



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

545 Fifth Avenue, 14th Floor
New York, New York 10017
Internet: <http://www.ifac.org>

Tel: (212) 286-9344
Fax: (212) 286-9570

Agenda Item
2A

Date: March 3, 2009
Memo to: Members of the IPSASB
From: Paul Sutcliffe
Subject: 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

Continue review of responses to the Conceptual Framework Consultation Paper #1 (CP #1) and provide directions for matters to be reflected in a draft Exposure Draft (ED) of the Conceptual Framework.

Agenda Material

Agenda material attached to this memorandum:

- 2A.1 Decisions made to date on review of responses to CP#1;
- 2A.2 Users of GPFRs: extract of CP#1 updated and reflecting staff views;
- 2A.3 Qualitative Characteristics: extract of CP #1 updated and in the style of an ED;
- 2A.4 The Reporting Entity: extract of CP #1 updated in style of an ED;
- 2A.5 Summary of submissions received on Preliminary Views 2, 3, 4, 7, 8, and 9.

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

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

Background

Consultation Paper

CP #1 was issued in September 2008, with comments requested by March 31, 2009. A total of 57 responses to CP #1 have been received. The IPSASB commenced its review of responses to CP #1 at its May 2009 meeting, and continued its review at its December 2009 meeting. A summary of the decisions made by the IPSASB on this Phase at previous meetings is included at agenda item 2A.1.

At the December 09 meeting, the IPSASB agreed that it would continue its deliberations on the identification of the users of GPFRS at this meeting. The IPSASB also directed that the qualitative characteristics and reporting entity chapters of CP#1 be updated for its

decisions to date, and restructured in the style of an ED for review at this meeting. The remaining issues identified in the December 09 staff papers would then be considered at this meeting.

The drafts of qualitative characteristics and reporting entity chapters of CP#1 restructured in the style of an ED are attached at Agenda Papers 2A.3 and 2A.4. The IPSASB has not previously considered the form that an ED of its Framework may take. Accordingly, in each case staff seek guidance on matters of form as well as substance, including whether an appropriate balance between text of the Framework and explanation in the basis for conclusion has been struck.

Relationship to IASB/FASB Project

The IASB work plan (updated as at 3 March 2010) anticipates issue of the final Chapters of its Framework dealing with objectives and qualitative characteristics in the first quarter of 2010. The Exposure Draft of the Chapter dealing with the reporting entity is also scheduled for issue in the first quarter of 2010. Staff will provide a verbal update on any IASB developments, including the contents of these documents if issued, at the forthcoming meeting.

The IASB work plan anticipates issue of discussion papers on (a) measurement, and (b) elements and recognition, in the fourth quarter of 2010.

The reports prepared for the NSS-4 group of national standard setters (Australia, Canada, New Zealand and UK) monitoring the IASB-FASB joint Conceptual Framework project to identify any ramifications/issues for not-for profit entities in the private and public sectors are made available to IPSASB members via the intranet.

Next Steps

Subject to progress at this meeting, staff propose that it develop a first draft ED of each of the components of Phase 1 of the Framework for discussion/review during the remainder of 2010 and early 2011.

Key Issues

Key issue #1: Users of GPFRs - Should a primary user group be identified?

Preliminary View 3 from CP#1 - 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.

At the December 2009 meeting, the IPSASB completed its review of the majority of issues identified by respondents to CP#1 in respect of the identity and classification of potential users of GPFRS, and provided staff with directions on how they are to be dealt with in the first draft of the Framework ED.

However, the IPSASB did not complete its discussion of whether the Framework should identify a primary user group of GPFRs and the identity of that user group. The IPSASB agreed that it would continue its discussion of this matter at this meeting.

As background to the IPSASB's discussion at this meeting a brief summary of major points noted in the discussion at previous meetings is included below.

The Consultation Paper

In broad terms, CP#1 explains that GPFRs are developed to respond to the common information needs of 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 standards setters for establishing the principles and requirements for financial reports directed at satisfying their information needs. While GPFRs may provide information useful to others (and be used by others), they are not developed specifically to respond to the information needs of those other users. (See CP#1, paragraphs 1.10-1.11)

In CP#1 the IPSASB classified potential users of GPFRs of public sector entities into the following groups *“as a mechanism to explore and identify common information needs of a wide range of potential users of GPFRs...”*:

- *recipients of services or their representatives – includes citizens and their representatives, the legislature, and oversight or monitoring bodies;*
- *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*
- *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.” (CP#1 paragraph 2.6)*

Overview of Responses to CP#1

The approach in PV3: service recipients and resource providers

Many respondents to CP #1 express support for the IPSASB's view as identified in PV3 with, in some cases, proposals for improvement in the exposition of those users – for example, clarifying that users encompass citizens, and merging the “other parties” category with the service recipients and resource provider categories. (See for example, responses 02, 04, 05, 07, 10, 16, 21, 22, 27, 33, 34, 37, 41, 44, 47, 51, 52, 55, 56)

[The public, citizens \(or the legislature, parliament or similar as their representatives\)](#)

A slight majority of respondents identify the public, citizens or their representatives (for example, the legislature, parliament, elected council) as the primary or most important user with, in some cases, suggestions for refinements to reflect different forms or levels of government. They explain that this is an appropriate expression of the accountability chain and a more accurate reflection of the most important users of GPFRs of public sector entities. 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. 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. (See for example, responses 03, 08, 11, 13, 15, 17, 19, 20, 23, 28, 29, 31, 32, 35, 36, 40, 48, 49, 50, 53.)

For the most part respondents appear to use terms such as electors, citizens, the public and legislature, parliament, council or other representative body interchangeably to reflect substantially the same category – terminology reflecting jurisdictional usage rather than signaling a fundamental difference in the information needs of each category.

[Resource providers, funders, financial supporters](#)

Some respondents identify current and potential resource providers, funders, financial supporter or similar as the primary or most important user. (See for example, responses 01, 06, 25, 39, 42, 43.) They 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.

[Other user groups](#)

Some respondents express the view that the legislature should not be identified as a major user or the primary user in its own right, because 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. In addition, the legislature has the authority to command the disclosure of the information it needs (see for example, 20, 25, 27, 40, 44, 56). However, for the most part, respondents appear comfortable with the identification of the legislature as an user of GPFRs 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 information they require for their own specific needs. (see for example, 05, 44, 47).

Some respondents, while not identifying a primary user, note the difficulty that GPFRs will face in responding to the common information needs of a wide/diverse range of users (12, 14, 55) and propose some variation to the users or user groups identified in the PV (24, 27, 32, 33).

Some respondents also note that different users are likely to have an interest in different parts of the GPFRs and that ‘common information needs’ should not imply that

information that is required by some, but not all, users need not be provided. (See for example, responses 1, 22, 25, 50).

Staff views

Staff continues to support the rationale underpinning IPSASB's view as reflected in CP #1 that both service recipients and resource providers should be identified as users:

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. (CP#1 paragraph 2.18)

CP#1 also explained that information reported in GPFRs for accountability purposes will also be useful as input for decision making purposes. (CP#1 paragraph 2.19 – 2.21):

The public, citizens (or the legislature, parliament or similar as their representatives)

Staff is of the view that, in substance, those that advocate that citizens, electors, the public or similar (or the legislature, parliament or others that represent them and act in their interest) be identified as the primary user of GPFRs are not too far removed from the IPSASB's view as expressed in CP#1. This is because citizens, electors, the public or similar encompass both resource providers and service recipients and, therefore, are clearly major users of GPFRs. However, the IPSASB was concerned that to only identify citizens (and their representatives) as users may be read as excluding as potential users, resident service recipients who were not citizens and many resource providers (whether commercial lenders, donors or international organizations).

In addition, as Members noted at the December 2009 meeting, as well as governments, individual public sector organizations and entities such as departments, trusts, and statutory authorities at national, state/provincial or local government levels and international organizations may be identified as public sector reporting entities. Many of these public sector entities provide services to, and are funded by, residents of the domestic or international community. Consequently, "citizens" may not adequately reflect the full breadth of users of their GPFRs.

Identifying users as "the public", the "legislature" or similar may address some, but not necessarily all, of these issues. In addition, as noted above, a number of respondents to CP#1 express concern that the legislature or similar should not be identified as an user in its own right.

In addition, and arguably more fundamentally, describing users in only broad terms such as citizens, the public, or the legislature (or other representative group) does not provide a basis for the IPSASB to identify the information needs that GPFRs should attempt to satisfy. A sharper focus is needed to allow the IPSASB to identify the information needs of users. Accordingly, in CP#1, the IPSASB classified citizens into resource providers, service recipients and other parties (and their elected or appointed representatives) to enable it to better explore their potential information needs, and also to acknowledge that citizens, or a similar description of users, may not adequately capture the users of GPFRs of all public sector entities in all jurisdictions. (The IPSASB has agreed that the "other

parties” category of users is unnecessary - because it is encompassed by the service recipient and resource provider categories.)

Resource providers, funders, financial supporters

Identifying resource providers as the primary user group will allow the IPSASB to focus more sharply on the information needs of that group, and is likely to also provide information useful to other potential users.

However, staff remain of the view that the IPSASB should not exclude the information needs of citizens and other 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.

At the December 2009 meeting, Members noted that the Framework will apply to a wide range of different public sector reporting entities in many different jurisdictions and in some developing economies it was likely that service recipients rather than resource providers would be the primary users of GPFRs. This was because in these jurisdictions resource providers were primarily donors or lenders that, in many cases, had the authority to demand the preparation of special purpose financial reports to provide the information they needed.

An approach for the draft Framework ED

Responses do indicate that this aspect of the IPSASB’s rationale was not explained clearly or persuasively enough in CP #1. Consequently staff is of the view that the draft ED of the Framework should identify both service recipients and resource providers as users of GPFRS and explain:

- that citizens, the public and their representatives however described are major users of GPFRs because they encompass both service recipients and resource providers. However, further sub-classification of citizens is necessary to provide a basis for the IPSASB to explore their potential information needs. In addition, in developing IPSAS’s it is appropriate that the IPSASB also be able to consider the information needs of a range of non-citizen service recipients and resource providers (whether donor or commercial lender) who may be legitimate users of GPFRs;
- the Framework will apply to governments and a potentially wide range of other public sector entities in different jurisdictions. The users of GPFRs of public sector entities will need to be described in a manner that is relevant to those entities in those jurisdictions;
- members of parliament or the legislature, acting on behalf of citizens, are often frequent users of GPFRs;
- resource providers or similar are likely to be major users of GPFRs, and GPFRs which respond to their information needs is likely to also provide relevant information to other potential users. However, the IPSASB is of the view that the Framework should not identify resource providers as the primary user group - in some jurisdictions for some reporting entities it is quite possible that service recipients will be the primary user;

- the IPSASB 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 enable the IPSASB to better assess this approach staff have included an example at agenda item 2A.2

Action Requested:

Members are requested to review agenda item 2A.2 and provide directions on how the users of GPFRs are to be described in the draft Framework ED, including whether a primary user group is to be identified.

Key Issue #2: The Definition of General Purpose Financial Reports

Preliminary View 2 from CP#1 - 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.

At previous meetings the IPSASB noted it would revisit the definition of general purpose financial reports to consider whether amendments are necessary to reflect its decision on whether or not to identify a primary user group.

Staff is of the view that the definition of GPFRs will not need to change if a broad user group such as reflected in PV3 is retained, or if the public, citizens or their representatives (or similar broad grouping) is identified as the primary user group. This is because GPFRs continue to be directed at meeting the common information needs of a potentially wide range of users who do not have the authority to demand the preparation of financial reports that respond to their information needs.

If resource providers, funders, financial supporters or similar are identified as the primary user, there is an argument that the definition of GPFRs should be re-expressed to reflect that GPFRs are *“intended to meet the information needs of resource providers who are unable to demand the preparation of financial reports tailored to meet their specific information needs”*.

However, resource providers encompass 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 is of the view that the definition of GPFRs should not reflect that GPFRs are prepared to meet the information needs of resource providers. Rather, the definition be edited to read: *“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.”* This definition would then be supported by an explanation of who the primary users are.

The IPSASB’s decision regarding the identification of a primary user group may also have implications for the information needs of users as currently identified in paragraphs

2.11 – 2.17 and 2.22 of CP #1 and the discussion of the objectives of financial reporting as outlined in paragraphs 2.18-2.21. These matters are not considered here. As necessary, material exploring any such consequences will be developed following the IPSASB's decision.

Action Requested:

Subject to the IPSASB's decision on identification of a primary user group, members are requested to confirm that the current definition of general purpose financial reports (GPFRs) is to be retained, or provide directions for its amendments.

Key Issue #3: The Qualitative Characteristics

Preliminary View 7 from CP#1 - The Qualitative Characteristics of Information Included in GPFRs

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.

Introduction

The qualitative characteristics (QC) sections of CP #1 restructured in the style of an ED and updated to reflect the decisions made by the IPSASB in previous meetings is included at agenda item 2A.3. Staff has attempted to retain the text in CP#1 as far as possible, but to refine and sharpen its focus consistent with the style of an ED and to distinguish between the proposed text of the Framework and the basis for conclusions. In some cases, staff has added text where matters appear not to be fully explained in CP#1 and deleted text that appears repetitive or redundant.

A marked-up draft of changes from CP#1 has not been provided because changes are so extensive as paragraphs were moved from core text to basis for conclusions. However, substantial changes are identified in item 2A.3 itself, together with an explanation of the change. (In this context, it is appropriate to note that the basis for conclusions now includes an explanation of proposed changes from the IPSASB's current description of the QCs in Appendix B of IPSAS 1 "Presentation of Financial Statements". CP#1 included an explanation of some, but not all, of the changes proposed to IPSAS 1 Appendix B.)

Agenda item 2A.3 reflects staff views on the outstanding issues identified by respondents as outlined below. It is hoped that this will enable members to better assess the

appropriateness and consequences of staff views. As noted previously, this is very much a first draft and staff seek guidance on both matters of substance and form.

The issues identified in the December 2009 agenda materials which have not yet been fully addressed by the IPSASB, and staff views thereon are identified below.

Issue - Application of the QCs to the broader scope of GPFRs

At its May 2009 meeting, the IPSASB noted that a number of respondents raised concerns about the application of verifiability and faithful representation to qualitative and prospective financial information, with some questioning whether supportability (currently included in verifiability) should be identified as a separate characteristic for application to prospective and non-financial information (see for example, responses: 01, 06, 12, 13, 22, 34, 42, 48, 54).

The IPSASB tentatively agreed that, subject to further consideration 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, and that their applicability to qualitative/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 draft Framework ED was not specifically considered at previous meetings.

Staff views

Staff is of the view that the first draft of the Framework ED should reflect that the QCs apply to information included in GPFRs but that their applicability to the broader scope of financial reporting may be further clarified. The basis for conclusions could then explain that the IPSASB considers the QCs when it develops IPSASs. If needed, it will include additional guidance on applying the QCs to matters beyond traditional financial statements in the development of IPSASs dealing with such matters.

CP#1 explained that verifiability included supportability. Staff is of the view that the relationship between verifiability and supportability should be re-expressed, such that both verifiability and supportability are identified as QCs. The text could then explain that the intent and substance of the characteristic are similar, but that they are applied in different circumstances – verifiability is applied to quantitative information in financial statements and supportability to qualitative and prospective information.

This approach is reflected in Agenda item 2A.3.

Staff propose that, whether or not Members find this approach persuasive, this matter be revisited when the first draft of the full Framework ED is prepared – at that stage it is anticipated that there will be additional input from IPSASB 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 that will inform the discussion.

Action Requested:

Members are requested to review agenda item 2A.3 and confirm or otherwise the interim approach proposed by staff, and/or identify alternative approaches that should be explored. Members are also requested to confirm that this matter be revisited when the draft ED is prepared and input is available from relevant projects.

Potential additional QCs.

Additional QCs identified by respondents included “sincerity” (31, 48) and “sufficiency” as a broad moderating factor when a fundamental and enhancing structure is adopted (13, 54). A number of respondents also express the view that “true and fair view” (12, 14, 48) and “credibility” (16) should be identified as QC’s, or that their relationship to the QCs identified in CP #1 explained. At its May 2009 meeting, the IPSASB noted that the need for “transparency” in financial reporting was emphasized in presentations by IMF staff and by one respondent (35) in respect of the objectives of financial reporting.

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 constraint (33) are also identified in responses 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 the English term “true and fair”.

Staff is of the view that presenting a “true and fair” view, being “transparent”, “sincere” and “credible” are important expressions 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, they are the product of the application of the full set of QCs as currently identified in CP#1 and the IPSASs that deal with specific financial reporting issues. Accordingly, it is not appropriate to isolate these as individual QCs.

An explanation along these lines has been included in the basis for conclusions section of agenda item 2A.3.

The IPSASB has already agreed that it will not introduce a fundamental and enhancing classification of QCs. As such, the identification of sufficiency as a QC is not considered further here.

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 (CP#1, paragraph 4.11), and “regularity” as used here relates to the accountability obligations of management and is reflected in the objectives of financial reporting. Accordingly, they 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. Alternatively, it may be an acknowledgement that the discussion of constraints on information included in GPFRs should include additional discussion of the public sector context – a matter raised by some other respondents and dealt with below (under materiality). However, staff does not fully understand the intent of this point and has followed up with the respondent that raised this issue.

Action Requested:

Members are requested to review agenda item 2A.3 and confirm or otherwise staff proposals in respect of these potential additional qualitative characteristics and/or provide directions on alternative approaches that should be adopted or explored.

"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, 39, 42, 43, 47, 51, 54). However, 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 respondents also used reliability rather than (or interchangeably with) faithful representation in their discussion of the operation of the QC's (12, 13, 27, 48) and one (14) proposed replacing faithful representation with a true and fair view.

Staff views

Staff anticipate that the IASB will soon issue its final chapter of the QC's component of its Framework and will retain the term "faithful representation" in that chapter.

Harmonization with IFRSs where appropriate remains an important component of the IPSASB's work program and strategic objectives. Consequently, 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 IPSASB should not yet commit to using one or other term in its final Framework ED, but should continue to use faithful representation as the first draft of the Framework ED is developed. This would provide the IPSASB with the opportunity to assess whether the IASB use of the term has influenced its usage and understanding in the financial reporting community and observe how it impacts IFRS development going forward.

If ultimately retained in the Framework ED, the IPSASB could also seek specific comment on this matter through the exposure process - outlining its concerns with faithful representation (for example, 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 (for example, alignment with IASB terminology and the beneficial effects for the IFRS convergence program).

Agenda item 2A.3 retains the term “faithful explanation” but explains in the basis for conclusions that some are of the view that “reliability” is a better description of the QC.

Action Requested:

Members are requested to review agenda item 2A.3 and confirm or otherwise staff proposals in respect of terminology and/or provide guidance for further developing the supporting explanation.

Explanation of prudence and substance over form

Some respondents express 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 is not sufficiently or appropriately recognized or explained in CP#1. One respondent (40) notes that substance over form is an important concept and supports its inclusion in CP#1.

Staff views

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

The IPSASB explains at paragraph 4.12 of CP#1 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. At paragraph 4.19 of CP #1 the IPSASB explains that prudence is not identified as a separate characteristic because the key features of prudence as identified in IPSAS 1 are encompassed by, and reflected in, the concept of neutrality.

Staff is of the view that the role of substance over form and prudence intended by the IPSASB and that identified by these respondents is not substantial different. Consequently, matters raised in these responses do not give rise to a fundamental change in the QCs identified by the IPSASB. However, some respondents express concern that the explanation of prudence in CP#1, even if applied as intended by the IPSASB, may be read as being incompatible with neutrality and faithful representation. Staff is of the view that this was not the IPSASB’s intention.

Staff has attempted to respond to the concerns of these respondents by explaining in the basis for conclusions in agenda item 2A.3 that substance over form and the exercise of prudence (as currently expressed in IPSAS 1) are part of the process for satisfying the QC of faithful representation (or reliability).

Action Requested:

Members are requested to review agenda item 2A.3 and confirm or otherwise the approach proposed by staff in respect of substance over form and prudence, and provide directions for the development of these aspects of the draft Framework ED.

Other refinements to the QCs

Some respondents express concern that 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, 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 (see for example, 13, 34).

Staff is of the view that the draft Framework ED could respond to these concerns by confirming that the qualitative characteristics of information included in GPFRs are the attributes that make that information useful to users, and explaining that the need for some users to seek assistance in certain circumstances does not mean that information included in GPFRS need not be understandable - rather it reflects that in practice all the qualitative characteristics may not be fully achievable at all times for all users.

This approach is reflected in Agenda item 2A.3.

Action Requested:

Members are requested to review agenda item 2A.3 and confirm or otherwise the approach proposed by staff and/or provide directions for additional explanation.

Materiality and cost as a constraint

Some respondents proposed that relevance and materiality should be distinguished more clearly and that there should be additional discussion of the significance of materiality based on the "context and nature" of the item in a public sector environment. (01, 22, 25, 37, 42, 44).

Some respondents also expressed the view that the explanation of cost as a constraint should acknowledge that:

- legislation may require disclosure irrespective of the cost or perceived materiality of the item (22);
- the cost constraint cannot be used to override an entity's obligation to discharge its accountability obligations (37);
- the IPSASB will make cost-benefit decisions in the process of developing IPSASs – therefore, entities cannot decide to depart from IPSASs on the basis of their own assessments of the cost and benefits of particular disclosures or policies identified in IPSASs (44); and
- cost-benefit assessments may differ for different public sector entities and 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 (08).

Staff views – materiality

Staff is of the view that the draft ED Framework when prepared should respond to these concerns by, for example, including additional commentary to acknowledge that assessments of materiality will be made in the context of the legislative, institutional and operating environments of public sector reporting entities and their major policy or other objectives.

Materiality in the existing IPSASB qualitative characteristics (at Appendix B of IPSAS 1) is identified as a component of relevance. In developing CP#1, the IPSASB agreed it would reclassify materiality as a general constraint on information to be included in GPFRs – this reflects its proposed classification in the new IASB Framework. CP#1 did not explain the repositioning of relevance. Staff anticipate that explaining the repositioning of materiality in the basis for conclusions and highlighting that materiality is determined in the particular circumstances of each reporting entity will effectively distinguish materiality and relevance - relevance being a general quality and materiality relating to the circumstances of individual entities.

Staff views- cost as a constraint

Staff is of the view that the IPSASB did not intend that the cost- benefit analysis could be used as justification to exclude the disclosure of information necessary to discharge an entity’s accountability obligation or to depart from an IPSAS, and this could usefully be clarified in the basis for conclusion of the draft Framework ED.

The basis for conclusion could also acknowledge that legislation may prescribe that particular items of information are to be disclosed (or are 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 judged to satisfy a materiality threshold (or cost constraint). Staff is of the view that such observations are appropriately located in the basis for conclusions rather than the body of the Framework itself - to reflect that it is very much a feature of the environment that public sector entities operate in, but is not itself a financial reporting concept.

Staff are of the view that inclusion of the observation in the IPSASB’s Framework ED that cost-benefit assessments may differ for different public sector entities has merit. However, in developing CP#1, the IPSASB discussed whether there should be some acknowledgement of the potential for different reporting requirements to be imposed on different types or classes of public sector entities, including that assessments of cost-benefit issues may differ for differing entities depending on their nature, size or other characteristic. The IPSASB determined that it would deal with differential reporting issue in the development of individual IPSASs or in a separate project, and directed that such observations should not be included in CP#1. The response on this issue does not raise matters that the IPSASB has not previously considered. Therefore, staff is of the view that the basis for conclusions in the draft Framework ED should acknowledge that the IPSASB has considered this matter and determined that it will deal with the issue of differential reporting in individual IPSASs or a separate project.

To enable Members to better assess this approach, agenda item 2A.4 includes explanations and commentary to illustrate the staff views.

Action Requested:

Members are asked to review agenda item 2A.3 and 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.

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

Some respondents to CP#1 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 QCs. In some cases, they advocate that the IPSASB clarify the reasons for this difference (for example, responses: 02, 04, 15, 25, 32, 33,44, 45, 52).

The IPSASB has agreed that it will not differentiate between fundamental and enhancing QCs and the basis for conclusions in the draft ED of the Framework should include an explanation of the reasons.

Staff Views

Drawing on the IPSASB's views as reflected in paragraph 4.3 of CP #1 and responses to CP#1, 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 in the particular circumstances. As such, it is not appropriate to identify certain QCs as fundamental and others as enhancing 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 (11, 22, 32, 50); and
- there are different views about the relationship between the QCs and whether some are more important than others, and in what circumstances. For example, some may well argue 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 more in the nature of fundamental rather than enhancing 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 is as important as, and cannot be separated from, faithful representation of the information.

An explanation reflecting these views is included in the basis for conclusions section of agenda item 2A.3.

Action Requested:

Members are requested to review agenda item 2A.3 and confirm or otherwise the explanation of differences from the IASB QC's and/or provide guidance on alternative and additional explanations that should be included in the draft Framework ED.

Key Issue #4: The Reporting Entity

At its December 2009 meeting, the IPSASB directed that the section of CP#1 dealing with the characteristics of the reporting entity (PV 8) and the composition of the group reporting entity (PV 9) be restructured in the style of an ED and refocused on high level principles only - with the relocation of some paragraphs to a basis for conclusions and the deletion of others where they deal with application of the principles or otherwise did not fit with an ED style.

The first draft of restructured section of CP#1 is included at agenda item 2A.4. That draft has been updated for decisions made to date but retains the key aspects so far agreed by the IPSASB, namely that:

- the Framework will not specify which entities should be identified as reporting entities or group reporting entities;
- the existence of users should be identified as an important if not the key characteristic of the reporting entity; and
- the Framework will identify the principles underpinning the identification of a group reporting entity

As noted in agenda materials for the December 2009 meeting, respondents raised a number of editorial and terminology issues including the need to generalize commentary to refer to public sector entities more broadly than simply governments. Staff has attempted to respond to these matters in agenda item 2A.4

At previous meetings, Staff noted that some respondents sought additional guidance and examples on application of the principles identified in CP#1 in different circumstances and to different entities. Consistent with the IPSASB's direction that the reporting entity sections are to be refocused on broad principles and not deal with their application to particular circumstances, Staff has not attempted to respond to these matters.

Agenda item 2A.4 is still a work in progress and staff continue to compile and assess specific drafting and more substantial issues identified by respondents to CP#1. These matters will be brought to Members' attention and addressed as drafts of this phase of the Framework ED are developed.

The Report of the joint IPSASB-IMF Task Force dealing with responses to the GFC is not yet available. Matters raised and/or recommendations made in that report will be considered in the ongoing development of the reporting entity components of the Framework (and other components as relevant).

The issues raised by respondents which were identified in the December 2009 agenda materials and which have not yet been addressed by the IPSASB are identified below.

Characteristics of a Reporting Entity

Preliminary View 8 from CP#1 - Characteristics of a Reporting Entity

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 of a reporting entity

While most respondents supported the characteristics of a reporting entity as proposed in PV8 and the supporting explanation, some 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 in the absence of a legal identity (37, 47).

Staff views

A number of the additional characteristics proposed by respondents were considered by the IPSASB as PV8 and supporting commentary was being prepared. They were not developed further because the IPSASB confirmed the central role of legislation or other authority in identifying the public sector reporting entity and group reporting entity.

However, staff are of the view that the draft ED Framework when prepared could usefully reflect the matters identified by these respondents and acknowledge that preparation of GPFRs is not a cost-free process and it is unlikely that users will exist for GPFRs of entities that do not undertake economic or other activities, control assets or have the capacity to incur liabilities in the pursuit of their objectives. The basis for conclusions could also note that it is anticipated that such matters will be considered by the legislature or other authority in identifying public sector reporting entities.

Staff is of the view that such an approach is also responsive to those that do not raise a concern with PV 8, or specifically note that the broad explanation of how a reporting entity would be identified and its likely characteristics in CP#1 was 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).

Staff also propose that the ED Framework when prepared incorporate the explanation in CP#1 paragraphs 5.8 and 5.9 to confirm that a public sector reporting entity can exist in the absence of a legal identity.

Alignment with objectives and users of GPFRs

A number of respondents also note that the explanation and wording of PV 8 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, 16, 17, 39, 40).

Staff views

Staff agree that the explanation of the characteristics of a reporting entity should be linked to the objectives of financial reporting as appropriate (and have updated agenda item 2A.4 to that effect). However, this will need to be revisited as the IPSASB 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

One respondent identified, the need to make it clear that the “entity perspective” (rather than the “proprietary perspective”) is adopted in the framework (25).

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 project development. The staff hesitate because it is not clear whether the entity approach is interpreted the same way 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 fall into place and be revisited when the full ED of the Framework is drawn together.

As with other PVs, the detailed drafting recommendations of respondents will be revisited and addressed as the ED is developed.

Agenda item 2A.4.

To enable Members to better assess staff views, agenda item 2A.4 includes explanations and commentary to illustrate the staff proposals.

The IPSASB has indicated that it may revisit the role of legislation in identifying the public sector reporting entity and group reporting entity as this phase of the Framework is further developed – but has not yet done so. Consequently, agenda item 2A.4 retains the current position as reflected in CP#1. Therefore, 2A.4 reflects that the Framework will not identify which governments or other public sector entities in any jurisdiction should be reporting entities or group reporting entities, rather that is a matter for the legislation, regulation or other authority.

Action Requested:

Members are requested to review agenda item 2A.4 and confirm or otherwise staff proposals regarding the development of the reporting entity component of the draft Framework ED, and provide directions for its further development.

The Group Reporting Entity

Preliminary View 9 from CP#1 – 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).

Will criteria respond meaningfully to the circumstances of different jurisdictions

The major concerns respondents raise in respect of the description in CP #1 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 to result in the identification of a group entity that differs from that reflected in established practice or current 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 those criteria would respond to all circumstances faced in the public sector and result in preparation of meaningful GPFs for the whole of government or other group reporting entity (10, 12, 21, 29, 35, 42, 48).

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).

Some respondents who express broad support for the approach in PV 9 also note the need for some flexibility to respond to legislative imperatives (28, 29).

Staff views

When developing CP#1, the IPSASB did consider how the criteria may operate in jurisdictions with different legislative and institutional arrangements and different forms of government. As a result of that consideration CP #1 explains at paragraph 5.35, that

IPSASs which give authority to the criteria will need to respond to jurisdictional circumstances. Paragraph 5.29 also makes a similar point more generally in respect of centralized or planned economies.

CP #1 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 draft Framework ED when prepared should include in the basis for conclusions, the IPSASB's views on these matters as reflected in CP#1 - that is:

- whether GPFRs for a group reporting entity, including a group that encompasses all levels of government in any jurisdiction will provide information useful to users for accountability and decision-making purposes will need to be considered in developing authoritative requirements for application in those jurisdictions; and
- whether consolidated, combined or other financial statements should be prepared for a group reporting entity and the basis for preparation of such statements will be considered as standards level issues.

Interpretation of the "power" criteria in CP#1

CP#1 explained that a whole of government group reporting entity will comprise the government and other entities when the government has the power to govern the strategic financing and operating policies of those entities and the benefit and financial burden or loss criteria are satisfied.

Some respondents expressed concern that the term "govern" may be interpreted as regulate, which would draw additional, and unintended entities into a whole of government reporting entity (04, 22, 52). Consequently, they propose that the IPSASB refer to the power to "direct the strategic financing and operating policies" of another entity.

Staff Views

Paragraph 5.21 of CP #1 makes it clear that the IPSASB's view is that a group reporting entity will not include entities that a government has power over only as a regulator, trustee, or agent.

Staff is of the view that if there is a risk that "*power to govern the strategic financing and operating policies*" will be interpreted as "*power to regulate*" it is wise to replace "govern" with "direct". In addition the phrase "*power to direct the strategic financing and operating policies*" does carry with it the sense of a capacity to intervene, at least at the strategic level, in the operations of the other entity which is consistent with the intent of the IPSASB..

In this context, staff note that it is likely that the IASB will explain a group reporting entity by reference to one entity currently having the power to direct the activities of another entity to generate benefits (or limit losses) for itself.

Staff has used "direct" in agenda item 2A.4

Other Matters - IASB developments and statistical bases of financial reporting

A number of respondents note that the IPSASB should provide an explanation of the reasons for differences from the approach the IASB adopted in its Consultation Paper and that adopted in CP#1 (04, 22, 44, 47, 52). Some respondents also advocated consideration of the guidance provided by the system of national accounts (SNA) and related statistical financial reporting models (31, 33, 35, 52).

Differences between IPSASB and IASB explanations

The basis for conclusions in agenda item 2A.4 includes an update on the IASB's deliberations on the reporting entity component of its Framework, noting in particular that the release of an ED is imminent and outlining the major features of a reporting entity that are anticipated to be included in the ED. Staff will continue to monitor the development of the IASB-ED and provide a verbal update at the forthcoming meeting update.

Explanations of why the IPSASB has adopted particular positions on these matters are reflected throughout the basis for conclusions at appropriate points. Staff is not convinced that it is necessary to draw them together in the section that outlines the current IASB view.

The reporting entity in statistical bases of financial reporting

The basis for conclusions in agenda item 2A.4 includes an explanation of the reporting entity and group reporting entity in the SNA and the statistical bases of financial reporting derived from it. It also notes that the IPSASB has received input from the statistical financial reporting community in developing its Framework and has provided input to the development of some aspects of the 2008 update of SNA 2008. Staff will work with colleagues from the IMF statistical division to confirm and further develop as necessary this explanation.

Agenda item 2A.4.

Staff has attempted to express the power and benefit or financial burden/loss criteria for determining the boundary of the group reporting entity more generally and to focus on the underlying principles. Staff did consider whether to further generalize this exposition to refer very generally to “the power to direct the activities of another entity to generate benefits or to expose it to a financial burden/loss”. However, reference to the power to direct the “*strategic financial and operating policies*” of the other entity was a major point of discussion and elaboration during the development of CP#1. Consequently, staff has retained that focus in agenda item 2A.4. Staff has also tried to explain in the basis for conclusions the importance of the reference to “strategic financial and operating policies” in the principle.

Action Requested:

Members are requested to review agenda item 2A.4 and confirm or otherwise staff proposals regarding the development of the group reporting entity component of the draft Framework ED, and provide directions for its further development.

CONCEPTUAL FRAMEWORK PHASE 1

Register of Matters Agreed by the IPSASB at Previous Meetings: May 2009 and December 2009.

The following identify matters agreed by the IPSASB at meetings held in May 2009 and December 2009. They are drawn from the IPSASB minutes of each meeting and identify matters/views that are to be included in the draft Exposure draft when prepared. For a fuller explanation of the IPSASB deliberations refer to the minutes themselves.

Note they are working decisions only, and are subject to change as the IPSASB's discussion of this Phase of the Framework continues.

This register is updated following each IPSASB meeting at which Phase I is discussed.

Re Analysis of documents

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 Preliminary View. This to be adopted for all public documents analyzing responses to an IPSASB consultation paper or similar. **(Agreed May 2009)**

Re Development Program and Process

The IPSASB will continue to progress its Framework project even though it may move ahead of the IASB project. **(Agreed May 2009)**

Development of the Framework will be progressed as originally conceived – that is, the IPSASB will 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 will be finalized. **(Agreed May 2009)**

General Purpose Financial Reports

This draft ED of the Framework is to reflect 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. **(Agreed May 2009)**

Authority of the Framework – CP Preliminary View 1

The IPSASB Framework will not establish new authoritative requirements for financial reporting by public sector entities that adopt IPSASs, nor will it override the requirements of existing IPSASs.

In selecting accounting policies to deal with circumstances not dealt with in IPSASs or other guidance issued by the IPSASB, public sector entities will refer to, and consider the applicability of, the definitions, recognition criteria, measurement principles, and other concepts identified in the IPSASB Framework.

The IPSASB confirmed that 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 should explain that:

- 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 IPSASB is of the view that existing authoritative requirements should not be overturned without the application of due process; and
- Once the Framework is issued, the IPSASB will review extant IPSASs and identify and, through application of the due process, address circumstances where there is substantial conflict between the IPSAS and the Framework. **(Agreed May 2009)**

The Basis for Conclusion or text of the draft ED should reflect that international governmental organizations may well be public sector entities. **(Agreed May 2009)**

General Purpose Financial Reports (GPFRs)- Preliminary View 2

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 term “general purpose financial reports” (GPFRs) should be retained for development of the Framework ED, notwithstanding that the scope of financial reporting may encompass non-financial information. **(Agreed December 2009)**

(The definition of GPFRs is to be revised if necessary to reflect IPSASB decision on whether to identify a primary user group.)

The Users of GPFRs - Preliminary View 3

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.

Whether or not a primary user of GPFRs should be identified, and the identity of that primary user is still under discussion – working decisions not yet made.

The IPSASB agreed that the basis for conclusions in the draft Framework ED of the Framework will clarify that:

- while management, budget controllers, treasury officers, and audit institutions may use GPFRs, they have the authority to demand the information they need - therefore, GPFRs are not developed to respond to their specific information needs;
- the IPSASB considered many different potential groupings of users, including whether public sector and private sector (or voluntary and involuntary) resource providers should be identified as separate user groups, but is of the view that the user groups and common information needs identified respond to the information needs of these (and other) users; and
- the users of GPFRs embrace a wide range of users that are unable to demand the preparation of financial reports tailored to meet their specific information needs and therefore must rely on GPFRs - including many of the additional users proposed by some respondents to Consultation Paper #1. The explanation of this point to be subject to IPSASB decision about the identification of a primary user. **(Agreed December 2009)**

Objectives of Financial Reporting - Preliminary View 4

The objectives of financial reporting by public sector entities are to provide information about the reporting entity useful to users of GPFRs for:

- accountability purposes; and
- making resource allocation, political and social decisions.

The objectives of general purpose financial reporting will include both an accountability and decision making dimension. The linkage between accountability and decision making is to be clarified to reflect that information provided by GPFRs is necessary for accountability and useful as input for decision making. **(Agreed May 2009)**

The objectives are not to include a reference to “making resource allocation, political and social decisions” as in PV 4. Rather, the objectives should refer to “decision-making purposes” and be supported by an explanation of the types of decisions that users of GPFRS may require for- as per the Consultation Paper. **(Agreed May 2009)**

Explanation 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 components of GPFRs may be of greater significance for accountability purposes and decision-making purposes. **(Agreed May 2009)**

The Scope of Financial Reporting - Preliminary View 5

The scope of financial reporting encompasses the provision of financial and non-financial information about:

- economic resources of the reporting entity at the reporting date and claims to those resources;
- the effect of transactions, other events, and activities that change the economic resources of the reporting entity and claims to those resources during the reporting period, including cash inflows and outflows and financial performance;

- the reporting entity's compliance with relevant legislation or regulation and legally adopted or approved budgets used to justify the raising of monies from taxpayers and ratepayers;
- the reporting entity's achievement of its service delivery objectives; and
- prospective financial and other information about the reporting entity's future service delivery activities and objectives, and the resources necessary to support those activities.

It also encompasses explanatory material about: (a) the major factors underlying the financial performance of the entity, the achievement of its service delivery and other objectives and the factors which are likely to influence its performance in the future; and (b) the assumptions underlying and major uncertainties affecting the information included in GPFRs.

Evolution of the Scope of Financial Reporting - Preliminary View 5

The scope of financial reporting should evolve in response to users' information needs, consistent with the objectives of financial reporting.

A broad scope for general purpose financial reporting as proposed in the Consultative Paper is appropriate. While not unlimited, the scope of financial reporting should be allowed to develop in response to users' information needs. **(Agreed May 2009)**

The Framework ED 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. IPSASs may include encouragements as well as requirements, and best practice guidance rather than IPSASs may also be developed on certain matters. **(Agreed May 2009)**

The Framework should be developed to initially focus on key aspects of financial statements. How the concepts may apply to other areas of financial reporting would be considered subsequently—for example in the context of projects dealing with narrative reporting, performance reporting and long-term fiscal sustainability. **(Agreed May 2009)**

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

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.

Subject to further consideration of responses at future meetings, the existing suite of QCs and their explanation is appropriate for application to information to be included in general purpose financial statements. The following matters are to be revisited at future meetings, whether:

- The term reliability or faithful representation was more appropriate for application to the GPFSs of public sector entities;
- 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. **(Agreed May 2009)**

The draft Framework ED is not to include a notion of fundamental and enhancing characteristics or otherwise establish some characteristics as being of greater important than others - current guidance in the CP that the relative importance of the QCs in different circumstances is a matter of professional judgment responds appropriately to the circumstances of public sector entities. **(Agreed May 2009)**

The basis for conclusions in the ED will include an explanation of the reasons for differences in the QCs proposed for public sector entities and those identified by the IASB. **(Agreed May 2009)**

The applicability of the QCs, particularly faithful representation (or reliability) and verifiability, to non-financial and prospective financial information would be considered and confirmed or otherwise as projects dealing with those matters are developed. **(Agreed May 2009)**

The QC chapter of the Consultation Paper should be restructured in the style of an ED for review at the next IPSASB meeting. It should include a basis for conclusions and reflect the tentative decisions made by the IPSASB at its meeting in May and December 2009. Outstanding QC issues will be considered in the context of this restructured draft. **(Agreed December 2009)**

Characteristics of a Reporting Entity - Preliminary View 8

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.

Composition of a Group Reporting Entity - Preliminary View 9

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).

The characteristics of a reporting entity and composition of a group reporting entity should continue to be developed as components of Phase 1 of the Framework. **(Agreed May 2009)**

The existence of users should be identified as an important if not the key characteristic of the reporting entity. Whether additional characteristics of a reporting entity should be identified and the nature of those characteristics will be considered at a future meeting. **(Agreed May 2009)**

PV 9 should focus on only the high level principles for determining the composition of the group entity and:

- not deal with application of those principles to particular circumstances;
- draw out the influence that users’ information needs would play in determining the boundaries of the group; and
- consider the principles established in statistical financial reporting models to determining the composition of a reporting entity or group reporting entity. **(Agreed May 2009)**

The Reporting Entity chapter of the CP should be refocused on broad principles and restructured in the style of an ED - with the removal of certain paragraphs of the Consultation Paper and the relocation of others to the basis of conclusion as proposed by staff. **(Agreed December 2009)**

The paragraphs dealing with the power and benefit or financial burden/loss criteria for determining the boundary of the group reporting entity should be re-expressed more generally to draw out the underlying principles and link more closely to the objectives of financial reporting. **(Agreed December 2009)**

Note: This extract reflects staff views and not necessarily the views of the IPSASB. The matters considered here are the subject of ongoing IPSASB discussion.

EXTRACT OF CP#1 – REFLECTING STAFF VIEWS

Users of GPFRs of Public Sector Reporting Entities

1. The objectives of financial reporting by public sector entities are to provide information about the reporting entity useful to users of general purpose financial reports (GPFRs) for accountability purposes and as input for decision making. GPFRs are developed to respond to the information needs of a wide range of users who do not possess the authority to direct a public sector reporting entity to disclose the information they need.
2. Governments and other public sector entities raise resources from taxpayers, ratepayers, donors, commercial lenders 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. Those that provide the resources and receive, or expect to receive, the services will also require information as input for decision making purposes. Consequently, GPFRs of public sector entities are developed to respond to the information needs of service recipients and resource providers who do not possess the authority to direct a public sector reporting entity to disclose the information they need for accountability and decision making purposes.
3. Citizens encompass both service recipients and resource providers. Therefore, citizens that do not possess the authority to direct a public sector reporting entity to disclose the information they need for accountability and decision making purposes and those that represent or advise them are major users of GPFRs. This means that the legislature, individual members of parliament (or similar representative body), the media, and other advisors when acting in their capacity as representative of the interests of these citizens are also users of GPFRs.
4. Some recipients of services and some providers of resources that do not possess the authority to direct a government or other public sector entity to disclose the information they need for accountability and decision making purposes may not be citizens – for example, residents who pay taxes and or receive benefits but are not citizens, multi or bilateral donor agencies and commercial lenders. The information needs of these users are not excluded when considering the information that should be provided by GPFRs.
5. Some parties that have the authority to demand the disclosure of the information they need may also use GPFRs – for example, regulatory and oversight bodies, audit institutions, subcommittees of the legislature or other governing body, central agencies and budget controllers, entity management and lenders and funders. GPFRs may also provide information useful to government statisticians and analysts. While such parties may find the information provided by GPFRs

Note: This extract reflects staff views and not necessarily the views of the IPSASB. The matters considered here are the subject of ongoing IPSASB discussion.

useful, GPFRs are not developed to specifically respond to their information needs.

Draft Basis for these Conclusions – Staff Views

Primary user groups

- BC1. The IPSASB's Preliminary View (PV3) as reflected in CP#1¹ was that the potential users of GPFRs of public sector entities should be identified as recipients of services or their representatives; providers of resources or their representatives; and other parties, including special interest groups and their representatives.
- BC2. Many respondents to the CP#1 expressed support for the IPSASB's Preliminary View. However, many others were of the view that the public, citizens, electors or their representatives (for example, the legislature, parliament, elected council or other representative body), should be identified as the primary or most important users of GPFRs of public sector entities. This is because governments are primarily accountable to the citizens or their representative and, in many jurisdictions, the legislature and individual members of parliament or similar representative body acting on behalf of citizens are the main users of GPFRs.
- BC3. Some respondents also identified resource providers, funders, financial supporters or similar as the primary users of GPFRs of public sector entities because they are likely to have the greatest interest in GPFRs. These respondents explain that it is unlikely that GPFRs can respond to the information needs of all users. Identifying resource providers as the primary user group will allow the IPSASB to focus more sharply on their information needs. They also note that GPFRs prepared to respond to the information needs of resource providers is likely to also provide information useful to other potential users.
- BC4. IPSASB members acknowledge the merit of each of these approaches. However, on balance the IPSASB is of the view that the identification of users as service recipients and resource providers (and their elected or appointed representatives) should be retained. This is because the Conceptual Framework will apply to governments and a potentially wide range of other public sector entities in many different jurisdictions as well as international governmental organizations. The users of GPFRs of public sector entities will need to be identified and described in a manner that is relevant to all public sector entities in many jurisdictions, and it is not clear that a primary user group of GPFRs applicable to all public sector

¹ IPSASB 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.*

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entities across all jurisdictions can be identified. *(Note - the IPSASB views identified in this paragraph are still under discussion.)*

Citizens

BC5. There is much common ground between the views of these that identify citizens or their representatives as the primary user group and its views as reflected in CP#1. This is because, citizens (or the public) are both resource providers and service recipients. The IPSASB acknowledges the importance of citizens as users of GPFRs, but is of the view that it is necessary to further classify citizens into resource providers and service recipients to provide a basis for assessing their potential information needs. The IPSASB is also of the view that in developing IPSAS's, it is appropriate that it be able to consider the information needs of a range of non-citizen service recipients and resource providers (whether donor or commercial lender) who do not possess the authority to direct a public sector reporting entity to disclose the information they need for accountability and decision making purposes. *(Note - the IPSASB views identified in this paragraph are still under discussion.)*

BC6. CP#1 also identified other parties, including those with an interest in the funding and delivery of particular services of the reporting entity, whether transport, education, health or particular sectors including the general government sector (as defined in GFSM 2001) as potential users of GPFRs. These other parties included analysts, government statisticians, the media, and special interest community groups and their representatives. However, a number of respondents argued that the information needs of this group of users would be encompassed by service recipients and resource providers. The IPSASB was persuaded by this argument.

Resource Providers

BC7. The IPSASB agrees that GPFRs directed at the provision of information to satisfy the information needs of resource providers will also provide information useful to other potential users of GPFRs. However, the IPSASB remains of the view that users of GPFRs should be identified as service recipient and resource providers and their representatives - because governments and public sector entities should be accountable to those that provide them with resources and those that depend on them to use those resources to deliver necessary or promised services. *(Note - the IPSASB views identified in this paragraph are still under discussion.)*

BC8. In addition, in at least some developing economies it is likely that service recipients rather than resource providers will be the primary users of GPFRs - because in these jurisdictions resource providers are primarily donors or lenders that, in many cases, had the authority to demand the preparation of special purpose financial reports to provide the information they needed.

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Other user groups

BC9. In developing CP#1, the IPSASB considered a wide range of potential users of GPFRs, including whether those transacting with public sector entities on a commercial or non-commercial basis, or on a voluntary or involuntary basis such as public sector and private sector resource providers should be identified as separate user groups. However, the IPSASB is of the view that the service recipient and resource provider user groups and their common information needs as identified in CP#1 respond to the information needs of these (and other) subgroups.

Responding to users information needs

BC10. The IPSASB recognizes that some users of GPFRs (whether resource providers or service recipients) may have different priorities and interest in information and will weigh these differences in making decisions about the contents of IPSASs that best achieves the objectives of financial reporting. The IPSASB also recognizes that some aspects of GPFRs may be of more relevance and interest to some users than others. 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.

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TEXT IN FRAMEWORK ED FORM – STAFF DRAFT ONLY

The Qualitative Characteristics of, and Constraints on, Information Included in GPFRS

1. *The qualitative characteristics of information included in GPFRs of public sector reporting entities are relevance, faithful representation, understandability, timeliness, comparability, and verifiability and supportability.*
2. *Materiality, cost, and achieving an appropriate balance between the qualitative characteristics are pervasive constraints on information in GPFRs.*
3. GPFRs present financial and other information about economic or other phenomena. The qualitative characteristics of information included in GPFRs are the attributes that make that information useful to users and support the achievement of the objectives of financial reporting. The objectives of financial reporting are to provide information useful for accountability and decision making purposes.
4. Each of the qualitative characteristics is integral to, and works with, the other characteristics to provide in GPFRs information useful for achieving the objectives of financial reporting. However, in practice, all qualitative characteristics may not be fully achieved, and a balance or trade-off between certain of them may be necessary.
5. The qualitative characteristics apply to all information reported in GPFRs, including financial and non-financial information, historic and prospective financial information, and explanatory material or other narrative reporting. However, the extent to which the qualitative characteristics can be achieved may differ depending on the degree of uncertainty and subjective assessment or opinion involved in compiling the financial or other information. The need for additional guidance on interpreting and applying the qualitative characteristics to information that extends the scope of financial reporting beyond traditional financial statements will be considered in the development of any IPSASs and other pronouncements of the IPSASB that deal with such matters.

Relevance

6. Financial and other information is relevant if it is capable of making a difference in achieving the objectives of financial reporting. Financial and other information is capable of making a difference when it has confirmatory value, predictive value, or both - it may be capable of making a difference, and thus be relevant, even if some users choose not to take advantage of it or are already aware of it.

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7. Financial and other information has confirmatory value if it confirms or changes past (or present) expectations. For example, information will be relevant for accountability and decision-making purposes if it confirms expectations about such matters as the extent to which managers have discharged their responsibilities for the efficient and effective use of resources, the achievement of specified service delivery objectives, and compliance with relevant budgetary, legislative, and other requirements.
8. GPFRs may present information about an entity's anticipated future service delivery activities, objectives and costs, and the amount and sources of the resources that are intended to be allocated to providing services in the future. Such future-oriented information will have predictive value and be relevant for accountability and decision-making purposes. Information about economic and other phenomena that exist or have already occurred can also have predictive value in forming expectations about the future. For example, information that confirms or otherwise past expectations can reinforce or change expectations about financial results and service delivery outcomes that may occur in the future.
9. The confirmatory and predictive roles of information are interrelated – for example, information about the current level and structure of an entity's economic resources, and claims to them, helps users to confirm the outcome of resource management strategies during the period, and to predict an entity's ability to respond to changing circumstances and anticipated future service delivery needs. The same information helps to confirm or correct users' past predictions about that ability. It also helps to confirm or correct prospective financial information included in previous GPFRs.

Faithful Representation

10. To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance – which is not necessarily always the same as its legal form.
11. In practice, it may not be possible to present information that is fully complete, neutral, and free from material error, or to know or confirm that the information satisfies these conditions. However, they should be satisfied to the extent possible. *(Staff comment – repositioned to this point to link to all features – in CP#1 it was located at end of section)*
12. A depiction of an economic or other phenomenon is complete if it includes all information that is necessary for faithful representation of the phenomena that it purports to depict. An omission of some information can cause the representation

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to be false or misleading, and thus not useful to users of GPFRs. For example, a complete depiction of the item “plant and equipment” in GPFRs will include a numeric representation of the aggregate amount of plant and equipment together with other quantitative, descriptive and explanatory material necessary to faithfully represent that class of assets. In some cases, this may include the disclosure of information about such matters as the major classes of plant and equipment, factors that have affected their use in the past or might impact it in the future, and the basis and process for determining its numeric representation. Similarly, prospective financial information and information about the achievement of service delivery objectives and outcomes included in GPFRs will need to be presented with the key assumptions that underlie the information, and any explanations that are necessary to ensure that its depiction is complete and it is useful to users. *(Staff comment - the example of plant and equipment has been expanded because CP#1 focussed primarily on the service delivery, prospective financial information. This IPSASB has confirmed that the qualitative characteristics apply to financial statements so this rebalancing seemed appropriate.)*

13. Neutrality in financial reporting is the absence of bias, such that the selection and presentation of financial and other information is not made with the intention of attaining a particular predetermined result - for example, to influence users assessment of the discharge of accountability by the entity or the making of a decision or judgment in a particular way, or to induce a particular behaviour.
14. Neutral information is free from bias, so that it faithfully represents the economic and other phenomena that it purports to represent. However, to require information included in GPFRs to be neutral does not mean that it is not without purpose or that it should not influence behaviour. Relevance is a qualitative characteristics and, by definition, relevant information is capable of influencing users’ assessments and decisions.
15. The economic and other phenomena represented in GPFRs generally takes place or occurs under conditions of uncertainty. Information included in GPFRs will therefore often include estimates that incorporate management’s judgment. To faithfully represent an economic or other phenomenon, an estimate must be based on appropriate inputs, and each input must reflect the best available information. Caution will need to be exercised when dealing with uncertainty.
16. Free from material error does not mean complete accuracy in all respects. Free from material error means there are no known errors or omissions in the description of the phenomenon and the process used to produce the reported information has been applied as described. In some cases, it may be possible to determine the accuracy of some information included in GPFRs – for example, the amount of a cash transfer to another level of government or the price paid for the acquisition of plant and equipment. However, in other cases it may not - for example, the accuracy of an estimate of a price, value or cost of an item may not

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be able to be determined. In these cases, the estimate will be free from material error if the amount is clearly described as an estimate, the nature and limitations of the estimating process are explained, and no errors have been made in selecting and applying an appropriate process for developing the estimate. *(Staff comment – this paragraph added because the meaning of freedom from material error was not explicitly dealt with in CP#1. The IASB has drawn it out more clearly in documents developed subsequent to their exposure draft - this has influenced this explanation. Reference to “material” error was included in CP#1 – however given the establishment of materiality as a constraint it does not appear necessary to continue to refer to “material” error – error will be sufficient.)*

Understandability

17. Understandability is the quality of information that enables users to comprehend its meaning. GPFRs of public sector entities should present information in a manner that responds to the needs and knowledge base of users, and to the nature of the information presented. For example, explanations of financial and other information and narrative reporting of achievements and expectations should be written in plain language, and presented in a manner that is readily understandable by users. Understandability is enhanced when information is classified, characterized, and presented clearly and concisely. Comparability also can enhance understandability.
18. Users of GPFRs are assumed to have a reasonable knowledge of the entity's activities and the environment in which it operates, to be able and prepared to read GPFRs, and to review and analyze the information presented with reasonable diligence. Some economic and other phenomena are particularly complex and difficult to represent in GPFRs, and some users may need to seek the aid of an advisor to assist in their understanding of them. Information should not be excluded from GPFRs solely because it may be too complex or difficult for some users to understand without assistance.

Timeliness

19. Timeliness means having information available to users before it loses its capacity to be useful for accountability and decision-making purposes. Having relevant information available sooner can enhance its usefulness as input to assessments of accountability and its capacity to influence decisions, and a lack of timeliness can render information less useful.
20. Some items of information may continue to be timely long after the reporting date. For example, for accountability and decision making purposes users of GPFRs may need to assess trends in the financial and service delivery performance of the entity and its compliance with budgets over a number of reporting periods. In addition, the outcome and effects of some service delivery programs may not be determinable until future periods – this may occur in respect

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of programs intended to, for example, enhance the economic well-being of constituents, reduce the incidence of a particular disease, or increase literacy levels of certain age groups.

Comparability

21. Comparability is the quality of information that enables users to identify similarities in, and differences between, two sets of phenomena. Comparability is not a quality of an individual item of information, but rather a quality of the relationship between two or more items of information.
22. Comparability differs from consistency. Consistency refers to the use of the same accounting policies and procedures, either from period to period within an entity or in a single period across more than one entity. Comparability is the goal, and consistency helps in achieving that goal.
23. Comparability also differs from uniformity. For information to be comparable, like things must look alike, and different things must look different. An over-emphasis on uniformity may reduce comparability by making unlike things look alike. Comparability of information in GPFRs is not enhanced by making unlike things look alike any more than it is by making like things look different.
24. Information about the entity's financial position, financial performance, compliance, service delivery achievements, and its future plans is necessary input for accountability and decision-making purposes. The usefulness of such information is enhanced if it can be compared with, for example:
 - the budget for the entity for the reporting period or reporting date or prospective financial information previously presented for that period or date;
 - similar information about the same entity for some other period or some other point in time; and/or
 - similar information about other entities (for example, public sector entities providing similar services in different jurisdictions).
25. Consistent application of accounting policies to budget or other prospective information and actual outcomes will enhance the usefulness of any comparison of projected and actual results. Comparability with other entities may be less significant for narrative reporting of management's perception or opinion of the factors underlying the entity's current performance.

Verifiability and Supportability

26. Verifiability and supportability are terms used to describe the quality of information that helps assure users that information faithfully represents the phenomena that it purports to represent. Verifiability is often used in respect of quantitative information disclosed in financial statements, while supportability is used in respect of qualitative and prospective information disclosed in GPFRs.

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Whether referred to as verifiability or supportability, the characteristic implies that different knowledgeable and independent observers could reach general consensus, although not necessarily complete agreement, that either:

- the information represents the phenomena that it purports to represent without material error or bias; or
- an appropriate recognition, measurement, or representation method has been applied without material error or bias.

27. Verifiability and supportability are not absolutes - some information may be more or less capable of verification or more or less supportable than other information. However, the more verifiable or supportable is the information included in the financial report, the more useful it is.

Verifiability

28. To be verifiable, information need not be a single point estimate. A range of possible amounts and the related probabilities also can be verified.
29. Verification may be direct or indirect. With direct verification, an amount or other representation is itself verified, such as by (a) counting cash, (b) checking records of service response times or records of patients treated, or (c) observing marketable securities and their quoted prices. With indirect verification, the amount or other representation is verified by checking the inputs and recalculating the outputs using the same accounting convention or methodology. An example is verifying the carrying amount of inventory by checking the inputs (quantities and costs) and recalculating the ending inventory using the same cost flow assumption (for example, average cost or first in-first out).

Supportability

30. GPFRs of public sector entities may include quantitative and narrative information about (a) key influences on the entity's performance during the period, (b) the anticipated future effects or outcomes of service delivery programs undertaken during the reporting period, and (c) prospective financial and other information. It may not be possible to verify the accuracy of quantitative or qualitative representations of such information until a future period, if at all.
31. To help assure users that prospective financial and other information and explanations included in GPFRs faithfully represents the phenomena that they purport to represent, the assumptions that underlie the information disclosed, the methodologies adopted in compiling it, and the factors and circumstances that support any opinions expressed or disclosures made should be transparent. This will enable users to form judgements about the appropriateness of those assumptions and the method of compilation, measurement, representation, and interpretation of the information.

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Constraints on information included in GPFRs

Materiality

32. Information is material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's GPFRs prepared for that period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each reporting entity. Consequently, it is not possible to specify a uniform quantitative threshold at which a particular type of information becomes material.
33. Assessments of materiality will be made in the context of the legislative, institutional and operating environment within which the reporting entity operates. Disclosure of information about compliance or non compliance with legislation, regulation or other authority may be material by because of its nature - irrespective of the magnitude of any amounts involved. In determining whether an item is material in these circumstances consideration will be given to such matters as the nature, legality, sensitivity of transactions and events, the parties involved in any such transactions, their consequences and the circumstances giving rise to them. *(Staff note – this paragraph added in attempt to respond to call for additional public sector context.)*

Cost

34. Financial reporting imposes costs. The benefits of financial reporting should justify those costs. Assessing whether the benefits of providing information justify the related costs is often a matter of judgment, because it is often not possible to identify and or quantify all the costs or benefits of information included in GPFRs.
35. The costs of providing information include costs of collecting and processing the information, costs of verifying it and/or presenting the assumptions and methodologies that support it, and costs of disseminating it. Users incur the costs of analysis and interpretation. Omission of useful information also imposes costs, including the costs that users incur to obtain needed information and the costs that result from using incomplete data provided by GPFRs.
36. Preparers expend the majority of the effort to provide information in GPFRs. However, service recipients and resource providers ultimately bear the cost of those efforts, as resources are redirected from service delivery activities to collection of data for inclusion in GPFRs.
37. Users reap the majority of benefits from the information provided by GPFRs. However, reporting entities can also enjoy benefits such as better management decisions, because information used internally often is based (at least partly) on information prepared for GPFRs.

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38. Application of the cost constraint involves assessing whether the benefits of reporting information are likely to justify the costs incurred to provide and use it. When making this assessment, it is necessary to consider whether one or more qualitative characteristics might be sacrificed to some degree to reduce cost.
39. In developing IPSASs, the IPSASB seeks information from preparers, users, academics, and others about the expected nature and quantity of the benefits and costs of the proposed requirements. Disclosure and other requirements are prescribed by IPSASs only when the benefits of compliance with them are assessed to be greater than their costs. *(Staff note – added to respond to concern that CP#1 may be read as if can depart from IPSAS if preparer assesses that costs are greater than benefits.)*

Balance between the qualitative characteristics

40. The qualitative characteristics work together in different ways to contribute to the usefulness of information. For example, neither a depiction that faithfully represents an irrelevant phenomenon, nor a depiction that unfaithfully represents a relevant phenomenon, results in useful information. Similarly, to be relevant, information must be timely and understandable.
41. In some cases, a balancing or trade-off between qualitative characteristics may be necessary to achieve the objectives of financial reporting. The relative importance of the qualitative characteristics in each situation is a matter of professional judgment. The aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial reporting.

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Basis for Conclusions in Framework ED form

This Basis for Conclusions accompanies, but is not part of, the Framework. It provides additional background to the concepts reflected in the framework and draws out certain of their implications. It also summarizes the major issues and considerations of the IPSASB as it developed this Exposure Draft, noting in particular changes from the Preliminary Views identified in the Consultation Paper and the reasons for those changes.

The qualitative characteristics of information included in GPFRs

- BC1. In developing IPSASs, the IPSASB receives input on, and makes judgments about, information that best satisfies the objectives of financial reporting and should be included in GPFRs. In making those judgements the IPSASB considers the extent to which each of the qualitative characteristics can be achieved. As noted in the Conceptual Framework, disclosure and other requirements are included in IPSASs only when the information that results from their application satisfy the qualitative characteristics and are not limited by the constraints on inclusion of that information that are identified in this Conceptual Framework.
- BC2. IPSASs will not deal with all financial and other information that may be included in GPFRs. In the absence of an IPSAS that deals with particular economic or other phenomena, assessments of whether an item of information satisfies the qualitative characteristics and constraints identified in this Conceptual Framework, and therefore qualifies for inclusion in GPFRs, will be made by preparers compiling the GPFRs. Those assessments will be made in the context of achieving the objectives of financial reporting, which in turn have been developed to respond to users' information needs.

Other qualitative characteristics considered

- BC3. Some respondents to CP#1 expressed the view that the additional qualitative characteristics should be identified. Those characteristics included “sincerity”, “true and fair view”, “credibility” and “transparency”. The IPSASB notes that “sincerity” as used in financial reporting has a similar meaning to “true and fair”.
- BC4. The IPSASB is of the view that “sincerity”, “true and fair view”, “credibility” and “transparency” are important expressions of the overarching qualities that financial reporting is to achieve or aspire to. However, they do not exist as single qualitative characteristics on their own – rather, achieving these qualities is the product of application of the full set of qualitative characteristics identified in the Conceptual Framework and IPSASs that deal with specific reporting issues. Consequently, while important characteristics of GPFRs, they are not identified as separate individual qualitative characteristics in their own right.

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Application of the qualitative characteristics to the broader scope of GPFRs

- BC5. Information included in GPFRs may depict economic and other phenomena. For example, GPFRs provide information about the entity's financial position, financial performance, achievement of service delivery objectives, and compliance during a reporting period. GPFRs may also include prospective financial and other information about the entity's anticipated service delivery activities and objectives in future periods, and explanatory material that assists users to understand the current performance of the entity and its future expectations, strategies, and goals.
- BC6. A number of respondents noted their concern about the application of the qualitative characteristics, to non-financial and prospective financial information.
- BC7. The IPSASB is of the view that the qualitative characteristics identified in the Conceptual Framework apply to information to be included in general purpose financial statements and other information included in GPFRs. However, their interpretation, relative importance, and the extent to which they can be achieved may differ for information included in general purpose financial statements and for prospective financial and other information included in other components of GPFRs.
- BC8. The IPSASB will consider and seek input on the applicability of the qualitative characteristics and constraints to non-financial and prospective financial information as projects on these matters are developed. The need for additional guidance on interpreting and applying qualitative characteristics will also be considered in the development of any IPSASs and other pronouncements of the IPSASB that extend the scope of financial reporting beyond traditional financial statements and their notes.

Relevance

- BC9. To be useful to users for accountability and decision making purposes information must be relevant. The Conceptual Framework explains that financial and other information is relevant if it is capable of making a difference in achieving the objectives of financial reporting. As part of its due process, the IPSASB seeks input on whether the requirements of a proposed IPSAS is capable of making a difference to the discharge of the reporting entity's obligation to be accountable or to decisions that users may make.
- BC10. Appendix B of IPSAS 1 "Presentation of Financial Statements" explains the meaning of relevance as follows: "Information is relevant to users if it can be used to assist in evaluating past, present or future events or in confirming, or correcting, past evaluations. In order to be relevant, information must also be timely."
- BC11. The concept of relevance identified in this Conceptual Framework possesses similar characteristics and operates with similar intent to that identified in

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Appendix B of IPSAS 1. However, the IPSASB has specifically acknowledged that the predictive value of information is a component of relevance. In addition, timeliness is identified as a separate qualitative characteristic because it can influence the achievement of other qualitative characteristics and through them the usefulness of information included in GPFRs. *(Staff comment – these two paragraphs added because this difference from/relationship to IPSAS 1 Appendix B not dealt with in CP#1)*

Faithful Representation

- BC12. To be useful information must faithfully represent the economic and other phenomena that it purports to represent. Information that does not faithfully representation what it purports to represent may mislead users and, therefore, does not support the achievement of the objectives of financial reporting.
- BC13. A single economic or other phenomenon may be represented in many ways. For example, the achievement of particular service delivery objectives may be depicted (a) qualitatively through a narrative explanation of the immediate and anticipated longer term outcomes and effects of the service delivery program, (b) quantitatively as a measure of the volume of services provided by the service delivery program, or (c) by a combination of both qualitative and quantitative information. Additionally, a single depiction in GPFRs may represent several economic phenomena – for example, the presentation of the item “plant and equipment” in a financial statement may represent an aggregate of all of an entity’s plant and equipment, including items that have different functions, that are subject to different risks and opportunities and are carried at amounts based on estimates that may be more or less complex and reliable.
- BC14. Faithful representation of an economic or other phenomenon is complete if it includes all quantitative information and explanations and descriptions necessary to enable users to understand the information and for it to be useful for the achievement of the objectives of financial reporting.
- BC15. Completeness and neutrality of estimates (and inputs to those estimates) are desirable, and some minimum level of accuracy is necessary for an estimate to faithfully represent an economic or other phenomenon. However, faithful representation does not imply absolute completeness or neutrality in the estimate, nor does it imply total freedom from error in the outcome. For a representation of an economic or other phenomena to imply a degree of completeness, neutrality, or freedom from error that is impracticable for it to achieve would diminish the extent to which the information faithfully represents the economic phenomena that it purports to represent. It may sometimes be necessary to explicitly disclose the degree of uncertainty in financial and other information to faithfully represent economic and other phenomena.

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Faithful representation or reliability

- BC16. Appendix B of IPSAS 1 identifies reliability as a qualitative characteristic, and faithful representation, substance over form, neutrality, prudence and completeness as components of reliability. This Conceptual Framework uses the term faithful representation rather than reliability to describe what is substantially the same concept. In addition, it does not explicitly identify substance over form and prudence as components of faithful representation. *(Staff comment - this paragraph added because this difference from/relationship to IPSAS 1 Appendix B not dealt with in CP#1)*
- BC17. Some respondents to CP#1 did not support the replacement of “reliability” with the term “faithful representation” because reliability is widely used and well understood in the public sector. However, some of these respondents also noted that in the interests of alignment with IASB terminology, faithful representation should be adopted.
- BC18. The IPSASB has been monitoring the progress of the IASB as it develops its Conceptual Framework. The IASB has explained that it will replace the term reliability with faithful representation because of a lack of a common understanding of the meaning of reliability amongst its constituents, and because attempts to explain what reliability was intended to mean have proven unsuccessful.
- BC19. Some IPSASB members are of the view that in many jurisdictions 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. However, other IPSASB members are of the view that there are difficulties in the interpretation and application of “reliability” that use of the term “faithful representation” may overcome. They also acknowledge that there is merit in using the same terminology as the IASB. On balance, the IPSASB is of the view that the term faithful representation should be adopted in its Conceptual Framework, because it aligns with IASB terminology and its use will have beneficial effects for the IPSASB’s IFRS convergence program.

Substance over form and prudence

- BC20. Some respondents to CP#1 expressed concern that substance over form and prudence are no longer identified as qualitative characteristics or that their importance is not sufficiently recognized or explained. Some also note that prudence need not be incompatible with the achievement of neutrality and faithful representation.
- BC21. The Conceptual Framework explains that “Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance – which is not necessarily

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always the same as its legal form.” Therefore substance over form remains a key quality that information included in GPFRs must possess. It is not identified as a separate or additional qualitative characteristic because it is already embedded in the notion of faithful representation.

BC22. IPSAS 1 Appendix B explains that “Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates under conditions of uncertainty, such that assets or revenue are not overstated and liabilities or expenses are not understated. However, the exercise of prudence does not allow, for example, the creation of hidden reserves or excessive provisions, the deliberate understatement of assets or revenues, or the deliberate overstatement of liabilities or expenses because this would mean that the financial statements would not be neutral or have the quality of reliability.”

BC23. The IPSASB is of the view that the same notion of prudence as currently identified in IPSAS 1 Appendix B is reflected in the explanation of neutrality in the Conceptual Framework. It is reinforced by the acknowledgement of the need to exercise caution in dealing with uncertainty. Therefore, like substance over form, prudence is not identified as an additional component of faithful representation because its intent and influence in identifying information that is included in GPFRs is already embedded in the notion of faithful representation.

Understandability

BC24. Although presenting information clearly and concisely helps users to comprehend it, the actual comprehension or understanding of information depends largely on the users of the GPFRs.

BC25. Some economic and other phenomena are particularly complex and difficult to represent in GPFRS. However, the IPSASB is of the view that information that is, for example, relevant, faithfully represents what it purports to represent, timely and verifiable should not be excluded from GPFRs solely because it may be too complex or difficult for some users to understand without assistance. Acknowledging that it may be necessary for some users to seek assistance to understand the information presented in a GPFRs, does not mean that information included in GPFRS need not be understandable. However, it does reflect that in practice, the nature of the information included in GPFRs is such that all the qualitative characteristics may not be fully achievable at all times for all users.

BC26. The concept of understandability in this Conceptual Framework reflects that currently in IPSAS 1 appendix B. However, certain aspects have been explained more fully – in particular, that users should review and analyze the information in GPFRs with reasonable diligence. The Conceptual Framework also clarifies that in some circumstances, users may need to seek assistance to understand complex economic and other phenomena presented in GPFRs. *(Staff comment - this*

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paragraph added because this difference from/relationship to IPSAS 1 Appendix B not dealt with in CP#1)

Timeliness

BC27. IPSAS 1 Appendix B identifies timeliness as a constraint on relevant and reliable information, noting that undue delay in the provision of information may reduce its relevance and reporting on a timely basis may involve reporting before all aspects of a transaction are known, thus impairing reliability. It also explains that “In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the decision-making needs of users.”

BC28. The IPSASB is of the view that the nature of “timeliness” and the potential for timely reporting to increase the usefulness of GPFRs, signals that it is more than a constraint on information included in GPFRs, and this should be reflected as its redesignation as a qualitative characteristic in its own right. *(Staff comment - this paragraph added, because its redesignation not dealt with in CP#1)*

Comparability

BC29. The characteristics of comparability in this Conceptual Framework reflects and builds on that in the current IPSAS 1 Appendix B – in particular explaining its operation in respect of the broader scope of financial reporting. *(Staff comment - this paragraph added because this difference from/relationship to IPSAS 1 Appendix B not dealt with in CP#1)*

BC30. Some degree of comparability may be attained by maximizing the qualitative characteristics of relevance and faithful representation. That is, faithful representation of a relevant economic or other phenomenon by one entity should naturally possess some degree of comparability to a faithful representation of a similar relevant economic or other phenomenon by another entity. Although a single economic or other phenomenon can be faithfully represented in several ways, permitting alternative accounting methods for the same phenomenon diminishes comparability and, therefore, may be undesirable. Consequently, IPSASs preclude or limit the extent to which alternative accounting methods are permitted for presentation of the same economic or other phenomena.

Verifiability and supportability

BC31. CP#1 explained that verifiability encompasses, and in some cases may be described as, supportability. The term verifiability often being used in respect of quantitative information disclosed in financial statements, while supportability is linked to qualitative and prospective information disclosed in GPFRs. However, whether referred to as verifiability or supportability, the characteristic is substantially the same.

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- BC32. Some respondents expressed the view that supportability should be identified as a separate characteristic for application to information presented in GPFRs outside the financial statements. The IPSASB has responded to these concerns by identifying both verifiability and supportability as qualitative characteristics. The Conceptual Framework acknowledges that both refer to the quality of information that helps assure users that information faithfully represents the phenomena that it purports to represent. However, it also explains that verifiability applies in respect of information to be included in general purpose financial statements and supportability applies to non-financial and prospective financial information included in GPFRs. This reflects that the processes involved in their satisfaction may differ. For example, disclosure of the underlying assumptions and methodologies adopted for the compilation of prospective and other information becomes even more important for the achievement of faithful representation.
- BC33. As noted earlier in this basis for conclusion, the IPSASB will consider the applicability and operation of the qualitative characteristics when it develops IPSASs. If appropriate, it will include additional guidance on applying the characteristic of supportability to non-financial and prospective financial information as it develops and gains experience with IPSASs dealing with such matters.

Constraints on information included in GPFRs

Materiality

- BC34. IPSAS 1 Appendix B, describes materiality with similar characteristics to that described in this Conceptual Framework, but identifies materiality as a factor to be considered in determining only the relevance of information. *(Staff comment - paragraph added because difference from/relationship to IPSAS 1 Appendix B not dealt with in CP#1)*
- BC35. The IPSASB is of the view that materiality relates to, and can impact, a number of the qualitative characteristics of information included in GPFRs. For example, materiality should be considered when determining whether the omission or misstatement of an item of information could undermine the relevance, faithful representation, understandability, verifiability or supportability of financial and other information presented in GPFRs. The Conceptual Framework explains that materiality is determined in the particular circumstances of each reporting entity. Therefore, materiality differs from relevance - relevance is a general quality of information included in GPFRs and materiality relates to the circumstances of individual entities.
- BC36. Some respondents to CP #1 expressed the view that there should be additional emphasis on the significance of materiality based on the “context and nature” of the item and that relevance and materiality should be distinguished more clearly.

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- BC37. The IPSASB has responded to these concerns by clarifying that judgments about the materiality of each item are made in the context of the nature of each item and the circumstances of each entity. The Conceptual Framework also provides guidance on matters to be considered by public sector entities in assessing the materiality of particular items.
- BC38. Some respondents to CP #1 also expressed the view that the Conceptual Framework should explain that legislation may require disclosure irrespective of the cost or perceived materiality of the item. The IPSASB acknowledges, that legislation, regulation or other authority may impose financial reporting requirements on entities in addition to those imposed by IPSASs and the operation of this Framework. Preparers will need to consider such requirements as they prepare GPFRs. In particular, legislation may prescribe that particular items of information are to be disclosed in GPFRs even though they may not be judged to satisfy a materiality threshold (or cost constraint) as identified in this Conceptual Framework. Similarly, the disclosure of some matters may be prohibited by legislation because, for example they relate to matters of national security, notwithstanding that they are material and would otherwise satisfy the cost constraint. However, while a feature of the operating environment of many public sector (and many private sector) reporting entities, the impact that legislation or other authority may have on the information included in GPFRs is not itself a financial reporting concept.

Cost

- BC39. IPSAS 1 Appendix B identified the balance between benefit and cost as a pervasive constraint and explains that the evaluation of benefits and costs is substantially a matter of judgment. This Conceptual Framework also identifies cost as a pervasive constraint that standard-setters, as well as preparers and users of financial reports, should be aware of and consider when balancing the benefits of providing a new item of financial information with the related costs. Therefore, cost continues to be identified as a constraint on providing financial and other information, rather than a qualitative characteristic of that information. *(Staff comment - this paragraph added because this difference from/relationship to IPSAS 1 Appendix B not dealt with in CP#1)*
- BC40. Some respondents expressed concern that the Conceptual Framework did not explain that entities cannot decide to depart from IPSASs on the basis of their own assessments of the cost and benefits of particular requirements of an IPSAS. As noted previously in this basis for conclusions, the Conceptual Framework explains that disclosure and other requirements are prescribed by IPSASs only when the benefits of compliance with them are assessed to be greater than their costs. *(Staff comment - The introduction to the Conceptual Framework will explain that authoritative requirements are established by the IPSASs and the role of the Conceptual Framework.)*

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- BC41. Some respondents expressed concern that CP#1 does not recognize that cost benefit trade-offs may differ for different public sector entities. They note that acknowledgement of this may provide an useful principle to be applied when considering differential reporting issues.
- BC42. The IPSASB has considered whether issues related to differential reporting should be included in the Conceptual 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 IPSASB determined that it would deal with differential reporting issue in the development of individual IPSASs or in a separate project.

Balance between the qualitative characteristics

- BC43. The qualitative characteristics work together in different ways to contribute to the usefulness of information. For example, neither a depiction that faithfully represents an irrelevant phenomenon, nor a depiction that unfaithfully represents a relevant phenomenon, results in useful information. Similarly, to be relevant, information must be timely and understandable.
- BC44. In some cases, a balancing or trade-off between qualitative characteristics may be necessary to achieve the objectives of financial reporting. The relative importance of the qualitative characteristics in each situation is a matter of professional judgment. The aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial reporting.

Differences from equivalent IASB proposed framework chapter

- BC45. These qualitative characteristics have been developed after considering the qualitative characteristics proposed in the IASB Framework ED “Objective and Qualitative Characteristics” (2008). However, they differ in some respects from those proposed by the IASB, because they (a) respond to the objectives of GPFRs of public sector entities, and (b) reflect a potentially broader scope of financial reporting than the IASB has currently identified. In addition they reflect the views of the IPSASB that:

- all the qualitative characteristics are important. The relative importance of a particular qualitative characteristic in different circumstances is a matter of professional judgment. As such, it is not appropriate to identify certain qualitative characteristics as always being fundamental and others as having only an enhancing or supporting role no matter what information is being considered for inclusion in GPFRs, or the circumstances of the entity and its environment. In addition, it is questionable whether information that is not understandable or is provided so long after the event as not to be useful to users for accountability or decision making purposes could be considered as relevant information; and

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- 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 qualitative characteristics that are considered more important or fundamental in particular circumstances. For example, GPFRs of public sector entities may encompass qualitative and prospective information about service delivery objectives and outcomes over a number of reporting periods for input to assessments of trends in service delivery activities and resources committed thereto – in these cases, reporting on a consistent basis may be as important as, and cannot be separated from, faithful representation of the information.

BC46. The IASB Framework acknowledges that differences in the assessments of costs and benefits of the same reporting requirements may differ for different entities because of differences in their size or because of other factors. The IPSASB intends to deal with differential reporting issue in the development of individual IPSASs or in a separate project.

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TEXT IN FRAMEWORK ED FORMAT – STAFF DRAFT ONLY

Reporting Entity and Group Reporting

The Reporting Entity

1. *A public sector reporting entity is a government or other public sector organization, program or identifiable activity that prepares a general purpose financial report.*
2. In some cases, GPFRs of a government or other public sector organization, program, or identifiable activity will be required to be prepared by legislation, regulation or other authority. In other cases, GPFRs may be prepared on a voluntary basis.
3. Governments and other public sector organizations, programs and identifiable activities at the national, state/provincial or local government level, and international governmental organizations that are required to, or elect to, prepare GPFRs are reporting entities.
4. GPFRs are prepared to report information useful to users for accountability and decision making purposes. Consequently, a key characteristic of a reporting entity is the existence of users who are dependent on GPFRs for information about the activities of a government as a whole or particular governmental organizations, programs or other identifiable activities for accountability or decision-making purposes.
5. The factors that are likely to signal the existence of users of GPFRs of an entity or activity will include the responsibility or capacity to raise or deploy public monies, acquire or manage public assets, incur liabilities, or undertake activities to achieve service delivery objectives.
6. The government and some other public sector entities will have a separate identity or standing in law (a legal identity) – for example, public corporations, trusts that are legally distinct from trustees and beneficiaries, or a statutory authority with the power to transact and enter contracts in its own right. However, public sector entities, programs and activities without a separate legal identity may also raise, consume, deploy or manage public monies, implement government policy, or be responsible for providing services directly to constituents. Users may exist for GPFRs of these entities, programs and activities. Consequently, a public sector reporting entity may have a separate legal identity or be an organizational structure, administrative arrangement, program or activity without a legal identity.

The Group Reporting Entity

7. *A group reporting entity comprises two or more separate entities that present GPFRs as if they are a single reporting entity.*

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8. A government frequently has the power to direct the strategic financing and operating policies of one or more other entities so as to benefit from the activities of those entities. It may also be exposed to a financial burden or loss that may arise as a result of the activities of those entities. Other public sector reporting entities, including government departments, agencies or programs may also have the power to direct the strategic financing and operating policies of other entities and to benefit or be exposed to a financial burden or loss as a result.
9. A group reporting entity comprises:
 - the government or other public sector entity that currently has the power to direct the strategic financing and operating policies of other entities and to benefit, or suffer a financial burden or loss, as a result of those operations; and
 - the entities that are subject to that power.
10. Consistent with the objectives of financial reporting, GPFRs are prepared to provide information about a reporting entity that is useful to users for accountability and decision making purposes. For accountability purposes and as input for decision making, users will require information about all the resources and activities that a government (or other public sector entity) has the power to direct, including those it can direct through other entities, when the results of such direction can generate benefits for it or expose it to a financial burden or loss.
11. Therefore, when GPFRs are prepared for a group reporting entity, they will present information about all the resources of the entities that make up that group, claims to those resources, and other aspects of the financial position, performance and achievements of those entities during the reporting period as if they are a single reporting entity. They will also provide qualitative and prospective financial and other information as required by IPSAS.
12. In some cases, legislation or other authority will require the preparation of GPFRs that present information about a whole of government or other public sector group reporting entity (such as a government ministry or sector) as if they were a single entity. In other cases, GPFRs of a public sector group reporting entity may be prepared voluntarily.
13. As for individual reporting entities, a key characteristic of a group reporting entity is the existence of users who are dependent on GPFRs for information about the entities and activities that comprise the group.

Benefits and financial burden or loss

14. The benefit derived by the entity that has the power to direct the strategic financial and operating policies of another entity may be in the form of rights to a distribution of the surpluses of the other entity (such as a dividend from a GBE), or to residual benefits if that entity is dissolved. The benefit may also be in the

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form of an ability to direct the other entity to work with it to achieve its service delivery objectives including, in the case of a government or government department or program, provision of services to constituents.

15. The financial burden or loss will arise when the entity that has the power to direct the strategic financial or operating policies of another entity is legally obligated, or has otherwise assumed the obligation, to finance the deficits or provide financial support to that other entity, or to settle its residual liabilities if it is dissolved.

The power to direct strategic financing or operating policies

16. In some cases, a public sector entity may have the power to direct the strategic financing and operating policies of another entity in the capacity of a regulator, trustee, or agent. However, it may be unable to exercise that power to increase the benefits it receives from that other entity or to decrease or otherwise influence the financial burden imposed on it by the other entity. In other cases, a public sector entity may benefit, or be subject to a financial burden/loss, from the activities of an entity whose strategic financing and operating policies it cannot govern. In each of these cases, the nature of the relationship between the entities is such that presenting GPFs for them as if they are a single reporting entity will not achieve the objectives of financial reporting.
17. The power to direct the strategic financing and operating policies must be presently exercisable. The power is presently exercisable even if the entity that possesses it chooses not to exercise it during the reporting period (and has not done so in prior periods). However, the power is not presently exercisable if it requires changes in legislation, renegotiation of agreements or changes in ownership rights to be effective.

Jurisdictional differences

18. IPSASs apply across jurisdictions that adopt different forms of government and different institutional and administrative arrangements for delivering services. IPSASs that give authority to the principles for determining the whole of government or other public sector group reporting entity will need to respond to operational and implementation issues that may arise in different jurisdictions.

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Basis for Conclusions in Framework ED form

This Basis for Conclusions accompanies, but is not part of, the Conceptual Framework. It provides additional background to the concepts reflected in the Framework. It also summarizes the major issues and considerations of the IPSASB as it developed this Exposure Draft, noting in particular changes from the Preliminary Views identified in the Consultation Paper and the reasons for those changes.

The Reporting Entity

Which entities and activities are reporting entities

- BC2. 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, government corporations and other entities 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.
- BC3. This Conceptual Framework does not identify which governments or other public sector entities, programs or activities should be identified as a reporting entity or group reporting entity. The IPSASB is of the view that this is not the function of the Conceptual Framework. Rather, entities or activities that are to prepare GPFRs 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. In addition, some entities or activities may voluntarily elect to prepare GPFRs.
- BC4. The IPSASB is of the view that the role of the Conceptual Framework is to identify the key characteristics that a reporting entity is likely to possess. Characteristics which should be considered in determining which governments and other public sector entities or activities should prepare GPFRs.
- BC5. The key characteristics of a reporting entity identified in this Conceptual Framework are derived from, and are consistent with, the objective of financial reporting. The objectives of financial reporting are to provide information about the reporting entity that is useful to users for accountability and decision making purposes. Consequently, the key characteristic of a reporting entity is the existence of users who are dependent on GPFRs of the entity, program or other activity for information for accountability and decision making purposes.

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Separate legal identity

- BC6. The Conceptual Framework confirms that a public sector reporting entity need not have a separate legal identity. Having a separate legal identity will remove any doubt about the separate existence of the organization and its right to, for example, raise funds, own assets, incur liabilities and use assets consistent with the terms of its operating mandate as specified in legislation, regulation, or other enabling authority. However, many administrative units (such as government departments), or integrated or related groups of identifiable activities directed at the provision of particular services (such as government programs) do not have a separate legal identity – for example, they cannot enter into contractual arrangements with third parties. These administrative units and activities may be responsible for raising and using public monies and managing public resources. They are often separately accountable to the legislature. Where users exist for GPFRs of such administrative units, programs or other identifiable activities, they may be identified as a public sector reporting entity.
- BC7. While many respondents supported the characteristics of a reporting entity as proposed in the Consultation Paper, some expressed concern that 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 were, in broad terms:
- the existence of identifiable transactions or economic (or other) activities undertaken by the administrative unit or program; or
 - assets or liabilities of the entity or program, for which it should be accountable and/or which have significance for decision making purposes.
- BC8. The IPSASB appreciates that preparation of GPFRs is not a cost-free process and judgment will be necessary in ensuring that insignificant entities are not identified as reporting entities and, consequently, required to prepare GPFRs. The IPSASB has responded to the concerns of respondents by including additional guidance on the factors that are likely to signal the existence of users of GPFRs. In the absence of these factors it is unlikely that users of GPFRs of these entities or activities will exist. It is anticipated that these matters will be considered by the legislature or other authority in designating particular public sector entities, programs or other identifiable activities as reporting entities.

The Group Reporting Entity

- BC9. The Conceptual Framework does not identify which groups of public sector entities should be required to present GPFRs as if they are a single reporting entity. The IPSASB is of the view that, as for individual reporting entities, this will be specified by legislation, regulation or other authority in each jurisdiction. In addition, some entities or activities may voluntarily elect to prepare GPFRs.

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BC10. The Conceptual Framework identifies which entities may be included within a group reporting entity – that is, it identifies how the boundary of a group reporting entity should be determined. The IPSASB is of the view that to respond to the objectives of general purpose financial reporting, it is necessary that GPFRs that purport to present information about a group reporting entity in accordance with IPSASs, present information about all the entities that comprise that group as identified in this Conceptual Framework.

Determining the group reporting entity

BC11. In developing its Preliminary View in CP#1, the IPSASB considered a wide range of potential bases for determining the composition of a public sector group reporting entity, including those described as the “control basis,” “accountability basis,” and “oversight and substantial influence”. Other bases sometimes identified also include the “majority of risks and rewards basis,” “common control basis,” “operations covered by a public budget,” and “operations with a similar function or purpose.”

BC12. Many of these bases have common features and, in some cases, GPFRs prepared consistent with one basis can present information about the resources, obligations, and activities of a group reporting entity that is similar to a group identified under other bases. However, the bases also differ in some respects, and can have different meanings in different jurisdictions. Consequently, the IPSASB determined that the Conceptual Framework should identify the circumstances that justify inclusion of an entity or activity within a public sector group reporting entity, without designating those circumstances as reflecting a control, accountability, oversight, or some other basis.

BC13. Consistent with the principles identified in the Conceptual Framework, a group reporting entity may comprise a government and all the statutory authorities, government business enterprises and other entities it can direct for its benefit or which expose it to a potential financial burden or loss. A group reporting entity may also constitute a ministry or a substantial sector of government – for example, a government department and all the agencies and statutory authorities whose strategic financing and operating policies it can direct.

BC14. The Conceptual Framework refers to the power to direct the strategic financing and operating policies of another entity. The term “strategic financing and operating policies” is used to refer to the overall financial and operating objectives of the entity and the broad policies and plans intended to achieve them. This means that to qualify for inclusion within a group reporting entity it is not necessary that the government or other public sector entity have the power to direct all technical, administrative and other aspects of the day to day financing, service delivery and other operations of another entity.

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The power to direct the operations of other entities

- BC15. The power to direct 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 a government's (or other public sector entity's) right to appoint or dismiss the majority of the voting members of the governing body of another entity. In the case of GBEs and other entities that adopt a corporate structure, it may arise when the government (or other public sector entity) holds a majority shareholding or other equity interest that confers rights to direct the financing and operating policies of that other entity.
- BC16. CP#1 identified the government's (or other entity's) power to govern the strategic financial and operating policies as one of the criteria to be satisfied for inclusion in a group reporting entity. Some respondents to CP#1 expressed concern that use of the term "power to govern" may be interpreted as "power to regulate", and this may result in the inclusion of additional and unintended entities in the group reporting entity. The IPSASB has responded to this concern by using the term "direct" which better reflects the notion intended.

Application of the principles in particular circumstances

- BC17. CP#1 included the IPSASB's views on application of the principles to a number of circumstances including the composition of the whole of government group reporting entity in different forms of government, and whether a whole of government group reporting entity would include, for example:
- public sector organizations with statutory or constitutional authority to be professionally independent. Particularly, where they are fully or substantially funded by public monies and subject to budget oversight; and
 - statutory authorities, GBEs, sovereign wealth funds and a range of what are known in some jurisdictions as special purpose entities.
- BC18. Many respondents to the consultation paper agreed with the broad conclusions being reached by the IPSASB about the application of the concepts in the circumstances dealt with. However, they also expressed concern that these were matters that were more appropriately addressed and resolved at the standards development level. Some respondents also expressed concern about some potential implications of the application of the criteria to circumstances that were not specifically addressed in CP#1, including the relationship between national and state or provincial governments in some jurisdictions.
- BC19. The IPSASB found these concerns persuasive and has reconstructed its discussion of the reporting entity and group reporting entity to focus on the underlying principles. Specific applications will then be dealt with at the standards development level. This will ensure that the circumstances of particular

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jurisdictional are acknowledged as authoritative requirements that give effect to the principles identified in the conceptual framework are developed.

- BC20. Similarly, the Conceptual Framework does not specify the basis on which financial statements for a group reporting entity are to be prepared, including for example whether and in what circumstances consolidated, combined or other financial statements should be prepared for a group reporting entity or components thereof, and the techniques to be adopted in compiling such statements. The IPSASB is of the view that these are also matters that should be dealt with at the standards level.

Jurisdictional differences

- BC21. In centralized or planned economies, governments may have the power to direct 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. If GPFRs were prepared for the whole of government group reporting entity in these jurisdictions, 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.
- BC22. In some market economies, national governments may have the power to direct the strategic financial and other operations of state, provincial and/or local governments and to benefit, or suffer a financial burden or loss, as a result of their activities. If GPFRs were prepared for whole of government group reporting entity at national level in these jurisdictions they may encompass all levels of government.
- BC23. Whether or not GPFRs for the whole of government group reporting entity in these circumstances will provide information useful to users for accountability and decision-making purposes will need to be considered in developing authoritative requirements in each jurisdiction. In these jurisdictions, users may exist for GPFRs prepared in respects of a subgroup of the entities or activities that comprise a group reporting entity, and legislation, regulation or other authority may require GPFRs to be prepared in respect of them.

The Reporting Entity and Group Reporting Entity in the System of National Accounts and Statistical Bases of Financial Reporting

- BC24. The focus of the System of National Accounts (SNA 2008) is on reporting by the general government sector which comprises national, state and local government in any country. It also provides for reporting by the public sector which comprises non-profit entities and public corporations. This focus is reflected in the Government Finance Statistics Manual 2001 (GFSM 2001), the European System of Accounts (ESA 95) and other statistical financial bases derived from it.

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- BC25. Explanations of what constitutes a reporting entity and group reporting entity in this Conceptual Framework differs from the description of a public sector unit and the general government sector identified in SNA 2008. The definition of a government business enterprise (GBE) in IPSASs and public corporations in SNA 2008 also differ. However, the circumstances that give rise to the inclusion of an entity in a group reporting entity under this Conceptual Framework and the inclusion of a public sector unit in the general government sector or public sector under SNA 2008 are substantially the same. *(Staff note – subject to confirmation by IPSASB IMF observer.)*
- BC26. The IPSASB received input from the statistical financial reporting community as it developed CP #1. It will continue to work closely with that community as it develops its Conceptual Framework to ensure that unintended differences in the concepts applicable to the preparation of GPFRs and to statistical financial reports do not arise. However, the IPSASB and its colleagues in the statistical financial reporting community recognize that the objectives of GPFRs as established by the IPSASB and the objectives of national accounts as dealt with in the System of National Accounts 2008 (SNA 2008) may differ in some respects, and this will be reflected in underlying concepts and specific financial reporting requirements where appropriate.

The Reporting Entity and Group Reporting Entity in the IASB Framework.

- BC27. The IASB is moving towards finalization of an Exposure Draft of the reporting entity component of its Conceptual Framework. It is anticipated that the IASB-ED will propose that a reporting entity be described as a circumscribed area of economic activity whose financial information has the potential to be useful to the primary user group for achieving the objectives of financial reporting. As such, a reporting entity is not limited to only a legal entity. It may comprise a component of a legal entity, or more than one legal entity. *(Staff note – to be updated as necessary when the IASB ED is released).*
- BC28. It is also understood that the IASB exposure draft will identify a group reporting entity as comprising an entity and all other entities it controls, and explain that control of an entity refers to one entity currently having the power to direct the activities of another entity to generate benefits (or limit losses) for itself. The boundary of a group reporting entity will therefore be determined on the basis of control of an entity. It is also anticipated that the ED will specify that a group reporting entity should be reported as a single reporting entity if there are users of its financial information, and will explain that:
- parent only financial statements may be prepared and presented together with consolidated financial statements;
 - consolidated financial statements include information about a controlling entity and all entities it controls; and

Note: This is a first draft and does not necessarily reflect IPSASB views on all matters addressed herein. It includes some matters that are still the subject of IPSASB discussion.

- combined financial statements may be prepared to present information about two or more entities that are included within the group reporting entity but do not include information about the controlling entity.

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 4 - The Objectives of Financial Reporting
- 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

This attachment is the same as that previously considered at the December 2009 meeting except that the summary of responses to PV4, has been added. As directed at the May 2009 meeting, staff views on whether responses to PVs constitute support or otherwise have been removed.

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

Note, 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 in the attached 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 designed to meet the common information needs of a variety of external users.
06	Controller and Auditor-General - New Zealand	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. 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.”
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 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

	NAME	COMMENT – Preliminary View 2 (GPFRs)
		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.
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

	NAME	COMMENT – Preliminary View 2 (GPFRs)
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.
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.

	NAME	COMMENT – Preliminary View 2 (GPFRs)
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".
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

	NAME	COMMENT – Preliminary View 2 (GPFRs)
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 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	<i>No view expressed on this issue</i>
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 require 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
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

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
		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 Indiv	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.
08 MOF	The Treasury - New Zealand	<u>Primary/major user - Authorizers (citizens, voters, taxpayers) rather than clients (service recipients, government practitioners).</u> We propose that the users of general purpose financial reports should be considered to be authorisers rather than

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
		<p>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 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</p>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
		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. From comments on Chapter 2 and PV3... 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: “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?”</i>
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: “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 could be given that financial reporting is aimed at one user group.”</i>)

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
16	Institute Chartered Accountants & CSAAG - Sierra Leone	<u>Does not identify a primary user group. Supports IPSASB PV3.</u> See PV2. Staff comment - Notes terminology of GPFRs should change to reflect broader notion of reporting.
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. Staff comment – response to PV 2 clarifies reason is obligations under democratic process: “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, we feel that your preliminary view does not clearly identify the public as the major user of GPFRS. As

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
		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 certainly effective in grouping users into few manageable categories, it may not be equally effective in

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
		<p>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>
26	Joseph S. Maresca	<p><u>Does not identify a primary user group.</u></p> <p>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"</p>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
27 A-G	French Regional Court of Audit in Ile-de-France	<u><i>Does not identify a primary user group.</i></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><i>Primary/major user - legislature acting in the interests of the electorate.</i></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><i>Elected representatives and advisors thereto in a democracy – broader groupings in other forms of government - PV3 with refinement/clarification.</i></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><i>No view expressed.</i></u>
31 MOF	General Directorate of Public Finance – France local/ regional & state	<u><i>Primary/major user - parliaments and legislature and supreme audit institutions.</i></u> 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

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
		<p>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 approach 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. 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 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.</p>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
33	Bouchat-Goubert-Baumann	<u><i>Does not identify a primary user group but notes potentially wider range of users.</i></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><i>Does not identify a primary user group - supports IPSASB PV3 with refinement and addition: users to be grouped as resource providers or service recipients.</i></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><i>Primary/major user - civil society and their elected representatives. Also other users.</i></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><i>Primary/major user - legislature (regulators identified as an interested party).</i></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><i>Does not identify a primary user group.</i></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><i>No view expressed.</i></u>
39 A-G	Audit Commission - UK	<u><i>Primary/major user - ‘funders and financial supporters’.</i></u> 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.

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
		<p>In the UK, the Treasury issues a Financial Reporting Manual (FRM). 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>
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</p>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
		<p>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; (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>
45 MOF	Ministère Affaires municipales du Québec - Canada	<p><u>No view expressed on this particular issue – raises issues about scope and QCs.</u></p>
46	Provincial Comptroller Saskatchewan - Canada	<p><u>No view expressed on this particular issue – raises issues which focus on scope and reporting entity and notes general support for consultation paper otherwise</u></p>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
47	Institut der Wirtschaftsprüfer - Germany	<p><u>Does not identify a primary user group - supports IPSASB PV3 approach (notes legislature represents constituents and therefore is a major user).</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>Primary/major user - citizens and consequently parliament. GPFRs respond to their information needs</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 activities. The information is also intended for international public institutions, capital markets and investors in debt securities”. That definition seems to be relevant.</p>

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
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 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

	NAME	COMMENT– Preliminary View 3 (Users of GPFRs) Bolding added by staff to highlight reasons for view re primary users or not
		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	<i>No view expressed on this particular issue</i>
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 4- The Objectives of Financial Reporting (following paragraph 2.22)

The objectives of financial reporting by public sector entities are to provide information about the reporting entity useful to users of GPFRs for:

- accountability purposes; and
- making resource allocation, political and social decisions.

	NAME	COMMENT - Preliminary View 4 (objectives)
01	UK Accounting Standards Board	... both accountability and decision-usefulness should form part of the objectives of financial reporting. That said, it is probable that the relative emphasis between them varies depending on the nature of the report concerned...One might take the view, for example, that accountability suggests financial statements should report the actual outturn on pension scheme assets but that in the Management Commentary an expected return measure could be reported because it is thought to be a more appropriate basis for decision making. IPSASB should consider whether this potential difference in emphasis should be acknowledged in the Framework.
02	Australia Joint Accounting Bodies	The Joint Accounting Bodies support the proposed objectives of financial reporting. We consider that the accountability objective adequately addresses the issue of stewardship.
03	Australian Department of Finance and Deregulation	The Department also believes that the users identified by the IPSASB for GPFRs are inappropriate in their current form. ...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.
04	New South Wales Treasury	NSW Treasury agrees. Also, arguably, accountability should be a separate objective for both public and private sector entities. ...However, the differences between the proposed IASB Framework and the IPSASB Framework could be minimised, without significant effect, by encompassing 'political and social decisions' as part of 'accountability'. Alternatively, the second dot point could say just 'making decisions' (without explicitly saying the type of decisions), which is consistent with the proposed IASB Framework.
05	Staff PSAB - Canada	We do not fully agree with the way in which the objectives of general purpose reporting have been expressed in preliminary view 4. In our view, the primary objective of general purpose reporting by public sector entities is to provide information useful for accountability purposes. The decision-making objective is very much a secondary objective in our experience. We believe the decision-making objective needs to be down-played, particularly for citizens.... There are unlikely to be decisions made by citizens as a result of public sector entities general purpose reports. In our view there is a tenuous link at best and probably none at all between public sector entities general purpose reports and citizens decisions such as voting where to live schooling for children and health providers. ...As a result of our comments above we suggest that preliminary view 4 could be reworded as follows 'The object ye of general purpose reporting (or general purpose financial and non-financial reporting) by public Sector entities is to provide people general information about the entity that can be used primarily to hold the entity to account and also to help make a range of decisions.'

	NAME	COMMENT - Preliminary View 4 (objectives)
06	Controller and Auditor-General - New Zealand	We do not fully agree with the way in which the objectives of general purpose reporting have been expressed in preliminary view 4. In our view, the primary objective of general purpose reporting by public sector entities is to provide information useful for accountability purposes. The decision-making objective is very much a secondary objective in our experienceIn our view there is a tenuous link at best and probably none at all between public sector entities general purpose reports and citizens decisions such as voting where to live schooling for children and health providers. The Government as a representative of citizens may use public sector entities general purpose reports for decision making. However, the Government has the ability to access other information.
07	R Hodges - University of Sheffield	I support the Objectives of Financial Reporting considered in PV4. This section seems to me to lie at the heart of the way that public sector entities should be reporting activities. The statement that accountability represents an explicit and primary objective of GPFR of public sector entities is to be welcomed and gives the IPSASB Framework potential to promote a holistic approach to public sector reporting. In contrast, the absence of entity accountability as a primary objective represents a fundamental weakness of the proposed IASB framework as a basis for reporting by public sector entities.
08	The Treasury - New Zealand	Treasury is unsure whether referring separately to resource allocation, political and social decisions is appropriate. Most political decisions, and decisions that have social impact, involve resource allocation. However for those that do not, it is difficult to see the connection to or use for financial reports. This point does not appear to be addressed in the consultation paper and the Treasury would be comfortable if the second objective was limited to resource allocation decisions alone.
09	Office of the Scottish Charity Regulator	<i>Does not comment on PV 4.</i>
10	United Nations Task Force-Accounting standards	Agree
11	Swiss Public Sector Financial Reporting Advisory Committee	The last bullet point should be more specific: “making political, social and <u>economic</u> decisions, <u>for 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°4 with qualification (see also comments on overall view above). The "conventional" financial statements have their limits if you want to assign targets to which they are not designed. It is proposed that the General Purpose Financial Reports provide information other than those issued by the financial statements. This information would be non-financial, prospective, from other sources such as national accounts, etc.... The conceptual framework must distinguish the sources and methods under which each type of information issued focusing at first on the principles governing the preparation of financial statements.
13	Finnish State Accounting Board	Such definition of objectives is obviously unrealistic, because for accountability purposes information is needed about the facts that have occurred. On the other hand, forecasted information is needed for decision-making purposes. As a result, one of these purposes must have priority in the IPSAS13 Framework.

	NAME	COMMENT - Preliminary View 4 (objectives)
14	Institute of CPAs in Ireland	In relation to the use of the term ‘accountability purposes’ we suggest that this term should be changed to ‘accountability purposes in relation to stated objectives’ so that there is a clear link that they are being held accountable as to whether or not they have met their stated objectives.
15	Institute of Chartered Accountants of Scotland	In View 5, the IPSASB sets out its view that “prospective financial and other information” forms part of the scope of financial reporting therefore we can see why IPSASB places equal weight on accountability and decision-making usefulness. However, we believe that the scope of financial reporting should be narrower than set out in View 5 and that “prospective financial and other information” should be excluded. Given this view, we believe that the accountability objective should be given more weight than decision-usefulness in a financial reporting framework for public sector entities.
16	Institute Chartered Accountants & CSAAG - Sierra Leone	Given the increasingly worrisome evidence of the global and local “impacts” of the decisions and activities of the public sector (it is noted that the private sector also has a major role) in the destabilisation and degrading of the natural environment, we believe that it would be remiss not to mention this aspect of “impact” measurement within the objectives of accountability reporting. This is particularly appropriate as the evidence indicates that the impacts will have major economic and financial ramifications in the medium to long term.
17	Ministry of Finance - Netherlands	Allocation decisions in public sector are primary made by the democratic authorities as the national parliament and local councils. This decision process takes place based on the budget and should not be realized by the annual report. ... As a result of the statement above and our view on Preliminary views 2 and 3 the objectives should be classified. Decision-making by the politicians and accountability by the acting Ministers to the parliament are in our opinion the primary objectives. Other objectives which can also be achieved together should be classified as secondary
18	Australasian Council of Auditors-General	ACAG supports this preliminary view.
19	Ontario Ministry of Finance - Canada	Since accountability to the public is the primary focus of financial reporting, it is necessary to have a conceptual framework that supports effective fiscal policy, decisions. Accounting standards should not result in decisions which are contrary to the public’s best interest. We therefore recommend that the second objective be modified to eliminate references to political and social decisions and instead reflect the objective of supporting effective fiscal policy (resource allocation) decisions as a secondary objective of financial reporting.
20	Provincial Comptroller of Manitoba - Canada	We agree that the over-riding objective of government financial reporting is to support public accountability, and that financial reporting standards should support fair reporting of the economic substance of historical transactions. However, we do not agree that resource allocation or political and social decisions should be based on GPFS.
21	The Swedish Council for Municipal Accounting	Approved.
22	Accounting Standards Board - South Africa	We support these objectives, but believe that there may be a different emphasis in meeting the objectives in different reports of the GPFRs. Resource allocation may be demonstrated in the financial statements, while the

	NAME	COMMENT - Preliminary View 4 (objectives)
		report on achievement of service delivery objectives, may demonstrate accountability. All the reports need not demonstrate achievement of both objectives.
23	Jean-Bernard Mattret	I agree with preliminary view 4, but it seems necessary to modify the title of financial reporting. The title amended could be “Reporting” alone.
24	Italian Academics (4)	We share the IPSASB’s views... At the same time, we feel that the Board should better clarify what specific features of financial reporting should stem from the accountability objective. In other words, what features will be required that wouldn’t be if the sole objective were decision usefulness?
25	Financial Reporting Standards Board - New Zealand	The FRSB is of the view that information for accountability purposes is not stand alone but is a component of decision-useful information. ... We agree that information for accountability purposes is an important component of the information that should be provided in financial reports. However, there is no point in reporting information to discharge accountability if that information is not also decision-useful. Information for accountability must lead to some form of decision if it is to be useful in any way. ..
26	Joseph S. Maresca	<i>Does not comment on PV4 - the objectives of financial reporting.</i>
27	French Regional Court of Audit in Ile-de-France	<i>Does not comment on PV4 but notes ...According to the right of inhabitants to be informed, financial information reports are available in the local public area</i>
28	FEE	We consider that accountability is primary, and using this term helpfully draws attention to the requirement to ‘report’ on the stewardship of public resources. We also consider that it is useful to use a different term to stewardship to signal the special character of public sector reporting in this regard. ... while we consider that economic, efficient and effective use of resources is a key concern of public sector managers and accountants, it is less clear that this lends itself to a standardised reporting treatment, and we would note that many jurisdictions approach these issues through assessment and oversight bodies rather than standardised reporting.
29	Dutch Local Government Accounting Standards Board	We strongly agree with the inclusion of accountability and decision usefulness objectives. But it is important to recognize the limitations of financial reporting, and we agree that financial reporting cannot be expected to provide all the information which users might require for accountability purposes.
30	Martin Dees - Netherlands	In my opinion, accountability is a concept of fundamental importance to external reporting by public sector entities, which could be addressed more thoroughly and independently in the framework.
31	General Directorate of Public Finance – France local/ regional & state	<i>Does not comment on PV4 but notes...</i> The objectives and scope of financial reporting that constitute Phase 1 of the conceptual framework project are strongly dependent on first addressing Phases 2 "Definition and recognition of the 'elements' that are reported in financial statements" and 3 "Consideration of the measurement basis (or bases) that may validly be adopted for the elements that are recognized in the financial statements"
32	Ernst & Young	From the perspective of the information users it would be helpful to define the term "social decisions" more specifically.... In addition, we would like to <i>see</i> an (adapted) reference to the key features of the objectives of GPFs proposed by the IASB (as outlined in CP 2.8).

	NAME	COMMENT - Preliminary View 4 (objectives)
33	Bouchat-Goubert-Baumann	In order to make these objectives more specific, it would be useful to limit the scope of financial reporting (in other terms, the Limitations of GPFRs deserve a preliminary view, as well).
34	Association of Chartered Certified Accountants - UK	We very much support the greater prominence given by this draft CF for accountability (stewardship) as well as economic decision-making. We believe that, despite the different context, IASB should give accountability a similar prominence in their framework. The explanation of the objectives should be coherent. For example Paragraph 2.14 mentions lenders and creditors for the first time, but their decisions and resulting information needs are not then referred to anywhere else.
35	Michael Parry	The objective of GPFRs is to provide information about the reporting entity in terms of fiscal management, resource allocation, compliance, material frauds or losses in (a) manner to facilitate transparency, accountability and civil society participation in governance of the entity.
36	Treasury of Hong Kong Special Admin. Region	<i>Does not comment on PV 4</i>
37	Federación Argentina de Consejos Profesionales de Ciencias Económicas	<i>Agrees with PV 4</i> ...Governments do not manage their funds, but funds from the public that gives them a mandate for efficient administration and demands to see through the "Accountability" if the resources were used economically, efficiently and effectively and in line with approved budgets and other authority that justifies the increase and use of those resources; therefore the first objective is "Accountability"....Decision-making: users of financial information from government agencies both internal and external, need reliable and timely information for decision making
38	Statistics Canada	No comment on PV4.
39	Audit Commission - UK	We feel that the objective of ‘accountability’ in the Preliminary View should be replaced by ‘stewardship’, or further defined to clearly include stewardship, recognising the public sector organisations’ accountability for the proper stewardship of funds raised by compulsory taxation. The second objective should in our view be amended to clarify that the objective is for <i>informing</i> rather than <i>making</i> resource allocation decisions. Financial reporting will be one source of information used by decision makers.
40	Comptroller General British Columbia - Canada	We believe that the primary objective of financial statements is accountability; we do not agree that financial statements are used to make resource allocation, political or social decisions. Resource allocations are made in the annual budget process when next year’s resource allocations are determined well in advance of the end of the previous reporting period....
41	Office of Auditor General of Canada	We agree with this view.
42	CIPFA - UK	We strongly agree that the Framework objectives need to reflect on the usefulness of information for both accountability purposes and decision making. <i>Some contributors to the response...</i> stressed the relatedness of the two objectives.... Other UK contributors took a contrasting position, suggesting that the main objective of financial reporting is accountability or stewardship, and that decision-usefulness (except inasmuch as it

	NAME	COMMENT - Preliminary View 4 (objectives)
		supported accountability) was less important.
43	Financial Reporting Advisory Board-UK	The Board agrees this view, with particular emphasis on the importance attached to accountability (stewardship) in the public sector context, particularly related to general purpose financial statements.
44	Australian Accounting Standards Board	However, the AASB disagrees with referring to providing information useful for making ‘resource allocation, political and social decisions’.... Instead, the AASB recommends referring to ‘policy and resource allocation decisions’ in the objectives of GPFRs of public sector entities; ...
45	Ministère Affaires municipales du Québec - Canada	<i>Does not comment on PV4.</i>
46	Provincial Comptroller Saskatchewan - Canada	<i>Does not comment on PV 4 but notes ...</i> Generally, we agree with the preliminary views presented in the Consultation Paper.
47	Institut der Wirtschaftsprüfer - Germany	Additionally, we would like to have an (adapted) reference to the key features of the objectives of GPFR5 proposed by the IASB (as outlined in CP 2.8). Bearing in mind that private sector resource providers (such as lenders and creditors) are included in the group of users of public sector GPFRs....
48	Cour des Comptes - France	We agree.
49	Swedish National Fin. Management Authority	We strongly support the deviation from the objectives set out in IASBs work. Of particular importance is the emphasis put on accountability. As already pointed out we do not believe in a prospective objective but as in exceptional cases and as historic material for calculations and forecasting.
50	North West Territories Finance - Canada	Using GPFRs to demonstrate accountability is appropriate when reviewing historical cost information that is usually presented in audited financial statements. Using GPFRs to evaluate economy, efficiency and effectiveness need to be detailed to reflect the specific service provided or resource used; therefore, these types of reports would not be “General Purpose” in nature and would focus mainly on non-financial measures.
51	GASB Staff	We strongly support the preliminary view regarding the objectives of financial reporting. Accountability to taxpayers, because of the confiscatory nature of taxation, and to fee payers, because of the monopolistic nature of most government activities where user fees are charged, are just two examples that clearly distinguish the publicsector from the vast majority of private sector activities.
52	Heads of Treasury Advisory- HoTARAC - Australia	HOTARAC believes that stewardship and accountability are two distinct concepts and the IPSASB should discuss the stewardship of resources separately from accountability.
53	Comptroller of Finance Québec- Canada	The financial statements must provide an accounting of resource allocation rather than present information for decision-making purposes on political and social issues. Other sources of information are available for these purposes.
54	P Vehmanen	The problem lies with the extensiveness of these objectives. Accountability is related with the past, or more specifically, with the control of the managerial actions taken in the past while decision-usefulness is related with the future, that is, with the usefulness of information in forecasting relevant outcomes of future

	NAME	COMMENT - Preliminary View 4 (objectives)
		phenomena. There is a clear tension between these two perspectives. It is not practicable to construct the financial statements of an entity without giving the priority to one perspective or the other. It should be explicitly said which perspective is used in preparing these “general purpose” financial statements and which perspective is then accounted for by supplying additional information.
55	Japanese Institute of CPA	... public sector entities are accountable both to those who provide them with resources and to those who receive their services. Therefore, the objectives of financial reporting by public sector entities are to provide useful information not only for users to make decisions, but also to discharge public sector entities from accountability. However, since “making resource allocation” means “public sector entities deciding how to allocate the resources provided,” and “providers of resources deciding how to allocate their resources (economic decision making)”, we think the IPSASB should clarify the definition.
56	KPMG International	We agree with this preliminary view. We believe the accountability as an objective of financial reporting is a key concept for public sector financial reporting. While accountability also is important for private sector entities, we believe that it plays a more prominent role for public sector entities. However, whilst accountability should be a key focus we also believe that cash flow information has relevance for public sector entities. We are concerned that emphasising only accountability fails to recognise the importance of information regarding cash flow and financial performance. As all entities have to be able to fund their promises, we believe that cash flow and performance information also is relevant and we encourage the IPSASB to incorporate reference to them in its objectives.
57	International Atomic Energy Agency- IAEU	<i>No comment on PV4.</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	<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. 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
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.
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’

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
		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 [differential reporting] 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.
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

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
12	Ministry for Budget, Public Accounts and Civil Service- France	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. 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).
13	Finnish State Accounting Board	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> .
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.
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

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
		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 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

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
		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	<i>No specific comment on this PV however notes</i> “local authorities have to provide reliable information and indicators to assess impact of their action...”
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	<i>No comment on this PV.</i>
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 GPFs 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 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</i>

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
		<i>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 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

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
		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 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

	NAME	COMMENT - Preliminary View 7 (Qualitative Characteristics)
		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...[also]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 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	<i>No comment on this PV.</i>

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	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. 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.
02	Australia Joint Accounting Bodies	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.
03	Australian Dep. Finance and Deregulation	<i>Agrees with response 52</i>
04	New South Wales Treasury	NSW Treasury agrees.
05	Staff PSAB - Canada	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.
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-

	NAME	COMMENT – Preliminary View 8 (Reporting Entity)
		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 non4inancial 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</u> in the area of resource allocation or taxation.”
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.
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”.

	NAME	COMMENT – Preliminary View 8 (Reporting Entity)
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.
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

	NAME	COMMENT – Preliminary View 8 (Reporting Entity)
		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	<i>Did not express a view expressed on this particular PV.</i>
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
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.

	NAME	COMMENT – Preliminary View 8 (Reporting Entity)
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 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.

	NAME	COMMENT – Preliminary View 8 (Reporting Entity)
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	<i>Did not express a view on this particular PV.</i>
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 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	<i>Did not express a view on this particular PV.</i>

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	NSW Treasury agrees with the Preliminary View above; however, we have difficulties with some of the wording, as follows: -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. - 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. - 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”. ...
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.
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.

	NAME	COMMENT – Preliminary View 9 (Composition of the group reporting entity)
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 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>

	NAME	COMMENT – Preliminary View 9 (Composition of the group reporting entity)
11	Swiss Public Sector Financial Reporting Advisory Committee	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.
12	Ministry for Budget, Public Accounts and Civil Service- France	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. ... 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)..... 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? 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.
13	Finnish State Accounting Board	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.
14	Institute of Certified Public Accountants in Ireland	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.
15	Institute of Chartered Accountants of Scotland	... 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’. 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.
16	Institute Chartered Accountants & CSAAG - Sierra Leone	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.

	NAME	COMMENT – Preliminary View 9 (Composition of the group reporting entity)
17	Ministry of Finance - Netherlands	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
18	Australasian Council of Auditors-General	ACAG supports this preliminary view.
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 compromise 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>
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

	NAME	COMMENT – Preliminary View 9 (Composition of the group reporting entity)
		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.
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	No comment on PV 9
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	Considering the specific matter of whole of government entities, we accept that the control based approach is

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	Board	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 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	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 <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>
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.)

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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.
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. (<i>Staff comment – also identifies a range of issues that could be clarified in this separate project.</i>)
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

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		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 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.

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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	<i>No View expressed on this PV</i>
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 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	<i>No view expressed on this PV</i>