respondents were also invited to provide comments on the project brief on long-term fiscal sustainability. 15 respondents provided comments. A cut and paste listing of the comments is attached at Agenda Item 6.4.

Overall, there was considerable support for the IPSASB’s decision to initiate the project, although some reservations were expressed. Respondent 3 welcomed a study that would highlight best practices to inform management commentary, but expressed reservations about the development of accounting standards in this area. Respondent 7 also supported the project, but noted the area’s complexity. Respondent 8 welcomed the project, but expressed a view that any pronouncement should not be mandatory. Respondent 5 made a similar point, arguing that there should not be a mandatory requirement that entities report on long-term fiscal sustainability, but that any requirements developed should be binding on those entities that elect to report on long-term fiscal sustainability: this approach was adopted in IPSAS 22, “Disclosure of Information about the General Government Sector.” A number of respondents commented that the scope of the project should not be limited to social benefits (e.g., Respondents 1, 2, 6 & 11). Consistent with comments made to the Consultation Paper, Respondent 13 strongly endorsed the inclusion of a fiscal sustainability statement as a “primary” financial statement, reflecting the approach that has been developed at the United States Federal level.

Respondent 4 advocated changing the title to “Long-Term Financial Stability”. This mirrored the views of one of the Task Force members that the term “fiscal” may not be widely understood by non-native English speakers.

Respondent 4 also argued that net debt/Gross Domestic Product (GDP) and net debt/GDP pre capita are inappropriate measures or indicators. Respondent 5 argued that the decision on whether an entity should prepare fiscal sustainability reports should depend on whether an entity has tax-raising abilities or is wholly dependent on transfers from central government. Respondent 5 also considered that there should be flexibility on time horizons and that an annual reporting cycle may not be appropriate.

Respondent 14 thought that the timeline for completion of the project is too long.

### ***Task Force Chair & Staff View***

In general the supportive nature of the comments provides assurance that the project, as outlined in the Project Brief, is along the right lines in terms of scope and also that constituents understand the IPSASB’s rationale for initiating the project at this time. Many of the points made by respondents have also emerged during the deliberations of the Task Force.

On a point of emphasis it was not the Staff intention to limit the scope of the project to social benefits at the outset. This perception is probably attributable to the

publication of the project brief together with two documents dealing specifically with social benefits. The scope of reporting on long-term fiscal sustainability is one of the issues that have been considered by the Task Force on which directions are requested from Members (see the outline structure proposed at Agenda Item 6.3).

Many of the issues raised by Respondents 4 and 5 have already been discussed by the Task Force and are likely to be aired in the Consultation Paper. Staff notes the comments on the project timeline and acknowledges that the timeline seems long. However, due to the complexity of the subject and the fact that it is a new area for many standard-setters and constituents, a consultation period of 6 months may be necessary and a more compressed timeline would be unrealistic.

Staff considers that the title of the project will need to be discussed by Members before the Consultation Paper is finalized. While this is not an issue that affects the substance of the Consultation Paper, Members may wish to provide a preliminary view at this meeting.

**Ian Carruthers: Task Force Chair**  
**John Stanford: Deputy Director**

**International Public Sector Accounting Standards Board (IPSASB)**

**LONG-TERM FISCAL SUSTAINABILITY REPORTING  
TASK FORCE MEMBERS QUESTIONNAIRE**

**Name:**

**Organization:**

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**INTRODUCTION**

1. At a very high level, what are the key elements of the fiscal framework or macro-economic decision-making framework for your jurisdiction/supra-national organisation, for example, medium-term budgeting frameworks, annual expenditure programs?

2. Does your jurisdiction/supra-national organisation have a formal or informal definition of long-term fiscal sustainability? If so please provide it. **Yes** ☐ **No** ☐

3. Please list and provide definitions of other indicators that are used in the assessment of long-term fiscal sustainability by your jurisdiction / supra-national organisation, (for example, Net Debt, Fiscal Gap etc).

4. Do individual entities, such as state governments or local government entities, in your jurisdiction consider long-term fiscal sustainability as part of their financial management?

If yes, please provide details.

Yes ☐

No ☐

**SCOPE (a): TRANSACTIONS**

5. Does long-term fiscal sustainability reporting encompass all types of expenditure or only certain spending programs, (for example, programs to which there are individual entitlements or programs that are contributory)? If not all, which types of expenditure are included?

All ☐ Not All ☐

6. Does long-term fiscal sustainability reporting include taxation revenue flows and other revenue flows? If yes, which main types are included? **Yes** ☐ **No** ☐

**SCOPE (b): ENTITIES**

7. Which types of entities are encompassed by long-term fiscal sustainability reports in terms of types of entities included, for example, all levels of the public sector combined (including both general government and public corporations), general government sector (federal/central government and local government combined), federal/central government only, individual public sector entities?

8. How is the reporting boundary for long-term fiscal sustainability reporting determined (for example, on an accrual financial accounting (GAAP) basis or statistical accounting basis)?

**MECHANICS**

9. Is there a legal or other mandatory external framework that must be applied to the preparation of long-term fiscal sustainability reports? If yes, please provide details or a link to this. **Yes** ☐ **No** ☐

10. Who is involved in the production of a long-term fiscal sustainability assessments, for example, economists, statisticians, financial accountants?

11. What time horizons are adopted for projections of long-term fiscal sustainability?



12. What is the rationale for such time horizons?

13. How frequently are the projections made?

14. What policy assumptions are used in making projections of expenditure outflows for long-term fiscal sustainability reporting, including how current policy is defined? Please indicate where explanatory material is accessible.

15. In high level summary what major assumptions (other than policy assumptions) are used in making projections of expenditure outflows for long-term fiscal sustainability reporting determined, for example, economic assumptions, demographic projections? Please also indicate where explanatory material is accessible.

16. How are the assumptions used to determine taxation revenue inflows and other revenue inflows determined including assumptions on the indexation of tax thresholds/bands and pre-announced taxation changes?

17. Does the reporting of projections include discounting to present value? If yes, what discount rate is used and what is the rationale for the use of this discount rate? If no, what approach is used?

Yes ☐ No ☐

18. What approaches are taken where legal obligations conflict? For example, where balanced budget requirements exist or where a program is operated on a fund basis and it is projected that the fund will be exhausted at a future date.

19. What approach is taken to programs that are not legally required to be maintained beyond a particular date? For example, where there are sunset provisions?

20. Please indicate what approach is taken to uncertainty, for example, any sensitivity analysis used.

**REPORTING AND ASSURANCE**

21. In your jurisdiction is there a requirement that reports on long-term fiscal sustainability are made publicly available? If yes, please provide details of what is published, and how this is done. Please also indicate how it can be accessed. **Yes** ☐ **No** ☐

22. Is there any discussion of long-term fiscal sustainability in the annual financial statements of government and public sector entities? If yes, where in the financial statements is there such a discussion (e.g. management commentary, Management Discussion and Analysis (MD&A), separate financial statement)? **Yes** ☐ **No** ☐

23. How regularly are long-term fiscal sustainability reports developed and made publicly available?

24. Are the projections subjected to formal external review or audit assurance? If yes, what is the nature and level of that assurance? **Yes** ☐ **No** ☐

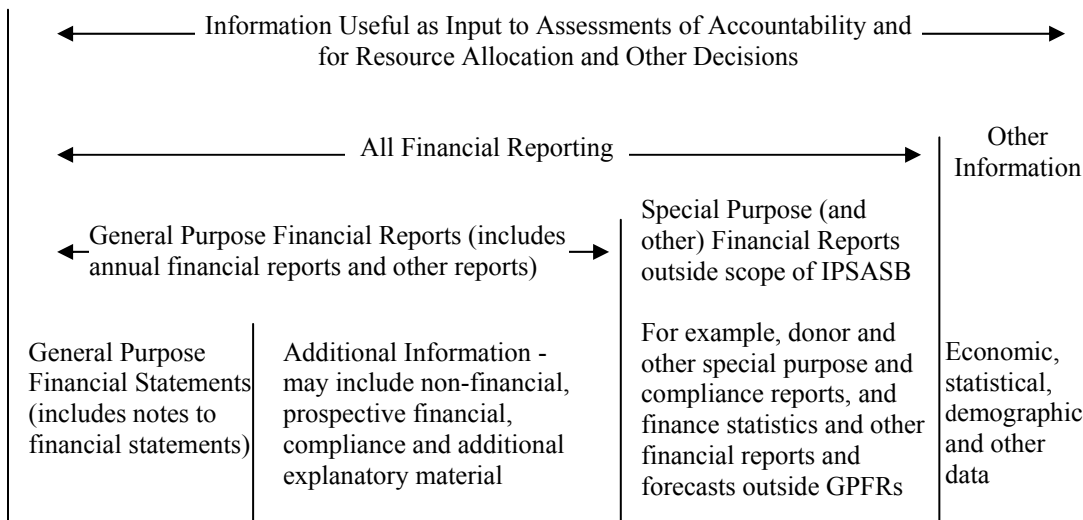
Please return electronically to John Stanford at [john.stanford@cipfa.org](mailto:john.stanford@cipfa.org) and  
Gail Main at [gail.main@cipfa.org](mailto:gail.main@cipfa.org)  
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## LONG-TERM FISCAL SUSTAINABILITY REPORTING CONSULTATION PAPER: OUTLINE STRUCTURE AND KEY ISSUES

### 1. RATIONALE FOR ADDRESSING LONG-TERM FISCAL SUSTAINABILITY

- 1.1 Objectives of General Purpose Financial Reporting (GPFR): relate to Conceptual Framework Consultation Paper, in particular Preliminary View 5 that the scope of GPFRs includes “prospective financial and other information about the reporting entity’s future service delivery activities and objectives, and the resources necessary to support those activities.”

#### Information needs of users



- 1.2 Information currently provided in General Purpose Financial Statements (GPFS).
- 1.3 Gaps in information currently provided in GPFS-e.g., social policy obligations other than due and payable, tax raising powers, future outflows related to ongoing activities of government.
- 1.4 Long Term Fiscal Sustainability Reporting: what it is and how it might fill the gaps at 1.3.
- 1.5 Brief survey of what is already produced
  - Country specific fiscal sustainability reports (outside General Purpose Financial Reports (GPFRs)) ( See Q.21 in Questionnaire)
  - Reports by supra-national bodies (European Commission, International Monetary Fund) (Q.21)
  - Specially prepared financial statements (US Federal Statement of Social Insurance & Exposure Draft on Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government) (Q.21)

*Key Issues*

- a. Could this sort of information in 1.5 be included, summarized or referenced in GPFRs?
- b. Should IPSASB produce requirements (Standard) or guidance on this area?

**2. HOW SHOULD INFORMATION ON FISCAL SUSTAINABILITY BE REPORTED?**

- 2.1 Current frameworks and definitions (Q.1, Q.2 & Q.3)
  - a. No globally accepted definition
  - b. Linkage to budgetary and fiscal planning frameworks
- 2.2 Potential for reliance on existing reports
  - a. Specialists: involvement of non-accountants such as economist, statisticians etc (Q.10)
  - b. Work already undertaken (Q.21)
- 2.3 Principles or rules based?
- 2.4 Policy neutral/transparent

*Key Issues*

- a. Should long-term fiscal sustainability be defined?
- b. Should any disclosure or reporting requirements on long-term fiscal sustainability be accompanied by a requirement for a description of the underlying fiscal framework? If so, how detailed should such information be? Alternatively could the financial report simply be cross referenced to another document?

**3. WHO SHOULD REPORT INFORMATION ON FISCAL SUSTAINABILITY?**

- 3.1 National Governments or Sub-national entities?
  - a. Current reporting linked to national level indicators
  - b. Relevant to sub-national entities but issues are different
- 3.2 Consolidated financial statements at national level or financial statements of individual entities?

*Key Issues*

- a. Should guidance be restricted to national governments?
- b. If restricted as at a. should reporting requirements be just for consolidated financial statements of national government or for individual entities?

**4. WHAT SHOULD BE REPORTED?**

- 4.1 Boundary issues
  - a. In many jurisdictions current reporting is based on statistical accounting boundaries.
  - b. Relevance of projections based on General Government Sector (GGS)? (Q.7 and Q.8)

- 4.2 Scope of programs and transactions: link to gaps in information in GPFSS at 1.3 (Q.5 and Q.6)

*Key Issues*

- a. Should IPSASB require reporting on IPSAS 6 based boundaries including GBEs/public corporations or reconciliations where the boundary for fiscal sustainability reporting differs from that for the GPFSSs (IPSAS 22 provides model)?
- b. Should all programs be reported or should entities be permitted to report certain categories such as social policy obligations or contributory (entitlement) programs?
- c. Should IPSASB mandate that long-term fiscal sustainability projections reported in GPFRs include tax revenue and other material revenue material inflows and disclosure of details on the approach to making projections of such inflows?

**5. PRESENTATION OF LONG-TERM FISCAL SUSTAINABILITY INFORMATION**

- 5.1 Charts
- 5.2 Tabular projections
- 5.3 Summary Indicators
- 5.4 Financial Statements (FASAB model)
- 5.5 Supplementary statements (within Annual Report and part of GPFRs but outside GPFSSs)

*Key Issues*

- a. How prescriptive should reporting of indicators and presentation be?
- b. Are there parallels with accounting for post-employment benefits and retirement benefit plans where accounting and disclosures in the financial statements are dependent upon information provide by actuaries/
- c. Should schedules/numerical tables of projections be required?

**6. METHODOLOGIES**

- 6.1 Legal frameworks (Q.9)
- 6.2 Time horizons & rationale (Q.11 & 12)
- 6.3 Frequency of projections (Q.13)
- 6.4 Policy assumptions (Q.14)
- 6.5 Demographic and economic assumptions (Q.15)
- 6.6 Assumptions for taxation and social contribution inflows (Q.16)
- 6.7 Discounting (Q.17)
- 6.8 Conflicts between legal obligations and conflicts between legal and moral (constructive obligations) (Q.18)



- 6.9 Approach to legal programs not legally required to be maintained beyond specified date (e.g., sunset provisions) (Q.19)
- 6.10 Sensitivity analysis (Q.20)

*Key Issues*

- a. Does the Board agree that these areas should be covered in the Consultation Paper?
- b. If yes, how much detail should be required? Is it more appropriate to require minimum disclosures with cross-references to other publicly available documents rather than a very detailed disclosure of complex legislation and regulation?
- c. Should there be disclosure in the financial statements of the frequency at which projections are updated and the dates at which projections are made?

**7. REPORTING AND ASSURANCE**

- 7.1 Need for external review or audit assurance
- 7.2 Levels of assurance

*Key Issues*

- a. Is a level of formal assurance necessary for published information on long-term fiscal sustainability projections?
- b. How deeply does Consultation Paper need to cover these areas?

## **COMMENTS ON PROJECT BRIEF ON LONG-TERM FISCAL SUSTAINABILITY**

### **1. Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC): Australia**

HoTARAC is of the view that recognition, measurement and disclosure of social benefits in general purpose financial statements is problematic. It considers that information on government long-term fiscal sustainability would better meet report users needs. Thus, HoTARAC strongly supports this Project.

Significant issues identified are as follows:

- the project scope should be broader. HoTARAC recommends that it should comprise all material government expenditure and receipts, not just social benefit programs. This would assist in revealing overall fiscal pressures, not only those related to social programs. For example, some collective goods and services, such as defence and education, may create financial pressure on a government that seeks to meet its social benefit commitments. Further, additional fiscal pressure may arise from environmental sustainability issues that a number of governments have commitments to address; environmental measures may impact on both on government receipts and expenditures; and
- only whole-of-government reporting would make sense, given that generally the matching of tax receipts and material expenditure would only be possible at that level. Reporting at the level of individual government entities would usually be inappropriate.

In HoTARAC's view, long-term fiscal sustainability information provides:

- enhancement of public sector accountability;
- evaluation of the extent to which future generations of taxpayers will be affected by the fiscal consequences of current policies for the delivery of goods and services;
- assessment of the extent to which service delivery can be maintained at existing levels;
- assessment of the extent to which governmental obligations to citizens under existing legal or policy frameworks can be met from predicted inflows over a pre-determined future period;
- improved government decision-making and development of sustainable and corrective policies; and
- appropriate comparison between governments. This will also assist supra national bodies to assess government performance appropriately. For example, this analysis may identify that some governments currently perform well but at the expense of long-term sustainability.

As noted, several jurisdictions already publish this type of information. However, to ensure consistency, comparability, unbiased and independent information, the development of a standard/guidance by an international standard setter such as IPSASB is a valuable initiative. HoTARAC considers that IPSASB is the most appropriate

international standard setting body to develop guidance on this matter. However, HoTARAC believes it would be appropriate to develop the proposal in conjunction with statistical bodies. This is because:

- statistical bodies are also considering the disclosure of information, particularly about pension schemes. The International Monetary Fund, for example, has already published a “best practice” guide that may be useful to refer to; and
- this would enhance harmonisation between accounting and statistical systems.

We concur with IPSASB that this type of report does not directly link to accrual/traditional financial statements, and fills a significant information “gap” for governmental financial reporting, which cannot be fulfilled by accrual financial statements.

Subject to the initial comments above, HoTARAC supports the scope of the Project.

## **2. New South Wales Treasury: Australia**

NSW Treasury supports this project.

We recommend that the project scope should address all governmental programs and finances, not just those related to social benefits, as well as future cash flows associated with the right to tax.

We agree that the project does not need to address environmental sustainability, although we admit there may be linkages between the two.

As to what the reporting entity is for the purpose of long-term fiscal sustainability reporting, NSW Treasury believes that the reporting entity should be at the whole-of-government level. Going down to the sector or individual entity level would be inappropriate.

Although several jurisdictions already publish this type of information, the development of either a standard or guidance in this area would enhance consistency and comparability. We feel that IPSASB would be the appropriate body to develop such a standard or guidance.

## **3. Treasury Board Secretariat: Canada**

For the reasons below, we question whether accounting standards are the appropriate means to address this area:

- Accounting in financial statements is generally focused on reporting on the results of past decisions as opposed to the long-term future outlook of fiscal sustainability.
- Financial statements have more of a short-term focus as they are prepared to report on activities since the last period, normally one year, and one of their main benefits - and challenge - is to be prepared with a quick turn around after year-end to allow the timely assessment of a government’s recent decisions.

- Financial statements are generally based on past events, and although they include estimations, all are subject to audit.
- On the other hand, fiscal sustainability analysis, is more useful when presented with various options scenarios in the context of future policy decisions analysis. Their long-term nature would not necessarily require annual preparation at the same time and within the same timeliness as financial statements, nor would it also necessarily require external audit.

Nonetheless, fiscal sustainability is an extremely important but complex area. Any study that the Board will undertake to document best practices is welcome and will be useful. Ultimately, general guidance based on these best practices will also be useful if it is intended to supplement guidance on the content of Financial Statement Discussion and Analysis (FSD&A). However, since parameters of fiscal sustainability could vary widely from one government to the next, we do not support the possible outcome that could lead to standardized reporting requirements in this area.

#### **4. Jean - Bernard Mattret: France**

##### *Outline of the Project*

##### *a) Project Scope*

No comment

##### *b) Major Problems and Key Issues that Should be Addressed*

##### *(i) Definitions*

The title should be « long term financial sustainability reporting.. The adjective "fiscal" is restrictive. There are other revenues. These definitions are located in the context of medium - term financial and not fiscal sustainability planning or budgetary frameworks.

The ratios net debt/Gross Domestic Product (GDP) or net debt/GDP per capita is inappropriate.

Recall the critic Paul Fabra on the European indicator of convergence in terms of public debt: "The reference to GDP is not appropriate because in purely economic terms (economic opposed by financier), both the absolute amount that on the debt has no reason to exercise a decisive influence on the country. One country (we consider the example of Italy, but could cite other ) where public debt exceeds 100% of GDP is not from the standpoint of growth, more fundamentally misplaced that another where the proportion is, say 20 to 30%. As the government is well placed to know, the truly crucial variable is the percentage of the budgetary burden of debt, ie interest payments, compared to total budgetary expenditure. "

One could add the anesthetic effect of the reference to GDP insofar as in the case of sustained growth, the public deficit could more easily meet the convergence criteria of Europe in this regard.

What indicator proposes a replacement? The question is whether a country is able to repay the debt. At the EU level, the answer is positive. Under these conditions, the indicator of convergence could be to bring the public debt of total operating revenue.

By analogy, the European convergence indicator for measuring the deficit in relation to gross domestic product, ie an expression of national wealth is also a measuring instrument questionable. Indeed, it leads to compare a balance, a difference between expenditure and revenue to the wealth produced by all economic agents, businesses, households, government.

Moreover, the excessive deficit procedure is implemented when a single year is a deficit. It would be more appropriate to express the amount of accumulated deficit from the outset in relation to total operating revenue. Article L. 1612 - 14 of CGCT suggests this solution: "When the accounts of local and regional shows in implementing the budget, after verifying the truthfulness of inscriptions of income and expenditure, a deficit equal to or greater than 10% of recipes section operating case of a municipality under 20 000 inhabitants and 5% in other cases, the regional chamber of accounts, seizure by the State representative, offers to the community territorial measures necessary to restore fiscal balance, within one month from this referral. " Basically, this is the solution that retains Adam Smith when he argues that the economy policy should provide adequate resources to the sovereign.

On this basis, the deficit of the French government represent 20% of its revenue.

Indicators as Fiscal Gap and fiscal imbalance could be changed in Revenues Gap and Revenues Imbalance.

(ii) *Status and Nature of Outputs*

In my opinion, all governmental programs should be within the scope.

(iii) *Reporting Entity for Long - Term Fiscal Sustainability Reporting*

No comment.

(iv) *Time Horizons*

This project could explore various time horizons:

- for five years. A complete set of financial statements is required in New Zealand « New Zealand Financial Reporting Standard 42 - Prospective Financial Statements (2005)
- and for twenty years. Here, a set of financial statements is not required.

- (v) *Regularity of reporting*  
I agree with the sentence: "Publication of the general purpose financial statements is at a minimum, on an annual cycle."
- (vi) *Assumptions and Sensitivity of Assumptions*  
I agree with categories of assumptions as in the project brief.
- (vii) *Tensions with Current Legal Frameworks*  
No comment
- (viii) *Approach to Discretionary Programs*  
No comment
- (ix) *Financing*  
No comment
- (x) *Assurance and Verifiability*  
No comment

## **5. South African Accounting Standards Board**

Overall, the Board supports the development of guidance on sustainability reporting because of the limitations on recognising certain transactions and events in the financial statements.

The Board's overall comments in relation to developing guidance on long-term fiscal sustainability are as follows:

- Status and nature of outputs - Any guidance developed on fiscal sustainability should not require entities to prepare fiscal sustainability reports. However, where fiscal sustainability reports are prepared by an entity, they should be required to apply the guidance issued by the IPSASB on long-term fiscal sustainability (where those entities' financial statements are prepared in accordance with IPSASs).
- Reporting entity versus long-term fiscal sustainability – The Board has decided that it may be appropriate for some entities to prepare long-term fiscal sustainability reports, especially those that are able to raise their own revenue from taxes (for example), and are not wholly dependent on transfers from central government. For entities that are budget dependent, it may be appropriate to prepare a sustainability report at a whole-of-government level.
- Time horizons – The time horizon used may be a jurisdictional issue and may depend on socio-economic factors prevalent in a particular country. For example, using a certain timeframe in a developed country may not be appropriate for a developing country as developing countries may be impacted more severely by environmental factors such as drought and disease.
- Regularity of reporting - Annual fiscal sustainability reporting would not be appropriate, especially given that political conditions and the policies of government are only likely to change with a change in government. Fiscal sustainability reporting should be undertaken on a periodic basis, or when there has been a material change in government policies.

- Assumptions and sensitivity of assumptions – The Board agrees that both demographic and economic assumptions should be considered, and consider a sensitivity analysis to be a critical component of an analysis of fiscal sustainability.

## **6. Zurich University of Applied Sciences: Switzerland**

Even though there are no specific matters for comment in this project brief, we would like to state our point of view in the Long-Term Fiscal Sustainability Reporting. In general we do agree with the project started in this respect. Current examples in Switzerland and elsewhere reflect the urgency of the matter, but also a relatively large number of unresolved issues. However, unlike some of the examples, we are of the view that fiscal sustainability should include all government activity, rather than just a few selected programs. It should also be clearly distinct from the annual reporting, as the one year period is not feasible for such reports. Also the sensitivity of the assumptions should be considered in the project and any future guidance.

## **7. Chartered Institute of Public Finance and Accountancy: United Kingdom**

CIPFA has also considered the proposed brief for a project on Long-Term Fiscal Sustainability Reporting. We certainly agree that information on the long term ‘affordability’ of government programmes is interesting and important, and that it is worth considering extending financial reporting to cover such information.

Developing meaningful fiscal sustainability reporting would inevitably range more widely than current financial reporting, particularly that which is within the main financial statements. Appropriate reporting might need to reflect quite specific aspects of benefit programs, the specifics of taxation systems, and the nature of the dialogue between government and citizens. Audit and verifiability considerations for this type of information might be expected to be rather different to standard assurances on financial statements.

While we know that some jurisdictions have already made progress in developing fiscal sustainability reporting, it remains to be seen whether standards or other internationally applicable guidance can be developed, having regard to the estimation uncertainties, political issues and jurisdiction specific nature of taxation and expenditures.

In the light of the above comments we observe that the Board has set itself a very ambitious task. However, the project brief recognises the risks and issues above, and clearly sets out the need to review the type of guidance which might be produced at a later stage. CIPFA therefore supports this project and we look forward to seeing a Consultation Paper in due course.

## **8. Institute of Chartered Accountants of Scotland**

We fully support IPSASB’s plan to undertake a project on long-term fiscal sustainability reporting. The project brief is comprehensive and we have no particular comments to make on the scope of the project. However, we believe that it would not be appropriate

for any subsequent reporting standard on the topic to be mandatory. We would be concerned that such an approach could discourage the adoption of International Public Sector Financial Reporting Standards (IPSASs).

### **9. Australian Accounting Standards Board**

The user of a public sector financial report is arguably just as interested in long-term fiscal sustainability, intergenerational equity and service delivery as in overall financial performance as currently reported in general purpose financial reports. As a result, there is an increased emphasis on stewardship and accountability as an objective of financial reporting for public sector entities when compared with for-profit entities. The social benefits project can tackle this in several ways:

1. conceptually, by considering definitions of a liability and/or an asset in a not- for-profit reporting context;
2. by expanding the scope of general purpose financial reports to include fiscal sustainability reporting;
3. by considering a different conceptual approach altogether, for example viewing the relationship between individuals/households and the government as a ‘contract’ and measuring all the expected cash flows under this contract; or
4. pragmatically, for example by considering a vested/unvested notion similar to that used in IPSAS 25 Employee Benefits. Under such a notion, recognition is triggered by the vesting event (a key event in meeting eligibility criteria) all further conditional events then being considered in the measurement of the liability; or
5. by considering a combination of the above.

### **10. Fédération des Experts Comptables Européens (FEE)**

We have also considered the proposed Project Brief for a project on Long-Term Fiscal Sustainability Reporting. We certainly agree that information on the long term ‘affordability’ of government programmes is interesting and important. Developing this kind of information would inevitably range more widely than current financial reporting, particularly that which is within the main financial statements. Appropriate reporting might need to reflect quite specific aspects of benefit programs, the specifics of taxation systems, and the nature of the dialogue between government and citizens. Audit and verifiability considerations for this type of information might be expected to be rather different to standard assurances on financial statements.

In the light of the above comments we observe that the Board has set itself a very ambitious task. While we understand that some jurisdictions have already made progress in developing fiscal sustainability reporting, it remains to be seen whether standards or other internationally applicable guidance can be developed, having regard to the estimation uncertainties, political issues and jurisdiction specific nature of taxation and expenditures.



## **11. United Kingdom Accounting Standards Board**

The UK Accounting Standards Board (ASB) welcomes the decision by IPSASB to make the Project Brief on Long-Term Fiscal Sustainability Reporting publicly available. The ASB strongly supports the proposed project and believes that sustainability reporting has a very important role to play in reporting on the long-term fiscal sustainability of governmental programs and finances. We shall follow the progress of this project with interest.

Since 2002 the UK Government has published a long-term public finance report to provide comprehensive analysis of long term demographic developments and their likely impact on the public finances. The information provided in this report, which analyses trend and forecast data over several decades, assists the Government in managing the public finances in the long term interests of the UK. This suggests that information on long-term fiscal sustainability can be helpful and relevant to users, in particular Ministers and Parliament.

The ASB notes the link between sustainability reporting and the separate consultation that IPSASB is carrying out on accounting for social benefits. We consider sustainability reporting to be a very innovative part of the proposed strategic approach on accounting for social benefits. We also consider the scope of the sustainability project should cover all governmental programs.

## **12. New Zealand Treasury**

The Treasury supports the long-term fiscal sustainability reporting project and is pleased to have our Chief Accounting Advisor, Ken Warren, as a member of the Project's Task Force.

## **13. General Accountability Office: USA**

While we recognize the value of including prospective estimates of the cost of social benefits in the general purpose financial statements, we believe that estimates for future social benefits and the cost of other government programs as well as future receipts would be more appropriately reported as part of the long-term fiscal sustainability reporting. We strongly endorse the inclusion of a statement of fiscal sustainability as a primary financial statement, along with annual changes therein. Moreover, a statement of fiscal sustainability would provide users with important prospective financial information that would assist them in obtaining a comprehensive perspective of the government's financial condition and its ability to meet its obligations as they become due. Simply stated, we believe that putting efforts to develop and implement a statement of fiscal sustainability will be more cost effective and provide more comprehensive information for users on the government's financial condition.

## **14. Institut der Wirtschaftsprüfer: Germany**

The IDW welcomes a project on long-term fiscal sustainability reporting. In our view, the rather open and wide scope will be a good starting point for discussion.

The identified major problems and key issues related to the project are well chosen and cover major aspects of long-term fiscal sustainability related to social benefits. However, the views expressed by the IPSAS Board in item (vi) “Assumptions and Sensitivity of Assumptions” seem to contradict to item (vii) “Tensions with Current Legal Framework” which states that the preparers of financial statements should not predict governmental actions.

According to the project timetable, the project is scheduled to run from November 2007 until June 2011 including the approval of a possible IPSAS. Due to the narrow link of the project to the question of recognition and measurement of social benefits we think the specified timetable is too long.

#### **15. Financial Reporting Advisory Board: United Kingdom**

The Board supports the proposed project on long-term fiscal sustainability, as outlined in the Project Brief, and agrees that serious consideration needs to be given as to whether this type of reporting can in the future complement the information provided in general purpose financial statements.

# Long-Term Fiscal Sustainability Reporting



**International Federation  
of Accountants**

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This Project Brief was prepared by the International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IPSASB is to serve the public interest by developing high quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements. This will enhance the quality and transparency of public sector financial reporting and strengthen public confidence in public sector financial management.

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## **INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD**

### **LONG-TERM FISCAL SUSTAINABILITY REPORTING**

#### **PROJECT BRIEF AND OUTLINE**

**1. Subject**

Reporting on the long-term fiscal sustainability of governmental programs and finances.

**2. Project Rationale and Objectives**

During the development of its project on social benefits the IPSASB has formed a view that the financial statements of an entity cannot satisfy all the needs of users in assessing the future viability of programs providing social benefits. The IPSASB holds this view regardless of the approach that is taken to the point(s) at which a present obligation(s) occur(s) (which may vary for different types of social benefits), the extent of those present obligations and the amount of the resultant liabilities. Information presented in the financial statements may need to be complemented by the presentation of other information about the long-term fiscal sustainability of those programs, including their financing.

**a) Objectives to be achieved**

The ultimate objective of the project is to produce a framework for the reporting of information related to the long-term fiscal sustainability of governmental programs and finances.

The intermediate objective is to produce a Consultation Paper. The Consultation Paper will highlight and analyze existing approaches in jurisdictions, where long-term fiscal sustainability reporting is a feature of governmental financial management, as well as the approaches of supra-national bodies (such as the European Commission and the International Monetary Fund) in making comparative fiscal projections.

The project is not directly related to the accrual basis of financial reporting and the traditional financial statements and is not linked to an existing International Financial Reporting Standard. It is therefore not feasible or appropriate to provide definitive final outputs at the initiation stage. Dependent upon decisions to be made following analysis of submissions on the Consultation Paper, a Standard (providing requirements) and/or Guidance will be developed.

**b) Link to IFAC/IPSASB Strategic Plans**

*Link to IFAC Strategic Plan*

Issuing requirements and guidance on public sector financial reporting issues is a primary role of the IPSASB. The development of such requirements and guidance supports IFAC's mission of serving the public interest by contributing to its aim of becoming the international standard setter for governmental financial reporting.

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*Link to IPSASB Strategy*

This is an area which has become increasingly topical and relevant to the enhancement of public sector accountability. The absence of public sector specific guidance on fiscal sustainability reporting is a “gap” in the IPSASB literature that has become apparent during the IPSASB’s project on social benefits (see above). It is consistent with IPSASB’s strategic theme of developing requirements and guidance on public sector specific issues.

**3. Outline of the Project**

**a) Project Scope**

The scope of the project is reporting on the long-term fiscal sustainability of governmental programs, including their financing. The range of entities and levels of government to be within the scope of finalized outputs will be determined following analysis of submissions on a Consultation Paper.

Certain other issues relating to scope will be considered in the course of the project. These include whether:

- All governmental programs should be within the scope; or
- Whether the scope should be restricted to certain programs, for example, contributory programs or social insurance programs.

This project only addresses long-term fiscal sustainability reporting and not environmental sustainability. However, there may be linkages between environmental sustainability and long-term fiscal sustainability, because assumptions about environmental sustainability may impact upon financial assumptions such as changes in Gross Domestic Product (GDP) and demographic assumptions such as population growth, emigration and immigration. The project will acknowledge such potential linkages.

**b) Major Problems and Key Issues that Should be Addressed**

*(i) Definitions*

There is no globally accepted definition of fiscal sustainability or long term-fiscal sustainability, although a number of governments have developed formal or implied definitions of these terms or related terms. In some cases these definitions are located in the context of medium-term fiscal planning or budgetary frameworks, such as when long-term fiscal sustainability is linked to specific targets such as a pre-determined net debt/Gross Domestic Product (GDP) ratio or net debt/GDP per capita ratio. In these cases overall governmental spending is said to be fiscally sustainable if it is contained within these pre-determined and publicly communicated targets over a certain period.

At a very high level, long-term fiscal sustainability reporting involves an assessment of the extent to which service delivery can be maintained at existing levels, and the extent to which governmental obligations to citizens under

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existing legal frameworks, can be met from predicted inflows over a pre-determined future period. The analysis of long-term fiscal sustainability therefore takes account of both current and future beneficiaries, regardless of whether governments have present obligations to them, determined in accordance with accrual accounting principles at the reporting date.

Long-term fiscal sustainability is sometimes coupled with the broad concept of inter-generational equity, which evaluates the extent to which future generations of taxpayers will be affected by the fiscal consequences of current policies for the delivery of goods and services.

As noted above, the reporting of long-term fiscal sustainability is also commonly linked to frameworks involving targets and benchmarks involving such indicators as:

- Net Debt;
- Net Debt/GDP;
- Fiscal Gap;and
- Fiscal Imbalance.

The project will therefore consider relevant terminology, the adequacy of existing definitions, and the extent to which those definitions need to be supplemented. It will also consider whether a Standard and/or guidance should specify or recommend that a minimum set of indicators should be reported.

(ii) *Status and Nature of Outputs*

The project will consider whether the IPSASB should be developing requirements and if so, whether such requirements should specify the information to be reported if an entity elects to report information about long-term fiscal sustainability or should require all entities within the scope of those requirements to provide specified information about long-term fiscal sustainability. This will involve determining whether all entities should be required to report on long-term fiscal sustainability as a regular feature of their general purpose reporting or whether the scope of the requirements should be restricted by, for example:

- Only applying to entities which elect to make their fiscal sustainability reports publicly available; or
- Only applying to entities that mention or discuss the fiscal sustainability report in the general purpose financial statements?

The project will also examine whether any requirements should apply to all entities that apply IPSASs or only to entities that apply accrual basis IPSASs. The rationale for not applying requirements to jurisdictions and entities on the cash-basis may be that to do so would be onerous.

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(iii) *Reporting Entity for Long-Term Fiscal Sustainability Reporting*

The main issue is whether the requirements and guidance are to apply to all public sector entities; only entities at the national level, to the national whole-of-government level, to all levels of government combined, or to another level.

In this context, the project will consider the view that requiring individual entities to prepare and report information on the fiscal sustainability of operations is onerous and not proportionate to the benefit that users will derive from the information. It will also consider the view that only by developing requirements for all levels of government combined will user needs for information about the overall long-term fiscal sustainability of the public sector be satisfied – this particularly applies to nations with federalized structures, where the service delivery of significant public sector programs is the responsibility of entities at sub-national levels of government and where sub-national level entities have wide tax-raising powers.

National statistical accounting is used as the basis for long-term fiscal sustainability reporting in a number of jurisdictions. The project will therefore consider statistical accounting approaches and in particular whether the general government sector (GGS) may provide the appropriate reporting boundary for fiscal sustainability reporting. At a national level, the GGS encompasses all levels of government, as well as social security funds and non-market non-profit entities controlled by government units. At a jurisdictional level within a nation (for example, for a state government), the GGS is identified for that jurisdiction, and, in that instance, would have regard to whether control relationships exist. Under statistical accounting the public sector also comprises public financial corporations and public non-financial corporations. In contrast to the basis generally applied under accrual IPSAS, the GGS does not consolidate controlled entities outside the GGS sector and does not therefore eliminate balances and transactions between entities in the GGS and other sectors. It treats controlling interests in entities outside GGS as investments.

(iv) *Time Horizons*

In jurisdictions that make long-term fiscal sustainability reports publicly available there is variation in the time horizons adopted—the period over which projections are made. There is a relationship between the robustness of assumptions and the time horizon — the further the time horizon is from the reporting date the less robust and potentially less verifiable the assumptions become. Conversely, excessively short time horizons may increase the risk that events and modified trends just outside the reporting horizon might have a significant impact on reported information. The project will explore various time horizons and consider how prescriptive any reporting requirements should be.



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(v) *Regularity of Reporting*

Publication of the general purpose financial statements is, at a minimum, on an annual cycle. The project will examine whether the same frequency of reporting should be required or recommended for long-term fiscal sustainability reporting. Factors to be considered include the costs of reporting and the view that material policy assumptions, demographic assumptions and economic assumptions are often unlikely to change sufficiently rapidly within a year to justify the additional costs of annual reporting. Conversely, there is a view that material changes in policy assumptions can be quite common, especially for pensions and social security programs. This militates towards more regular reporting or at least more regular updating.

The project will consider whether there should be minimum intervals between reporting or whether any requirements should be more flexible, for example, requiring reporting intervals to be disclosed with any changes to those intervals since previous reports were produced.

(vi) *Assumptions and Sensitivity of Assumptions*

Fiscal sustainability reporting entails a range of assumptions. These assumptions include:

- Policy assumptions;
- Demographic assumptions; and
- Economic assumptions.

The term *policy assumptions* refers to the basis on which future levels of service delivery will be determined and the approach to taxation levels, including fiscal drag (see also the section on tensions with Current Legal Frameworks below).

*Demographic assumptions* include mortality and fertility projections, estimates of immigration and emigration and participation levels in the workforce and education.

*Economic assumptions* include productivity changes, unemployment rates and participation rates in education and the workforce, and real and nominal economic growth rates.

The project will consider whether the IPSASB should develop for the reporting of these assumptions used for long-term fiscal sustainability analysis.. Assumptions also include discount rates for projection models.

(vii) *Tensions with Current Legal Frameworks*

As a general principle IPSASs have adopted the tenet that transactions and elements are evaluated and determined within current legal frameworks. This is largely based on the view that the preparers of the financial statements should not predict governmental actions and that there should be no assumption that programs will discontinue unless legislation to that effect has been enacted at

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the reporting date. The project will consider whether such a principle is relevant for long-term fiscal sustainability reporting and whether a complementary approach for taxation inflows should be adopted, so that inflows should be determined using current legal requirements (including taxation rates) unless changes have been effected at the reporting date.

The project will consider approaches for reporting information on projections under current frameworks where different legal obligations conflict or where projections are clearly unreasonable. Examples might be where:

- There is a legal requirement for a balanced budget and that requirement cannot be met under existing expenditure projections unless expenditure is reduced, benefits changed, contributions and taxation raised or through extensive disposals of assets: should balanced budget requirements take precedence over entitlements determined under existing legal frameworks or predicted growth trends?; and/or
- Where a program is operated on a segregated fund basis and benefits cannot be paid once the fund's earmarked assets have been exhausted. If exhaustion of the fund is projected within the time horizon of the reporting framework; should that exhaustion be reflected in projections of outflows of benefits?

In many instances legal obligations cannot be discharged unless annual appropriations are in place; limiting projections to appropriations would result in very short time horizons. The relationship between ongoing spending commitments and appropriation mechanisms will therefore be examined.

*(viii) Approach to Discretionary Programs*

The project will explore possible approaches to reporting information on discretionary programs. Discretionary programs are programs that the government is not required to maintain under current legal requirements beyond a clearly specified date. Discretionary programs may be contrasted with mandatory programs that involve entitlements to individuals or households. Authorizations for discretionary programs may be renewed on an annual basis.

The main issue is whether expenditure projections should extend beyond the limit of current authorizations and, if so, how expenditure projections are to be projected for such programs. A related issue is that discretionary programs are likely to expire before the time horizons used for reporting. The project will therefore consider whether an assumption should be made that such programs will be renewed on expiry.

*(ix) Financing*

The project will consider the approaches to be taken to reporting information on estimates of financial resources (taxes and other revenue) available to fund the programs in question.

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(x) *Assurance and Verifiability*

The project will explore whether information reported on long-term fiscal sustainability can and should be assured and, if so, the possible levels of that assurance. It will explore the balance of responsibilities between preparers of fiscal sustainability reports in ensuring the verifiability of assumptions and auditors in providing any appropriate level of assurance.

**4. Implications for Specific Groups**

a) International Accounting Standards Board (IASB)

There is an indirect relationship with the IASB's Conceptual Framework project, although this is primarily addressed through the IPSASB's own Conceptual Framework project. The IASB also has a project on Management Commentary and issued a Discussion Paper in late 2005. In December 2007, the IASB decided to add a project on Management Commentary to its active agenda. While this project will primarily have an influence on the planned IPSASB project on Management's Discussion and Analysis (see below) it will be relevant indirectly to this project. In its Discussion Paper the authors of the IASB Discussion Paper proposed that, in addition to consideration of the key aspects of performance in the period covered by the financial statements, the Management Commentary should take a prospective view in considering the main trends and factors likely to affect an entity's future development, performance and position.

b) Relationship to other IPSASB projects in process or planned

There are relationships with a number of current or planned IPSASB projects:

(i) *Social Benefits*

The IPSASB has an ongoing project on social benefits. Key outputs from that project have been issued with this project brief. The IPSASB's deliberations on social benefits have been catalysts in the decision to initiate this project. The approach in ED 34, "Social Benefits: Disclosure of Cash Transfers to Individuals or Households" is intended as a bridge between accrual approaches and the development of approaches to long-term fiscal sustainability reporting.

(ii) *Conceptual Framework*

A project to develop a public sector conceptual framework is underway. This is led by the IPSASB and carried out in collaboration with certain national standard setters. The components of that project dealing with the objectives of financial reporting, the qualitative characteristics of financial information, the scope of financial reporting, the reporting entity, and the elements of financial statements are especially relevant to this proposed project.

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(iii) *Management's Discussion and Analysis (Management Commentary/Narrative Reporting)*

The IPSASB plans to initiate a project on Management's Discussion and Analysis (MD&A), also known as Management Commentary, narrative reporting or operating and financial review) in the first quarter of 2008. In some jurisdictions the MD&A or equivalent is the main means by which expected future trends and changing conditions to the operating environment and their potential impact on the reporting entity are highlighted. Both this project and the separate MD&A project will consider the extent to which the MD&A should include details, and indicators, of long-term fiscal sustainability.

c) Other projects

Reports on the long-term fiscal sustainability of governmental programs are made publicly available in a number of jurisdictions and supra-national bodies also make comparative analyses of the financial condition of nation states available: For example, the European Commission assesses comprehensively the sustainability of the public finances of each Member State of the European Union ever 4 years. This assessment is based on a common methodological framework to account for the budgetary risks of population ageing. It is partially updated every year when countries submit their medium-term budgetary plans ("stability and convergence programs").

Globally a number of public sector standard setters are considering or developing requirements for the reporting of aspects of long-term fiscal sustainability in the public sector:

- At the federal level, the Financial Report of the United States Government includes a Statement of Social Insurance (SOSI), which adopts a 75-year time horizon for specified programs;
- Also at the federal level the US Financial Accounting Standards Advisory Board (FASAB) has a Standard, SFFAS 17, "Accounting for Social Insurance (Revised 2006)", which provides requirements for the SOSI. FASAB is also developing a Standard, providing requirements for broader fiscal sustainability reporting;
- At the state, local and municipal level, the US Governmental Accounting Standards Board has a project on economic condition;
- The Canadian Public Sector Accounting Board has a project on indicators of financial condition, which is developing guidance in the form of a statement of recommended practice; and
- Other standard setters have projects considering prospective information and narrative reporting.

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## 5. Development Process, Project Timetable and Project Output

### a) Development process

The development of outputs will be subject to the IPSASB's formal due process. The issuance of documents for public comment will be subject to the usual IPSASB voting rules. As the project progresses, regular assessments will be made to confirm the nature of the outputs and the proposed path in the project timetable. .

The initial output will be a Consultation Paper. Following analysis of submissions on the Consultation Paper a decision will be made on whether to develop an Exposure Draft of a Standard and/or Guidance. Any Exposure Draft will also be subject to formal due process, including a consultation period of at least four months.

### Project timetable

<b>2007</b>	
November	Project approved
<b>2008</b>	
February-March	Task Force selected and confirmed
February-March	Project brief finalized
March	Update to Meeting of IPSASB
March-September	Task Force develops Consultation Paper under oversight of Task Force
June	Update to Meeting of IPSASB
October	IPSASB reviews first draft of Consultation Paper
<b>2009</b>	
February	IPSASB reviews second draft of Consultation Paper and approves for publication
March	Publication of Consultation Paper
March-July	Exposure period for Consultation Paper
August-September	Staff analysis of submissions on Consultation Paper
September	Briefing for staff of International Auditing and Assurance Standards Board (IAASB) on assurance implications.
October	IPSASB considers analysis of submissions on Consultation Paper and adopts approach for final stage of project
<b>2010</b>	
February	IPSASB reviews first draft of Exposure Draft (ED) of an IPSAS and/or guidance
June	IPSASB approves ED and/or guidance
July	ED and/or guidance issued
July-November	Exposure period for ED and/or guidance
<b>2011</b>	
February	IPSASB considers analysis of submissions to ED/Guidance and provides directions for finalization of final stage outputs
June	IPSASB approves IPSAS and/or Guidance

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(b) Project output

The initial output will be a Consultation Paper. As indicated above definitive final outputs will be determined following analysis of submissions on the Consultation Paper. Further final outputs may be a Standard and/or detailed Guidance.

**6. Resources Required**

a) Task Force

A task force of 8-10 (including Chair) is to be established – a task force of this size is necessary to reflect a broad cross section of IPSASB constituents and to enable a range of points of view, technical expertise and discussion for the development of this project.

Selection of task force members will be made by the Technical Director and IPSASB Chair.

Communication will be primarily carried out electronically. The majority of meetings are expected to be by conference call. It is expected that there will be at least two face-to-face meetings.

It is the current intention that all project materials will be developed by IPSASB staff.

b) Staff

It is envisaged that 0.75 Full Time Equivalent (FTE) resource (not dedicated) will be required to resource the project.

**7. Important Sources of Information that Address the Matter being Proposed**

- A number of governments and supra-national bodies publish reports on the long-term fiscal sustainability of programs;
- A number of standard setters have developed, are developing or refining existing requirements and guidance for long-term fiscal sustainability reporting or financial condition;
- A number of standard setters are developing approaches to public sector narrative reporting;
- Some standard setters have developed, or are in the process of initiating development, of requirements for prospective reporting; and
- Some auditors are reporting on financial condition.

**8. Factors that might add to complexity or length**

The project addresses a large subject in an area which is outside the general-purpose financial statements. This is a new topic for the IPSASB and there are few current pronouncements and therefore limited relevant experience to draw on. Decisions made following analysis of the initial consultation paper will also affect the length of the project, in particular whether it is decided to develop both requirements and guidance.





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