



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item

9

DATE: October 27, 2009
MEMO TO: Members of the IPSASB
FROM: Paul Sutcliffe
SUBJECT: Review of Submissions on the Conceptual Framework Consultation Paper #1 *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: The objectives of financial reporting; The scope of financial reporting; The qualitative characteristics of information included in general purpose financial reports; The reporting entity*

OBJECTIVE OF THIS SESSION

The objective of this session is to continue to review responses to the following IPSASB Preliminary Views (PVs) as identified in the Conceptual Framework Consultation Paper #1 (the Consultation Paper) with a view to agreeing positions that are to be reflected in the draft Exposure Draft of the Conceptual Framework:

- PV 3 - The Users of GPFRs;
- PV 7 - The Qualitative Characteristics of Information Included in GPFRs;
- PV 8 - Characteristics of a Reporting Entity; and
- PV 9 – The Composition of a Group Reporting Entity.

ACTION REQUIRED

The IPSASB is asked to:

- **Consider** the issues identified in the agenda material and staff views thereon on, and provide directions for the further development of these components of the Framework; and
- **Identify and provide directions on** any additional issues that need to be considered as these components of the Framework ED are developed.

AGENDA MATERIAL

Agenda material attached to this memorandum:

- 9.1 Extract of minutes of IPSASB meeting in May 2009;
- 9.2 Overview of responses by geographic location, function and language;
- 9.3 Summary of submissions received on Preliminary Views 2, 3, 7, 8, and 9 - previously included in the May 2009 agenda materials but updated for additional responses and IPSASB directions; and
- 9.4 Extract of the Consultation Paper - dealing with the group reporting entity (paragraphs 5.12 to 5.35).

Items previously distributed – please also bring these items to the meeting:

- 9.5 Conceptual Framework Consultation Paper #1; and
- 9.6 Responses received.

BACKGROUND

Consultation Paper

The Consultation Paper was issued in September 2008, with comments requested by March 31, 2009. At its May 2009 meeting, the Board commenced its review of responses to the Consultation Paper. At that time, 55 responses had been received. Since then, two additional responses have been received– they were made available to members in late September 2009. An analysis of the responses to the Consultation Paper by region, type and language is included at agenda item 9.2.

IPSASB Meeting May 2009

An extract of the Minutes of the May 2009 meeting which deals with this Phase (Phase 1) of the Conceptual Framework is attached at agenda item 9.1. At that meeting the Board made tentative decisions about how the following Preliminary Views should be developed for inclusion in the draft exposure draft of the Framework when prepared:

- Preliminary View 1 - The Authority of the IPSASB Framework;
- Preliminary View 2 - General Purpose Financial Reports (GPFRs);
- Preliminary View 4 – The Objectives of Financial Reporting;
- Preliminary View 5 - The Scope of Financial Reporting; and
- Preliminary View 6 - Evolution of the Scope of Financial Reporting.

Decisions regarding these PVs are of course subject to revision as a consequence of the Boards ingoing consideration of responses to the Consultation Paper.

The Board agreed that it would consider further at this meeting, issues raised in responses to the following Preliminary Views:

- Preliminary View 3 - The Users of GPFRs - particularly, whether a primary user group should be identified;
 - Preliminary View 7 - The Qualitative Characteristics of Information Included in GPFRs;
 - Preliminary View 8 - Characteristics of a Reporting Entity; and
 - Preliminary View 9 – The Composition of a Group Reporting Entity.
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- At this meeting staff is seeking Board confirmation of the substance of these PVs and/or directions for their amendment. Staff also propose that the potential consequences of any Board decisions about a primary user group for the definition of GPFRs be considered at this meeting. Implications of all Board decisions for PV 4 - The Objectives of Financial Reporting can then be considered at a future meeting.

Staff appreciates that there may not be sufficient time to move through all the detailed issues at this meeting, but is hopeful that the Board can provide guidance on the broad directions for the future development of this phase of the Conceptual Framework project.

Staff maintain a register of decisions made by the Board. This register will be updated after each meeting at which Framework Phase 1 issues are considered and additional decisions, or refinements to previous decisions are made. It will be included in agenda materials of future meetings at which Phase 1 issues are considered.

Summary of submissions

A summary of the submissions to PVs 2, 3, 7, 8, and 9 is attached at agenda item 9.3. The summary is the same as that provided in the May 2009 agenda materials except that:

- the summary of responses to each PV has been updated to include the additional responses received since the last meeting;
- the summary of responses to PV2 has been updated to draw-out the underlying rationale for views on the users in PV 2; and
- staff views on whether a response should be classified as supporting or opposing a PV have been removed and replaced by a relevant extract from the response.

Relationship to IASB/FASB Project

The Board agreed at its May 2009 meeting that it would press on with its Framework project even if that meant moving ahead of the IASB. The IASB is currently finalizing the Chapters of its Framework dealing with the objectives of financial reporting and qualitative characteristics of information included in financial reports. It is also finalizing its Exposure Draft of the chapter dealing with the reporting entity. Staff monitor IASB developments and will provide a verbal update on the status of these components of the IASB Framework at the forthcoming meeting.

Next Steps

At its May 2009 meeting the Board confirmed that an Exposure Draft of the full IPSASB Conceptual Framework would be developed and issued for comment.

It is anticipated that by the end of this meeting the Board will have completed its first initial review of responses to the Consultation Paper and provided staff with broad directions for the further development of its PVs. Therefore, it is appropriate to consider the next steps in development of this phase of the Conceptual Framework.

Subject to progress at this meeting, staff propose that a first draft of Phase 1 components of the Framework ED be prepared for discussion/review at meetings in 2010 - as the Board's work program and meeting time allows. As that draft is developed, the responses to the Consultation Paper will be revisited to "test" and, as appropriate, provide further input to the positions being proposed by the Board.

The draft of Phase 1 of the Framework ED will then be "rested" until Consultation Papers of the other phases of the Framework are issued and related responses analyzed. At that

stage, all the components of the Framework will be compiled into a single ED – and the interaction between the various Phases of the Framework reviewed and confirmed or refined as appropriate.

Action Requested:

Members are requested to confirm that, subject to progress at this meeting, a first draft of this component of the Framework ED be prepared for Board review in 2010 and then “rested” until the other components are developed.

KEY ISSUES

KEY ISSUE #1: USERS OF GPFRS - SHOULD A PRIMARY USER GROUP BE IDENTIFIED?

Preliminary View 3 - The Users of GPFRs

As a mechanism for focusing on their common information needs, the potential users of GPFRs of public sector entities are identified as:

- recipients of services or their representatives;
- providers of resources or their representatives; and
- other parties, including special interest groups and their representatives.

The legislature is a major user of GPFRs. It acts in the interest of members of the community, whether as recipients of services, providers of resources, or citizens with an interest in, or need for, particular services or activities.

The major outstanding issues under this PV are whether a primary user group of GPFRs should be identified, the identity of that user group and whether the Board’s decision on this matter will warrant any changes to :

- The description of GPFRs (at PV2) as being directed at meeting “the common information needs of a broad range of potential users”; and
- The types of decisions that would be encompassed under the decision making arm of the objectives (at PV4), and the consequently the nature of the information that should be reported in GPFRs.

At the May 2009 meeting, the Board noted that some respondents identified additions to the range of potential users identified in the Consultation Paper and proposed amendments to the way in which users were grouped – but did not discuss those amendments.

Staff is of the view that it is appropriate for the Board to complete its discussion of respondents views on these matters prior to consideration of whether or not to identify a primary user group and the identity of that group – the Board can then be comfortable that it has dealt with all matters raised by respondents that might impact on its decision about a primary user group.

Potential users

In its Consultation Paper the Board identified a range of potential users of GPFRs of public sector entities (paragraph 2.1) and explained in paragraph 2.6 “....

- (a) *recipients of services or their representatives – includes citizens and their representatives, the legislature, and oversight or monitoring bodies;*
- (b) *resource providers or their representatives – includes “involuntary resource providers” such as taxpayers and ratepayers and “voluntary resource providers” such as lenders, donors, suppliers, fee-for-service consumers, investors, the legislature and elected officials, central agencies, oversight bodies, and advisors. This grouping also encompasses present and potential funders and financial supporters, and other resource providers; and*
- (c) *other parties, including special interest groups or their representatives –includes the legislature, analysts, government statisticians, the media, and special interest community groups and their representatives – that is, those with an interest in the funding and delivery of particular services.” (Paragraph 2.6)*

Some respondents express concern that certain users identified or embraced in paragraph 2.6 of the Consultation Paper were not also specifically identified in PV 3 itself - for example, the electorate (28, 29), the public (53), citizens (11, 37, 42) donors, lenders, taxpayers (10, 34), and a range of oversight, monitoring or representative bodies (27, 31, 32, 36). Some also express concern service providers (07), employees (22, 26, 34) and other governments (24) were not identified in either paragraph 2.6 or PV3.

Staff is of the view that the Board did not intend paragraph 2.6 to be an exhaustive list of those who may be users of GPFRs. Therefore, these potential users are embraced by PV3 if they are unable to demand the preparation of financial reports tailored to meet their specific information needs - some respondents made the point that this was how they interpreted PV3 (see 05, 51).

Some respondents also express concern that the Consultation Paper did not identify the following users of GPFRs: management boards (33, 39, 50), budget controllers, Treasury employees and national or supra-national audit or control or regulatory bodies (27, 31, 32, 36), the executive branch of government and select committees (34, 39) and multi-lateral agencies such as the IMF (35). Staff is of the view that the Board did not identify:

- management, budget controllers, Treasury officers, and audit institutions as users because, while these parties may use GPFRs, they have the authority to demand the information they need. Therefore, the content of GPFRs (and IPSASs) are not designed to respond to their specific information needs. While the Board identified the legislature and oversight or monitoring bodies as users in paragraph 2.6, this was in their capacity as representatives of resource providers or service recipients; and
- national accountants and multi lateral agencies, such as the IMF, as users because while accounting and statistical bases for reporting financial information have

many similarities in treatment and deal with similar transactions and events, they have different objectives and focus on different reporting entities. Therefore, rather than constructing the Framework to respond to the information needs of national accountants, the IPSASB's strategic plan encompasses as a separate project the reduction of unnecessary differences between GFS and IPSASs.

Staff is of the view that these matters could be clarified in the draft ED of the Framework.

User groups

Some respondents express the view that different user groups should be identified, noting that in some cases different groupings may give rise to different user information needs – the major themes identified in this respect were whether:

- public sector and private sector (or voluntary and involuntary) resource providers should be identified as separate user groups - because their information needs may differ (24, 32, 47); and
- the third category – other parties, including special interest groups and their representatives is too broad or vague and should be deleted, absorbed in the other categories or clarified (03, 22, 34, 22, 42, 52, 56).

One respondent (08) also proposed that users be identified only as “authorizers” of the activities of government – that is, citizens, voters, taxpayers. “Clients” (recipients of service recipients) should be deleted as users (08).

Staff is of the view that the Board did consider in developing the groupings of users identified in PV3 the likely information needs of private sector/voluntary resource providers and public sector resource providers and whether they should be identified as different groups – the likely information needs of the groups are summarized at paragraphs 2.13 and 2.14 of the Consultation Paper. At its May 2009 meeting, the Board agreed that it is likely that the third category can be absorbed into the resource provider and service recipient categories. Accordingly, staff is of the view that these matters do not prompt any changes that will impact on the Board's decision of whether to identify a primary user or the identity of that user.

One respondent proposed that two additional user categories should be identified - users interested in GPFRs for information about (a) the distribution aspects of government stability and (b) stability (33). Staff's initial expectation is that the additional users encompassed under this grouping will encompass central banks and international agencies with the authority to generate the information they require. However, staff have followed up with respondent 33 to gather further input on whether these potential users are dependent on GPFRs for their information needs and the nature of those information needs. Staff have also followed up with respondents 24, 32 and 47 to ensure that their concerns have not been misinterpreted there are not additional matters that the Board should note. An update on responses will be provided at the meeting.

Primary or Priority User Group

Staff is of the view that some nineteen (19) respondents express support for the Board's view as identified in PV3 (02, 04, 05, 07, 10, 16, 21, 22, 27, 33, 34, 37, 41, 44, 47, 51, 52, 55, 56) with, in some cases, proposals for improvement in the exposition of those users – for example, clarifying that users encompass citizens (37, 55). Two respondents also note that this was the majority view but that some contributors to their response were of the view that resource providers (52) or citizens (55) should be identified as primary users, and one (04) notes that resource providers may be proxy for all three groups. Some also advocated that the “other parties” category should be clarified or deleted.

Twenty one (21) respondents identify the public, citizens or their representatives (for example, the legislature, parliament, elected council or similar representative or authoritative body) as the primary or most important user (03, 08, 11, 13, 15, 17, 19, 20, 23, 28, 29, 31, 32, 35, 36, 40, 47, 48, 49, 50, 53), with in some cases suggestions for refinements to the explanation, including refinements to reflect different forms or levels of government. Some of these respondents also express the view that the relevant audit institution or regulator should be included as users (31, 32, 36).

Staff is of the view that for the most part respondents use terms such as electors, citizens or the public interchangeably to embrace the same notion – the terminology reflecting jurisdictional usage rather than signaling a fundamental difference in the information needs of these groups. Similarly, terms such as the legislature, parliament, council or other similar body are used to embrace (elected or appointed) representatives of the community. As such, these potential users are grouped together for purposes of analysis. However, it should be noted that this was not always the case – for example respondent 17 notes that the elected politicians may have a different perspective and would act in the interest of the broad community rather than the groups that comprise it.

Six (6) respondents identified current and potential resource providers, funders, financial supporter or similar potential user as the primary or most important user (01, 06, 25, 39, 42, 43).

Some respondents, while not identifying a primary user or a priority ranking of users, note the difficulty that GPFRs will face in responding to the common information needs of a wide/diverse range of users (12, 14), and propose some variation to the users or user groups identified in the PV (24, 27, 32, 33).

As the Board considers the potential identity of a primary user group it is appropriate to acknowledge that some respondents were of the view that the legislature should not be identified as an user in its own right in PV3. This is because, in broad terms, it implies that GPFRs and IPSASs should be developed to be responsive to the needs of the legislature rather than those of the public they represent (see for example, 20, 25, 27, 40, 56) - respondent 44 was also concerned about the legislature being identified as a “major” user for similar reasons. However, for the most part, these and other respondents explain that it is appropriate to identify the legislature as an user in its capacity as a representative of the interests of the public, the electorate and/or taxpayers. Some also explain that the legislature often includes members from the government and opposition parties and

individual members are unable to demand the information they require for their own specific needs and therefore are not “special purpose users” (see for example, 05, 44, 47).

The Board has already noted that the reference to the legislature as a major user of GPFRs should be recast as reference to members of the legislature, parliament or similar body as major users.

Reasons for favoring a priority user

While in all cases the specific reasons for identifying a priority user was not identified in the response, some general themes about the rationale underlying respondents views can be identified.

Those that advocate identifying the primary or priority user group as the public, citizens (or the legislature, parliament or similar as their representatives) explain that this an appropriate expression of the accountability chain and a more accurate reflection of the most important users of GPFRs of public sector entities (11, 19, 20, 23, 28, 29, 40, 49, 53, 32). Some also note that the legislature has a broader interest and responsibility than service recipients or resource providers and greater expertise in interpreting financial information - as such it is appropriate that they be identified as the primary user (13, 17, 31, 48). In addition, it is not possible to satisfy the conflicting interests of all users equally, and the legislature or other authority which approves the budget is the most important user (13).

Those that advocate identifying the primary or priority user group as resource providers, funders, financial supporters or similar, explain that these users have the greatest interest in GPFRs and responding to their information needs would also provide relevant information to other potential users. They also note that it would impose too great a burden on reporting entities to attempt to identify and then to meet the information needs of broader or additional user groups (01, 06, 25, 39, 42, 43).

Some respondents also note that a primary user group should be identified to enable the Board to focus more sharply on information needs of that group, without identifying who that the primary user group should be (12, 55), that different users are likely to have an interest in different parts of the GPFRs (01, 22, 50) and that they hope that the reference to ‘common information needs’ does not imply that information that is required by some, but not all, users need not be provided (01, 25).

Staff views

The Board intended PV 3 to identify the users whose information needs GPFRs would be developed to respond to: that is, users who do not possess the authority to direct a public sector reporting entity to disclose the information they need and, therefore, are dependent on the Board for establishing the standards for financial reports directed at satisfying their information needs. While GPFRs may provide information useful to other users, they would not be specifically developed to respond to the information needs of those other users.

In developing this aspect of the Consultation Paper, the Board did discuss at some length the potential users of GPFRs and whether resource providers should be identified as more important than other potential user groups. The Board reached the position that public sector entities are accountable to those that depend on them to use resources to deliver necessary services as well as to those that provide them with the resources to provide those services, and GPFRs have a role in the discharge of that accountability. As noted in the Consultation Paper (paragraph 2.18):

Governments and other public sector entities raise resources from taxpayers, ratepayers, and other resource providers for use in the provision of services to citizens and other service recipients. These entities are accountable to those that provide them with resources, and to those that depend on them to use those resources to deliver necessary services.

The Board also acknowledged that service recipients as well as resource providers may be dependant on GPFRs for decision making purposes. Staff is of the view that the Board's position remains valid and therefore the Board should not exclude the information needs of citizens who are interested in GPFRs in their capacity as service recipients from the potential users of GPFRs, or identify their needs as less important than those of resource providers.

Staff is of the view that those that advocate that citizens, electors, the public or similar (or the legislature or parliament or others that represent them or act in their interest) be identified as the primary user of GPFRs are adopting substantially the same position as the Board. This is because the Board's intention was to acknowledge the importance of citizens as users. It classified citizens into resource providers, service recipients and other parties (and their elected or appointed representatives) in an attempt to better identify their information needs – without such a grouping it was difficult if not impossible to identify what users information needs might be. However, this aspect of the Board's rationale was not explained clearly enough in the Consultation Paper.

PV3 and supporting commentary also included external (non-citizen) funders (whether commercial lenders or donors or similar financial supporters) as potential users of GPFRs. Staff are of the view that those that identify the legislature, or members of the legislature, in their role as representatives of the community as the primary user, are likely to also acknowledge that GPFRs have a role in responding to the information needs of lenders and donors who may not be citizens.

Consequently staff is of the view that the draft ED of the Framework should retain the broad range of potential users intended by the Board, but the relationship between citizens, their representative bodies and the subgroups identified in PV3 needs to be clarified and more fully explained. Therefore, the draft ED should build on paragraph 2.18 of the Consultation Paper and, in broad terms, reflect that:

- citizens (however described in particular jurisdictions) and those that represent them or otherwise act in their interest (including elected officials), together with other resource providers who are unable to demand the disclosure of the information they need are the users of GPFRs;

- these users require financial and other information for accountability and decision making purposes; and
- in developing its standards setting program, the Board will attempt to respond to the potentially different interests of citizens (whether as resource providers or service recipients) and some funders and resource providers, whether multi lateral or bilateral donors or commercial lenders that may not be citizens but depend on GPFRs for the information they need for accountability and decision making purposes.

In many cases, those that advocate that the legislature or similar body be identified as the primary user are seeking a more accurate reflection of those that do actually make use of GPFRs on behalf of citizens – this could also be acknowledged in the ED or the basis for conclusion. That is, that members of parliament or the legislature, acting on behalf of citizens, are major users of GPFRs.

The basis for conclusion to the draft ED, or narrative in the ED, may also usefully explain that the Board recognizes that some users may have different priorities and interest in information, and will weigh these different priorities in making decisions about the contents of IPSASs and information that best responds to common information needs of users of GPFRs.

The Board acknowledged in the Consultation Paper that GPFRs may not provide all the information users needs. Some respondents note that certain aspects of GPFRs may be of more relevance and interest to some users than others. Staff is of the view that these observations are very useful and should be built into the basis for conclusion or narrative in the draft ED. Therefore, it is appropriate to acknowledge that while GPFRs respond to common information needs, it may well be that some users may find particular components of a GPFRs more relevant than other components. For example, funders and debt market participants are likely to be more interested in financial statements and notes thereto, while many citizens may find information about service delivery achievements and plans of equal, if not more, significance.

The Board's decision regarding the identification of a primary user group may have implications for the explanation of the information needs of users as identified in paragraphs 2.11 – 2.17 and 2.22 of the Consultation Paper and the discussion of the objectives of financial reporting as outlined in paragraphs 2.18-2.21. Staff will follow up on these consequences following the Board's decision..

Action Requested:

Members are requested to provide directions on whether a primary user group of GPFRs is to be identified.

KEY ISSUE #2: THE DEFINITION OF GENERAL PURPOSE FINANCIAL REPORTS

Preliminary View 2 - General Purpose Financial Reports (GPFRs)

GPFRs are financial reports intended to meet the common information needs of a potentially wide range of users who are unable to demand the preparation of financial reports tailored to meet their specific information needs.

The Board agreed to revisit PV2 following conclusion of its discussion on:

- Users of GPFRs, to determine whether the definition needed to be refined to reflect the decisions about the existence of a primary or priority user group; and
- The scope of financial reporting - to determine whether “financial” should be retained given that GPFRs may encompass both financial and non-financial information.

Consequences of decisions about a primary or priority user group

Staff is of the view that the definition of GPFRs will not need to change if citizens, electors, the public or members of the legislature or parliament as representatives of them are identified as primary users – this is because the focus remains on the needs of a potentially wide range of constituent users who do not have the authority to demand the preparation of financial reports that respond to their information needs. It is also likely that GPFRs will respond to the common needs of those users, rather than the separate information needs of particular sub-groups of them, albeit that some users may be more interested in some aspects of GPFRs.

If resource providers (or funders or financial supporters) are identified as the primary user, there is an argument that that should be acknowledged in the definition of GPFRs - to reflect that GPFRs are directed at the information needs of resource providers as the primary user group. However, resource providers encompasses voluntary and involuntary resource providers and, notwithstanding the focus on a primary user group, GPFRs are also likely to include information of use to other users who are unable to demand the information they need. This was acknowledged by some respondents (04, 06, 15, 16, 25, 42, 43). Accordingly, staff do not propose that GPFRs be redefined to reflect that they are prepared to only or primarily to meet the information needs of resource providers/funders/financial supporters should the Board identify such as the primary users. Rather the GPFRs continue to be defined in terms of financial reports intended to meet the common information needs of users who are unable to demand the preparation of financial reports tailored to meet their specific information needs. The definition would then be supported by an explanation of the primary user group.

Staff understands that this reflects the approach being adopted by the IASB. That is, in broad terms, the definition of GPFRs will continue to reflect the notion that GPFRs are directed to the common information needs of users who lack the ability to command all the financial information they need from an entity. The definition will then be supported

with an explanation of the primary user group as potential equity investors, lenders, and other creditors dependant on GPFRs for their information needs.

Consequences of decisions about the scope of financial reporting

At its May 2009 meeting, the Boards tentatively agreed to retain the broad scope for general purpose financial reporting as proposed in the Consultative Paper, but that the Framework would initially be developed to focus on key aspects of financial statements. How the concepts would apply to other areas of financial reporting would be considered as those areas evolve.

The Board also noted that some respondents (for example, 06, 08, 16, 41) express concern about the use of the term “financial” in general purpose financial reports, given that GPFRs could include non-financial information. The Board agreed that this aspect of PV 3 should be revisited following conclusion of its discussion the scope of financial reporting.

As noted at the May 2009 meeting, the Board discussed whether “general purpose financial reports” or some other term should be adopted when formulating this PV, and considered a range of alternative terms. However, a consensus on terminology did not emerge at that time and the Board decided to retain the term GPFRs.

Staff is of the view that the term “general purpose financial reports” should be retained, at least for the exposure draft, for the following reasons:

- information presented in financial statements and notes remains at the core of GPFRs (as identified in paragraph 3.22 of the Consultation Paper);
- disclosure of non-financial and prospective financial information is necessary to better understand the financial information included in GPFRS, including financial performance and position of the entity. For example, as noted at paragraph 3.11 of the Consultation Paper, information about service delivery achievements enables the entity to discharge its obligation to be accountable for its performance and justify the use of financial resources raised from taxpayers and ratepayers. It will also provide input to decisions about the allocation of resources to particular entities and programs; and
- GPFRs is a widely used term and it appears to be acknowledged that GPFRs can encompass reporting non-financial information to place the financial information in context.

Action Requested:

Members are requested to confirm that the term general purpose financial reports (GPFRs) and its definition is to be retained, or provide alternative directions.

KEY ISSUE #3: THE QUALITATIVE CHARACTERISTICS

Preliminary View 7 - The Qualitative Characteristics of Information Included in GPFRs

The qualitative characteristics of information included in GPFRs of public sector entities are:

- relevance, which encompasses confirmatory value, predictive value, or both;
- faithful representation, which is attained when depiction of economic or other phenomena is complete, neutral, and free from material error;
- understandability;
- timeliness;
- comparability; and
- verifiability (including supportability).

Constraints on financial reporting are materiality, cost, and achieving an appropriate balance between the qualitative characteristics.

At its May 2009 meeting, the Board commenced its review of responses to this PV, made a number of decisions about the application and explanation of the qualitative characteristics (QCs), and agreed to consider at this meeting whether:

- to use the term “faithful representation” or “reliability” in its suite of QC’s;
- the role of prudence and substance over form was appropriately expressed in the Consultation Paper;
- materiality and cost as a constraint needed further explanation; and
- responses identified additional QCs or variations to existing QCs that needed to be considered.

Staff views on matters that are the subject of the Board’s ongoing consideration are noted below.

Application of the QCs to the broader scope of GPFRs

At its May 2009 meeting, the Board noted that a number of respondents had raised concern about the application of verifiability and faithful representation to qualitative information and prospective financial information and expressed the view that supportability (currently included in verifiability) could usefully be identified as a separate characteristic (01, 06, 12, 13, 16, 34, 42, 48, 54). The Board tentatively agreed that, subject to further consideration of responses at this meeting, the existing suite of QCs and their explanation was appropriate for application to information to be included in general purpose financial statements, but their applicability to non-financial and prospective financial information would be considered and confirmed or otherwise as projects dealing with those matters are developed.

How the relationship of the QCs to non-financial and prospective financial information is to be described in the Framework ED was not specifically considered at the May 2009 meeting. Staff does not propose to deal with this matter at this meeting – at this stage there is little to add to the material considered by the Board in May 2009. Rather, staff

propose, and seek Board confirmation, that the issue be revisited when the first draft of the Framework ED is prepared – at that stage it is anticipated that there will be additional relevant input from Board deliberations and responses to Consultation Papers and EDs on projects such as reporting on the long-term sustainability of public finances, narrative reporting, and performance reporting.

Action Requested:

Members are requested to confirm the approach proposed by staff – that is, to revisit this matter when the draft ED is prepared and input is available from relevant projects.

Differences between the QCs identified by the IPSASB and those identified by the

At its May 2009 meeting the Board noted that some respondents express concern that the QCs proposed by the IPSASB differed from those proposed by the IASB - particularly in respect of the identification of fundamental and enhancing characteristics. These respondents advocated that the IPSASB clarify the reasons for this difference (02, 04, 15, 25, 32, 44, 52). The Board tentatively agreed that the differences in its QCs and IASB QCs were appropriate and the basis for conclusions in the draft ED of the Framework should include an explanation of the reasons for the differences.

Drawing on the IPSASB's views as reflected in paragraph 4.3 of the Consultation Paper and responses that included specific reasons for their support of the Board's approach, staff is of the view that the explanation should reflect that:

- all the QCs are important. The relative importance of a particular QC in different circumstances is a matter of professional judgment. As such, the Board is of the view that it is not appropriate to identify certain QCs as fundamental and others as enhancing, or otherwise specify some QCs as always being of greater important than others no matter what data is being assessed for inclusion in GPFRs, or the circumstances of the entity and its environment (03, 11, 44, 49, 51);
- the users of GPFRs of public sector entities, and the scope and objectives of financial reporting, differ from those considered by the IASB, with consequences for the QCs that are considered more important or fundamental in particular circumstances (21, 22, 32, 50);
- there are different views about the relationship between QCs and whether some are more important than others, and in what circumstances. For example, some are of the view that it is not possible for information to be relevant if it is not made available on a timely basis and is understandable, consequently all these characteristics are in the nature of fundamental characteristics. Similarly, given that GPFRs may encompass qualitative and prospective information about service delivery objectives and outcomes over a number of reporting periods, reporting on a consistent basis cannot be separated from faithful representation of the information.

Action Requested:

Members are requested to confirm that these are the reasons to be included in the basis for conclusions of the draft ED of the Framework and/or provide guidance for further developing the explanation.

Potential additional QCs.

Additional QCs identified by respondents included “sincerity” (31, 48), “supportability”, particularly as the scope of financial reporting is extended to embrace qualitative or prospective financial information (06, 13, 54) and “sufficiency” as a broad moderating factor when a fundamental and enhancing structure is adopted (13, 54).

The need to acknowledge within the Framework, notions such as the accrual basis, going concern, completeness (12, 48), regularity (17) and strategic behavior as a pervasive constraints (33) are also identified in response to this PV.

Staff views

Staff is unfamiliar with the notion of “sincerity” and has sought input from an IPSASB member and followed up with staff of IFAC’s IAASB regarding their views/experience on the meaning of this notion for financial reporting. Subject to further input to the contrary, staff is forming the view that “sincerity”, in this context, is an overarching notion akin to “true and fair”.

At the May 2009 meeting, the Board noted that a number of responses express the view that “true and fair view” (12, 14, 48) and “credibility” (16) should be identified as QC’s, or their relationship to the QCs identified in the Consultation Paper more fully explained. Members also noted that the need for “transparency” in financial reporting was emphasized in presentations by IMF staff and by one respondent (38) in respect of the objectives of financial reporting.

As noted at the May 2009 meeting, Staff is of the view that these characteristics are important as an expression of overarching qualities that financial reporting is to achieve or aspire to. However, they are unlikely to exist as single QCs on their own – rather, in respect of GPFRs, presenting a true and fair view, being transparent, sincere and credible is the product of application of the full set of QCs, the achievement of the objectives of financial reporting and the application of IPSASs that deal with specific technical reporting issues. Accordingly staff is of the view that it is not appropriate to isolate these as individual QCs. However, the basis of conclusions could usefully (a) note that in different jurisdictions financial reports are required to present a true and fair view, achieve the quality of “sincerity” and be transparent and credible; and (b) explain that a necessary precondition for this to occur is for financial statements to comply with the IPSASs and include information that satisfies the qualitative characteristics and achieves the objectives of financial reporting as reflected in the Framework. The credibility of these reports is further enhanced by an audit or other independent review.

The Board has already agreed that it will not introduce a fundamental and enhancing demarcation and will consider whether supportability should be identified as a qualitative characteristics as projects dealing with the broader scope of financial reporting are progressed. As such, the identification of supportability or sufficiency as QCs are not considered further here – though observations made by respondents about them may come into play again at the ED stage.

Staff is of the view that the accrual basis and going concern should be acknowledged in the Framework in introductory material, but are not QCs themselves, completeness is embraced by faithful representation (paragraph 4.11), and “regularity” as used here relates to accountability obligations of management and is reflected in the objectives of financial reporting. Accordingly, these observations do not prompt any changes to the QCs themselves – though may well identify matters that should be clarified or acknowledged in other aspects of the Framework.

Staff’s initial reaction is that the acknowledgement of “strategic behavior” as a constraint may compromise notions of faithful representation and neutrality – if it is intended to act as a filter on the information that may be reported in GPFRs. However, staff does not fully understand the intent of this as a constraint and is following up with the respondent.

Action Requested:

Members are requested to confirm staff proposals in respect of these characteristics and/or provide guidance further developing the explanation.

Use the term “faithful representation” or “reliability”

A number of respondents note they would prefer the term “reliability” to “faithful representation”, because it is a better understood term in the public sector (01, 13, 39, 42, 43, 47, 51, 54) - although a number, but not all, of those respondents were of the view that faithful representation should be adopted in the interests of alignment with IASB terminology. Some also used reliability rather than (or interchangeably with) faithful representation in their discussion of the operation of the QC’s (12, 48) and one (14) proposed replacing faithful representation with a true and fair view – which may reinforce the view that reliability is a more widely used and/or better understood term.

Staff views

Staff understand that the IASB will soon issue its final chapter of the QC’s component of its Framework, and will retain the term faithful representation.

Given the IPSASB’s IFRS harmonization program, Staff is of the view that there is merit in retaining the term faithful representation. This is because it aligns with IASB terminology, is likely to be reflected in IFRSs going forward and, as a consequence, is likely to become more widely understood and used.

Staff is of the view that the Board should reserve its decision on this matter at this stage and retain faithful representation as the ED of the Framework is developed. This would

provide the Board with the opportunity to assess whether the IASB use of the term has influenced its usage and understanding in the public sector. If retained in the Framework ED, the Board could also seek specific comment on this matter through the exposure process - outlining its concerns with faithful representation (reliability is a better understood term in the public sector and, arguably, a more accurate reflection of the substance of the characteristic, particularly as it applies to qualitative and prospective information included in GPFRs) and the merits of retaining it (aligning with the IASB and beneficial effects for the IFRS convergence program).

Action Requested:

Members are requested to confirm or otherwise the staff proposal that faithful representation be retained for purposes of development of the draft ED.

Explanation of prudence and substance over form

Some responses express a concern that prudence, (12, 24, 31, 36, 48), and substance over form (07, 18, 32, 52) are not identified as qualitative characteristics or that their importance was not sufficiently recognized or explained – however one respondent (40) notes that substance over form is an important concept and agrees with the way it is handled. At the May 2009 meeting, the Board agreed to consider whether the role of prudence and substance over form was appropriately expressed in the Consultation Paper.

In developing its QCs, the Board did discuss at some length the prominence that should be given to prudence and substance over form, noted the way these concepts were treated in the existing IPSASB qualitative characteristics at Appendix B of IPSAS 1 “Presentation of Financial Statements”, and monitored proposals for their treatment and explanation as the IASB developed this component of its updated Framework.

Staff views

The Board explains at paragraphs 4.18 and 4.19 of the Consultation Paper that prudence (and neutrality) are not identified as separate characteristics because prudence (used in the sense of the exercise of a degree of caution in making estimates under conditions of uncertainty) and neutrality are linked to faithful representation.

Staff is of the view that there is not a substantial difference in the role of prudence and its relationship to faithful representation intended by the Board and identified in the responses noted above. Consequently, the staff’s view is that the responses do not give rise to a fundamental change in the Board’s position on these matters. However, some respondents are concerned that the role of prudence in achieving faithful representation is not explained or presented in a positive way – that is, prudence may be read as a notion that is incompatible with neutrality and faithful representation. Staff is of the view that this was not the Board’s intention, and the basis for conclusions could usefully explain and reinforce the Board’s view that the appropriate exercise of prudence and neutrality are linked to satisfying the QC of faithful representation.

Paragraphs 4.11 and 4.12 explain that substance over form remains a key quality that information included in GPFRs must possess – because achievement of faithful representation requires that the substance, and not merely the legal form, of economic or other phenomena be presented in GPFRs. Staff is of the view that responses do not signal that there is a need for the Board to change its view on the meaning of substance over form and its role in the QC's and that the sense of the current explanation should be retained in the basis for conclusions of the Framework ED when prepared.

Action Requested:

Members are requested to confirm the approach proposed by staff in respect of prudence and substance over form or provide alternative directions for the development of these aspects of the draft Framework ED.

Materiality and cost as a constraint

At its May 2009 meeting the Board noted that some respondents identify that the operation of materiality and/or costs as a constraint in the public sector needs further explanation. Such explanation to acknowledge that assessments of materiality are made with reference to the context and nature of the item, particularly given that legislation may require disclosure irrespective of the cost or perceived materiality of the item (01, 08, 22, 25, 22, 32, 37 42, 44). One respondent (44) also expresses concern that relevance and materiality are not clearly distinguished – and proposes that narrative explain that relevance is a general quality while materiality relates to the circumstances of individual entities.

Respondents concerns about the explanation of cost as a constraint in the Consultation Paper included a request for clarification that (a) the cost constraint cannot be used to override an entity's obligation to discharge its accountability obligations (37), and (b) the Board will make cost-benefit decisions in the process of developing IPSASs and entities cannot decide to depart from IPSASs on the basis of their own assessments of the cost and benefits of particular disclosures or policies required by IPSASs (44).

One respondent also notes that while the cost–benefit trade-off is adequately dealt with, it does not recognize that cost benefit trade-offs may differ for different public sector entities (08) – the need to deal with differential reporting was also raised more generally by another respondent (13). Acknowledgement of this may provide an useful principle to be applied when considering differential reporting issues. Hence the Framework could usefully introduce the notion of information being “commensurate” or “proportional” to requirements as a qualitative characteristic, rather than treating cost as only a constraint.

The Board agreed to revisit these matters at a future meeting.

Staff views – materiality

The Consultation Paper explains at paragraph 4.33 “...*Because materiality depends on the nature and amount of the item judged in the particular circumstances of its omission*

or misstatement, it is not possible to specify a uniform quantitative threshold at which a particular type of information becomes material”.

Staff is of the view that the draft ED could usefully build on this to explain that in some circumstances the nature of the item may be a more important factor than its amount in assessing the materiality of the item. In addition, assessments of the materiality of an item may well encompass considerations of the legality of disclosure, the sensitivity of the information and the extent to which the item’s omission or non disclosure may impact on the relevance of the information for the achievement of either the decision making or accountability objectives of financial reporting or the faithful representation of information included in GPFRs.

Staff is also of the view that, in the basis for conclusions to the ED, the Board could usefully acknowledge that legislature may prescribe that particular items of information are to be disclosed (or not to be disclosed) in GPFRs and preparers will need to consider such requirements as they prepare GPFRs - even though they may not otherwise be consider to satisfy a materiality threshold (or cost constraint) or other qualitative characteristics. However, staff does not believe that it is appropriate that the Framework itself build a legislative override into the description of materiality – such an override is appropriately recognized as a feature of the environment that the entity operates in, but is not itself a financial reporting concept.

Staff views- cost as a constraint

Staff are of the view that the Board did not intend that the cost- benefit analysis could be used as justification to exclude the disclosure of information necessary to discharge an entities accountability obligation or to depart from an IPSAS, and this should be clarified in the draft ED.

The Board has previously considered whether issues related to differential reporting should be included in the Framework, including the potential to acknowledge that cost-benefit issues may differ for differing entities depending on their nature, size or other operating characteristics. However, the Board determined that it should deal fully with the differential reporting issue in a separate project, and it was not appropriate to pre-empt or foreguess what might emerge from that separate project and reflect it in the Framework at this stage. Staff does not believe that responses raise issues that the Board has not previously considered and would prompt a change of position. However, staff is of the view that the basis for conclusions in the draft ED should make clear the Board’s reasons for not attempting to deal with, or identify approaches that might be useful in dealing with, differential reporting issues in the Framework.

Action Requested:

Members are asked to confirm or otherwise staff proposals regarding the development of the materiality and cost constraint components of the draft ED and provide directions for their further development.

Other matters

Staff continue to work through the individual drafting and other concerns raised by individual respondents and will bring these matters to the attention of members as the draft ED is prepared. Staff is of the view that for the most part the remaining concerns go to structural issues and/or the clarification of the Boards intent in respect of particular QCs. They include concerns that, for example, it is not clear that the QCs are derived from the broad principle that information included in the financial reports is useful for its users (13) and that the acknowledgement that "users may need to seek the aid of an advisor" allows for the preparation of GFRS that are not readily understood (34). Staff is of the view that clarifying the intent and operation of, for example, paragraphs 4.1 and 4.2 will respond to these concerns. As noted above, staff propose that the Board focus on these issues as the drafting of the ED progresses.

KEY ISSUE #4: THE REPORTING ENTITY

Preliminary View 8: *Characteristics of a Reporting Entity* and

Preliminary View 9: *The Composition of a Group Reporting Entity*

At the May 2009 meeting, the Board noted that many respondents support the explanation of the reporting entity as proposed in PV 8 and the existence of users as an important, if not key, characteristic of a reporting entity. However, the Board also noted that a number of respondents are of the view that consideration of the reporting entity and/or the composition of the group reporting entity should be excluded from this phase of Framework, and either dealt with separately as a Framework issue or as a standards level issue.

Some respondents also express concern that the way in which the boundaries of a reporting are dealt with in the Consultation Paper is too detailed for a Framework and that it pre-empts the identification of particular consolidation techniques. They are of the view that broad principles/criteria should be established in the Framework and the detailed rules, illustrated with examples where appropriate, should be developed at the standards level in IPSASs (06, 08, 11, 21, 25, 34, 44, 45, 48, 55, 56). However, other respondents note that they found the examples and guidance helpful and some advocated that particular additional circumstances (in respect of both PV8 and PV9) be dealt with (05, 07, 14, 32, 40, 46, 52).

There was insufficient time at the May 2009 meeting to consider all the substantive issues raised in responses to PV8 and PV9 in detail. Consequently, Members focused on broad issues of whether consideration of the reporting entity and the composition of the group entity should be included in this phase of the Framework or dealt with separately. Members also considered the extent to which the Framework should include examples and illustrations of the application of PV 8 and 9 to particular circumstances.

After considering the views of respondents, the Board agreed that it would continue to develop the characteristics of the reporting entity (PV8) and the composition of the public sector group reporting entity (PV 9) in this phase of the Framework. The Board also agreed that the Framework would deal with only high level principles for determining the

composition of the group entity – examples of the application or consequences of those principles to particular circumstances would be dealt with at the standards level and not in the Framework.

The following sections of this paper are developed within the parameters as agreed by the Board at the May 2009 meeting. In particular, staff have not raised additional examples proposed by some respondents and have identified for Board consideration some examples that may be deleted consistent with the May 2009 decision.

At the May 2009 meeting, the Board noted that the Report of the joint IPSASB-IMF Task Force established to consider potential financial reporting consequences of governments' responses to the GFC would inform development of this, and other components of, the Framework. At the time of completion of this paper, the Task Force Report was not available. If that Report becomes available before the meeting, Staff will provide a verbal update on the implications/impact of the Task Force's findings for Phase 1 of the Framework project – particularly in respect to identification of the reporting entity and composition of the group reporting entity.

Characteristics of a Reporting Entity

Preliminary View 8 - Characteristics of a Reporting Entity (following paragraph 5.10)

The key characteristic of a reporting entity is the existence of users who are dependant on GPFRs of the entity for information for accountability purposes, and for making resource allocation, political, and social decisions.

A public sector reporting entity may be an entity with a separate legal identity or other organisational structure or arrangement

Potential additional characteristics

The Board agreed to consider whether additional characteristics of a reporting entity should be identified, and the nature of those characteristics.

While many respondents supported the characteristics of a reporting entity as proposed in PV8, some question whether a definition or specific exposition of the characteristics of a reporting entity was necessary (15) or whether the existence of users should be identified as a key characteristic (17, 41). Others express concern that the guidance is very broad and additional characteristics may be necessary to ensure that, for example, insignificant entities are not identified as reporting entities and required to prepare GPFRs in accordance with IPSASs. The additional characteristics identified most frequently by respondents are, in broad terms:

- the existence of identifiable transactions or economic (or other) activities undertaken by the entity, or assets or liabilities of the entity, for which it should be accountable and/or which have significance for decision making purposes (01, 03, 22, 38, 39, 52); and
- that public sector entities are often created by legislation or similar authority for handling public monies and/or as the vehicle for delivery of public policy, and have an obligation to be accountable and prepare GPFRs (12, 35, 37, 48, 50).

Some respondents also advocate clarifying that a reporting entity can exist notwithstanding the absence of a legal identity (37, 47).

Staff views

A number of these additional characteristics were noted and discussed by the Board in developing PV8. In that sense, responses do not raise new issues/perspectives on the nature of a reporting entity. However, staff is of the view that they do reflect that some messages intended by the Board do not come through clearly enough - in particular, the central role of legislation in specifying what should be a reporting entity as explained in paragraph 5.4 of the Consultation Paper:

“The IPSASB Framework will not identify which governments or other public sector entities in any jurisdiction should be reporting entities or group reporting entities. This will be specified in legislation, regulation or other authority, or be determined by relevant authoritative bodies with knowledge of the characteristics of public sector entities in their jurisdiction and the likely information needs of users. However, the IPSASB Framework will identify the key characteristics that a reporting entity is likely to possess, and the criteria for determining the entities to be included within a group reporting entity.” (Paragraph 5.4)

Staff is of the view that the role of government in identifying reporting entities needs to be re-established as the central component of this part of the draft Framework ED.

Staff is also of the view that narrative within the ED or the basis for conclusions could usefully explain that it is unlikely that users will exist in respect of entities which do not undertake economic or other activities, control assets or have the capacity to incur liabilities in the pursuit of its objectives. Accordingly, it is anticipated that these matters will be considered by the legislature or other authority in designating particular legal entities or administrative structures or other arrangements as reporting entities. Such an approach would also be responsive to those respondents that do not raise a concern with the Board’s approach, or specifically note that the broad explanation of how a reporting entity would be identified and its likely characteristics is useful and would accommodate the different jurisdictions and arrangements impacted by the Framework (see for example, 05, 12, 13, 28, 29, 42, 43, 48, 50, 53, 56).

As the Board considers how to further develop this aspect of its Framework it is appropriate to note that the IASB is moving towards finalisation of the reporting entity component of its Framework. Staff understand that there have not been significant changes from recent drafts considered by the IASB and FASB. Therefore, in very broad terms, a reporting entity will continue to be described in terms of a circumscribed area of economic activities whose financial information has the potential to be useful to the primary user group for achieving the objectives of financial reporting. These features are not dissimilar from those proposed by the IPSASB in its Consultation Paper, except of course that the IPSASB explanation reflects the public sector environment and circumstances.

Alignment with objectives and users of GPFRs

A number of respondents also note that the explanation and wording of this PV should be amended to better align with their views on the users of GPFRS and the objectives of financial reporting - including whether a primary or priority user group should be identified, whether accountability should be given greater prominence and how the decision making arm of the objectives is described (06, 08, 11, 13,14 , 17, 39, 40).

Staff agree that the explanation of the reporting entity should be linked to the objectives of financial reporting as appropriate. Staff propose that this matter be revisited as the Board completes its consideration of whether a primary user group should be identified and any likely consequences of that decision for the objectives of financial reporting.

Other matters raised and not yet discussed

One respondent identified, the need to make it clear that the “entity perspective” (rather than the “proprietary perspective”) is adopted in the framework (25). As noted at the May 2009 meeting - Staff is of the view that the likely implications of PV 8 and PV 9 are that an entity perspective is being adopted. However, staff is not convinced it is necessary to make a statement to this effect – at least at this stage of the project development. The staff hesitate because it is not clear whether the entity approach is well understood in all jurisdictions and whether it carries with it unanticipated consequences for other phases of the Framework. Staff propose that this be monitored as other components of the Framework are developed and be revisited.

As with other PVs, the detailed drafting recommendations of respondents will be revisited and addressed as the ED is developed. In addition, the section will need to be updated in response to Board decisions on previous PVs, particularly in respect of users and objectives of GPFRs.

Action Requested:

Members are requested to confirm staff proposals or provide alternative directions for the development of the characteristics of the reporting entity component of the draft Framework ED.

The Group Reporting Entity

Preliminary View 9 – The Composition of a Group Reporting Entity

A group reporting entity will comprise the government (or other public sector entity) and other entities when the government (or other public sector entity):

- has the power to govern the strategic financing and operating policies of the other entities (a “power criterion”); and
- can benefit from the activities of the other entities, or is exposed to a financial burden that can arise as a result of the operations or actions of those entities; and can use its power to increase, maintain, or protect the amount of those benefits, or maintain, reduce, or otherwise influence the financial burden that may arise as a

result of the operations or actions of those entities (a “benefit or financial burden/loss” criterion).

At its meeting in May 2009, the Board agreed that as it developed this component of the Framework ED it would refocus the explanation in the Consultation Paper on only high level principles for determining the composition of the group reporting entity.

At its May 2009 meeting, the Board did not have the opportunity to consider how the commentary on the group reporting entity included in the Consultation Paper should be reconstituted to focus on only the high level principles.

An extract of the Consultation Paper which deals with the group reporting entity (paragraphs 5.12 to 5.35) is attached as Agenda paper 9.4. Figure 2 below provides a brief summary of the role of each paragraph in the group reporting entity section of the Consultation Paper.

Figure 2 – The “role” of each paragraph in the group reporting entity section of the Consultation Paper.

Paragraph 5.12 – explains that governments may operate through a number of entities.
Paragraph 5.13 – describes a group reporting entity and explains the circumstances in which GPFRs of such may be prepared.
Paragraph 5.14 & 5.15 – explains what this section of the Consultation Paper deals with.
Paragraph 5.16 – explains the IASB position as reflected in its Discussion Paper.
Paragraph 5.17 & 5.18 – explains the IPSASB process in reaching its PV.
Paragraph 5.19 – identifies the criteria to be applied in determining which entities are to be included in the whole of government or other group reporting entity.
Paragraphs 5.20 to 5.22 – explains the substance of the criteria.
Paragraph 5.23 – provides examples of the sources of “power”.
Paragraph 5.24 – explains that “power” must be presently exercisable.
Paragraph 5.25 – identifies the forms that “the benefit” may take.
Paragraph 5.26 – explains how exposure to a “financial burden/loss” will arise.
Paragraph 5.27 & 5.34 - deals with the application of the criteria in particular cases.
Paragraph 5.35 – explains that IPSASs which give authority to the criteria will need to respond to jurisdictional circumstances.

Staff is of the view that the key principles in this section of the Consultation Paper are captured by:

- Paragraphs 5.12 & 5.13, which describe a group reporting entity and explain that preparation of GPFRs of a group reporting entity may be required by legislation or may be undertaken voluntarily;
- Paragraph 5.19, which identifies the criteria to be satisfied for inclusion of an entity within a group reporting entity;

- Paragraphs 5.20 – 5.22, which include explanation central to an understanding of the main features of the criteria;
- Paragraph 5.24, which explains that the power must be presently exercisable

Arguably, the following paragraphs also go to matters of principle:

- Paragraph 5.23 (or at least the first sentence of the paragraph), which explains how the power may be derived; and
- 5.25 – 5.26, which identifies the form the benefit may take and explains the circumstances in which the exposure to a financial burden/ loss will arise.

The other paragraphs embellish the discussion and illustrate how it may operate – but do not establish the basic principles. Accordingly, if the Board remains of the view that this section of the Framework is to focus only on the principles, the matters addressed in these “non-principle” paragraphs should not be included in the draft ED.

Staff is also of the view that the basis for conclusions in the draft Framework ED should include the substance of paragraphs 5.17 & 5.18, which explains that the IPSAS has considered a wide range of bases and terminology in arriving at its current position. As noted below, staff propose that the basis for conclusion also explain that the Board has considered the reporting entity concept reflected in statistical financial reporting models.

At this stage, staff does need some guidance from the Board on a working structure for this component of the draft ED. Alternative approaches may be adopted to drafting this section of the ED – for example the existing structure of paragraphs 5.19 to 5.22 could be retained, or paragraph 5.19 could be merged with paragraphs 5.20 – 5.22 to provide a more general explanation of the principles that drive the composition of a group reporting. Staff is of the view that, at least for the first draft of the ED, it is useful to focus sharply on the criteria to be satisfied in determining the group reporting entity. Therefore, subject to Board approval, staff propose that paragraph 5.19 be included in the first draft of the ED developed for Board review and the basis for conclusion include the substance of paragraphs 5.20 – 5.22, reconstructed to explain the Board’s views on why the criteria are appropriate.

Action Requested:

Members are asked to provide staff with directions/guidance on the restructuring of the group reporting entity sections of the Consultation Paper for inclusion within the draft ED.

Major issues raised in responses

The major concerns respondents raise in respect of the “power” and “benefit or financial burden/loss” criteria for determining the group entity in the public sector are:

- the potential for the application of the criteria proposed in PV 9 to result in the identification of a group entity that differs from that in established practice or legislative, or other requirements - particularly, but not exclusively in respect of

- their implications for the combination of national, state or local governments, (09, 12, 14, 15, 17, 19, 20, 27, 40, 46, 50, 52, 53);
- whether they would respond to all circumstances faced in the public sector and result in preparation of meaningful whole of government or other group GPFRs (10, 12, 21, 29, 35, 42, 48).

Some respondents who express broad support for the approach in PV 9 also note the need for some flexibility to respond to legislative imperatives in particular jurisdictions (28, 29). Some respondents also express concern that the Framework may be pre-empting decisions about whether consolidation or combination techniques are to be used for the group entity and how joint ventures and other arrangements may be reported (07, 11, 12, 17, 21).

When developing the Consultation Paper, the Board did consider the operation of the criteria in jurisdictions with different legislative and institutional arrangements and different forms of government and formed the view that the Framework will establish broad principles which will then be given authority through IPSASs, legislation or other mechanisms as appropriate. For example, the Consultation Paper explains at:

- paragraph 5.13, that in some cases, legislation or other authority will require the preparation of GPFRs that combine and report information about all the administrative units and separate entities that comprise a public sector group reporting entity, and in other cases GPFRs for a public sector group reporting entity may be prepared voluntarily; and
- paragraph 5.35, that IPSASs which give authority to the principles will need to respond to jurisdictional circumstances. (A similar point is also made in paragraph 5.29 in respect of the application of IPSASs in particular jurisdictions.)

The Consultation Paper also explains at paragraph 5.5 that individual IPSASs will specify the methods to be adopted to combine or consolidate information about the separate reporting entities that are encompassed within a group reporting entity.

Staff is of the view that the ED will need to draw together and make explicit, the Board's views on these matters – that is, that the Framework itself does not specify which group reporting entities are to prepare GPFRs or identify how the relationships between the transactions, activities and resources that comprise the reporting entity or group reporting entity are to be represented in GPFRs. Rather these matters will be dealt with in individual IPSASs, legislation or other authority as appropriate. The basis for conclusions could also acknowledge that the reporting entity identified by legislation or other authority may encompass different groupings of activities or entities, including reporting by particular activities or sectors. This was a matter that was noted by one response to PV8.

Action Requested:

Members are requested to confirm staff proposals for dealing with these major concerns identified by respondents or provide directions for alternative approaches.

Ongoing development.

The influence that users' information needs

At its meeting in May 2009, the Board agreed that as it developed this component of the Framework ED it would draw out more clearly the influence that users' information needs play in determining the boundaries of the group. Staff are of the view that the linkages between users information needs and the group reporting entity are embedded in paragraphs 5.12 and 5.20. Staff will develop this aspect of the Consultation Paper to reflect the Board's decision about the identification of a primary user and any implications of that decision for the objectives of financial reporting and the primary information focus:

The definition of the reporting entity in statistical bases of financial reporting

At its May 2009 meeting, the Board also noted that some respondents advocated consideration of the guidance provided by the SNA and related statistical financial reporting models (31, 33, 35, 52), and agreed to consider more explicitly the notion/definition of a reporting entity in statistical bases.

Staff have reviewed relevant sections of the recently issued SNA 2008 as it relates to identification of a reporting unit or sector in national accounts. Staff understand that the process of updating the related provisions of Government Finance Statistics Manual 2001 (GFSM 2001), and the European System of Accounts 1995 (ESA 95) and other statistical financial reporting guidance to harmonize with the changes and clarifications made in the SNA 2008 has commenced, or will commence be in the near future.

As members are aware, the focus of the SNA as it relates to the Board's consideration of a public sector reporting entity is on reporting by the general government sector which comprises national, state and local government. The SNA also provides for reporting by the public sector which comprises certain non-profit units and public corporations. SNA 2008 has been updated to clarify that the public sector encompasses "units" that are controlled by the GGS and explain the circumstances that control can arise for public corporations and non-profit units. The definition of control has been largely derived from the accounting literature and follows on from the work of the TFHPSA that the IPSASB was involved in.

While focus of the SNA (on the GGS and public sectors) and the way in which the benefit/financial burden criteria is dealt with differs from that reflected in the Consultation Paper, staff are of the view that the underlying substance of the circumstances that give rise to the inclusion of an entity in a group are substantially the same. The SNA includes some indicators of control and explains how they operate in particular circumstances – again they largely reflect issues raised and conclusions reached by the Board as it developed the Consultation Paper.

Staff have had some preliminary and informal discussion with staff of the IMF statistical division on the extent to which the criteria being developed by the Board are reflective of those in SNA 2008. Staff propose that, as the Board develops its position on the

explanation of the group reporting entity for inclusion in the ED, it continue to seek input from the statistical community, and subject to the Board's final decision on the reporting entity issue, include in the basis for conclusion an explanation of any anticipated differences from the SNA.

Relationship to the IASB position

A number of respondents note that the Consultation Paper should include an explanation of the reasons for differences from the approach the IASB adopted in its Consultation Paper (04, 22, 44, 47, 52). Three respondents note in particular that the use of the term "govern" by IPSASB rather than "direct" in the power limb of the definition, because govern may be interpreted as regulate, which would draw additional, and unintended entities into a whole of government reporting entity (04, 22, 52).

Paragraphs 5.16, 5.17 and 5.18 of the Consultation Paper provides some background to the approaches the IPSASB considered in developing its approach, including the IASB Consultation Paper. Staff will monitor the IASB approach as reflected in its soon to be released ED of the reporting entity and report on the differences. The Board can then consider how best to respond as it develops its own ED.

Paragraph 5.21 of the Consultation Paper makes it clear that a group reporting entity is will not include entities that a government has power over only as a regulator, trustee, or agent. If the term "govern" is widely interpreted as "regulate", staff agree with those commentators who advocate using a different term such as direct.

Other reporting entity issues

Respondents raised a number of other editorial, terminology and more substantive issues including, for example, the need to generalize commentary to refer to public sector entities more broadly than simply governments (10), the need to clarify whether the benefit criteria would include regulated entities because regulation is a means to implementing government policy (24), whether a constructive obligation would satisfy the financial burden/loss criteria in certain circumstances (55) .

Staff will continue to compile and assess specific drafting and more substantial issues identified in responses and bring these to the Board's attention as drafts of this phase of the Framework ED are developed.

**EXTRACT FROM IPSASB MINUTES –
MAY 2009, WASHINGTON, USA.**

**Phase 1 Conceptual Framework:
Objectives, Scope, Qualitative Characteristics And Reporting Entity**

CONCEPTUAL FRAMEWORK

Overview

The IPSASB highlighted the importance of the linkages among all phases of the Conceptual Framework and directed the Staff to consider the three phases of the Conceptual Framework project in totality as they are further developed.

Issues arising from the Global Financial Crisis

Prior to commencing the discussion of the Conceptual Framework, the Chair noted that the IPSASB had scheduled at this meeting consideration of a number of the components of the Conceptual Framework project and he was of the view that the presentations by IMF staff (see item 2) on government interventions in response to the Global Financial Crisis (GFC) raised a number of matters that should usefully be considered in the Framework development process. He proposed that Members commence this session by identifying any matters raised in the GFC presentations that should be tested as the Framework documents are developed.

Members agreed that this was appropriate, and identified the following matters:

- The frequent use of “transparency” as a term to identify a key quality or outcome of financial reporting by governments and to embrace the role of general purpose financial reports (GPFRs) in ensuring that information for accountability purposes was made publicly available;
- The increased emphasis on the need for comprehensive and consistent financial reporting by government business entities (GBEs), including the need to clarify what constitutes or is defined as a GBE and to track/report government financial packages and other interventions to support their operations;
- The potential extension of what might be included within the government reporting entity as a consequence of government interventions to support private sector entities;
- Whether “reporting what the government should be accountable for,” is a different and more appropriate concept than “reporting what the government controls” as the basis for determining what entities and activities should be encompassed within the whole of government reporting entity;
- The relationship of the concepts being developed in the Framework to those of the statistical reporting bases developed consistent with the System of National Accounts (SNA) and, while acknowledging that their objectives may differ, the potential

benefit of ensuring that there are no unintended differences in the concepts that underpin IPSASs and statistical reporting models;

- The impact that responses to the GFC have on the public sector regulatory, institutional and legislative environment and the fiscal framework within which government entities operate;
- The need for a long term perspective to be embraced within general purpose financial reporting by public sector entities—including reporting information that would support assessments of the impact that current decisions and activities of government may have on intergenerational equity and the capacity to provide services to constituents in the future;
- The importance of providing meaningful and understandable reports of the performance of public sector entities in GPFRs—including consideration of reporting financial and other aspects of performance and the methods of presentation of performance information in GPFRs;
- Measurement basis that may be adopted—in particular, the meaning and appropriateness of fair value accounting in the public sector;

Members noted these matters should be considered as the elements of financial statements and measurement and presentation components of the Framework were developed as well as in matters dealt with by the Phase 1 Consultation Paper. Members also noted that these matters may also impact the IPSASB's IFRS convergence program— particularly in respect of the need for standards and guidance on reporting of financial instruments and the application of fair value measurement in the public sector.

Ongoing development of the IPSASB Framework and relationship to the work of the NSS-4

The Chair advised that the Report of the April 2009 meeting of the group of four national standards-setters (the NSS-4 group) which has been monitoring the IASB-FASB joint Conceptual Framework project to identify any ramifications/issues for not-for profit entities in the private and public sectors had been tabled.

The Chair spoke to the Report, noting that the NSS-4 group was of the view that the IPSASB Framework may soon move ahead of the IASB Framework. Consequently, the NSS-4 was considering whether to continue with its monitoring of the IASB project. He also noted that he had expressed to the NSS-4 his view that the IPSASB should press ahead with the Framework project and put in place as soon as possible an International Public Sector Framework. As the IASB developed their Framework, the IPSASB may revisit and if considered appropriate, refine the Public Sector Framework. As such, he had encouraged the NSS-4 to continue with its activities in respect of the Framework project.

The Chair noted the NSS-4 was supportive of this approach. He then sought the views of IPSASB Members on whether the IPSASB should continue to progress its Framework project even though it may move ahead of the IASB project. IPSASB Members strongly supported progressing the IPSASB project, noting that while it could be informed by

IASB developments, this was not an IFRS convergence project; rather, as noted in the Consultative Paper, its purpose was to develop a public sector conceptual framework that makes explicit the concepts, definitions, and principles that underpin the development of IPSASs.

3.1 Phase 1 – Discuss Responses to Consultation Paper

Review of Responses to Conceptual Framework Consultation Paper

In September 2008, the IPSASB issued the Consultation Paper “Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: The Objectives of Financial Reporting; The Scope of Financial Reporting; The Qualitative Characteristics of Information Included in General Purpose Financial Reports; The Reporting Entity” (CP). Comments were requested by March 31, 2009.

Members noted that:

- 53 responses to the CP had been received as at April 30, 2009 when the Staff undertook its initial analysis of responses, and distributed to Members. Subsequently two additional responses had been received and distributed to Members prior to the meeting, but had not been included in the analysis of responses included in the staff paper; and
- Responses were of very high quality, dealt with the issues in great detail and raised a number of substantive issues.

Some Members expressed concern that there were relatively few responses from Africa, Latin America and Asia. Members noted potential reasons for this, including that contributing factors may be that the document was only available in English and French during the comment period, the relative predominance of financial statements prepared on the cash or near cash basis in these regions and hence a lack of interest in the accrual Framework, and the reluctance of constituents to commit their views in submissions that were public documents. However, other Members noted that they were pleased with the number of responses noting that the number of responses compared favorably to the number and spread of responses received to other IPSASB documents and to similar documents issued by other IFAC Boards and committees. Members agreed that they should continue to explore mechanisms for enhancing the dissemination and response rate to their comment documents including that going forward (a) an acknowledgement should be sent to all who submit responses IPSASB comment documents, and (b) accounting firms and other relevant organizations should be encouraged to undertake round-table or similar forums to discuss and encourage input on IPSASB consultative papers and EDs.

One Member noted that just over half the replies were from three countries and suggested that it would be useful to provide a global analysis of responses with a multicriteria classification such as region, country, language, profession (Ministry of Finance, public external auditor, standard setter, accountancy firm, individual, academic, etc.). Some Members also noted that in certain cases, responses may be regionally based and may

encompass the views of a number of organizations from different countries, and that ultimately it is the substance of the comments made that is important.

Members confirmed that:

- The purpose of the review of responses at this meeting was to provide the Staff with the Board's initial views on key issues, and that further analysis of responses would be undertaken in forthcoming meetings before a final or substantive Board position were agreed;
- It was intended to progress the Framework project as originally conceived – that is the IPSASB would issue consultation papers identifying its preliminary views on each component of the Framework and then prepare and issue an exposure draft (ED) of the full Framework for comment. Subject to those comments the Framework would be finalized; and therefore
- It was intended that, after the IPSASB had completed its review of responses to this CP, it would provide directions to the Staff for drafting these components of the full Framework ED.

Members reviewed the staff summary and analysis of responses and noted the Staff advice that judgment had often been necessary in assessing whether, on balance, the substance of an often complex response constituted support or opposition for a particular Preliminary View (PV); therefore the staff analysis and summary of responses should be treated with caution and should be read in conjunction with the full text of the submissions themselves.

Members agreed that:

- The documents should make it clear that the classification of responses as supporting or opposing a particular Preliminary View (PV) reflected staff views and not necessarily the views of the Board Members;
- The analysis of responses should be updated to provide a profile of the types of respondent by region and to remove the staff view on whether a particular respondent supported or opposed a particular PV;
- Public documents analyzing responses to an IPSASB consultation paper should not tabulate or highlight staff views on the number of responses which were assessed as supporting or opposing a Preliminary View or other Board proposition. This is because in many cases judgment is necessary and staff assessments may or may not reflect the assessments made by Board Members. Some Members expressed concern that the inclusion of a staff assessment of the numbers of support or opposition in public Board papers may be misinterpreted as the Board view; and
- If considered appropriate, each IPSASB Member could make available to other Board Members their analysis of responses developed for their own purposes in preparation for discussion at this meeting. It was noted that one Member had undertaken such analysis and it was made available to IPSASB Members.

Members considered broad themes to emerge from responses and noted that:

- Overall there had been a very good quality response to the CP;
- In many cases, there had been helpful suggestions for improvement and clarification of the PVs.
- A number of respondents had raised significant concerns about the PVs – in particular, the scope of financial reporting (PV-5) and whether the IPSASB should identify a primary user or priority user group (PV-3). One Member expressed the view that there was no overall support for any of the IPSASB's PVs as identified in the CP, noting in particular that a majority of respondents had not supported PV-3 dealing with users of GPFRs (see discussion below on PV-3).
- Members agreed that all issues would be explored in detail as respondents' views on each of the PVs were considered; and
- Some respondents appeared to be of the view that the IPSASB anticipated that a single GPFR would satisfy all objectives of financial reporting and encompass all matters identified as being within the scope of financial reporting. Members agreed that their view was that GPFRs may encompass multiple reports each responding more directly to certain aspects of the objectives of financial reporting and/or of the broad scope, as appropriate, and directed the Staff to further clarify this matter in drafting the Framework ED.

Members confirmed the objective of the project was to develop a public sector Framework and that they would continue to monitor the work of the IASB as appropriate, but noted that it may well be that the IPSASB project would move ahead of the IASB project in the near future.

Members then commenced their initial review of responses to each of the PVs identified in the document and the staff analysis and the staff recommendations thereon. Members expressed broad support for many, but not necessarily all, staff recommendations for the ongoing development of this phase of the Framework.

Preliminary View 1: The Authority of the IPSASB Framework

In the discussion of PV 1 and supporting explanatory paragraphs, Members agreed the authority of the Framework as currently identified in the PV is appropriate and should be retained, but that commentary/basis for conclusion in the ED of the Framework when developed should explain that:

- While the Framework identifies the broad principles that underpin the development of IPSASs, the authoritative requirements are established by the IPSASs after application of a due process which provides the opportunity for interested parties to provide input on the specific requirements proposed, including their compatibility with current practices in different jurisdictions;
- The Board was of the view that existing authoritative requirements should not be overturned without the application of due process; and

- Once the Framework was issued, the IPSASB would review extant IPSASs and would identify and, through application of the due process, address circumstances where there was substantial conflict between the IPSAS and the Framework.

Members also noted that some respondents had expressed concern that paragraph 1.8:

- Explains that the IPSASB Framework would not apply to GBEs. In addition, the Introduction noted that, after consultation with the IASB on how GBE's were to be dealt with in the IASB Framework, the IPSASB would consider whether to action a separate project to address GBE's. Some Members advised that issues specific to GBE's were unlikely to be considered by the IASB until late in the IASB Framework development process. Members noted that the definition of GBE's, whether central banks were GBE's and issues related to the consolidation of GBE's in whole of government financial reports were likely to be considered by the IPSASB-IMF Task Force. Members agreed to revisit this matter and determine future action when the report of the Task Force was available; and
- Establishes the view that international governmental organizations are not public sector entities. Members agreed that this was not intended and the ED of the Conceptual Framework, when developed, should reflect that international governmental organizations may well be public sector entities.

Preliminary View 2: *General Purpose Financial Reports (GPFRs)*

In the discussion of PV 2 and supporting explanatory paragraphs, Members noted that there was broad support for this PV but that some respondents expressed concern about:

- The use of the term “financial” in general purpose financial reporting given that the Framework acknowledged that GPFRs could include non-financial information; and
- Whether references to meeting the common information needs of a broad range of potential users was appropriate and practicable.

Members agreed that this PV should be revisited following conclusion of its discussion of users of GPFRs and the scope of financial reporting. The substance of PV 2 should then be updated to reflect Board decisions on those matters.

Preliminary View 3: *The Users of GPFRs*

In the discussion of PV3 and supporting explanatory paragraphs, Members noted that many respondents advocated that the users identified be ranked in importance, or that a primary user group be identified - because it is unlikely that GPFRs would be able to respond to all the information needs of all users. Members noted that respondents had differing views on who should be identified as primary users with the most commonly identified user groups being:

- The public, citizens and/or the legislature, parliament or similar bodies acting in their capacity as representatives of citizens or the public (identified most frequently as the primary or priority users); and

- Resource providers, funders or similar groups/persons.

Members agreed that:

- Before making a decision on this matter, further consideration of the responses was necessary to identify why some respondents did not support the identification of a primary user group and why others were of the view that identification of a particular user group as the primary user was necessary;
- It was likely that the third potential user group identified in the CP (“other parties, including special interest groups and their representatives”) would be encompassed by the other groups, and consequently, it need not be identified as a separate user group; and
- Whether or not the Board identified a particular user group as the primary user of GPFRs, the explanation/basis for conclusions included in the ED of the Framework when developed should:
 - Explain why the potentially wide range of users identified in the CP are grouped in the broad categories of service recipient or resource provider and clarify that representatives of these groups may encompass elected representatives and oversight or monitoring bodies that act on their behalf;
 - Acknowledge that the information needs of users in different jurisdictions and/or in respect of different entities may differ in particular circumstances; and
 - Test the extent to which these bodies are users of GPFRs, rather than special purpose financial reports.

Some Members expressed the view that:

- The identification of users should be determined by reference to which parties the public sector entity is accountable to or, if different, have a legitimate right to information for decision making purpose and are dependent on GPFRs for such information; and
- If retained in the ED of the Framework, the reference to the legislature as a major user of GPFRs should be recast as reference to Members of the legislature, parliament or similar body as major user.

Preliminary View 4: The Objectives of Financial Reporting

In the discussion of PV 4 and supporting explanatory paragraphs, Members noted that the IMF presentation on responses to the GFC had emphasized the role that GPFRs should play in ensuring the accountability of public sector entities and that such information would also be useful as input for decision making purposes, and tentatively agreed that:

- The objectives of general purpose financial reporting should be identified as including both an accountability and decision making dimension;

- The linkage between accountability and decision making should be strengthened/clarified by acknowledging that the information provided by GPFRs is necessary for accountability purposes and useful as input for decision making;
- The objectives of financial reporting should not include a reference to “making resource allocation, political and social decisions” as included in PV 4. Rather, the objectives should include a more general reference to just “decision-making purposes” and be supported by an explanation of the types of decisions that users of GPFRS may require information for, which should acknowledge that:
 - Different potential users of GPFRs of public sector entities may have a different capacity for and focus on decision making and
 - Different GPFRs may be of greater significance for accountability purposes and decision-making purposes.

Members also noted that the nature and focus of decisions that should be identified may well be influenced by the Board’s deliberations on whether to identify a primary user (see PV 3 above), and the identity of that user.

**Preliminary View 5: *The Scope of Financial Reporting* and
Preliminary View 6: *Evolution of the Scope of Financial Reporting***

In the discussion of PV 5 and PV 6 and supporting explanatory paragraphs, Members noted that:

- Most respondents agreed that the scope of financial reporting by public sector entities should encompass reporting of financial information about assets, liabilities, revenues and expenses and compliance with budgets and relevant legislation and regulation and, in respect of these matters, should allow financial reporting to evolve in response to users’ needs; but that
- A majority of respondents expressed concern about the scope of GPFRs being extended to encompass reporting on service delivery achievements, prospective financial information and explanatory material about those matters. Some respondents raised concerns about whether the IPSASB had a current mandate to issue standards or guidance on all of these matters and the Technical Director was asked to provide clarification from IFAC on the ability of the IPSASB to undertake work beyond dealing with accounting standards for financial statements.

Some Members noted that presentations by IMF staff on government interventions in response to the GFC had highlighted the need for GPFRs to embrace a long term perspective and to provide information that would enable the entity to be accountable for the financial consequence of all its activities, including the achievement of the entity’s service delivery and, as appropriate, other policy objectives. Consequently Members expressed the tentative view that:

- A broad scope for general purpose financial reporting as proposed in the Consultative paper appeared appropriate if GPFRs were to provide information necessary for accountability purposes and useful as input for decision making purposes – a number of Members expressed the view that disclosure of non-financial and prospective

financial information was likely to be necessary to better understand the financial position and performance of the entity as reflected in the financial statements;

- While not unlimited, the scope of financial reporting should be allowed to develop in response to users' information needs. Members agreed that the further development of, and responses to, project briefs on narrative reporting and performance reporting and the project on long terms fiscal sustainability would effectively establish boundaries on the scope of financial reporting for the near term;
- The ED of the Framework when developed should make clear that the establishment of a broad scope for financial reporting does not mean that it is inevitable that an IPSAS will be developed to direct reporting on these matters. Some Members noted that certain disclosures may be encouraged rather than required and best practice guidance rather than requirements or IPSASs may also be developed;
- The Framework should be developed to initially focus on key aspects of financial statements, which reflected the current work on the elements and measurement components of the Framework. How the concepts may apply to other areas of financial reporting would be considered subsequently—for example in the context of projects dealing with the narrative reporting, performance reporting and long-term fiscal sustainability.

Preliminary View 7: *The Qualitative Characteristics of Information Included in GPFs*

Members noted that while most respondents supported the qualitative characteristics (QCs) as identified in the Preliminary View and supporting paragraphs, a number of responses included proposals for revision, refinement and additional explanation of individual QCs and the relationship between them. Members also noted that some respondents had expressed a view that additional QCs such as “true and fair view,” “transparency” and “credibility” should be identified, and others had expressed concern about the potential for the IPSASB QCs and IASB QCs, and their explanation, to differ—particularly in respect of the identification of fundamental and enhancing characteristics.

Some Members noted that the need for transparency in financial reporting had frequently been raised in the presentations on governments' responses to the GFC and expressed the view that qualities such as transparency, credibility and a true and fair view were:

- Broader, overarching qualities than those intended for the QCs identified in PV 7; and
- Achieved as a result of application of the QCs, other concepts identified in the Framework and compliance with the requirements of the specific IPSASs themselves and this should be explained in the ED of the Framework.

Members noted that their review of responses to this PV would continue at the next meeting and tentatively agreed that, subject to further consideration of those responses and additional QCs identified by respondents:

- The existing suite of QCs was appropriate for application to information to be included in general purpose financial statements (GPFs);

- Whether the term reliability or faithful representation was more appropriate for application to the GPFSs of public sector entities would be revisited in a future meeting;
- The applicability of the QCs, particularly faithful representation (or reliability) and verifiability, to non-financial and prospective financial information that may be included within the scope of general purpose financial reporting would be tested as the projects extending the scope were developed—for example by the projects dealing with narrative reporting, performance reporting and long-term fiscal sustainability;
- The guidance currently included in the CP that the relative importance of the QCs in different circumstances is a matter of professional judgment responded appropriately to the circumstances to be considered in determining whether an item of information qualified for inclusion in GPFRs of public sector entities; consequently it was not proposed to introduce a notion of fundamental and enhancing characteristics or otherwise establish some characteristics as being of greater importance than others; and
- The basis for conclusions in the ED of the Framework when developed could usefully include an explanation of the reasons for differences among the QCs proposed for public sector entities and those identified by the IASB. Such explanation should build on material/explanations included in a number of responses.

Members also agreed to further consider at a future meeting whether:

- The role of prudence and substance over form was appropriately expressed; and
- The operation of materiality and cost as a constraint in the public sector context needed further explanation, particularly given that legislation may require disclosure of certain matters irrespective of materiality or cost.

Preliminary View 8: *Characteristics of a Reporting Entity* and

Preliminary View 9: *The Composition of a Group Reporting Entity*

Members noted that the time available at this meeting to consider responses to PV8 and PV9 was very limited. As such it was agreed, to focus on only the broad principles relating to the characteristics of the reporting entity (PV8) and whether consideration of the reporting entity and the composition of the group entity should be included in this phase of the Framework or dealt with separately. Within these parameters Members noted the process for development of this section of the CP and tentatively agreed to:

- Retain and continue to develop in this phase of the Framework, consideration of the characteristics of the reporting entity as reflected in PV 8. Members noted that the majority of respondents supported the explanation of the reporting entity as proposed and the existence of users as an important, if not key, characteristic of a reporting entity. Members also agreed to consider at a future meeting whether additional guidance on the characteristics that are likely to exist for an entity to be designated as a reporting entity should be identified, and the nature of those characteristics; and

- Continue to include consideration of the composition of the public sector group reporting entity as dealt with in PV 9 in this phase of the Framework development, but that the section should:
 - Focus on only the high level principles for determining the composition of the group entity and should not deal with application of those principles to particular circumstances—Members expressed the view that such application is more appropriately dealt with at the standards level;
 - Draw out the influence that users' information needs would play in determining the boundaries of the group; and
 - Consider more explicitly the applicability of the principles established in statistical financial reporting models to determining the composition of a reporting entity or group reporting entity.

Members noted that the newly established joint IPSASB-IMF Task Force considering potential financial reporting consequences of governments' responses to the GFC would be considering matters related to the identification of the reporting entity, composition of the group reporting entity at whole-of-government level and, potentially, other PVs identified in the CP, including the objectives, scope of financial reporting and qualitative characteristics of financial information. Members also noted that the Task Force would complete its report in the second half of 2009 and agreed that it was desirable that its ongoing review of the CP be informed by matters raised and any recommendations made by the Task Force.

**OVERVIEW OF RESPONSES TO THE CONCEPTUAL
FRAMEWORK CONSULTATION PAPER #1 – BY GEOGRAPHIC
LOCATION, FUNCTION AND LANGUAGE**

01	UK Accounting Standards Board
02	Australia Joint Accounting Bodies
03	Australian Department of Finance and Deregulation
04	New South Wales Treasury
05	Public Sector Accounting Board-Canada
06	Controller and Auditor-General - New Zealand
07	The University of Sheffield
08	The Treasury - New Zealand
09	Office of Scottish Charity Regulator
10	United Nations
11	Swiss Public Sector Financial Reporting Advisory Committee
12	French Ministry for the Budget, Public accounts and Civil service
13	Finnish State Accounting Board
14	Institute of Certified Public Accountants in Ireland
15	Institute of Chartered Accountants of Scotland
16	The Institute of Chartered Accountants of Sierra Leone
17	Ministry of Finance - Netherlands
18	Australasian Council of Auditors-General
19	Ontario Ministry of Finance - Canada
20	Provincial Comptroller of Manitoba - Canada
21	The Swedish Council for Municipal Accounting
22	Accounting Standards Board - South Africa
23	Jean-Bernard Mattret
24	Italian Academics
25	Financial Reporting Standards Board - New Zealand
26	Joseph S. Maresca
27	French Regional Court of Audit in Ile-de-France
28	FEE
29	Dutch Local Government Accounting Standards Board

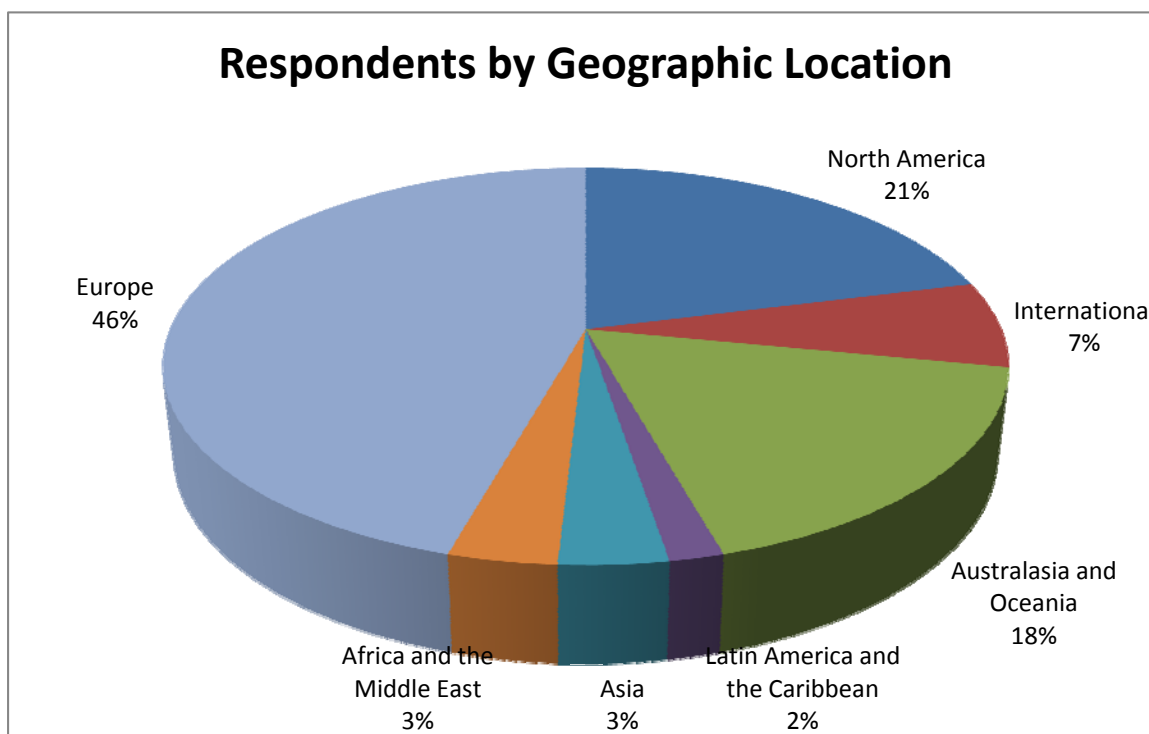
30	Martin Dees
31	General Directorate of Public Finance - France
32	Ernst & Young
33	Bouchat-Goubert-Baumann
34	Association of Chartered Certified Accountants - UK
35	Michael Parry
36	Treasury of the Hong Kong Special Administrative Region
37	Federación Argentina de Consejos Profesionales de Ciencias Económicas
38	Statistics Canada
39	Audit Commission - UK
40	Comptroller General of British Columbia - Canada
41	Office of the Auditor General of Canada
42	CIPFA
43	Financial Reporting Advisory Board
44	Australian Accounting Standards Board
45	Ministère des Affaires municipales du Québec - Canada
46	Provincial Comptroller of Saskatchewan - Canada
47	Institut der Wirtschaftsprüfer - Germany
48	Cour des Comptes - France
49	The Swedish National Financial Management Authority
50	Northwest Territories Finance - Canada
51	GASB
52	Heads of Treasuries Accounting and Reporting Advisory Committee
53	Comptroller of Finance of Québec - Canada
54	Petri Vehmanen - Finland
55	Japanese Institute CPA's
56	KPMG International
57	International Atomic Energy Agency

Purpose of this Attachment:

To provide a profile of respondents in the standard format adopted by IPSASB staff.

Geographic Breakdown:

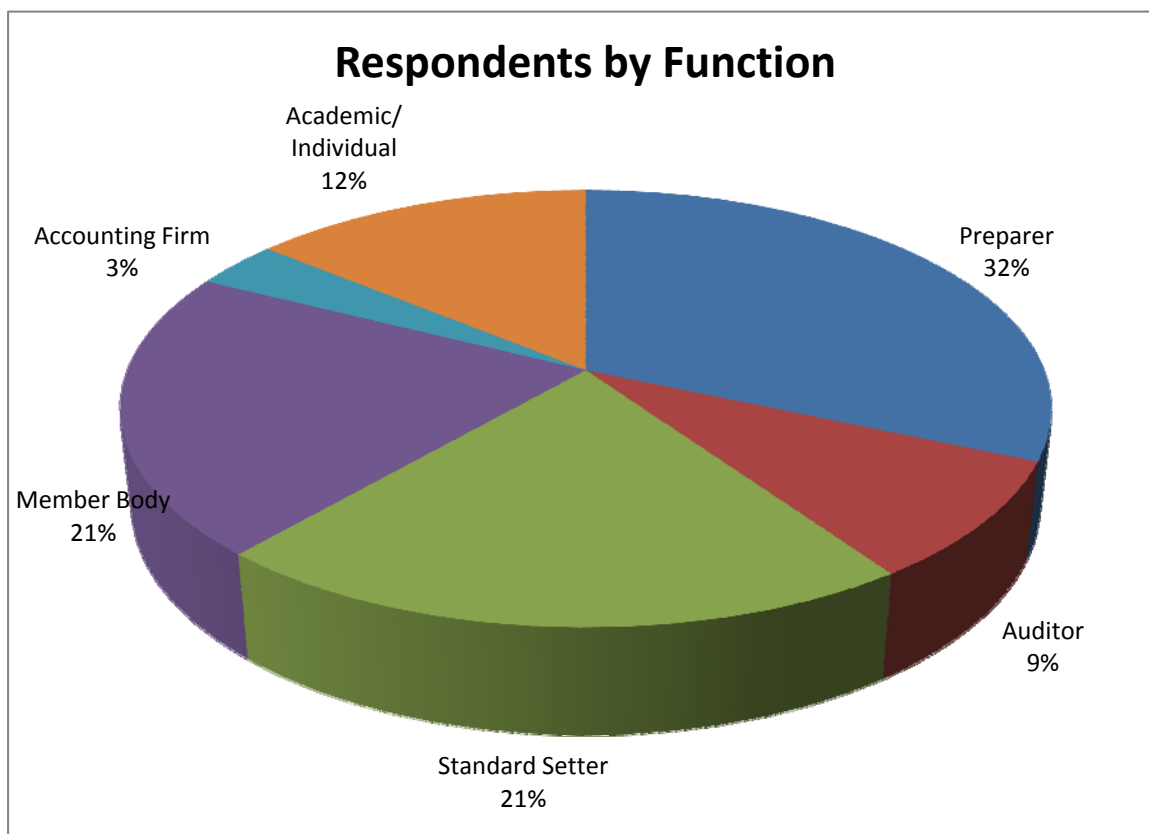
Location	Response number	Total
Africa and the Middle East	16, 22,	2
Asia	36, 55	2
Australasia and Oceania	1, 2 ,3, 4, 6, 8, 18, 25, 44, 52,	10
Europe	7, 9, 11, 12, 13, 14, 15, 17, 21, 23, 24, 27, 28, 29, 30, 31, 33, 34, 35, 39, 42, 43, 47, 48, 49, 54,	26
Latin America and the Caribbean	37	1
North America	5, 19, 20, 26, 38, 40, 41, 45, 46, 50, 51, 53,	12
International	10, 32, 56, 57	4
Total		57



Functional Breakdown:

Function	Response Number	Total
Preparer (Ministry of Finance or similar)	3, 4, 8, 10, 17, 19, 20, 27, 31, 36, 38*, 40, 45, 46, 50, 52, 53, 57	18
Audit Office	6, 18, 39, 41, 48	5
Standard Setter/Standards Advisory Body	1, 5, 9, 11, 12, 13, 21, 22, 25, 43, 44, 51	12
Member Body (National or Regional)	2, 14, 15, 16, 28, 29, 34, 37, 42, 47, 49, 55,	12
Accountancy Firm	32, 56	2
Academic/individual(s)	7, 23, 24, 26, 30, 33, 35, 54	8
Total		57

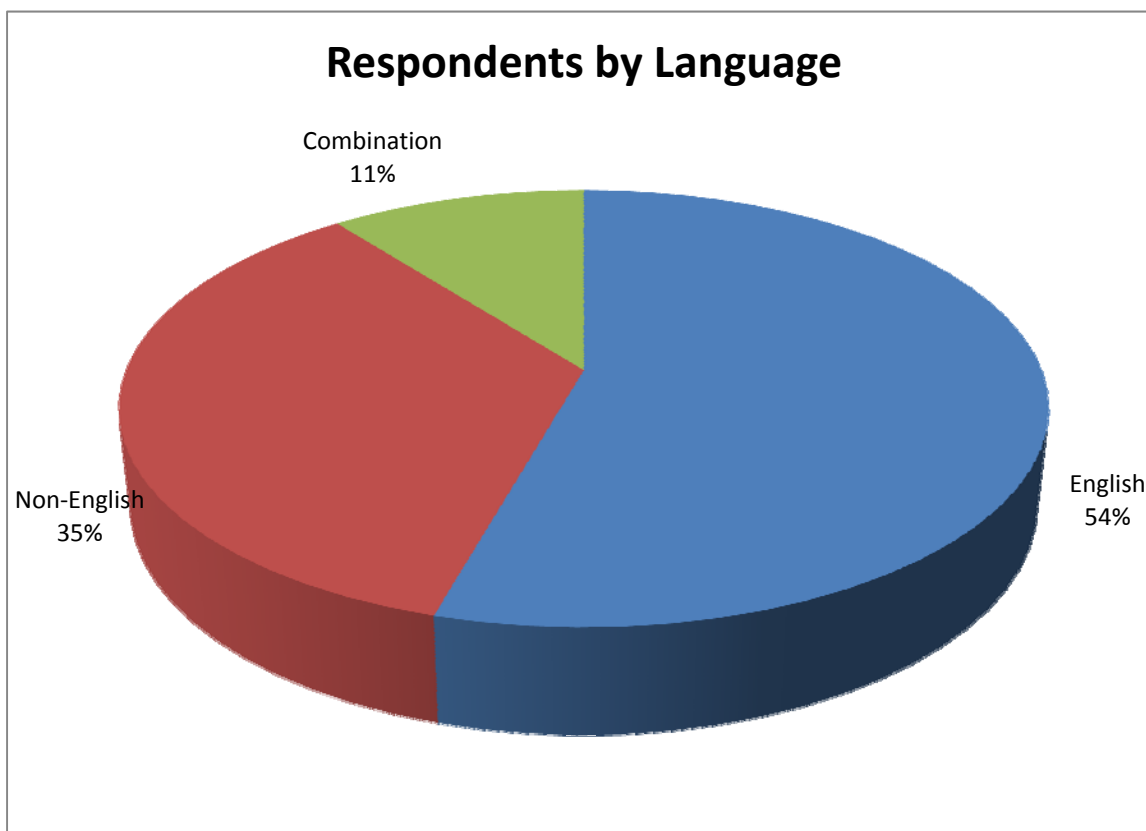
* Statistics Canada is included as a preparer



Linguistic Breakdown:

Language	Response #s	Total
English-Speaking	1, 2, 3, 4, 5, 6, 7, 8, 9, 14, 15, 16, 18, 19, 20, 22, 25, 26, 34, 35, 38, 39, 40, 41, 42, 43, 44, 46, 50, 51, 52,	31
Non-English Speaking	11, 12, 13, 17, 21, 23, 24, 27, 29, 30, 31, 33, 37, 45, 47, 48, 49, 53, 54, 55,	20
Combination	10*, 28*, 32*, 36, 56*, 57*	6
Total		57

* Includes the international organizations and jurisdictions which included multiple official and widely used languages, except for Canada – which I classified as Non-English speaking for Quebec and English speaking otherwise. The International Accounting firms I also classified as English speaking



AGENDA ITEM 9.3

EXTRACTS OF RESPONSES TO THE FOLLOWING PRELIMINARY VIEWS:

- Preliminary View 2 – General Purpose Financial Reports GPFRs
- Preliminary View 3 - The Users of GPFRs
- Preliminary View 7 - The Qualitative Characteristics of Information Included in GPFRs
- Preliminary View 8 - Characteristics of a Reporting Entity
- Preliminary View 9 – The Composition of a Group Reporting Entity

The summary of responses to PV 2, 7, 8, 9 has been updated to include all responses received to date. As directed at the May 2009 meeting, staff views on whether a response should be classified as support or otherwise have been removed and an extract from that response included.

The summary of responses to PV3 has been updated to include all responses and also to draw out the underlying reasons for the respondents views about whether or not a primary or priority user should be identified.

PVs 1, 4, 5, and 6 are not subject to detailed discussion at this meeting, and a summary of responses to them has not been included.

While staff has attempted to identify key extracts from each submissions, in many cases an extract does not do justice to the full response. This summary should therefore be read in conjunction with the submissions themselves. (Staff comments are identified by italics).

Preliminary View 2 - General Purpose Financial Reports (GPFRs) (following paragraph 1.15)

GPFRs are financial reports intended to meet the common information needs of a potentially wide range of users who are unable to demand the preparation of financial reports tailored to meet their specific information needs.

	NAME	COMMENT – Preliminary View 2 (GPFRs)
01	UK Accounting Standards Board	We agree...
02	Australia Joint Accounting Bodies	The joint accounting bodies support this proposal
03	Australian Department of Finance and Deregulation	<i>Staff comment -Supports response 52</i>
04	New South Wales Treasury	NSW Treasury agrees.
05	Staff PSAB - Canada	Agree. The conceptual framework in the PSA Handbook shares a similar view that government financial statements are general purpose statements that are designed to meet the common information needs of a variety of external users.
06	Controller and Auditor-General - New Zealand	<p>We do not fully agree with preliminary view 2. We find it unsatisfactory that the term ‘General Purpose Financial Reports’ is used to encompass not only financial information, but also non-financial information. ... In the absence of a better alternative we suggest General Purpose Reports or ‘General Purpose Financial and Non-Financial Reports’ ... In addition, we believe the definition should be expanded to include both people who are unable to and those that elect not to demand the preparation of financial and non-financial reports tailored to meet their specific information needs. In our view, the additional words are needed to reflect the role of the government as the representative of citizens.</p> <p>As a result of our comments above, we suggest that preliminary view 2 could be reworded as follows: “General Purpose Reports (or General Purpose Financial and Non-Financial Reports) are reports intended to meet the common information needs of a potentially wide range of people who are unable to or elect not to, demand the preparation of financial and non-financial reports tailored to meet their specific information needs.”</p>
07	R Hodges- University of Sheffield	I support use of a wide definition of GPFR in PV2, while recognising that it will not be straightforward to meet the information requirements of multiple classes of user. Nevertheless, IPSASB is right to use the development of this framework to distance itself from the narrow capital markets perspective adopted by the IASB.
08	The Treasury - New Zealand	... we do not consider the proposed definition adequately captures the concept of general purpose financial reporting. We would suggest that “Other Information” such as economic, statistical, demographic and other data, which in Figure 1. of the Discussion Paper are shown as being outside the scope of general purpose financial reporting would in fact fit within the definition provided. Treasury therefore suggests that the proposed definition

	NAME	COMMENT – Preliminary View 2 (GPFRs)
		does not convey the meaning intended by the IPSASB...A possible reformulation of the definition would therefore be: “A General Purpose Financial Report is a report that provides information which is primarily expressed in financial amounts, where the extent of users means there is a public interest and where public accountability demands independent specification of the information.”
09	Office of the Scottish Charity Regulator	<i>Staff Comment - Did not express a view on this PV</i>
10	United Nations Task Force-Accounting standards	Agree
11	Swiss Public Sector Financial Reporting Advisory Committee	However – note comments on scope
12	Ministry for Budget, Public Accounts and Civil Service-France	Agreement with the preliminary view n°2
13	Finnish State Accounting Board	The definition of General Purpose Financial Reports (GPFRs) included in the Consultation Paper (paragraph 1.10 and IPSASB Preliminary View 2 has been left on an unrealistic general level. It is necessary that the definition specifies the primary users of the information in GPFRs by public sector entities. it is impossible to satisfy the conflicting information needs of all users equally with GPFRs...
14	Institute of CPAs in Ireland	Agreed, however may be difficult to define common information needs for a potentially wide and diverse range of users. How will the framework deal with that?
15	Institute of Chartered Accountants - Scotland	However, we explore in our comments on View 3, the merits of identifying a primary user group.
16	Institute Chartered Accountants & CSAAG - Sierra Leone	It may be necessary to refer to General Purpose Accountability Reports (GPARGs) to reflect the fact that these reports must carry the full set of financial and other quantitative and qualitative information that spans the four dimensions of the PSBL.
17	Ministry of Finance - Netherlands	The most important purposes of financial reports in public sector in our opinion is to provide politicians (i.e. House of Representatives, Council of Ministers) with relevant information in order to make (allocation) decisions and the accountability to parliament. Accounting Standards for government entities which are made only for the annual report are in our view less useful than standards which can be used both to prepare the budget and the annual report. The reason for this is that users need the comparison between the forecasts of the expenditures in budget and the accounts on the same basis. The lack of the legislative position of the budget in the public sector in the IPSAS conceptual framework makes annual reports based on such accounting standards less useful, understandable and comparable with the budget.

	NAME	COMMENT – Preliminary View 2 (GPFRs)
18	Australasian Council of Auditors-General	ACAG supports this Preliminary View
19	Ontario Ministry of Finance - Canada	<i>Staff Comment - Did not express a view on this PV</i>
20	Provincial Comptroller of Manitoba - Canada	See comments on issue 5
21	The Swedish Council for Municipal Accounting	Approved
22	Accounting Standards Board - South Africa	We agree. We think it is useful to distinguish GPFRs from Special Purpose Reports.
23	Jean-Bernard Mattret	I agree
24	Italian Academics (4)	We feel that more attention should be devoted to budgeting and nonfinancial information and wonder whether the IPSASB views these topics as exceeding its mandate or simply as issues to be tackled at a later stage. However, the Proposed Framework seemingly assumes a strong separation between budgeting and reporting and clearly focuses on the latter, while the former is usually mentioned only in its role as a term of comparison to show whether resources were obtained and used in accordance (a) with the legally adopted budget, and (b) with legal and contractual requirements, including financial limits. In our view, the Framework should also provide some guidance on the purposes and features of budgets. In addition, it should clarify the relationship between the budget and the “prospective financial and other information”
25	Financial Reporting Standards Board - New Zealand	We are concerned at the level of detailed information suggested as possible content of GPFRs. In paragraph 2.15 for example, it is suggested that users will require information about the volume, types and costs of services provided to constituents and whether this was as prescribed by approved budgets or other authoritative agreements relating to service delivery. Suggesting this level of detail as content for GPFRs at a conceptual level sets a dangerous precedent.”
26	Joseph S. Maresca	<i>Staff Comment - Did not express a view on this PV</i>
27	French Regional Court of Audit in Ile-de-France	<i>Staff Comment - Did not express a view on this PV</i>
28	FEE	We agree with this proposal, which we note is similar to the discussion of general purpose financial reporting in the IASB Conceptual Framework Exposure Draft on the Objective of Financial Reporting.
29	Dutch Local Government Accounting Standards Board	We agree with this proposal, but we note that considering cost and materiality of financial reporting (Preliminary View 7) will limit the information reported in GPFRs.

	NAME	COMMENT – Preliminary View 2 (GPFRs)
30	Martin Dees - Netherlands	<i>Staff Comment - Did not express a view on this PV</i>
31	General Directorate of Public Finance – France local/ regional & state	<i>From a State perspective</i> The conceptual framework refers to the terms "financial reporting", "financial reports" and "financial and non-financial information" without first defining them for public sector entities....Prior explanation of the key terminology used would seem necessary to properly establish the reference framework for "Financial Reporting by Public Sector Entities". See also response to PV5
32	Ernst & Young	We agree with the understanding of GPFRs expressed above. We furthermore support the view that GPFRs include, but are broader than, financial statements and their notes as currently dealt with in IPSASs.
33	Bouchat-Goubert-Baumann	...the differences between special purpose reports and GPFRs is not clear enough because a party with authority “may compel an entity command GPFRs based on special information needs”
34	Association of Chartered Certified Accountants - UK	We agree with the definition of GPFR and also with the rather specific formulation in paragraph 1.15 of what they comprise or do not include.
35	Michael Parry	The concept that users are only interested in GPFRs if they do not have access to other information is not accepted.GPFRs are financial reports intended for members of civil society who have or an actual or potential interest in the reporting entity
36	Treasury of Hong Kong Special Admin. Region	We believe that the reporting of prospective financial information and non-financial information about the achievement of the entity’s service delivery objectives needs to be considered in pragmatic light in terms of the usefulness and significance of the information, and understandability by users of the information as well as consistency with private sector entities in the meaning of the term financial reporting.
37	Federación Argentina de Consejos Profesionales de Ciencias Económicas	The scope of financial reporting should be broad enough to allow the GPFR of any entity to report financial and non financial information from the past, present and future, including financial and other information about the future, the delivery services, the activities and objectives, and the resources necessary to support them.
38	Statistics Canada	<i>Staff Comment - Did not express a view on this PV</i>
39	Audit Commission - UK	We believe that the framework should specify that GPFRs are intended to meet the ‘common financial information needs’ of those users, as opposed to the potentially wide category of ‘common information needs’.
40	Comptroller General British Columbia-Canada	we do not agree that IPSAS should apply to GPFRs, but to the financial statements intended to meet the common information needs of users. See also response to PV 5.
41	Office of Auditor General of Canada	We agree with this view and congratulate the Board on developing a framework that will apply to both financial as well as non-financial performance information. Given however, that the scope of GPFRs goes well beyond “financial” reports, we encourage the Board to consider a name that better reflects this scope. For example, the term might more appropriately be “General Purpose Performance Reports”.

	NAME	COMMENT – Preliminary View 2 (GPFRs)
42	CIPFA - UK	In many jurisdictions including the United Kingdom, a key role of public sector financial reporting is that it provides a basis for reporting of financial ‘performance’ against legally authorized budgets. We consider that it would be helpful if the explanatory material in the IPSASB Conceptual Framework could refer to this important aspect of public sector financial reporting,...
43	Financial Reporting Advisory Board-UK	The Board agrees with this view.
44	Australian Accounting Standards Board	The AASB agrees
45	Ministère Affaires municipales du Québec - Canada	It is acknowledged that financial reporting may contain both general purpose financial statements (or special purpose financial reports, as the case may be) and other information. However, only financial statements prepared according to generally accepted accounting principles must bear the indication “general purpose.”
46	Provincial Comptroller Saskatchewan - Canada	<i>Staff Comment - Did not comment on this PV</i>
47	Institut der Wirtschaftsprüfer - Germany	We agree with this view which is similar to the basic idea of the IASB Conceptual Framework ED. There are no apparent particularities in the public sector justifying another approach.
48	Cour des Comptes - France	We agree
49	Swedish National Fin. Management Authority	We believe that the broader view on the concept of GPFRs compared to financial statements is wise.
50	North West Territories Finance - Canada	Financial statements and other financial reports should provide sufficient information regarding a government organization’s financial position, and results of operations for the year within the context of a historical cost model. The primary stakeholders are commonly able to request or demand the information that they require and the form in which it is presented. Staff comment – also raises concern about scope. See PV 5
51	GASB Staff	We support the definition of GPFR as set forth in the Consultation Paper. Although there are slight wording difference from the description (definition) of General Purpose External Financial Reporting established in the GASB’s concepts statements, those differences would not lead a reader to a different conclusion. This is considered important from our standpoint because the GASB definition, which was released in 1987, has served the GASB well as it was stress tested over the last 22 years.
52	Heads of Treasury Advisory- HoTARAC - Australia	HoTARAC supports the statement of providing information to meet the common information needs of a wide range of users. However, Preliminary View 2 could be strengthened by clarifying and identifying what information needs GPFRs are to satisfy. Paragraph 1.13 of the Conceptual Framework states that GPFRs include, but are broader than, financial statements and their notes as currently dealt with in IPSAS. ... When considering this breadth of reporting, there will need to be consideration of the parameters placed on annual disclosure of such information in the financial

	NAME	COMMENT – Preliminary View 2 (GPFRs)
		statements to ensure they can be faithfully represented, and verifiable (auditable).
53	Comptroller of Finance Québec- Canada	... the conceptual framework should make it explicit that it does not apply to the budget. The conceptual framework should specify that it covers only the financial information in the financial statements. The conceptual framework should not apply to the other reports governments produce, such as annual and budgetary reports.
54	P Vehmanen	No view expressed on this issue
55	Japanese Institute of CPA	We do not agree with this preliminary view. In our view, the definition of GPFRs should be as follows. “GPFRs are financial reports intended to meet the common information needs of a potentially wide range of users.” The reason is... We assume that users of GPFRs are not only users outside the government who cannot access its financial information, but also the legislature, which can access it (see Preliminary View 3). If users are limited to the people “who are unable to demand the preparation of financial reports tailored to meet their specific information needs”, then “users” as mentioned in Preliminary View 3 cannot use GPFRs.
56	KPMG International	We agree with this preliminary view. We do suggest, however, that the word demand be replaced with the word require. Many groups may be able to demand that a government issue a specific type of report, however, they may lack the authority to enforce such a demand. We believe the word <i>require</i> more clearly displays the Board’s intent.
57	International Atomic Energy Agency- IAEU	A fundamental feature distinguishing public sector entity reporting from the private sector is the significance of the budget; yet budget reporting considerations do not appear to have been adequately built into this discussion document.

Preliminary View 3 - The Users of GPFRs (following paragraph 2.7)

As a mechanism for focusing on their common information needs, the potential users of GPFRs of public sector entities are identified as:

- recipients of services or their representatives;
- providers of resources or their representatives; and
- other parties, including special interest groups and their representatives.

The legislature is a major user of GPFRs. It acts in the interest of members of the community, whether as recipients of services, providers of resources, or citizens with an interest in, or need for, particular services or activities.

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
01 std- setter	UK Accounting Standards Board	<u>Primary/major user - for the financial statements, providers of resources.</u> Whilst we agree that financial reporting should seek to satisfy many of the information needs of a variety of users, the relative emphasis between different groups will vary in differing cases. As regards the financial statements, we would suggest greater emphasis upon providers of resources would provide a helpful focus for standard setting and the further development of the Framework. Recipients of services will often be more interested in information accompanying the financial statements. We would hope that the reference to “common information needs” in the preliminary view is not intended to imply that information that is required by some, but not all, users need not be provided. We also agree that, although it may also have the authority to demand certain information that might be deemed specific purpose, the legislature is a major user of general purpose financial reports.
02 Prof. Actng body	Australia Joint Accounting Bodies	<u>Does not identify a primary user group. Supports IPSASB PV3.</u> ... We do not think it necessary to identify a primary group of users. The extensive list of users of GPFRs of public sector entities identified in paragraph 2.3 seems complete. We think the preliminary view 3 statement about the legislature would be improved by the inclusion of the discussion in paragraph 2.5 .that notes that the legislature generally has the authority of demand the preparation of special purpose financial reports to meet its particular information needs. However, as paragraph 2.5 notes this is not always so.
03 MOF	Australian Dep. of Finance and Deregulation	<u>Primary/major user - Parliament</u> The Department is of the opinion that in a democracy, Parliament is a major user of GPFRs. We also consider the phrase ‘other parties, including special interest groups and their representatives’ is too broad and would prefer the Framework to include the specific parties who are users of GPFRs

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
04 MOF	New South Wales Treasury	<u>Supports IPSASB PV3, but notes ‘resource providers’ may be proxy for all three user groups.</u> NSW Treasury agrees in principle with the Preliminary view. However, we note that the information needs of these three user groups are substantially the same (refer IPSASB Consultation Paper, paras 2.11-2.15). Therefore, a possible approach is to use ‘resource providers’ as a proxy for all three user groups, which would represent the public sector equivalent to the IASB’s proposed primary user group of ‘capital providers’. The advantage of this approach is that it would promote convergence with the IASB’s proposed Framework. Also, we believe that if a primary user group is identified in this way for the public sector, it should exclude ‘recipients of goods and services’, as we do not believe that the primary purpose of the financial report is to address customer needs (in the public or private sectors).
05 Std setter	Staff PSAB - Canada	<u>Does not identify a primary user group. Supports IPSASB PV3 with some refinement.</u> Agree. The users identified in the conceptual framework of the PSA Handbook in PS 1000 included users that fall into the first two groups of users in PV 3. Other external users including parties to which the entity has made a commitment (for example, a partner in a joint initiative), and key intermediaries such as advocacy groups and media are also identified as users of public performance reports in Statement of Recommended Practice 2 (SORP-2), Public Performance Reporting, issued by the PSAB. The PSA Handbook shares the view of PV 3 that legislators, as elected representatives of the public, are primary users of government financial statements. Unlike legislators with the ruling party, the opposition party legislators may not be in a position to demand other information.
06 A-G	Controller and Auditor- General - New Zealand	<u>Primary/major user - resource provider</u> We agree with the three broad groups of people that use general purpose reports. However we are concerned with the order in which those three groups are listed in preliminary view 3. We believe the groups should be listed in order of importance. In our view, providers of resources or their representatives are the most important group of people that will potentially use general purpose reports. This group funds services provided by Governments whether on a voluntary or an involuntary basis and as such the group has the greatest vested interest in those reports. Therefore we believe that providers of resources and their representatives should be listed first as people that will potentially use general purpose reports followed by other parties including special interest groups and their representatives and finally recipients of services or their representatives
07 Indivd	R Hodges - University of Sheffield	<u>Does not identify a primary user group. Supports IPSASB PV3 with additions.</u> I support use of a wide definition of GPFR in PV2, while recognising that it will not be straightforward to meet the information requirements of multiple classes of user. Nevertheless, IPSASB is right to use the development of this framework to distance itself from the narrow capital markets perspective adopted by the IASB. The list might also include providers of services as users of these reports; this reflects that increasing role of public sector entities as commissioners of services which are provided by other organisations from public, private and voluntary sectors.

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
08 MOF	The Treasury - New Zealand	<p><u>Primary/major user - Authorizers (citizens, voters, taxpayers) rather than clients (service recipients, government petitioners).</u></p> <p>We propose that the users of general purpose financial reports should be considered to be authorisers rather than clients of public sector entities. ... • Authorisers, those who support the public sector organisation as a legitimate activity of democratic government, and provide the resources the agency needs to operate (citizens, voters, taxpayers); and • Clients, those who encounter the public sector organisation in individual transactions and receive from the public sector organisation those things that the authorisers said they were entitled to have (service recipients, government petitioners).....</p> <p>To properly exercise their role, authorisers rely on information to provide feedback against expectations and enable them to hold public sector entities to account. Relevant and reliable financial information on the entity is therefore critical to authorizers. It is of much less importance to clients. Authorisers are a broad group, encompassing not just citizens but their agent groups such as, members of Parliament and Legislatures, ombudsmen, complaints authorities etc....The Treasury therefore considers that the development of public sector accounting standards is much more likely to reap the greatest benefit if it is focussed on citizens as authorisers than as clients.</p>
09	Office of the Scottish Charity Regulator	Remit is to deal with charities, so not appropriate to comment on all PVs – comments on reporting entity.
10	United Nations Task Force- Accounting standards	<p><u>Does not identify a primary user group. Supports IPSASB PV3 with refinement/clarification.</u></p> <p>Agree... The Task Force agrees with identification of a wider group of users than that identified by the IASB for standards that apply to private sector for-profit reporting entities. An important aspect of United Nations System organizations’ accountability reporting is reporting to Member States on compliance with approved budgets and on the use of donated funds. The Framework should make clear that resource providers include the wide group of resource providers listed in paragraph 2.6, bullet point (2), which covers inter alia donors, lenders and tax payers.</p>
11	Swiss Public Sector Financial Reporting Advisory Committee	<p><u>Primary/major user - citizens</u></p> <p>The circle of addressees is judged to be too narrow. In particular, the citizens are missing as the most important addressees. The list of addressees should be ranked by priorities, the first being the citizens and the legislature. ...The first sentence of the preliminary view should be made more specific: “...common financial information needs,...”</p>
12 MOF	Ministry for Budget, Public Accounts and Civil Service- France	<p><u>No Primary/major user identified but supports prioritization of information needs.</u></p> <p>...The analysis of differentiated information needs depending on the nature of the users or their needs in common for different groups are also considered fine (except perhaps the case of media whose impact as a user can be considerable). However, these needs are listed without any ranking. This is a catalogue of information whose consistency remains to be established. This approach does not justify the significant accounting policies to be adopted in the evaluation and matching of expenses to products. The reference to the needs of users cannot then play</p>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
		the role it occupies in the conceptual framework applicable to private entities for profit....The non-market public sector does not provide financial profitability measured by accounting. The description of the users does not make sense, other than technical, to the result or the change in net position. The consultation paper implicitly acknowledges this limit (§ 2.23) but draws no consequence and seems to consider that the model provided by the private sector can still be applied (§ 2.9)... <i>Staff comment – conclusion of submission re PV 3</i> :Improve and clarify the preliminary view n°3
13	Finnish State Accounting Board	<u>Primary/major user - the legislature or other relevant authority, which approves the budget.</u> <i>From response to PVI-</i> It is necessary that the definition specifies the primary users of the information in GPFRs by public sector entities. It is impossible to satisfy the conflicting information needs of all users equally with GPFRs. <i>From comments on Chapter 2 and PV3...</i> the compilation is incomplete as the users have not been grouped to external and internal ones. In addition, the priority order of the users has not been identified, although it is vital for the development of a realistic conceptual framework. The legislature or other relevant authority, which approves the budget, is generally by far the most important user of GPFRS of a public sector entity. As a result, the legislature or other relevant authority must be raised to this top priority role also in the IPSASB Framework, The Consultation Paper (paragraphs 2.11—2.16) examines properly the different information needs of potential users of CPFRs of public sector entities, However, the analysis needs to be emphasized, so that the information needs of the most important user, the legislature or other relevant authority, will be recognized in first place.
14	Institute of Certified Public Accountants in Ireland	<u>No Primary/major user identified. Appears to support IPSASB PV3 with clarification.</u> The term “representatives” is a very loose reference and needs more definition. E.g. the representative could be a firm of advisors such as a firm of accountants or lawyers...In relation to paragraph 1.15: When GPFR’s include prospective information, the report should include a “Forward Looking Statements” declaration. <i>Staff comment – notes difficulty of responding to a wide range of users – see response to PV2:</i> “Agreed, however may be difficult to define common information needs for a potentially wide and diverse range of users. How will the framework deal with that?”
15	Institute of Chartered Accountants of Scotland	<u>Primary/major user - legislatures which represent interests of the public, electorate and taxpayer</u> We broadly agree with View 3. However, we would welcome a move to identify on a more formal basis a primary user (or user group) for GPFRs than is currently suggested by the reference to the legislature as ‘a major user’ of GPFRs. Our initial thinking is that legislatures which represent the interests of the general public, the electorate and the taxpayer are the primary users of GPFRs prepared by public sector entities. A focus on accountability as the primary objective of financial reporting would impact on any consideration of the primary user group. (<i>Staff comment - drawing on its response to the IASB Conceptual Framework ED the ICAS Accounting Standards Committee notes that:</i> “providing information to meet the needs of the primary user group is likely to meet the needs of other users.... The objective should continue to make reference to a wide range of users otherwise an impression

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		could be given that financial reporting is aimed at one user group.”)
16	Institute Chartered Accountants & CSAAG - Sierra Leone	<u>Does not identify a primary user group. Supports IPSASB PV3.</u> See PV2. <i>Staff comment - Notes terminology of GPFRs should change to reflect broader notion of reporting.</i>
17 MOF	Ministry of Finance - Netherlands	<u>Primary/major user - politicians, consistent with basis of democratic process.</u> In our opinion the politicians are the primary user group and not only ‘a major user. However, in the view of the consultation document Parliament is acting in roles as representatives of recipients of services or of providers or resources etc. This undervalues the role and position of democratic chosen politicians which have strong legislative and supervisory competences. They are not acting in the interests of specific groups but have to act in the interest of the community as a whole. <i>Staff comment – response to PV 2 clarifies reason is obligations under democratic process:</i> “The most important purposes of financial reports in public sector in our opinion is to provide politicians (i.e. House of Representatives, Council of Ministers) with relevant information in order to make (allocation) decisions and the accountability to parliament. This democratic process is the basic principle in all public sector regulation. The democratic legitimization of this user group makes them the first user of Financial Statements of the Government and quango's. Therefore our conclusion Directorate Budget Affairs is that financial reports of governments and government agencies and quango's should have a specific focus on this democratic process and thus politicians as the primary user group.”
18 A-G	Australasian Council of Auditors-General	<u>Does not identify a primary user group. Supports IPSASB PV3 with minor refinement.</u> ACAG recommends that the term “services” used in this preliminary view be expanded to read “goods and services”. Apart from this matter, ACAG supports this preliminary view.
19 MOF	Ontario Ministry of Finance - Canada	<u>Primary/major user - public and legislature as elected officials acting on the public’s behalf .</u> It is our experience and opinion that the primary users of government general purpose financial statements are the public, and the legislature in its capacity as elected officials acting on the public’s behalf; other users include investors, creditors, analysts, the media and other governments. A clear definition of the primary users of government summary financial statements will focus the attention of standard setters on the needs of those users. A government’s accountability and stewardship responsibilities are primarily to the public, and the legislature acting on their behalf. Addressing the needs of primary users is a key objective of government financial reporting, therefore we recommend that a description of the users be amended to acknowledge the public as the major user of GPFRS.
20 MOF	Provincial Comptroller of Manitoba - Canada	<u>Primary/major user - public. Legislature is not a major user in own right, it only represents the public.</u> We agree with your view that the framework must focus on the common information needs of the users and we agree that users may come from different and several perspectives at once, which you have defined as... However,

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		we feel that your preliminary view does not clearly identify the public as the major user of GPFRs. As well, the legislature has been included, together with others, as a representative of the public in its various forms. We feel that IPSASB should clarify that the legislature is not a major user; it only represents the public as the primary user, and should not itself be described as a major user.
21	Swedish Council for Municipal Accounting	<u>Does not identify a primary user group. Supports IPSASB PV3 with refinement/clarification.</u> Approved. However, it should be pointed out that there was a discussion about the definition and meaning of the wording “their representatives”.
22	Accounting Standards Board - South Africa	<u>Does not identify a primary user group - focus on needs of users of services and resource providers.</u> We agree that there is a wide range of users of GPFRs. We believe that the needs of those users vary depending on the nature of the report. While recipients of services might be more interested in the achievement of the service delivery objectives, providers of resources may be more interested in how those resources were used. Recipients of services may be more interested in the information presented in, for example, performance information, while providers of resources may be more interested in the traditional financial statements. Accordingly, we place more weight on the information needs of users of services and the providers of resources. We believe that the information needs of the third group of users, i.e. other interested parties, are diverse. Consequently to the extent that the third group of users require information which are not also required by the users of services and providers of resources, this would be regarded as special purpose information. Different IPSASs may need to place more emphasis on one group above the other depending on the objective of that IPSAS, but in order to qualify as GPFRs, the information to be presented in accordance with an IPSAS must meet the needs of more than one user. If, however, one group is elevated above another group, a review of existing IPSASs may be needed, for example, IPSAS 22, Disclosure of Information about the General Government Sector, appear to meet the needs of only one user group. We believe employees should be listed specifically as a provider of resources in paragraph 2.6.
23	Jean-Bernard Mattret	<u>Primary/major user - citizen, therefore focus on citizens’ information needs.</u> In my opinion, first, citizens are the potential users of GPFRs. Then information should be adapted with citizens’ needs.
24	Italian Academics (4)	<u>Does not identify a primary user group- but identifies other possible users and groupings.</u> In general, we wonder whether the integral approach chosen by the IPSASB is consistent with an accountability perspective. The accountability perspective implies a wide definition of information users and thus a wide and heterogeneous range of user needs. The integral approach, on the other hand, focuses on common information needs and is thus usually viewed as more coherent with decision usefulness. At a more specific level, we are not entirely convinced by the classification of users put forward in the Proposed Framework (Preliminary view 3). While

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		<p>certainly effective in grouping users into few manageable categories, it may not be equally effective in classifying user needs. For instance, recipients of services are acknowledged to also need information about “resources raised” (§2.11). Conversely, resource providers are acknowledged to also need information about “the amount and type of resources used in the provision of services” (§2.13). In our view, the IPSASB should investigate other potential classification criteria, which indeed are already mentioned in the Proposed Framework, such as the distinction between voluntary and involuntary resource providers (§2.6) or the distinction between users whose needs are similar to private-sector settings (lenders, suppliers and purchasers of government services: (§ 2.9) and users whose needs are specific to the public sector. At an even more specific level, finally, we believe that the list of information users should include other governments (eg neighbouring governments, higher-tier governments).</p> <p><i>Staff comment – also questions whether focus on common information needs is appropriate and consistent with accountability, rather than responding to the needs of the users identified.</i></p>
25	Financial Reporting Standards Board - New Zealand	<p><u>Primary/major user - resource providers.</u></p> <p>Identifying a primary user group would provide a helpful focus for standard setting and for the future evolution of the Framework. It is appropriate to identify ‘resources providers’ as the primary user group for the following reasons: i. Public sector entities almost always are accountable to their resource providers for the resources entrusted to them but are not necessarily accountable to actual and potential service recipients. ii. ...Focusing on the service recipient at the expense of the resource provider would potentially narrow the focus of a GPFR to one part of an entity’s activities. iii. A resource provider who is also a potential recipient of services is most likely to be interested in an entity’s GPFRs in their capacity as a resource provider rather than in any other capacity....iv. Information provided to satisfy the needs of resource providers often will also satisfy the information needs of other user groups....v. Recipients of services are not always entitled to information about the entity providing the services they receive.</p> <p>The proposed ‘other parties’ category of user group results in a range of potential users that is too broad, potentially unlimited. ... attempting to provide for the information needs of all potential users could result in the GPFRs lacking focus and could result in the information that is provided in GPFRs being too diluted to be of any real value. ... We agree that, in practice, the legislature is a major user of GPFRs ... However, we do not consider that the legislature’s interests should override consideration of the needs of other user groups. The legislature should only be considered a ‘user’ for the purposes of the conceptual framework to the extent that it is unable to demand the preparation of financial reports tailored to meet its specific information needs. We hope that the reference to ‘common information needs’ in the preliminary view is not intended to imply that information that is required by some, but not all, users need not be provided</p>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
26	Joseph S. Maresca	<u>Does not identify a primary user group.</u> This section (para 2.6) should mention the Independent Audit Committee of the Board of Directors....in Para 2.22 There should be a reference to the entity "Mission"
27 A-G	French Regional Court of Audit in Ile-de-France	<u>Does not identify a primary user group.</u> The "legislature" notion is inappropriate because of possible assimilation of deliberative organ to a law making authority.... financial information concerns also relevant monitoring bodies: Government budget controller in each "arrondissement"-sized area, Treasury department employees, Regional Court of Audit, Administrative Jurisdiction, the European Structural Funds Audit Authority.
28	FEE	<u>Primary/major user - legislature acting in the interests of the electorate.</u> We agree with the comprehensive discussion of users and user needs set out in this Chapter. (Chapter 2).... We agree that these are helpful and appropriate groupings (in PV3), and that it is also important to consider the role of the legislature acting in the interest of other users. Furthermore, we would observe that in representative democracies there are many who consider that the primary user group is the electorate, and that the elective process should in general persuade the legislature will act in their interest. We recognize that the IPSASB framing may be helpful in covering other forms of government. In addition, we would suggest that the legislature is often the main user which is engaged with the financial reporting process. When revisiting these matters in the Exposure Draft, we suggest that the presentation in the Preliminary View is reversed, noting the role of the legislature, and that they represent the three groupings outlined above.
29	Dutch Local Gov. Accounting Standards Board	<u>Elected representatives and advisors thereto in a democracy – broader groupings in other forms of government - PV3 with refinement/clarification.</u> We agree that these are helpful and appropriate groupings, but the reported information primarily will have to be appropriate understandable to the advisors of these groups (par. 4.20 and 4.21). So the information needs of these (elected) representatives of the groups will be leading. It is also important to consider the role of the legislature, including the elected council (s), acting in the interest of all users. In representative democracies there are many who consider that the primary user group is the electorate and the elected representatives, and that the elective process should in general persuade the legislature (council) to act in their interest. We recognize that the IPSASB framing may be helpful in covering other forms of government.
30	Martin Dees - Netherlands	<u>No view expressed.</u>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
31 MOF	General Directorate of Public Finance – France local/ regional & state	<p><u>Primary/major user - parliaments and legislature and supreme audit institutions.</u></p> <p>From a State perspective: To be understood by the public, financial reporting must be simple. The debt ratio, for example, is easy for the public to understand. It corresponds perfectly to the need for simplification. Such simplification soon reaches its limits, however, since a correct analysis of the debt ratio calls for assessment over the medium term with its trend measured in relation to economic circumstances. Complex information may satisfy specialists, but political leaders may have difficulty in understanding it, even though they are a prime target of accounting information. At the same time, an automatic reading of financial reporting and uniformity of the rules of assessment to the detriment of an overall appraisal and a long-term forward analysis are particularly difficult to implement in the public sector.</p> <p>It therefore seems to us that the supranational (in the case of the EU), national and local parliaments that represent national or local sovereignty, as well as the Supreme Audit Institutions whose independence, role and missions are closely linked to democratic principles and whose operations are governed by internationally recognized professional standards, should be the prime target users of the public sector entities' financial reporting. The use of the accounts by the supervisory authorities is contingent on their readability; any excessive sophistication runs counter to this objective of clarity.</p>
32	Ernst & Young	<p><u>Primary/major user - democratically elected body which sets public policies. (Also refine other users .)</u></p> <p>We support the view of the IPSASB that the legislature as a democratically elected body is a major user of GPFRs, as it acts in the interest of the members of the community in general. However, from our perspective, the IPSASB has chosen a rather unspecified a roach in identifying and clustering potential user groups of GPFRs. Regarding, for example, resource providers (or their representatives), one could argue that there are different views and informational needs of private sector and public sector service providers. Defining these two groups as one class of "resource providers" would imply that they have the same information needs. However, this does not hold true: Public sector representatives as well as the legislature are mainly interested in service delivery objectives (effectiveness and efficiency), whereas private sector resource providers, such as banks or private investors (PPP), tend rather to focus on the financial figures (economy). Moreover, these institutions are interested in future-oriented information whereas for the legislature and public sector representatives alike past performance is more important (accountability). The taxpayer as "involuntary resource provider" is different again from both groups - the taxpayer is mainly interested in expenditure aspects of the collected resources.</p> <p>Furthermore, we assume that control bodies such as the court of auditors are included in "Other Parties" without being mentioned explicitly. These institutions are significant users of GPFRs on behalf of the citizens and their information needs differ from other parties, e.g. analysts. Therefore, in our view, the "resource providers or their representatives" and the "other parties" might need to be specified in more detail in order to define relevant, clearly identifiable potential users of GPFRs for public sector entities that share common information needs. Being aware of the different users of financial reporting is crucial for the discussion of the qualitative characteristics of information</p>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
		included in GPFRs. In light of the various users, financial reporting information needs to be rendered objective and neutral. Moreover, we would suggest considering a kind of hierarchy among the various users of GPFRs: for example, where public policies are set by a democratically elected body, this body has to be seen as the primary addressee.
33	Bouchat-Goubert-Baumann	<u>Does not identify a primary user group but notes potentially wider range of users.</u> The three categories seem to reflect only one function of government: the allocation of resources which can also be viewed as a production function. What about the stakeholders interested in the other two branches (distribution and stability), not only from the financing side, but also from the effectiveness side? Even GPFRs are targeted at stakeholders outside the organisation, it would be interesting to take its management into account, too.
34	Association of Chartered Certified Accountants - UK	<u>Does not identify a primary user group - supports IPSASB PV3 with refinement and addition: users to be grouped as resource providers or service recipients.</u> We broadly agree with the users that have been identified in paragraph 2.6, though others should be referred to – the executive branch of government itself and the employees of public sector bodies. We are not sure that the three group categorisation of users is very helpful. It seems arguable that there are really only two and that the “other parties” are groups that represent the interests of either the recipients of services or providers of resources.
35	Michael Parry	<u>Primary/major user - civil society and their elected representatives. Also other users.</u> As indicated above the primary users must be civil society, or the sub-set affected by a specific public sector entity. Legislators are users as elected representatives of civil society. Similarly there may be other groups representing specific elements of civil society, but their authority always comes from civil society. There will also be external users, e.g. multilateral agencies such as the IMF, other governments, corporations extending across several countries, interest groups extending across several countries. In the case of sub-national entities the central government will have a legitimate interest.
36 MOF	Treasury of Hong Kong Special Admin. Region	<u>Primary/major user - legislature (regulators identified as an interested party).</u> ...the legislature should be the major user of GPFRs and suggest that regulators should also be included as one of the interested parties. To formulate a framework serving all of the users of GPFRs, we consider it necessary to identify common interests of various user groups with specific information needs.
37	Federación Argentina de Consejos Profesionales de Ciencias Económicas	<u>Does not identify a primary user group.</u> It is estimated that in order to avoid doubts on the scope, that it's necessary to be more explicit in the description of users, including specifically the citizens. Each group must be accompanied by a description of the types of users that compose them and a very clear definition of each group but without falling into the enunciation.
38	Statistics Canada	<u>No view expressed.</u>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
39 A-G	Audit Commission - UK	<p><u>Primary/major user - ‘funders and financial supporters’.</u></p> <p>We strongly believe that the users of General Purpose Financial Reports (GPFR5) should be defined more narrowly, to comprise ‘funders and financial supporters’. To include groups wider than this would impose too great a burden on reporting entities to try to identify, and then to meet, the needs of all such groups.</p> <p>In the UK, the Treasury issues a Financial Reporting Manual (FReM). In this document, users of UK public sector GPFRs are identified and examples of key users are given, being: • Parliament, including relevant Select Committees; • the relevant authority; • the entity’s management board; • the entity’s audit committee; and • the taxpayer. In our view, ‘funders and financial supporters’ covers all of the users detailed above and ensures that GPFRs are sufficiently focused on key users.</p> <p>We also believe that the third group of users (other parties, including special interest groups and their representatives) is potentially dangerous as it will create a definition that is too broad. It would be difficult to make any judgement as to what such a wide group of users might be interested in.</p>
40 MOF	Comptroller General British Columbia - Canada	<p><u>Primary/major user - the public.</u></p> <p>We feel that conceptually it is incorrect to deem the legislature, acting in its secondary role of “representative” of the primary user, as a major user. We feel we are accountable to the people and since we cannot hold a two-way dialogue with the public at large, we hold a two-way dialogue about the public accounts with the representatives of the public, in that capacity. The dialogue is still with the public - the legislature is the vessel through which the dialogue passes; it is not the intended recipient of the dialogue. To state that the legislature is a major user means the standard setters and the preparers of financial statements would need to be responsive to the “needs” or “demands” of the legislature (responsive to the needs of the major user) which may put at risk the objective to report to the public in a manner that achieves accountability for the actions and decision of some or all members of the legislature. This would be a major conflict of interest in a system that is at the foundation of democratic principles.</p> <p>We feel that preliminary view 3, to the extent it names the legislature as a major user of financial statements, is in conflict with preliminary view 2 which states that general purpose financial statements are for users who are unable to demand the preparation of financial reports tailored to their needs. The legislature conducts most of its business through committees which have the authority to obtain information to suit their needs. Similarly, members of Cabinet can and do obtain special purpose reports to meet their needs (in our Westminster based parliamentary system, Cabinet members are members of the legislature).</p> <p>We do not agree that the legislature is the major user of our financial statements. We firmly believe that the public is the major user and the legislature is a user, only insofar as they are acting as the elected representatives of the public.</p>
41 A-G	Office of Auditor General of Canada	<p><u>Does not identify a primary user group - supports IPSASB PV3</u></p> <p>We agree with this view.</p>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
42	CIPFA - UK	<p><u>Primary/major user - providers of resources.</u></p> <p>We support consideration of wide categories of users, but suggest that it might be helpful for standard setting purposes to assign some priority to the resource provider perspective. When considering the use of limited resources, the resource provider perspective will provide a helpful focus even to citizens who are not taxpayers and who have not provided resources in other ways. ..We also suggest that the reference to “special interest groups” is unnecessary, and might result in undue emphasis being accorded to the needs of these users... - the inclusion of ‘service recipients’ and ‘other parties’ within potential users helpfully bring into consideration the needs of these other stakeholders</p> <p>- the description of users does not refer to ‘citizens’ as an overarching stakeholder category. While it is clear from the supporting material that ‘service recipients’ is intended to encompass all citizens, it might be helpful if this were more clearly signposted in the Preliminary View.</p> <p>It was also agreed that the legislature was a major user of general purpose financial reporting, notwithstanding the fact that they may also be in a position to request specific information.</p>
43	Financial Reporting Advisory Board-UK	<p><u>Primary/major user - providers of resources.</u></p> <p>The Board agrees with the preliminary view in that there are common information needs required by the potential users of GPFRs. However, in a public sector context there is inevitably greater focus on the information needs of providers of resources consistent with the objectives of financial reporting outlined in preliminary view 4 below.</p>
44	Australian Accounting Standards Board	<p><u>Does not identify a primary user group - supports IPSASB PV3approach (notes additional explanation)</u></p> <p>The AASB (a) agrees with the users of financial reports identified in Preliminary View 3;</p> <p>(b) agrees with the proposal not to identify a primary user group...; (c) disagrees with identifying the legislature as a major user of GPFRs of public sector entities, because this would ...imply that the information needs of citizens should be subordinated to the information needs of their elected or appointed representatives. The AASB recommends that the legislature be given equal status to the other three groups of potential users The AASB would not object to mentioning the legislature first in the list of potential users; (d) ...Preliminary Views 2 and 3 may seem inconsistent. ...it would be useful to note that individual members of the legislature (e.g., those not forming part of the government) may be unable to demand the preparation of financial reports tailored to meet their specific information needs;(e)recommends acknowledging that managements and governing bodies are a category of users of GPFRs, while explaining that the content of GPFRs is not determined by reference to their particular information needs.</p> <p>...notes that the discussion of users ...refers interchangeably to ‘members of the community’ and ‘citizens’. Because ‘citizens’ would normally be a narrower group, the AASB suggests using the more inclusive term ‘members of the community’ (or ‘community members’) consistently throughout the discussion.</p>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
45 MOF	Ministère Affaires municipales du Québec - Canada	<u><i>No view expressed on this particular issue – raises issues about scope and OCs.</i></u>
46	Provincial Comptroller Saskatchewan - Canada	<u><i>No view expressed on this particular issue – raises issues which focus on scope and reporting entity and notes general support for consultation paper otherwise</i></u>
47	Institut der Wirtschaftsprüfer - Germany	<p><u><i>Does not identify a primary user group - supports IPSASB PV3approach (notes legislature represents constituents and therefore is a major user).</i></u></p> <p>We agree. However, some may take the view that because the legislator, in particular, is able to demand financial reports from public sector entities, the legislator's information needs may not be relevant to determinate the objectives of GPFRs (see above "Preliminary View 2"). Nevertheless, the legislator's information needs seem suitable to determinate the objectives of financial reports, because these information needs are derived from the constituents' information needs. The legislator is- subject to a democratic constitution- representative of its constituents, none of whom as an individual may be able to demand the preparation of financial reports from public sector entities. The legislator in total, i.e. including the political opposition, as a democratically elected body is one of the major user of GPFRs, as it acts in the interest of the members of the community in general. Therefore, we support including the legislator as a user ..., even though in a democracy the legislator has no original, but only "derivative" information needs as a representative....we noticed that the IPSASB has chosen a rather wide approach in identifying and clustering potential user groups of GPFRs....For example, a private bank as a resource provider will have other interests than a public authority funding another public sector entity. Defining these two groups as one class of “resource providers” would imply that they would have the same information needs.</p>
48 A-G	Cour des Comptes - France	<p><u><i>Primary/major user - citizens and consequently parliament. GPFRs respond to their information needs</i></u></p> <p>The IPSAS Board does not specify which users have priority, and which needs should be taken into account with priority, the consistency of these choices being not verifiable.</p> <p>Citizens are not mentioned as first rank users of financial statements. That stems from the “pro-investor” bias that is adopted by the IASB and taken by the IPSASB. The IPSAS Board is developing an utilitarian conception of financial information users: the “recipients of services”, the “providers of resources” and the “other parties”, who are the three major groups of users according to the IPSAS Board, may be interested in only some limited parts of Governmental financial statements. On the other hand, citizens and Parliament or the representing deliberating local assembly are greatly interested in the whole set of financial management of a public sector entity, whether a Central Government or a local Government. Citizens, and consequently the Parliament, should be explicitly mentioned as first rank users, and consequences should be drawn accordingly as regards the nature of the financial information needed by those users. The French Central Government accounting conceptual framework mentions that “This information is intended <i>primarily for citizens and their representatives</i>>> and that “Accounting information must naturally meet the needs of those responsible for conducting and managing the Central Government ‘s tasks and</p>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
		<i>activities. The information is also intended for international public institutions, capital markets and investors in debt securities”. That definition seems to be relevant.</i>
49	Swedish National Fin. Management Authority	<u>Primary/major user - legislature.</u> The view seems relevant to us. We believe that it is relevant to see the primary recipient (as we interpret the concept legislature) of the annual report as the major user. That is the Parliament, the Government, the municipal councils etc.
50 MOF	North West Territories Finance - Canada	<u>Primary/major user - legislature. Management also a significant user.</u> Since a legislature is the primary user of GPFRs, that prominence should be stated up front. Management of a government is a significant user of GPFRs for planning and accountability purposes. Recipients of services are more likely to be interested in nonfinancial information related to the effectiveness and efficiency and equity of program service delivery; such as, class sizes in schools, and wait times for medical care.
51	GASB Staff	<u>Does not identify a primary user group - supports IPSASB PV3(notes users may be described differently)</u> We agree with list of potential financial report users set forth in the Consultative Paper. Although the GASB uses different classifications [(a) those to whom government is primarily accountable (the citizenry), (b) those who directly represent the citizens (legislative and oversight bodies), and (c) those who lend or who participate in the lending process (investors and creditors)], the same broad set of financial report users have been identified. Again, this is important consideration from our standpoint because the financial report users identified in GASB Concepts Statement 1 has served the GASB over the last 22 years.”
52	Heads of Treasury Advisory- HoTARAC - Australia	<u>Does not identify a primary user group - supports IPSASB PV3(notes some support ‘resource providers’ as proxy for all three)</u> HoTARAC provisionally supports Preliminary View 3, however, it believes that in defining users of GPFRs the following should be further considered: • the term “legislature” is too broad and should be replaced by “Parliament”; • reference should be made to “goods and services”, not just services, and [to]other recipients that would “otherwise benefit from the activities of the government”; and • in respect to the term “other parties, including special interest groups and their representatives” this category appears too broad. It would be preferable for the Framework to include the specific parties who are users of GPFRs such as regulators and oversight bodies etc. An alternative approach held by a minority of H0TARAC members would be to use “resource providers” as a proxy for all three user groups, which would represent the public sector equivalent to the IASB’s proposed primary user group of “capital providers”.
53 MOF	Comptroller of Finance Québec- Canada	<u>Primary/major user - public (cannot separate public and legislative power).</u> The public should be added as a main user. Indeed, the public and the legislative power cannot be separated, since

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
		the latter acts in the interests of the former. ...Governments are accountable to the public. The public supplies the revenues and resources necessary for the government to operate, and benefits from the services provided by the government. The public is the true owner of the public monies and properties for which governments are responsible. The public and the legislative power must be clearly identified as main users to ensure development of accounting standards and their application consistent with government realities.
54	P Vehmanen	No view expressed on this particular issue
55	Japanese Institute of CPA	<p>Agrees providers of resources, recipients of services and legislator are users, but notes some of view IPSASB should identify a primary user.</p> <p>Since public sector entities are accountable to those who provide them with their resources, it is right to define the providers of resources and their representatives as users of GPFRs. Also, since public sector entities are accountable to those who benefit from the resources provided, it is right to define the recipients of services and their representatives as users of GPFRs.</p> <p>However, some mentions, since citizens are both “recipients of services” and “providers of resources”, the IPSASB should define primary users in order to clarify the information needs. Since the legislature plays an important role as the allocator of resources to public sector entities as the representative of the recipients of the services and the providers of the resources and it is right to define the legislature as a major user of GPFRs.</p>
56	KPMG International	<p>We fundamentally agree with the groups of potential users identified in this preliminary view. However, while we agree that the legislature is a major user of GPFRs, we do not believe that it should be specifically identified in this context. Including the legislature in this context as the only specified user group may give the unintended indication that the legislature is the primary user of GPFRs and, therefore, their needs could receive special focus as the Board develops future IPSASs. We suggest that specific mention of the legislature be excluded from future references to the three categories of user groups, or that other specific user groups that may be viewed as “major” users of GPFRs, such as investors and citizens, be mentioned as well. We also suggest that the third user group category be edited to specify that it comprises other parties with an interest in the funding and delivery of particular services, including special interest groups and their representatives. This revision brings clarity to the “other parties” to which the Board was referring.</p>
57	International Atomic Energy Agency- IAEU	<i>Does not comment on this issue</i>

Preliminary View 7 - The Qualitative Characteristics of Information Included in GPFRs (following paragraph 4.40)

The qualitative characteristics of information included in GPFRs of public sector entities are:

- relevance, which encompasses confirmatory value, predictive value, or both;
- faithful representation, which is attained when depiction of economic or other phenomena is complete, neutral, and free from material error;
- understandability;
- timeliness;
- comparability; and
- verifiability (including supportability).

Constraints on financial reporting are materiality, cost, and achieving an appropriate balance between the qualitative characteristics.

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
01	UK Accounting Standards Board	<p><i>From covering letter...</i> It is not clear that the qualitative characteristics that are appropriate for financial statements are equally appropriate for all the information within the proposed scope of the Consultation Paper. This is illustrated by the acknowledgement in paragraph 4.28 of the Consultation Paper that the quality of ‘verifiability’ is often referred to as ‘supportability’ in the context of qualitative and prospective information: this seems to be more than merely a difference in terminology. Another example: it is unclear how the quality of ‘faithful representation’ may be applied to prospective financial information, which is not part of financial statements but is part of wider financial reporting. ... <i>(Also expresses concern about the replacement of “reliability” with “faithful representation”)</i> In our view, reliability is particularly important in the context of the financial statements and less so in other forms of financial reporting.... Assuming the IASB retain the Exposure Draft position, it is our view that, in the absence of compelling public sector reasons, the advantages of alignment are greater than the improvements that would be secured by IPSASB using reliability.</p> <p>We believe the IPSASB Framework should provide additional emphasis on the significance of materiality based on the “context and nature” of an item as this is likely to be a common and significant feature in the accounts of public sector entities</p>
02	Australia Joint Accounting Bodies	The Joint Accounting Bodies support the included qualitative characteristics. ... We encourage the IPSASB to work with the IASB to ensure they both end up with the same approach regarding fundamental and enhancing qualitative characteristics.
03	Australian Department of Finance and Deregulation	The Department does not support splitting of the qualitative characteristics between fundamental and enhancing characteristics. We are of the opinion that information contained in the financial statements needs to have all of these characteristics and users expect information to have all these characteristics.

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
04	New South Wales Treasury	NSW Treasury agrees.... we believe that the IPSASB text should be consistent with the IASB proposal (as far as possible), rather than using different words to say, in essence, the same thing. Further, we note that there does not seem to be a justifiable public sector-specific reason to omit the IASB proposed distinction between ‘fundamental’ and ‘enhancing’ characteristics. While commentators may debate the validity of making such a distinction, arguments for it have not differentiated the public sector.
05	Staff PSAB - Canada	Agree. Though PSAB has taken a different approach in grouping and classifying qualitative characteristics, the qualitative characteristics and constraints listed in PV 7 are all included in the conceptual framework of the PSA Handbook. They are included as a qualitative characteristic, a component of a qualitative characteristic or a stand alone component of the conceptual framework. The qualitative characteristics included in the conceptual framework of PSA Handbook are also included in each of the SORPs for other financial and non-financial information.
06	Controller and Auditor-General - New Zealand	We have one suggested change that we believe needs to be made to the quantitative characteristics. We believe that a qualitative characteristic of supportability should be used rather than verifiability. In our view verifiability does not work for a lot of information that is qualitative and it does not work for prospective information,
07	R Hodges - University of Sheffield	The Qualitative Characteristics of Information in PV7 seems to be heavily reliant on the related IASB conceptual framework proposals. I find this rather disappointing. There have been numerous representations to the IASB concerning the subtle and nuanced’ language used in IASB documents that seem to be repeated here. I think that the reporting of the substance of transactions rather than legal form could usefully be emphasised in this section; it is mentioned later in paragraph 5-33 in the context of group structures. I think that reporting the substance of transactions and financial arrangements is a more important element of faithful representation’ than the disparaging of the prudence concept....
08	The Treasury - New Zealand	In Treasury’s view however, timeliness is a factor of relevance, as is comparability and verifiability a criteria for considering faithful representation....Treasury also takes the view that the discussion on costs requires further consideration and amplification. The discussion in 4.35 to 4.38 is more a discussion about the cost- benefit trade-off as much as it is on costs alone, and this is welcome. However, the discussion does not address the concept that the cost-benefit analysis may differ for different public sector benefits and therefore that different judgments on accounting standards might therefore arise depending on the nature of the public sector entity reporting. Treasury’s preference would in fact be that the conceptual framework contain a positive notion of information being ‘commensurate’ or “proportional” to requirements as a qualitative characteristic, rather than an regarding cost as a constraint only. The Treasury is not suggesting that an IPSASS conceptual framework should establish such [<i>differential reporting</i>] requirements, but we do suggest that it should provide a framework for such requirements being developed in the future.
09	Office of the Scottish Charity Regulator	No comment on this PV.

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
10	United Nations Task Force- Accounting standards	The IPSASB Framework should include some guidance on the relative importance of the qualitative characteristics.
11	Swiss Pub.Sector Fin. Reporting Advisory Com	However, it is accepted that the qualitative requirements are not prioritised because their relative importance can vary depending on the viewpoint
12	Ministry for Budget, Public Accounts and Civil Service- France	<p>Agreement with the preliminary view n°7 with qualification - we should first state of the qualitative characteristics of accounting specific to the financial statements of which there are compliance, faithful representation, accrual basis, going concern basis, consistency of methods. In the principles of good information, are also ranged understandability, relevance (nature of the information, materiality) and reliability. The reliability depends itself on the following criteria: a true and fair view, neutrality, prudence and completeness.</p> <p>According to § 4.6, it is recommended that the qualitative characteristics apply to all information contained in the "financial reports", including so-called additional information. Shades made later in § are in the right direction when it comes to reflect the different nature of additional information that cannot fulfill the requirements of quality criteria according to the same degree (e.g. predictive value).</p>
13	Finnish State Accounting Board	<p>Simply listing the qualitative characteristics of information is not enough. Instead, they should be derived from the essential requirement that the information included in the financial reports is useful for its users. Furthermore, the qualitative characteristics of information should be portrayed distinctly in hierarchical order,...The fundamental qualitative characteristics of information useful to users are in hierarchical order <i>relevance</i> and <i>reliability</i>. The concept of <i>faithful representation</i> should be replaced with the more often used and general concept of reliability. The qualitative characteristics enhancing the level of the before mentioned fundamental characteristics are concerning relevance <i>confirmatory value</i>, <i>predictive value</i>, <i>understandability</i>, <i>timeliness</i> and <i>comparability</i> and concerning reliability <i>verifiability</i> and <i>supportability</i>. On the other hand. the qualitative characteristic moderating the level of the fundamental qualitative characteristics is <i>sufficiency</i>. The dimensions of moderation are <i>completeness</i>, <i>neutrality</i>, <i>materiality</i> and <i>cost—benefit—reasonableness</i>.</p>
14	Institute CPAs Ireland	We suggest replacing ‘Faithful Representation’ with ‘True and Fair View’. True and Fair view is widely understood by users, while the term faithful representation is open to interpretation. Public sector entities should have the same reporting responsibilities as non-public sector entities
15	Institute of Chartered Accountants of Scotland	In principle we favour an alignment with the qualitative characteristics in the IASB Conceptual Framework and departure only where there is clear justification. ...Given our comments on View 5 on the scope of financial reporting we would welcome re-alignment of the qualitative characteristics in the Consultation Paper with those characteristics proposed by the IASB. Neither are we clear about exactly why the differences between the objectives set out in the two proposed frameworks would result in a divergence from the qualitative characteristics proposed in the IASB Conceptual Framework.

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
16	Institute Chartered Accountants & CSAAG - Sierra Leone	The qualities stated appear to relate to the attributes of information that is primarily relevant to the measurement of individual assets and liabilities. There appears to be a case for a quality that deliberately takes the “big picture” and considers the impact of the interaction of the micro4ocused qualities (possibly both within and external to the reporting entity) for the entire accountability report of the entity. The need for such a “macro-focussed” qualitative benchmark has become evident from the events of the prevailing global financial crisis in which it would appear that the reporting processes focussed on micro qualities whilst ignoring macro indicators of impending trouble. We recommend the inclusion of the macro quality of “credibility”. This would be a form of systemic risk review, requiring that the preparation of accountability reports must consider the effects of the interaction of micro qualities both internal and external to the reporting entity on the sensibility of the report. This characteristic may require the scanning of the event horizon for factors, which would not be seen by a focus on the other qualitative characteristics, but that may lead to a material revaluation of individual assets and liabilities.
17	Ministry of Finance - Netherlands	As stated on our comment at Preliminary view 5, regularity is a basic characteristic in the public sector. Politicians and other users need information and assurance about regularity. Ministers should be accountable for the regularity of their expenditures and receipts.
18	Australasian Council of Auditors-General	ACAG recommends that consideration be given to the inclusion of “substance over form” as a qualitative characteristic. It is considered that this is an important concept in accounting, according to which transactions and other events are accounted for by their commercial reality rather than their legal form. Apart from this matter, ACAG supports this preliminary view
19	Ontario Ministry Finance Canada	No comment on this PV.
20	Provincial Comptroller of Manitoba - Canada	We agree with the qualitative characteristics included in this preliminary view, which are consistent with those included in PSAB’s Conceptual Framework.
21	The Swedish Council for Municipal Accounting	In general in line with SCMA’s view. Considering the conditions for the municipal sector we would like to stress the importance of comparability and relevance which encompasses confirmatory value.
22	Accounting Standards Board - South Africa	We support the qualitative characteristics as defined. We believe that IPSASB should record the public sector specific reasons if they want to deviate from the qualitative characteristics determined by the IASB. <i>(Response explains differences can be justified on the basis of differences in scope and additional users in public sector)</i> IPSASB also need to acknowledge that the nature of a report in a GPFR may emphasise some qualitative characteristics more than others. For example, management commentary ...may be deemed not to be neutral, which could result in the characteristic of faithful representation being questioned....In the public sector, legislation may require the disclosure of information, even though the qualitative characteristics for financial reporting have not been met. For example, information may be required to be disclosed in the financial statements by legislation even though it is not material for financial reporting purposes. This needs to be acknowledged in the section on the

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
		qualitative characteristics of financial reporting.
23	Jean-Bernard Mattret	<i>But need to align IPSAS 1 QCs with Framework – see comment on PV 1</i>
24	Italian Academics (4)	Once again, we believe that prudence deserves a closer examination in light of public- sector specificities. At the same time, we recognise that the overall impact of these specificities cannot be easily identified.
25	Financial Reporting Standards Board - New Zealand	However, the IPSASB has not ranked the qualitative characteristics as ‘fundamental’ or ‘enhancing’ as did the IASB and FASB in their conceptual framework project. Given the IPSASB’s plans to issue standards based on IFRSs with appropriate modifications for the public sector, the FRSB considers that the over arching framework should be based on the IASB’s framework....We believe that it would be useful for the IPSASB’s conceptual framework to provide additional emphasis on the significance of materiality based on the context and nature of an item because this is likely to be of particular importance for public sector entities.
26	Joseph S. Maresca	Materiality is a pervasive constraint. The concept may be difficult to implement. Sometimes interdependency is the most critical constraining factor. Timing differences in transactional processing are other limiting factors .
27	French Regional Court of Audit in Ile-de-France	
28	FEE	We agree with the proposed qualitative characteristics and constraints on financial reporting. We note that these are not the same as current proposals for the IASB Conceptual Framework. However, it is not clear to us that this makes a significant difference to the application of the qualitative characteristics.
29	Dutch Local Government Accounting Standards Board	We agree with the proposed qualitative characteristics and constraints on financial reporting. But we note that because of the freedom of (local) political decision-making alternative accounting methods for the same phenomenon should be permitted and are more important than comparability between (local) governments (par. 4.27).
30	Martin Dees - Netherlands	No comment on this PV.
31	General Directorate of Public Finance - France local/ regional & state	<i>From a local authorities perspective:</i> The conceptual framework does not incorporate all the principles applicable to local public sector. Thus, prudence and sincerity are excluded from this document, which may affect the consistency of accounting standards of the local public sector as they are defined.
32	Ernst & Young	<i>(the QCs)</i> differ in some respects from those proposed by the IASB. We generally support this approach, which responds to the different objectives of public sector GPFRs and reflects a potentially broader scope of public sector financial reporting. However, we would recommend explaining more specifically in which topics an adjustment has seen to be necessary and why. For example, the question remains open why the IPSASB decided not to distinguish between "fundamental" and "enhancing "qualitative characteristics like the IASB. We do not see where the public sector differs from the private sector in that respect and what justifies the deviation. Given the importance of the

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
		substance over form principle for the public sector we strongly recommend that the relationship between faithful representation and substance over form be explained more explicitly (as is done by IASB/FASB).
33	Bouchat-Goubert-Baumann	Very useful. ...Why not endorse a hierarchy among qualitative characteristics? Isn't faithful representation more important than timeliness? ...Some pervasive constraints have been omitted (e.g.: strategic behaviour, assimilating the detention of information to power).
34	Association of Chartered Certified Accountants - UK	We note that these are much the same as in the IASB version and agree that this is an area where there is little reason for difference. We do not regard as problematic the identification by IASB, but not by IPSASB, of relevance and faithful representation as "fundamental" and the others as "enhancing". It is not always clear, however, the extent to which the qualitative characteristics can be transferred to the provision of non-financial information, notably with faithful representation and verifiability. <i>Staff Comment - Also expresses concern that paragraph 4.21 implies that accounts may not be required to present complex matters in a manner understandable by all users.</i>
35	Michael Parry	This Preliminary View is supported.
36	Treasury Hong Kong Special Admin. Region	We agree in general with the list of qualitative characteristics set out in Preliminary View 7, but consider that the traditional prudence concept should be revisited as an essential component of faithful representation in view of the fiduciary and stewardship duties of governments.
37	Federación Argentina de Consejos Profesionales de Ciencias Económicas	<i>Staff Comment - However note reservations..</i> The cost can not be a limitation, because the obligations of the issuing public entity may not be restricted by cost. It will be necessary to consider the efficiency and effectiveness in the broadcast, but not its cost.
38	Statistics Canada	No comment on this PV.
39	Audit Commission -UK	In our response to the IASB consultation we stressed that faithful representation was not a term that would be readily understood by the users of GPFRs and that reliability would be more readily understood. We continue to hold that view.
40	Comptroller General British Columbia-Canada	We agree that relevance, faithful representation, understandability, timeliness, comparability and verifiability are key qualitative characteristics, and that cost-benefit is essential to achieving a balance amongst them. We support the concept of substance over form and are pleased to see this included in the paper.
41	Office of Auditor General of Canada	We are in agreement with this view. ...We don't think it is useful for IPSASB to segregate the characteristics the same way the IASB did. The important point is in our view to agree on what the characteristics are. We also agree with the definition of faithful representation.
42	CIPFA - UK	<i>Staff Comment - Expresses concern about the application of the QCs to the broader scope....</i> the replacement of the qualitative characteristic of "reliability" with "faithful representation" raises problems in the context of financial

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
		statements. <i>However...</i> we agree that the advantages of alignment [<i>with IASB</i>] are greater than the improvements that would be secured by IPSASB using “reliability”. Regardless of whether broader financial reporting remains within the scope of the Framework, further consideration of qualitative characteristics may be required in connection with broader scope projects such as Long Term Financial Sustainability Reporting. In addition, we suggest that the Framework should provide additional emphasis on the significance of materiality based on the “context and nature” of financial reporting.
43	Financial Reporting Advisory Board-UK	<i>Staff Comment - Would prefer “reliability” to “faithful representation” which is less well-understood term and may be interpreted differently in practice but of is of view maintaining alignment with the IASB framework wording is a major benefit.</i>
44	Australian Accounting Standards Board	The AASB: (a) agrees with the proposed qualitative characteristics of financial information, but notes that the concepts of relevance and materiality are not clearly distinguished ... c) considers that the discussion of costs and benefits in paragraph 4.38 could usefully be enhanced. (d) considers that, in view of the IPSASB proposing the same qualitative characteristics as those proposed in Chapter 2 of the corresponding IASB-FASB Exposure Draft, should use the same guidance to explain those characteristics as the guidance developed by the IASB and FASB....An implication of distinguishing between ‘fundamental’ and ‘enhancing’ qualitative characteristics would seem to be that information can be decision-useful without being timely or understandable. The AASB would not support such a characterisation of timeliness and understandability, and therefore supports the IPSASB’s position. Another reason... is that, in the IASB-FASB Exposure Draft ...comparability is depicted as a by-product of relevance and faithful representation. Therefore, ‘enhancing’ would seem to be an inappropriate adjective for comparability.
45	Ministère Affaires municipales du Québec - Canada	Paragraph 4.41, which refers to the IASB Framework, strikes us as noteworthy since it distinguishes between fundamental (relevance and faithful representation) and enhancing qualitative characteristics. By thus prioritizing certain characteristics, this approach facilitates the assessment of the right balance struck between the characteristics
46	Comptroller Saskatchewan - Canada	<i>No comment on this PV.</i>
47	Institut der Wirtschaftsprüfer - Germany	In our opinion, the concept of reliability should be retained, given that this encompasses faithful representation....we do not consider “achieving an appropriate balance between the qualitative characteristics” by the preparer of a financial report to be a constraint on financial reporting.
48	Cour des Comptes - France	The principle of prudence should be retained... Neutrality and prudence are not necessarily incompatible. They may be linked, together with completeness, to the reliability principle.....it could be useful to benefit from a hierarchy of principles.... The (<i>absence</i>) of the true and fair view and sincerity principles should be discussed.... [they can] establish a link

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
		between the accounts and those persons who are accountable, who are therefore “committed” by their signature...The link between verifiability and supportability is not clear .
49	Swedish National Fin. Management Authority	The characteristics seem relevant in our opinion. We observe that there is no priority suggested between them as is done in the IASB framework. This may mean less guidance from the framework when it comes to choose between accounting and reporting alternatives for specific issues. In practice that might result in allowing a choice among different alternatives to handle a specific situation. There however in reality may be different priorities among the characteristics. In Sweden for example comparability may be more important when it comes to the municipalities, that are much alike in tasks and organization, than it is for the central state level that differs more between jurisdictions.
50	North West Territories Finance - Canada	The qualitative characteristics stated in the consultation paper are reasonable. The difficulty is in achieving a balance between them that is acceptable to users and auditors of financial information. ...The relative emphasis of the qualitative characteristics of financial information is different for the public sector; for example, relevance, faithful representation and understandability are more important than comparability and timeliness.
51	GASB Staff	We strongly agree that a hierarchy should <i>not</i> be introduced to the qualitative characteristics. We have found that balance is needed and that all of the qualitative characteristics are fundamental to standard setting.... Although we support the general direction of the Board in regard to the qualitative characteristics, we do not agree with the introduction of the term “faithful representation” as a replace for reliability.... The meaning and tone of the definition has not changed and no justification is provided as to why the term needs to be changed.
52	Heads Treasury Advisory- HoTARAC - Australia	It is suggested that IPSASB gives consideration to including substance over form as a characteristic. In respect to the distinction between “fundamental” and “enhancing” characteristics its omission does not appear to be well justified. It is important that the IASB Framework should only be departed from where there is a public sector-specific justification.
53	Comptroller of Finance Québec-	Qualitative characteristics must also include value for accountability purposes relative to the budget and how resources were allocated.
54	Vehmanen	...faithful representation and verifiability are misleading in this context. They are both adopted from the scientific method but they are both given a new meaning, ... The concept of faithful representation...should be replaced with the more familiar concept of reliability. Relevance and reliability should be regarded as the two fundamental qualitative characteristics of useful financial reporting information. ...there is no way in practice to achieve a faithful representation of any future phenomenon. Instead of faithful representation, one should talk about reliability of information.... to fill the resulting gap, the new concept of supportability should be introduced and defined.... <i>[also]</i> The concept of sufficiency is [introduced as] a moderating concept that aims at an acceptable balance between the qualitative characteristics in terms of a few selected dimensions. The concept of verifiability should be considered subordinate to reliability and given its customary, more restricted

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
		scientific meaning.
55	JICPA	... relevance and faithful representation to be fundamental qualitative characteristics, and understandability, timeliness, comparability and verifiability to be enhancing qualitative characteristics. If information provided is not relevant or is not a faithful representation, we cannot discharge public sector entities from accountability and make information useful for decision making.... other characteristics to be enhancing qualitative characteristics,
56	KPMG International	We agree with this preliminary view. We believe these qualitative characteristics are the attributes that would make the information in GPFRs useful to users and support the achievement of the objectives of public sector financial reporting.
57	Internat. Atomic Energy Agency IAEU	No comment on this PV.

Preliminary View 8 - Characteristics of a Reporting Entity (following paragraph 5.10)

The key characteristic of a reporting entity is the existence of users who are dependant on GPFRs of the entity for information for accountability purposes, and for making resource allocation, political, and social decisions.

A public sector reporting entity may be an entity with a separate legal identity or other organisational structure or arrangement.

	NAME	COMMENT – Preliminary View 8 (Reporting Entity)
01	UK Accounting Standards Board	<p>We agree that a key characteristic of a reporting entity is the existence of users who are dependent on general purpose financial reports, although the proposed broad range of potential users identified in preliminary view 3 raises the question of whether it is necessary for the proposed Framework to direct which entities should report. ...We also believe the preliminary view would be more helpful if it identified some other, more neutral, criteria for a reporting entity, such as the existence of separately identifiable transactions, assets and other economic events that make an entity accountable to users and that can be economically impacted by users' decisions.</p> <p>We also consider that it may be helpful for the Framework to explain that, in addition to reporting entities, data may also be presented for specific "activities", such as the collection of taxation revenues or for a number of reporting entities within a sector, such as housing or health. Although accounting standards may provide guidance in such a case, the resulting statement would not be GPFRs if it did not relate to a reporting entity.</p>
02	Australia Joint Accounting Bodies	<p>The Joint Accounting Bodies encourage the IPSASB to work with the IASB on the terminology used to describe a reporting entity. We think it important that the term is used consistently in their respective frameworks. Differences may give rise to the opportunity for unnecessary confusion among users of public sector and private sector for-profit financial reports and practitioners — especially those who service both sectors or seek to move between sectors. Our earlier correspondence to the IASB and Australian Accounting Standards Board expressed our preference for the use of the term 'economic entity' in place of 'reporting entity' to describe the circumscribed area of business activity of interest to present and potential equity investors, lenders and capital providers. Our reasoning was 'reporting entity' has different connotations and understanding in the Australian jurisdiction over an extensive number of years.</p>
03	Australian Dep. Finance and Deregulation	<i>Agrees with response 52</i>
04	New South Wales Treasury	NSW Treasury agrees.
05	Staff PSAB - Canada	<p>Agree. The key characteristic of a reporting entity proposed in PV 8 provides a logical and reasonable guideline that allows for exercise of professional judgment. Logically, there is no reason to prepare a GPFR if no one is interested in it or needs it....Given the wide range of administrative structure in different jurisdictions, we agree that public sector reporting entities should not be limited to those with a separate legal identity.</p>

	NAME	COMMENT – Preliminary View 8 (Reporting Entity)
06	Controller and Auditor-General - New Zealand	We do not fully agree with the IPSASB's key characteristics of a reporting entity as expressed in preliminary view 8 Based on our response to preliminary view 4, we do not see the objectives of accountability and decision-making as having equal weight.... As a result of our comments above, we suggest that preliminary view 8 could be reworded as follows "The key characteristic of a reporting entity is the existence of people who depend on general purpose reports (or general purpose financial and non-financial reports) that can be used primarily to hold an entity to account and also to help make a range of decisions."
07	R Hodges - University of Sheffield	I support the principles adopted in this paper.
08	The Treasury - New Zealand	We reiterate our concern with the expression "resource allocation, political, and social decisions". We consider that the term "resource allocation decisions" alone is both more appropriate and sufficient.
09	Office of the Scottish Charity Regulator	<i>See response to PV9</i>
10	United Nations Task Force- Accounting standards	The Task Force's view is that international governmental organizations are public sector entities and the Framework should make this clear.
11	Swiss Public Sector Financial Reporting Advisory Committee	The second part of the first sentence should be more specific: "... for information for accountability purposes, and for making political, social and <u>economic</u> decisions, for <u>example in the area of resource allocation or taxation.</u> "
12	Ministry for Budget, Public Accounts and Civil Service- France	Agreement with the preliminary view n°8 with qualification The conceptual framework of the IPSAS Board is intended to apply to all countries, irrespective of their legal system and the organization of their public institutions stemming from them, resulting in a very general formulation. Should be mentioned the "obligation" to establish accounts to any legal entity which has to, i.e. the central government as a private legal entity, with respect to individual accounts. Another distinction is between the configuration in agencies and in government departments: the point is to set out in a conceptual framework like IPSAS one the consequences on the financial statements and on additional information, particularly in terms of reconciliation.
13	Finnish State Accounting Board	The Consultation Paper (paragraph 5.6 and <i>IPSASB Preliminary View 8</i>) explains correctly that the key characteristic of a reporting entity is the existence of users who are dependent on GPFRs of the entity in satisfying their information needs. Also in this context, the analysis should be connected more closely to the provision of information for accountability purposes.
14	Institute of CPAs in Ireland	Agree, but see also comment in relation to preliminary view 4 regarding the term accountability purposes.

	NAME	COMMENT – Preliminary View 8 (Reporting Entity)
15	Institute of Chartered Accountants of Scotland	Paragraph 5.4 of the Consultation Paper appears to abandon any prospect of a principles-based definition by suggesting that the reporting entity and group reporting entity are essentially whatever legislation or government requires. We would tend to agree with such a conclusion. The first paragraph of View 8 essentially repeats Views 1 to 3. Given the content of paragraph 5.4, we believe it is probably sufficient to state that “A public sector reporting entity may be an entity with a separate legal identity or other organisational structure or arrangement”.
16	Institute Chartered Accountants & CSAAG - Sierra Leone	<i>Staff comment: subject to acknowledgement of point made earlier at PV2- - focus is on accountability reports and is broader than general purpose <u>financial</u> reports</i>
17	Ministry of Finance - Netherlands	Government and those who are fully or partly financed by the government should have this point as primary objective of their accounting and reporting standards. Therefore key characteristic of the entity must focus on relation between the budget process of the parliament or other democratic institutions and this entity. Moreover the users who are dependent on general purpose financial reports are in our view secondary.
18	Australasian Council of Auditors-General	ACAG supports this preliminary view. However, ACAG does have some concerns that the differences between the IPSAS's and the IASB's definition of a reporting entity could potentially create some confusion for users of public and private sector GPFRs. This may be alleviated to some extent by adding an element to each definition heading identifying whether it applies to the public or private sector.
19	Ontario Ministry of Finance - Canada	Did not express a view expressed on this particular PV.
20	Provincial Comptroller of Manitoba - Canada	We feel that IPSASB has made the definition of the characteristics of the reporting entity too broad, by stating that the key characteristic of a reporting entity is the existence of users who are dependant on GPFR for accountability purposes, and for making resource decisions. This could result in entities, which simply deliver a service on behalf of government, being included in the reporting entity.
21	The Swedish Council for Municipal Accounting	Approved
22	Accounting Standards Board - South Africa	The existence of users should not be the only criterion to determine whether there is a separate reporting entity. We believe that a set of activities, comprising transactions and other events, must also exist and that reporting on those activities is required because of the existence of users of information about that activity.
23	Jean-Bernard Mattret	I agree with preliminary view 8.
24	Italian Academics (4)	The Proposed Framework, like the IPSASs, focuses on general purpose financial reporting by public sector entities that adopt the accrual basis of accounting. We feel that more attention should be devoted to budgeting and nonfinancial information and wonder whether the IPSASB views these topics as exceeding its mandate or simply as issues to be tackled at a later stage.

	NAME	COMMENT – Preliminary View 8 (Reporting Entity)
25	Financial Reporting Standards Board - New Zealand	GPFRs seems to imply that the ‘entity perspective’ (rather than the ‘proprietary perspective’) is the preferred approach for the presentation of GPFRs.The approach adopted has follow on effects throughout the standards. Therefore, it would be useful for the Framework to identify the preferred approach up front.
26	Joseph S. Maresca	Did not express a view expressed on this particular PV.
27	French Regional Court of Audit in Ile-de-France	<i>See PV 9</i>
28	FEE	We agree with the above analysis. It provides sufficient flexibility to accommodate the many approaches which governments may use to organize their activities, which also often reflects a view that they often define functional or organizational boundaries specifically to support accountability to government and other stakeholders, and to inform funding and other decisions.
29	Dutch Local Government Accounting Standards Board	We agree with the above analysis. It provides sufficient flexibility to accommodate the many approaches which governments may use to organize their activities, which also often reflects a view that they often define functional or organizational boundaries specifically to support accountability to government and other stakeholders, and to inform funding and other decisions. But considering the costs of separated information will limit the non-legal reporting to some user groups.
30	Martin Dees - Netherlands	Did not express a view expressed on this particular PV.
31	General Directorate of Public Finance – France local/ regional & state	<i>Did not express a view on this particular PV.</i>
32	Ernst & Young	In CP 5.10 the PSASB describes exceptions to the key characteristics of reporting. We feel it would be helpful to state one or more specific practical examples to illustrate what is meant by these exceptions.
33	Bouchat-Goubert-Baumann	This approach could make problem in terms of the stability and predictability of duties. The difference between GPFRs and Special Reports is not clear enough since a group can compel an entity to establish GPFRs based on its specific information need
34	Association of Chartered Certified Accountants - UK	We agree with this view.
35	Michael Parry	Whilst the idea of a definition based on user needs is supported, it must additionally be recognised that where an entity is created by law and handles public money, there should be an automatic requirement for GPFRs.
36	Treasury of Hong Kong Special Admin. Region	Agree

	NAME	COMMENT – Preliminary View 8 (Reporting Entity)
37	Federación Argentina de Consejos Profesionales de Ciencias Económicas	Should be left in place, in addition to what is mentioned in the preliminary view that a characteristic of the entities, regardless of the legal and / or administrative action taken, is aimed at meeting the public policy set by the government of a State. The entities from the business sectors of the State are excluded.
38	Statistics Canada	The attached Guide to the Public Sector of Canada produced by Statistics Canada presents the criteria utilized to determine the entities that are in the public sector. It also delineates the structures used to categorize these data for statistical purposes. (<i>Staff comment – the guide is available from staff on request.</i>)
39	Audit Commission - UK	We would prefer to see the conceptual framework broadly describe a reporting entity as a circumscribed area of economic activity of interest to funders and financial supporters, to make the definition more specific.
40	Comptroller General British Columbia - Canada	As we feel strongly that the public is the major user of our financial statements, the key characteristic of the existence of those users to make resource allocation, social and political decisions is not relevant or appropriate... We would appreciate more specific guidance regarding trust/trustee relationships.
41	Office of Auditor General of Canada	While we agree with the concepts in this preliminary view, we suggest the order should be reversed. And while we agree that this preliminary view should refer to users who are dependant on the information, we suggest that “the existence of users” not be described as a “key characteristic” of a reporting entity”.
42	CIPFA - UK	We agree with the above analysis. It provides sufficient flexibility to accommodate the many approaches which governments may use to organize their activities, and which in some cases may reflect functional or organizational boundaries specifically designed to support accountability to government and other stakeholders (as described in Preliminary View 3), and to inform funding and other decisions.
43	Financial Reporting Advisory Board-UK	The Board agrees with this preliminary view. Public sector reporting entities that are directed by the Government to report may take various organisational or structural forms, which may or may not have a separate legal identity.
44	Australian Accounting Standards Board	The AASB recommends that the Reporting Entity component of the IPSASB’s <i>Framework</i> project should be omitted from Phase I of that project and dealt with in more depth in a separate component of the project.
45	Ministère Affaires municipales du Québec - Canada	<i>Staff comment –see response to PV9</i>
46	Provincial Comptroller Saskatchewan - Canada	<i>Did not express a view on this particular PV.</i>
47	Institut der Wirtschaftsprüfer - Germany	In our view, clarifying that the reporting entity definition includes organizational structures, administrative arrangements, or activity without a legal identity would better reflect the requirements of the public sector (CP 5.1. and 5.9). ... Additionally, as this is a quite generic description, it could be useful to add as an example that governmental units (in particular, the states) and other public sector entities with a separate legal identity are

	NAME	COMMENT – Preliminary View 8 (Reporting Entity)
		reporting entities in any case, because they meet the described key characteristic of a reporting entity.
48	Cour des Comptes - France	Public entities of any level operate their activities in a legal context with many constraints. The notion of legal entity makes much sense in the public sector, in many jurisdictions. However it is not mentioned with enough significance in the conceptual framework.
49	Swedish National Fin. Management Authority	The delimitation of the reporting entity is crucial. There may be strong interconnections between entities in the public sector and it is important to define the separate entities also from that point of view.... It is of importance that there is a clear delimitation of which elements are parts of the financial statements and which are effects from the state operations on the economy.
50	North West Territories Finance - Canada	Legislation should dictate which entities have to issue financial reports, especially if it is not a separate legal entity
51	GASB Staff	We agree...However, in practice we have found in some cases that this concept is difficult to operationalize for standard-setting purposes.
52	Heads of Treasury Advisory- HoTARAC - Australia	<i>Staff comment - But concerns that will increase the number of reporting entities. Suggests also identify other characteristics to consider such as resources, size or relevance to objectives</i> Consideration needs to be given to the fact that in some circumstances a restricted or differential form of GPFR or even a special report may be adequate to meet the objectives.
53	Comptroller of Finance Québec- Canada	Agreed
54	P Vehmanen	Did not express a view on this particular PV.
55	Japanese Institute of CPA	We agree with this preliminary view.
56	KPMG International	We agree with this preliminary view from a conceptual standpoint. We believe, however, there could be significant challenges in creating and applying accounting principles for reporting entities that do not possess a separate legal identity, particularly those reporting entities that may not even possess a defined administrative structure, such as an individual government activity or program. These potential challenges include the reporting of certain obligations that reside at the legal entity level, for example, obligations relating to employee benefits and legal claims, and the reporting of property, plant and equipment that may be used by multiple functions within a legal entity. ...we believe the Board should consider these practical implications in the creation of the Framework. We also believe the key characteristic of a reporting entity ...should be reworded to be the “potential existence of users who may be dependent on GPFRs ... Certain governmental entities ..that regularly publish financial reports... may experience a general lack of interest in those financial reports from user groups,.... In those

	NAME	COMMENT – Preliminary View 8 (Reporting Entity)
		circumstances, we believe that the government should still be considered a reporting entity because there may be users of those financial reports that are not readily apparent.
57	Internat. Atomic Energy Agency IAEU	Did not express a view on this particular PV.

Preliminary View 9 – The Composition of a Group Reporting Entity (following paragraph 5.35)

A group reporting entity will comprise the government (or other public sector entity) and other entities when the government (or other public sector entity):

- has the power to govern the strategic financing and operating policies of the other entities (a “power criterion”); and
- can benefit from the activities of the other entities, or is exposed to a financial burden that can arise as a result of the operations or actions of those entities; and can use its power to increase, maintain, or protect the amount of those benefits, or maintain, reduce, or otherwise influence the financial burden that may arise as a result of the operations or actions of those entities (a “benefit or financial burden/loss” criterion).

	NAME	COMMENT – Preliminary View 9 (Composition of the group reporting entity)
01	UK Accounting Standards Board	We agree the composition of a group reporting entity should be determined by controlling entity model and agree with the two criteria put forward in the preliminary view. We also agree with the need to demonstrate that both these criteria apply.
02	Australia Joint Accounting Bodies	...support the proposal
03	Australian Dep. Finance and Deregulation	Agrees with response 52
04	New South Wales Treasury	<p>NSW Treasury agrees with the Preliminary View above; however, we have difficulties with some of the wording, as follows:</p> <p>-The word “govern” contained within the power criterion could be interpreted to mean “regulate”, which could lead to problems.... NSW Treasury suggests that the word “direct” be used instead of the word “govern”. This is the word used by the IASB in its proposed working definition of control.</p> <p>NSW Treasury questions the IPSASB’s decision to avoid using the term “control” when it discusses the composition of a group reporting entity. None of the reasons put forth in the paper convinced us of the need to stay away from referring to control.</p> <p>We are unclear why the IPSASB has amended the IASB working definition of control by changing the reference to reducing “the amount or incidence of losses” to a reference to “financial burden”. ...</p>
05	Staff PSAB - Canada	Agree. This is consistent with how PSAB defines the government reporting entity. The “power” and “benefit or financial burden/loss” criteria are similar to PSAB’s definition of control, which determines whether an entity should be included in the government reporting entity. We found the guideline and examples included in paragraphs 5.33 and 5.34 helpful in applying these criteria.

	NAME	COMMENT – Preliminary View 9 (Composition of the group reporting entity)
06	Controller and Auditor-General - New Zealand	We are of the view that the Framework is not the right place to discuss the boundaries of a group reporting entity. . In our view, a discussion of this nature should be dealt with at the standards level rather than the framework Accordingly we believe that the IPSASB should remove any reference to the basis for determining the composition of a group reporting entity from the exposure draft resulting from this discussion paper.
07	R Hodges- University of Sheffield	It is not clear how PV9 would influence the accounting for PPPs. Does PV9 give rise to a dichotomy that PPPs must either be incorporated fully within the accounts of the public sector entity or else is omitted entirely?. If so, this would appear to result in the classic on-balance sheet or off-balance sheet decision which I do not think has served public sector accounting well
08	The Treasury - New Zealand	The Treasury considers that having defined a financial reporting entity the definition of a group reporting entity is a matter for accounting standards rather than for the conceptual framework
09	Office of the Scottish Charity Regulator	<p>We make three key points:</p> <ul style="list-style-type: none"> • To respect the legal and operational independence of charities, however governed, from government, 'trusts' (charities governed by way of royal charter, unincorporated trusts or associations, charitable companies or other forms of charity) cannot be included within the boundary of government (as proposed by paragraph 1.8). To do so would imply that government directs charities for its own purposes whereas trustees are bound by charity law to act exclusively in the charity's interest and for the beneficiaries of the charity. • „, We therefore recommend that the benefit criterion (paragraph 5.35) be changed to: "can benefit from the activities of the other entities, and is exposed to the returns from those entities, including financial benefits or burdens that can arise as a result of the operations or actions of those entities; and it can use its power to increase, maintain, or protect the amount of those returns that may arise as a result of the operations or actions of those entities." This replaces a simple 'benefit' criterion with the more coherent criterion of 'benefit and financial burden/ loss'. • We suggest that the following statement be added: "while the trustees of a charity have the ability to direct the financing and operating policies of the charity, only the beneficiaries may benefit from the activities of the charity. A trustee whose relationship with a charity does not extend beyond the normal responsibilities of a trustee would not be considered to control the charity."
10	United Nations Task Force- Accounting standards	<p>We do not consider that this preliminary view provides a clear enough description of the concepts that the IPSASB will apply when considering the composition of a group reporting entity. The language used is unclear and overly focused on ‘governments’ rather than public sector entities.</p> <p>Three specific issues in terms of the wording used in the consultation paper and Preliminary View 9 are:</p> <p>The term ‘reporting entity’ should be used rather than ‘government (or other public sector entity)’, because this makes more sense logically and avoids the implications that this issue is mainly one that affects governments</p>

	NAME	COMMENT – Preliminary View 9 (Composition of the group reporting entity)
		<p>and/or that government public sector entities have some higher importance for this discussion than other non-government public sector entities....</p> <p>The word ‘strategic’ has different meanings for native English speakers coming from different backgrounds. Strategy is sometimes used to mean the big picture overall plan and at other times a specific goal or specific tactic to use to reach a goal. One option to consider is to avoid its use within this context, given the variation in accepted meanings. Alternatively, we recommend that ‘strategic’ (and strategy) be clearly defined in terms of the meaning in this context.</p>
11	Swiss Public Sector Financial Reporting Advisory Committee	<p>The departure from the pure control principle is welcomed in principle. The superordinate aims and the purpose of a consolidation are lacking. This question should first be clarified and answered in the Framework. The criteria for the consolidation should flow into the IPSAS5 and not be included in the Framework. On the question of consolidation, there are clear deviations from IFRS (particular needs of the public sector). The Preliminary View and the related explanations should be completely revised.</p>
12	Ministry for Budget, Public Accounts and Civil Service- France	<p>The discussion presented in § 5.28 is concerned with the consequences of the existence of a distinction between executive and legislative power. This discussion is not conclusive. ...</p> <p>One could indeed conceive that each jurisdiction defines its reporting entity as it pleases, and publish financial information on each of its components without whole information. This solution has two drawbacks. First international comparability is low (it is already limited, but it would abandon almost completely).....</p> <p>Furthermore, there appears, as evidenced by the practice of national accounting standard at the global level, it is appropriate to provide financial information on an entity holding a type of state sovereignty in a territory that the exercise of this sovereignty is exercised by one or more branches (which are not equipped with separate legal personality). The test of power appears unable to deal with this issue. Should we delete or supplement?</p> <p>The consolidation on the basis of power must be used to provide a certain level of financial reports. But we must go beyond. The French accounting standards distinguish the scope of consolidation and scope of combined financial statements, allowing the latter to include the same set of entities not bound by a power relationship but have a certain economic unit.</p>
13	Finnish State Accounting Board	<p>The Consultation Paper examines properly how to define the group reporting entity within different kinds of jurisdictions. The preliminary view (<i>Preliminary View 9</i>), in which the definition of the group reporting entity is based on the “power” criterion and the “benefit or financial burden/loss” criterion seems to be appropriate.</p>
14	Institute of Certified Public Accountants in Ireland	<p>We would question the wording in preliminary view 9. If a PSE had substantial borrowing from a Bank does the Bank then become part of the financial reporting group? In addition in determining liability this needs to be based on assessed risk and such an assessment of risk needs to be undertaken.</p>

	NAME	COMMENT – Preliminary View 9 (Composition of the group reporting entity)
15	Institute of Chartered Accountants of Scotland	<p>... we do not believe that the two criteria which the Consultation Paper suggests should be met by components of a group entity will facilitate the preparation of whole of government accounts. ...we are not convinced that the financial statements of the Scottish Government would be consolidated into UK Whole of Government Accounts on the basis of the ‘power criterion’. ...There may also be barriers to including the accounts of local authorities within the UK Whole of Government Accounts on the basis of the ‘power criterion’.</p> <p>Given the difficulties explained above, we also believe that it would be appropriate for a Conceptual Framework for public sector entities to discuss the high-level principles involved in determining the boundaries of a group reporting entity rather than to define what the boundaries are.</p>
16	Institute Chartered Accountants & CSAAG - Sierra Leone	<p>We recommend a principle of “subsidiary” in the disclosure of non-financial information to the separate entities of a public group that is subject to consolidation. This would require the fullest possible disclosure at the lowest level of entity that has direct responsibility for a transaction or activity.</p>
17	Ministry of Finance - Netherlands	<p>The specific conditions of the IPSAS Board to consolidate are, in our opinion, businesslike conditions. Privatization and creation of autonomous-administrative-authorities (quango’s) has specific purposes. One of them is the existence of a several chosen level of independence or autonomy to the government itself. This institutional organization of the public sector is possible in respect with the legislation. Consolidation of the accounts of such organizations to one whole of government financial statement does not correspond with this legislation. Furthermore all annual reports of public sector entities are public or should be public. So that’s not an argument to consolidate to the government statement of accounts. A third argument for not consolidating is the complexity and understandability of consolidated accounts. We suggest to set up accounting standards with respect to government specific character in stead of translating the business accounting (e.g. IFRS) to the public sector. For example ESR 95 gives sufficient and clear guidance for consolidation in public sector</p>
18	Australasian Council of Auditors-General	<p>ACAG supports this preliminary view.</p>
19	Ontario Ministry of Finance - Canada	<p>...we generally agree that the noted “power and “benefit or financial burden/loss” criteria are valid considerations in determining which entities should comprise the government reporting entity. However, we are concerned that IPSASB’s current wording would result in inadvertent consolidation of lower level governments as part of the government reporting entity. In this regard, we suggest that IPSASB provide specific examples as a means to clarify paragraph 5.30, which states that the “existence of separate statutory or constitutional authority and operational autonomy does not, of itself, preclude these separate entities from being included within the whole of government group.”</p> <p>In Canada, due to their nature and scope, municipal and provincial governments as well as the federal government are considered independent for reporting purposes by PSAB, even though they work together to support the funding of critical services such as health care via multi-year funding agreements between the levels for example.</p>

	NAME	COMMENT – Preliminary View 9 (Composition of the group reporting entity)
20	Provincial Comptroller of Manitoba - Canada	Though the criteria for control are similar between PSAB and IPSASB, there are constitutional references that are in opposition to PSAB and in Canada, are outside of the discretion of the various levels of government. Due to the unique constitutional framework in Canada, this could affect all levels of government reporting and could result in additional consolidations (i.e. Provinces into Federal, municipalities into Province).
21	The Swedish Council for Municipal Accounting	The first part of the “benefit or financial burden/loss” criterion is in line with our view. However, the definition of the “power” criterion, that also is reflected in the last part of the “benefit or financial burden/loss” criterion, and the reference to the IASB ED “Objective and Qualitative Characteristics” gives the impression of the fact that the Composition of the Group Reporting Entity is based on a decision-making approach instead of an accountability approach that is based on the purpose and responsibility of public sector organisations. We do not believe that a decision-making approach based on the concept of control and full consolidation method is appropriate. Surplus and earnings are not a goal in the public sector; the goal is rather to offer services to the citizens. Instead we argue for proportional consolidation based on the purchase method.... Instead we argue for proportional consolidation based on the purchase method. An argument for the use of proportional consolidation is the fact that municipalities to a great extent, at least in Sweden, use jointly owned corporations, where size and use of services reflect equity interest, in order to run different operations.
22	Accounting Standards Board - South Africa	We do however question the use of the word “govern” as it could be read to include “to regulate”. Consequently we would propose using “to direct” which is in line with the IASB’s proposed definition of control in ED 10 on Consolidated Financial Statements:... Another alternative could be “to control”. We would also consider whether the terms “benefit” and “financial burden” should be aligned with the IASB’s notion of “results”.
23	Jean-Bernard Mattret	I agree with preliminary view 9 if the definition of group is in conformity with IPSAS 6 and 8.
24	Italian Academics (4)	The “power” and “benefit or financial burden/loss” criteria do not seem to work as well for the public sector as they do in the private sector, so much so that the Proposed Framework itself already includes a list of exceptions or special cases (5.28-5.31). While the limits of the power criterion are clearly exemplified by such exceptions, we would also like to draw the IPSASB’s attention to the limits of the benefit criterion. When motivating the exclusion of regulated firms from the perimeter of consolidation, for instance, the Proposed Framework (§ 5.21) claims that “in these cases, the government is unable to exercise that power for its own benefit”. However, regulation is a means to implementing government policy. Therefore, it may in fact be viewed as beneficial to the regulating government, since “the benefit may also be in the form of an ability to direct the other entity to work with the government to achieve the service delivery objectives of the government” (§ 5.25). In other words, while we agree that regulated private firms should be excluded from the perimeter of consolidation, we believe that the benefit criterion in its current form does not clearly motivate such choice.

	NAME	COMMENT – Preliminary View 9 (Composition of the group reporting entity)
25	Financial Reporting Standards Board - New Zealand	We therefore agree that the criteria should be defined at a conceptual level. However, we believe that much of the discussion of the criteria within the Consultation Paper is too narrow and specific to be dealt with at conceptual level. The application of the criteria should be addressed at a standards level.
26	Joseph S. Maresca	
27	French Regional Court of Audit in Ile-de-France	The Conceptual Framework determines perimeter of financial information for group reporting entity based on the criteria of "power", "control" and "influence". As a consequence, group financial information would be at risk since Government department would satisfy power criterion owing to significant grants given to local authorities. Therefore, these criteria should be reviewed in accordance with autonomy principle. Further, group financial information should be ranked according to criterion of combined account principles. Besides, financial information perimeter should be similar to financial statements at an appropriate level.
28	FEE	We agree that this is a sensible approach on the basis of which to develop guidance for group entities, although in practice we would note that some jurisdictions will require financial reports to be produced for group entities on a basis more akin to that set out in Preliminary View 8, to support accountability and decision making.
29	Dutch Local Government Accounting Standards Board	Considering the specific matter of whole of government entities, we accept that the control based approach is more applicable, although again, in practice some flexibility may be required in practice. In the Netherlands the legal control of the state and the local government is laid down in the constitution and this will also influence the control based approach. Because of required European economic statistical information (emu) the financial (budget) information of some Dutch governmental entities is accumulated. However, this legally required statistical use of financial information will not be considered as an indication of a group reporting entity.
30	Martin Dees - Netherlands	<i>No view expressed on this PV.</i>
31	General Directorate of Public Finance – France local/ regional & state	The scope of the public sector, in the European sense of that term, is based on the national accounting approach and includes the State and its operators, the local authorities and the social security institutions. As the national accounting standards are harmonized at the international level (GFSM 2001 and ESA 95), it would be desirable for the scope of the public financial statements to be the same as that used for national accounting.
32	Ernst & Young	We agree with the view of the IPSASB in defining a group reporting entity. We also agree with the new terminology chosen by the IPSASB.
33	Bouchat-Goubert-Baumann	Concerns about: ...the power criterion: how to capture this criterion? Power is not always revealed. the compatibility with regional regulations: what about ESR? the added value of financial reports embracing too many entities: some information might be diluted. [the IPSASB] approach might reveal conflicting with the rule-based approach that prevails in the European public administration. ESR 1995 is a regulation on economic accounts with a strong emphasis on public financial reporting. Governments are bound to respect ESR 1995. How

	NAME	COMMENT – Preliminary View 9 (Composition of the group reporting entity)
		will administrations cope with the two ranges of standards?
34	Association of Chartered Certified Accountants - UK	We agree with this part of the framework and note that it is in line with the IASB’s own formulation....This is likely to be a difficult area in future as governments’ involvement with banks and other financial institutions has deepened during the economic crisis. This section of the CF, however, is quite lengthy and detailed and much of it might be better kept for a consolidation standard.
35	Michael Parry - UK	<p>The problem with the definition in Preliminary View 9 is the concept of control at a national government level. Both in theory and in practice the national government as the embodiment of the “will of the people” has complete authority to control anything and everything within a country. Practical evidence of this has been dramatically provided over very recent history by the ability and willingness of national governments to take control of private sector banks and dictate their actions and policies. There are no constraints on the authority of a government other than the constitution</p> <p><i>Staff comment – proposes adoption of the general government sector in the IMF GFS manual for boundary of national government, and concept of control for groupings below that level.</i></p>
36	Treasury of Hong Kong Special Admin. Region	We share the view in paragraph 5.35 of the Consultation Paper that IPSASs will need to respond to operational and implementation issues that may arise in applying IPSASs in different jurisdictions
37	Federación Argentina de Consejos Profesionales de Ciencias Económicas	The two conditions in the preliminary view must be met to consider a group; in addition to the information of the group, it should include all the entities referred to in Question 8.(Comment: this would include all trusts, universities and any other entity to be created.)
38	Statistics Canada	See response to PV 8
39	Audit Commission - UK	The Commission believes that the control (or power) criterion should be the starting point for defining the group reporting entity.
40	Comptroller General British Columbia - Canada	We agree that an entity should be included in the government’s reporting entity when both the “power” criterion and the “benefit or financial burden/loss” criterion are met. However, we have some concerns with definitions in the consultation paper.... Canadian public sector GAAP specifically excludes municipal governments from inclusion in provincial OREs; however, provincial governments provide grants to municipal governments and in some cases, provide services in municipals areas.We appreciate that there are counter- arguments that support the autonomy of our constitutional structure, but we are very concerned about the possibility that the wording in the consultation paper could result in serious discussion or debate about consolidation of either municipalities into provincial government statements or provinces into federal government statements. We feel strongly that a country’s constitutional authorities should be considered in defining the various levels of government entity.
41	Office of Auditor General of Canada	We agree with this view.

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42	CIPFA - UK	We agree that this is a sensible approach on the basis of which to develop guidance for group entities, although we would note that some jurisdictions will require financial reports to be produced for group entities on a basis more akin to that set out in Preliminary View 8, to support accountability and decision making. For some whole of government groups it may be necessary to consider other principles based approaches to providing coherent reporting on economic substance
43	Financial Reporting Advisory Board-UK	The Board agrees with this view.
44	Australian Accounting Standards Board	The AASB recommends that the concept of the boundaries of a <i>group</i> reporting entity should be omitted from the IPSASB's <i>Framework</i> . Instead, it recommends developing an all- encompassing concept of the boundaries of a reporting entity that applies equally to individual reporting entities and group reporting entities. ...the proposed concept of a group reporting entity should be tested by reference to acquisitions of businesses by governments currently occurring in response to the 'global credit crisis', to assess the robustness of that concept. (Staff comment – also identifies a range of issues that could be clarified in this separate project.)
45	Ministère Affaires municipales du Québec - Canada	The approach advocated, which centres on two basic criteria, i.e. the power criterion and the benefit or financial burden/loss criterion, strikes us as promising. The section proposes an interesting perspective likely to facilitate in many instances decisions on whether or not to include other entities in the reporting entity. However, in our opinion, everything directly or indirectly related to this important topic warrants to be covered in a separate document on the reporting entity.
46	Provincial Comptroller Saskatchewan - Canada	Especially useful to us is the information presented on the composition of a group reporting entity. The additional guidance provided for the “benefit or financial burden/loss criterion”, particularly that of the benefit derived by a government from another entity, will be valuable guidance to preparers of government financial statements. ...It is not clear whether each level of government would be excluded from the other levels of government for purposes of the “whole of government reporting entity. We strongly believe that different levels of government in the same jurisdiction should be segregated, and we suggest that the Board consider clarifying that different levels of government in the same jurisdiction should be excluded from the reporting entities of the other levels of government.
47	Institut der Wirtschaftsprüfer - Germany	The two conditions in the preliminary view must be met to consider a group; in addition to the information of the group, it should include all the entities referred to in Question 8. (this would include all trusts, universities and any other entity to be created).... Deviation from IASB ..only if particularities in the public sector.
48	Cour des Comptes - France	The “power criterion” (5S 5.23, § 5.24) and the “benefit or financial burden/loss criterion” (5.25, § 5.26) may be relatively operational, but they appear to be not sufficient in order to take into account specific organizational aspects in the public sector. It should also be useful to deal with a concept that is mentioned in the French accounting law, namely combination...Combined financial statements are established by the person who is

	NAME	COMMENT – Preliminary View 9 (Composition of the group reporting entity)
		responsible for the combination when the entities are linked with economic relationships from a diverse nature, without necessary investment links. The combination scope can encompass the consolidation scope if investment links exist between some entities. But it also encompasses entities that are linked by elements which are not based on capital investment.
49	Swedish National Fin. Management Authority	We agree with this view.
50	North West Territories Finance - Canada	The criteria stated in preliminary view 9 are reasonable for determining the group reporting entity. One caveat to note is that the criteria should not be interpreted so broadly as to require provincial or territorial governments to consolidate municipalities' financial results. Accountability, relevance and usefulness of the financial reports would quickly decrease
51	GASB Staff	GASB Statement 14 adopted a broader accountability approach in defining the reporting entity. The GASB is currently reexamining this standard as part of its commitment to periodically reexamination all of its standards to determine if the objectives of the standards are being met; therefore, it would be inappropriate at this time to take a specific position on this preliminary view.
52	Heads of Treasury Advisory- HoTARAC - Australia	<i>Staff Comment - Notes use of term “govern” gives rise to potential to draw in other levels of government – proposes its replacement with the term “direct”. Also proposes consideration of statistical bases of determining the reporting entity. Also seeks clarification of differences from IASB terminology.</i> HoTARAC further suggests that the IPSASB should take the International Monetary Fund Institutional Structures (General Government Sector, Public Financial Corporations, Public Non-Financial Corporations) into account in setting a reporting entity.
53	Comptroller of Finance Québec- Canada	The notion of control proposed by IPSASB is broader than the one in effect under Canadian standards and can lead to the consolidation one government's financial results by another government. In our view, the IPSASB conceptual framework should be revised to avoid this situation.
54	P Vehmanen	No View expressed on this PV
55	Japanese Institute of CPA	We agree...However, we think the IPSASB should not narrow the scope of a group reporting entity : -Concerning a “power” criterion, the IPSASB should think of factors that provide power broadly, and consider the difference between private sector entities and public sector entities by judging whether the government has the power to govern the other entities. - Concerning a “benefit or financial burden/loss” criterion, the IPSASB should describe not only legal obligations such as loan guarantees, but also constructive obligations. Also,...IPSASB should clarify that the government consider the scope of a group reporting entity based on the legal rights and obligations under the legislation at the reporting date.
56	KPMG International	We agree with this preliminary view. We believe these criteria generally would result in the inclusion of entities for

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		which the core reporting government is accountable within its group reporting entity. ...We do question, however, whether this level of specificity regarding what entities should comprise a group reporting entity is determined more appropriately through an IPSAS as opposed to being part of the Framework. We believe it may be more appropriate for the Framework to remain at a higher conceptual level. Additionally, as expressed in our comments on Preliminary View 8, we believe these criteria may be difficult to apply in practice when the core reporting government does not have a separate legal identity
57	IAEU	

AGENDA ITEM 9.4
EXTRACT OF CHAPTER 5 OF THE CONSULTATION PAPER -

The Group Reporting Entity – paragraphs 5.12 - 5.35

- 5.12 A government may operate through a number of administrative units, such as ministries, departments, and programs that have responsibility for particular activities. It may also establish trusts, statutory authorities, and government corporations with a separate legal identity, or with operational autonomy to undertake or otherwise support the provision of services to constituents. Government ministries, departments, and programs may also undertake certain of their service delivery activities through separate legal and other entities
- 5.13 A group reporting entity is a reporting entity that comprises two or more separate reporting entities that are presented as a single reporting entity. In some cases, legislation or other authority will require the preparation of GPFRs that combine and report information about all the administrative units and separate entities that comprise (a) a government (referred to as the whole of government group reporting entity), or (b) other public sector group reporting entity, as if they were a single entity. In other cases, GPFRs of a whole of government group reporting entity or other public sector group reporting entity may be prepared voluntarily.
- 5.14 This section considers the relationship between public sector entities, and identifies the circumstances in which separate entities are included within a group reporting entity. Those circumstances are determined by reference to the objectives of financial reporting.
- 5.15 For the most part, the following discussion is framed in terms of the basis for determining the whole of government group reporting entity. This is because there is significant interest in many jurisdictions in financial reporting by a whole of government group reporting entity. However, the criteria to be adopted in determining the whole of government group reporting entity, and many of the issues that arise in their application, will also apply when other public sector group reporting entities are to be identified – for example, if GPFRs are prepared in respect of all the entities that comprise a particular government sector, ministry, or department.
- 5.16 The IASB's Preliminary View in the IASB Framework DP "Reporting Entity" (2008) is that the composition of a group reporting entity should be based on control, and that the controlling entity model should be used as the primary basis for determining the composition of the group. The group will therefore comprise the controlling entity and all controlled entities, and consolidated financial statements will be presented from the perspective of the group reporting entity, rather than from the perspective of the parent entity's shareholders.¹ The IASB Framework DP "Reporting Entity" 2008 (paragraph 49) proposes the following

¹ The IASB Framework DP "Reporting Entity" 2008 also notes that a common control model (which does not include the controlling entity in the group reporting entity) may be appropriate in some circumstances.

- working definition of control: “Control of an entity is the ability to direct the financing and operating policies of an entity, so as to access benefits from that entity (or to reduce the incidence of losses) and increase, maintain or protect the amount of those benefits (or reduce the amount of those losses).”
- 5.17 The IPSASB has considered a wide range of potential bases for determining the composition of a public sector group reporting entity. The terms “control basis,” “accountability basis,” and “oversight and substantial influence” have been used by public sector standards setters and similar authoritative bodies in a number of jurisdictions to describe the bases that should be adopted for identifying a group reporting entity in their jurisdiction. That is, included within the whole of government group reporting entity in these jurisdictions will be all entities that the government controls, is accountable for, or has oversight and substantial influence over. Other bases sometimes advocated include the “majority of risks and rewards basis,” “common control basis,” “only operations covered by a public budget,” and “only operations with a similar function or purpose.”
- 5.18 Many of these bases have some common features and, in some cases, GPFs prepared on one basis can present information about the resources, obligations, and activities reflected in other bases.² However, the bases also differ in some respects, and can have a particular, and not necessarily the same, meaning in different jurisdictions. As such, terms such as control, accountability, or oversight basis are not used in this section. Rather, the section focuses on the criteria that justify inclusion of an entity with a separate legal identity or with operational autonomy in the whole of government group reporting entity, without designating those criteria as reflecting a control, accountability, oversight, or some other basis.

Criteria for inclusion within the whole of government group reporting entity

- 5.19 This section reflects the view that a whole of government group reporting entity will comprise the government and other entities when the following criteria are satisfied:
- the government has the power to govern the strategic financing and operating policies of those entities (“power” criterion); and
 - the government (a) can benefit from the activities of those entities, or is exposed to a financial burden that can arise as a result of their operations or actions, and (b) can use its power to increase, maintain, or protect the amount of those benefits, or to maintain, reduce, or otherwise influence the

² For example, IPSASs currently adopt a control basis for determining a group reporting entity. However, IPSAS 18 “Segment Reporting” requires a reporting entity to disclose, by note, information about particular groups of activities; IPSAS 22 “Disclosure of Information about the General Government Sector” requires disclosure, by note, of certain information about the general government sector at the whole of government level; and IPSAS 24 “Presentation of Budget Information in Financial Statements” requires a reporting entity that makes its budget publicly available to disclose budget and actual information.

financial burden that may arise as a result of the operations or actions of the other entity (“benefit or financial burden/loss” criterion).

- 5.20 When the relationship between the government and another entity is such that both these “power” and “benefit or financial burden/loss” criteria exist, the government can direct the other entity to raise resources and/or to use its resources to achieve the objectives of the government. In these cases, the nature of the relationship between the government and the other entity is such that, to respond to users’ information needs and achieve the objectives of financial reporting, GPFRs prepared in respect of the whole of government group reporting entity should present complete information about the two entities as if they were one.
- 5.21 Both the “power” and the “benefit or financial burden/loss” criteria need to be present to justify inclusion of a separate entity in the whole of government reporting entity. In some cases, a government may have power over an entity, but only as a regulator, trustee, or agent. In these cases, the government is unable to exercise that power for its own benefit – either by increasing the benefits or reducing the financial burden imposed on it by these other entities. Therefore, the government and the other entity do not work together to achieve the government’s objectives, and the nature of their relationship is such that presenting them as a single entity will (a) misrepresent, for example, the economic resources of the government and claims to them, and (b) not achieve the objectives of financial reporting.
- 5.22 In other cases, a government may benefit, or be subject to a financial burden/loss, from the activities of entities whose strategic financing and operating policies it cannot govern. In these cases, the government cannot direct the other entity to raise or use resources for particular purposes, and the nature of the relationship of the government to the other entity is such that presenting them as a single entity will not achieve the objectives of financial reporting. These entities will not satisfy the criteria for inclusion in the whole of government group reporting entity, and a different financial reporting mechanism will be adopted for presenting information about the benefits or financial burden/loss that result from the activities of these entities.

The power criterion

- 5.23 The power to govern the strategic financing and operating policies of another entity may arise from a number of sources – for example, from the enabling legislation that established the entity, or from formal contractual or other agreement. It is often reflected in the government’s right to appoint or dismiss the majority of the voting members of the other entity’s management or governing body. In the case of GBEs and other entities that adopt a corporate structure, it

- may arise when the government holds a majority shareholding or other equity interest, or a “golden share”³ (or equivalent) in the entity.
- 5.24 The power to govern the strategic financing and operating policies must be presently exercisable, even if the government chooses not to exercise that power during the reporting period (and has not done so in prior periods). Therefore, the “power” criterion will be satisfied even if the government chooses not to exercise its power to establish the strategic financing and operating policies that the entity must operate within⁴ or to intervene in the ongoing decision-making of the other entity. However, the power is not presently exercisable if it requires changes in legislation or renegotiation of agreements to be effective. Governments have the capacity (usually subject to various processes and checks and balances) to change current legislation to regulate public and business behavior of certain entities or industries. For financial reporting purposes, assessment of whether the “power” criterion is satisfied is based on current legislation, rather than legislation that may or may not be enacted in the future. The group reporting entity will not include entities whose strategic financing and operating policies the government cannot govern during the reporting period, even though changes in legislation may allow it to do so in the future.

The benefit or financial burden/loss criterion

- 5.25 The “benefit” derived by the government from the other entity may be in the form of rights to a distribution of the surpluses of that entity (such as a dividend from a GBE), or to residual benefits if that entity is dissolved. The benefit may also be in the form of an ability to direct the other entity to work with the government to achieve the service delivery objectives of the government, including provision of services to constituents.
- 5.26 The government’s exposure to a “financial burden/loss” will arise when the government is legally obligated, or has otherwise assumed the obligation, to (a) finance the deficits of, or provide financial support to, the other entity, or (b) settle residual liabilities of the other entity if that entity is dissolved.

The whole of government group reporting entity

- 5.27 Consistent with the “power” and “benefit or financial burden/loss” criteria, core government activities administered through ministries, departments, programs, or

³ “Golden share” refers to a class of share that entitles the holder to specified powers or rights generally exceeding those normally associated with the holder’s ownership interest or representation on the governing body. A golden share often confers rights to govern the financing and operating policies of that other entity. Whether a “golden share” held by a government in a public corporation will enable the government to govern the strategic financing and operating policies of the other entity will depend on the powers it provides to the holder – this should be assessed by reference to all relevant circumstances.

⁴ Circumstances in which the strategic financing and operating policies of an entity are established by a government are discussed in paragraphs 5.33 and 5.34.

- other administrative arrangements and structures will be included in the whole of government group reporting entity.
- 5.28 Many systems of government, particularly democratic systems, distinguish the legislature from the executive branch of government. In these systems of government, the relationship between the legislature and the executive can differ in different systems of government - however, in broad terms the legislature makes and amends laws, and has the authority to raise taxes and rates and to adopt the budget and other money bills. On the other hand, the executive is responsible for managing the administrative and related arms of government, and for implementing and enforcing laws enacted by the legislature. In parliamentary systems of government, the legislature appoints the executive branch of government. In congressional systems of government, the legislature is at least equal to, and is independent of, the executive. Typically, the legislature and its officers are funded from public monies reflected in the government budget. However, the executive arm of government does not have the power to govern the strategic financing and operating policies of the representational bodies that form the legislature at national, state/provincial, and local levels of government. In some jurisdictions, GPFRs may be prepared to report information about a group reporting entity that comprises both (a) the legislature and the executive arm of government, and (b) the separate legal and other entities established to support their service delivery activities.
- 5.29 In centralized or planned economies, governments may have the power to govern the strategic financing and operating policies of a wide range of entities, and to direct those entities to work with the government for the benefit of the community. As such, if GPFRs were prepared in respect of the whole of government group reporting entity, they may include all, or a substantial proportion, of economic activity undertaken within that jurisdiction by non-government business entities as well as by government departments and other public sector entities. Whether or not GPFRs for the whole of government group reporting entity prepared on this basis will provide information useful to users for accountability and decision-making purposes will need to be considered in developing and applying authoritative requirements in those jurisdictions.
- 5.30 Certain public sector bodies such as the central bank, office of the government statistician, and a range of commissions and statutory authorities may be established by the government with (a) statutory or constitutional authority to be professionally independent, and (b) autonomy to establish their operating processes and policies. The existence of separate statutory or constitutional authority and operational autonomy does not, of itself, preclude these separate entities from being included within the whole of government group reporting entity. For example, such entities are often fully or substantially funded by public monies reflected in the government budget, and are subject to budget oversight and direction by the department of the treasury or other government department. In addition, in many cases, the framework within which they operate is established in a manner consistent with the objectives set by government, and the

- government retains the right to amend their objectives and to claim or redirect their residual assets if they are discontinued. To satisfy the objectives of financial reporting, GPFRs prepared in respect of the whole of government reporting entity will include information about the government and all other entities when the government (a) has the power to govern their strategic financing and operating policies, and (b) can benefit from or is exposed to a financial burden/loss as a result of their activities.
- 5.31 In some cases, entities may be established by, and/or be accountable to, the legislature rather than to the executive arm of government. For example, in many forms of government, the auditor-general is an officer of parliament or a similar legislative body, and reports to the parliament or similar body rather than to the executive arm of government. For purposes of preparation of GPFRs, a whole of government group reporting entity that encompasses the legislature as well as the executive arm of government will include the officers of the legislature, and other entities, when the legislature (a) has the power to govern their strategic financing and operating policies, and (b) can benefit from or is exposed to a financial burden/loss as a result of their activities.
- 5.32 Statutory authorities, GBEs, and sovereign wealth funds,⁵ whether described as future funds, infrastructure funds, or other funds, will also be included within the whole of government group reporting entity when the government has the capacity to, for example, appoint the majority of the governing board of the GBE or the trustees of the fund, even if it chooses not to exercise that power. GBEs and sovereign wealth funds have the potential to provide significant benefits for, and impose significant burdens on, the government. Therefore, it is appropriate that when the “power” and “benefit or financial burden/loss” criteria are satisfied, information about these entities should be presented in GPFRs that are intended to provide information about the government for accountability and decision-making purposes.
- 5.33 In assessing whether an entity is to be included within the whole of government group reporting entity, the substance and not merely the form of the relationship of the entity to the government should be considered. In some cases, it may be necessary to exercise professional judgment in determining whether (a) the “power” and “benefit or financial burden/loss” criteria have been satisfied in substance, and (b) the relationship of the entity to the government is such that its exclusion from the whole of government group reporting entity would undermine the ability of GPFRs of the group to satisfy the objectives of financial reporting. For example:

⁵ Sovereign wealth funds (or state wealth funds) may be established and owned by a government, central bank, or other government agency to provide for pension benefits or future infrastructure or other needs. They can represent a significant store of wealth for the government, and be of significant economic and fiscal importance in supporting the delivery of a government’s economic and other policy initiatives. They may be established as state-owned investment companies – GBEs. Governments may also establish GBEs for the delivery of other goods and services, for example: a rail authority, government airline, or state-owned utility company.

- a government may establish an investment fund or other operating entity with specific operating objectives. The enabling legislation for the fund or operating entity establishes all significant strategic and other financing and operating policies, including (a) investment strategies and deployment of the earnings of the investment fund, or (b) the nature and recipients of services to be provided by the operating entity. These policies cannot be modified. The earnings of the fund will benefit specified government agencies, and the services provided by the operating entity are consistent with government policy; or
- an independent entity may be created to issue debt on behalf of a government to fund a specific project, and to receive specified revenues from, or provided on behalf of, the government or its constituents to service and repay that debt. The activities of the entity are limited to collecting rates, taxes, or other specified revenues, paying interest to the debt holders, and undertaking the administrative and management tasks necessary to facilitate this activity. These entities are often referred to as “special purpose entities.”

5.34 Although the government will benefit substantially, if not exclusively, from the activities of each of these entities (or be exposed to a financial burden as a result of those activities), the strategic financing and operating policies of these entities are determined in the process of their establishment and the specification of their operating mandates. This may give rise to different views about the ability of the government to govern those policies, particularly on an ongoing basis. In each case, however, the government that benefits from the activities of the entity has determined, or approved, the strategic financing and operating policies with which the entity must comply. In addition, neither the management of the entity nor any other party has the power to make decisions about strategic financing and operating policies that will redirect or otherwise materially influence the amount or nature of the benefits, or the financial burden, that flows to the government. As such, it is likely that, in substance, both the “power” and the “benefit or financial burden/loss” criteria are satisfied, and that these entities will be included within the whole of government group reporting entity.

Jurisdictional differences

5.35 IPSASs are intended to apply across jurisdictions that adopt different forms of government and different institutional and administrative arrangements for delivering services. IPSASs that give authority to the criteria identified above for determining the whole of government group reporting entity (or other public sector group reporting entity) will need to respond to operational and implementation issues that may arise in applying IPSASs in different jurisdictions.

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A group reporting entity will comprise the government (or other public sector entity) and other entities when the government (or other public sector entity):

- has the power to govern the strategic financing and operating policies of the other entities (a “power” criterion); and
- can benefit from the activities of the other entities, or is exposed to a financial burden that can arise as a result of the operations or actions of those entities; and can use its power to increase, maintain, or protect the amount of those benefits, or to maintain, reduce, or otherwise influence the financial burden that may arise as a result of the operations or actions of those entities (a “benefit or financial burden/loss” criterion).