



**INTERNATIONAL FEDERATION
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Agenda Item

8

Date: June 18, 2010
Memo to: Members of the IPSASB
From: John Stanford and Jing Wang
Subject: Reporting on the Long-Term Sustainability of Public Finances

Objectives

1. The objectives of this session are:
 - To consider the responses to the Consultation Paper, ‘Reporting on the Long-Term Sustainability of the Public Finances’; and
 - To provide directions on the next stage of the project, specifically whether an Exposure Draft (ED) of guidance on reporting on the long-term sustainability of the public finances should be developed.

Agenda Material

- 8.1 Consultation Responses (posted on internet)
- 8.2 Consultation Paper, ‘Reporting on the Long-Term Sustainability of Public Finances’
- 8.3 Summary and Categorization of Respondents’ Overall Comments, Views on Preliminary Views and Staff Views
- 8.4 Analysis of Respondents by Geographic Location, Function and Language

Background

2. The Consultation Paper (CP), “Reporting on the Long-Term Sustainability of Public Finances” was issued in November 2010. The CP addressed one of the broader scope topics that the first Consultation Paper on the Conceptual Framework proposed should be within the scope of financial reporting.
3. As at June 9th 2010 30 responses had been received. A summary of those responses together with Staff views is provided at Agenda Item 8.3 An analysis of the responses to the CP by region, type and language is included at Agenda Item 8.4. Any further responses received prior to the meeting will be made available before the meeting or tabled at the meeting.
4. This memorandum analyzes respondents’ comments on the Preliminary Views (PVs) in the CP and gives Staff views. It also considers some of the other matters raised by respondents. As with all summaries and analyses, judgment has been necessary in categorizing and interpreting responses and drawing out major points made by respondents. This is particularly emphasized for this project. It is

- therefore important that Members, Technical Advisors and Observers refer to the responses themselves rather than relying on the staff analysis.
5. The memorandum draws out some of the points that Staff considers should be debated at the meeting. Agenda Item 8.3 highlights all the points raised by Respondents and provides a Staff view on these points.

Overall View

6. 23 of the 30 respondents (76%) supported the CP. The support of 2 respondents (13 and 25) was based on an overall assessment of their comments on the PVs as they did not make general comments. Some commended the IPSASB for demonstrating initiative in addressing this area or highlighted the project's importance (e.g., Respondents 01, 03, 08). However, 10 supportive respondents expressed reservations or otherwise qualified their support (Respondents 4, 8, 10, 14, 15, 21, 23, 26, 27 and 28). Some of these respondents also expressed reservations on specific PVs and the overall categorization must be seen in that light, because in some cases there are tensions between overall comments and comments on PVs (see for example Respondent 08's comments on PVs 2 & 3). 7 respondents firmly opposed further development of the project. There were two reasons for this:
- Prospective financial information should not be within the scope of financial reporting (e.g., Respondents 07, 09, 16, 17, 29, 30)
 - Reporting on long-term sustainability of the public finances (henceforth referred to as LTFS) is the domain of statistical accounting and should remain so. (e.g., Respondent 05)
7. Some of the respondents who stated strong reservations about the breadth of the scope of financial reporting noted that they had made similar comments on Preliminary View 5 (PV 5) in the first CP on the Conceptual Framework issued in September 2008 (e.g., Respondent 09). PV 5 proposed that, inter alia, prospective financial reporting should be within the scope of financial reporting in order to meet the objectives of financial reporting.
8. Those who supported the CP and appeared to consider that the IPSASB should continue with the project made points that will need to be addressed. Respondents 23 and 26 both expressed concerns related to the nature of prospective information that is within the boundary of general purpose financial reports (GPFs). Respondent 23 considered that information on LTFS is "critical in providing a broader context for users of a government's general purpose financial statements, particularly for those items which may have major implications for a government's long-term fiscal position but which are not recognized as liabilities in the financial statements." However, this respondent cautioned that it "does not feel that there is currently general agreement amongst financial reporting standards setters and users about the respective boundaries of general purpose financial reporting and reporting on LTFS and has reservations about whether all of the information presently included in current (and possibly future) LTFS reporting falls within the scope of general purpose financial

- reporting.” The respondent strongly encouraged the IPSASB to address the boundaries of general purpose financial reporting and reporting on LTFS in the context of its conceptual framework project.
9. Respondent 26 also expressed a main concern that, “whilst it considers that some information useful for assessing long-term fiscal sustainability belongs within the scope of general purpose financial reporting, it is quite probable that not all information useful for that purpose belongs within that scope.” This respondent further considered that usefulness of information, per se, is not a sufficient discriminator to decide what is part of general purpose financial reporting. Strong reservations were also expressed about reporting information on long-term sustainability together with the GPFSs, whether in additional statements providing quantitative information or as part of narrative reporting. Reservations about the relationship with GPFS were also made by a number of other respondents in both overall comments and comments on individual PVs e.g. Respondents 08, 27, 29 and 30). Some respondents (e.g. 09, 15, 17 and 27) expressed very strong reservations about introducing prospective information into the GPFS.
 10. A number of respondents suggested that statistical accounting provides a better framework for the analysis and presentation of LTFS information, particularly at national levels. These included both respondents who expressed strong opposition to the approach in the CP (e.g. Respondent. 05) and those who were more supportive (e.g., Respondents 08, 26). Others suggested that there should be more flexibility in presenting information using statistical accounting boundaries (e.g., Respondent 22).
 11. Respondent 14 suggested that IPSAS 22, “Disclosure of Information about the General Government Sector” might provide a template for the future approach. IPSAS 22 does not require entities to disclose information about the General Government Sector (GGS). However, a government electing to disclose financial information about the GGS is required to apply the requirements of IPSAS 22.
 12. Respondents 20 and 28 both made comments that Staff have interpreted as suggesting that the Consultation Paper inadequately addressed sub-national levels. Respondent 28 also considered that approach outline in the CP was too narrow and did not adequately address issues such as the sustainability of capital assets.

Staff View

13. The importance of providing prospective financial information on LTFS in GPFRs in order to meet the objectives of financial reporting has been reinforced by global events since the Consultation Paper was issued. Staff considers that in the light of the consultation response it is both feasible to begin to develop guidance on reporting information on the LTFS and important to retain the project’s momentum. However, the consultation has raised a number of very important issues and these issues need to be explored further if a decision is made to progress the project. In the view of Staff the resource implications of moving the project to the guidance development stage should not be underestimated. This section of the memorandum discusses issues that Staff feel are particularly

important. Members, Technical Advisors and Observers are likely to have identified other issues.

- Relationship with GPFSs;
- Nature of prospective financial information that might be reported in GPFs;
- Relationship of Existing Reports on LTFS to the GPFs;
- Reporting boundary; and
- Approach to development of guidance in two streams.

Relationship with GPFSs

14. As indicated above a number of respondents expressed strong reservations about the introduction of prospective financial information into the GPFSs. During the finalization of the CP it was decided to deliberately not refer to the presentation of LTFS information in “additional financial statements”, but to use the term “additional statements.” The intention was to avoid an interpretation that such statements might be deemed part of GPFSs. In annotated comments in Agenda Item 8.3 Staff has emphasized that the CP did not propose that prospective financial information should be included within GPFS.
15. Nevertheless, it would be disingenuous to deny that certain references in the CP could have been interpreted as suggesting that the IPSASB was countenancing the inclusion of LTFS information in the GPFSs. Section 3 of the CP commented that the Federal Accounting Standards Advisory Board (FASAB) considers that the broader statement in SFFAS 36, “Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government,” would initially be provided as additional information, but that at some point in the future it should be presented as a main financial statement. Furthermore, in the summing up in Section 3 a tentative view was expressed that “Model One: Additional Statements Providing Details of Projections” would produce statements that are on the demarcation line between GPFSs and additional information within GPFs.
16. Staff considers that it would be appropriate to allay any reservations by emphasizing that guidance will not be part of GPFSs. This might partially deal some of the issues raised by respondents on audit and assurance.
17. Staff also considers that further consideration should be given to the question of whether LTFS information should be issued in GPFs that include the GPFSs or in separate documents. Because one of the rationales for providing LTFS information is that it enhances information in the GPFSs, particularly the statement of financial position, it appears to be logical to present such information in integrated GPFs that include GPFSs. However, Staff agrees that providing financial information in the same report on different bases might confuse rather than assist users and that there are also questions whether substantially the same information should be published with the GPFS every year between updating if annual updating is not carried out. Providing LTFS information in a separate

document may avoid some of the audit issues that some respondents suggest may arise if such information is presented in the same document as the GPFSs.

18. Conversely, not providing LTFS information together with the GPFSs might for some be a further reason to rely completely on the broader reports on LTFS of the type identified by the Organisation for Economic Cooperation and Development (OECD) and highlighted in Section 1 of the Consultation Paper.

Nature of Prospective Financial Information that Might be Reported in GPFRs

19. Staff considers that further work should be carried out into the nature of prospective financial information on LTFS that is appropriate for the GPFRs. It is accepted that not all information useful for assessment of an entity's fiscal sustainability is necessarily within the boundary of the GPFRs. The challenge is to determine what information is appropriate.

Relationship of Existing Reports on LTFS

20. Related to the above point it seems clear that there is not a consensus on the nature of current reports on LTFS of the type identified by the OECD and noted above. In the context of the taxonomy of reporting developed for the first Conceptual Framework CP and reproduced in the LTFS CP, Staff's assumption has been that such reports are not GPFRs, but more likely to be "Special Purpose (and other) Financial Reports" or "Other Information: Economic, Statistical, Demographic and Other Data. Reports in these categories are of course outside the scope of IPSASB. However, some respondents consider that current detailed reports on LTFS, such as the 'Intergenerational Report' published by the Australian Commonwealth Government are GPFRs.

Reporting Boundary

21. In developing the Consultation Paper the IPSASB examined briefly the differences between reporting boundaries based on the control concept that governs compilation of consolidated financial statements and reporting boundaries based on the statistical basis of accounting and on budget accounting. The IPSASB formed a view that the reporting boundary for presenting information on LTFS should be based on the concept of the reporting entity and should provide recommended practice for consolidated reports presented by all levels of government. A number of respondents underlined the point that, particularly at national levels, most LTFS reporting is on statistical accounting boundaries, and indicators are derived from statistical accounting aggregates. There is also a view that because statistical boundaries are standardized and not dependent upon factors such as the existence of control relationships between the national government and sub-national entities, the provision of information based on statistical accounting boundaries may enhance comparability between nations. Staff considers that the possibility of using LTFS information based on statistical accounting should be explored in more detail.
22. Staff also considers that while the presentation of information on LTFS will often be appropriate for consolidated reports there may be cases where individual

entities consider that there are users for LTFS information and such entities should not be discouraged from providing such information. Staff therefore accepts the views of those respondents who consider that the issue of which entities should report information on LTFS should be related to the objectives of financial reporting.

Approach to Development of Guidance; Two Streams Covering National and Sub-National Levels

23. Staff also considers that a decision needs to be made in the near future on whether to develop unified guidance covering all entities and levels of government or whether to deal with national and sub-national levels in separate development streams. During the development of the project the Task Force on Long-Term Fiscal Sustainability recommended that the initial scope should be limited to the national levels. Members rejected this view and directed that proposals should be based on the concept of the reporting entity and should apply to both national and sub-national levels. Subsequently, due to global financial developments, the primary focus of the project became the national level, but sub-national levels remained within the scope.
24. In the view of Staff the issues for many sub-national entities are different from those at national levels; for example many of the indicators reported at national levels involving Gross Domestic Product denominators are not appropriate for sub-national entities and time horizons for LTFS projections are much shorter. Developing guidance in two streams would also enable the IPSASB to draw on the work of other standard setters such as the Governmental Accounting Standards Board, which has a project on Economic Condition and the Canadian Public Sector Accounting Board, which has developed a Statement of Recommended Practice (SORP) on Indicators of Financial Condition.

Action Required

1. Members are asked to **confirm** the Staff view that the project should continue to develop guidance on reporting information on LTFS in the context of GPFRs.
2. Members are asked to **confirm** that the above issues need further exploration as the project develops.

Preliminary Views

25. The Consultation Paper put forward 7 PVs and asked respondents whether they agreed with these PVs and the reasons for agreement or disagreement. This section of the memorandum summarizes the response to these PVs and discusses some of the main issues raised in responses.

PV 1: The presentation of information on long-term fiscal sustainability is necessary to meet the objectives of financial reporting (accountability and decision-making) as proposed in the IPSASB's Consultation Paper, "Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities," issued in September 2008

26. A minority of respondents (10 respondents/38%) with a view on this issue fully supported the proposition in PV1. 8 respondents (31%) considered that information on LTFS is useful, but did not consider it necessary to meet the objectives of financial reporting or expressed other reservations on the PV. Respondents 02, 07, & 22 were examples of respondents that did not consider the provision of LTFS information necessary.
27. Respondent 15 questioned the necessity of LTFS information to meet the objectives of financial reporting, did not consider that a case had been made for the inclusion of information within the GPFs and sought clarification that the IPSASB "is not intending to suggest the Board might be countenancing the inclusion of the information dealt with in the consultation paper exclusively within the financial statements themselves, since including such extensive and comprehensive long-term information would result in a change of the very nature of financial statements, the basic purpose of which is to provide historical financial information."
28. Respondent 14 raised the issue of whether the users of financial statements and fiscal sustainability reports are the same and also whether the same qualitative characteristics apply to both GPFs and GPFs. This respondent questioned how fiscal sustainability measures, which are often expressed in economic terms, could be linked back to and understood in the context of historical financial statements. Respondent 19 suggested that a conclusion that the provision of LTFS information is necessary might point to a requirement for a mandatory standard.
29. 6 respondents (23%) specifically disagreed with the PV. The reasons were largely consistent with those expressed in their overall comments. Respondent 16 advocated finalization of the Conceptual Framework project before the development of further guidance on LTFS.
30. 2 respondents (8%) did not express a view. Respondent 23 expressly stated that this was intentional, reiterated comments made in its response to the first Consultation Paper and also highlighted:
 - The difficulty of identifying the respective boundaries of general purpose financial reporting and information on LTFS;
 - The fact that information on LTFS is likely to be broader than the type of financial information usually found in general purpose financial statements;
 - The difficulties of summarizing information on LTFS for use in another document; and
 - The fact that this is an evolving area of reporting, even for those countries that currently produce such reports. Such reports are used as a communication tool to highlight the fiscal challenges facing a government

and the options available to it in dealing with those challenges. The FRSB would be reluctant for any future guidance to constrain the ongoing development of these reports.

31. Respondent 23 strongly encouraged the IPSASB to address the boundaries of general purpose financial reporting and reporting on LTFS in the context of its conceptual framework project, but also stated that it does not share the reservations of some about the appropriateness of standard setters considering developing guidance on LTFS because of the prospective nature of that information.

Staff View

32. Staff has addressed a number of these issues in an earlier section of this memorandum, particularly those related to of the nature and format of prospective information appropriate for the GPFRs. Staff also reaffirms a view that the provision of prospective financial information on LTFRs is necessary to meet the objectives of financial reporting.
33. Staff considers that the QCs as proposed in the first Consultation Paper are appropriate for the broader scope information of GPFRs, but may need interpretation in such a context. The reservations of Respondent 14 have been communicated to the lead author of Group One of the Conceptual Framework.
34. Staff acknowledges that the provision of LTFS information is necessary logically points to the need for a mandatory standard. However, Staff is of the view that development of a mandatory standard even a standard adopting the flexible principles of IPSAS 22, “Disclosure of Information about the General Government Sector or IPSAS 24, “Presentation of Budget Information in Financial Statements” would be premature at this stage of development.

Action Required

Members are asked to **confirm** the Staff Views on issues arising from PV 1 and to identify other issues raised by respondents to this PV which need to be considered as guidance is developed.

PV 2: IPSASB guidance should recommend that long-term fiscal sustainability information in GPFRs be presented either through:

- additional statements providing details of projections; or
 - summarized projections in narrative reporting (Section Three).
35. 9 respondents (37%) supported the PV and agreed that that cross-referring to other reports on LTFS would not meet the objectives of financial reporting. 5 respondents (21%) supported the PV on a qualified basis. Respondent 02 considered the PV appears restrictive and suggested reporting entities should be allowed to use any of the 3 models examined in Section 3 of the CP (One: Additional Statements Two: References to LTFS in Narrative Reporting Three: cross-references to other LTFS reports) and, where appropriate, a combination of each of the 3 models This respondent also considered that the PV suggested the

- models were mutually exclusive when they may be complementary. Respondent 20 articulated a similar point in suggesting that both quantitative and narrative information are necessary to meet the objectives of financial reporting. Respondent 25 suggested that narrative discussion should be mandatory, possibly supported by additional statements. Respondent 27 was supportive provided the guidance is not included in the “IPSAS library of GAAP for the preparation of GPFSs.” Staff took this to reflect a view that guidance should not be included in the IPSASB Handbook.
36. Consistent with points raised in its overall view. Respondent 26 acknowledged that some LTFS information is part of GPFRs, but considered that additional statements providing information on LTFS should not necessarily be provided with each set of GPFSs and that such additional statements may not be needed annually. Furthermore projections and related narrative on LTFS should be considered as a form of narrative reporting in its own right with standalone GPFRs containing information specifically on LTFS.
37. 5 respondents (21%) rejected the PV outright. Respondents 07, 09 and 16 did not consider that LTFS information should be part of the GPFRs. Respondent 09 took the view that the Consultation Paper was advocating the provision of LTFS information in the GPFSs.
38. Respondent 08 noted that the Models One and Two seem to apply to a GPFR that contains GPFSs and not to a separate report. Respondent 08 expressed reservations about the possibility of preparing a report in summary narrative form and still including all the other information necessary to be consistent with the IPSASB’s proposals, for example, key assumptions. Therefore Respondent 08 favoured Model Three. The Consultation Paper had put forward a view that Model Three would not meet the objectives of financial reporting. This response also highlighted an issue in identifying and distinguishing reports that form part of GPFRs and reports that are part of Other Information (using the taxonomy included in both the LTFS and Conceptual Framework Consultation Papers.). Respondent 08 considered that the Australian, ‘Intergenerational Report’, the main report on LTFS at the Commonwealth level in Australia is a GPFR.
39. 5 respondents (21%) did not express a clear view. Respondent 14 considered that the objectives of financial reporting and the needs of users may not be met by applying a single approach and that it may be appropriate to adopt different approaches for central and sub-national levels of governments. Respondent 21 considered it unclear whether the Consultation Paper was proposing a separate report for reporting on long-term financial sustainability. This respondent favoured a separate report subject to some form of verification.

Staff View

40. The Staff response to a number of these issues is contained in the earlier Overall Comments section of this memorandum. Such issues include whether LTFS information should be reported in a standalone GPFR and whether detailed LTFS reports such as those highlighted in the Consultation Paper are categorized as GPFRs or another form of report. This discussion is not repeated here.

41. Staff agrees that the Consultation Paper suggested that the reporting models were mutually exclusive, whereas they can be complementary and agrees with Respondent 20 that both quantitative and narrative information are necessary to meet the objectives of financial reporting. As already indicated, Staff considers that further analysis should be carried out on how LTFS information based on boundaries other than those of the reporting entity can be used, while acknowledging that this risks inconsistency for different components of GPFRs. This issue is also relevant to PV 3.

Action Required

Members are asked to **confirm** the Staff Views on issues arising from PV 2 and to identify other issues raised by respondents to this PV.

PV 3; IPSASB guidance should be based on the concept of the reporting entity and should provide recommended practice for consolidated reports presented by all levels of government

42. A majority of respondents agreed with the PV (14 respondents/58%). A further 3 respondents (13%) agreed with only part of the PV or expressed reservations. There were 2 areas of partial disagreement:
- There should be greater flexibility for entities to present information on a statistical accounting (General Government Sector) basis (Respondent 6); and
 - There may be cases whether there should be flexibility for individual entities to report LTFS information (Respondent 14 and Respondent 26).
43. Respondent 14 supported the PV on the reporting boundary, but advocated a more principles based approach. This respondent considered that such an approach would be consistent with the proposals in the Conceptual Framework project: LTFS reports should be prepared for a reporting entity where users of such information exist. Respondent 26 also supported the PV on the reporting boundary, but suggested that there may be cases where individual entities might report on LTFS. An example was provided of a local government entity with no controlled entities.
44. 6 respondents (25%) were not supportive of the PV. Most of these considered that statistical accounting provides a better basis for determining the boundary for LTFS. Respondent 13 did not explicitly advocate boundaries based on the statistical basis, but emphasized the need for LTFS reports combining central government and local government units in jurisdictions where consolidated financial reports including central government and local government are not produced, because central government does not control local government. Respondent 13 considered that such an approach would meet accounting and decision-making objectives.

Staff View

45. Staff considers these issues in more detail in the Overall Comments section of this memorandum. Staff notes that while it has argued for further exploration of the potential for using LTFS information based on statistical boundaries, a boundary based on GGS would include local government, but not financial and non-financial public corporations.

Action Required

Members are asked to **confirm** the Staff Views on issues arising from PV 3 and to identify other issues raised by respondents to this PV.

PV 4: IPSASB guidance should recommend that long-term fiscal sustainability indicators be selected based on (a) their relevance to the entity, (b) the extent to which the indicators meet the qualitative characteristics of financial reporting, and (c) their ability to describe the scale of the fiscal challenge facing the entity. It should also recommend that comparative information is provided and that the reasons for ceasing to report indicators, if this occurs, are disclosed.

46. The majority of respondents (16/64%) agreed with this PV. A further 6 respondents (24%) have been categorized as partially agreeing. A number of respondents suggested that there might be a case for a more standardized approach, but generally accepted that, at this stage of the project's development, guidance should be non-prescriptive (e.g., Respondents 2, 19, 21 and 24). While supporting the proposed approach, Respondent 21 noted that flexibility gives rise to the risk of 'cherry picking', whereby management selects indicators that show an entity in a misleading manner.
47. Conversely, Respondent 28 suggested that the IPSASB should consider proposing some common indicators that would apply to all national governments and should also consider suggesting indicators that would apply to all governments. In the view of this respondent allowing complete discretion allows too much subjectivity.
48. Respondents 02 and 26 also highlighted an overlap in parts (a) and (b) of the PV with regard to relevance. Respondent 26 noted that this could have led to an interpretation that relevance is not a QC. Other reservations and additional points made concerned:
- the focus on fiscal challenge insufficiently acknowledges service commitments (Respondent 13);
 - whether the same set of qualitative characteristics can be applied to both GPFS and GPFR and whether all the qualitative characteristics for GPFR have been identified (Respondent 14);
 - Need for additional disclosures covering areas such as (1) the inherent limitations of projections, including uncertainty; (2) major factors expected to have a significant impact on the projections; (3) trends in historical and projected receipts and expenditures, including the period

- after the end of the projection period; and (4) costs of delays in making policy changes (Respondent 18); and
- Inadequacy of guidance for a preparer to be able to develop a set of relevant fiscal sustainability indicators. (Respondent 20).
49. Respondents 02, 19 and 22 identified issues around verifiability. Respondent 02 considered that there are tensions around verifiability because information on long-term fiscal sustainability will not be prepared to the same degree of accuracy of precision that is required for financial statements. Respondent 19 considered that there are unresolved issues in connection with verifiability of forward looking information which will need to be examined. Respondent 22 considered that “verifiability” relates to historical financial information and therefore may be of little relevance to the reporting of prospective financial information.
50. 3 respondents have been categorized as disagreeing with the PV. Respondent 04 considered that indicators should be based on Government Finance Statistics. Respondents 09 considered that fiscal sustainability reporting is not feasible below whole of government level. Respondent 16 expressed a view that reporting on LTFS cannot sufficiently meet the qualitative characteristics of financial information. However, this respondent did suggest that the plausibility of the reported information could be enhanced by criteria for the selection of indicators that take the QCs into consideration.

Staff View

51. Staff acknowledges the point that providing preparers with total discretion over the selection of indicators leads to a risk of ‘cherry picking’. However, at this stage of development Staff considers that it would be premature to be prescriptive. Similarly, the proposal to recommend some common indicators at national level and others at all levels of government has merit from the perspective of the QC of comparability. However, there is an obvious question whether consensus can be reached on the composition of such sets of indicators. Staff accepts the point made by Respondents 02 and 26 and agrees that relevance to the entity is included in part (b) of the PV and that the PV might have been more economically expressed.
52. The issue of the applicability of ‘verifiability’ to broader scope areas of GPFR has been considered in detail in the Conceptual Framework project and is discussed in Agenda Item 2A for this meeting.
53. Staff does not consider that the analysis of fiscal challenge necessarily neglects service commitments. One dimension of addressing a fiscal gap is the modification of service commitments.
54. Staff considers that the additional disclosures proposed by respondents to this and other PVs should be explored further.

Action Required

Members are asked to **confirm** the Staff Views on issues arising from PV 4 and to identify other issues raised by respondents to this PV.

PV 5. IPSASB guidance on long-term fiscal sustainability reporting in GPFs should recommend that the entity disclose:

- any deviations from the principle that long-term fiscal sustainability projections are based on current policy;
 - the basis on which projections of inflows from taxation and other material revenue sources have been made;
 - any other key assumptions underpinning long-term fiscal sustainability projections; and
 - details of key aspects of governing legislation and regulation, and the underlying macro-economic policy and fiscal framework.
55. A large majority of respondents (24/96%) supported the disclosures noted in PV 5. Some expressed misgivings that these disclosures might lead to complexity, but on balance accepted them (Respondents 2 and 19). Respondent 11 particularly endorsed the use of both bottom-up and top-down approaches in developing LTFS information.
56. Some respondents supportive of the above disclosures also proposed additional disclosures including:
- Encouragement for the disclosure of prior period comparative information and significant explanations for changes when year-by-year comparisons are displayed (Respondent 18);
 - Disclosure of the assumptions regarding current policy and the rationale for those assumptions as well as deviations from current policy (Respondent 23);
 - Projections that are updated/extrapolated from previously reported data and those that are more detailed projections (Respondent 24); and
 - The reasons for selecting assumptions (Respondent 26).
57. Other supportive respondents sought clarification;
- Whether the actions to be taken by policy makers in correcting any “unsustainable” positions would be disclosed (Respondent 14); and
 - Of the meaning of the terms “governing legislation and regulation” and “underlying macro-economic policy or fiscal framework” (Respondent 22).
58. Respondents 29 and 30 appeared supportive of the disclosures, but emphasized their view that reporting should be completely separate from the GPFs. Respondent 04 did not express a view, but used this PV as a vehicle to reiterate a previously expressed view that LTFR should be in the domain of statistical accounting.

Staff View

59. Many of the further disclosures proposed should be examined if guidance is developed. In particular Staff supports disclosure of the assumptions regarding current policy and the rationale for those assumptions as well as deviations from current policy. Staff also considers that users need to be informed whether projections have been updated/extrapolated from previously reported data or are more detailed formulations. Staff considered that this was implicit in the recommended disclosure on disclosure of the date of preparation or updating of projections, but it may need to be made explicit. (see PV 7).
60. The term “governing legislation and regulation” referred to any legal requirements that might apply to LTFS reporting, including factors such as the frequency of reporting, scope and the presentation of reports to legislatures. There may be no legislative requirements. Staff considered that the exhibit illustrating the New Zealand position helped to clarify the meaning. However, further guidance may be necessary.

Action Required

Members are asked to **confirm** the Staff Views on issues arising from PV 5 and to identify other issues raised by respondents to this PV.

PV 6. IPSASB guidance on long-term fiscal sustainability reporting in GPFRs should recommend that the entity disclose:

- time horizons for fiscal sustainability projections presented or discussed in the GPFRs as well as the reason for modifying time horizons and any published plans to modify those horizons;
 - discount rates, together with the reason for their selection;
 - results of key sensitivity analyses; and
 - steps taken to ensure that projections are reliable
61. 24 of 26 (92%) respondents to this PV supported these disclosures. However, some of these respondents highlighted further issues including:
- The fragility of projections for very long time horizons and suggested that because of this fragility entities should provide information on the position at intermediate points i.e., where a 75 year time horizon is adopted the position might also be disclosed for 10 year, 25 year and 50 year horizons (Respondents 2 and 22);
 - The need to disclose the method of discounting as well as the discount rates (Respondents 6 & 8);
 - The provision of information to enable users to conduct their own sensitivity analyses (Respondent 13); and
 - Disclosure of the major assumptions used in developing LTFS projections, including those used in the sensitivity analysis and of internal changes in the methodologies used for calculating projections, along with the reasons for those changes. Respondent 20 & 25).

62. A number of other respondents highlighted uncertainties relating to prospective information (e.g., Respondent 22 and 27). Respondent 23 highlighted principles developed in the New Zealand domestic standard setting to address uncertainty associated with prospective financial information while still setting a high benchmark in terms of the expected quality of such information. Such principles include reasonableness and supportability and the application of qualitative characteristics.

Staff View

63. Staff considers that if guidance is to be developed the additional disclosures proposed by respondents should be examined. Staff has some concerns about information overload, particularly about the volume of data that would need to be provided if users are to perform their own sensitivity analyses. Staff agrees that where long time horizons are adopted the provision of information on intermediate time horizons should be encouraged. This might have been brought out more clearly in the Consultation Paper.

Action Required

Members are asked to **confirm** the Staff Views on issues arising from PV 6 and to identify other issues raised by respondents to this PV.

PV 7. IPSASB guidance on long-term fiscal sustainability reporting in GPFs should recommend that (a) the underlying projections should have been prepared or updated within five years of the reporting date, and (b) the date of preparation or update should be disclosed

64. Only 9 respondents (36%) supported both parts of this PV. 7 respondents (28%) expressed partial agreement or agreement with reservations. Amongst these 2 groups of respondents there was majority support for the disclosure of the date of preparation or update. However, the recommendation that the underlying projections should have been prepared or updated within 5 years of the reporting date was more contentious. Some considered the 5 year guideline too flexible and infrequent. For example, both Respondent 02 and 19 expressed concerns that updating underlying projections only within 5 years of the reporting date is not sufficiently frequent and encouraged some form of annual update. Respondent 06 supported an upper limit of five years of the reporting date but consider that more frequent information might be necessary to satisfy the qualitative characteristics. Respondent 18 acknowledged cost-benefit considerations but also encouraged more frequent projections to assist users in understanding whether and to what extent the government's financial condition is changing and to meet the accountability and decision-making objectives of financial reporting.
65. Respondent 08 suggested that guidance is needed on how to deal with publication of this information between updates. This respondent questioned whether, if government chooses to present this information in an annual report, the same information should be repeated in each annual report for those intervening years between the points at which the information is updated. Respondent 11 agreed

- with the PV but noted that, in the context of broader LTFS reports fiscal projections should be prepared annually in order to “draw attention to the long-term fiscal consequences of current policies and eliminate discretion over when projections are produced.” This respondent also noted that recent OECD guidance for broader LTFS reporting recommends annual updating.
66. Respondent 20 supported disclosure of the date of preparation or update but disagreed with the IPSASB guidance recommending that the underlying projections should have been prepared or updated within 5 years of the reporting date. This respondent believes that projections need to be updated each time a fiscal sustainability report is issued.
67. 6 respondents (24%) have been categorized as disagreeing, Respondents 16, 27, 29 & 30 all considered that the entity making the projections should be the arbiter of how frequently projections should be made or updated. Conversely Respondent 25 argued that the 5 year guideline is too long because, in many developing countries projections prepared 5 years ago would almost certainly not be relevant at the reporting date. This respondent suggested an upper limit of 3 years. Respondent 9 expressed a view that reports on LTFS should be updated annually and that the reporting date should be the final date of the most recent financial year.

Staff View

68. The disclosure of the date of preparing or updating projections seems both uncontroversial and is undoubtedly important. Given recent global financial upheavals Staff considers that the recommendation that these projections should have been prepared or updated within 5 years of the reporting date now needs reexamining. While Staff thinks that annual updating may be onerous, currently projections prepared or updated within 2 years of the reporting date would not meet the QCs of relevance and faithful representation in a number of jurisdictions.

Action Required

Members are asked to **confirm** the Staff Views on issues arising from PV 7 and to identify other issues raised by respondents to this PV.

Other Issues

69. The Other Comments section of Agenda Item 8.3 provides comments made by respondents that do not relate to specific Preliminary Views. Staff highlights particularly the following areas on which further work may be necessary if guidance is to be developed:
- The definition of long-term fiscal sustainability (Respondents 12 & 14);
 - The need for consistency between information reported in the GPFs and that reported in the broad components of the GPFs (Respondent 12);

- The need to be more rigorous in the usage of the terms “financial condition” and “fiscal sustainability ” (Respondent 28);and
- Whether “taxable assessment base” might be a variable that would be useful and understandable in developing indicators for local government (Respondent 28).

Action Required

Members are asked to **note** the above issues and **identify** further issues for investigation.

Reporting on the Long-Term Sustainability of Public Finances



**International Federation
of Accountants**

REQUEST FOR COMMENTS

The International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body within the International Federation of Accountants (IFAC), approved this Consultation Paper, “Reporting on the Long-Term Sustainability of Public Finances,” for publication in November 2009. Comments are requested by **April 30, 2010**.

Respondents are asked to submit their comments **electronically** through the IFAC website (www.ifac.org), using the “Submit a Comment” link on the Exposure Drafts and Consultation Papers page. Please note that first-time users must register to use this new feature. All comments will be considered a matter of public record and will ultimately be posted on the IFAC website. Although IFAC prefers that comments be submitted electronically, e-mail may continue to be sent to edcomments@ifac.org and stepheniefox@ifac.org. Comments can also be faxed to the attention of the IPASB Technical Director at +1 (416) 204-3412, or mailed to:

Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
Toronto, Ontario M5V 3H2 CANADA

Copies of this exposure draft may be downloaded free-of-charge from the IFAC website at <http://www.ifac.org>.

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PREFACE

During its deliberations on the timing and extent of liabilities related to social benefits the International Public Sector Accounting Standards Board (IPSASB) concluded that traditional general purpose financial statements (GPFSs) cannot satisfy all the needs of users in assessing the future viability of programs that provide social benefits. The IPSASB formed this view regardless of (a) the approach that is taken to the point at which a present obligation for different sorts of social benefits occurs, (b) the extent of those present obligations and (c) the resultant liabilities. The IPSASB concluded that the information in GPFSs needs to be complemented by information on the long-term fiscal sustainability of those programs, including their financing. The publication of this Consultation Paper represents the end of the first phase of the resulting project on reporting the long-term sustainability of public finances.

The IPSASB is also in the process of developing a conceptual framework for the public sector. It issued a Consultation Paper in September 2008, covering the objectives of financial reporting, the scope of financial reporting, the qualitative characteristics of financial reporting and the reporting entity. Further consultation papers will be issued in 2010 covering elements and measurement. Many of the issues in the Conceptual Framework project are relevant to, and have been drawn upon in, this long-term fiscal sustainability project.

Information about the anticipated long-term consequences of governmental programs has become a regular feature of public reporting in a number of jurisdictions. In most cases this is a relatively recent development. IPSASB notes that the compilation of long-term fiscal sustainability projections has generally been carried out by professional groups such as economists, statisticians, and budget and policy specialists. This Consultation Paper proposes that such projections should be drawn on in preparing general purpose financial reports (GPFRs). The IPSASB would therefore particularly welcome comments from these other professional groups on this proposal.

EXECUTIVE SUMMARY

Long-term fiscal sustainability is the ability of a government to meet its service delivery and financial commitments both now and in the future. A number of demographic and technological factors have created fiscal pressures for many governments. The global financial crisis has significantly increased these pressures in many cases, which has led to heightened interest in the long-term financial consequences of government interventions. However, information on long-term fiscal sustainability is essential even without the additional pressures that arose as a result of the financial crisis.

Separate reports providing information about the anticipated long-term financial consequences of governmental programs have recently become a feature of public sector reporting in a number of jurisdictions. Long-term fiscal sustainability information for national governments has the potential to enhance both the historically based information provided in the traditional general purpose financial statements (GPFSs) and the additional information provided in general purpose financial reports (GPFRs). The IPSASB has therefore concluded that the presentation of information on long-term fiscal sustainability is necessary to meet the accountability and decision-making objectives of financial reporting.

Long-term fiscal sustainability information could be presented in a number of ways in GPFRs, whether prepared on the accrual basis or the cash basis. In the long term the IPSASB considers that the presentation of additional statements in GPFRs providing details of projections on future government spending and receipts may be the best way of satisfying users' needs. In many jurisdictions developing such statements would take some time. In the interim, therefore, the discussion of long-term fiscal sustainability issues and indicators as part of narrative reporting is a more realistic approach. Although this Consultation Paper focuses mainly on reporting by national governments, the IPSASB believes that simpler forms of long-term fiscal sustainability reporting are also appropriate for the consolidated reports presented at sub-national levels.

Long-term fiscal sustainability reporting involves complex analysis and assumptions that often use the expertise of a range of professions, including economists and statisticians. The IPSASB therefore does not think it appropriate to recommend specific indicators or methodological approaches. However, the IPSASB considers it important for the long-term fiscal sustainability information reported to meet the qualitative characteristics of financial reporting: relevance, faithful representation, timeliness, understandability, comparability and verifiability. It is also particularly important to disclose the basis of preparation and the key principles and methodologies underlying projections of inflows and outflows. Such disclosures are likely to include:

- (a) The main demographic and economic assumptions;
- (b) The sensitivity to changes in these key assumptions; and
- (c) The extent to which the approach to modeling projections for age-related and non-age related programs differ.

Many of the indicators used to report fiscal sustainability such as comprehensive net worth, net financial worth and the fiscal gap are measures derived from statistical accounting. The boundary for long-term fiscal sustainability reporting is often therefore determined on statistical accounting or budgetary bases rather than on the control concept that governs the consolidated

financial statements. This means that succinct explanations of differences between the various boundaries will need to be provided together with appropriate quantifications. Other disclosures should include (a) the time horizons for projections and the reason for the choice of those time horizons, (b) the frequency of reporting, (c) discount rates and their rationale and (d) the steps taken to enhance the reasonableness of assumptions.

The IPSASB believes that projections based on current policy will be most relevant and understandable to users. Therefore, any assumptions that have been made about changes to current policy should be disclosed, together with a sensitivity analysis showing how material modifications of assumptions affect projections. In making choices on which information to disclose, reporting entities should aim to demonstrate the extent of the fiscal challenges they face. Information about the fiscal challenge is required in order to meet the accountability objective for financial reporting.

REQUEST FOR COMMENTS

The IPSASB welcomes comments on whether you agree or disagree with the Preliminary Views in this Consultation Paper. Comments are most useful when they include the reasons for agreeing or disagreeing.

PRELIMINARY VIEWS

1. The presentation of information on long-term fiscal sustainability is necessary to meet the objectives of financial reporting (accountability and decision-making) as proposed in the IPSASB's Consultation Paper, "Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities," issued in September 2008 (Section Two).
2. IPSASB guidance should recommend that long-term fiscal sustainability information in GPFRs be presented either through:
 - Additional statements providing details of projections; or
 - Summarized projections in narrative reporting (Section Three).
3. IPSASB guidance should be based on the concept of the reporting entity and should provide recommended practice for consolidated reports presented by all levels of government (Section Four).
4. IPSASB guidance should recommend that long-term fiscal sustainability indicators be selected based on (a) their relevance to the entity, (b) the extent to which the indicators meet the qualitative characteristics of financial reporting, and (c) their ability to describe the scale of the fiscal challenge facing the entity. It should also recommend that comparative information is provided and that the reasons for ceasing to report indicators, if this occurs, are disclosed (Section Five).
5. IPSASB guidance on long-term fiscal sustainability reporting in GPFRs should recommend that the entity disclose:
 - Any deviations from the principle that long-term fiscal sustainability projections are based on current policy;
 - The basis on which projections of inflows from taxation and other material revenue sources have been made;
 - Any other key assumptions underpinning long-term fiscal sustainability projections; and
 - Details of key aspects of governing legislation and regulation, and the underlying macro-economic policy and fiscal framework (Section Six).
6. IPSASB guidance on long-term fiscal sustainability reporting in GPFRs should recommend that the entity disclose:
 - Time horizons for fiscal sustainability projections presented or discussed in the GPFRs as well as the reason for modifying time horizons and any published plans to modify those horizons;

- Discount rates, together with the reason for their selection;
 - Results of key sensitivity analyses; and
 - Steps taken to ensure that projections are reliable (Section Seven).
7. IPSASB guidance on long-term fiscal sustainability reporting in GPFRs should recommend that (a) the underlying projections should have been prepared or updated within five years of the reporting date, and (b) the date of preparation or update should be disclosed (Section Seven).

CONTENTS

		Page
1	Introduction to Long-Term Fiscal Sustainability.....	10
1.1	Global Challenges Facing Governments	10
1.2	Defining Long-Term Fiscal Sustainability	11
1.3	Fiscal Sustainability Reporting at National Government Levels	12
2.	Relevance of Long-Term Fiscal Sustainability Information to General Purpose Financial Reporting.....	15
2.1	Introduction	15
2.2	Information Provided in General Purpose Financial Statements.....	15
2.3	Information Provided in General Purpose Financial Reports.....	16
2.4	Areas Where the Information Currently Reported in General Purpose Financial Statements can be Enhanced.....	17
2.5	How Long-Term Fiscal Sustainability Information can Enhance the Information Currently Reported in General Purpose Financial Statements	19
3.	How Could National Governments Report Information About Long-Term Fiscal Sustainability?.....	21
3.1	Introduction	21
3.2	Conceptual Analysis of Potential Reporting Models	25
4.	The Reporting Entity and Long-Term Fiscal Sustainability Reporting.....	26
4.1	Introduction	26
4.2	Reporting Boundary Issues.....	26
4.3	Fiscal Sustainability Reporting at Sub-National Levels.....	28
4.4	Consolidated Financial Reports or Financial Reports of Individual Entities?	29
5	Which Long-Term Fiscal Sustainability Indicators Should Be Reported?.....	31
5.1	Introduction	31
5.2	Indicators Currently Used.....	31
5.3	Relevance of Different Types of Indicators.....	32
5.4	Relevance of Qualitative Characteristics of Financial Reporting.....	33
6	Basis of Preparation: Key Principles	35
6.1	Introduction	35
6.2	Current versus Future Policy	35
6.3	Revenue Inflows	36

6.4	Demographic and Economic Assumptions.....	37
6.5	Age-Related and Non Age-Related Programs.....	38
6.6	Impact of Legal Requirements and Policy Frameworks.....	39
7	Specific Methodology Issues	42
7.1	Introduction	42
7.2	Time Horizons for Projections and Their Rationale.....	42
7.3	Discount rates	43
7.4	Sensitivity Analysis	44
7.5	Reliability of Projections	45
7.6	Frequency of Reporting	47

1 INTRODUCTION TO LONG-TERM FISCAL SUSTAINABILITY

1.1 Global Challenges Facing Governments

- 1.1.1 Governments and other public sector entities constantly face fiscal challenges, regardless of the stage of economic development of their jurisdictions. Such challenges include maintaining, or if possible, increasing the quantity and quality of goods and services provided to citizens, meeting entitlements for state pensions and other cash transfer entitlement programs, and servicing debt obligations within acceptable taxation levels.
- 1.1.2 A number of factors have created fiscal pressures on many governments. These factors include (a) demographic change, (b) technological advances creating new demands by citizens, and (c) costs in certain sectors, particularly health, accelerating more quickly than the general rate of inflation. In many developed countries the focus has been primarily on ageing populations which are leading to increases in health care expenditure and pensions for elderly people. In developing countries fiscal pressures are more likely to arise from a younger demographic profile, which stimulates a demand for greater educational spending, as well as different types of health spending, such as neonatal care.
- 1.1.3 The Organization for Economic Co-operation and Development's (OECD) has recently initiated a project on Fiscal Futures,¹ which identifies further fiscal challenges for governments in the form of:
- The risks imposed by climate change and natural disasters and their impact on future economic growth; and
 - The need to replace ageing infrastructure.
- 1.1.4 The global financial crisis has significantly increased these underlying fiscal pressures in many jurisdictions. Citizens are questioning the long-run financial consequences of specific government interventions. Such interventions include (a) loan guarantees, insurance for bank deposits and the purchase of impaired financial assets, as well as (b) the broader fiscal stimuli deployed by governments and liquidity operations such as quantitative easing undertaken by central banks.
- 1.1.5 All these factors have led to an increasing awareness of the importance of long-term fiscal sustainability reporting in enabling stakeholders to hold governments to account and make key decisions. Users of financial statements are likely to be interested in the extent of the fiscal challenges facing governments in reconciling their spending and taxation policies over the medium to long term. The urgency with which these challenges need to be addressed and how these challenges are changing over time, is also likely to be of interest, so that decisions are well informed and governments can be held to account for the long term impact of their decisions. In addition, capital markets are looking for assurance that plans are in place to meet obligations to repay levels of national debt that are unprecedented in recent times.

¹ OECD Project on "Fiscal Futures, Institutional Budget Reforms and their Effects," initiated in early 2009.

1.2 Defining Long-Term Fiscal Sustainability

- 1.2.1 At a very high level, reporting on long-term fiscal sustainability involves an assessment of the extent to which governmental policies under existing legal frameworks can be met in the future, assuming certain fiscal constraints, principally on taxation levels. There is, however, no single, widely accepted global definition of the term “long-term fiscal sustainability.”
- 1.2.2 Long-term fiscal sustainability can be assessed by looking at the expected path of future operating and capital expenditure, the implications for taxation, and the risks that assumptions used in determining that path will fluctuate materially. Such information typically includes the future cost of goods and services, the cost of entitlement programs, the cost of servicing debt obligations and the tax inflows and other resources that will be needed to fund these commitments and obligations. Information about the likely future resource needs for continued operation of those programs at existing levels can also provide input to decisions, such as whether to support continued operation of a program and at what level, or to advocate changes to a government’s service delivery priorities.
- 1.2.3 Long-term fiscal sustainability has been linked to the concept of inter-generational equity or fairness, which evaluates the extent to which future generations of taxpayers will have to deal with the fiscal consequences of current policies. The concepts of intergenerational efficiency and effectiveness are also relevant. Intergenerational efficiency highlights the risk that failure to address long-term issues in a timely manner may force future governments to adopt policies, whose cost to the future population will significantly exceed the costs borne by taxpayers today. Intergenerational effectiveness highlights a further risk that the failure to address long term fiscal pressures may weaken the ability of governments to respond to other, less predictable future problems. Such future problems may perhaps relate to environmental factors, such as climate change and the degradation of natural resources.
- 1.2.4 A number of governments and supra-national organizations have developed formal or implied definitions of long-term fiscal sustainability. In many cases these definitions have been developed in the context of medium-term fiscal planning, fiscal frameworks or budgetary frameworks. For example, long-term fiscal sustainability is typically linked to (a) specific targets such as a pre-determined Net Debt/Gross Domestic Product (GDP) ratio or a Gross/Net Debt/GDP per capita ratio and (b) the maintenance of taxation at a specified level of GDP. Where long-term fiscal sustainability is defined by reference to specific targets, overall governmental spending is said to be fiscally sustainable if it is contained within these pre-determined and publicly communicated targets over a specified period. In many European countries the frameworks adopted are largely those developed by the European Commission in the context of the Stability and Growth Pact.
- 1.2.5 The Australian Budget papers for 2008-09 define fiscal sustainability as “the ability of government to manage its finances so it can meet its spending commitments, both now and in the future.” In its Exposure Draft, “Reporting Comprehensive Long-Term Fiscal

Projections for the U.S. Government”² issued in 2008, the US Federal Accounting Standards Advisory Board (FASAB) defined fiscal sustainability as the federal government’s “ability to continue, both now and in the future, current policy without change regarding public services and taxation, without causing debt to rise continuously as a share of GDP.” This definition is related to the approach linking long-term fiscal sustainability with debt not being on an ‘explosive’ path³ and is more in harmony with the approach taken by many economists and statisticians.

- 1.2.6 In the absence of a common formal definition of long-term fiscal sustainability this Consultation Paper has used the following working definition adapted from the one used in the Australian budget papers:

The ability of government to meet its service delivery and financial commitments both now and in the future.

- 1.2.7 This working definition recognizes that there are at least two dimensions to long-term fiscal sustainability. Long-term fiscal sustainability not only depends upon an ability to fund spending levels to provide goods and services, but also extends to the ability to service debt obligations. The working definition is expected to lead to the provision of information on the extent of the challenge faced in maintaining a sustainable fiscal path. Many consider that such information is critical to accountability. The definition avoids constraints on governments’ ability to modify taxation levels, (notwithstanding the fact that some commentators consider that the extent of this ability may be practically quite limited in the current global environment). It also recognizes that governments are able to modify current policies for the delivery of goods and services.
- 1.2.8 The above definition applies only to long-term fiscal sustainability. It does not directly address environmental sustainability. Reporting on environmental sustainability is a hugely important subject in its own right, and there is an increasing recognition that assumptions about future levels of economic growth are likely to be affected by factors such as climate change and its impact on sectors such as agriculture. Climate change may also impose further financial pressures on government, such as increased expenditures on flood defenses and changes in demand for services, which will need to be reflected in the cash flow projections underpinning long-term fiscal sustainability reports.

1.3 Fiscal Sustainability Reporting at National Government Levels

- 1.3. Information about the anticipated long-term consequences of governmental programs has become a regular feature of public reporting in a number of jurisdictions. In most cases this is a relatively recent development (introduced over the last 10-15 years). The compilation of long-term fiscal sustainability projections has generally been carried out by economists, statisticians and budget and policy specialists.

² FASAB issued SFFAS 36, “Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government,” in September 2009. See Section Three.

³ Explosive path is the long-term trend where the growth in government debt exceeds the rate of economic growth leading to an unstable position at some point in the future.

CONSULTATION PAPER
LONG-TERM SUSTAINABILITY OF PUBLIC FINANCES

- 1.3.2 Exhibit One provides an overview of the long-term fiscal sustainability reports currently produced at both national and supra-national levels. It provides details of report titles, the originating government department, executive or legislative agency, the year when such reports were first published and, where it exists, the legal requirement for such reports. However, it is not an exhaustive listing of currently produced long-term fiscal sustainability reports.

Exhibit One
Overview of Fiscal Future Reports at National and Supra-National Levels

Country	Legal Requirement	Title	Source	Start
Australia	Charter of Budget Honesty Act	Intergenerational Report	Treasury	2002
Denmark		A Sustainable Future	Ministry of Finance	1997
Germany		Report on Sustainability of Public Finance	Ministry of Finance	2005
Korea		Vision 2030	Ministry of Planning and Budget	2006
Netherlands	EC Stability Program	Aging and the Sustainability of Dutch Public Finances	Central Planning Bureau	2000
New Zealand	Public Finance Act	New Zealand's Long-term Fiscal Position	Treasury	1993
Norway		Long-term perspective for the Norwegian Economy	Ministry of Finance	2006
Sweden		Sweden's Economy (Annex to Budget)	Ministry of Finance	1999
Switzerland		Long-term Sustainability of Public Finance in Switzerland	Federal Department. of Finance	2008
United Kingdom	Code of Fiscal Stability	Long term Public Finance Report	Treasury	1999
US: Congressional Budget Office (CBO)		The Long term Budget Outlook	CBO	1991
US Government Accountability Office (GAO ⁴)		Long -Term Fiscal Outlook	GAO	1992
US: Office of Management and Budget (OMB)		Long -Term Budget Outlook in Analytical	OMB	1997

⁴ The Government Accountability Office was known as the "General Accounting Office" until 2004.

CONSULTATION PAPER
LONG-TERM SUSTAINABILITY OF PUBLIC FINANCES

Country	Legal Requirement	Title	Source	Start
		Perspectives		
US: Financial Report of US Government		Statements of Social Insurance	Department of Treasury	2004
European Union Countries	Stability & Convergence Programming Surveillance	Public Finances in the EMU	Directorate General of Economic and Financial Affairs	2005
International Monetary Fund		Financial Transparency Reviews	Fiscal Affairs Department	2001

Source: OECD Fiscal Futures Project.

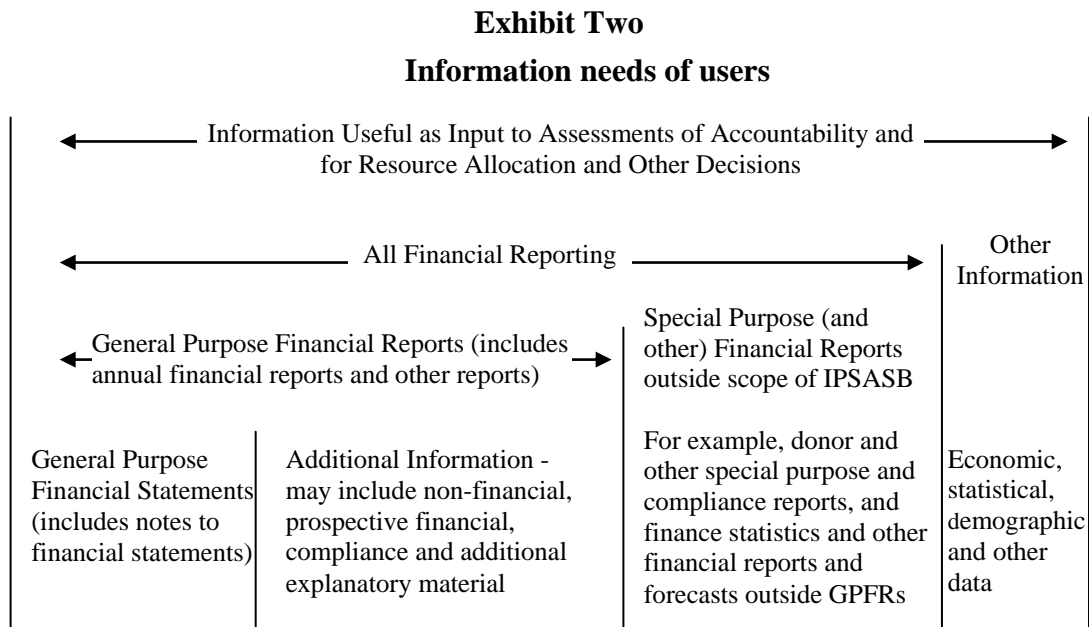
- 1.3.3 The discussion of existing types of fiscal sustainability reporting in this paper is based on (a) an informal survey completed by members of the Task Force set up to oversee this project, and (b) information collected and summarized by the OECD. Although much of the analysis in this Consultation Paper is developed from the conceptual underpinnings of accrual-based financial reporting, reporting on long-term fiscal sustainability is equally applicable to governments that report on the cash basis of accounting.
- 1.3.4 The next section of this paper considers how information on long-term fiscal sustainability relates to the reporting objectives proposed by the Board in its first Consultation Paper, “Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.”

CONSULTATION PAPER
LONG-TERM SUSTAINABILITY OF PUBLIC FINANCES

2. RELEVANCE OF LONG-TERM FISCAL SUSTAINABILITY INFORMATION TO GENERAL PURPOSE FINANCIAL REPORTING

2.1 Introduction

- 2.1.1 In its first Conceptual Framework Consultation Paper, issued in September 2008, the IPSASB distinguished traditional⁵ general purpose financial statements (GPFSs) and general purpose financial reports (GPFRs). Exhibit Two (reproduced from that Consultation Paper) below illustrates the relationship between GPFSs and GPFRs.



- 2.1.2 This section considers the need for information on long-term fiscal sustainability information in GPFRs. It includes sub-sections on:

- Information provided in GPFSs;
- Information provided in GPFRs;
- Areas where the information in GPFSs can be enhanced; and
- How long-term fiscal sustainability information can enhance the information in GPFRs.

2.2 Information Provided in General Purpose Financial Statements

- 2.2.1 IPSAS 1, “Presentation of Financial Statements” states that a complete set of GPFSs comprises:

- A statement of financial position;

⁵ Paragraph 2.2.1 explains the composition of “traditional” general purpose financial statements.

CONSULTATION PAPER
LONG-TERM SUSTAINABILITY OF PUBLIC FINANCES

- A statement of financial performance;
 - A statement of changes in net assets/equity;
 - A cash flow statement; and
 - Notes to the financial statements, including a statement of significant accounting policies.
- 2.2.2 Where the entity makes its approved budget publicly available, IPSAS 1 also requires a comparison of budget and actual amounts as either a separate additional financial statement or by way of additional columns in the financial statements.
- 2.2.3 Currently, a key attribute of GPFs is that they are historical in nature. This historical focus is useful for both accountability and decision-making purpose, but it means that very little information on how commitments to provide public services and entitlements and funding for those commitments through taxation and other significant revenues are reported in the GPFs.
- 2.2.4 Although GPFs use estimation techniques to determine the future recoverable amount of assets and the carrying amount of liabilities that will not be settled until future reporting periods, assets and liabilities are limited to present rights and obligations that arise from past events. In making these measurements, GPFs assume that the entity's activities are sustainable for the foreseeable future, unless there is an intention to liquidate or cease operating the entity, or there is no realistic alternative to do so. Where there are material uncertainties about the entity's ability to continue as a "going concern", those uncertainties must be disclosed.
- 2.2.5 "Going concern" has generally been less relevant in the public sector than in the private sector because of the very broad tax-raising powers of national governments. Although sub-national entities may get into financial difficulties, their main service delivery commitments are generally transferred to restructured successor entities, rather than lapsing completely.
- 2.2.6 In summary, although accrual-based GPFs are prepared on the going concern assumption, they are not intended to provide comprehensive forward-looking information. GPFs are intended to focus on the present circumstances – the balances of resources and obligations existing at the reporting date. – and the performance of the entity during the reporting period covered by the statements. Therefore, the information in GPFs needs to be complemented in order to facilitate an assessment of an entity's future financial viability.

2.3 Information Provided in General Purpose Financial Reports

- 2.3.1 As illustrated in Exhibit Two GPFs include GPFs. However, GPFs are broader than GPFs and may provide information about the future as well as the past. Both GPFs and GPFs are 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 their specific information needs. Exhibit Two also recognizes that other information outside

the scope of GPFRs may be useful for decision-making and assessing accountability. Such information includes special purpose and other financial reports and a range of economic, statistical, demographic and other data. There is still considerable debate on (a) the type and format of information that should be referred to as GPFRs and GPFSS and (b) the demarcation lines between GPFSSs, GPFRs and other information.

2.3.2 In the first Conceptual Framework Consultation Paper the IPSASB put forward a preliminary view that the scope of GPFRs should include “prospective financial and other information about the reporting entity’s future service delivery activities and objectives, and the resources necessary to support those activities.” The Consultation Paper also noted that the scope of financial reporting and information that may be provided by GPFRs is developing and evolving in response to a number of factors including:

- The changing operating environment faced by entities which prepare GPFRs; and
- Users’ needs for reliable and relevant information about new and innovative transactions that affect matters such as (a) the assessment of the financial position and performance of the entity, and (b) the discharge of its accountability.

2.3.3 There is no current expectation that broader information within the scope of GPFRs will be published in a single report that also includes GPFSSs. Such information may be published in a number of separate reports.

2.4 Areas Where the Information Currently Reported in General Purpose Financial Statements can be Enhanced

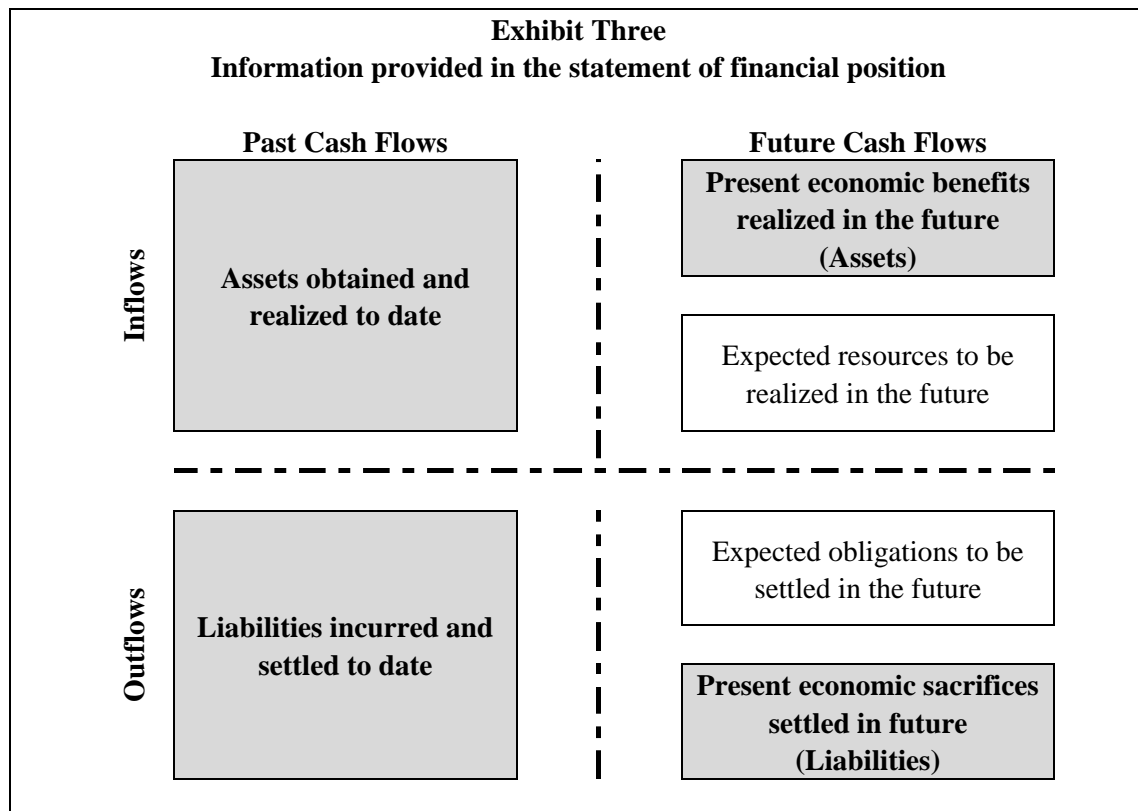
2.4.1 The information currently presented in the GPFSSs can be enhanced in a number of areas to facilitate an assessment of governmental accountability. Taxation is such an area. Globally, prospective inflows of future tax revenue and other revenues anticipated to be generated to support the entity’s activities in the future are not reported in GPFSSs. Only revenue resulting from an identifiable taxable event is recognized. The IPSASB’s Conceptual Framework project is considering the definition of an asset in a public sector context in detail.

2.4.2 The approach to recognizing liabilities in GPFSSs is another area where the information in the GPFSSs can be enhanced. Liabilities are recognized in the statement of financial position only when present obligations have arisen. There has been considerable debate about (a) when present obligations related to governmental programs arise and (b) the extent of resultant liabilities that should be recognized in the statement of financial position.

2.4.3 The IPSASB has considered this explicitly in its project on social benefits. Generally, governments reporting on the accrual basis of accounting have adopted an approach known as “due and payable”. Under this approach, liabilities recognized at the reporting date are limited to cash transfers to individuals or households for which eligibility criteria have been satisfied, but which have not been settled at the end of a reporting period. Some have challenged the “due and payable” approach as being over-restrictive in its recognition of liabilities. However, even a broader interpretation of present obligations

and the recognition of larger liabilities will not provide all the information that users need for accountability and decision-making purposes

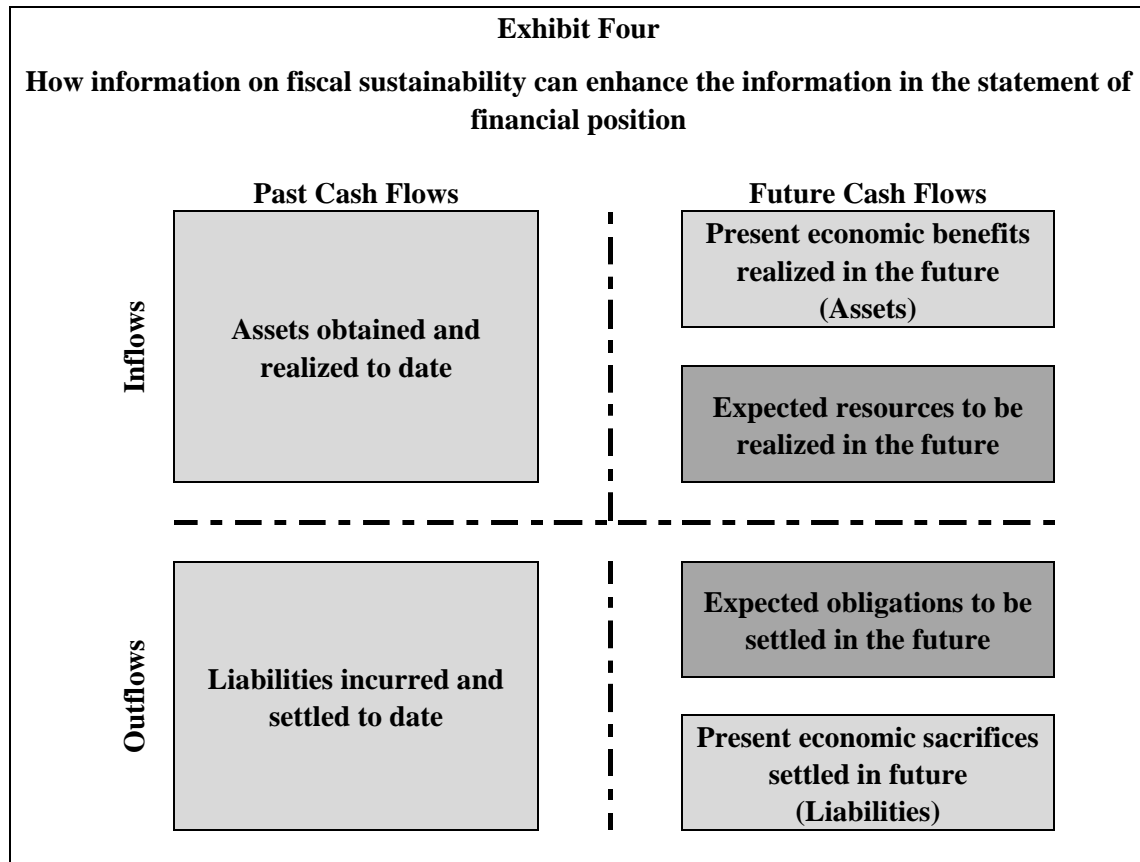
- 2.4.4 Exhibit Three provides a simplified schematic of the statement of financial position. The shaded areas illustrate that the statement captures transactions for which there have been identified past events, including liabilities that will be settled in future reporting periods. However, as illustrated by the non-shaded areas, it does not recognize cash flows related to future revenues and future obligations for which there has been no identifiable past taxable event.



- 2.4.5 Consistent with the above analysis, the IPSASB formed a preliminary view during the development of its project on social benefits that the GPFs of an entity cannot satisfy all the needs of users in assessing the future viability of that entity and its major programs. The IPSASB holds this view regardless of (a) the approach that is taken to determining the point(s) at which a present obligation(s) occur(s), which may vary for different types of social benefits and other government programs (b) the extent of those present obligations and (c) the amount of the resultant liabilities.
- 2.4.6 The IPSASB recognized that the long-term financial effects of government policies need to be made transparent to meet both the decision-making and accountability objectives of financial reporting. Therefore, in order to satisfy user-needs and meet the objectives of financial reporting, information presented in the GPFs needs to be enhanced by presenting other information about the long-term fiscal sustainability of those programs, including their financing.

2.5 How Long-Term Fiscal Sustainability Information can Enhance the Information Currently Reported in General Purpose Financial Statements

- 2.5.1 Long-term fiscal sustainability reporting is not constrained by the focus on past events in the definitions of elements that currently govern GPFs and therefore has the potential to enhance the information in the statement of financial position. In particular such reporting can provide information on prospective revenue inflows and outflows related to future obligations. Exhibit Four demonstrates the benefits of incorporating information on long-term fiscal sustainability in GPFRs, as indicated by the newly shaded areas.



- 2.5.2 The section of the MD &A on financial condition in the 2007 Financial Report of the United States Federal Government summarizes the position succinctly by stating that “a complete assessment of the Government’s financial or fiscal condition requires analysis of historical results, projections of future revenues and expenditures, and an assessment of the long-term fiscal sustainability of programs and services.”

Preliminary View One

The presentation of information on long-term fiscal sustainability is necessary to meet the objectives of financial reporting (accountability and decision-making) as proposed in the IPSASB's Consultation Paper, "Conceptual Framework for General-Purpose Financial Reporting by Public Sector Entities," issued in September 2008.

3. HOW COULD NATIONAL GOVERNMENTS REPORT INFORMATION ABOUT LONG-TERM FISCAL SUSTAINABILITY?

3.1 Introduction

3.1.1 This section considers how information on long-term fiscal sustainability might be reported as part of national government GPFRs. It examines three models:

- **Model One:** Additional statements providing details of projections;
- **Model Two:** Summarized projections in narrative reporting;
- **Model Three:** Cross-references in GPFRs to other reports addressing long-term fiscal sustainability.

3.1.2 These reporting approaches are not mutually exclusive. For example, it is possible to combine narrative reporting with an additional statement showing projected cash flows, as in the Annual Report of the US Federal Government.

Model One: Additional statements providing details of projections

3.1.3 As already identified in Exhibit One, the Financial Report of the US Federal Government currently includes Statements of Social Insurance (SOSI) that provides projected inflows and outflows of the most significant social insurance programs, principally Social Security, and Medicare. The format of this statement is shown in Exhibit Five. The estimates presented are actuarial present values of the projections and are based on the economic and demographic assumptions set forth in the Social Security and Medicare Trustees' reports and in the relevant agency performance and accountability reports for two additional more minor programs. The Financial Report also includes a Citizen's Guide, "The Federal Government's Financial Health" that provides a broader narrative summary of financial condition (a prospective notion) and financial position (a current notion). This summary is not limited to the entitlement programs reflected in the SOSI. The Citizen's Guide is also available as a stand-alone document.⁶

⁶ The Citizen's Guide can be accessed at <http://www.gao.gov/financial/citizensguide2008.pdf>.

Exhibit Five

United States Government Statements of Social Insurance Present Value of Long-Range (75 Years, except Black Lung) Actuarial Projections

*****UNAUDITED*****					
(In billions of dollars)	2007	2006	2005	2004	2003
Federal Old-Age, Survivors and Disability Insurance (Social Security): (Note 22)					
<i>Revenue (Contributions and Earmarked Taxes) from:</i>					
Participants who have attained age 62.....	477	533	484	411	359
Participants ages 15-61.....	17,515	16,568	15,290	14,388	13,576
Future participants (under age 15 and births during period).....	18,121	15,006	13,696	12,900	12,213
All current and future participants.....	34,113	32,107	29,450	27,699	26,147
<i>Expenditures for Scheduled Future Benefits for:</i>					
Participants who have attained age 62.....	(6,329)	(5,866)	(5,395)	(4,933)	(4,662)
Participants ages 15-61.....	(27,928)	(26,211)	(23,942)	(22,418)	(21,015)
Future participants (under age 15 and births during period).....	(6,619)	(6,480)	(5,816)	(5,578)	(5,398)
All current and future participants.....	(40,876)	(38,557)	(35,154)	(32,928)	(31,075)
Present value of future expenditures in excess of future revenue.....	(6,763) ¹	(6,449) ²	(5,704) ³	(5,229) ⁴	(4,927) ⁵
Federal Hospital Insurance (Medicare Part A): (Note 22)					
<i>Revenue (Contributions and Earmarked Taxes) from:</i>					
Participants who have attained eligibility age 65.....	178	192	162	148	128
Participants who have not attained eligibility age 15-64.....	5,975	5,685	5,064	4,820	4,510
Future participants (under age 15 and births during period).....	4,870	4,767	4,209	4,009	3,773
All current and future participants.....	11,023	10,644	9,435	8,976	8,411
<i>Expenditures for Scheduled Future Benefits for:</i>					
Participants who have attained eligibility age 65.....	(2,558)	(2,397)	(2,179)	(2,168)	(1,897)
Participants who have not attained eligibility age 15-64.....	(15,639)	(15,633)	(12,668)	(12,054)	(10,028)
Future participants (under age 15 and births during period).....	(5,118)	(3,904)	(3,417)	(3,246)	(2,653)
All current and future participants.....	(23,315)	(21,934)	(18,264)	(17,468)	(14,577)
Present value of future expenditures in excess of future revenue.....	(12,292) ¹	(11,290) ²	(8,829) ³	(8,492) ⁴	(6,166) ⁵
Federal Supplementary Medical Insurance (Medicare Part B): (Note 22)					
<i>Revenue (Premiums) from:</i>					
Participants who have attained eligibility age 65.....	433	409	363	332	283
Participants who have not attained eligibility age 15-64.....	3,184	3,167	2,900	2,665	2,148
Future participants (under age 15 and births during period).....	1,172	906	924	891	688
All current and future participants.....	4,789	4,481	4,187	3,889	3,119
<i>Expenditures for Scheduled Future Benefits for:</i>					
Participants who have attained eligibility age 65.....	(1,834)	(1,773)	(1,622)	(1,475)	(1,306)
Participants who have not attained eligibility age 15-64.....	(12,130)	(12,433)	(11,541)	(10,577)	(8,845)
Future participants (under age 15 and births during period).....	(4,257)	(3,407)	(3,408)	(3,277)	(2,622)
All current and future participants.....	(18,221)	(17,613)	(16,571)	(15,329)	(12,773)
Present value of future expenditures in excess of future revenue.....	(13,432) ¹	(13,131) ²	(12,384) ³	(11,440) ⁴	(9,653) ⁵
Federal Supplementary Medical Insurance (Medicare Part D): (Note 22)					
<i>Revenue (Premiums and State Transfers) from:</i>					
Participants who have attained eligibility age 65.....	167	173	185	176	
Participants who have not attained eligibility age 15-64.....	1,627	1,700	1,790	1,857	
Future participants (under age 15 and births during period).....	611	492	572	618	
All current and future participants.....	2,405	2,366	2,547	2,651	
<i>Expenditures for Scheduled Future Benefits for:</i>					
Participants who have attained eligibility age 65.....	(794)	(792)	(880)	(773)	
Participants who have not attained eligibility age 15-64.....	(7,273)	(7,338)	(7,913)	(7,566)	
Future participants (under age 15 and births during period).....	(2,699)	(2,121)	(2,440)	(2,431)	
All current and future participants.....	(10,766)	(10,250)	(11,233)	(10,770)	
Present value of future expenditures in excess of future revenue.....	(8,361) ¹	(7,884) ²	(8,686) ³	(8,119) ⁴	

Totals do not necessarily equal the sum of components due to rounding.

The accompanying notes are an integral part of these financial statements.

Source: Financial Report of US Government 2007.

- 3.1.4 The US Federal level approach is significant, as it is the only jurisdiction in which an additional statement providing projections of inflows and outflows for specific programs

CONSULTATION PAPER
LONG-TERM SUSTAINABILITY OF PUBLIC FINANCES

is currently required. The Comptroller General of the United States gave an unqualified audit opinion on the 2007 and 2008 SOSIs, although the form of the opinion differed from that given on the other financial statements. Section Seven provides the text of this opinion.

- 3.1.5 The Federal Accounting Standards Advisory Board (FASAB), which develops accounting standards for the federal level in the USA, has recently issued a standard, SFFAS 36, “Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government,” that extends the reporting of prospective information beyond the SOSI. The new statement will provide information about federal spending and receipts, including programs areas such as defense and education, as well as entitlement programs, and all revenue sources. A general outline of how this statement might be presented is shown in Exhibit Six below. It includes current year and prior year projections and presents the inter-period change in both absolute terms and as a percentage of GDP.

Exhibit Six

Long-Term Fiscal Projections for the U.S. Government						
Amounts projected to 75 years						
	As of XXXX XX, 20XX (Current Year)		As of XXXX XX, 20XX (Prior Year)		Change from Prior Year	
	PV Dollars in trillions	% of the PV of GDP*	PV Dollars in trillions	% of the PV of GDP*	PV Dollars in trillions	% of the PV of GDP*
Receipts						
Medicare	\$ XX.X	X.X%	\$ XX.X	X.X%	\$ X.X	X.X%
Social Security	XX.X	X.X%	XX.X	X.X%	X.X	X.X%
All Other Receipts	XX.X	X.X%	XX.X	X.X%	X.X	X.X%
Total Receipts	\$ XXX.X	X.X%	\$ XX.X	X.X%	\$ X.X	X.X%
Non-Interest Spending						
Medicare	\$ XX.X	X.X%	\$ XX.X	X.X%	\$ X.X	X.X%
Medicaid	XX.X	X.X%	XX.X	X.X%	X.X	X.X%
Social Security	XX.X	X.X%	XX.X	X.X%	X.X	X.X%
Major Program A	X.X	X.X%	XX.X	X.X%	X.X	X.X%
Major Program B	X.X	X.X%	XX.X	X.X%	X.X	X.X%
Rest of Federal Government**	XX.X	X.X%	XX.X	X.X%	X.X	X.X%
Total Non-Interest Spending	\$ XXX.X	X.X%	\$ XX.X	X.X%	\$ X.X	X.X%
Non-Interest Spending in Excess of Receipts	\$ XX.X	X.X%	\$ XX.X	X.X%	\$ X.X	X.X%

Source: FASAB

- 3.1.6 Locating the current SOSI and the new broader statement in the spectrum of information outlined in Section Two of this Paper is not straightforward. FASAB considers that the broader statement will initially be provided as additional information, but that at some point in the future it should be presented as a main financial statement.

Model Two: Summarizing projections in narrative reporting

- 3.1.7 A second approach to reporting long-term fiscal sustainability information in GPFRs is to mandate or encourage that narrative reporting, such as management commentary and

CONSULTATION PAPER
LONG-TERM SUSTAINABILITY OF PUBLIC FINANCES

Management's Discussion and Analysis (MD&A), is to include information on long-term fiscal sustainability derived from other reports. Again recent US experience provides an example of how such reporting might be presented. The MD&A of the 2008 Financial Report of the US Government contains a section entitled "The Government's Financial Condition," which uses graphs, charts and tabular formats to present both historical information and forward projections over a 75-year period.

- 3.1.8 The historical information presented includes the budget deficit, net operating cost, key national economic indicators, such as real GDP growth and real construction growth, the consumer price index, unemployment levels and historical trends of debt held by the public as a percentage of nominal GDP. Projections presented include outflows on social insurance programs and other government programs, interest on debt, revenues, and debt held by the public as a percentage of GDP. The discussion in the MD&A has also been used as the basis of the separate stand-alone Citizen's Guide discussed above.
- 3.1.9 If long-term fiscal sustainability information were to be included in narrative reports and published in conjunction with the GPFRs, readers could require substantial explanation about the purpose of these additional reports and the differences between these reports and the GPFRs. Readers may already be presented with historical information on both a budgetary and actual basis, necessitating an explanation of any differences between them. Long-term fiscal sustainability information introduces a forward focus and requires further explanation of the information based on longer timeframes.

Model Three: Cross-references in GPFRs to other reports addressing long-term fiscal sustainability

- 3.1.10 A third approach to the reporting of long-term fiscal sustainability in GPFRs is to require narrative reports within the GPFRs to refer to long-term fiscal sustainability reports that are outside the GPFRs, but without providing any detailed discussion or interpretation of trends or indicators in the GPFRs. Proponents of this approach recognize the importance of information on long-term fiscal sustainability as part of meeting the objectives of GPFRs, but emphasize the difficulties in summarizing complex information from lengthy reports, and the risks to faithful representation if such information is selectively presented. For this reason they have reservations about the approaches outlined in Models One and Two above.
- 3.1.11 Proponents of Model Three do not advocate providing summarized information on fiscal sustainability in the GPFRs themselves. Instead they consider that user needs can be best satisfied by including in GPFRs cross-references to other publicly available reports.
- 3.1.12 Those that do not support Model Three consider that the highly detailed technical descriptions and complex presentational formats often used in separate long-term fiscal sustainability reports would not be sufficiently understandable for the users of GPFRs. They question whether simply including references to separate, reports on long-term fiscal sustainability would meet the qualitative characteristics of financial reporting and therefore achieve the objectives of GPFRs.

3.2 Conceptual Analysis of Potential Reporting Models

- 3.2.1 In assessing how long term fiscal sustainability information might be reported in GPFRs, the IPSASB referred to the qualitative characteristics of information (i.e. relevance, faithful representation, timeliness, understandability, comparability and verifiability.) The IPSASB's tentative view is that Model One would produce statements that are on the demarcation line between GPFs and additional information within GPFRs.
- 3.2.2 A potential challenge with Models Two and Three is that the reporting boundary for special long-term fiscal sustainability reports is unlikely to be the same as that for the GPFs. In order to meet accountability and comparability requirements that apply to GPFRs, if information on long-term fiscal sustainability were to be included in GPFRs, explanations would have to be provided of entities and transactions that are within the boundary of the consolidated GPFs, but not within the boundary for long-term fiscal sustainability reporting and vice-versa (see Section Four).
- 3.2.3 Overly complex explanations risk impairing understandability. However, as long as the information reported addressed major areas such as demographic change, simplifying assumptions could still allow an understandable and useful report to be derived in a cost-effective manner for inclusion in the GPFRs. As noted in Preliminary View One, the Board does not consider that GPFRs are complete without adequate consideration of the long-term viability of government programs and government's ability to meet financial commitments. For this reason the Board's preliminary view is that Model Three is inappropriate. The Board does not consider that references alone to special long-term fiscal sustainability reports provide users with the information they need for decision-making and accountability purposes.
- 3.2.4 The IPSASB believes inclusion of additional statements providing details of projections, as well as a discussion of summarized projections in narrative reporting, as suggested in Models One and Model Two, would assist GPFR reporting objectives. Because the form and content of long-term fiscal sustainability reporting is still evolving the IPSASB does not believe it should prescribe either approach at this stage. Instead the IPSASB proposes to encourage the production of additional statements providing details of fiscal sustainability projections as an eventual objective. As an interim step the Board encourages the evolution of approaches for presenting information on long-term fiscal sustainability in narrative reporting.

Preliminary View Two

IPSASB guidance should recommend that long-term fiscal sustainability information in GPFRs be presented either through:

- Additional statements providing details of projections; or
- Summarized projections in narrative reporting.

4. THE REPORTING ENTITY AND LONG-TERM FISCAL SUSTAINABILITY REPORTING

4.1 Introduction

4.1.1 Previous sections of this Consultation Paper have:

- Established that long-term fiscal sustainability reporting is an aspect of fiscal management that is of acknowledged, and growing, global importance;
- Put forward a preliminary view that information on long-term fiscal sustainability is necessary to achieve the objectives of financial reporting;
- Identified ways in which long-term fiscal sustainability reporting could enhance the information in GPFs; and
- Proposed a preliminary view on how IPSASB guidance might recommend that information on long-term fiscal sustainability should be presented in GPFs.

4.1.2 This section considers reporting boundary issues⁷. It examines the differences between reporting boundaries based on the control concept that governs compilation of consolidated financial statements and reporting boundaries based on the statistical basis of accounting and on budget accounting. The IPSASB's project on the Conceptual Framework is considering the issue of the reporting entity. The potential application of long-term fiscal sustainability reporting at sub-national levels is discussed. Finally this section considers whether long-term fiscal sustainability information might be presented in consolidated reports or in the reports of individual entities within the economic entity.

4.2 Reporting Boundary Issues

4.2.1 Globally only a minority of governments use a reporting boundary for long-term fiscal sustainability reporting that is based on the control concept governing GPFs. The main issue is whether this is an obstacle to the reporting of information on long-term fiscal sustainability in the GPFs and, if so, what steps can be taken to address this.

Reporting boundary based on the control concept

4.2.2 Both IPSAS 6, "Consolidated and Separate Financial Statements" and the separate IPSAS on the cash basis of accounting, "Financial Reporting Under the Cash Basis of Accounting" provide requirements and guidance for determining the reporting boundary for consolidation purposes. Under both IPSASs, application of the concept of control determines whether an entity is within the reporting boundary. Control of an entity is defined as "the power to govern the financial and operating policies of another entity so as to benefit from its activities." The term "economic entity," rather than the private sector term "group reporting entity," is used in both IPSASs. An economic entity is a group of entities comprising a controlling entity and one or more controlled entities.

⁷ The approach to determining which separate reporting entities are presented as a single reporting entity in consolidated financial reports.

- 4.2.3 The definition of control includes both a “power element” (the power to govern the financial and operating policies of another entity, at least at the strategic level) and a “benefit element” (the ability of the controlling entity to benefit from the activities of the other entity. If either or both of these elements are absent an entity would not be controlled and would therefore not be within the reporting boundary.

Reporting boundaries based on statistical accounting and budgeting approaches

- 4.2.4 Although there are exceptions, such as New Zealand and the SOSI at the US Federal Government level, many governments that report publicly on long-term fiscal sustainability do not use the same boundary for these reports as for their consolidated GPFs. Instead they adopt a boundary determined by statistical bases of accounting or one based on the budget sector.
- 4.2.5 Statistical accounting bases reflect requirements consistent with, and derived from, the *System of National Accounts 1993* (SNA 93) prepared by the United Nations and other international organizations. SNA 93 has been updated and the new “SNA 2008” will be introduced across countries in the coming years. These statistical bases of financial reporting focus on the provision of financial information about the General Government Sector (GGS). The GGS comprises those non-profit entities that undertake non-market activities and rely primarily on appropriations or allocations from the government budget to fund their service delivery activities. The full public sector comprises (a) the GGS, (b) the public financial corporation sector (PFC), such as government financial institutions, and (c) the public non-financial corporation sector (PNFC), such as government owned utilities.
- 4.2.6 GPFs consolidate only controlled entities. In some jurisdictions a national government controls state/provincial and local government entities in accounting terms, and therefore those entities are consolidated in the GPFs; in other jurisdictions there is no control relationship. For example, whereas the local government tier will be consolidated within “whole of government” accounts in the United Kingdom, that sector is not consolidated in whole of government accounts in Australia and New Zealand. Under the statistical basis of financial reporting, the GGS of all levels of government are combined. This means that in many jurisdictions the GGS will include entities that are not consolidated in the GPFs. One advantage of boundaries based on the GGS is that they enhance global comparability, because variations in relationships between national and sub-national government would not affect the boundary. Statistically-based information may therefore be useful to the users of GPFRs in order to complement information based on IPSAS 6 boundaries.
- 4.2.7 To meet accountability requirements, the IPSASB believes that long-term fiscal sustainability information included in GPFRs should be prepared for the same reporting entity as for GPFRs. This would provide greater clarity regarding the sources of funds available to the reporting entity and the scope of obligations that an entity must meet. Where the underlying fiscal sustainability information is prepared using another boundary, it should be adjusted to provide consistency with the GPFR/GPFS reporting boundary. IPSAS 22, “Disclosure of Financial Information about the General Government Sector” prescribes reconciliation requirements for entities that elect to

disclose in their GPFRs, financial information about the statistically based GGS and provides illustrative examples of how to present such reconciliations.

- 4.2.8 Similar challenges exist where the boundary for long-term fiscal sustainability reporting is set on a budgetary basis. This may occur where the consolidated financial statements include financial information on agencies (a) that, although controlled, have a certain amount of operational autonomy and are subject to separate budgetary approvals, or (b) where the budget is prepared only for the GGS. It may also be the case that the budget and financial statements are compiled on different accounting bases, so that the baseline position differs. IPSAS 24, “Presentation of Budget Information in Financial Statements” provides further consideration on reconciling the budgetary information and information presented in the financial statements.

4.3 Fiscal Sustainability Reporting at Sub-National Levels

- 4.3.1 This Consultation Paper has so far focused on the consolidated national level of government. Although long-term fiscal sustainability reporting has become more widespread as shown in Exhibit One, it is less common at the sub-national levels. Portland (Oregon) and Maricopa County (Phoenix, Arizona) are large municipal entities in the United States that have produced fiscal condition reports. The latter is the most rapidly growing statistical metropolitan area in North America. Both of these reports are primarily historical in nature, (a) providing historic ten year trend information on a range of financial and demographic variables, (b) highlighting favorable and unfavorable trends and, (c) in the case of Maricopa, presenting a significant amount of comparative data with other large US municipalities.
- 4.3.2 In Canada the Provincial Government of Ontario published a report, “Towards 2025: Assessing Ontario’s Long-Term Outlook,” in 2005. This report presented a long-range assessment of Ontario’s economic and fiscal future. It included a description of anticipated changes in the Ontario economy and in the province’s demographic profile over a 20-year horizon, and a description of the potential impact of these changes on the public sector and on Ontario’s fiscal situation during that future period. It also presented an analysis of key fiscal issues likely to affect the long-term sustainability of the economy and the province’s public sector.
- 4.3.3 Time horizons for sub-national reporting tend to be much shorter than those adopted at the national level. The 20-year time horizon in Ontario appears atypical for sub-national levels. For example the ‘Financial Condition Report on the State of New York’ by the State Comptroller primarily focuses on historical trends, but does include a section on “Implications for the Future” which illustrates forward trends over a five-year horizon, including the proportion of state funds projected to be consumed on Medicaid, school funding and meeting debt service obligations. In New Zealand local governments are required to publish budgets with 10-year time horizons.
- 4.3.4 The US Governmental Accounting Standards Board (GASB), which promulgates accounting standards for the sub-federal levels in the USA, has a project on “Economic Condition Reporting: Fiscal Sustainability.” The project’s aim is (a) to identify the

information that users require to assess a sub-federal government entity's economic condition and its components, including information regarding long-term fiscal sustainability, (b) to compare these needs with the information users receive in the comprehensive annual financial report and other sources and (c) to consider whether guidance or guidelines should be considered for the remaining information. The principal focus of the project is for GASB to consider whether any additional information necessary for assessing a government's economic condition should be required or encouraged for inclusion as part of general purpose financial reporting. This project also will consider the information identified by users as necessary to assess the risks associated with a sub-federal entity's intergovernmental financial dependencies.

- 4.3.5 The definition of economic condition used by GASB comprises three components: financial position, fiscal capacity and service capacity. Financial position is an entity's assets, liabilities, and net assets, derived from the statement of financial position. Fiscal capacity is the ability to meet financial obligations as they come due on an ongoing basis and is therefore linked to debt maturity and liquidity. Service capacity is an entity's ability and willingness to meet its commitments to provide services on an ongoing basis. Consistent with the IPSASB's working definition of long-term fiscal sustainability (see Section One), this GASB definition recognizes both future service delivery commitments and the servicing of debt obligations.
- 4.3.6 The IPSASB believes that long-term fiscal sustainability information is also required at sub-national levels so that the GPFs of sub-national entities will meet both the decision-making and accountability objectives of financial reporting. However, the nature and extent of the reports required to meet these objectives will vary between entities as discussed in Section Five.

4.4 Consolidated Financial Reports or Financial Reports of Individual Entities?

- 4.4.1 Regardless of the levels of government for which entities are required to report information on long-term fiscal sustainability, there is an issue whether requirements (a) should be linked and restricted to the consolidated financial reports, comprising the controlling entity and controlled entity/entities, or (b) whether they should apply to the individual financial reports of controlled entities.
- 4.4.2 Determining whether the benefits of information for the users of the financial statements of controlled entities justify the costs of providing that information, may depend on a number of factors. They include whether a controlled entity has significant tax generating powers or debt servicing obligations, and therefore whether users exist for fiscal sustainability information. In general, it seems questionable whether the cost of producing reports on fiscal sustainability by individual entities, within the economic entity, is likely to justify the benefits to users of that information. Furthermore, there may be risks to understandability if individual entities within an economic entity produce separate sustainability reports and disclosures. It could also be misleading if entities with limited tax-raising powers provide projections based on taxation decisions over which they have no control, without disclosing this fact.

Preliminary View Three

IPSASB guidance should be based on the concept of the reporting entity and should provide recommended practice for consolidated reports presented by all levels of government.

5 WHICH LONG-TERM FISCAL SUSTAINABILITY INDICATORS SHOULD BE REPORTED?

5.1 Introduction

5.1.1 This section considers which long-term fiscal sustainability indicators should be reported by different entities and refers to the qualitative characteristics of financial reporting.

5.2 Indicators Currently Used

5.2.1 Publicly available reports on fiscal sustainability contain a range of indicators. Examples of reported indicators together with working definitions include:

- **Gross debt:** The sum of government securities (on consolidated basis), loans received and other borrowing, deposits held and advances received.
- **Net debt:** Gross debt minus the sum of investments, loans made, cash and deposits, and advances paid.
- **Net Worth:** Total assets (financial and non-financial) minus total liabilities (debt, superannuation and other) minus contributed capital.
- **Net Financial Worth:** Total financial assets minus total liabilities minus shares and other contributed capital.
- **Fiscal gap:** The size of the immediate and permanent increase in revenues or decrease in outlays, expressed as a percentage of GDP, that would be necessary to keep debt at or below its current share of GDP for a future projection period.
- **Inter-temporal budget gap:** Derived from the inter-temporal budget constraint (IBC). The IBC calculates the primary balance (surplus or deficit exclusive of interest payment) required to stabilize (eliminate, in some versions) the debt burden. This is done by discounting to present value all projected future revenue and spending flows plus the current debt burden. An inter-temporal budget gap exists when the present discounted value of projected primary balances does not cover the current debt burden.
- **Fiscal dependency:** Extent to which an entity is dependent upon sources of funding outside its control.

5.2.2 Many of the above indicators are generally presented as a proportion of Gross Domestic Product or in per capita terms. This section considers whether the IPSASB should recommend a minimum set of indicators, which might be disclosed in the GPFs regardless of the prominence that they play in a particular jurisdiction's fiscal framework. The advantage of such an approach would be the promotion of global consistency. The disadvantages would be that there appears to be no consensus on the relevance of these indicators as yet, and they may be of limited local or regional significance. For example, gross debt may be misleading because it fails to recognize trends such as the accumulation of assets in public sector pension funds. Misgivings have been expressed in New Zealand about the use of fiscal gap information, and in Australia the primary

indicator of fiscal sustainability has been changed from net debt to net financial worth. Care also needs to be taken when comparing measures over time and between jurisdictions as some measures, such as the inter-temporal budget gap, are sensitive to the starting year of the projection and the discount rate.⁸

5.3 Relevance of Different Types of Indicators

5.3.1 In considering approaches to the disclosure of information in narrative reporting, the conceptual framework developed by Schick is useful. He puts forward four dimensions of fiscal sustainability

- **Solvency:** the capacity of governments to finance existing and probable future liabilities/obligations;
- **Growth:** the capacity of government to sustain economic growth over an extended period;
- **Fairness:** the capacity of government to provide net financial benefits to future generations that are not less than the net benefits provided to current generations; and
- **Stable taxes:** the capacity of governments to finance future obligations without increasing the tax burden.

The dimensions of solvency and fairness are similar to the notions of fiscal capacity and service capacity developed in the GASB project discussed in Section Four.

5.3.2 Solvency is relevant at all levels of the public sector. Therefore debt projections will be relevant to all bodies. However, the relevance and salience of the other dimensions above may (a) vary between governmental levels and (b) will depend on factors such as size and tax-generating powers. For example, the growth dimension is important for national governments and for larger sub-national entities, particularly those with powers over corporate taxation and economic regeneration powers. It may, though, be of more limited significance in predominantly suburban and residential municipalities that have a limited ability to affect economic activity in a larger metropolitan area.

5.3.3 Similarly the stable taxation dimension will be at the core of analysis for national governments. It may, however, be of more limited relevance for entities with limited tax-generating powers, which are dependent on inter-government transfers for a high proportion of their revenues.

5.3.4 GDP is a relevant indicator for large and economically significant sub-national entities in federalized structures such as American states, Australian states, Canadian provinces and certain European regions with high levels of economic activity. However, it is unlikely to be relevant or even available for small municipalities. Similarly the fiscal gap and inter-temporal budget constraints are national level constructs that apply to the entire public sector and cannot easily be applied to discrete sub-national entities.

⁸ Allen Schick “Sustainable Budget Policy Concepts and Approaches” (2008).

- 5.3.6 The approach to reporting on long-term fiscal sustainability therefore needs to reflect the entity's fiscal powers, economic status and other specific circumstances. For example, the extent to which an entity is fiscally dependent upon the taxation policies of a higher level of government is likely to be an important indicator. Its importance lies in its illustration of the extent to which the maintenance of current service provision and the ability to meet financial obligations are dependent on the decision of other entities. A 1995 Canadian Institute of Chartered Accountants (CICA) report, "Indicators of Financial Condition" defined the term "vulnerability" to denote the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside its control or influence, both domestic and international.

5.4 Relevance of Qualitative Characteristics of Financial Reporting

- 5.4.1 IPSASB's Conceptual Framework project has considered the qualitative characteristics of financial reporting. The qualitative characteristics of information included in GPFRs are the attributes that make that information conducive to achieving the objectives of financial reporting – that is, for accountability purposes and for making resource allocation, political and social decisions. From the accountability perspective it is particularly important that the long-term fiscal indicator(s) chosen and the supporting narrative describe the scale of the fiscal challenge facing the entity.
- 5.4.2 The qualitative characteristics of information included in GPFRs proposed in the IPSASB's first Conceptual Framework project are relevance, faithful representation, timeliness, understandability, comparability and verifiability. Materiality, cost and achieving an appropriate balance between the qualitative characteristics are pervasive constraints on that information. All these characteristics are relevant in assessing which information on long-term fiscal sustainability should be provided in the GPFRs.
- 5.4.3 These qualitative characteristics have been analyzed and developed primarily for GPFSS and a number of issues are likely to arise in their application to long-term fiscal sustainability information. For prospective information to be useful for decision-making and valuable in demonstrating accountability it needs to be transparent, thereby reflecting the qualitative characteristics of relevance and faithful representation. Basing assumptions on published fiscal frameworks and targets is therefore important. The use of prospective information also gives rise to issues about the verifiability of the information. Both areas are discussed in a later section of this paper. The profile of indicators across time is also likely to be significant as the indicators may be volatile; reporting an indicator at just one point may therefore be misleading.
- 5.4.4 As a result of the differing relevance of the various types of indicators, and the extent to which they would meet the qualitative characteristics of financial reporting, the Board does not consider that a uniform set of indicators should be recommended at this stage. Instead it considers that the reasons for selecting particular indicators should be disclosed and supported by reference to the qualitative characteristics of financial reporting. It is good practice to report comparative information and to disclose the reasons for ceasing to report indicators, if this occurs. The avoidance of frequent changes will provide stability and enhance understandability by users.

Preliminary View Four

IPSASB guidance should recommend that long-term fiscal sustainability indicators be selected based on (a) their relevance to the entity, (b) the extent to which they meet the qualitative characteristics of financial reporting, and (c) their ability to describe the scale of the fiscal challenge facing the entity. It should also recommend that comparative information is provided and that the reasons for ceasing to report indicators, if this occurs, are disclosed.

6 BASIS OF PREPARATION: KEY PRINCIPLES

6.1 Introduction

- 6.1.1 This section of the Consultation Paper looks at (a) the programs and transactions that are covered by long-term fiscal sustainability reporting and the principles that should be adopted for their inclusion in GPFRs. The basis of accounting – whether statistical, accrual or budget can influence the programs and transactions that are reported, and the following sections should be considered in the context of the areas covered in Sections Four and Five.

6.2 Current versus Future Policy

- 6.2.1 Preparers of financial statements generally do not predict governmental actions and do not assume that programs will discontinue, unless legislation to that effect has been enacted at the reporting date. Although this principle is sound for the GPFSs, it is less clear that it is always appropriate for long-term fiscal sustainability projections disclosed in the GPFRs.
- 6.2.2 In the context of long-term fiscal sustainability tensions can result from conflicts in legal obligations or if current programs have sunset provisions. An example of such tension is where a requirement that benefits are only paid out of a segregated fund that is projected to be exhausted may not be compatible with the projected volume of entitlements. Programs subject to sunset provisions may be replaced by similar programs, so adopting a strict “legal termination” principle may lead to the understatement of projected outflows, thereby impairing the usefulness of information. A principle that has been largely adopted for reasons of prudence in the GPFSs might lead to imprudent projections for long-term fiscal sustainability.
- 6.2.3 The projections of participation in the labor market in the UK’s December 2006 Long-Term Public Finance Report actually reflected the Government’s intentions to raise the age of entitlement for the state pension even though legislation to effect such a change had not been enacted at the date of publication. The Report acknowledged the difficulty of predicting with complete accuracy the impact of changed state pension entitlement dates on labor markets and therefore modeled three different variants of that impact. Notwithstanding such estimation complexity the approach of the UK shows that there may be cases where making projections on the basis of firmly announced Government proposals can provide more relevant information than using a current legal position, one that is highly likely to be superseded.
- 6.2.4 The preliminary view of the IPSASB is that it is good practice for disclosures to assume that current policy continues for those significant expenditures that are individually projected; that is future events should not be incorporated in assumptions. For expenditures that are not individually projected, the distinction between current and future policy is unlikely to be critical to the projections and it will be important to disclose the general assumptions that provide the basis for projecting such expenditure.
- 6.2.5 It is also useful to distinguish between top-down and bottom-up approaches. Under top-down approaches assumptions are made that tax policies and fiscal rules do not change.

Conversely, under bottom-up approaches, each material individual expenditure or revenue item representing existing government policy is projected and agreed. The United Kingdom has used both approaches in its public reporting on fiscal sustainability: top-down modeling approaches in its “Economic and Fiscal Strategy Report” and bottom-up approaches in its “Long-Term Fiscal Sustainability Report.” New Zealand has also adopted a top-down approach.

- 6.2.6 Under bottom-up approaches each material individual expenditure or revenue item is projected and aggregated. Bottom up approaches can involve both (a) a full set of modeled assumptions and projections and (b) a more simplified approach, whereby only certain programs are modeled and spending on other programs is assumed to remain constant as a proportion of GDP over the time horizon.
- 6.2.7 Bottom-up approaches and top-down approaches can be complementary. Individual expenditures are projected on a bottom-up basis and fiscal policies applied on a top-down basis to illustrate the scale of the fiscal changes that are necessary to achieve a sustainable path. It is therefore important that GPFs disclose how these two approaches have been used.

6.3 Revenue Inflows

- 6.3.1 As already noted, one of the main advantages of fiscal sustainability reporting is that, unlike the GPFs, such reporting can take into account projected inflows from taxation and other sources for which the taxable event giving rise to an inflow is in the future (see Section Two).
- 6.3.2 All of the jurisdictions informally surveyed for this paper include projections of taxation and other government financing. In most jurisdictions the approach is to assume an unchanged tax policy over the projection period. The European Commission suggests that this reflects two main assumptions:
- The main tax bases remain constant as a share of GDP, and there is no change in the structural wage share of the economy, or the savings rate of households.
 - The average tax rate is constant on the different tax bases, which is consistent with assuming an indexation of all thresholds, bands, minima and exemption of the tax system on average wage.
- 6.3.3 Adopting such an approach involves a modification of the principle governing the GPFs that only legally enacted measures should be taken into account. Assuming that personal taxation is a constant proportion of GDP is also a commonly used and straightforward way of dealing with “fiscal drag”, where increases in nominal incomes result in individuals moving into higher tax bands. However, this assumption is not used in all jurisdictions. In its 2006 report, “Long-Term Fiscal Position” New Zealand expressed reservations about this approach by suggesting that “assuming a constant tax to GDP ratio is a strong assumption.” For personal taxation New Zealand is therefore considering adoption of a more sophisticated approach.

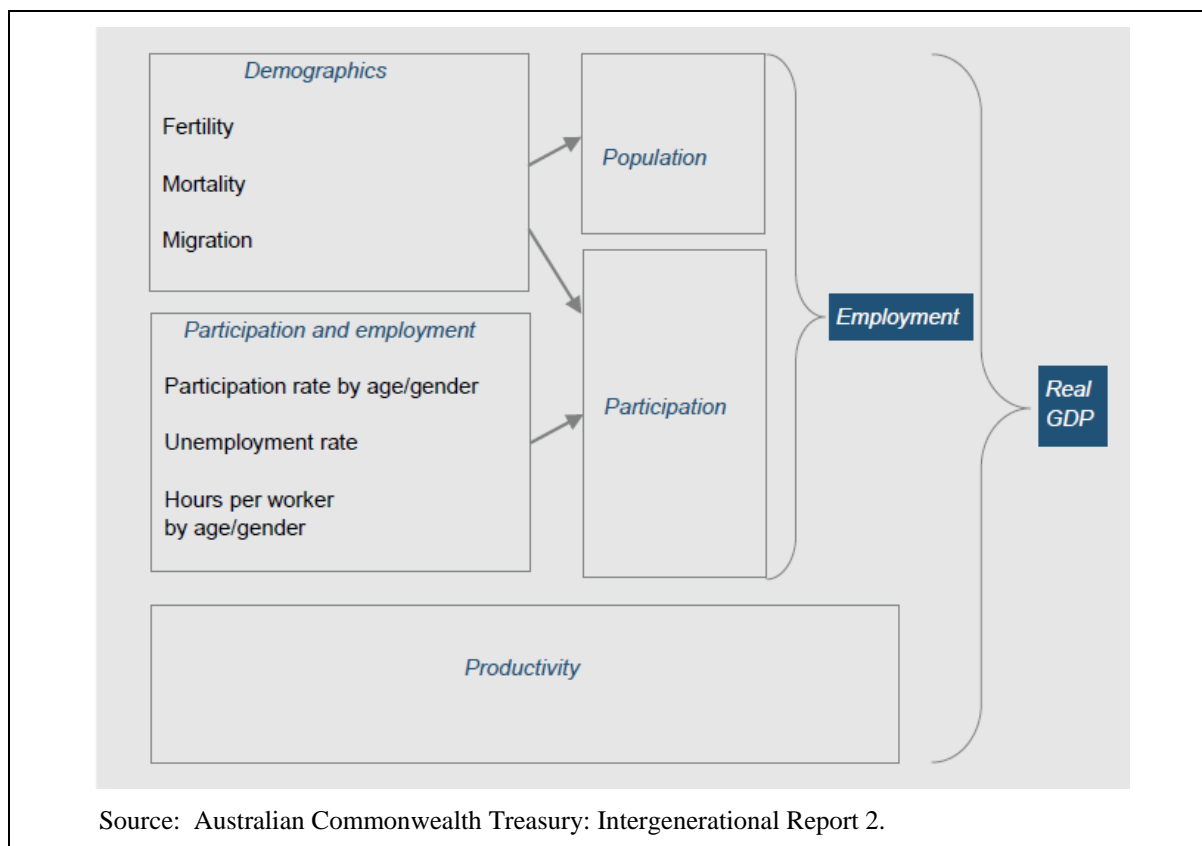
- 6.3.4 In the context of long-term fiscal sustainability projections in the GPFRs the most important requirements are that users are informed of the main sources of tax revenue and the way in which the tax base is projected to grow (or diminish) over the reported time horizon i.e., (a) where revenues are modeled individually and the principal assumptions, or (b) where revenues are not modeled individually, but instead are projected to grow in line with GDP.

6.4 Demographic and Economic Assumptions

- 6.4.1 Although there is considerable congruence between assumptions used by governments in making projections there are differing ways of classifying them. For example, Australia disaggregates real GDP into three components: population, participation and productivity. Population is the number of people of working age, participation is the average number of hours worked in the labor force by each working-age person and productivity is the average output produced per hour worked. Population is determined by assumptions about fertility, mortality and migration. Population also has an impact on participation because employment levels and hours worked are related to both age and gender. This disaggregation is shown schematically in Exhibit Seven, which is reproduced from the most recent Australian Commonwealth “Intergenerational Report.”

Exhibit Seven

Disaggregating GDP: The Australian Commonwealth Approach



- 6.4.2 Accounting standards that rely on prospective information to measure the impact of past events on items reported in the financial statements require disclosure of the main assumptions. For example, IPSAS 25, “Employee Benefits” requires disclosure of principal actuarial assumptions for determining liabilities and assets related to post-employment obligations. These include the expected return on plan assets, the expected rates of salary increases and medical cost trends.
- 6.4.3 Given the increasing significance of environmental sustainability, assumptions may need to take into account environmental factors, such as the depletion and degradation of ecosystem services, and the impact of water and finite natural resources on estimates of economic growth.
- 6.4.4 The IPSASB believes that it is good practice to disclose all key assumptions underpinning long-term fiscal sustainability projections in the GPFRs. The challenge for preparers is how to distill a very complex process into an explanation that is succinct and understandable to users of the GPFRs, but does not over-simplify and therefore diminish the reliability of the information reported.

6.5 Age-Related and Non Age-Related Programs

- 6.5.1 A common approach is to distinguish programs that are age-related and subject to demographic risk from programs that are non-age related or where ageing and demography are not key drivers of spending pressures. For example, in developing its Intergenerational Reports, the Australian Commonwealth Government has individually modeled health, aged care, social security payments and education – which accounted for around 70 per cent of government spending in 2007-08. Other areas of Government spending, such as defense and national security, the environment, transport and communications infrastructure, and public order and safety have not been modeled individually, but have been assumed to grow broadly in line with GDP. The rationale for this assumption is that these other areas do not have a clear link with demographic factors. Furthermore, given the diverse nature of these spending areas, it is difficult to project spending with certainty. This aggregated approach and the assumption that spending will grow in line with GDP, provides some flexibility. This flexibility results from allowing spending to increase as a proportion of GDP in some areas while being offset by declines in spending in other areas. France and Switzerland have adopted broadly similar approaches, distinguishing age-related and non-age related expenditure: non-age related expenditure is projected to be constant in real terms or to be a fixed proportion of GDP.
- 6.5.2 For information on long-term fiscal sustainability to be relevant to users of GPFRs the IPSASB is of the view that all material programs and transactions must be reflected. If this is not done, it is important to clearly identify the material programs and transactions that are not included are clearly identified. This particularly applies to (a) entitlement programs such as social security, aged pensions and medical insurance and also (b) obligations related to public sector occupational pension plans. Omission of such

programs and plans will understate expenditure projections and may affect the relevance and reliability of information.

6.6 Impact of Legal Requirements and Policy Frameworks

- 6.6.1 In some jurisdictions long-term fiscal sustainability reporting is governed by a legal or regulatory framework (see Exhibit One which notes legal requirements for sustainability reporting). Such frameworks typically cover responsibilities for preparing and presenting reports. They may also specify the frequency of publication of such reports, and may reflect the requirements of supra-national bodies such as the European Commission. An example of such a national-level framework from New Zealand is shown below in Exhibit Eight.

<p style="text-align: center;">Exhibit Eight</p> <p>Governing Legal Framework for Development and Reporting of Long-Term Fiscal Sustainability in New Zealand</p> <p>Section 26N of the Public Finance Act 1989 (as amended in 2004) states:</p> <p>Statement on long-term fiscal position</p> <ol style="list-style-type: none">1. Before the end of the second financial year after the commencement of this section and then at intervals not exceeding 4 years:<ol style="list-style-type: none">(a) The Treasury must prepare a statement on the long-term fiscal position; and(b) The Minister must present each statement to the House of Representatives.2. The statement must:<ol style="list-style-type: none">(a) Relate to a period of at least 40 consecutive financial years commencing with the financial year in which the statement is prepared; and(b) Be accompanied by:<ol style="list-style-type: none">i. a statement of responsibility signed by the Secretary stating that the Treasury has, in preparing the statement under subsection (1), used its best professional judgments about the risks and the outlook; andii. a statement of all significant assumptions underlying any projections included in the statement under subsection (1)

- 6.6.2 It is important for users of GPFRs to be provided with details of the key aspects of governing legislation and regulation. However, there is a risk that such information will be over-detailed and undermine understandability. To address this risk it may therefore be appropriate to cross-reference other publicly available reports in the GPFRs.
- 6.6.3 It is also important to provide users with sufficient information on the underlying macro-economic policy and fiscal framework to allow them to interpret projected information. The challenge is to provide such information in a form that is not only understandable

and relatively concise, but also verifiable. In broader reports on long-term fiscal sustainability the Australian, New Zealand and United Kingdom Governments have attempted to do this. Exhibit Nine gives examples of the approaches taken at the Commonwealth level in Australia and by the European Commission.

Exhibit Nine

Disclosing Information on Fiscal Frameworks: Australia and the European Commission

Australia

In its most recent Intergenerational Report, published in 2007, the Australian Commonwealth Government highlighted the key aspects of its macro-economic policy framework for fiscal policy and the “Charter of Budget Honesty” and medium-term fiscal strategy that both flow from that framework. The Charter requires the Government to frame its fiscal strategy having regard to fiscal risks, including (a) the maintenance of general government debt at prudent levels, (b) the state of the economic cycle, (c) the adequacy of national saving, (d) the stability and integrity of the tax system, and (e) the financial effect of policy decisions on future generations. Key aspects of the medium-term fiscal strategy include the maintenance of a balanced budget over the course of the economic cycle, with supplementary objectives of not increasing the overall tax burden from its 1996-1997 level and improving the Australian government net worth position over the medium to long-term. The macro-economic framework also includes an inflation target for inflation, based on the Consumer Price Index (CPI), to be 2-3 per cent per year on average over the course of the economic cycle.⁹

European Commission

The European Commission’s assessment of debt sustainability is derived from the inter-temporal budget constraint. This constraint requires the current total liabilities of the government, i.e., the current public debt and the discounted value of future expenditure, to be covered by the discounted value of future government revenue. If current policies ensure that the inter-temporal budget constraint is respected, current policies are considered sustainable. Two sustainability gap indicators measure the size of required permanent budgetary adjustments that enables one of the following conditions to be met : (a) reaching a target of 60 % of GDP for the Maastricht debt in 2050 (the S1 indicator); and (b) fulfilling the inter-temporal budget constraint over an infinite horizon (the S2 indicator). The European Commission’s (DGECFIN) publication, “Long-Term Sustainability of Public Finances” published in 2006 provided projections for the assessment of the budgetary implications of demographic change and the sustainability of public finances across the 25 EU Member States. Based on the projected expenditure trends, deficit and debt levels were projected over a 50-year horizon.

⁹ The Australian Commonwealth Government has subsequently updated its fiscal strategy.

Preliminary View Five

IPSASB guidance on long-term fiscal sustainability reporting in GPFRs should recommend that the entity disclose:

- Any deviations from the principle that long-term fiscal sustainability projections are based on current policy;
- The basis on which projections of inflows from taxation and other material revenue sources have been made;
- Any other key assumptions underpinning long-term fiscal sustainability projections; and
- Details of key aspects of governing legislation and regulation, and the underlying macro-economic policy and fiscal framework.

7 SPECIFIC METHODOLOGY ISSUES

7.1 Introduction

- 7.1.1 This section looks at (a) time horizons for long-term fiscal sustainability projections, (b) discount rates and the role of sensitivity analysis, (c) the reliability of assumptions and (d) the frequency of such projections.

7.2 Time Horizons for Projections and Their Rationale

- 7.2.1 Globally there is significant variation in the time horizons – the period to which projections relate – used by governments to develop projections and report on long-term fiscal sustainability. Exhibit Ten highlights the position for many of the national level reports identified in Section One. Both Australia and New Zealand currently use a 40-year reporting horizon, in Europe the time until the year 2050 is commonly used as the horizon, while in the US, most of the federal agencies involved in projections use a 75-year horizon. This is also the time horizon used for the information reported in the Financial Report of the US Government.
- 7.2.2 In some jurisdictions projections may be made over much longer time horizons than those publicly reported – both the UK and Sweden make projections to the end of this century, but only publicly report up to 2050. There is an obvious relationship between the robustness of assumptions and the time horizon – the further the time horizon is from the reporting date the more future events are captured, but the less robust and potentially less verifiable the assumptions become. Conversely, excessively short time horizons may increase the risk that events and modified trends just outside the reporting horizon, or beyond the economic cycle, might have a significant impact on reported information. In the US, in the Annual Trustee Reports for Social Security and Medicare, the latter risk has been partially addressed by adopting an infinite time horizon for certain projections.
- 7.2.3 It is important that the time horizons used for long-term fiscal sustainability projections are disclosed in the GPFRs, as well as the reason for any changes to those horizons already implemented or planned.

CONSULTATION PAPER
LONG-TERM SUSTAINABILITY OF PUBLIC FINANCES

Exhibit Ten

Overview of Time Horizons in Long-Term Fiscal Sustainability Reports

Country	Title	Time Horizon
Australia	Intergenerational Report	40
Germany	Report on the Sustainability of Public Finance	Until 2050
Korea	Vision 2030	25
Netherlands	Aging and Sustainability of Dutch Public Finances	Until 2100 (with separate discussion to 2040)
New Zealand	New Zealand's Long-Term Fiscal Position	40
Norway	Long-Term Perspective for the Norwegian Economy	50
Sweden	Sweden's Economy (Annex to Budget)	Until 2050
Switzerland	Long-Term Sustainability of Public Finance in Switzerland	50
United Kingdom	Long-Term Public Finance Report	50
US: CBO	Long-Term Budget Outlook	75
US: GAO	Long-Term Fiscal Outlook	75
US: OMB	Long-Term Budget Outlook in Analytical Perspectives	75
US: Financial Report of US Government	Statement of Social Insurance	75
European Union Countries	Public Finances in the EMU	55

Source: OECD Fiscal Futures Project.

7.3 Discount rates

7.3.1 Assumptions and projections may involve the application of discount rates, although not all the indicators discussed in Section Four entail discounting. The responses to an informal questionnaire indicated a variety of approaches to determining discount rates,

depending on the modeling approach. These approaches included (a) interest rates paid on public debt, and (b) the expected long-term rate of economic growth, either in nominal or real terms.

- 7.3.2 Accounting standards generally require that liabilities of a long-term nature are discounted to present value using a specified discount rate. For example, IPSAS 25, “Employee Benefits” requires the discount rate to be a rate that reflects the time value of money and permits entities to make a judgment as to whether the time value of money is best approximated by market yields on government bonds, high quality corporate bonds or by another financial instrument. IPSAS 26, “Impairment of Cash-Generating Assets” also includes requirements for the discount rate. These approaches reflect a view that undiscounted nominal amounts do not meet the qualitative characteristic of relevance.
- 7.3.3 The issue is whether, in order to enhance comparability, consideration should be given to specifying in the GPFRs a discount rate that represents best practice for discounting projections on long-term fiscal sustainability. The alternative would simply be to recommend disclosure of discount rates applied and their rationale. The Board believes that the latter approach would be acceptable at this stage given the developmental nature of this area and the range of professional groups involved.

7.4 Sensitivity Analysis

- 7.4.1 Demographic and economic projections are inherently uncertain. Public reports on long-term fiscal sustainability in many jurisdictions have therefore devoted considerable attention to (a) the impact of variations to base case projections and (b) assumptions about the drivers of economic growth. The most recent Australian IGR commented that “the projections in this report were built using assumptions to form a plausible central case. Significant uncertainties surround those assumptions and as a result, the projections in the report should not be treated as forecasts.”
- 7.4.2 In the context of the financial statements certain current IPSASs and Exposure Drafts (EDs) require or propose the disclosure of specified sensitivity information. For example, IPSAS 25 mirrors IAS 19 by including a requirement for disclosure of the effects of a 1% increase and 1% decrease in the assumed medical cost trend rates on components of revenue and the accumulated post-employment benefit obligation for medical costs. ED 39, “Financial Instruments: Disclosure” requires a sensitivity analysis for each type of market risk to which an entity is exposed at the end of the reporting period and the methods and assumptions used in preparing the sensitivity analysis.
- 7.4.3 As for demographic and economic assumptions the issue is how the results of sensitivity analyses are best presented in GPFRs. At this stage it is perhaps too early for the Board to be prescriptive in this area. However, its preliminary view is that the results of any sensitivity analysis should be disclosed to provide better information on the scale of the fiscal challenges faced.

7.5 Reliability of Projections

- 7.5.1 It is unlikely that projections over a long-term period will match the actual outcome. This does not mean that projections are unreliable. Indeed the extent of the difference between the projections and actual outcomes will be largely dependent upon future government actions. The purpose of the projections, as noted earlier is to provide information on the extent of the fiscal challenges facing governments, the urgency with which these challenges need to be addressed and how these challenges are changing over time, so that decisions are well informed and governments can be held to account for the long-term impact of their decisions. The projections need to be reliable for that purpose. Therefore the projections need to be reasonable and realistic, rather than an accurate prediction of the future.
- 7.5.2 Consequently, entities can take a range of approaches to enhance their reasonableness and realism. Currently, publicly reported projections are subject to formal audit assurance only in the US. At the US federal level, the Statements of Social Insurance (SOSI) have been principal financial statements in the Financial Report of the US Government since 2006. The SOSI provides estimates of the financial condition of the most significant social insurance (contributory entitlement) programs of the federal government, principally most parts of Medicare and Social Security. The SOSI uses assumptions from Annual Trustee Reports and adopts a 75-year time horizon. The GAO disclaimed an opinion on the SOSI in 2006, but in 2007 the GAO gave an opinion that the SOSI “presents fairly, in all material respects, the financial condition of the US government’s social insurance programs.” Further information on the sensitivity of assumptions is contained in supplemental information and the MD & A in the Financial Report, both of which are not currently subject to audit or assurance. The current wording of the unqualified audit opinion given on the SOSI for 2007 and 2008 is given in Exhibit Eleven overleaf.

Exhibit Eleven

US Government Accountability Office Opinion on Statement of Social Insurance

UNQUALIFIED OPINIONS ON THE STATEMENTS OF SOCIAL INSURANCE FOR 2008 AND 2007

In our opinion, the Statements of Social Insurance for 2008 and 2007 present fairly, in all material respects, the financial condition of the federal government's social insurance programs, in conformity with GAAP. We disclaim an opinion on the 2006 Statement of Social Insurance and have not audited and do not express an opinion on the Statements of Social Insurance for 2005 and 2004, and on other information related to such statements that is included in the accompanying *2008 Financial Report*. As discussed in Note 23 to the consolidated financial statements, the Statement of Social Insurance presents the actuarial present value of the federal government's estimated future revenue to be received from or on behalf of participants and estimated future expenditures to be paid to or on behalf of participants, based on benefit formulas in current law and using a projection period sufficient to illustrate the long-term sustainability of the social insurance programs. In preparing the Statement of Social Insurance, management considers and selects assumptions and data that it believes provide a reasonable basis for the assertions in the statement. However, because of the large number of factors that affect the Statement of Social Insurance and the fact that such assumptions are inherently subject to substantial uncertainty (arising from the likelihood of future changes in general economic, regulatory, and market conditions, as well as other more specific future events, significant uncertainties, and contingencies), there will be differences between the estimates in the Statement of Social Insurance and the actual results, and those differences may be material. The Supplemental Information section of the *2008 Financial Report* includes unaudited information concerning how changes in various assumptions would change the present value of future estimated expenditures in excess of future estimated revenue. As discussed in that section, Medicare projections are very sensitive to changes in the health care cost growth assumption.

- 7.5.3 In its "Code of Practice on Fiscal Sustainability" the IMF states that "independent experts should be invited to assess fiscal forecasts, the macroeconomic forecasts on which they are based, and their underlying assumptions and that a national statistical body should be provided with the institutional independence to verify the quality of fiscal data." Both Eurostat and the Canadian Province of Ontario use peer review processes. This approach is consistent with guidance issued by the CICA on public performance reporting, which states that it is good practice for the reports to disclose the basis on which those responsible for the preparing the report have confidence in the reliability of the information presented.
- 7.5.4 The IPSASB is of the view that the need for, level of and extent of assurance is a matter for preparers to form a judgment on in conjunction with their auditors. In forming this judgment it is important that entities take into account user needs from an accountability

perspective. Users need to be presented with prospective information in an understandable format so they can assess the extent of the fiscal challenge facing governments. Due to the inherent uncertainty in long-term projections it is important that entities succinctly disclose the steps that have been taken to ensure that key assumptions underpinning projections are realistic and reliable and, as discussed in Section Five, that these assumptions are consistent.

7.6 Frequency of Reporting

- 7.6.1 Publication of GPFs is, at a minimum, on an annual cycle. As for time horizons, the frequency of long-term fiscal sustainability reporting varies. Australia is required by legislation to publish Intergenerational Reports at least every five years. The legislative requirement in New Zealand is for a statement on New Zealand's long-term fiscal position to be published every four years. Switzerland also reports publicly every four years. Other governments report annually and may make projections more frequently e.g., Sweden. Exhibit Twelve gives the frequency of reporting for the jurisdictions identified in Section One of the paper.

CONSULTATION PAPER
LONG-TERM SUSTAINABILITY OF PUBLIC FINANCES

Exhibit Twelve
Overview of Reporting Frequency in Certain Jurisdictions

Country	Title	Frequency
Australia	Intergenerational Report	Every 5 yrs
Denmark	A Sustainable Future	Every 5 yrs
Germany	Report on the Sustainability of Public Finance	Every 4 yrs
Korea	Vision 2030	Ad Hoc
Netherlands	Aging and Sustainability of Dutch Public Finances	Ad Hoc
New Zealand	New Zealand's Long-term Fiscal Position	Every 4 yrs
Norway	Long-Term Perspective for the Norwegian Economy	Annually
Sweden	Sweden's Economy (Annex to Budget)	Annually
Switzerland	Long-Term Sustainability of Public Finances in Switzerland	Every 4 yrs
United Kingdom	Long-Term Public Finance Report	Annually (not since 2006)
US: CBO	Long-Term Budget Outlook	Every 2 yrs
US: GAO	Long-Term Fiscal Outlook	3 times/yr
US: OMB	Long-Term Budget Outlook in Analytical Perspectives	Annually
US: Financial Report of US Government	Statements of Social Insurance	Annually
European Union Countries	Public Finances in the EMU	Annually

Source: OECD Fiscal Futures Project.

- 7.6.2 Reporting frequencies for publicly available reports outside the GPFRs are not within the scope of this Consultation Paper. However, where projections are made considerably

earlier than the reporting date for the GPFRs, it may be questionable whether such projections meet the qualitative characteristic of timeliness. At a minimum, it is recommended that the date on which projections were made be disclosed.

- 7.6.3 A more rigorous approach would be to endorse a good practice benchmark that long-term fiscal sustainability projections in the GPFRs should have been made within a predetermined period before the reporting date for the GPFRs. For items subject to revaluation in GPFRs, intervals exceeding five years are not permitted. In the IPSASB's view there are risks to the relevance of long-term fiscal sustainability information disclosed in GPFRs if it has not been prepared and updated within five years of the reporting date.

Preliminary View Six

IPSASB guidance on long-term fiscal sustainability reporting in GPFRs should recommend that the entity disclose:

- Time horizons for the projections presented or discussed in the GPFRs as well as the reason for modifying time horizons and any published plans to modify those horizons;
- Discount rates, together with the reason for their selection;
- Results of key sensitivity analyses; and
- Steps taken to ensure that projections are reliable.

Preliminary View Seven

IPSASB guidance on long-term fiscal sustainability reporting in GPFRs should recommend that (a) the underlying projections should have been prepared or updated within five years of the reporting date, and (b) the date of preparation or update should be disclosed.



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CONSULTATION PAPER RESPONDENTS' OVERALL COMMENTS AND COMMENTS ON PRELIMINARY VIEWS

Purpose:

To present the Staff analysis of the comments received on Consultation Paper, “Reporting on the Long-Term Sustainability of Public Finances.”

List of Respondents:

Response #	Respondent Name	Function
1	Dr. Jesse Hughes	Academic
2	Accounting Standards Board (UK)	Standard Setter/Standards Advisory Body
3	European Central Bank	Other: Central Bank
4	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Standard Setter/Standards Advisory Body
5	Netherlands Bureau for Economic Policy Analysis (CPB)	Standard Setter/Standards Advisory Body
6	Joint Accounting Bodies (Australia)	Member or Regional Body
7	New South Wales Treasury (Australia)	Preparer
8	HoTARAC (Heads of Treasuries Accounting and Reporting Advisory Committee) (Australia)	Preparer
9	Institute of Chartered Accountants of Scotland	Member or Regional Body
10	Federation of European Accountants (FEE)	Member or Regional Body
11	Office of the Auditor General (Canada)	Audit Office
12	Cour des Comptes Consultative Committee on Public Sector Accounting Standards (France)	Audit Office
13	The Japanese Institute of Certified Public Accountants	Member or Regional Body
14	Accounting Standards Board (South Africa)	Standard Setter/Standards Advisory Body
15	Institut Der Wirtschaftspruefer in Deutschland (IDW) (Germany)	Member or Regional Body
16	Treasury Board of Canada Secretariat	Preparer
17	Contrôleur des Finances du Québec (Comptroller of Finance) (Canada)	Preparer
18	Government Accountability Office (USA)	Audit Office
19	The Chartered Institute of Public Finance & Accountancy (UK)	Member or Regional Body
20	Governmental Accounting Standards Board (USA)	Standard Setter/Standards Advisory Body
21	The Association of Chartered Certified Accountants (ACCA)	Member or Regional Body
22	Australasian Council of Auditors-General	Audit Office
23	Financial Reporting Standards Board (New Zealand)	Standard Setter/Standards Advisory Body
24	Ernst & Young GmbH (Germany)	Accountancy Firm
25	Institute of Chartered Accountants of Pakistan	Member or Regional Body
26	The Australian Accounting Standards Board	Standard Setter/Standards Advisory Body
27	Province of British Columbia (Canada)	Preparer
28	Public Sector Accounting Board (Canada)	Standard Setter/Standards Advisory Body
29	Direction Générale des Finances Publiques (France)	Preparer
30	Conseil de Normalisation des Comptes Publics (CNOCP) (France)	Standard Setter/Standards Advisory Body

OVERALL VIEWS ON CONSULTATION PAPER

(A) SUPPORT	13 (43%)
(B) SUPPORT WITH RESERVATIONS	10 (33%)
(C) DO NOT SUPPORT	7 (23%)
(D) NO OVERALL VIEW	0
TOTAL	30

#	RESPONDENT NAME	OVERALL CATEGOR-IZATION	GENERAL COMMENTS & OVERALL VIEW	STAFF VIEW
1	Dr. Jesse Hughes	A	The proposed ED on Fiscal Sustainability is clear and succinct on a very complex subject. I was especially pleased to see that the Intergenerational Equity concept was used as the basis for discussions in the ED. Hopefully, this concept can be discussed earlier in the Conceptual Framework project to lay the foundation for all the IPSASs.	Noted. The draft Elements Consultation Paper at Agenda Item 2B includes consideration of the interperiod equity model but not specifically intergenerational equity.
2	Accounting Standards Board (UK)	A	<p>We believe the IPSASB consultation paper is valuable. In particular, it provides a clear, principles-based framework that should encourage governments and other public sector entities to systematically report information in general purpose financial reports on the long-term consequences of government programs.</p> <p>We agree with most of the proposals that are made and consider these will result in improvements to the financial reporting of governments, particularly given the additional pressures on the public finances that have arisen as a result of the financial crisis. We also note the proposal to include information on long-term fiscal sustainability in general purpose financial reports is consistent with paragraph 10 of the IASB's Exposure Draft 'Management Commentary', which discusses time-frames and notes that 'management commentary looks not only at the present, but also the past and the future'.</p>	<p>Noted, particularly point on consistency with IASB's Management Commentary Exposure Draft.</p> <p>However, also note this respondent's comments on PV1.</p>
3	European Central Bank	A	I much appreciate and support the important work done by the International Public Sector Accounting Standards Board on the topic of the long-term sustainability of public finances. I agree with the need for data on contingent liabilities or other off-balance sheet liabilities which are expected to put a strain on government finances in the future and which at the moment are not included in the national accounts.	Noted, particularly the point on the non-inclusion of off-balance sheet liabilities in statistical accounts.

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4	SRS-CSPCP (Switzerland)	B	The SRS-CSPCP welcomes in principle recommendations by the IPSAS Board for long-term sustainability reporting. As this kind of reporting has nothing to do with accounting in the narrower sense, it should not be governed in a mandatory Accounting Standard.	Point that any pronouncement should not be mandatory is noted.
5	Netherlands Bureau for Economic Policy Analysis (CPB)	C	<p>A fundamental problem in the paper and proposals is that it seems to mix two approaches. IPSAS focuses on regular financial reporting by individual units with a, in general, backward-looking approach. Analysis of fiscal sustainability of public finance is mainly meaningful at the aggregate level of government and takes a forward-looking approach. Such analysis of fiscal sustainability is often also embedded in a more general economic analysis of a national economy, providing a forward-looking analysis also of other variables, like economic growth, inflation, interest rates, employment, purchasing power and distribution of income over generations. The latter type of analyses is generally conducted starting from a national accounts framework. The basic concepts of the national accounts framework (e.g. what is the government, what are revenue and expenditure, what are the assets and liabilities) are linked (and mostly identical) to those in the IMF Government Finance Statistics.</p> <p>By mixing these two approaches (individual units and backward looking versus aggregate, macro-economic and forward looking), the paper underscores the major fundamental and practical differences. Like the guidelines on national accounts and government finance statistics, guidelines on aggregate government with a macro-economic and forward looking approach should best be issued by those actually conducting such analyses, like the IMF, EC and OECD. Guidelines focusing on reporting on individual units, like the IPSAS, could refer to such guidelines and ideas, may explain similarities and differences, but should not suggest to provide an overall accounting framework. Like with the guidelines on national accounts and government finance statistics, harmonization between the different approaches is welcome when possible and meaningful.</p> <p>In the current drafting, the paper creates confusion and does not provide the proper guidance:</p>	<p>Acknowledged that fiscal sustainability analysis has generally been in a statistical accounting context, particularly at national level and in European Union (EU) states.</p> <p>Noted that much of the analysis of, and reporting of, fiscal sustainability has been at national level.</p> <p>Staff accepts that reporting fiscal sustainability at sub-national levels</p>

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			<ul style="list-style-type: none"> • It should clarify that analysis of fiscal sustainability is mainly useful for aggregate government and that it generally is not useful for individual reporting units. It should also explain the reasons. In general, when one or more government units control or mainly finance other government units, analysis of fiscal sustainability of such individual units (whether being the net receiver or net payer) is not meaningful (and therefore also certainly not necessary!, cf preliminary view 1). • It should clarify that for individual units (e.g. a social fund or a municipality) reporting on the long term prospects of specific types of expenditure can be very meaningful. However, when the expenditure of such units are mainly financed by another government unit, it is not very meaningful to add forecasts on such revenue in order to arrive at a complete picture of the unit's fiscal sustainability. • It should clarify that for analysis of fiscal sustainability at an aggregate level consistency is very important. Without consistency about the past (e.g. about the value and time of recording of flows between government units) and about the future (e.g. about demography, macro-economic development, interest rates, etc), such analysis is not meaningful. As a consequence, simply adding up forward looking estimates of revenue and expenditure of individual reporting units is not meaningful. • It should clarify the implications of the existence of standardized calculations of sustainable public finance for the aggregate government in EU-Member States. In our opinion, this implies that alternative estimates at the aggregate level are only useful for the public interest when they have a clear value added, e.g. are more up-to-date, more focused on the specific national situation and institutions, provide a more general economic perspective or shows the implications of some alternative assumptions. Preferably, such alternative estimates should also be accommodated by a brief discussion of the differences with these EU-wide estimates. • It should clarify that including in the balance sheet also liabilities related to unfunded social benefits, while ignoring the net present 	<p>provides challenges. Reporting on long-term sustainability for entities that are dependent on other entities for a considerable proportion of their resources needs to address the QCs of relevance and faithful representation. Therefore, the extent to which an entity is dependent upon funding from other levels of government needs to be considered in the reporting approach and the selection of indicators (also see Other Comments of Respondent 28 on the notion of vulnerability)</p> <p>The paper did not propose the aggregation of individual reporting units. It suggested that reporting on fiscal sustainability in the GPFRs might be appropriate for consolidated reports. This is not the same as an aggregation of individual units.</p> <p>Because it was intentionally high level the Paper did not discuss detailed approaches and requirements in the EU. Staff agrees that reporting on the long-term sustainability of the public finances is particularly useful for whole of government reports.</p> <p>Staff does not fully understand this point</p>

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			<p>value of future tax revenues can give a very misleading picture of the long term fiscal sustainability. Unfortunately, such a misleading picture is also provided by the new supplementary national accounts table that will book accrued-to-date-liabilities of all pension schemes. This misleading character was also expressed in official opinion by the EC-Ageing work group (AWG, Economic Policy Committee Working group on Ageing populations and sustainability, October 2008):</p> <p>“It is important to note that the level of accrued-to-date liabilities or pension entitlements is not an indicator of sustainability nor in any way can be assimilated to public debt. Two examples can illustrate this point. A fully mature pay-as-you-go (PAYG) scheme with no demographic shock to come (no "papy-boom", no increase in life expectancy, no decrease in the fertility rates) may be fully sustainable i.e. can be maintained for ever without a need to change the parameters of the pension scheme. Yet this PAYG scheme will have large accrued-to-date liabilities, all the higher as the pension scheme is generous. By contrast, a country implementing a new PAYG today, may have little accrued-to-date liabilities the first years of its implementation as workers have still accumulated few rights. Yet, the pension scheme is unsustainable except if tax rates are immediately raised today to prefund the rapid increase in pension expenditure.</p> <p>Against this background, it is the opinion of the AWG that it is not appropriate to refer to such definitions as providing support or additional information to be used in the assessment of the long-term sustainability of public finances. The compilation of accrued-to-date pension entitlements would not add value to the work of the AWG and it should be avoided that confusion is created between this concept and the AWG measure of the future cost of ageing and of sustainability of public finances.”</p>	<p>as the Consultation Paper did not make proposals on the treatment of items for presentation on the statement of financial reporting (balance sheet). One of the advantages of prospective reporting is that it does allow the reporting of tax inflows, which either do not meet the definition of an asset or are not reliably measurable. Therefore Staff considers that prospective reporting can provide information on estimates of future tax revenues and contributions and, by doing so, at least partially address the defect that this respondent attributes to the recording of accrued liabilities for pension schemes but not future tax revenues and contributions.</p> <p>The Paper did not propose that that IPSASB should produce specific requirements on methodology.</p>
6	Joint Accounting Bodies (Australia)	A	The Joint Accounting Bodies consider that a discussion of long-term fiscal sustainability issues and indicators as part of narrative reporting is necessary to meet the accountability and decision-making objectives of	Noted

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			financial reporting.	
7	New South Wales Treasury (Australia)	C	<p>Although we support the project, NSW Treasury does not believe it should be given high priority by the IPSASB while there are other current projects we deem more important for the public sector; e.g. the Conceptual Framework project.</p> <p>Moreover, there is considerable debate whether or not long-term sustainability information (LTSI) should be included in general purpose financial reports (GPFs). NSW Treasury believes this information does not fall within GPFs.</p>	Noted
8	HoTARAC (Australia)	B	<p>HoTARAC strongly supports the Project on Reporting on the Long-Term Sustainability of Public Finances. In its view, such a report is a valuable tool for accountability and decision-making purposes for government. This reporting is potentially much more relevant to users, compared to General Purpose Financial Statements that focus more on historical information.</p> <p>HoTARAC supports a principles-based approach. This allows for such a Report to be adapted to the circumstances of each country, increasing the relevance of the information provided. As Long-Term Sustainability of Public Finances Reports are relatively new, even for countries that do currently prepare them, flexibility allows for development and adaptation based on experience. Presently, there is not a great deal of international comparison between reports – but where this does or will happen, either the requirements can evolve and/or additional specific requirements can be overlaid.</p>	<p>Noted. It should be stressed that the Paper proposed using information that is already produced rather than suggesting that IPSASB should develop specific requirements on methodologies for long-term reporting.</p> <p>Noted that respondent favors the development of separate reports on fiscal sustainability such as Australia's 'Intergenerational Report' rather than the use of material from such reports. This raises a crucial demarcation issue as to exactly what information on the long-term sustainability of the public finances should be within GPFs. In the view of Staff it is questionable whether reports like the 'Intergenerational Report' are GPFs.</p> <p>See also response on PV2.</p>
9	Institute of Chartered Accountants of Scotland	C	<p>The ability of governments to report to the public on the long-term fiscal sustainability of public finances in a clear and consistent manner is a major challenge. The development of a suitable reporting framework would facilitate greater accountability and could encourage governments to consider more rigorously the impact of policies over a</p>	Staff notes the view that reporting on the long-term sustainability of public finances should not be within the scope of financial reporting.

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			<p>greater time horizon. However, developing a credible framework is a significant challenge for IPSASB and we have concerns as to whether the General Purpose Finance Report (GPFR) is the most appropriate medium for public sector reporting on fiscal sustainability. Therefore, we have significant concerns about the Consultation Paper's proposals for introducing long-term fiscal sustainability reporting into the GPFRs of public sector entities.</p> <p>We believe that long-term fiscal sustainability reporting should be undertaken separately from financial reporting and that long-term fiscal sustainability reporting at whole of government level, only, is likely to be meaningful. Our key concern is the combining of an accounting framework which uses historic financial information with a statistical based framework which uses prospective financial information.</p> <p>We believe that the stewardship aspect of accountability is the most important financial reporting objective for the public sector, which we see as being incompatible with a framework which uses prospective financial information. We also have concerns about the inclusion of material on long-term fiscal sustainability within the other information which is published with General Purpose Financial Statements (GPFSSs), on the grounds that management commentaries are becoming overburdened with too much information which detracts from the management's story about how an entity has performed over the financial year.</p> <p>Central governments are responsible for setting fiscal policy and policies on how public services are funded. As public sector entities, including sub-national government entities, may have no or incomplete control over these matters, it is difficult to envisage how it will be possible for public sector entities to provide meaningful information on the long-term fiscal sustainability of the services they provide.</p> <p>Any guidance on reporting on long-term fiscal sustainability will need to clearly distinguish between the material which is to be included within GPFSSs and that to be included within the other information</p>	<p>Noted.</p> <p>Noted. The first Conceptual Framework Consultation Paper proposed that the objectives of financial reporting by public sector entities are the provide information about the reporting entity useful to users of GPFRs for accountability purposes, and for making resource allocation, political, and social decisions.</p> <p>Staff accepts that the reporting of long-term fiscal sustainability for sub-national entities gives rise to different issues than at the national whole of government level. However, there are sub-national entities in some jurisdictions with significant revenue generation powers and examples of prospective reporting by sub-national entities.</p> <p>The Consultation Paper proposed that, in the long term, the presentation of</p>

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			<p>published with GPFs; it does not do so at the moment. However, the consultation paper does discuss the extension of recognition and measurement criteria to include prospective financial information (exhibit 4) and discusses the inclusion of additional statements (preliminary view 2). These developments could impact on the Conceptual Framework, being developed by IPSASB, and on whether GPFs give “a true and fair view” or “present fairly....”</p> <p>We disagree with IPSASB’s statement in paragraph 7.5.4 that the “need for, level of and extent of assurance [on prospective financial information] is a matter for preparers to form a judgment on in conjunction with their auditors”. Where developments impact on GPFs, the level of assurance needed will not be a matter for the preparers and the auditors as the prospective financial information would form part of the accounting framework.</p> <p>It is also incumbent on standard setters to undertake a regulatory impact assessment of new standards and to draw conclusions as to whether the benefits of applying a new standard outweigh the costs. If a standard setter does not make this judgment and sets standards which are overly burdensome it could undermine the accounting framework they have established.</p>	<p>additional statements in GPFs providing details of projections on future government spending and receipts may be the best way of satisfying user needs. It did not propose that such additional statements were GPFs and, for this reason, intentionally did not call such additional statements “financial statements”.</p> <p>Staff does not think that the proposals relate directly to the GPFs and that the statement in the Consultation Paper quoted remains appropriate.</p> <p>The introduction of a regulatory impact assessment may be worth considering in the future as a general requirement for all pronouncements, although the IPSASB would have to consider the feasibility and resource implications of such an initiative for a global standard-setter. However, as much information on the long-term sustainability of the public finances is already published Staff does not think that the proposals in the Consultation Paper are over-burdensome.</p>
10	Federation of European Accountants (FEE)	B	<p>Overall we consider that the Consultation Paper has mapped out a practical basis on which to develop guidance. We wish to make some observations in relation to the nature of the guidance.</p> <p>We believe the final guidance should mandate the reporting on long-term sustainability in that each entity concerned is obliged to report on</p>	<p>Noted that response supports mandatory reporting on the long-term sustainability of the public finances, but a non-prescriptive approach. Paper was non-prescriptive on the adoption of time</p>

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			<p>long-term sustainability. However the way and contents of the reporting should at least at this early stage of reporting on long-term sustainability not be required. We welcome that the IPSASB sets the principles for such reporting as set out in the preliminary view paragraph 4 but the guidance on what and how to report should not be mandatory at this stage in our view.</p> <p>Our only other general comment is to note that the examples of long-term fiscal sustainability reporting from different jurisdictions serve different purposes, and have a variety of different approaches to time horizon, as discussed in sections 6 and 7. The emphasis is not on predicting the future, but on providing a view of the future consequences of past actions and existing policy commitments, taking a wider view of commitments than normally recognised in financial statements. The time horizons seem to be principally chosen to avoid missing important future consequences. This is rather a specialised view of ‘long term’ reporting and in moving forward to an exposure draft it would be helpful if there were more clarity and explanation on this to help readers understand the nature, purpose and limitations of this reporting as well as the envisaged frequency of reporting.</p>	<p>horizons.</p> <p>The Paper acknowledged that the longer the time horizon the greater the fragility of assumptions, but that overly short time horizons risk the omission of important events.</p>
11	Office of the Auditor General (Canada)	A		No overall view specifically expressed. Categorization based on responses to preliminary views.
12	Cour des Comptes Consultative Committee on Public Sector Accounting Standards (France)	A	<p>The public finances sustainability is crucial for the management of public sector entities, whatever the sector to which they belong to (central Government, local Governments, Social Security), not only in times of financial crisis, but also in “cruising speed”.</p> <p>Indeed, the reporting on sustainability complements the information provided by the balance sheet. The liabilities recognized in the balance sheet represent the current obligations which will give rise to future payments. This, in a way, constitutes a first level of information relating to the public finances sustainability and to the funding of the obligations accounted for in the balance sheet.</p> <p>This financial statements information must be complemented in order to provide a wider vision of the future payments, and, when applicable,</p>	Noted

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			to the future revenues. in a widest way, this relates to all future contributions financing all future commitments	
13	The Japanese Institute of Certified Public Accountants	A		No overall view expressed. Categorization based on responses to preliminary views.
14	Accounting Standards Board (South Africa)	B	<p>GENERAL</p> <p>Role of the IPSASB and the format of guidance issued on General Purpose Financial Reports</p> <p>It is unclear from the Consultation Paper in what format the IPSASB plans to provide the “guidance” on long term fiscal sustainability reporting.</p> <p>As fiscal sustainability reporting is relatively new area, we agree that it may not be appropriate to mandate the preparation of these reports. It should however be the long term intention of the IPSASB to require this type of reporting to give credence to the proposed shift from general purpose financial statements to general purpose financial reports.</p> <p>In the interim, we would suggest that a similar approach is followed to that currently required in IPSAS 22, “Reporting on the General Government Sector”, i.e. if entities prepare their financial statements in accordance with IPSASs and present this information, they must comply with the relevant IPSAS/guidance issued by the IPSASB.</p> <p>Going concern</p> <p>If long term fiscal sustainability reports accompany the general purpose financial statements, questions may be raised about whether, or if, any “unsustainable” positions reflected in general purpose financial reports will affect the going concern assumption used to prepare financial statements.</p> <p>As general purpose financial reports reflect commitments and not obligations/liabilities of government, it is arguable that the government can avoid such commitments by changing government policy.</p> <p>However, some would argue that while policy can be amended to avoid</p>	<p>View that approach similar to that in IPSAS 22 is appropriate is noted. Initial staff view is that this may be over-prescriptive at present, especially in light of some of the reservations expressed by other respondents about developing requirements rather than guidance.</p> <p>Staff acknowledges these views, but considers that ‘going concern’ is an entity specific, rather than a program specific notion.</p>

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			<p>certain commitments, e.g. by changing pensionable age or reducing pension benefits, some commitments cannot be avoided, e.g. the provision of basic services such as water and energy. In the latter instance, government may have “no realistic alternative” but to fulfill its commitments.</p> <p>If it is not in a position to do so in the long term, it may in fact affect the going concern assumption used in the general purpose financial statements.</p> <p>Long-term fiscal sustainability in developing economies</p> <p>As noted above, we believe that fiscal sustainability reporting is both useful and necessary. We do however note as a developing economy, we would face a number of challenges in presenting this information. In particular:</p> <ul style="list-style-type: none"> • The necessary skills to produce this information at sub-national and local authority levels may be limited. • Government policies change, some very drastically, with almost every election. This may have implications on the reliability and comparability of information presented. • As infrastructure and other needs are being developed, government is often involved in many non-recurring projects that may span a period of less than 10 years (which is typically the minimum time frame envisaged in long-term fiscal sustainability reporting). Typical examples include construction of stadiums for international sporting events, construction of urban transport infrastructure etc. Current budgets and forecasts cover a period of 5 years. Many of these types of projects may not be sustainable within the medium term and do not require a “long term” assessment to establish their sustainability. Therefore what is typically “long term” in developed countries, may be “medium to long term” in other economies. The time horizon used will need to accommodate these scenarios. <p>South Africa faces very volatile demographic risks, which may pose questions around the reliability of the information presented. The population growth and migration is very dynamic, making it difficult to obtain accurate census data. The prevalence, effect, treatment and</p>	<p>Noted. Staff acknowledges that the fiscal challenges in developing economies differ from those in developed countries and that the Consultation Paper did not sufficiently acknowledge this.</p> <p>It is also acknowledged that the skills available to produce prospective information that meets the qualitative characteristics of financial reporting may not be available especially at sub-national levels. In the view of Staff this emphasizes the need for guidance to be as high level and non-prescriptive as possible at this stage and to draw on existing resources.</p> <p>Acknowledged. Staff will discuss how these demographic risks are addressed in producing broader reports on the long-term sustainability of the public</p>

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			research of HIV exacerbate issues regarding the assumptions used.	finances.
15	IDW (Germany)	B	<p>Given the widespread public interest in the challenges currently facing many central governments and other public sector entities throughout the world, the IDW supports the IPSASB encouraging public sector entities to firstly prepare, as a basis for informed decision making, and potentially provide to their stakeholders, information on the extent of the challenge faced in maintaining a sustainable fiscal path.</p> <p>We agree that, given that the form and content of long-term fiscal sustainability reporting is still evolving, it is currently not appropriate for the IPSASB to prescribe a rigid approach. Indeed, because of this situation, we do not believe it will be possible, or indeed appropriate, to expect the majority of respondents to be in a position to provide well-founded views on the content of the paper, as views need time to mature as experience is gained. Thus, we would like to clarify that in voicing our general support for this initiative we are not expressing any view as to the appropriateness or otherwise of the content of the consultation paper.</p>	Noted. Staff particularly agrees with the cautionary point that it is inappropriate for the IPSASB to prescribe a rigid approach.
16	Treasury Board of Canada Secretariat	C	<p>Overall we do not support a mandatory standard on <i>Reporting on the Long-Term Sustainability of Public Finances</i>, and would prefer that any document produced by IPSAS be a recommended practice rather than a requirement for General Purpose Financial Reporting. As noted in the Consultation Paper, various countries already have legislation or policy that requires sustainability reporting, the requirements of which are through legislation or policy. The development of such legislation or policy will have considered the needs of legislators and other users of the reports. Should IPSAS put in place mandatory requirements it could result in either reports that do not meet the needs of legislators/users in various jurisdictions or the need to prepare two reports, one as stipulated in legislation/policy and one for compliance with IPSAS. Also, most governments currently have various mechanisms for reporting on programs of a long-term nature. For example budgets provide long term views on financing and programs to be delivered by governments. There are also various reports on social benefit programs that discuss in more detail, and with proper context, the future</p>	The arguments against development of a mandatory standard are noted and largely accepted. However, if this subject should not be within the scope of general purpose financial reporting it is extremely questionable whether IPSASB would have a mandate to address it in guidance.

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			sustainability of the programs (i.e. Canada Pension Plan Annual Report).	
17	Contrôleur des Finances du Québec (Comptroller of Finance) (Canada)	C	<p>We disagree with the IPSASB proposal to issue recommendations aimed at regulating the disclosure of information on the fiscal sustainability of government social programs, especially within financial reports. We believe it is up to governments to decide the type of information to disclose regarding their fiscal sustainability. Indeed, governments are able to publish this information, as they do now.</p> <p>In its recommendations submitted for this proposal, IPSASB would flag the presentation of information on fiscal sustainability within financial reports. Yet governments already provide information about this in reports other than financial reports, and we believe this information is satisfactory.</p> <p>Moreover, because of their taxing power and discretionary authority in modifying the scope or quality of their programs, or in implementing them, published information regarding fiscal sustainability of governments may not be reflective of the future. Governments can change the fees charged for their services or change social programs in order to ensure their long-term fiscal sustainability. Accordingly, we doubt the relevance and usefulness of disclosing such information in financial reports, since they mainly reflect past transactions.</p> <p>In addition, paragraph 7.5.4 implies that auditors would be involved in judging this information. In our opinion, an accounting standard should not take the involvement of auditors into account. It is not an auditing standard.</p> <p>Notwithstanding the foregoing, if IPSASB were to decide to continue with the publication of the proposed guidelines, we believe they should be published in a separate manual as good practice and not as recommendations in the standards published by IPSASB. Also, examples of indicators should be given in this manual to ensure consistency among governments if IPSASB wants to move forward with this proposal.</p>	<p>Strong opposition to further development is noted.</p> <p>Noted. Staff is of the view that information on long-term sustainability of the public finances needs to be made available to the users of GPFRs.</p> <p>The Consultation Paper put forward a view that projections based on current policy will be most relevant and understandable to users.</p> <p>The opening sentence of this paragraph stated an IPSASB view that the need for, level of, and extent of assurance is a matter for preparers to form a judgment on in conjunction with their auditors. Staff does not think that this implied that auditors would be involved in judging this information.</p> <p>Noted, although the suggestion of a need for such consistency does not seem in line with the other general comments</p>
18	Government Accountability	A	We commend the IPSASB on its efforts towards developing guidance	Noted, especially need for flexibility.

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	Office (USA)		<p>for presenting information on long-term fiscal sustainability. Current general purpose financial reports convey information primarily about an entity's past transactions and prior economic events and do not provide the type of prospective information that is crucial for assessing the long-term financial condition of government programs.</p> <p>Complementing the current general purpose financial reports with forward-looking information on the government's long-term ability to meet its service delivery and financial commitments both now and in the future would provide more robust financial information for more informed decision-making by users. Also, we agree that the presentation of information on long-term fiscal sustainability is necessary to meet IPSASB's proposed accountability and decision-making objectives of financial reporting. In addition, as noted in the Consultation Paper, long-term fiscal sustainability information could be presented by both accrual basis and cash basis financial statement preparers.</p> <p>We also appreciate that the IPSAS guidance may likely be utilized for a number of national governments and as such to accommodate the differences between government financial reporting practices and special considerations that flexibility is an important concept for consideration.</p>	
19	The Chartered Institute of Public Finance & Accountancy (UK)	A	<p>Overall we consider that the Consultation Paper has mapped out a practical basis on which to develop guidance.</p> <p>However we are unsure whether the Consultation Paper is framed with mandatory guidance in mind, or whether this is still a matter to be determined. For example Preliminary View 1 suggests that fiscal sustainability information is 'necessary' to achieve the objectives of financial reporting, which might be taken to imply that IPSASB should develop a mandatory standard. This somewhat contrasts with the use of 'recommend' and 'encourage' in other Sections of the paper, which might be taken to reflect the possibility of non-mandatory guidance, or guidance which incorporated a very substantial degree of flexibility. In line with our comments in 2008 we are not convinced that it is currently practical or appropriate to develop mandatory guidance.</p>	<p>Staff acknowledges that there is some tension between use of the word 'necessary' in PV1 and the softer language adopted elsewhere in the Consultation Paper. Nevertheless, Staff considers that the recent sovereign debt crisis has reinforced the need for reporting on the long-term sustainability of the public finances to meet the objectives of financial reporting.</p>

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20	Governmental Accounting Standards Board (USA)	A	GASB has a project on its current technical agenda on Economic Condition Reporting: Fiscal Sustainability....the GASB Staff anticipates that both Boards may derive benefit from the deliberations and due process of the other.	Noted and agreed that there is scope for cross-fertilization and that IPSASB can learn from the GASB project, especially at sub-national levels where the Consultation Paper was rather thin.
21	ACCA (UK)	B	<p>Generally we consider the consultation paper provides a useful basis on which to develop future guidance. We have a few reservations, particularly in respect to the practicalities of implementation.</p> <p>Reporting on long-term financial sustainability will be an aspirational goal for many countries, particularly for non-OECD countries. These countries are still grappling with cash accounting let alone implementing the proposals set out in this consultation. The OECD reported that 16 out of 58 OECD countries had adopted accruals accounting and 34 were on a cash basis of accounting. The majority of eastern and South African countries are near to adopting and/or complying with the cash accounting standard. This is, of course, not a reason for countries not to adopt long-term financial sustainability reporting, but perhaps it gives an indication of how this will be prioritized.</p> <p>We would question whether there is the political will to introduce long-term financial reporting by some governments. This is not something that the IPSASB can address, but should be aware of, particularly, when setting frameworks and managing expectations about implementation. The consultation also fails to take account of the skills required to do it and the cost of implementation. In the developing world there is a skills shortage of finance professionals and a key priority is for national governments, institutions and the donor community is to build financial capacity. In our response to the recent consultation on the ‘cash basis of accounting standard’ we reported that “the costs and resources required implementing the standard, the availability of qualified accountants in the public sector and cultural resistance to change are key issues for developing countries”. In our view these issues will equally apply to the implementation of long-term financial sustainability reporting and the proposal does little to address</p>	<p>Points on the challenges that reporting on long-term sustainability of public finances provide for developing countries and whether some governments have the political will to report are acknowledged. On the latter point the Consultation Paper did highlight a significant increase in the number of governments reporting in this area over the last 10-15 years, although this trend is largely attributable to developed countries.</p> <p>Reporting on long-term sustainability might have implications for the skill sets required of accountants. However, this can be overstated. It is intended that reporting in the GPFRs draws on information that has already been produced. Also accountants already draw on the work of professions such as actuaries and valuers in reporting in accordance with certain IPSASs (or IFRS equivalents).</p>

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			<p>implementation issues.</p> <p>You state in page 3 that fiscal projections have historically been carried out by professional groups such as economists, statisticians and budget and policy specialists with no mention of the accounting profession. Given the complexity of the issues involved which not only cover financial implications but also social and political ones, accountants will have to develop a wider set of skills which include a detailed understanding of economic models and statistical methodologies. We would also question why the IPSASB now sees this area as falling within its domain, particularly, as traditional standard setting has been for reporting on retrospective information.</p> <p>However, we recognize that a number of OECD countries are trying to become better prepared for their fiscal futures and have experimented with preparing long-term fiscal projections with various successes. The OECD has already undertaken a substantial amount of work in this area which highlights key areas of progress.</p>	<p>The first Consultation Paper on the Conceptual Framework proposed that the scope of financial reporting should include prospective financial information.</p> <p>Noted, project has benefited hugely from access to data from OECD project on ‘Fiscal Futures’.</p>
22	Australasian Council of Auditors-General	A	<p>ACAG welcomes the IPSASB’s project to develop guidance for reporting on the long-term sustainability of public finances. We consider such information to be of significant public interest and consider that the proposals will result in improvements to the financial reporting of governments.</p> <p>We note that both the IPSASB and the International Accounting Standards Board (IASB) are considering the scope of general purpose financial reporting as part of their respective projects on the conceptual framework. At this stage, neither Board has concluded whether prospective financial information falls within the scope of general purpose financial reports (GPFRs). The outcomes of these projects may impact any guidance developed by the IPSASB on the reporting of long-term fiscal sustainability. However, ACAG considers that the IPSASB should not wait until these projects are concluded before developing guidance in relation to reporting on the long-term sustainability of public finances.</p>	<p>Noted.</p> <p>The IPSASB acknowledged that the Conceptual Framework project was addressing the scope of financial reporting, but decided to use the long-term sustainability of public finances as a test bed for broader scope reporting. View that IPSASB should not delay development of guidance on the long-term sustainability of public finances acknowledged.</p>
23	Financial Reporting	B	The FRSB (Financial Reporting Standards Board) considers that	Noted. The demarcation between

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	Standards Board (New Zealand)		<p>information on the long-term sustainability of public finances (henceforth referred to as information on long-term fiscal sustainability, or LTFS) is critical in providing a broader context for users of a government's general purpose financial statements, particularly for those items which may have major implications for a government's long-term fiscal position but which are not recognized as liabilities in the financial statements. The FRSB therefore considers the IPSASB should give a high priority to this project.</p> <p>However, the FRSB does not feel that there is currently general agreement amongst financial reporting standards setters and users about the respective boundaries of general purpose financial reporting and reporting on LTFS and has reservations about whether all of the information presently included in current (and possibly future) LTFS reporting falls within the scope of general purpose financial reporting. The FRSB strongly encourages the IPSASB to address the boundaries of general purpose financial reporting and reporting on LTFS in the context of its conceptual framework project. The FRSB supports the development by IPSASB of guidance on fiscal sustainability reporting at least in the short term, but would encourage the IPSASB to strive to identify the financial reporting aspects of such reporting and those aspects that should remain the responsibility of others.</p> <p>The FRSB notes that LTFS reporting is an evolving area and would be reluctant for any guidance developed by the IPSASB to constrain the ongoing development of these reports.</p> <p>As noted in the Consultation Paper, both central government and local governments within New Zealand are required by legislation to prepare public reports that provide information on LTFS. These reports are published separately from the general purpose financial statements of these entities. The importance of this information and the right of constituents to this information has therefore been acknowledged by New Zealand legislators.</p>	<p>reporting on the long-term sustainability of public finances in GPFRs and current reporting on LTFS is a key issue in the further development of this project.</p> <p>It is not intended that any pronouncement developed by the IPSASB should constrain the ongoing development of broader reports on the long-term sustainability of the public finances that are outside the boundary of GPFRs.</p> <p>Noted</p>
24	Ernst & Young GmbH (Germany)	A	<p>Economies all over the world have been affected by the recent financial crisis. Due to the rising fiscal pressures on governments we observe a growing need for sustainable governmental actions. Also the</p>	<p>Noted. Staff particularly agrees with the point that any pronouncement should not be mandatory.</p>

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			<p>demographic developments will have a considerable impact on the future financial stability of several jurisdictions. In our view, reporting on the long term sustainability of public finances will become one of the cornerstones of good governance for nations.</p> <p>The information required to report on the long term sustainability goes clearly beyond the scope of traditional financial reporting. Nevertheless, there is a clear connection between the results of the financial statements (for the current year and the next few years) and the projections made in fiscal sustainability reporting.</p> <p>The challenge for governments is to balance their current spending and their future obligations as well as current and future taxation. Reports focusing on the sustainability of public finances are a central medium to assure transparency of fiscal affairs.</p> <p>Many countries all over the world still follow single entry cash-based accounting or they are on their way to implement accrual accounting. Several of them see accrual accounting as well as consolidated financial statements as a prerequisite for reporting on the long-term sustainability of public finances.</p> <p>Since reporting on the long-term sustainability of public finances by governments is still at an early stage, we recommend that the IPSASB does not follow the approach to issue a mandatory standard in the near future. The non-mandatory guidance developed by the IPSASB should not determine the content of these kinds of reports too strictly. We would favor a principle-based approach with a focus on the core information which should be included in this kind of reporting.</p> <p>Nevertheless, given the intergenerational importance, the national interest in such kind of information and the high relevance for the policy debate, we would encourage the IPSASB to put a high priority on this project.</p>	Strong encouragement for high prioritization noted.
25	Institute of Chartered Accountants of Pakistan	A		No overall view expressed. Categorization based on responses to preliminary views

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26	The Australian Accounting Standards Board	B	<p><u>Importance of this project</u></p> <p>The AASB considers this is a very important project of the IPSASB, particularly from the viewpoint of the probable usefulness to users of the information involved and because it brings much needed focus onto the identification of the boundaries of general purpose financial reporting. It therefore encourages the IPSASB to give this project a high priority from both viewpoints.</p> <p><u>The scope of general purpose financial reporting</u></p> <p>The AASB generally agrees with the Preliminary Views in the Consultation Paper. Its main concern is that, whilst it considers that some information useful for assessing long-term fiscal sustainability (LTFS) belongs within the scope of general purpose financial reporting, it is quite probable that not all information useful for that purpose belongs within that scope. The AASB considers that usefulness of information, per se, is not a sufficient discriminator to decide what is part of general purpose financial reporting. If it were, annual reports, and more, would fall within the scope of GPFRs. We need criteria to determine what is part of financial reporting and what is not. This project illustrates that there is a gap in the conceptual framework. Whilst the IPSASB is addressing the scope of financial reporting in Phase 1 of its conceptual framework project, it has tentatively decided that the scope of financial reporting should evolve in response to users' information needs – this decision addresses the boundaries of useful information but not of financial reporting information.</p> <p>The IPSASB has found it difficult to define fiscal sustainability. The AASB suspects that this is because the IPSASB is rightly trying to encourage an emerging practice which has been borne not out of efforts to try to develop financial reporting, but rather out of a desire to have governments communicate about the consequences of their policies. Some of those consequences are financial and of those some relate to matters covered in financial reports already and some relate to matters that should be included in such reports in the future.</p> <p>Strategically, the AASB supports the IPSASB's short-term fostering of fiscal sustainability reporting through guidance, but would like to see</p>	<p>Staff particularly acknowledges the scoping issue identified in this response and, in particular, the difficulty of determining what information is part of the GPFRs and what information falls within special purpose financial reports and other information categories that are outside the scope of IPSASB.</p> <p>Staff agrees that usefulness of information, per se, is not a sufficient criterion for inclusion a GPFR. In the view of Staff the Consultation Paper was rather superficial in this area.</p>

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			<p>rigour, over time, in delineating the financial reporting aspects thereof and helping others to see what falls to them. We do not envisage that accounting standards would be the source of guidance or requirements for everything that might be embraced by the topic.</p> <p><u>General relevance of long-term fiscal sustainability reporting</u></p> <p>Conceptually, the AASB sees no reason why financial sustainability is not a legitimate subject of every entity's financial reporting, whether in the private or public sector, and whether for profit or not. Conversely, it would be misleading for financial statements to be produced which ignore the anticipated consequences of existing or changed policies, changes in markets or changes in other environmental circumstances. Users' attention would need to be drawn to these to correct impressions about sustainability that might flow from just presenting basic financial statements.</p> <p>We would encourage the IPSASB to challenge the IASB on reporting information about LTFS (and, therefore, the scope of general purpose financial reporting), so that both Boards consider it in their conceptual framework projects. Further, we would urge that the IPSASB not treat the topic as if it were something unique to reporting by governments or even the public sector.</p> <p>The prime examples seen to date of such reporting are focused on the fiscal sustainability of governments' current policies, but it is doubtful that this is where things will finish.</p> <p>The AASB recommends that, to resolve the scoping issue, it is crucial that the IPSASB defines general purpose financial reporting in its Conceptual Framework project</p>	<p>The encouragement to engage with the IASB is noted. The IASB is aware of the proposals in the first Consultation Paper on the Conceptual Framework on the scope of financial reporting. Staff considers that the creation of the Standard Setters Advisory Panel should reinforce liaison with IASB.</p>
27	Province of British Columbia (Canada)	B	<p>The Province of BC acknowledges that the proposed guidance on the reporting of the long-term sustainability of public finances represents effective guidance for the preparation of these reports; however, the province recommends that the guidance not be included within the IPSAS library of GAAP for the preparation of general purpose financial statements (GPFS). Including this guidance as part of IPS AS GAAP would indicate to the audit community that fiscal sustainability</p>	<p>Staff notes this point, which largely reflects Canadian circumstance (see also comments of Respondent 28). The Consultation Paper made it clear that it was not recommending requirements relating to GPFSs. During project development the IPSASB resiled from</p>

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			reporting is a GAAP requirement, whether or not the guidance itself states that preparing the reports is voluntary. As a consequence, the audit community would perceive that the fiscal sustainability reports must be prepared even when the guidance itself states that their preparation is voluntary.	making more precise recommendations on the need for and appropriate level of assurance.
28	Public Sector Accounting Board (Canada)	B	<p>We support the concept of long term fiscal sustainability reporting (LTFSR). Specifically, we support it within the following parameters.</p> <p>(a) We agree that the reporting of long term fiscal sustainability information is necessary to meet the objectives of financial reporting – i.e., accountability and decision-making [Preliminary View (PV) 1].</p> <p>(b) We feel that reporting on the long term fiscal sustainability of public finances is broader than the aspects contemplated in the paper, which focus primarily on the long term sustainability of government programs. For example, the paper does not address the sustainability of capital assets, which form the foundation for the delivery of many government services.</p> <p>(c) We support LTFSR as reporting supplemental to but perhaps accompanying government general purpose financial statements (see CICA Public Sector Accounting (PSA) Handbook, FINANCIAL STATEMENT CONCEPTS, paragraphs PS 1000.07-.13). [PV 2]</p> <p>(d) We feel that LTFSR should start with indicators derived from the audited financial statements (i.e., based on historical data) as its base (see the Canadian SORP-4, Indicators of Financial Condition). LTFSR should also include additional future oriented financial information. As a whole, this reporting should provide information about the government's ability to meet its service delivery and financial commitments both now and in the future.</p> <p>(e) We believe that the nature of LTFSR is best suited to governments, and is unlikely to be appropriate for government organizations. The long term fiscal sustainability of government organizations is inextricably linked to that of government and so it is likely</p>	Noted, particularly the point that long-term fiscal sustainability may be broader than the aspects addressed in the paper and that indicators derived from audited financial statements should be deployed.

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			<p>impossible to do meaningful LTFSR at the government organization level.</p> <p>(f) We agree that the IPSASB guidance on LTFSR should be based on the concept of the reporting entity [PV 3] and the boundaries of the reporting entity should be the same as for GPFS (which should also be the reporting entity boundary for the GPFR) and that the information reported on long term fiscal sustainability should embody the same basic qualitative characteristics as required for the information reported in general purpose financial statements (GPFS).</p> <p>(g) We believe that this type of reporting can be done by governments at the sub-national level (see Canadian SORP-4, Indicators of Financial Condition). [PV 3]</p> <p>In addition, we wish to draw the attention of the IPSASB to these primary areas of concern:</p> <p>(a) The paper is too focused on the sustainability of government programs, likely because of the project's roots in the social policy obligations project. The project title may be a misnomer as significant aspects of public finances are not directly addressed in the paper. For example the condition of capital assets (including maintenance and replacement), such as major infrastructure networks, and the ability of such assets to continue to deliver government services over the long term, is ignored. The sustainability of public finances goes beyond program spending, particularly for capital intensive governments.</p> <p>(b) Sustainability must be balanced with desired levels of performance. We must not appear to be advocating sustainability at the expense of other government priorities. Some programs need not be sustainable as their need is short-lived. Some programs may not be sustainable because of economic considerations that require a re-prioritization of how/where resources are applied. To illustrate, an extreme example might be "sustainable" roads paved in indestructible materials while people are dying in the streets. Some mention of this necessary balance between sustainability and levels</p>	

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			of performance should be included in the exposure draft that follows this consultation.	
			<p>(c) LTFSR is unlikely to find favour in Canada as part of a standard – i.e., if it is required reporting; or if it is required as part of GPFS rather than as supplementary and optional reporting. PSAB has received significant pushback from the preparers of government financial statements to its Statements of Recommended Practice (SORPs), in particular to clarify their status (i.e., that they are not GAAP) and the nature of their authority (i.e., that they are not standards or required reporting but are to be used if a government chooses to prepare the types of supplementary reporting that the SORPs address). The SORPs include:</p> <ul style="list-style-type: none"> (i) Financial Statement Discussion and Analysis (FSD&A); (ii) Public Performance Reporting; (iii) Assessment of Tangible Capital Assets; and (iv) Indicators of Financial Condition. <p>SORP-4 addresses indicators of financial condition for all levels of government in Canada and was published in May 2009. This Statement is not referenced at all in the Consultation Paper. Although these SORPs do not require the types of reporting they address, they do set out best practices that are expected to be followed should a government choose to provide such reporting. And, the SORPs go through a full due process of consultation with the Canadian government community. So, arguably, SORP-4 does represent a consensus view on how to report on government financial condition from a Canadian perspective (when Canadian governments choose to report on it).</p> <p>We recommend that guidance on LTFSR not be a standard but instead be guidance provided outside of GAAP.</p>	Noted. Consultation Paper did not propose that reporting should be as part of GPFSs.
			<p>(d) Some glossary of terms will be needed. Some terms come from projects that are currently under development, like the definitions of elements and a description of the information envisioned for inclusion in GPFRs and narrative reporting. Other terms may be</p>	Noted. Any guidance will have to produce a glossary of key terms or defined terms.

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			<p>unique to LTFSR but will require some precision so that this very complex reporting can be understood, for example the difference between the types of information included in a budget, a forecast and a projection. An example that illustrates how to put some parameters around reporting that involves projections is a soon to be superseded (by the adoption of IFRS) standard in the CICA Handbook-Accounting, FUTURE ORIENTED FINANCIAL INFORMATION (FOFI), Section 4250. In addition, there will need to be consideration of the different ways the terms “financial condition” and fiscal sustainability” are used internationally in developing definitions and descriptions of these for the IPSASB project. An additional Canadian resource may also be of use and we can provide it electronically if it is of interest. In 1976, the CICA published a research study “Earnings Forecasts”. It was directed at the private sector and was published before earnings forecasts were common practice in Canada. It is a comprehensive study and some of the definitions and guidance it includes could be easily adapted for the public sector.</p>	
			<p>(e) We do not believe that LTFSR should result in the creation of new financial statements. We believe that such reporting should be supplemental to and complementary to the GPFS. We believe that stating that the ultimate objective is to move toward adding financial statements to illustrate LTFS is premature.</p>	<p>Agree that any additional statements should not be part of GPFSs.</p>
			<p>(f) We believe that financial condition is a broad complex concept that describes a government’s financial health in the context of the overall economic and financial environment. In addition, we believe that an assessment of a government’s financial condition needs to consider at a minimum the government’s sustainability flexibility and vulnerability. These are each separate but inter-related subsets of a government’s financial condition. Financial condition can be assessed at the financial statement date (i.e., using historical data), which is the primary intent of Canada’s SORP-4. It can also be a forward looking concept that projects the government’s future sustainability, flexibility and vulnerability</p>	<p>Noted and agree.</p>

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			using assumptions. We feel that additional clarity regarding what financial condition, fiscal sustainability, vulnerability and flexibility mean and how they relate to each other will be key in the exposure draft in order for respondents/users to get a picture of what the guidance is asking to be reported. Please see further comments in Appendix A.	
			We do not believe that fiscal sustainability is inextricably linked with the idea of inter-period or inter-generational equity (CP paragraphs 1.2.3 and 5.3.1). Inter-generational equity or even inter-period equity may be good concepts in theory but are very difficult to achieve in practice.	Staff continues to believe that fiscal sustainability is strongly linked to inter-generational equity and that, in many jurisdictions, the sovereign debt crisis has underlined this.
			We are concerned that the amount of flexibility (for example, variations in assumptions) allowed in LTFSR by the CP would make comparability of LTFSRs between jurisdictions and between years for the same jurisdiction difficult and the reports too complex for users. Some further rigour may be required in the guidance to address this risk. Further discussion of this proposal is set out in Appendix A.	There is obviously a trade-off between flexibility and comparability between governments and entities. Staff believes that at this stage any guidance should be non-prescriptive. This inevitability means that there will be a loss of comparability.
29	Direction Générale des Finances Publiques (France)	C	<p>The consultation paper on « reporting on the Long-term sustainability of Public Finances” is outside the scope of accounting standards. So it is not in the traditional assignment of the standard setter that is to propose accounting standards for public sector entities but reflects his acknowledged ability to release recommendations about financial information out of the accounting field.</p> <p>Nevertheless, the consultation paper is interesting as prospective elements can complete usefully information included in financial statements by putting into temporal perspective the accounting data of the financial statements. Thus, information about sustainability should be drawn up on accounting data basis included in the financial statements in order to develop it and facilitate the interpretation and the comparison on the periods.</p> <p>As the long-term sustainability is outside the accounting field, the general principles of accounting are not applicable. Thus, the standard</p>	<p>The current Interim Terms of Reference do state that the IPSASB has been given the authority to issue IPSASs on the GPFSS.</p> <p>However, the first Consultation Paper on the Conceptual Framework proposed that the scope of financial reporting should include prospective information.</p>

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			<p>setter cannot provide regulation on information about sustainability and this information cannot be included in a comprehensive financial report which includes the financial statements (including notes to the financial statements).</p> <p>Therefore, we are not in favor of issuing a comprehensive document on sustainability of public finances that includes both projections on accounting basis and data at macroeconomic level.</p> <p>In addition to this, France, as member of the European union and euro area, already provides prospective data and we consider that it is more appropriate that the general principles of sustainability to be elaborated by a national or European decision-body making.</p> <p>Thus, without denying the ability of the IPSAS Board to usefully contribute to this debate and to deal it with the field of accounting standards conceptual framework, borders have to be defined and it can't lead to principles with the same force and consequences as accounting standard principles.</p>	<p>The Consultation Paper did not suggest that the IPSASB should in any way seek to intrude on the requirements of supranational bodies.</p>
30	CNOCP (France)	C	<p>The French “Conseil de Normalisation des Comptes Publics” considers that the remits of the IPSAS Board are to propose accounting standards for public sector entities. Therefore, the French Council understands that the current consultation is not in the remits of the IPSAS Board, but reflects his acknowledged ability to release recommendations about financial information out of the accounting field.</p> <p>The French “Conseil de Normalisation des Comptes Publics” believes that accounting information contained in the “traditional” financial statements (statement of financial position, statement of financial performance, statement of changes in net assets/equity, cash flow statement and notes) will provide users of financial statements basic information on assets along with liabilities and commitments. Given the importance of the accounting information, the French “Conseil de Normalisation des Comptes publics” considers efforts should be primarily pursued by IPSAS Board in order to propose a conceptual framework and accounting standards applying to the public sector.</p>	<p>The current Interim Terms of Reference do state that the IPSASB has been given the authority to issue IPSASs on the GPFSS.</p> <p>However, the first Consultation Paper on the Conceptual Framework proposed that the scope of financial reporting should include prospective information</p>
			The French “Conseil de Normalisation des Comptes Publics” is not in	Noted

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			<p>favor of issuing a comprehensive paper that would include reporting on the Long-Term Fiscal Sustainability of Public Finances at macro-economic level. The French Council believes that this information belongs to a separate process outside the area of standard setting accounting.</p> <p>In this respect, the French “Conseil de Normalisation des Comptes Publics” emphasizes that France provides information on the Long-Term Fiscal Sustainability of Public Finances both at European and national level.</p> <ul style="list-style-type: none"> - France provides data to the European Commission which releases a report on the Long-Term Fiscal Sustainability of Public Finances. This report is based on macro-economic assumptions discussed between the various Member States of the European Union. According to the demographic projections and assessment of the impact of aging on pension expenditure, unemployment, health, dependency and education, the European Commission issues funding indicators updated in GDP points through 2060. - Beyond the data submitted to the European Commission, the French Government submits to the Parliament an assessment and projection of the situation of French public finances in the medium term. <ul style="list-style-type: none"> - On the one hand, when presenting the budget bill along with an economic, social and financial report setting out four year projections of revenue and expenditure. - On the other hand, under the policy debate of public finances, a report presenting a mid-term measurement of the revenue and expenditure of the State. 	
			<p>Nevertheless, the French “Conseil de Normalisation des Comptes publics” acknowledges the interest in complementing information provided by “traditional” financial statements (statement of financial position, statement of financial performance, statement of changes in net asset/equity, cash flow statement and notes) with a paper, supplementary and separate from those financial statements, including prospective elements putting into perspective the accounting data of the</p>	Noted

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			<p>financial statements. Those prospective items are significant, but remain partial and cannot be considered as information on long-term sustainability of public finances which fall under other frameworks, procedures and bodies.</p> <p>The French “Conseil de Normalisation des Comptes Publics” supports a supplementary and separate paper to the “traditional” financial statements of a single entity or a group of entities.</p> <ul style="list-style-type: none"> - The French Council considers the supplementary and separate paper to the “traditional” financial statements should not be under a standard-setting process by the IPSAS Board, since it is not accounting information. - The French Council however acknowledges that in order to facilitate reading and understanding of this separate paper to “traditional” financial statements and for the sake of overall consistency, some prospective elements in this paper may find their basis in accounting data. - The scope of prospective data in this ad hoc document should be consistent with the scope of “traditional” financial statements: perimeter of a single entity, perimeter of entities being consolidated, and perimeter of entities subject to a combination. <p>Once the conceptual framework has clarified both the conceptual and operational difference between the accounting data contained in the “traditional” financial statements (statement of financial position, statement of financial performance, statement of changes in net asset/equity, cash flow statement and notes) and the prospective data contained in the supplementary paper, the French Council will admit that those prospective items supplement accounting data and inform users.</p> <p>The French “Conseil de Normalisation des Comptes Publics” considers the IPSAS Board should pursue its reflexions on accounting field. The current works of the IPSAS Board drawing up a conceptual framework and a definition of the event giving rise to current obligations should continue in order to determine precisely the scope of the commitments to be recognized as liabilities except those to be mentioned in the notes.</p>	

PRELIMINARY VIEW ONE: The presentation of information on long-term fiscal sustainability is necessary to meet the objectives of financial reporting (accountability and decision-making) as proposed in the IPSASB’s Consultation Paper, “Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities,” issued in September 2008.

(A) AGREE	10 (38%)
(B) AGREE THAT USEFUL BUT NOT NECESSARY	8 (31%)
(C) DISAGREE	6 (23%)
(D) NO OVERALL VIEW	2 (8%)
TOTAL	26

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 1	STAFF VIEW
2	Accounting Standards Board (UK)	B	We consider that information on long-term fiscal sustainability should be regarded as falling within the scope of general purpose financial reporting and is particularly suited to the narrative report. We note that IPSASB’s conceptual framework project is considering further issues such as the scope of general purpose financial reporting and the extent to which commitments to provide social benefits should be reported as liabilities in the balance sheet. These are important issues that are expected to impact upon any guidance that IPSASB might issue on long-term fiscal sustainability. However, we do not consider that IPSASB should wait until work is completed on the conceptual framework before issuing guidance on long-term fiscal sustainability. Any guidance issued can then be updated as appropriate.	Agree
			We agree that information on long-term fiscal sustainability would be useful to users of general purpose financial reports of governments and other public sector reporting entities. We consider the information would support accountability and decision-making, particularly where there is an expectation that certain services, such as state pensions and other welfare benefits, will be provided for an indefinite period.	Noted
			We agree that information on long-term fiscal sustainability has the potential to enhance the information in general purpose financial reports and is consistent with the objectives of financial reporting. However, we do not consider that it is essential or necessary to meet the objectives of financial reporting and would therefore question the use of the word ‘necessary’ in the Preliminary View.	Noted that information considered useful but not essential.
4	SRS-CSPCP (Switzerland)	C	It is absolutely essential to distinguish this kind of reporting (i.e. long-term sustainability reporting) from the Financial Statements /GPFS.	Noted. The Consultation Paper did not propose that prospective

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 1	STAFF VIEW
			The SRS-CSPCP is of the opinion that long-term sustainability reporting should be clearly distinguished from the Financial Statements /GPFS. Long-term sustainability reporting may have political undertones and, in contrast to the budget and the annual accounts, does not have to be approved by the competent authority (i.e. legislature).	information should be accounted for as part of GPFSs.
6	Joint Accounting Bodies (Australia)	A	The Joint Accounting Bodies consider that the presentation of information on long-term fiscal sustainability is necessary to meet the objective of financial reporting. This is consistent with our earlier submission to the International Public Sector Accounting Standards Board (IPSASB) Consultation Paper “Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities,” when we opined that the scope of financial reporting proposed by the IPSASB was apt in that it appropriately acknowledged the importance to the public sector of reporting nonfinancial information. We acknowledge that the scope of financial reporting will need to evolve in response to users’ information needs, consistent with the objectives of financial reporting and auditing.	Noted
			While we believe that the presented information would benefit from some form of assurance, we do not see this as a job for a financial reporting standard setter such as the IPSASB. Rather, we believe resolution of this issue sits best with governments.	Agreed
7	New South Wales Treasury (Australia)	B	NSW Treasury believes the information is <i>useful</i> , but does not agree that it is <i>necessary</i> to meet financial reporting objectives. We disagree with the view in paragraph 3.2.3 that GPFRs are inadequate without LTFSI. While the concept of what is included in GPFRs will evolve, it is not realistic or desirable for GPFRs to provide <i>all</i> information that is useful for accountability and decision making purposes. General purpose financial statements (GPFSs) are historical in nature and focus primarily on past events. GPFRs support the information in the GPFSs and often include at least some prospective information, usually related to the near-term future. LTFSI, on the other hand, is primarily economic, statistical and demographic data projected into the medium or long-term, sometimes up to 75 years in the future. NSW Treasury believes this information extends the GPFR information	Noted. Staff particularly agrees that further work is necessary on the demarcation between GPFSs, GPRS and Other Information.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 1	STAFF VIEW
			<p>but is not necessary for GPFRs to be complete.</p> <p>Moreover, NSW Treasury notes that IPSASB acknowledges in paragraph 2.3.1 that “there is still considerable debate on (a) the type and format of information that should be referred to as GPFRs, and GPFs and (b) the demarcation lines between GPFs, GPFRs and other information”.</p>	
8	HoTARAC (Australia)	A	<p>HoTARAC agrees. Financial statements only concern the past and current accountability of an entity. HoTARAC considers that accountability should also extend to sustainability in the future. A long-term fiscal sustainability report provides accountability to the public and relevant information for government to make decisions. In particular, such a report may include information on the timing and extent of shortfalls.</p>	Noted. However, also see response to PV 4.
9	Institute of Chartered Accountants of Scotland	C	<p>We do not agree that the presentation of information on long-term fiscal sustainability is necessary to meet the financial reporting objectives of accountability and decision-making.</p> <p>In our response to the consultation paper “Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities” (dated 31 March 2009), we stated that we believe that the following should be excluded from the scope of general purpose financial reporting:</p> <ul style="list-style-type: none"> • “prospective financial information and other information about the reporting entity’s future service delivery activities and objectives and the resources necessary to support those activities.” <p>This is on the basis that we do not agree that the scope of financial reporting should expand beyond historic financial information, other than information necessary to comply with IPSAS 14 “Events after the Reporting Date”.</p> <p>We also believe that the financial statements and other information contained in the GPFRs of public sector entities should give accountability more weight than decision-usefulness and that this should be reflected in IPSASB’s Conceptual Framework.</p> <p>Section two of the consultation paper illustrates the information needs of users using set theory. The focus of this consultation is the GPFR, of which GPFs are a sub-set. However, paragraph 2.3.1 of the consultation paper states that:</p> <ul style="list-style-type: none"> • “There is still considerable debate on (a) the type and format of information 	<p>Staff notes that the response is consistent with views expressed on PV 5 in the first Consultation Paper on the Conceptual Framework.</p> <p>Staff considers that this notion of financial reporting is overly narrow and restrictive. The recent sovereign debt crisis has underlined the importance of the presentation of prospective financial information that meets the qualitative characteristics.</p> <p>Staff does not think that the provision of information necessary to meet the objectives of financial reporting should be necessarily constrained by audit considerations.</p> <p>Staff does not understand how Exhibit Four distorts the statement of financial position. It is meant to illustrate how</p>

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 1	STAFF VIEW
			<p>that should be referred to as GPFs and GPFs and (b) the demarcation lines between GPFs, GPFs and other information.”</p> <p>This is very much at the heart of this and related consultations and confirmation of IPSASB’s views on changes to the scope of the GPFs and to the other information contained in the GPF is vital if commentators are to express their views clearly, with minimal risk of misinterpretation.</p> <p>This distinction is essential for both the public sector entities and their auditors so that they understand and can comply with their respective responsibilities towards the GPFs and other information published with them.</p> <p>We have concerns about exhibit four (following paragraph 2.5.1) which extends the recognition and measurement criteria of assets and liabilities to include the transfer of future economic resources. We believe that this approach distorts the statement of financial position and the statement of financial performance in a manner which would be counter to the stewardship objective.</p>	prospective information might complement the information presented in the statement of financial position.
10	Federation of European Accountants (FEE)	B	FEE agrees with what we believe to be the intention of the above statement, but we are not sure that we agree with all of the implications of the Preliminary View as drafted.	Noted. Will discuss with respondent.
			FEE agrees that an awareness of fiscal sustainability issues is important context which is needed to gain a full understanding of the financial statements and other financial reporting. Its relevance is clear, particularly at whole of government level and at other levels of government which have the capacity to levy taxes and to set tax rates with a view to funding future expenditures.	Agree
			We support the requirement that this type of information should be provided. We stress that including this information in financial reporting is clearly beneficial and extremely desirable. However at this stage the contents and way of reporting should not be mandatory although it could be encouraged by the non-mandatory guidance. We also believe that this information might be particularly beneficial in circumstances such as the current global financial crisis.	Agree
11	Office of the Auditor General (Canada)	A	<p>We are in agreement with this view.</p> <p>Because the long-term impact of a continually rising debt burden is the steady erosion of the public’s standard of living, governments should ensure that public finances are managed soundly in a context of long-term economic</p>	Noted

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 1	STAFF VIEW
			<p>growth. The assessment of long-term fiscal sustainability is required to meet the objectives of long-term economic growth.</p> <p>Not only should information about the past and present be reported but also prospective financial and other information about future service delivery should be disclosed. The degree to which a government will be able to maintain existing programs and meet creditors requirements in the future allows for the sustainability of the financial condition to be assessed.</p> <p>In addition to being a requirement for appropriate financial reporting, long-term financial and non-financial information can support governments in making decisions and provide the legislature with the appropriate perspective to review budget proposals.</p>	
			As mentioned in our letter of 31 March 2009 regarding the IPSASB Consultation Paper – Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities we continue to believe that given the scope of the GPFRs goes beyond “financial” reporting, the report might be more appropriately called “General Purpose Performance Reports”.	Noted & agree.
12	Cour des Comptes Consultative Committee on Public Sector Accounting Standards (France))	A	Yes, subject to being able to apply these principles to non-accounting data. The answer is rather positive for the data of the “projections of spending” type or the “elements of sustainability” type. For the macroeconomic sustainability elements, the “true and fair view” can ask question (with regard to which standard?), as well as the auditability of the projections models, which generally appeal to sometimes complex techniques.	Noted. Paper took view that audit/assurance is primarily a matter for the preparer.
13	The Japanese Institute of Certified Public Accountants	A	<p>We agree with this preliminary view because of the following reasons.</p> <p>The accountability and decision-making objectives of financial reporting are closely related with the information requirements of users of financial reports. In our view, information related to long-term fiscal sustainability is one of the most important to fulfill the objectives of financial reporting. This is due to the fact that the information is required by a potentially wide range of users to determine whether or not a government has the ability to meet its service delivery and financial commitments, both now and in the future.</p>	Noted & agree.
			We consider that the information related to long-term fiscal sustainability should be provided to the extent required to meet the qualitative characteristics of financial reporting. In our view, further discussion is required to clarify the	Noted and agree strongly. Issue seems to be whether one time horizon or a number of time

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 1	STAFF VIEW
			actual period of “long-term”. IPSASB should consider whether the length of the period determines the extent to which would meet the qualitative characteristics of financial reporting, especially relevance and faithful representation, and reach a conclusion on whether a single report on the long-term sustainability of public finances or a greater number of such reports separated by the length of the period are required.	horizons should be adopted.
14	Accounting Standards Board (South Africa)	B	<p>While currently no fiscal sustainability reports are prepared locally, we agree that long-term fiscal sustainability reporting has the potential to enhance accountability and decision-making for users of financial statements. This type of reporting may also compliment other local initiatives, albeit in other disciplines, e.g., long term planning.</p> <p>We do however note that, currently, many fiscal sustainability reports are provided as an enhancement to the budget and other documents, rather than as an enhancement to the financial statements. We are of the view that the IPSASB’s focus in developing guidance on reporting long-term fiscal sustainability information, should be as an enhancement to general purpose financial statements. To ensure that the focus of the project is appropriate, the following key issues need to be addressed:</p> <ul style="list-style-type: none"> (a) Are the users of financial statements and fiscal sustainability reports the same? (b) Can these users’ needs be aligned? (c) Are the qualitative characteristics of general purpose financial statements and general purpose financial reports the same? (see response to preliminary view four) (d) Can fiscal sustainability measures, which are often expressed in economic terms, be linked back to and understood in the context of historical financial statements? <p>These questions may pose issues about how this type of information is reported as well as what information is reported.</p>	<p>Noted.</p> <p>Staff does not think that the users of the financial statements and fiscal sustainability reports currently produced are necessarily the same. Staff considers that this is why information on prospective financial information should be reported in the GPFRs.</p> <p>Staff notes that the issue of whether QCs are the same for GPFSS and GPFRs is under consideration in the Group One: Conceptual Framework phase.</p>
15	IDW (Germany)	B	<p><i>Inclusion of information on long-term fiscal sustainability within the general purpose financial statements</i></p> <p>One further area of concern we have relates to the connection the paper makes between the general purpose financial statements (GPFS) and the general</p>	Staff notes the concerns about including prospective financial information in the GPFSS. The Consultation Paper did not,

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 1	STAFF VIEW
			<p>purpose financial report (GPFR). We note that page 16 (2.2.6) states that information in the GPFS needs to be complemented [by information on the long-term sustainability of public finances] in order to facilitate an assessment of an entity's future financial viability. Whilst we agree that the objectives of financial reporting include accountability and decision making, we are not yet convinced that enhancing the information provided in the traditional GPFSS with information such as that dealt with in the consultation paper in order to facilitate an assessment of an entity's future financial viability is a necessity in meeting these objectives, as is purported in the paper. We do agree that information of the nature covered in the consultation paper might be included in the GPFR; however, no convincing case for the inclusion of this type of information within the GPFS has been made in the paper (e.g., page 18 (2.4.6) and page 19 (2.5.1 and 2.5.2)).</p> <p>It would, therefore, be helpful for the IPSASB to clarify that it is not intending to suggest the Board might be countenancing the inclusion of the information dealt with in the consultation paper exclusively within the financial statements themselves, since including such extensive and comprehensive long-term information would result in a change of the very nature of financial statements, the basic purpose of which is to provide historical financial information. For example, including the potentially large values attributable to both "expected resources to be realized in the future" and "expected obligations to be settled in the future" as depicted on page 19, were these to encompass all such potential resources and obligations, within the statement of financial position could certainly distort the picture portrayed therein to such an extent as to render the remainder of the information presented in that statement insignificant. This would adversely affect users' ability to understand the general purpose financial statements. Having said this, and whilst not wishing to preempt the outcome of the deliberations and consultation surrounding specific further IPSASB projects, we recognize that the Board may well consider whether it is appropriate for public sector entities to account, in a meaningful way, for social obligations and particular public sector specific assets within their GPFS in future.</p> <p>As we have mentioned above, there are also significant audit implications attaching to this issue, not least the degree of assurance that might be meaningfully obtained on the type of long term future oriented information</p>	however, propose including such information in GPFSS.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 1	STAFF VIEW
			dealt with in the consultation paper. In this context we would like to reiterate one concern raised in our letter to you dated 31 March 2009 as to proposals to exclude “reliability” from the list of fundamental qualitative characteristics in favor of the term “faithful presentation”. The nature of the information of such long-term nature is such that it will not be useful if it is not accurate, and there is potentially an incentive, especially for governments to “defend” their own policies in presenting the best picture possible.	
16	Treasury Board of Canada Secretariat	C	We believe that the International Public Sector Accounting Standards Board (IPSASB) should obtain consensus and issue a final standard on the “ <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> ,” and complete the conceptual framework project before continuing to develop the guidance on “ <i>Reporting on the Long-Term Sustainability of Public Finances</i> ”.	Noted. One of the reasons for progressing this project was to test the application of the broader scope approach to financial reporting proposed in the Conceptual Framework project.
			Our fundamental issue is that the primary objective of financial reporting by governments is accountability. Therefore, we view the proposed scope of General Purpose Financial Reports (GFPRs) in the IPSASB conceptual framework as too broad, and should be limited to historical information, and exclude prospective and non-financial information.	Noted. This is narrower than the approach proposed in the Conceptual Framework project.
			In our opinion, the proposed information on long-term fiscal sustainability does not meet the qualitative characteristics of faithful representation and verifiability as proposed in the conceptual framework. Completeness, neutrality and some minimum level of accuracy are necessary attributes to support the qualitative characteristic of faithful representation. However, the proposed long-term projections would necessarily entail a high level of speculation and, in many instances, arbitrary assumptions, given such long time horizons as envisaged in the paper. Sensitivity of the projections to small changes in assumptions will result in information that does not have a verifiable minimum level of accuracy, and that could be potentially subject to political bias.	Risks are noted. The Consultation Paper addressed these issues in paragraph 7.5.1. It acknowledged that it is unlikely that projections over a long-term period will match the actual outcome, but put forward a view that this does not mean that projections are unreliable. In order to contribute towards meeting the objectives of financial reporting projections need to be reasonable and realistic, rather than an accurate prediction of the future.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 1	STAFF VIEW
			We suggest that this guidance be issued as a recommended practice rather than a reporting requirement. Various governments choose to report on long-term fiscal sustainability and this guidance would provide a framework to develop a consistent approach to this type of reporting, however, where legislators have developed legislation or policies that outline the form and content of such reporting, a requirement to issue reports based on IPSASB standards will only increase the reporting burden on governments.	Noted. Agree that at this stage any pronouncement should be guidance rather than requirements.
18	Government Accountability Office (USA)	A	<p>We agree. We support the IPSASB's efforts towards developing guidance for presenting information on long-term fiscal sustainability and believe that the presentation of such information is an important and necessary step towards meeting the objectives of the proposed IPSASB Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. Current general purpose financial reports (GPFRs) convey information primarily about an entity's past transactions and prior economic events and do not provide prospective information on the long-term financial condition of government programs to meet IPSASB's financial reporting objectives.</p> <p>In a similar manner, the GAO supported enhancements to U.S. federal accounting and financial reporting standards to more effectively convey the financial condition of the U.S. government and annual changes therein. In 2009, the Federal Financial Accounting Standards Advisory Board (FASAB) issued Statement of Federal Financial Accounting Standards 36 (SFFAS 36) titled, Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government. SFFAS 36 provides information to address the FASAB Stewardship objective for financial reporting which includes assisting users in assessing how the government's financial condition has changed and may change in the future. It further states that federal financial reporting should provide information that helps the reader to determine whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they become due. SFFAS 36 represents a key effort towards improving the transparency of the U.S. government's long-term financial condition and providing a comprehensive perspective on the projected future funding and spending for all federal government programs. Such comprehensive information on the U.S. government's financial condition will provide important information to the public and policy-makers for decision-making and so that prudent action can be taken. This effort will build on the U.</p>	Noted. Staff acknowledged the publication of SFFAS 36 in the Consultation Paper and explained the purpose. Staff will monitor the application of SFFAS 36 at the federal level in USA.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 1	STAFF VIEW
			S. government's experience in preparing and auditing the Statement of Social Insurance, which has received an unqualified opinion from GAO for fiscal years 2007, 2008, and 2009.	
19	The Chartered Institute of Public Finance & Accountancy (UK)	B	<p>We agree that an awareness of fiscal sustainability issues is important context which is needed to gain an understanding of the financial statements and other financial reporting. Its relevance is clear, particularly at whole of government level and at other levels of government which have the capacity to levy taxes and to set tax rates with a view to funding future expenditures.</p> <p>However, a view that specific information is 'necessary' might point to a requirement that mandatory standards should be developed. We would stress that including this information in financial reporting is clearly beneficial and extremely desirable, and we would not wish to discourage reporting of this type. We can also see that this information might be particularly beneficial in circumstances such as the current global financial crisis. However, we still have reservations over the suggestion that such information is necessary.</p>	Noted. Staff acknowledges the point that, if specific information is deemed necessary, it might militate to the development of mandatory standards, but this is not the intention at present.
20	Governmental Accounting Standards Board (USA)	A	<p>The GASB staff agrees that the presentation of information on long-term fiscal sustainability is necessary to meet the objectives of financial reporting. As noted in IPSASB's Consultation Paper, <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i>, an objective of general purpose financial reporting for government (GPFR) is to provide information about the reporting entity useful to users for accountability purposes; and making resource allocation, political, and social decisions. This overall objective agrees directly with GASB Concepts Statement No. 1, <i>Objectives of Financial Reporting</i>, which states in paragraph 76 that "Governmental financial reporting should provide information to assist users in (a) assessing accountability and (b) making economic, social, and political decisions."</p> <p>IPSASB's Consultation Paper also sets forth the scope of financial reporting, which includes the provision of financial and nonfinancial information about, "prospective financial and other information about the reporting entity's future service delivery activities and objectives, and the resources necessary to support those activities." This scope agrees with GASB Concepts Statement No. 1 which indicates in paragraph 79 and 79a that, "Financial reporting should assist users in assessing the level of services that can be provided by the governmental entity and its ability to meet its obligations as they become due. Financial</p>	Noted. Agreed that any further development of the project needs to be linked strongly to the objectives and scope of financial reporting as well as the qualitative characteristics.

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 1	STAFF VIEW
			<p>reporting should provide information about resources and obligations, actual and contingent, current and noncurrent.”</p> <p>However, the GASB staff believes that the current IPSASB Consultation Paper on the <i>Reporting of the Long-Term Sustainability of Public Finances</i> can be enhanced by including reference to the IPSASB objectives and scope of financial reporting (subject to issuance of the objectives of the final objectives being issued before this project is completed).</p>	
21	ACCA	A	<p>In principle we support the proposal that information on the long-term financial sustainability of national governments should be reported to increase accountability, transparency and support effective decision-making. There is little doubt that long-term fiscal reporting can help countries be better prepared for their fiscal futures. We are also very supportive of the development of a public sector conceptual framework in which this type of reporting would sit. It provides a practical focus for reporting on long-term financial sustainability.</p> <p>It is hard to disagree with the premise that information about the long-term sustainability of public finances is of great interest to the public of each nation. Also, supra-national organizations will have a particular interest such as the European Union, OECD, World Bank and International Monetary Fund.</p> <p>In addition, in the absence of a global definition on long-term financial sustainability we agree with your preferred definition ‘the ability of government to meet its service delivery and financial commitments both now and in the future’. As well as recognizing two dimensions of long-term financial sustainability it will be easily understood by the public.</p>	Noted
22	Australasian Council of Auditors- General	B	<p>ACAG agrees that the presentation of information on long-term fiscal sustainability would contribute to meeting the objectives of financial reporting as proposed in the IPSASB Consultation Paper <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i>.</p> <p>In our response to that Consultation Paper, ACAG supported the preliminary view that 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 making resource allocation, political and social decisions.</p> <p>ACAG also supported the preliminary view that the scope of financial reporting encompasses the provision of financial and non-financial information about,</p>	Noted

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 1	STAFF VIEW
			among other factors, prospective financial and other information about the reporting entity's future service delivery activities and objectives, and the resources necessary to support those activities.	
			<p>However, we do not consider that the presentation of information on long-term sustainability is <u>necessary</u> to meet the objectives of financial reporting. There are two reasons to support this view.</p> <p>Firstly, the objectives of financial reporting presented in the consultation paper on the conceptual framework relate to all public sector entities. However, information on long-term sustainability is likely to be presented only at the whole-of-government level (which in Australia may be at the federal, state and territory, or local government level and in New Zealand at the national or local government level). By stating that the presentation of such information is necessary to meet the objectives of financial reporting, it could indicate that individual entities that do not present such information are not meeting these objectives.</p> <p>Secondly, the time and cost involved to prepare and update information on long-term sustainability may be prohibitive for it to be presented for each annual reporting period. Governments may choose to present information on long-term sustainability less frequently (for example, once every three years) after consideration of user needs. In particular, there may be little value in preparing and presenting information on long-term sustainability annually because the assumptions and projections would not change significantly from year to year, unless there is a significant change in policy. In such circumstances, the view that presenting information on long-term sustainability is necessary to meet the objectives of financial reporting could indicate that these objectives are not being met in the intervening period.</p>	<p>Noted, particularly the point that the objectives of financial reporting are pervasive to all public sector entities.</p> <p>Point on time and cost of preparing and updating prospective information is acknowledged. This also relates to PV7 and involves a trade-off between cost-benefit and, in particular the QCs of relevance and faithful representation.</p>
23	Financial Reporting Standards Board (New Zealand)	D	In its April 2009 submission on the IPSASB's Consultation Paper on phase 1 of its Conceptual Framework project, the FRSB recommended that the scope of financial reporting should be limited to include only information that is best communicated through general purpose financial reports. In particular, the FRSB recommended that the amount of non-financial and prospective information be limited to information that is central to assessing the entity's future objectives and service delivery activities as well as the resources necessary to support those activities.	Noted. Staff agrees that the scope issue is particularly problematic. In particular, the demarcation between information appropriate for the GPFRs and Special Purpose and Other Information needs further analysis.

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 1	STAFF VIEW
			<p>In that submission, the FRSB also commented that (i) there may be some overlap between ‘additional information’ presented in the context of annual and other general purpose financial reports and ‘other information’ and (ii) that prospective financial information included within ‘additional information’ may contain elements of economic and statistical data which is also presented in reports that would be regarded as ‘other information’ – i.e. outside the scope of general purpose financial reporting.</p> <p>A number of factors give the FRSB reservations about forming any conclusions on this preliminary view. These include:</p> <ul style="list-style-type: none"> • the difficulty of identifying the respective boundaries of general purpose financial reporting and information on LTFS; • the fact that information on LTFS is likely to be broader than the type of financial information usually found in general purpose financial statements; • the difficulties of summarizing information on LTFS for use in another document; and • the fact that this is an evolving area of reporting, even for those countries that currently produce such reports. Such reports are used as a communication tool to highlight the fiscal challenges facing a government and the options available to it in dealing with those challenges. The FRSB would be reluctant for any future guidance to constrain the ongoing development of these reports. <p>In relation to the first point above, the FRSB would strongly encourage the IPSASB to address the boundaries of general purpose financial reporting and reporting on LTFS in the context of its conceptual framework project.</p> <p>Despite the concerns noted above, the FRSB agrees that this is an important topic and supports the IPSASB in considering issues associated with information on LTFS and improving the quality of that information. Rather than developing guidance on the form or contents of possible additional statements, the FRSB considers that guidance on the principles that should underpin the development of information on LTFS and appropriate disclosures may be a more useful approach for the IPSASB to consider. Our comments on PV6 are also relevant in this regard.</p> <p>The FRSB also notes that some have concerns about the appropriateness of standard setters considering developing guidance on LTFS because of the</p>	<p>Staff particularly acknowledges the difficulties of summarizing information on LTFS for use in GPFRs.</p> <p>The Consultation Paper did not intend to replace or constrain the development of broader reports on long-term sustainability.</p> <p>View noted.</p> <p>Concerns noted.</p> <p>Point that prospective financial information should not be outside the remit of standard setters is noted and is in accordance with the preliminary</p>

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 1	STAFF VIEW
			prospective nature of that information. The FRSB does not share those reservations and the mere fact that LTFS information is prospective has not influenced the FRSB's comments on this PV.	view on scope of reporting in first Conceptual Framework Consultation Paper.
24	Ernst & Young GmbH (Germany)	A	We support the view of the IPSASB that the presentation of information on long-term fiscal sustainability is necessary to meet the objectives of financial reporting (accountability and decision-making). In our comment letter on the IPSASB Consultation Paper: Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities - Phase 1 from 26 March 2009, we referred to the <u>concept of intergenerational or interperiod equity</u> . This concept is inherent in (public sector) accrual accounting and should also be a central objective of reporting on the long-term sustainability of public finances. For example, the 2010 Australian report focusing on long-term sustainability of public finances is entitled “The 2010 Intergeneration Report.”	Noted
25	Institute of Chartered Accountants of Pakistan	A	The paper referred to above sets out the objectives of financial reporting by public sector entities as to provide information about the reporting entity useful to users of GPFRs for: <ul style="list-style-type: none"> • Accountability purposes; and • Making resource allocation, political and social decisions. Given that it is imprudent to make decisions about specific programs/projects/ transactions without looking at the impact on long term finances, this specific view is strongly supported. In Pakistan’s context this is all the more critical given our fragile fiscal position.	Noted
26	The Australian Accounting Standards Board	B	The AASB agrees that some information useful for assessing an entity’s long-term fiscal sustainability (LTFS) belongs within the scope of general purpose financial reporting. However, the Board is not convinced that all information currently provided in LTFS reports is within the scope of financial reporting. For example, a government, for political reasons, may produce a report aiming to shore up its political position by illustrating the affordability of its policies when compared with those of its opposition. The subject could revolve around sustainability. We do not think that standard-setting can regulate such political activity and nor would we see all that might be published in that context to be suitable for financial reporting. Therefore, the AASB considers it is crucial to conceptually define the scope of general purpose financial reporting, to identify which information useful for	Agreed that the issue of what prospective financial information should be within the scope of GPFRs is problematic and its resolution of great importance in determining the future direction of this project.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 1	STAFF VIEW
			assessing an entity's LTFS belongs within the scope of general purpose financial reporting.	
27	Province of British Columbia (Canada)	C	<p>The Province of BC believes that GPFS should be restricted to the reporting of historical information. In the province's response to the IPSASB's Consultation Paper, "Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities," the province stated:</p> <p>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. Budget preparation is based on a great deal of data. Much of it is forward looking in relation to expected revenue or other resources and the perceived needs of service recipients, estimates of future economic performance of the economy within, and economies outside the jurisdiction preparing the budget. Some data used will include historical performance information derived from accounting and other service delivery records. We do not support equating the accountability objective with any other objective.</p> <p>Financial statements may contribute to social or political decisions only in the broadest context of voting decisions of the major users - the public. These decisions are made once every several years, depending on the constitutional requirements of the jurisdiction and again, financial statements are providing information in relation to accountability. Social and political decisions are made more in relation to future expectations tempered by the accountability performance of the individuals making the promises. We feel that accountability, stewardship and transparency are more relevant objectives of financial statements.</p>	<p>The reservations are noted. However, Staff notes that the Consultation Paper did not propose that prospective financial information should be reported in the GPFSs, but that it might complement information reported in the GPFSs.</p> <p>View that accountability, stewardship and transparency are more relevant objectives of financial reporting rather than decision-making noted. These are primarily issues for the Conceptual Framework project. Staff considers that transparency relates to the QC of 'understandability'.</p>

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 1	STAFF VIEW
28	Public Sector Accounting Board (Canada)	D	<p>1. Objective of LTFSR</p> <p>The objective of Long Term Fiscal Sustainability Reporting (LTFSR) needs to be precise. The larger goal is to provide useful information to users of general purpose financial reports (GPFRs) for accountability and decision making. However, more precisely, the objectives of LTFSR are the provision of information:</p> <ul style="list-style-type: none"> (a) to allow users to assess the future viability of programs and services, (b) to assist users in understanding the impact on a financial condition and the potential implications on future operations of current programs and services, (c) external to the financial statements that is needed to supplement and add further depth to financial statement indicators, (d) that provides insights into the short-term and long-term implications of past and potential policy decisions on future revenue requirements of the government, and (e) to provide a basis for comparison with other similar jurisdictions. 	Agree that the issue should be related to the Objectives of Financial Reporting.
29	Direction Générale des Finances Publiques (France)	C	No. The producer of financial statements of the French State considers that the sustainability purpose paper must be distinguished from the production of financial statements. The aim of accounting is to give a retrospective information but not a prospective information in order to evaluate the long-term sustainability of public Finances. Nevertheless the producer of financial statements considers that a supplementary and separate information from financial statements in the way of projections of accounting data would be useful in order to appreciate sustainability. Nevertheless, this information will not comply with accounting principles and in particular with the principle of true and fair view in the case of projections on long-term funding needs assessed by using statistical methods using subjective assumption contingent to the chosen model.	Opposition to addressing prospective financial information noted.
30	CNOCP (France)	C	The French “Conseil de Normalisation des Comptes Publics” is not in favor of issuing a comprehensive paper that would include reporting on the Long-Term Fiscal Sustainability of Public Finances at macro-economic level. The French Council believes that this information belongs to a separate process outside the area of standard setting accounting.	View that this area should be outside the scope of standard setting is noted. Staff disagrees.

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 1	STAFF VIEW
			<p>In this respect, the French “Conseil de Normalisation des Comptes Publics” emphasizes that France provides information on the Long-Term Fiscal Sustainability of Public Finances both at European and national level.</p> <ul style="list-style-type: none"> - France provides data to the European Commission which releases a report on the Long- Term Fiscal Sustainability of Public Finances. This report is based on macro-economic assumptions discussed between the various Member States of the European Union. According to the demographic projections and assessment of the impact of aging on pension expenditure, unemployment, health, dependency and education, the European Commission issues funding indicators updated in GDP points through 2060. - Beyond the data submitted to the European Commission, the French Government submits to the Parliament an assessment and projection of the situation of French public finances in the medium term. <ul style="list-style-type: none"> - On the one hand, when presenting the budget bill along with an economic, social and financial report setting out four year projections of revenue and expenditure. - On the other hand, under the policy debate of public finances, a report presenting a mid-term measurement of the revenue and expenditure of the State. 	
			<p>Nevertheless, the French “Conseil de Normalisation des Comptes publics” acknowledges the interest in complementing information provided by “traditional” financial statements (statement of financial position, statement of financial performance, statement of changes in net asset/equity, cash flow statement and notes) with a paper, supplementary and separate from those financial statements, including prospective elements putting into perspective the accounting data of the financial statements. Those prospective items are significant, but remain partial and cannot be considered as information on long-term sustainability of public finances which fall under other frameworks, procedures and bodies.</p> <p>This supplementary report is not drawn up with accounting standards proposed by a standard-setter.</p> <p>The objectives, to be met in a high quality financial reporting, and as described in the consultation paper on the conceptual framework, can only apply to</p>	Noted.

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 1	STAFF VIEW
			<p>accounting information based on accounting standards prepared by standard-setters. The principles of an accounting conceptual framework, and the principle of true and fair view, presume the existence of those accounting standards.</p> <p>This does not mean that certain principles of the conceptual framework that define accounting information quality, such as relevance, clarity, comparability and timeliness should not apply to the prospective elements of the supplementary report.</p>	

PRELIMINARY VIEW TWO: IPSASB guidance should recommend that long-term fiscal sustainability information in GPFs be presented either through:

- Additional statements providing details of projections; or
- Summarized projections in narrative reporting (Section Three).

(A) AGREE	9 (37%)
(B) AGREE WITH RESERVATIONS	5 (21%)
(C) DISAGREE	5 (21%)
(D) NO OVERALL VIEW	5 (21%)
TOTAL	24

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 2	STAFF VIEW
2	Accounting Standards Board (UK)	B	The consultation paper puts forward three models for presenting information on long-term fiscal sustainability in general purpose financial reports. These are (i) additional statements providing details of projections; (ii) summarized projections in narrative reporting; and (iii) cross references in GPFs to other reports addressing long-term fiscal sustainability. We consider there is scope for each of these models to contribute to the information that entities may present in general purpose financial reports on long-term fiscal sustainability.	Noted and agree.
			The wording of the Preliminary View appears restrictive, suggesting that reporting entities should use one model or the other. We would suggest reporting entities should be allowed to use any of the three models and, where appropriate, a combination of each of the three models. We consider the approach adopted should be based on the entity's circumstances and how it might best present information on the long-term sustainability of its activities, including how these activities will be financed.	Accept that, as written, the Consultation Paper suggests that the approaches are discrete and that adoption of one Model precludes the others, whereas the models may be complementary. Staff therefore agrees with point made by Respondent.
			We do not think that model three should be rejected, although we acknowledge that, in itself, a cross-reference from the narrative report or the notes to the financial statements to information on long-term fiscal sustainability in other publicly available reports may not be that helpful to users of general purpose financial reports. We would suggest that IPSASB develop model three to encourage reporting entities to provide cross-references and to also provide, as appropriate, information in the general purpose financial report in accordance with models one and two.	Accept. See above.

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			We accept that, in developing model three, there are risks in trying to summarise what is often voluminous and complex information in special reports. We agree with IPSASB that the emphasis should be on ‘summarising’ information that is already being generated; something that we consider falls well within the skill set of an accountant preparing a general purpose financial report. We would also expect this type of web signposting to become more helpful as more entities make their financial reports available on-line.	Noted and agreed. Similar to point raised by Respondent 23 in commenting on PV1.
4	SRS-CSPCP (Switzerland)	C	<p>All three models would be conceivable. Therefore the third model (Cross references in GPFRs to other reports addressing long-term fiscal stability) should also be listed.</p> <p>In principle for the SRS-CSPCP all three models would be conceivable. As long-term sustainability reports are not prepared annually, the third model (Cross references in GPFRs to other reports addressing long-term fiscal stability) should also be listed, which would also enable cross-referencing. This, subject to the cross-referencing being summarized and commented on, even if this is not quite so easy. Otherwise the effort for the addressee of the report is considered too great.</p>	Noted
			,... as the overall concept is not clear, a definitive comment is not possible. Information about the most important results of the long-term sustainability reporting would be quite conceivable and desirable in the financial commentary to the financial statements. Associated with this a political appraisal would also be desirable. But this information would not be audited.	Staff has reservations about including such information in a commentary on the GPFSs, but, certainly, it may be appropriate for the management commentary.
6	Joint Accounting Bodies (Australia)	A	The Joint Accounting Bodies believe that to assist in satisfying the objectives of reporting the IPSASB Guidance should provide the option to choose one of the two models above to present long-term financial sustainability information in the financial reports. The Consultation Paper examines a third model “Cross-references in GPFRs to other reports addressing long-term fiscal sustainability”. We agree with the IPSASB that use of the third model would not result in financial reports that are complete as the accountability and would not meet the comparability requirements that apply to financial reports.	Noted
7	New South Wales Treasury (Australia)	C	NSW Treasury does not believe that LTFSI fits into GPFRs. It is not a part of GPFSs, nor is it ‘prospective financial material’ (‘Additional Information’	Noted. This view flows logically from the respondents

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			<p>within GPFRs in Exhibit Two on page 15), because LTFSI is much broader than ‘prospective financial material’.</p> <p>NSW Treasury believes that LTFSI belongs in the ‘Other Information’ report category, outlined in the Consultation Paper Exhibit Two on page 15, as it provides economic, statistical and demographic data. The ‘Other Information’ category is not within GPFRs. It is within the IPSASB overall ‘Information Useful as Input to Assessments of Accountability and for Resource Allocation and Other Decisions’ reporting framework. In this instance, Model Three, which has been rejected by the IPSASB, would be the best approach for disclosing this type of information. NSW Treasury recommends that LTFSI should be presented by cross-references in GPFRs to other reports addressing LTFSI (Model Three in the Consultation Paper).</p>	views on PV1.
8	HoTARAC (Australia)	C	<p>HoTARAC disagrees. The formats proposed (Models One and Two) seem to apply to a General Purpose Financial Report that contains GPFSS and not to a separate report as mentioned in Paragraph 2.3.3.</p> <p>HoTARAC is unsure if it is possible to prepare a report in summary narrative form and still include all the other information necessary to be consistent with the IPSASB’s proposals, for example, inclusion of assumptions.</p> <p>HoTARAC’s majority view is that Long-Term Sustainability of Public Finances Reports belongs to the Other Information report category, outlined in the Consultation Paper Exhibit Two on Page 15, as they provide economic, statistical and demographic data. The Other Information category is not within the All Financial Reporting classification. However, it is still classified within the IPSASB’s overall reporting framework under Information Useful as Input to Assessments of Accountability and for Resource Allocation and Other Decisions. In this instance, Model Three, which has been rejected by the IPSASB, would be the best approach of disclosing this type of information. HoTARAC recommends that Model Three be included as an option.</p> <p>In HoTARAC’s experience providing financial information in the same report on different bases tends to confuse rather than assist financial report users. Therefore a Long-Term Sustainability of Public Finances Reports would be better issued as a separate report, rather than being included in a GPFR containing GPFSS. Alternatively, where GPFSS and comprehensive forward looking information are provided in the same report, preparers should take great</p>	<p>Staff acknowledges the significance of these points, which relate to the boundaries of reporting and are crucial to the further development of this project.</p> <p>Staff acknowledges, but does not necessarily accept, the view that information on the long-term sustainability of the public finances is not appropriate for a GPFR that incorporates the GPFSS. As the response points out the discussion of Models One and Two suggest that it would be reported with the GPFSS.</p> <p>Staff agrees that the majority of reports on the long-term sustainability of the public finances are within the Other Information Category (see Section 2 of the Consultation</p>

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			<p>care in providing sufficient information to the report users to clearly outline the different bases applied in the report.</p> <p>The Australian Government's Long-Term Sustainability of Public Finances Report, the Intergenerational Report, appears to fit in with the Model Two approach, summarizing projections in a narrative report. However, the information on long-term fiscal sustainability is not derived from other reports (refer Paragraph 3.1.7), it is the primary report. Given that it is a separate report from GPFRs containing GPFSSs, the Intergenerational Report is more aligned to the Model Three approach, other information category type of report.</p> <p>Notwithstanding the above, one jurisdiction believes it is possible that long-term fiscal sustainability reports are GPFRs within the broader IPSASB definition in its <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i>.</p> <p>In particular, when one considers the comment that "there is no current expectation that broader information within the scope of GPFRs will be published in a single report that also includes GPFSSs. Such information may be published in a number of separate reports" (refer Paragraph 2.3.3).</p>	<p>Paper). Staff has some reservations whether the Australian Government's Intergenerational Report is a GPFR.</p>
			<p>HoTARAC disagrees with the view in Paragraph 3.2.3 that GPFRs are inadequate without long-term fiscal sustainability information. Each GPFR may have a different focus and/or may satisfy different user's needs regarding financial information.</p> <p>HoTARAC provides no view about whether Long-Term Sustainability of Public Finances Reports should be GPFRs. However, given the discussion above and the acknowledgement by IPSASB in Paragraph 2.3.1 that "there is still considerable debate on (a) the type and format of information that should be referred to as GPFRs, and GPFSSs and (b) the demarcation lines between GPFSSs, GPFRs and other information", there is a need for IPSASB to more clearly distinguish between these different types of reports. Further, the IPSASB should clarify which information category Long-Term Sustainability of Public Finances Reports would belong to in terms of the categories illustrated in Exhibit 2 of the Consultation Paper. The types of presentation are described in very general terms and could benefit from some additional definition.</p>	<p>Staff accepts that there is a need for clarification of the types of report that fall into particular categories of information.</p>

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9	Institute of Chartered Accountants of Scotland	C	<p>We do not believe that additional statements providing details of projections should be included within the GPFs of public sector entities or within other information contained in GPFs.</p> <p>Public sector entities are expected to apply the going concern concept to the preparation of GPFs and GPFs, prepared in accordance with generally accepted accounting practice, are required to give “a true and fair view” or “present fairly” the financial position and financial performance, etc of the entity. Providing additional statements which include prospective financial information would require consideration of how these two cornerstones of financial reporting are affected.</p> <p>Central governments are responsible for setting fiscal policy and policies on how public services are funded. As public sector entities, including sub-national government entities, may have no or incomplete control over these matters, it is difficult to envisage how it will be possible for public sector entities to provide meaningful information on the long-term fiscal sustainability of the services they provide even if it is assumed that policies on service delivery remain unchanged for the purposes of sustainability reporting.</p>	<p>Staff notes that the Consultation Paper did not actually propose that additional statements would form part of the GPFs.</p> <p>Staff has reservations about the application of the ‘going concern’ concept in the public sector. ‘Going concern’ is a short-to medium term concept and does not deal adequately with longer-term issues.</p> <p>Staff agrees that there are particular issues for sub-national entities that have limited control over their funding and such characteristics need to be reflected in reporting approaches.</p>
10	Federation of European Accountants (FEE)	A	<p>We agree that Reporting Models One and Two as outlined above are sensible starting points for presenting fiscal sustainability information in General Purpose Financial Reporting. While in practice some jurisdictions are likely to continue to prepare separate long-term fiscal sustainability reports, and cross-references and summarised information relating to those reports might often be helpful to readers of GFPRs, we would see practical problems in developing guidance based on Model Three, which would be dependent on material not prepared in line with IPSASB guidance, and which might not always be sufficiently aligned with the information in the GFPRs.</p>	<p>Noted. It is not the intention to constrain the production of detailed reports on the long-term sustainability of the public finances.</p>
			<p>Furthermore, we suggest that in moving forward the Board should consider developing a preferred model based which could include minimum requirements for disclosure in financial statements, quantitative information in narrative reporting, and descriptive/explanatory information in narrative reporting. While we accept and support the need for flexibility, having a preferred model would provide a useful template and assist comparability of reporting.</p>	<p>Noted but Staff considers that this might be over-prescriptive at this stage.</p>

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 2	STAFF VIEW
11	Office of the Auditor General (Canada)	A	<p>We are in agreement with this view.</p> <p>Considering the challenges of producing and reporting long-term fiscal sustainability information, the proposed approach is reasonable. The presentation of long-term sustainability summarized in narrative reporting would be a significant first step. Long-term challenges such as demographic changes, environmental liabilities, globalization, economic conditions and how they could put pressure on the public finances in the long-term should be published. Fiscal sustainability could be described by reporting on issues such as: future liabilities/obligations; funding of future liabilities; and the governments' ability to provide services to future generations compared to benefits provided to current generations. The narrative description could also include sensitivity analysis for changes in assumptions (e.g. economic uncertainty) to illustrate the long-term exposure to fiscal risks.</p>	Noted
			<p>The production of additional statements providing details of fiscal sustainability projections is a more difficult reporting objective to meet. It requires more robust methodology, analytical/modeling capacity, key assumptions (for example: real GDP growth, employment rate, labor productivity, demographic projections...) and access to accurate data.</p>	Agree
			<p>It is important to note that the capacity to produce fiscal sustainability information will vary greatly between jurisdictions. Also, by association to the financial statement, the SAIs might have to provide some assurance that the reported long-term projections are reasonable and based on fair assumptions. This capacity to review the projections will greatly impact some SAIs since their ability to review the information reported can be limited.</p>	Agree that capacity will be a particular issue in developing countries.
12	Cour des Comptes Consultative Committee on Public Sector Accounting Standards (France))	D	<p>Synthetic projections can be sufficient at first, but more detailed projections are necessary so that the information is relevant. In particular, in detailed projections of spending by public policies, the level of required detail makes insufficient a simple narrative reporting, as well as for the sustainability elements of the amount of the discounted financing need type.</p>	Noted. However, in many jurisdictions detailed reports are produced as highlighted in recent OECD research.
13	The Japanese Institute of Certified Public Accountants	A	<p>We agree with this preliminary view because of the following reasons.</p> <p>Information concerning long-term fiscal sustainability is vitally important information to be disclosed in terms of fulfillment of governmental</p>	Noted

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			accountability, decision-making by citizens, etc.; therefore, governments should provide users of financial reports with its own reports on projections, rather than just providing cross-reference information.	
			<p>We agree that long-term fiscal sustainability information in GPFRs be permitted to be presented through summarized projections in narrative reporting, as well as through additional statements providing details of projections because of the following reasons.</p> <p>(a) It is sometimes difficult for some local governments, public sector entities, and other organizations where revenue depends on grants from higher-ranking governments, to prepare their own long-term detailed fiscal projections.</p> <p>(b) In countries and regions that are not used to disclosure of fiscal sustainability information, long-term and detailed fiscal projections by governments may be misunderstood as showing definite commitment, similar to that of formal budgets.</p>	Noted
14	Accounting Standards Board (South Africa)	D	<p>We are of the view that the objectives of financial reporting and the needs of users may not be met by applying a single approach. It may be appropriate to adopt different approaches for central and sub-national levels of governments. At sub-national or local authority level it may be difficult to allocate revenue streams to specific programmes, particularly where these levels of government execute centrally funded programmes. In these instances, presentation of specific statements is difficult. At these levels, users' needs may best be met through of sustainability reports using summarized projections in narrative reporting that consider the activities of an entity taken as a whole.</p> <p>At a national level, it may be easier to allocate revenue streams to specific programmes and therefore may be useful to present sustainability information using specific statements which provide detailed projections of programmes, accompanied by narrative reporting.</p> <p>We agree that model three is not optimal as the objectives of other reports containing fiscal sustainability reports may differ from the objectives of general purpose financial reports as outlined in the conceptual framework.</p>	Need for varying reporting approaches is noted. If guidance is to apply to entities at different levels it is important that it is flexible and principles based.
16	Treasury Board of Canada Secretariat	C	As noted in our response to Question 1, we believe that a long-term fiscal sustainability report should not be within the scope of GFPRs, and, therefore,	Noted

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			would need to be issued as a stand-alone document when a government chooses to provide this type of information.	
			Summarizing the projections in narrative reporting that is presented with financial statements, such as the Management, Discussion and Analysis, would attribute undue credibility to the projections, which could then be viewed as having qualitative characteristics similar to those of the information contained in the balance of the annual report.	Staff accepts that there are issues about the robustness of financial projections and that this provides challenges in ensuring that such information meets the QCs. Staff does not think that this should lead to prospective financial information being outside the scope of financial reporting.
18	Government Accountability Office (USA)	A	<p>We encourage the development of guidance proposing that long-term fiscal sustainability information in GPFRs ultimately be presented through additional financial statements, complemented by summarized information on projections described in narrative reporting. We believe that a statement of long-term projections that illustrates receipts and non-interest expenditures disaggregated by major programs with disclosures such as the assumptions underpinning those projections can provide users with more readily accessible information on the government's long-term ability to meet its service delivery and financial commitments both now and in the future. Summarized narrative reporting of key aspects of the basic statement of long-term projections could be highlighted in summary sections of the GPFRs and could refer to the basic statement for further detail. In addition, we encourage that the guidance for summarizing projections provides flexibility and not be overly prescriptive or significantly redundant to information that is presented in other parts of the GPFRs. At the same time, we realize that including fiscal sustainability reporting in narrative reporting rather than as additional financial statements may be a necessary interim step for some reporting entities.</p> <p>The U.S. federal government has adopted an approach that requires that long-term fiscal projections of inflows and outflows for the U.S. Government be presented in a basic financial statement that displays projected amounts as both present value dollars and a percentage of the present value of gross domestic product (GDP) for the projection period and includes related disclosures. Key aspects of the basic statement are highlighted in the Management Discussion</p>	Noted. Staff will continue to monitor developments, especially the implementation of the new broader scope statement required by SFFAS 36.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 2	STAFF VIEW
			and Analysis section of the Financial Report of the U.S. Government. Under a phased-in implementation approach, the information in the basic financial statement and disclosures will be presented as unaudited required supplementary information for fiscal years 2010-2012.	
19	The Chartered Institute of Public Finance & Accountancy (UK)	A	<p>In the light of our comments on Preliminary View 1, we would observe that some jurisdictions are likely to follow a different approach continue to prepare separate long-term fiscal sustainability reports in line with Model Three. Cross-references and summarized information relating to those reports might often be helpful to readers of GFPRs.</p> <p>Having said this, we agree that Reporting Models One and Two as outlined in Preliminary View 2 are sensible starting points for presenting fiscal sustainability information in General Purpose Financial Reporting.</p>	Staff does not consider that the adoption of Models One and Two should necessarily preclude cross references to detailed reports, although this may frequently give to issues of the inconsistency of reporting boundaries.
20	Governmental Accounting Standards Board (UK)	A	The GASB staff believes that guidelines provided on long-term fiscal sustainability information in GPFR's should acknowledge that <i>both</i> additional statements providing details of projections and a narrative discussion and analysis of those summarized projections may be considered necessary to meet the objectives of financial reporting. Additional statements are not mutually exclusive of narrative information and neither may they be sufficient in and of themselves to communicate long-term fiscal sustainability information to users. Recommending inclusion of only additional statements, although providing comprehensive and detailed information, may not adequately communicate the relationship of this information to the fiscal sustainability of a government. Users need to understand this relationship in order to enhance their ability to assess the fiscal sustainability of a government. Conversely, recommending inclusion of only narrative reporting of information, although providing a conclusive overview of a government's fiscal sustainability, may not provide the details for a user to assess and validate that conclusion.	Staff acknowledges the complementary and non-exclusive nature of Models One and Two and agrees with this point. The Consultation Paper gave a misleading impression that it was proposing guidance that recommended one model.
21	ACCA	D	We would support the IPSASB's view that because the form and content of long-term fiscal sustainability is still evolving the IPSASB shouldn't prescribe the approach to be taken on reporting at this point in time.	Noted
			It is not clear within your consultation that you are proposing a separate report for reporting on long-term financial sustainability. It appears that you are suggesting that it should be part of the general purpose financial reporting statement as described in Exhibit 2 (p15). In our view it should form part of a	Consultation Paper did not specifically propose that information on long-term sustainability should be part of

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			separate report which should be subject to some form of verification. The latter is discussed further in paragraph 20. Our reasoning behind this is partly based on the fact that the data in the fiscal sustainability report is much less reliable and verifiable than what is reported in the general purpose financial statements (GPFSS) and general purpose financial reports (GPFRs).	an integrated GPFR. Given the comments of some respondents on PV 7 Staff considers that na integrated GPFR is problematic. However, Staff accepts that the implication of Models One and Two is that they would be published in such a report. Staff considers that the QCs can be applied to prospective financial reporting.
22	Australasian Council of Auditors-General	A	ACAG agrees with this preliminary view. Entities should have a choice as to whether Model One (additional statements providing details of projections) or Model Two (summarized projections in narrative reporting) is most appropriate to meet the qualitative characteristics of financial information and the information needs of users. However, ACAG recommends that the IPSASB guidance should require entities to clearly differentiate prospective financial information from historical financial information to avoid confusion by users.	Noted.
			The IPSASB expresses the view that Model Three (cross-references in GPFRs to other reports addressing long-term fiscal sustainability) is inappropriate as reference alone to special long-term sustainability reports does not provide users with the information they need for decision-making and accountability purposes. ACAG recommends that the IPSASB should clarify the extent to which it may be appropriate to include cross-references to such special long-term sustainability reports when reporting long-term fiscal sustainability information under Model One or Model Two.	Accept that such ambiguity needs to be resolved.
			We acknowledge that paragraph 2.3.3 of the Consultation Paper <i>Long-Term Sustainability of Public Finances</i> states that the IPSASB has no current expectation that broader information within the scope of general purpose financial reports (GPFRs) will be published in a single report that also includes general purpose financial statements (GPFSS), and that such information may be published in a number of separate reports. We recommend that this distinction is made clear in any guidance statement developed on the long-term sustainability of public finances.	Noted and agree.

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 2	STAFF VIEW
23	Financial Reporting Standards Board (New Zealand)	D	Please refer to our comments on PV1.	Noted
24	Ernst & Young GmbH (Germany)	A	<p>We support the Boards preliminary view that Model Three (“Cross-references in GPFRs to other reports addressing long-term fiscal sustainability”) is not sufficient as GPFRs are incomplete without adequate consideration of the long-term viability of government programs and a governments ability to meet financial commitments.</p> <p>As some reports are very long and detailed and are not prepared on an annual basis we suggest that the IPSASB focus on developing principles for reporting on the long-term sustainability of public finances without being overly prescriptive about the content or the location in GPFRs.</p> <p>If the public sector entity follows the concept of the reporting entity and prepares consolidated financial reports we would favor an approach that includes information on long-term sustainability of public finances also in the management commentary of GPFRs. If GPFRs and reports about the sustainability are based on different concepts then reconciliation should not be required for public sector entities at the moment. However, we recommend that the IPSASB <u>encourage</u> governments to carry out a reconciliation, at least at a high level. Otherwise the users of these reports will not be able to relate the figures presented in reports on the long-term sustainability of public finances to the financial position as presented in GPFRs.</p>	Possibility of a reconciliation noted if there are cross-references to reports that are based on reporting boundaries that differ from those for the GPFRs.
25	Institute of Chartered Accountants of Pakistan	B	In Pakistan’s context specifically the ability for decision makers to focus on detail is very limited, on top of which relatively important items which can be impacted by political decision-making may be mixed with other items where the ability to make a difference is limited. It is therefore suggested that the consultation paper be modified to include summarized projections in narrative reporting as mandatory, possibly supported by additional statements providing details of projections. The summarized projections should set out as separate items any major areas which can be impacted by government decision making.	Staff does not think that a mandatory approach is appropriate at present.
26	The Australian Accounting Standards Board	B	The AASB agrees that some LTFS information is part of general purpose financial reporting. As indicated above in relation to Preliminary View 1, the AASB considers it is crucial to define the scope of general purpose financial	Staff agrees that further work should be carried out in clarifying the boundary of

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 2	STAFF VIEW
			<p>reporting, to identify which information useful for assessing an entity's LTFS belongs within the scope of general purpose financial reporting. The AASB emphasizes its focus on the subject matter of general purpose financial reporting, rather than on the various vehicles in which general purpose financial reporting information is conveyed [i.e., in different forms of general purpose financial reports (GPFRs)]. This is because general purpose financial reporting can occur in different GPFRs, and the form of the report is a subsidiary issue to identifying which information should be included in an entity's general purpose financial reporting. Nevertheless, the AASB has the following comments about the form of GPFRs in which information about LTFS may be provided.</p> <p>The AASB considers that general purpose financial statements should provide at least some of the information useful for assessing an entity's LTFS. The AASB also considers that, for various entities, information useful for assessing their LTFS is appropriately provided outside their general purpose financial statements. Where this occurs, the AASB considers some of that information would also be within the scope of general purpose financial reporting information. The extent to which that information falls within the scope of general purpose financial reporting would depend on how that scope is defined.</p> <p>The remainder of the AASB's comments on Preliminary View 2 is in respect of information useful for assessing LTFS that is within the scope of general purpose financial reporting, but provided outside current general purpose financial statements.</p> <p>The AASB supports fostering reporting of LTFS information in additional statements providing details of projections or in narrative reporting. However, the AASB considers that IPSASB guidance on recommended practice:</p> <ul style="list-style-type: none"> (a) should not indicate that additional statements providing information on LTFS should necessarily be provided with each set of general purpose financial statements. Statements providing information on LTFS may not be needed annually (paragraphs 3.1.3 – 3.1.4 of the Consultation Paper emphasise such reporting on an annual basis); (b) should treat projections and related narrative on LTFS as a form of narrative reporting in its own right. This viewpoint is consistent with the comment in paragraph 3.1.2 of the Paper, but that comment generally is not reflected elsewhere in the Paper's discussion. The AASB considers that IPSASB guidance should neither require information on LTFS to be 	<p>general purpose financial reporting and that this is crucial in progressing the project. In particular it is necessary to form a view whether certain reports that are currently produced are GPFRs.</p> <p>Staff accepts the comments on presentation and the criticism that the paper may have gone too far in suggesting that information should be provided together with the GPFS or as a development to existing narrative reporting.</p>

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 2	STAFF VIEW
			<p>reported jointly with other narrative reporting information (as is emphasised in paragraph 3.1.7 of the Paper), nor should it require projections to be summarised for the purpose of inclusion in narrative reporting. The process of summarisation can present difficulties in providing a balanced and comprehensive overview of the factors and projected circumstances that are relevant to assessing an entity's LTFS; and</p> <p>(c) should acknowledge the appropriateness of preparing standalone GPFRs containing information specifically regarding LTFS. In this regard, paragraph 3.1.10 of the Paper notes, as an alternative to the two reporting mechanisms mentioned in the Preliminary View, the possibility of requiring narrative reports within a GPFR to refer to LTFS reports outside the GPFRs. The AASB considers that such separate LTFS reports should not be presumed to be outside the entity's GPFRs.</p> <p>The AASB's recommendations above reflect a view that guidance on LTFS reporting:</p> <p>(a) should not be too prescriptive as the form of presentation of information about LTFS in an entity's general purpose financial reporting; and</p> <p>(b) should focus on whether an entity's GPFRs, collectively, provide all of the information that is useful to users of the entity's GPFRs for accountability and decision-making purposes. Thus, it should be acceptable for:</p> <p>(i) GPFRs providing some of the information useful for assessing an entity's LTFS to be presented separately from other GPFRs of the entity (such as those including its general purpose financial statements); and, as a corollary,</p> <p>(ii) a GPFR (such as a report including an entity's general purpose financial statements) not to include all of the information useful for assessing the entity's LTFS.</p>	<p>Staff considers that the AASB's recommendations on the approach to guidance provide a good direction for further development of the project.</p>
27	Province of British Columbia (Canada)	B	<p>The Province of BC believes that IPSAS guidance for the preparation of GPFS should not include any guidance related to the preparation of the reporting on the long-term sustainability of public finances. Including this guidance as part of IPSAS GAAP would suggest to the audit community that fiscal sustainability reporting is a GAAP requirement, whether or not the guidance itself states that preparing the reports is voluntary. Our experience has been that the audit community would perceive that the fiscal sustainability reports must be</p>	<p>Staff acknowledges this difficulty, but notes that there is no current intention to issue mandatory requirements.</p>

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 2	STAFF VIEW
			<p>prepared even when the guidance itself states that their preparation is voluntary. We recommend that any IPSAS guidance on the reporting on the long-term sustainability of public finances be included in a separate library, which is distinct and different from the GAAP library related to the preparation of GPFSS.</p> <p>The Province of BC agrees, provided the guidance is not included in the IPSAS library of GAAP for the preparation of GPFSS, that guidance on the long-term sustainability of public finances should be presented through:</p> <ul style="list-style-type: none"> • additional statements providing details of projections; or • summarized projections in narrative reporting (Section Three). 	
29	Direction Générale des Finances Publiques (France)	D	<p>The scope of the general purpose financial statements should be defined with a distinction between financial statements and notes to the financial statements and general purpose financial statements. Financial statements include item of sustainability as liabilities or by data on off-balance sheet commitments in the notes to the financial statements.</p> <p>In our view, sustainability elements can't be included in the financial statements, these elements of sustainability should be include in a supplementary and separate document to the financial statements, either the general purpose financial reports or an ad hoc narrative document.</p>	<p>The Consultation Paper did not suggest that prospective financial information should be included within GPFSS, although it notes that the Consultation Paper could have been read as advocating this.</p> <p>The view that long-term sustainability information should be included in supplementary and separate information is similar to that of Respondent 26</p>
30	CNOCP (France)	B	<p>The French “Conseil de Normalisation des Comptes Publics” recalls that the proposal of the IPSAS Board relating to information which is not based on accounting standards is not intended to be included in the scope of IPSAS.</p> <p>If any of the prospective elements of information should be given in a supplementary document based on the same scope as the one of “traditional” financial statements, the French Council favors a summarized presentation of projections with narrative comments.</p>	<p>The first Consultation Paper on the Conceptual Framework project proposed that prospective financial information should be within the scope of general purpose financial reporting. No decision has been made on the nature of pronouncements dealing with broader scope issues.</p>

PRELIMINARY VIEW 3: IPSASB guidance should be based on the concept of the reporting entity and should provide recommended practice for consolidated reports presented by all levels of government

(A) AGREE	14 (58%)
(B) AGREE WITH RESERVATIONS OR PARTIALLY AGREE	3 (13%)
(C) DISAGREE	6 (25%)
(D) NO OVERALL VIEW	1 (4%)
TOTAL	24

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 3	STAFF VIEW
2	Accounting Standards Board (UK)	A	We agree that it is desirable and necessary for the boundary for reporting on long-term fiscal sustainability should be the same as that used for general purpose financial reports. If IPSASB were to consider a different boundary, for example based upon statistical bases of accounting or a budget framework, there would be a strong case for not publishing information on long-term fiscal sustainability together with general purpose financial reports as this might be confusing.	Noted
			We accept there may be instances where information on long-term fiscal sustainability will be useful to users of general purpose financial reports at lower tiers of government. We also agree with IPSASB that the nature and extent of the reports that may be required at sub-national level will vary and that deciding what indicators and other information might be provided on long-term fiscal sustainability is a matter for individual reporting entities.	Noted
			We agree the requirement to include information on long-term fiscal sustainability should apply to the consolidated accounts of reporting entities. We also agree there are risks to understandability if individual entities within an economic entity produce separate sustainability reports and disclosures. However, there may be circumstances where such an approach might be appropriate and where, with adequate explanation, individual entities should be able to mitigate the risks to understandability. For this reason, we would suggest the guidance allows sustainability reporting at the individual reporting entity, subject to satisfying understandability and cost-benefit criteria.	Noted. Staff agrees with the point and the linkage with the QC of understandability.
4	SRS-CSPCP (Switzerland)	C	Again it is absolutely essential to distinguish long-term sustainability reporting from the Financial Statements /GPFS. The SRS-CSPCP is of the opinion that long-term sustainability reporting must be clearly distinguished from Financial Reporting/GPFS.	Noted and agreed.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 3	STAFF VIEW
			<p>Reporting boundaries based on Government finance statistics and therefore possibly in deviation from those of the reporting entity seem to make more sense (Example Switzerland: Confederation, Cantons, Municipalities, Social Insurance Institutions), also for international comparison purposes.</p> <p>The SRS-CSPCP believes it makes more sense to define the reporting boundaries for long-term sustainability reporting on the basis of those of the Government finance statistics and therefore in deviation from the reporting entity. As an example the Report on the Long-term Sustainability of Public Finances in Switzerland dated April 2008 covers, in addition to the Confederation, the cantons, municipalities and social insurance institutions. A report covering only the Confederation would not be very meaningful, because it would reflect only part of the public finances in Switzerland. For international comparison purposes, a state-wide view would be a worthwhile aim. A sub-national long-term sustainability report, where relevant, could be complementary.</p>	Noted that reporting on statistical boundaries is advocated.
6	Joint Accounting Bodies (Australia)	B	<p>The Joint Accounting Bodies believe that the reporting boundary should be what is relevant to assessing long-term fiscal sustainability. In some jurisdictions, that reporting boundary would be consistent with a reporting boundary based on the control concept governing General Purpose Financial Statements (GPFS). In other jurisdictions, the reporting boundary relevant to assessing fiscal sustainability will be different. For example, we believe it is the Australian Government policies and actions to tax and allocate resources that are most relevant to Australia's long-term fiscal sustainability and these are managed by the General Government Sector (GGS). Accordingly, we are of the view that a reporting boundary based on the GGS will sometimes be appropriate for assessing long-term fiscal sustainability and adjustment to a reporting boundary based on the control concept is not appropriate and should not be required. In other situations, when the boundary used to report the underlying fiscal sustainability information does not appropriately capture the policies and actions of government, we agree with the IPSASB that the reporting boundary should be adjusted to provide consistency with a reporting boundary based on the control concept governing GFS.</p>	<p>Support for boundary based on GGS on occasions is noted. This does create a problem of consistency in boundary for reporting information within the GPFRs as the boundary for reporting long-term sustainability information will differ from that for GPFSs and other components of the GPFRs.</p> <p>However, Staff acknowledges the view that reporting on GGS boundaries may promote comparability as such boundaries are not based on the concept of control.</p>
			Our response to Question 7 below articulates our support of an upper limit of five years of the reporting date for the reporting of long-term fiscal	Noted. Also see PV 7

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			sustainability information with the possibility of more frequent reporting depending on facts and circumstances. We consider it appropriate that whenever the long-term fiscal sustainability information is reported it be included in the GPFR of the reporting Government 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 the purposes of accountability and making resource allocation, political and social decisions])	
			While we believe that the requirements should apply to each level of government (e.g., the national, state, and local governments), for reasons of understandability and cost: benefit we do not consider it appropriate that the requirement to report long-term fiscal sustainability information be pushed down to individual entities. Further, we consider that the time frame for “long term” might not be the same for each level of government.	Noted and generally agree with this view, particularly in relation to individual entities, where Consultation Paper acknowledged cost-benefit considerations and understandability considerations.
7	New South Wales Treasury (Australia)	A	<p>NSW Treasury agrees that the guidance should be based on the reporting entity concept and should provide guidance for consolidated reports presented by all levels of government.</p> <p>We see no reason to limit the guidance to national governments. Moreover, we understand that fiscal sustainability reporting already exists at sub-national levels.</p> <p>As to whether the reports should be consolidated financial reports or financial reports of individual entities, NSW Treasury agrees with paragraph 4.4.2 of the Consultation Paper that:</p> <p style="padding-left: 40px;">“In general, it seems questionable whether the cost of producing reportsby individual entities within the economic entity, is likely to justify the benefits to users....”</p>	Noted, particularly support for any guidance to include sub-national levels and in consolidated reports.
8	HoTARAC (Australia)	C	HoTARAC disagrees with the application of the consolidated reporting entity. IPSASB’s definition of the Reporting Entity concept aligns with the Australian Accounting Standards Board Reporting Entity concept. However, at least in the Australian context, under the Government Finance Statistics framework, it is the General Government Sector that collects the majority of taxes and is responsible for delivering government services and incurring any debt	Noted. See comments above on GGS. (Differing views on this topic within the respondent’s membership also noted).

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			<p>necessary to finance this service delivery. Information on those activities is critical for assessing long term sustainability of public sector finances. The Australian Intergenerational Report focuses on the GGS, which includes any significant financial transactions with other sectors.</p> <p>However, a minority of HoTARAC members support the view that the guidance should be based on the reporting entity concept for general purpose financial statements, which would equate to the whole-of-government reporting entity rather than the GGS.</p>	
			<p>HoTARAC agrees with the proposal to extend IPSASB guidance to all levels of government. The majority of HoTARAC supports the extension of the IPSASB guidance for the preparation of fiscal sustainability reports to the state/local government levels, given the following IPSASB principles:</p> <ul style="list-style-type: none"> • that projections be based on current policy (e.g. current Australian Government revenue sharing methodologies), unless there is disclosure of any deviations from current policy; • disclosure of the bases on which revenue sources have been projected; and • disclosure of any other key assumptions underpinning projections. <p>There is evidence that, in Australia, Local Government revenue is mainly derived from rates, which would be considered to be independent and controllable.</p> <p>A minority view of HoTARAC is that it is inappropriate to prepare long-term sustainability reports in the proposed format at all levels of government and recommends that the report be prepared at national level or by governments with a majority of revenue being independent and controllable, for example a government that can levy its own income taxes. In Australia, only the Australian Government has the power to raise income tax, not the States. Entities within the sub-national level rely mainly on allocations from the Australian Government Budget to fund their projects and operations. Some Australian sub-national level governments prepare reports that are more akin to mid-term budget forecasts (e.g. with a time horizon of around 10 years) than Long-Term Sustainability of Public Finances Reports. The IPSASB Consultation Paper provides examples of Long-Term Fiscal Sustainability Reports (refer Exhibit Ten, page 43) with the majority having time horizons ranging from 25 to 75 years, reflecting fiscal sustainability over one or several</p>	<p>Noted (and the differing views on this topic within the membership of the respondent).</p> <p>Staff notes that the extent to which an entity has revenue generation powers needs to be taken into account in selecting reporting approaches and indicators. The Canadian PSAB has reflected this in developing a notion of vulnerability- the degree to which a government becomes dependent, and therefore vulnerable, to sources of funding outside its control or influence, both domestically and internationally.(see Other Comments of Respondent 28)</p> <p>The Consultation Paper did not adopt a firm stance on whether medium-term budget forecasts might be within the scope of any pronouncement on long-term sustainability. However, prospective reporting of this</p>

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			generations. However, the IPSASB's proposed definition of Long-Term Sustainability does not cover the issue of time horizon, Is it IPSASB's intention that its guidance would cover mid-term estimates reports as well as intergenerational projections reports?	nature and duration was not really considered during the development of the Consultation Paper. It is acknowledged that time horizons for sub-national entities are likely to be considerably less than at national levels.
9	Institute of Chartered Accountants of Scotland	C	In our comments on preliminary view 2, we set out the reasons why we do not believe it is possible for individual public sector entities to report on fiscal sustainability and our comments apply equally to the concept of the reporting entities generally.	Noted see PV2
			<p>However, we would welcome the preparation of whole of government accounts by national governments and believe that it would be desirable for GPFRs prepared at whole of government level to be accompanied by narrative which explains what the figures say about the state of the public finances and how successful the government has been in working towards or achieving its policy commitments.</p> <p>ICAS has developed a policy on how we believe the UK Government could improve its accountability through the preparation of whole of government accounts with accompanying narrative commentary. This includes recommendations on developing both short and long term outcome objectives against which progress can be reported on an annual basis. Our policy would appear relevant in other jurisdictions.</p> <p>The policy position is set out in our pre-UK general election briefing 'Beyond the Numbers' and the key points we raise in relation to accountability are as follows:</p> <ul style="list-style-type: none"> • We believe that the Government should produce narrative commentary to accompany UK whole of government accounts in the style of a Business Review, as is required from large UK companies. The Business Review should clearly explain what the figures say about the state of the public finances and how existing commitments are to be met. This approach would provide an opportunity for Government to report on both its achievements 	Staff will review the ICAS briefing.

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			<p>and shortcomings against short and long term outcome objectives.</p> <ul style="list-style-type: none"> The current reporting framework is weak in relation to longer term issues where timescales extend beyond Government terms of office. Developing both short and long term outcome objectives for reporting in the Business Review provides an opportunity to improve accountability by setting out intentions in advance and by making a commitment to report back on actual performance. Performance reporting should focus on achievement against short term objectives and on progress against longer term objectives. <p>The full version of ‘Beyond the Numbers’ is available on the ICAS website at: www.icas.org.uk/beyondthenumbers</p>	
10	Federation of European Accountants (FEE)	A	FEE agrees that IPSASB guidance should be based on the concept of the reporting entity.	Noted
			We agree that fiscal sustainability issues can arise at all levels, although we are not sure that it will always add value to report in situations where one tier of government is substantially financed by a higher tier. We agree that the principal focus should be on consolidated reports, rather than for individual entities which may, for example, have no powers to raise or set taxes.	Noted and agree.
11	Office of the Auditor General (Canada)	A	<p>We are in agreement with this view.</p> <p>A consolidated approach by levels of government to reporting fiscal sustainability should be used. Individual entity reporting on fiscal sustainability could be of low value and could be costly to produce. Because some entities do not have revenue raising capacity and they do not control the funding decisions, reporting on fiscal sustainability could be misleading. This should not prevent some controlled entities from reporting long-term sustainability of their financial position if they believe it would be useful to support the decision-making process.</p>	Noted and agree.
12	Cour des Comptes Consultative Committee on Public Sector Accounting Standards (France))	D	<p>A certain flexibility must be left in the application of rules and/or recommendations, that it is about the local level or about the consolidated level. The rules of consolidation vary according to States, in public entities, and a consolidating entity (in the sense of the accrual accounting) on all the public administrations does not still exist.</p> <p>This point also recovers from an articulation with the reference tables of</p>	Noted.

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			national accounting, which fix the rules of presentation of the accounts of the public administrations for statistical needs.	
13	The Japanese Institute of Certified Public Accountants	C	<p>We do not agree with this preliminary view because of the following reasons. Based on the concept of the reporting entity, if the scope of long-term fiscal sustainability reporting and that of general financial reporting were to be the same, this may help users' understanding of financial reports. We consider that more discussion is required to determine whether or not consolidated reports, based on the concept of the reporting entity and presented by all levels of government, meet the information needs of users, and fulfill the accountability and decision-making objectives of financial reporting. We want to stress the need for a requirement of combined long-term fiscal sustainability reports of the central government and local governments, in case of countries that are not producing consolidated financial reports of the central government and local governments, because the central government does not control the local governments, with respect to accountability and decision-making.</p>	Staff interprets this response as supporting a boundary based on the GGS. Staff acknowledges that use of a GGS based boundary enhances comparability between jurisdictions. However, Staff is not convinced that it is compatible with the objectives of financial reporting as it would require a reporting boundary different to that used for the GPFs.
14	Accounting Standards Board (South Africa)	B	<p>We agree that if fiscal sustainability reports are provided to enhance general purpose financial statements that the boundary of financial statements and fiscal sustainability reports should be consistent. Thus, we support the use of a "control" based approach in determining the reporting boundary.</p> <p>We agree that fiscal sustainability reports should be provided at all levels of government.</p>	Noted.
			We would however not support the notion that fiscal sustainability reports are only prepared on a consolidated basis. To be consistent with the proposals in the Phase I of the IPSASB Conceptual Framework project, fiscal sustainability reports should be prepared for a reporting entity where users of such information exist. This would allow a more principles based approach to be followed when preparing fiscal sustainability reports.	Noted. In principle Staff agrees with this proposition. However, there are cost benefit issues, particularly for individual entities at sub-national levels and especially where such entities have limited control over resources. Arguably in such cases users for prospective financial information may not exist, although this may not be the case.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 3	STAFF VIEW
16	Treasury Board of Canada Secretariat	A	We agree that IPSAS guidance should provide recommended practice for the government reporting entity as defined for the government's general purpose financial reports.	Noted
18	Government Accountability Office (USA)	A	We agree that, as a first step, fiscal sustainability guidance should be developed for the same reporting entity used to report consolidated general purpose financial statements. We believe that this may provide greater clarity between the sources of funds available to the reporting entity and the scope of obligations that an entity must meet. At a subsequent time, guidance for other levels of government such as the sub-national levels could be considered.	Noted.
19	The Chartered Institute of Public Finance & Accountancy (UK)	A	We agree that IPSASB guidance should be based on the concept of the reporting entity. We agree that fiscal sustainability issues can arise at all levels, although we are not sure that it will always add value to report in situations where one tier of government is substantially financed by a higher tier. We agree that the principal focus should be on consolidated reports, rather than for individual entities which may, for example, not be in a position to fund the majority of their expenditure through the raising of taxes or other income generating activities which they directly control.	Noted. Staff agrees with comments on consolidated reports.
20	Governmental Accounting Standards Board (USA)	A	The GASB staff agrees that the IPSASB guidance should be based on the concept of the reporting entity and should provide recommended practice for consolidated reports presented by all levels of government. Because of the structure of government in the United States, reporting standards would not require the presentation of a consolidated government with the national and sub-national governments being presented in the same reporting entity. Even if that were the case, the GASB staff believes that report should focus on the primary government and possibly those government business enterprises that generate their own revenues and have significant outstanding financial obligations and commitments. Therefore, we recommend that if the guidance in paragraph 4.4.2 is carried forward to the next due process document that discussion should be expanded to recognize the fact that the focus should be on the primary government and also note that there may be individual entities within the economic entity for which the recommended guidance should apply.	Noted. Staff will discuss what the term 'primary government' means in practice with GASB Staff.
21	ACCA	C	In principle we would agree that long-term fiscal sustainability reporting should	Noted

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 3	STAFF VIEW
			be required at the sub-national levels to meet the objectives of accountability, transparency and decision-making.	
			To counter balance this we have some reservations. The consultation papers draws attention to the fact that countries have differences in reporting on boundaries e.g. only a minority of governments report long-term fiscal sustainability based on the control concept governing the GPFSs. This means that if long-term fiscal sustainability reporting was prepared for the same reporting entity as for GPFRs in some countries local government would be ignored. The 'national accounts' definition might offer a better solution to reporting as it takes account of general government plus public corporations.	Noted. See also Respondent 13's comments on this PV. Staff acknowledges that reporting of prospective financial information on the statistical accounting notion of the public sector (i.e., GGS + public corporations) may be useful.
			It is also questionable as to how far to drill down to sub-national level. It is critical to know when to draw the line. In the UK for example the financial reports do cover the whole of the public sector (including local government) therefore reporting at any lower level would serve no purpose. However, in a federal situation such as in the United States it might make sense for an autonomous state to produce a separate long-term fiscal sustainability report, whilst the federal government produces something different.	Noted. In a federal entity like the USA the appropriateness of reporting information that combines the different levels of government would be highly questionable and may give rise to constitutional issues.
22	Australasian Council of Auditors-General	A	<p>ACAG agrees with this preliminary view. ACAG is of the view that developing guidance for application by national governments only would be inappropriate. Information on long-term sustainability would be of public interest at the national, state and territory, and local government levels in Australia, and at the national and local government levels in New Zealand.</p> <p>ACAG agrees that information on long-term sustainability should be presented at the whole-of-government level. However, governments should have flexibility in how this information is presented. For example, in Australia, budget estimates are only prepared for the general government sector (GGS), which excludes entities within the public financial corporations (PFC) and public non-financial corporations (PNFC) sectors. Therefore, it may be also be appropriate to allow additional information on long-term sustainability for the GGS, the PFC sector and the PNFC sector to be presented separately, rather than aggregated at the whole-of-government level.</p> <p>However, ACAG agrees that the boundary for which information on long-term sustainability is presented in the GPFR should not be broader than the boundary used to prepare the general purpose financial statements.</p>	Staff notes and agrees that the boundary for GPFRs should be the same as for GPFSs, but considers that the view that it may be also be appropriate to allow additional information on the public sector as defined in statistical accounting to be presented separately is worth considering in more detail.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 3	STAFF VIEW
23	Financial Reporting Standards Board (New Zealand)	A	The FRSB supports the view that IPSASB guidance should provide recommended practice for consolidated reports prepared by whole-of-government controlling entities. The FRSB also generally supports the view that IPSASB guidance should be based on the concept of the reporting entity. However, there may be cases in which a government wishes to publish information on the LTFS for components of the whole-of-government reporting entity.	Noted.
24	Ernst & Young GmbH	A	<p>We support the IPSASB's view that IPSASB guidance should be based on the concept of the reporting entity. In our view, one of the major controversies with Preliminary View Three is that many governments base their reporting on the sustainability of public finances either on the statistical bases or the budgetary basis. Also from the point of view of the budget and/or applicable fiscal rules, at this stage of the development the IPSAS reporting concept does not seem appropriate for reporting on the long-term sustainability of public finances. Governments typically allocate public funds by way of budgeting. In many countries around the world government budgets are based on the cash basis of accounting and not on the accrual basis. If information on long-term information of public finances were based on the IPSAS reporting concept the interconnection to the budgetary implications might not be clear. Again, we suggest that the IPSASB encourage governments to carry out reconciliation, at least at a high level.</p> <p>In light of the current heterogeneous situation and the reporting possibilities of governments, our recommendation is for the IPSASB not to exclusively support one specific reporting base. In addition we recommend that reporting on the long-term sustainability should primarily focus on the top level of a country. In addition, separate reporting on long-term fiscal sustainability by subordinated public sector entities might not be appropriate due to financial balancing mechanisms between the different governmental levels. However, as far as reporting on the long-term sustainability of public finances is useful to the stakeholder of an organization, also sub-national levels of governments as well as other public sector entities should be encouraged to present such kind of information. In our experience, even large supranational/international entities are interested in their long-term sustainability. It is often the case that if these organizations fail to ensure their long-term fiscal sustainability then nations or other supranational organizations would have to bear the financial</p>	<p>Reservations and further points noted. Staff acknowledges the linkage with statistical and budgetary bases and the possible need for reconciliations with these systems.</p> <p>Staff supports view that IPSASB should not preclude prospective reporting at sub-national levels.</p>

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 3	STAFF VIEW
			responsibility. Therefore, we would recommend that the IPSASB should not rule out sub-national levels of government as well as other public sector entities for reporting on the long-term sustainability of public finances.	
25	Institute of Chartered Accountants of Pakistan	A	We agree. In Pakistan's context there should be separate reporting by each of the Federal and Provincial Governments, as well as by local governments and agencies (like Water and Sanitation Agencies).	Noted, although Staff does have some reservations about the cost-benefit implications for individual entities at sub-national levels.
26	The Australian Accounting Standards Board	B	<p>The AASB considers that information about LTFS presented within a GPFR should not encompass information about entities outside the boundary of the reporting entity. In that sense, the AASB agrees that the concept of a reporting entity should be reflected in IPSASB guidance on reporting information about LTFS. However, the AASB would not support limiting information about LTFS in GPFRs to being reported only in respect of an entire reporting entity. For example, the IPSASB should not preclude reporting of such information in respect of particular segments or other components of a government in LTFS information provided within, or together with, a GPFR for that government (such as the government's general purpose financial statements).</p> <p>Regarding the range of entities that should report information about LTFS, the AASB considers that emphasizing national governments is a good starting point. However, the AASB recommends that the IPSASB should keep a flexible outlook on which public sector entities should report this information in their general purpose financial reporting. For example, it considers that users of GPFRs of sub-national levels of government, such as state and provincial governments, may also find information about LTFS useful for accountability and decision-making purposes.</p> <p>The AASB is concerned that the focus of Preliminary View 3 on consolidated financial reports (as discussed in paragraphs 4.4.1 – 4.4.2 of the Paper) may be unintentionally restrictive, for the reason explained below. Accordingly, the AASB recommends referring to providing recommended practice for consolidated financial reports or, where the reporting entity does not include controlled entities, for the financial report of that entity.</p> <p>The AASB's concern that the wording of this Preliminary View may be unintentionally restrictive is illustrated by the following example regarding</p>	<p>Noted. Staff acknowledges the need for flexibility.</p> <p>It is also accepted that there may be cases where individual entities, which may not prepare consolidated reports, might wish to provide GPFR information on long-term sustainability .</p> <p>The proposal in relation to consolidated reports was made (a) for cost-benefit reasons and (b) to avoid the case where controlled entities, such as central government departments, report GPFR information on long-term sustainability.</p>

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 3	STAFF VIEW
			<p>local governments. Some local governments may be structured as single entities, and thus would not have controlled entities. Consequently, those local governments would not prepare consolidated financial reports. The AASB is unsure whether the IPSASB intended that its guidance should:</p> <p>(a) encourage an entity at a particular level of government that has controlled entities to report information about LTFS in GPFRs; but</p> <p>(b) not encourage another entity at the same level of government within the same jurisdiction without controlled entities to report such information in GPFRs.</p> <p>If that distinction was intended, the AASB would not agree with it. Whether an entity has controlled entities should not be a determinant of whether it reports information about LTFS in its GPFRs.</p>	
27	Province of British Columbia (Canada)	C	<p>The Province of BC disagrees with preliminary view 3. The consultation paper in section 4.2.4 states that "many governments that report publicly on long-term fiscal sustainability do not use the same boundary for these reports as for their consolidated GPFSs. Instead they adopt a boundary determined by statistical bases of accounting or one based on the budget sector." These governments have determined that the GPFS reporting boundary is insufficient or inappropriate for the reporting on the long-term sustainability of public finances. It is likely that these governments will continue issuing reports on long-term sustainability of public finances on a basis consistent with earlier reports. The IPSASB guidance should be targeted at these reports. The existing reports on the long-term sustainability of public finance reports that are prepared on a basis inconsistent with the IPSASB consultation paper on the conceptual framework emphasizes the requirement to have guidance on the reporting on the long-term sustainability of public finances sustainability in a library separate from the library of GAAP for the preparation of GPFS.</p>	Noted. Reporting on a basis which is inconsistent with the boundary used elsewhere in the GPFRs creates difficulties of understandability.
29	Direction Générale des Finances Publiques (France)	A	<p>Yes, the IPSAS Board should provide only recommendations on the way to elaborate projections but each government must define scope its prospective data in this ad hoc document. Nevertheless, as prospective data are based on in accounting data the scope of prospective elements should be consistent with the scope of the financial statements.</p>	Noted, although this supportive response must be read against overall comments not supportive of the approach in the Consultation Paper.
30	CNOCP (France)	A	<p>The French "Conseil de Normalisation des Comptes Publics" recalls that the proposal of the IPSAS Board relating to information which is not based on</p>	Noted. As above response must be read against overall

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 3	STAFF VIEW
			<p>accounting standards is not intended to be included in the scope of IPSAS.</p> <p>In case of publication of a supplementary and separate ad hoc paper to the “traditional” financial statements, the French Council considers the scope of the prospective data contained in the ad hoc report must be consistent with the scope of those “traditional” financial statements: perimeter of a single entity, perimeter of entities being consolidated, and perimeter of entities subject to a combination.</p> <p>Therefore, the Council recommends that the IPSAS Board should be aware of the need for consistency between the scope of accounting data and the scope of the prospective components.</p>	<p>comments not supportive of the approach in the Consultation Paper.</p>

PRELIMINARY VIEW FOUR: IPSASB guidance should recommend that long-term fiscal sustainability indicators be selected based on (a) their relevance to the entity, (b) the extent to which the indicators meet the qualitative characteristics of financial reporting, and (c) their ability to describe the scale of the fiscal challenge facing the entity. It should also recommend that comparative information is provided and that the reasons for ceasing to report indicators, if this occurs, are disclosed.

(A) AGREE	16 (64%)
(B) AGREE WITH RESERVATIONS OR PARTIALLY AGREE	6 (24%)
(C) DISAGREE	3 (12%)
(D) NO OVERALL VIEW	0 (0%)
TOTAL	25

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 4	STAFF VIEW
2	Accounting Standards Board (UK)	B	There is an argument that, in the interests of comparability, it might be preferable for IPSASB to encourage a more standardized format for reporting information on long-term fiscal sustainability. However, on balance, we agree that the guidance should not be prescriptive and that the choice of what indicators to use should be left to the reporting entity. We would also suggest that comparability across reporting entities is not a primary objective.	
			We also accept the need to select indicators based on the extent to which they meet the qualitative characteristics of financial reporting, but note there are some tensions that arise as a result of these qualitative characteristics being set in the context of historical financial information. In particular, we consider there are tensions around verifiability which will presumably need to be redefined because information on long-term fiscal sustainability will not be prepared to the same degree of accuracy of precision that is required for financial statements.	The issue of the appropriateness of ‘verifiability’ for broader scope information has been considered in the Group One: Conceptual Framework project. See Agenda Item 2B at this meeting.
			We consider further the desirability of having some form of assurance regards the information that will be presented on long-term fiscal sustainability in our response to Preliminary View 6.	Noted. See PV 7.
			We agree that comparative information should be provided and that the reasons for ceasing to report indicators, if this occurs, should be disclosed.	
			We note there is some overlap in parts (a) and (b) of the preliminary view with regard to relevance, which is the focus of (a) but also covered as part of the qualitative characteristics in (b). We would suggest that relevance is included as part of the general discussion of qualitative characteristics and not as a	Accept this point.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 4	STAFF VIEW
			separate issue.	
4	SRS-CSPCP (Switzerland)	C	For the SRS-CSPCP it would make more sense if the indicators and concepts are based on Government finance statistics. Such are already in use internationally and references could be made to them.	Noted. Consistent with the view expressed that the statistical basis of accounting should be used for long-term sustainability reporting.
6	Joint Accounting Bodies (Australia)	A	The Joint Accounting Bodies support basing the selection of indicators of long-term fiscal sustainability on the extent to which they meet the qualitative characteristics of financial reporting. We also support providing comparative information and the reasons for ceasing to report indicators, if this occurs.	Noted
7	New South Wales Treasury (Australia)	A	NSW Treasury agrees with IPSASB that general principles (points (a) to (c) above) rather than a uniform set of indicators should be recommended. We also agree that comparatives and reasons for ceasing to report indicators should be provided.	Noted
8	HoTARAC (Australia)	A	HoTARAC agrees that the criteria set out above assist preparers in determining the appropriate indicators for long-term fiscal sustainability. If the indicators were to be prescriptive, then some of the indicators may lose their relevance to particular jurisdictions. In HoTARAC's opinion, the relevance of the indicator is important as different jurisdictions may have different circumstances that need to be considered. Indicators may not always be a purely quantitative measure as qualitative characteristics may be more useful at times.	Noted. Staff particularly agrees that individual circumstances needs to be considered.
			HoTARAC recommends that the IPSASB principles include the selection of fiscal sustainability indicators that ensure a balanced picture is published about the government's future fiscal position. This would allow both favorable and unfavorable projections to be reported.	Noted. Staff recognizes that there is a risk of 'cherry-picking' indicators.
			Disclosing comparative information and reasons for ceasing to report indicators will enhance the comparability and reliability of the report. The Australian Intergenerational Report includes comparisons with the previous Intergenerational Reports. Note that the format of comparative information may depend on the presentation format adopted as, unlike GPFs, the format for this reporting may not take the form of a standard set of financial statements where a second	Noted

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 4	STAFF VIEW
			column can be presented for comparative figures.	
9	Institute of Chartered Accountants of Scotland	C	We do not believe that fiscal sustainability reporting is feasible below whole of government level and we set out our views on whole of government accounts and accompanying narrative information in our response to preliminary view 3.	Consistent with views expressed on previous PVs.
			We are not against the publication of information on long-term fiscal sustainability separate from whole of government accounts. However, prospective financial information of this nature does not fit well with information prepared to comply with accounting frameworks and we consider that such information should be made available in a separate document.	Consistent with views expressed on previous PVs.
10	Federation of European Accountants (FEE)	A	FEE agrees with these criteria for the selection of indicators by public sector entities which are reporting on long-term fiscal sustainability under IPSASB recommended guidance.	Noted
11	Office of the Auditor General (Canada)	A	We are in agreement with this view. Common sustainability indicators usually include Debt-to-GDP and Deficit-to-GDP. As proposed by the CICA in 1997, other sustainability indicators could include: assets-to-liabilities; financial assets-to-liabilities; and net debt-to-total annual revenue.	Noted. Accepted that indicators using historical data do not have a prospective dynamic, although they may show historic trends which might be extrapolated.
			In regard to criteria c) mentioned above, it is important that IPSASB recognizes that using historical data for projecting future fiscal position has limitations. Future trends will not be captured properly by simply reporting sustainability indicators. For example, even though a government with low debt-to-GDP ratios is better off because of lower debt servicing costs, what matters from a sustainability perspective is the speed at which the ratio increases. A rising debt burden will lead to a gradual erosion of living standards. For appropriate reporting, what are required are not only statistics and ratios that will report the fiscal position at a given time based on historical data but also long-term fiscal projections. As mentioned by the CICA in its report entitled Indicators of Government Financial Condition (1997), sustainability is both a dynamic and a static concept – in the sense that the speed at which fiscal position changes as well as its level matter. Therefore, governments must project trends in public expenditures and tax revenues using appropriate methodology (this includes reporting demographic projection as well as long-term economic and fiscal projections).	

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 4	STAFF VIEW
12	Cour des Comptes Consultative Committee on Public Sector Accounting Standards (France)	B	Yes, subject to the answer to the question 1 on the qualitative objectives to be fulfilled.	Noted
13	The Japanese Institute of Certified Public Accountants	B	<p>Regarding the preliminary view, we do not agree to include the ability to describe the scale of the fiscal challenge facing the entity in the selection of long-term fiscal sustainability indicators.</p> <p>One reason for our objection is that this is not included in the qualitative characteristics of information in the “Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities”; therefore, the basis for the inclusion is not clear. A second reason is that, despite the fact that long-term fiscal sustainability is defined as the ability of a government to meet its service delivery and financial commitments both now and in the future, if long-term fiscal sustainability indicators be selected based on their ability to describe the scale of the fiscal challenge facing the entity, only the financial commitment will be emphasized, and information related to service delivery commitment will not be disclosed.</p> <p>We agree with the remainder of this preliminary view.</p>	Staff does not think that the scale of the fiscal challenge precludes a discussion of the impact of that fiscal challenge on existing service delivery levels and commitments. A fiscal gap can be addressed by increasing taxation or reducing the level and quality of goods and services.
14	Accounting Standards Board (South Africa)	B	<p>While we agree with the overall principles to be used in selecting and disclosing information about the indicators used, we note the following concerns.</p> <p><u>Selection of indicators</u></p> <p>Indicators should be selected based on the relevance to the entity, but also based on their relevance to understanding the extent of the fiscal challenge in relation to the financial statements.</p>	Agree
			<p><u>Qualitative characteristics</u></p> <p>The qualitative characteristics of general purpose financial reports, as outlined in the IPSASB’s proposed conceptual framework include: Relevance, faithful representation, timeliness, understandability, comparability, and verifiability. While some of these qualitative characteristics may be applied to general</p>	This comment primarily relates to the Conceptual Framework project. Currently Group One of that project considers that the QCs apply to GPFRs and that separate QCs are not required

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 4	STAFF VIEW
			<p>purpose financial reports, some may be inappropriate, and in some instances additional qualitative characteristics may also exist. As examples:</p> <ul style="list-style-type: none"> • “Economic” based measures of fiscal sustainability such as net worth, fiscal gap, inter-temporal budget gap, may not be relevant in relation to an entity’s financial statements, and may not be understandable by the users of the financial statements. • Changes in government policy may result in comparable information not being available. • A key characteristic of performance measures/indicators is that they are “measurable”; a characteristic that does not seem to fit within the current qualitative characteristics. <p>We therefore question whether:</p> <ul style="list-style-type: none"> • all the qualitative characteristics for general purpose financial reports have been identified; and • if the same set of qualitative characteristics be applied to both general purpose financial statements and general purpose financial reports. 	for GPFs and the broader areas of GPFRs. Staff thinks that the further examples provided can be addressed by these QCs. See Agenda Item 2B
			<p><u>Use of indicators</u></p> <p>Current disclosures recommend including the reasons for ceasing to report certain indicators. We believe that it may be useful to recommend disclosure of the reasons why new indicators were used.</p>	Noted and agree that disclosure of the reasons for use of any new indicators is appropriate.
16	Treasury Board of Canada Secretariat	C	Based on our comments in the attached letter and in the response to Question 1, we do not believe that the long-term sustainability reporting can sufficiently meet the qualitative characteristics of financial information. However, the plausibility of the reported information could be enhanced by criteria for the selection of indicators that take the qualitative characteristics of financial reporting into consideration.	Noted
			We agree that the guidance should not be prescriptive in terms of the financial indicators selected, but a list of commonly used indicators is desirable.	Noted
			We agree that it is good practice to provide comparative information and the reasons for ceasing to report indicators.	Noted

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 4	STAFF VIEW
18	Government Accountability Office (USA)	A	<p>We encourage the development of guidance that is flexible in its approach and can accommodate a range of government specific concerns relating to long-term fiscal sustainability such as mentioned in the preliminary view 4 noted above. It is our view, however, that as an initial step the guidance for long-term fiscal sustainability indicators be targeted to those that are meaningful at a national government level. Subsequently, guidance relating to indicators that are more relevant to other levels of government could be developed. We also agree that prior period comparative information be provided and that the reasons for ceasing to report indicators, if this occurs, are disclosed. In addition, we believe that adding a discussion of the relative advantages of each type of indicator of long-term fiscal sustainability would improve understandability. Further, disclosure of several complementary indicators may be necessary to appropriately convey fiscal sustainability information (e.g., scale of any fiscal sustainability challenge, the timing of the challenge, the size of policy actions required to achieve fiscal sustainability goals, etc.). In addition to disclosure of indicators, we believe that the IPSASB should recommend including additional disclosures considered necessary to adequately communicate relevant information to assist the user in understanding and assessing the government's fiscal sustainability. Examples of such disclosures could include:</p> <ul style="list-style-type: none"> • A narrative discussion of the inherent limitations of projections, including uncertainty; • Major factors expected to have a significant impact on the projections; • Trends in historical and projected receipts and expenditures, including the period after the end of the projection period; and • Costs of delays in making policy changes. 	<p>Noted. When the Consultation Paper was under development the Task Force suggested that initially the project should address the national level, Members specifically directed that the scope should include sub-national entities, although subsequently the global financial crisis. Staff considers that it might be feasible to progress the project in 2 streams with the sub-national stream being informed by the GASB project on 'Economic Condition'.</p> <p>Staff considers that the additional disclosures are likely to be useful; some of these areas are likely to be captured by sensitivity analysis.</p>
19	The Chartered Institute of Public Finance & Accountancy (UK)	A	<p>We agree with these criteria for the selection of indicators by public sector entities which are reporting on long-term fiscal sustainability under IPSASB recommended guidance. We have considered whether in the interests of comparability, it might be preferable for IPSASB to encourage a more standardized format or preferred model for reporting. However, while this might be useful to international bodies and finance providers, we do not consider that comparability between reporting entities or jurisdictions should be a primary objective of this reporting.</p>	<p>Noted. Staff agrees that, at this stage, the encouragement of standardized formats would be premature.</p> <p>Any level of assurance provided would need to take account of the characteristics of the information on which assurance</p>

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 4	STAFF VIEW
			We also accept the need to select indicators based on the extent to which they meet the qualitative characteristics. However, we consider there are unresolved issues in connection with verifiability of forward looking information which will need to be examined. Furthermore, while determining an assurance model for long-term fiscal sustainability reports falls outside the scope of the IPSASB consultation, inevitably such issues do arise. We suggest that due to the considerable degree of uncertainty surrounding economic and demographic data and the degree of judgment required it would be helpful if the IPSASB guidance were clear that information on long-term fiscal sustainability does not fall within the ‘presents fairly’ basis upon which the financial statements are prepared and audited.	is provided
20	Governmental Accounting Standards Board (USA)	B	The GASB staff agrees that IPSASB should not recommend a uniform set of fiscal sustainability indicators at this stage of the project. However, the GASB staff believes that the consultation paper does not provide adequate guidance for a preparer to be able to develop a set of relevant fiscal sustainability indicators. Although identifying four dimensions of fiscal sustainability within paragraph 5.3.1, the GASB staff does not believe that most preparers would be able to develop indicators addressing these dimensions. The consultation paper needs to further elaborate on the specific type of fiscal sustainability information necessary to be reported in order to assist users in making an assessment of a government’s fiscal sustainability. For example, while the GASB does not establish specific indicators for SEA performance information in its Suggested Guidelines for Voluntary Reporting, SEA Performance Information, it does set forth and elaborates on four essential components that are necessary for inclusion in an SEA report for users to be able to assess the service efforts and accomplishments of a government. The GASB staff believes the application of a similar approach with fiscal sustainability information would assist preparers in identifying what types of indicators to include in their reporting of fiscal sustainability information.	Noted. Staff considers that the four dimensions of fiscal sustainability in paragraph 5.3.1 are useful in selecting indicators, but accepts that some are more straightforward as a starting point than others e.g., developing indicators on a government’s capacity to sustain economic growth is more difficult than developing indicators on the capacity of governments to finance future obligations without increasing the tax burden. This is because a government’s capacity to sustain economic growth is subject to factors which are not all within the control of the government Staff will consider the approach to the selection of indicators in GASB’s SEA project.

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 4	STAFF VIEW
			The GASB staff believes that the qualitative characteristics are representative of the qualities that the reported fiscal sustainability information should possess. Although important, they do not identify the actual types of fiscal sustainability information that need to be reported. As a result, the qualitative characteristics are not the primary basis for selecting fiscal sustainability indicators. They should be considered after preliminary selection of the indicators to assure that the information within the indicators possesses the qualitative characteristics of financial reporting outlined in IPSASB's proposed Conceptual Framework.	Noted. Staff considers that indicators need to be selected that are in accordance with the objectives of financial reporting and that such indicators should meet the qualitative characteristics. Staff thinks that the intention of the PV was consistent with the GASB staff view but that the wording did not convey this.
			Further, the GASB staff agrees that the indicators selected, when viewed comprehensively, need to describe the scale of the fiscal sustainability challenges facing a government. However, the consultation paper does not provide adequate guidance on how preparers can (1) select a set of fiscal sustainability indicators that when viewed comprehensively provide a representation of the scale of the fiscal challenges facing a government, and (2) communicate information on the overall scale of the fiscal challenges that will provide users with the ability to assess the fiscal sustainability of a government.	At this stage Staff has some reservations about being over-prescriptive and providing a comprehensive list.
			Finally, the GASB staff agrees that comparative information needs to be provided and that the reasons for ceasing to report indicators, if this occurs, need to be disclosed. To assess whether the reported fiscal sustainability information is improving, deteriorating, or remaining the same, users need comparative information such as indicators from earlier periods, and possibly targets established by the government, industry standards, or other similar governments. The types of comparative information reported may depend on issues such as the availability of relevant and reliable information, the purpose of the report, and the needs of the users. There are also many acceptable reasons for changing fiscal sustainability indicators and methodologies, such as the development of more accurate or timely indicators, changes in administration or leadership priorities, or shifts in other factors influencing results. If fiscal sustainability indicators are modified, replaced, or the manner of presentation is changed, then it is important to communicate to users that a change has taken place and the reasons for the change.	Noted and agree.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 4	STAFF VIEW
21	ACCA	A	<p>We believe for the reasons clearly set out in the consultation document that the IPSASB is right not to recommend a universal uniform set of indicators at this stage. However, a small select number of indicators could be recommended to jurisdictions, such as debt to GDP. This would be useful for comparability purposes and would help to avoid governments ‘cherry picking’ what they report. We agree that countries should set out the reasons for selecting its indicator set as part of a qualitative statement.</p> <p>We also agree that it would be good practice to report comparative information and to disclose reasons for de-selecting/ selecting indicators. However, countries should avoid where possible frequent changes to its indicator set.</p>	Noted. Staff acknowledges the rationale for this comment, but has some doubt whether it would be straightforward to achieve sufficient consensus on what a core set of indicators should comprise. This is particularly the case if the scope of guidance includes both national and sub-national levels.
			<p>One of the debates within the UK when discussing accounting policies for social security payments was whether to include a qualitative statement along the lines prepared for the USA statements of social insurance (SOSIs). HM Treasury Ministers did not agree because it argued that the Government was cherry picking items which to report. This is one example of the obvious dangers of providing flexibility to countries on which indicators to report against. It is difficult to see how to overcome this without additional guidance.</p>	Staff acknowledges that flexibility can increase the risk of ‘cherry picking’ i.e. presenting information selectively so that it potentially shows an entity’s position in an over-favorable light. Such a tendency would not reflect the QC of faithful representation.
22	Australasian Council of Auditors-General	A	<p>ACAG agrees that IPSASB guidance should recommend that long-term fiscal sustainability indicators be selected based on the extent to which the indicators meets the qualitative characteristics of financial reporting (which includes relevance) and their ability to describe the scale of the fiscal challenge facing the entity. We agree that a uniform set of indicators should not be recommended.</p> <p>ACAG agrees that the IPSASB guidance should also recommend that comparative information is provided and that the reasons for ceasing to report indicators, if this occurs, are disclosed. We consider such inclusions necessary to meet the qualitative characteristics of understandability and comparability.</p>	Noted
			<p>ACAG considers that the qualitative characteristic “verifiability” relates to historical financial information and that this characteristic may be of little relevance to the reporting of prospective financial information. ACAG recommends that each of these characteristics and their applicability to the reporting of prospective financial information should be considered by the</p>	Noted. The appropriateness of the QC of verifiability to broader scope information has been considered in the Conceptual Framework (see the

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 4	STAFF VIEW
			IPSASB as part of the conceptual framework project.	Basis for Conclusions in the Qualitative Characteristics section of Item 2A4 for this meeting)
23	Financial Reporting Standards Board (New Zealand)	A	The FRSB supports PV4. The FRSB considers that an entity should have regard to the qualitative characteristics, including relevance, in the preparation of all information in a general purpose financial report.	Noted
24	Ernst & Young GmbH	A	We support the IPSASB's Preliminary View Four. In our view, it would not be appropriate for the IPSASB to recommend specific indicators at the moment. However, in order to be more specific with regard to the indicators, we recommend that, in a later stage of the development of guidance, the IPSASB refer to specific fiscal sustainability indicators based on best practices which might also be available for a wide range of governments.	Noted
25	Institute of Chartered Accountants of Pakistan	A	Agreed.	Noted
26	The Australian Accounting Standards Board	A	The AASB agrees. As a matter of expression, the AASB suggests referring to relevance and the other qualitative characteristics. The separation of parts (a) and (b) of this Preliminary View implies relevance is not a qualitative characteristic.	Agree that there is overlap between parts (a) and (b). See also comments from Respondent 02.
27	Province of British Columbia (Canada)	A	<p>The Province of BC agrees that fiscal sustainability indicators should be based on their relevance to the entity; however, as noted in the response to question 3, the entity boundaries that are being used for the preparation of the fiscal sustainability reports should not be limited to the reporting entity concept included in IPSASB GAAP.</p> <p>The Province of BC agrees that IPSASB guidance should recommend that long-term fiscal sustainability indicators should be selected based on the extent to which the indicators meet the qualitative characteristics of financial reporting and their ability to describe the scale of the fiscal challenge facing the entity. The province is in agreement that if comparative information is available, it should be included in the fiscal sustainability reports. We also agree that the reasons an indicator is no longer provided should also be disclosed.</p>	Noted

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 4	STAFF VIEW
28	Public Sector Accounting Board (Canada)	B	<p>The IPSASB should consider proposing some common indicators that would apply to all national governments. The Board should also consider suggesting indicators that would apply to all governments. Leaving the field completely open is too subjective. The exposure draft to follow the CP may want to propose minimum indicators of fiscal sustainability. This guidance would reduce the risk that the inherently subjective process of assessing financial condition excludes key data that could materially influence a user's perception of a government's LTFS.</p> <p>In addition, we feel that allowing an indicator to be chosen or rejected based on the government's subjective assessment of whether it contributes to their ability to describe the scale of the fiscal challenge facing the government is also too flexible an approach. We suggest that more rigour is required in order to have some comparability between jurisdictions.</p> <p>We agree that comparative information should be provided.</p> <p>We agree that reasons for ceasing to report indicators should be disclosed.</p>	<p>Staff acknowledges that proposing a core set of indicators would enhance comparability. However, Staff considers that this would be over-prescriptive at the moment.</p> <p>Staff acknowledges this risk. See Staff comments on Respondents 08 and 21.</p>
29	Direction Générale des Finances Publiques (France)	A	<p>Yes, the IPSAS Board can provide general recommendations about long-term fiscal sustainability indicators subject to that they do not meet the qualitative characteristics of the financial statements. Nevertheless, the IPSAS Board must not define indicators since it is not an accounting information, it cannot be part of the IPSAS conceptual framework.</p>	<p>Noted. Staff agrees that IPSASB should not define indicators unilaterally.</p>
30	CNOCP (France)	A	<p>As already mentioned in response to the first proposal, the French Council disagrees with the fact that elements of fiscal sustainability meet the qualitative objectives of the conceptual framework since it is not accounting information.</p> <p>If any of the prospective elements of information should be given in a supplementary paper, the French Council supports that data from this additional paper meet the qualitative characteristics required in this fourth proposal.</p>	<p>Noted, including the overall disagreement with the approach.</p>

PRELIMINARY VIEW FIVE: IPSASB guidance on long-term fiscal sustainability reporting in GFRs should recommend that the entity disclose:

- Any deviations from the principle that long-term fiscal sustainability projections are based on current policy;
- The basis on which projections of inflows from taxation and other material revenue sources have been made;
- Any other key assumptions underpinning long-term fiscal sustainability projections; and
- Details of key aspects of governing legislation and regulation, and the underlying macro-economic policy and fiscal framework

(A) AGREE	24 (96%)
(B) AGREE WITH RESERVATIONS OR PARTIALLY AGREE	0
(C) DISAGREE	0
(D) NO OVERALL VIEW	1 (4%)
TOTAL	25

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 5	STAFF VIEW
2	Accounting Standards Board (UK)	A	We support the recommendations. Whilst we are concerned the number of recommended disclosures will result in greater complexity in an entity's general purpose financial report, we consider the disclosures are necessary to ensure the information reported on long-term fiscal sustainability is understandable to users and meets the objectives of financial reporting. The risk of introducing complexity will, however, need to be managed.	Noted
			We agree the need to disclose the assumptions underlying the reporting of future inflows from taxation, particularly as the basis for preparing this information may range from a fairly straightforward projection that assumes taxation is a constant proportion of GDP to more sophisticated approaches.	Noted
			We agree the need to provide details of key aspects of governing legislation and regulation, and the underlying macro-economic policy and fiscal framework. This is a highly complex area and we note that paragraph 6.6.2 of the consultation paper suggests that, to avoid this information becoming over-detailed and therefore undermining understandability, it may be appropriate to cross-refer to other publicly available reports. We would agree with this approach which provides a good example of how reporting entities might want to combine the three reporting models that are considered in section 3 of the consultation paper (and discussed under Preliminary View 2 above).	Noted
4	SRS-CSPCP (Switzerland)	D	It is absolutely essential to distinguish it from the Financial Statements /GPFS. The SRS-CSPCP is of the opinion that long-term sustainability reporting is to	Noted

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 5	STAFF VIEW
			be clearly distinguished from Financial Statement/GPFS. Long-term sustainability reporting is based on statistical and not accounting techniques	
			Therefore the possibility should be given to check the quality of the estimates from a scientific perspective. By contrast the “truth and fairness” of Financial Statement are attested by the auditing techniques.	Section 7 of the Consultation Paper discussed approaches to ensuring the reliability of projections and acknowledges that IMF guidance that “independent experts should be invited to assess fiscal forecasts, the macroeconomic forecasts on which they are based, and their underlying assumptions and that a national statistical body should be provided with the institutional independence to verify the quality of fiscal data.”
			All information that is necessary to replicate the results - replicability principle - would have to be published in the long-term sustainability reporting. In this way a non-exhaustive list of issues can be waived. Controlling the quality of a long-term sustainability report becomes possible only if all information is published that make it possible to replicate the results (replicability principle). For this reason, in the SRS-CSPCP’s view, the focus should be placed on the replicability principle of the analyses and a non-exhaustive list of issues should be waived.	Noted. Publication of all data necessary to replicate the results would require a highly voluminous report that would probably not reflect the characteristics of a GPFR and would result in information overload.
6	Joint Accounting Bodies (Australia)	A	The Joint Accounting Bodies support the recommendations of the IPSASB.	Noted
7	New South Wales Treasury (Australia)	A	NSW Treasury agrees.	Noted
8	HoTARAC (Australia)	A	HoTARAC agrees and is of the view that deviation from the principle that long-term fiscal sustainability projections are based on current policy should be	Noted

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 5	STAFF VIEW
			disclosed to ensure that the comparability of the report is maintained between reports and between other government reports and for transparency. The disclosure of key assumptions and background information on legislation and regulations enhances the comparability and understandability of the report between governments.	
9	Institute of Chartered Accountants of Scotland	A	We agree that guidance on long-term fiscal sustainability should include the information mentioned, although we do not believe it would be appropriate for such information to be based on anything other than current policy. Also, we do not agree that information on long-term fiscal sustainability as set out in the consultation paper should be included in GPFRs.	Noted, as is disagreement with overall approach
10	Federation of European Accountants (FEE)	A	FEE agrees with the disclosure of the above contextual information by public sector entities which are reporting on long-term fiscal sustainability under IPSASB recommended guidance.	Noted
11	Office of the Auditor General (Canada)	A	We are in agreement with this view. For making projections, it would be a good practice to assume that current policy continues and not to incorporate future events based on assumptions. However, there could be cases where including firmly announced government commitments could add valuable information (e.g. promised tax reduction) and increase the accuracy of the long-term projections. Any deviation should be clearly disclosed.	Noted.
			We agree with paragraphs 6.2.5 - 6.2.7 which state that both bottom-up and top-down approaches are useful and complementary approaches to project fiscal sustainability. A particular strength of the top-down approach is that it starts from the proposition that governments will operate in a fiscally prudent manner. This approach assumes that the path of fiscal aggregate will be kept in line with fiscal policy objectives and that spending will be constrained at one point. The bottom-up approach allows richer details of the individual drivers of spending and revenue to be examined. It illustrates the pressure that long-term trends such as ageing or environmental depletion could exert on public finance. Both bottom-up and top-down fiscal projections should be included since they present a good picture of what challenges the government might be facing in the future and what might have to be done to meet the fiscal rules. However, projecting revenues and spending level when the economy is	Noted. Staff agrees that bottom-up and top-down approaches are complementary.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 5	STAFF VIEW
			operating below its full potential can be misleading since the government actions deal with exceptional conditions. It could be misleading to project the fiscal position resulting from exceptional circumstances over the long-term.	
			We agree that it is important that users be informed of the main sources of tax revenues and the method used to project its growth. Also, key demographic and economic assumptions should be clearly disclosed.	Noted
			We also agree that when there is a legal obligation to report long-term fiscal sustainability that the legal framework for developing and reporting of long-term fiscal sustainability information be disclosed in the GPFR. If there are no legal requirements, the guiding principles for reporting long-term projections should be published (this could include: frequency of reporting, the need to include sensitivity analysis and the requirement to clearly present changes in the methodology, key assumptions and source of data). Finally the fiscal framework of the government and the guiding principles for managing the public finances should also be clearly reported (these principles could include for example: transparency, stability, fairness, efficiency or responsibility, economic growth).	Noted
12	Cour des Comptes Consultative Committee on Public Sector Accounting Standards (France)	A	Yes, these elements have to appear in the notes or in the dedicated report of sustainability, according to the chosen solution.	Noted
13	The Japanese Institute of Certified Public Accountants	A	<p>We agree with this preliminary view.</p> <p>The IPSASB should consider the recommendation of disclosure of projections based on more than one scenario. This is because long-term fiscal sustainability reports are based on several assumptions; therefore, disclosure of projections assuming only one scenario may not meet the qualitative characteristics of faithful representation.</p> <p>The IPSASB should also recommend disclosure of long-term fiscal sustainability projection for each major policy.</p>	Noted. The challenge for the GPFRs is in striking the appropriate balance between faithful representation, relevance and understandability.
14	Accounting Standards	A	<p>We agree with the recommended disclosures.</p> <p>From reading the Consultation Paper it is unclear as to whether the actions to be</p>	Staff agrees that such a disclosure would probably be

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 5	STAFF VIEW
	Board (South Africa)		taken by policy makers in correcting any “unsustainable” positions, if any, would be included in the report. It would be useful to clarify whether this is intended to be included in the report.	useful, provided that it meets the qualitative characteristic of ‘faithful representation’.
16	Treasury Board of Canada Secretariat	A	We agree with these recommendations. It is important that the report contains these disclosures in order to promote understandability and provide support for the projections.	Noted
18	Government Accountability Office (USA)	A	<p>We believe that projections should be based on current policy and not based on future events. More specifically, we suggest that projections, including expenditures that are not individually projected, be based on reasonable assumptions about the future course of receipts and expenditures assuming the continuation of current policy without change. For example, expenditures that are not individually projected could be based on the historical trend in the growth of such expenditures, such as a constant relationship to inflation or GDP growth. We have concerns that, if current policy is not used as a basis for the long-term fiscal projections, assumptions may be selected that may inappropriately distort the long-term projections, particularly if they are proposed but not yet enacted policies. If IPSASB concludes that deviations were acceptable, we would concur that the guidance on long-term fiscal sustainability reporting in GPFR should recommend that the entity disclose any deviations from the principle that long-term fiscal sustainability projections are based on current policy and disclose the potential related effects as part of the sensitivity analysis. Also, we support disclosure of the basis on which projections of inflows from taxation and other material resource sources have been made, and any other key assumptions underpinning long-term fiscal sustainability projections such as policy, economic and demographic assumptions.</p> <p>To be more informative to readers, we also encourage prior period comparative information and significant explanations for changes when year-by-year comparisons are displayed and that present values are calculated and illustrated when presenting long-term fiscal sustainability projections as well as discount rates used to calculate present value.</p>	Noted. Staff agrees with the view that risks can arise if projections are not on the basis of current policy
19	The Chartered Institute of Public Finance &	A	We agree with the disclosure of the above contextual information by public sector entities which are reporting on long-term fiscal sustainability. This is a difficult area, where it can be problematic even for the most well-intentioned of	The trade-off between faithful representation and understandability is

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 5	STAFF VIEW
	Accountancy (UK)		preparers to explain all of the economic and other assumptions embedded in reporting. Potentially quite complex disclosures will be necessary so that information on long-term fiscal sustainability is understandable to users, and the risk that this will confuse rather than enlighten will need to be managed.	acknowledged.
20	Governmental Accounting Standards Board (USA)	A	The GASB staff agrees that IPSASB guidance on long-term fiscal sustainability reporting in GPFs should recommend that the entity disclose: (1) any deviations from the principle that long-term fiscal sustainability projections are based on current policy; (2) the basis on which projections of inflows from taxation and other material revenue sources have been made; (3) any other key assumptions underpinning long-term fiscal sustainability projections; and (4) details of key aspects of governing legislation and regulation, and the underlying macro-economic policy and fiscal framework. However, the GASB staff believes that more clarification needs to be provided within the IPSASB guidance on what is meant by governing legislation and regulation. Paragraph 6.6.1 indicates that governing legislation and regulation “covers responsibilities for preparing and presenting reports and also the frequency of publishing the reports.” The GASB staff does not believe that this type of information is necessarily encompassed within governing legislation and regulation around the world. Paragraph 6.6.3 states that, “It is important to provide users with sufficient information on the underlying macro-economic policy and fiscal framework to allow them to interpret projected information.” However, the IPSASB guidance does not provide any description of what is meant by underlying macro-economic policy or fiscal framework. The GASB staff also believes that the two illustrations (Exhibit Nine) included within this guidance do not assist in providing preparers with clear examples of macro-economic policy and fiscal frameworks or how to communicate them.	<p>If the decision is made to progress the Consultation Paper consideration will be given to the development of more detailed guidance.</p> <p>Staff considers that the term governing legislation and regulation was adequately illustrated and that preparers will be aware of any legislative requirements in their jurisdictions relating to the reporting of long-term sustainability of the public finances.</p>
21	ACCA	A	We agree with the set of principles set out above for reporting on long-term fiscal sustainability. For example, we would consider it good practice for disclosures to assume that current policy continues for significant expenditures and that future events are incorporated in assumptions. We agree that all material programs and transactions must be reflected.	Noted
			One area which has been omitted in the consultation is the question of audit. Is it really appropriate for auditors to comment on long-term financial sustainability? The consultation doesn’t address this issue. Given the highly	The issue of assurance and audit was considered in section 7.5 of the Consultation Paper.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 5	STAFF VIEW
			contingent nature of long-term fiscal forecasts, if they are subject to audit it could be construed as auditors commenting on ‘political policy’. Also, the costs and consequences for implementation by governments have not at all been considered as part of this consultation. Perhaps this should be addressed in future consultations on this issue.	Paragraph 7.5.4 stated that “The IPSASB is of the view that the need for, level of and extent of assurance is a matter for preparers to form a judgment on in conjunction with their auditors.”
22	Australasian Council of Auditors-General	A	ACAG agrees with this preliminary view. At paragraph 6.6.3, the consultation paper highlights the importance of disclosing sufficient information on the underlying macro-economic policy and fiscal framework, but acknowledges that there is a risk such information will be overly detailed and undermine understandability. The IPSASB states that it may therefore be appropriate to cross-reference other publicly available reports in the GFRs. This is at odds with the IPSASB’s view in Section 3 of the CP that Model Three is inappropriate as cross-references to other reports do not provide users with the information they need for decision-making and accountability purposes. In developing guidance, the IPSASB should consider and clarify to what extent cross-references to other reports would be appropriate to meet the information needs of users.	Staff acknowledges that there may be some contradiction between the rejection of Model Three and paragraph 6.6.3.
23	Financial Reporting Standards Board (New Zealand)	A	The FRSB generally supports the inclusion of the proposed disclosures in any forthcoming IPSASB guidance. The FRSB strongly supports the disclosure of key assumptions underlying fiscal sustainability projections, including those assumptions identified by the IPSASB. In addition, the FRSB considers that IPSASB guidance should recommend the disclosure of the rationale for key assumptions. The FRSB acknowledges that information on LTFS would be more comparable across jurisdictions if the underlying key assumptions, such as the use of current policy as the basis for making projections, were the same. However, the FRSB notes that current practice regarding the use of current policy varies across jurisdictions and that there may be valid reasons why a government would elect to incorporate the impact of certain future policies. Although the FRSB supports the IPSASB PV that an entity disclose any deviations from the principle that long-term fiscal sustainability projections are based on current policy, the FRSB considers that all entities should disclose the assumptions	Agreed that entities should disclose assumptions regarding current policy and explain what is meant by current policy.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 5	STAFF VIEW
			regarding current policy and the rationale for those assumptions.	
24	Ernst & Young GmbH (Germany)	A	We agree with the principles formulated by the IPSASB in Preliminary View Five. In addition, we would like to add to the list that the entity discloses which areas of the report are just updated/extrapolated in comparison to the previous report and which are planned in detail.	Agreed that this further information would be useful.
25	Institute of Chartered Accountants of Pakistan	A	We agree. However it is also recommended that the primary fiscal projections should only be made based on the existing policy. The result of policy changes should be reflected in a separate version, and only if the revised policy has been formulated and been through the initial level of government approval.	Noted. Staff has reservations that providing a completely separate version might lead to information overload as well as being
26	The Australian Accounting Standards Board	A	The AASB agrees. The AASB considers that, in reporting information on LTFS, entities should present a balanced objectively-determined range of indicators, focusing on key assumptions and scenarios, to avoid such reports becoming political or management tools. The AASB considers that the IPSASB should, in addition to recommending disclosure of key assumptions underpinning LTFS projections, recommend disclosure of the reasons for selecting these assumptions.	Noted. Agreed that the rationale for selecting key assumptions may be useful, however this is subject to information overload and understandability considerations.
27	Province of British Columbia (Canada)	A	The Province of BC agrees that long-term fiscal sustainability reports should disclose: <ul style="list-style-type: none"> Any deviations from the principle that long-term fiscal sustainability projections are based on current policy; The basis on which projections of inflows from taxation and other material revenue sources have been made; Any other key assumptions underpinning long-term fiscal sustainability projections; and Details of key aspects of governing legislation and regulation, and the underlying macro-economic policy and fiscal framework. 	Noted
28	Public Sector Accounting Board (Canada)	A	Agree but see our comments regarding “Making LTFSR Understandable to Users” above. (see the table about <i>other comments</i>)	Noted

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 5	STAFF VIEW
29	Direction Générale des Finances Publiques (France)	A	Yes, if those recommendations are only linked to elements of sustainability included in a supplementary and separate document of the financial statements.	Noted, subject to condition that information is not reported together with GPFSS.
30	CNOCP (France)	A	<p>As already mentioned, the French “Conseil de Normalisation des Comptes Publics” is opposed to a comprehensive report on fiscal sustainability at macroeconomic level. The French Council favors a report to supplement the accounting information contained in “traditional” financial statements (statement of financial position, statement of financial performance, statement of changes in net asset/equity, cash flow statement and notes), and based on a consistent scope with that of the financial statements.</p> <p>In case of publication of an additional paper ad hoc, the French Council welcomes the proposals for additional information made in this fifth proposal. The French Council recalls, however, that prospective elements contained in this paper ad hoc cannot be standardized as an IPSAS.</p>	Noted, subject to condition that information is not reported together with GPFSS.

PRELIMINARY VIEW SIX: IPSASB guidance on long-term fiscal sustainability reporting in GPFRs should recommend that the entity disclose:

- **Time horizons for fiscal sustainability projections presented or discussed in the GPFRs as well as the reason for modifying time horizons and any published plans to modify those horizons;**
- **Discount rates, together with the reason for their selection;**
- **Results of key sensitivity analyses; and**
- **Steps taken to ensure that projections are reliable.**

(A) AGREE	24 (92%)
(B) AGREE WITH RESERVATIONS OR PARTIALLY AGREE	1 (4%)
(C) DISAGREE	0
(D) NO OVERALL VIEW	1 (4%)
TOTAL	26

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 6	STAFF VIEW
1	Dr. Jesse Hughes	A	This (referring to discount rates in Section 7) was an especially difficult subject at the local level when we were deliberating the use of discounting techniques in our Guide for Economic Development projects. Since there was no consensus on which discount rate to use in our deliberations, we also applied sensitivity analysis as suggested in the ED. Also, I was disappointed that the discount rate was not discussed more extensively in the ED on Service Concession Agreements (public-private partnerships) to give us at the working level more guidance on its application.	Noted. Point about discount rates in the context of the ED on Service Concession Agreements is noted and will be communicated internally.
2	Accounting Standards Board (UK)	A	One of the most significant issues raised in the consultation paper is the time periods to be covered. When very long time horizons, e.g. 75 years, are used, the assumptions used are likely to be very fragile and could undermine the value of the projected information for the whole period considered. We suggest that IPSASB consider including some caution about the difficulty of selecting assumptions that are intended to be valid over very long periods. One possibility may be to recommend projections for a number of different periods.	See below.
			We fully support the recommended disclosures in this Preliminary View and consider that, alongside the disclosures being recommended in Preliminary View 5, will ensure the information presented on long-term fiscal sustainability meets the objectives of financial reporting and is helpful to users. It is important that the rationale behind the fiscal sustainability numbers is both	Noted

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 6	STAFF VIEW
			transparent and is understandable to users.	
			We also note that some of the information, for example on discount rates, will complement the disclosures supporting other information in the general purpose financial reports, in particular the balance sheet. We suggest the Preliminary View makes clear the need to explain both the type of discount rate used as well as the percentage rate applied.	Staff does not consider that there is necessarily a link between discount rates used for information reported in the statement of financial position and statement of financial performance and those that will be used for long-term fiscal sustainability projections i.e., a discount rate used for measuring value in use for impairment testing purposes may not be appropriate for discounting prospective cash flows related to fiscal sustainability
			We note in the covering letter that one of the most significant issues for reporting information on long-term fiscal sustainability is the decision on the time horizon to be covered. We are sceptical about the value of very long time horizons and suggest the disclosures should make very clear the inherent uncertainty that exists within a time horizon of 75 years or more. Inevitably, the longer the time horizon, the more fragile the assumptions underpinning the projections will become. On the other hand we acknowledge that shorter time horizons run the risk of ignoring key events that might fall just beyond the period chosen.	Noted.
			We consider that some of the examples in the consultation paper, for example exhibits five and six, over-emphasise the 75 year view. To help address this issue, we suggest IPSASB consider whether there might be scope to consider projections, and the assumptions that underpin them, over a series of shorter periods. For example, a 75 year time horizon could be made up of three periods, perhaps 10 years, 25 years and 75 years.	Agreed that these exhibits may be interpreted as indicating that there is only one time horizon and that a range of time horizons might be more appropriate.
			We would also note that some assumptions will be more fragile than others, for example there may be scope to make reasonably informed forecasts of the	Noted

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 6	STAFF VIEW
			long-term financial consequences of social benefit programmes but it is far more difficult to foresee and factor in the impact of developments such as technological advance. This emphasises the importance of reporting on the results of key sensitivity analysis, including information on the range of uncertainty where demographic and economic projections are inherently uncertain.	
			We agree that it is important for general purpose financial reports to disclose the steps taken by the entity to ensure that projections are reliable. We appreciate that auditors might be reluctant to embrace sustainability reporting within their normal audit of financial statements, but the need for some form of external validation makes it desirable that the profession develops some form of assurance model. As a minimum, we would suggest a model that verified that assumptions were reasonable, properly disclosed and appropriately applied to base data in generating the projections that are being reported.	Noted
			We note that determining an appropriate assurance model for long-term fiscal sustainability reports falls outside the scope of the IPSASB consultation. We believe the proposed guidance should emphasise the need to be clear on the extent of any assurance provided. We would also emphasise the need for the general purpose financial reports to be clear that the information on long-term fiscal sustainability does not fall within the ‘presents fairly’ basis upon which the financial statements are prepared and audited.	Agreed that any assurance provided on long-term projections will not be on the same basis as for the GPFSS.
			We would suggest the Preliminary View also makes clear the need to explain the impact of changes to assumptions, for example where forecasts of mortality rates or GDP growth rates are updated. The Preliminary View that the results of key sensitivity analyses should be disclosed could be expanded by specifically addressing this.	Agreed that narrative information is important and necessary.
4	SRS-CSPCP (Switzerland)	D	No comments. The SRS-CSPCP has no special comments on this item.	Noted
6	Joint Accounting Bodies (Australia)	A	The Joint Accounting Bodies agree with the IPSASB recommendations for disclosures. We strongly suggest that the final bullet point “Steps taken to ensure that projections are reliable” make it clear that the requirement is from a management point of view.	Noted

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 6	STAFF VIEW
7	New South Wales Treasury (Australia)	A	NSW Treasury agrees. We also believe that information on discount rates should disclose the methods of discounting used.	Agree
8	HoTARAC (Australia)	A	HoTARAC agrees. HoTARAC considers that the disclosure of time horizons is essential to enable the information to be put into perspective and to ensure that the timeframe is long enough to provide useful information for policy decisions and analysis. The Australian Intergenerational Report covers a 40 year period.	Noted
			Discount rates and the reasons for their selection should be disclosed, where applicable. In addition to the discount rates, information about the methods of discounting should be disclosed. Some Long-Term Sustainability of Public Finances Reports provide information that does not discount future cash flows to a current value number, in which case discount rates are irrelevant. Therefore, disclosure of discount rates should only be recommended where these are used in preparing the report. A single value number may not be adequate for assessing future financial sustainability because it does not identify the timings of the flows. The Australian Intergenerational Report uses a year by year analysis of current receipts with current payments. This removes the subjectivity of selecting a discount rate.	Accepted that discounting is not always used and that disclosure is only appropriate if future cash flows are discounted. Staff agrees that information on the methods of discounting may be appropriate. The proposal for disclosure of discount rates, together with the reason for their selection, was not meant to imply that discounting should always be used.
			The disclosure of any key sensitivity analysis and assurance undertaken are important when dealing with long-term projections as it gives users increased confidence in the material and a greater understanding of the circumstances. However, HoTARAC's view is that guidance in this area should be focused on the promotion of transparency about assumptions rather than merely recommending disclosure of assumptions.	Noted. Staff accepts that assumptions may be disclosed in a way that may not be transparent.
9	Institute of Chartered Accountants of Scotland	A	We agree that entities should report key underlying assumptions when presenting information on long-term fiscal sustainability. However, we believe that information on long-term fiscal sustainability as set out in the consultation paper should not be included in GPFRs.	Noted
10	Federation of European Accountants (FEE)	A	FEE agrees that it is important that the above information on time horizons and related modeling parameters is disclosed by entities reporting on long-term fiscal sustainability under IPSASB recommended guidance.	Noted
11	Office of the	A	We are in agreement with this view.	Noted

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 6	STAFF VIEW
	Auditor General (Canada)		Time horizons should be determined. As well, in order to assure credibility and quality, changes in methodologies, assumptions and data sources should be mentioned in the GPFRs. Changes must be justified to provide assurance about the quality of the projections and a basis for a fair assessment of a country's fiscal future. Sensitivity analyses should also be reported to illustrate the impact demographic changes or economic shock could have on fiscal risks. Alternative projections should be considered for key economic variables such as employment rate, productivity growth and interest rates. Finally it is reasonable to expect that measures will be taken by the reporting entity to challenge the quality of the projections, including a peer review process or the use of private sector forecasters.	
12	Cour des Comptes Consultative Committee on Public Sector Accounting Standards (France)	A	Yes, these elements have to appear in the notes or in the dedicated report of sustainability, according to the chosen solution.	Noted
13	The Japanese Institute of Certified Public Accountants	A	<p>We agree with this preliminary view.</p> <p>The IPSASB should recommend disclosure of the following information.</p> <p>(a) In addition to the results of key sensitivity analyses, information should be disclosed that enables users of financial reports to conduct sensitivity analyses. The reason for this is that for fiscal sustainability reports, which contain a lot of projections, the provision of information that enables critical analyses and recalculations is considered to be more important than the reliability of projections.</p> <p>(b) There should be inclusion of results of comparison between historical and current projections and the analyses. The reason for this is that if the results of comparison between historical and current projections and the analyses of such are disclosed, in addition to current projections, users of financial reports will be able to understand the causes of the changes in the projections, thus providing more relevant information.</p>	<p>Staff has reservations about recommended further disclosure (a). A considerable amount of complex data would likely need to be disclosed to enable complex analysis and recalculations to be performed. Staff does not think that this will be appropriate for a GPFR.</p> <p>Staff agrees that disclosure of (b) may provide useful information on the robustness of projections. There is some risk of information overload.</p>
14	Accounting Standards Board (South Africa)	A	<p>While we agree with the proposed disclosures, we note the following concerns:</p> <p>While sensitivity analyses are useful, they may distract users from the key</p>	Staff acknowledges that sensitivity analyses may be

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 6	STAFF VIEW
			message in fiscal sustainability reports. Care should thus be exercised when preparing and disclosing sensitivity analyses so as not to overburden users with information.	detailed and complex and that this risks undermining understandability.
			The last disclosure requires entities to disclose steps taken to ensure that the projections are reliable. It may be useful to also provide information about steps taken to ensure that the projections are “faithfully representative”, “comparable” etc.	Agree that “faithfully representative” may be more compatible with the direction of discussion in the Conceptual Framework project.
16	Treasury Board of Canada Secretariat	A	We support the recommendations on the disclosures of time horizons discount rates and key sensitivity analysis We also note that the report should provide some guidance on the criteria for the initial selection of a time horizon. While the consultation paper notes that the robustness of the assumptions declines inversely to its length, and that short time horizons run the risk of ignoring key events just beyond the period, positive selection criteria would also be useful.	Because the expectation is that time horizons will depend on those adopted for existing reports on the long-term sustainability of the public finances, Staff does not think that it is appropriate to go into detail on the criteria for selection of time horizons, although it may be appropriate for entities to disclose the reasons for selection of those time horizons as well as well as the reason for modifying time horizons and any published plans to modify those horizons.
			Based on our response to Question 1, we believe that the wording in 7.5.1 stating that ‘ the projections should be reliable for that purpose’ requires modification The extent to which the projections contained in the report could sufficiently possess the characteristic of reliability is questionable given the long time horizons This section should instead only address the reasonability of the projections given a specified set of assumptions.	Paragraph 7.5.1 was included to allay reservations that the fact that projections over a long-term period will not match the actual outcome meant that they were unable to meet the objectives of financial reporting and would not be able to reflect qualitative characteristics. Staff agrees that use of the word

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 6	STAFF VIEW
				'reliable' might be confusing and that the term 'supportable' as proposed by Respondent 26 might be more appropriate.
			Since we believe that the long-term sustainability report should not be within the scope of GFPRs, obtaining assurance from the government's auditors would be, therefore, outside the scope of the assurance model. The significant complexities that would arise under audit of this information serve to further indicate that the long-term sustainability report should not be a reporting requirement. However, the suggested disclosures related to the extent to which those responsible for preparing the report have confidence in the information presented, and performance of peer reviews, would assist in strengthening its plausibility.	Noted
18	Government Accountability Office (USA)	A	We agree that guidance on long-term fiscal sustainability reporting in GPFRs should recommend that the entity disclose time horizons for projections as well as reasons for modifying time horizons, discount rates, results of key sensitivity analyses, and steps taken to ensure that projections are reliable. In addition, we believe that the time horizon selected should, at a minimum, be sufficient to illustrate the government's long-term fiscal sustainability.	Noted. Staff agrees that unduly short time horizons risk missing critical future events and therefore may not provide a faithful representation of the long-term sustainability of public finances. However as there is no precise point at which a government position becomes unsustainable it is difficult to prescribe or recommend minimum time horizons.
19	The Chartered Institute of Public Finance & Accountancy (UK)	A	We agree that it is helpful to provide the above information on time horizons and related modeling parameters. We would also observe that, while very long time horizons (e.g. 75-100 years) may be chosen to avoid missing important future consequences, this is rather a specialized form of reporting and will generally be less robust than projections made over shorter timescales. In the light of probable changes to technology, society and governments over such long timescales, the projections might not be considered to be testable predictions, but more as a very specialized	Noted. Paragraph 7.5.1 was inserted largely to address this point. Staff accepts that there is an inverse relationship between the robustness of projections and the length of time horizons. Staff does not think that lengthy time horizons are just

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 6	STAFF VIEW
			accountability indicator. While we accept that such long term projections are considered useful in some jurisdictions, in moving to an exposure draft it would be helpful if there were more clarity and explanation on this to help readers understand the nature, purpose and limitations of this reporting.	specialized accountability indicators.
20	Governmental Accounting Standards Board (USA)	B	The GASB staff agrees that IPSASB guidance on long-term fiscal sustainability reporting in GPFRs should recommend that the entity disclose time horizons for projections, discount rates and reasons for their selection, results of key sensitivity analyses, and the steps taken to ensure that projections are reliable. However, the GASB staff also believes that the consultation paper should recommend disclosure of all major assumptions used by a government in developing its long-term fiscal sustainability projections, including those used in the sensitivity analysis. While the consultation paper discusses the assumptions about the drivers of economic growth in paragraph 7.4.1 and therefore recognizes their importance, it does not specifically recommend their disclosure within a long-term fiscal sustainability report. The consultation paper is silent to any discussion on the assumptions related to the demand for services or changes in costs, which should not only be discussed, but also recommended for disclosure within a long-term fiscal sustainability report. The GASB staff also believes that internal changes in the methodologies used for calculating projections should also be disclosed, along with the reasons for those changes. For example, when calculating health care costs, a change in methodology could be accumulating costs by disaggregating age groups rather than by using the general population.	Noted. These additional disclosures are worthy of consideration subject to information overload factors.
21	ACCA	A	<p>We agree that time horizons need to be presented and discussed. As you rightly point out a number of material programs such as social security, health and pensions, stretch over considerable periods of time into the future >25 years. Our caveats are that when presenting data over significant time periods it is more than likely that it may well serve to provide a distorted picture because of the uncertainty involved rather than a meaningful one to the user of the financial statements. It is also unlikely that they will match the actual outcome. Given these factors it is questionable how useful these statements really are to the user of financial statements.</p> <p>You recognize that there are a variety of approaches to applying discount rates. In our view there is ‘no one size fits all’ and because of that we would agree with your proposal that governments should disclose the discount rate applied</p>	<p>See above. Paragraph 7.5.1 was inserted to address this point.</p> <p>Noted</p>

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 6	STAFF VIEW
			and the rationale for applying it. We agree that sensitivity analysis is an important tool to demonstrate how sensitive a policy is to changes in economic and demographic changes. This is already used extensively in policy decision making in the UK and is recommended accounting practice.	Noted
22	Australasian Council of Auditors- General	A	ACAG agrees with this preliminary view. Some additional comments in relation to each of these disclosure items are provided below. ACAG believes that the IPSASB's guidance should emphasize the inherent uncertainty that exists for very long-term time horizons, such as 75 years or more. Where fiscal projections are included for such long-term time horizons, the guidance could require projections for shorter periods making up this very long-term horizon, such as 10, 25 and 50 years. ACAG recommends that the IPSASB guidance should recommend that entities explicitly disclose the inherent limitations of such projections.	Staff agrees with this point and acknowledges the need for intermediate points when lengthy time horizons are used.
			In relation to discount rates, the IPSASB guidance should explicitly require disclosure of the type of discount rate(s) used and the quantum. The recommendation to disclose discount rates could be interpreted as requiring disclosure only of the type of discount rate and not the actual percentage used in determining the projections. Where the type of discount rate used differs from the discount rate applied in the preparation of the general purpose financial statements, the guidance should require disclosure of the reason why the discount rates vary.	Generally agree.
			ACAG agrees that the disclosure of sensitivity analysis would provide users with useful information for decision-making. In paragraph 7.4.3 of the CP, the IPSASB's preliminary view is "that the results of any sensitivity analysis should be disclosed to provide better information on the scale of the fiscal challenges faced." This implies that sensitivity analysis need only be disclosed when the entity has prepared such analysis. ACAG considers that disclosure of such information should not be limited to those entities that have prepared such information. Instead, the IPSASB guidance should recommend the preparation and disclosure of key sensitivity analysis.	The disclosure of sensitivity analysis will generally follow that adopted
			ACAG notes that the IPSASB is of the view that the need for, level and extent of assurance is a matter for preparers to form a judgment on in conjunction	This is a useful summary of the approach that auditors take in

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 6	STAFF VIEW
			with their auditors. The current auditing standard applicable in Australia, AUS 804 The Audit of Prospective Financial Information, states that auditors may only report on the reasonableness of the assumptions on which the prospective financial information is based and that the auditor ordinarily provides only a moderate level of assurance by issuing a statement of negative assurance on best-estimate assumptions. In addition, the auditor does not express an opinion on hypothetical assumptions. As projections on long-term sustainability would be prepared on the basis of a mixture of best-estimate and hypothetical assumptions, auditors would be precluded from issuing any type of opinion on such information under the requirements of this auditing standard. This highlights the importance of entities disclosing steps taken to ensure that projections are reliable.	Australia in providing assurance on prospective financial information. While the Consultation Paper was intentionally general and non-prescriptive on assurance Staff think that detail on some of the approaches taken globally by auditors might be useful.
			ACAG recommends that the IPSASB guidance should also require that information on long-term sustainability is clearly demarcated from audited financial information included in the general purpose financial statements. Preparers should clearly indicate that the projections are outside the scope of the audited financial report and clearly state that such information has not been audited.	Agreed
23	Financial Reporting Standards Board (New Zealand)	A	<p>Consistent with its comments on PV5, the FRSB supports PV6, particularly the preparation and disclosure of key sensitivity analyses. For example, the FRSB considers that it is essential that the sensitivity of the information to differing projected economic conditions and population age be disclosed. The FRSB supports the disclosure of information about the discount rates used in preparing information on LTFS. Rather than requiring disclosure of the actual discount rates used, the FRSB would support disclosure of the basis on which the discount rate has been determined (consistent with existing requirements in IPSAS 25 Employee Benefits).</p> <p>The final bullet point in PV6 proposes the disclosure of "Steps taken to ensure projections are reliable". The FRSB prefers the wording in the CP's Executive Summary which refers to "the steps taken to enhance the reasonableness of assumptions." The FRSB also supports the discussion in section 7.5 of the Consultation Paper which discusses reliability, in the context of information on LTFS, and states "the projections need to be reasonable and realistic, rather than an accurate prediction of the future". The FRSB acknowledges that the</p>	<p>Noted</p> <p>Staff agrees with this proposal and considers that the approach & principles in FRS 42 is highly useful.</p>

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 6	STAFF VIEW
			<p>application of qualitative characteristics to information on LTFS, including reliability can be difficult. The following comments discuss the FRSB's efforts in developing principles to assist preparers in selecting reasonable and appropriate assumptions and enhancing the reliability of prospective financial information.</p> <p>“16. In developing a domestic financial reporting standard, FRS-42 Prospective Financial Statements, the FRSB grappled with the issue of how to accommodate the uncertainty associated with prospective financial information whilst still setting a high benchmark in terms of the expected quality of prospective financial information. FRS-42 establishes requirements for the preparation and presentation of general purpose prospective financial statements and is applied by local authorities in preparing financial statements over a ten year period. Requirements of FRS-42 which are pertinent when considering the reliability of prospective financial information include:</p> <ul style="list-style-type: none"> • the principle of best information: "An entity shall use the best information that could reasonably be expected to be available at the time prospective financial statements are prepared in determining the assumptions and information used in the preparation of the prospective financial statements" (paragraph 13); • the principle that prospective financial information be reasonable and supportable: "Information in prospective financial statements shall be reasonable and supportable and faithfully represent the assumptions and information on which the statements are based" (paragraph 14); • application of the qualitative characteristics, including reliability. In discussing reliability the standard notes that "The reliability of prospective financial statements is affected by the appropriateness of the assumptions and the sources of uncertainty. Users should be able to assess the reliability of prospective financial statements and identify the factors that make the statements more or less reliable" (paragraph 17); • requirements to enhance the appropriateness of assumptions: "Assumptions shall be based on the best information that can reasonably be expected to be available to the entity, be consistent 	

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			<p>among themselves, be consistent with the current plans of the entity to the extent that this is relevant, and be applied consistently. An entity shall have a reasonable and supportable basis for the determination of assumptions underlying prospective financial statements" (paragraph 18);</p> <ul style="list-style-type: none"> disclosures of bases for assumptions, risks and uncertainties (paragraphs 47-59): The Standard requires disclosure of: <ul style="list-style-type: none"> (a) the entity's operations and activities; (b) the purpose for which the prospective financial statements have been prepared; (c) significant assumptions; (d) any changes to the entity's existing business; (e) the bases on which the significant assumptions have been prepared, including the principal sources of information from which they have been derived; (f) the extent to which actual events and transactions have been reflected in the prospective financial statements; (g) the factors that may lead to a material difference between the prospective financial statements and the actual financial results presented in historical financial statements in future reporting periods; (h) the assumptions made in relation to those sources of uncertainty and the potential financial effect of the uncertainty on the prospective financial statements; (i) significant accounting policies; and (j) a cautionary note regarding possible variations in reported results. 	
24	Ernst & Young GmbH (Germany)	A	The disclosures stated in Preliminary View Six are essential elements in fiscal sustainability reporting. In our view a further point should be that the methods used for the calculation of the projections should be described in a comprehensible manner so that users are able to verify the information presented in the reports. We also strongly support the IPSASB's view that for reports focusing on the long-term sustainability of public finances key	Noted.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 6	STAFF VIEW
			<p>sensitivity analyses are of great value.</p> <p>The longer the time period the more the intergenerational perspective could be considered. A longer time horizon would allow considering two to three generations on average. But we also see the limitation that the greater the time horizon, the less reliable/objective the information produced. Therefore, we would encourage the IPSASB not to determine a specified time horizon for reporting on the long-term sustainability of public finances at this stage of the development.</p>	
25	Institute of Chartered Accountants of Pakistan	A	We agree. The IPSAS should, however, apart from the requirement to disclose, contain some guidance on how the parameters are selected.	Noted
26	The Australian Accounting Standards Board	A	<p>The AASB agrees, subject to the comments below.</p> <p>In relation to disclosures about discount rates, the AASB considers that disclosure should be made of the basis on which discount rates were determined rather than of the discount rates used. For example, is risk incorporated in the measurement of the amounts disclosed and, if so:</p> <p>(a) what is the nature of the risks incorporated? and</p> <p>(b) is the risk adjustment made to the estimated cash flows or the discount rate used?</p> <p>In relation to the last recommendation in Preliminary View 6, the AASB considers it should be clarified that the disclosure is of the steps the entity's management or governing body took in ensuring projections are supportable, and not the steps taken by those responsible for external assurance. This is not clear in paragraphs 7.5.1 – 7.5.4 of the Paper. Given the problems noted by the IASB and FASB with misconceptions about the meaning of 'reliable' information, the AASB suggests referring to 'supportable' projections (in the sense that the projections can be supported by available evidence and reasonable assumptions about uncertain future events).</p>	
27	Province of British Columbia (Canada)	A	The Province of BC agrees with this preliminary view; however, we note that it is unlikely that long-term fiscal sustainability projections are reliable as projecting the future has proven to be very unreliable. The guidance on long-term fiscal sustainability reporting should require the preparer to make statements about the unreliability of future projections contained in the report	Noted. See above comments.

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 6	STAFF VIEW
			and that many other outcomes could possibly occur compared to the ones included in the report.	
28	Public Sector Accounting Board (Canada)	A	<u>Preliminary View 6:</u> Agree but see our comments regarding “Making LTFSR Understandable to Users” above. (see the table about <i>other comments</i>)	See Other Comments section of summary.
29	Direction Générale des Finances Publiques (France)	A	Yes, since the producer of budget sustainability elements decides the scope and the kind of this information.	
30	CNOCP (France)	A	As already mentioned, the French “Conseil de Normalisation des Comptes Publics” is opposed to a comprehensive report on fiscal sustainability with macroeconomic level. He favors a supplementary report based on a scope consistent with the “traditional” financial statements scope. In case of publication of an additional paper ad hoc, the French Council welcomes the proposals for additional information made in this sixth proposal. The French Council recalls, however, that prospective elements contained in this paper ad hoc cannot be standardized as an IPSAS.	Strong opposition to the development and issuance of an IPSAS already noted

PRELIMINARY VIEW SEVEN: IPSASB guidance on long-term fiscal sustainability reporting in GPFRs should recommend that (a) the underlying projections should have been prepared or updated within five years of the reporting date, and (b) the date of preparation or update should be disclosed.

(A) AGREE	9 (36%)
(B) AGREE WITH RESERVATIONS OR PARTIALLY AGREE	7 (28%)
(C) DISAGREE	6 (24%)
(D) NO OVERALL VIEW	3 (12%)
TOTAL	25

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 7	STAFF VIEW
2	Accounting Standards Board (UK)	B	We acknowledge the potential mismatch between the reporting date of financial statements and the frequency with which fiscal projections might be made and updated. For this reason we agree the importance for general purpose financial reports to be clear on the timings of reports and updates.	Noted
			We are however concerned that updating underlying projections only within 5 years of the reporting date is too infrequent. We would encourage some form of annual update, perhaps along the lines of an interim desk top valuation of property assets.	Reservation noted. Staff think that an annual update may be too onerous, but also note recent OECD advice in the context of detailed reports on long-term fiscal sustainability.(see Respondent 11)
			We would also suggest that a comparison of indicators or bottom line figures, showing the present situation against five or ten years ago, would be a helpful disclosure.	Agree and in accordance with the QC of comparability.
4	SRS-CSPCP (Switzerland)	D	No comments. The SRS-CSPCP has no special comments on this item.	N/A
6	Joint Accounting Bodies (Australia)	A	The Joint Accounting Bodies agree with the IPSASB recommendation that the date of preparation or update be disclosed.	Noted
			While we support an upper limit of five years of the reporting date, we consider that facts and circumstances may require more frequent information on long-term fiscal sustainability to satisfy each of the qualitative characteristics of financial information, including relevance, materiality, and timeliness.	Noted. See also above Respondent 2.

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 7	STAFF VIEW
7	New South Wales Treasury (Australia)	A	NSW Treasury agrees with paragraph 7.6.3 of the Consultation Paper that there are risks to the relevance of LTFSI if it has not been prepared and updated within five years of the reporting date. We also agree with disclosing the date of preparation or update.	Noted
8	HoTARAC (Australia)	A	<p>a) HoTARAC agrees and is of the view that five years is a reasonable timeframe to prepare or update the underlying projections. However, guidance on the frequency of preparing and updating underlying projections should remain flexible. Different jurisdictions have different circumstances which cannot be addressed by a single set of rules.</p> <p>Guidance is needed about how to deal with publication of this information between updates. If a government chooses to present this information in an annual report, should the same information be repeated in each annual report for those intervening years when the information is not actually updated?</p>	Noted and agree that point about reproduction of same information in Annual Report needs to be addressed.
			b) HoTARAC agrees that the date of preparation or update is useful information for the reports readers and should be disclosed.	Noted
9	Institute of Chartered Accountants of Scotland	C	We believe that it would make sense for reports in long-term fiscal sustainability to be updated annually and for the reporting date to be the final date of the financial year just past.	Noted. Issue is whether annual updating would be too onerous (see Respondent 14).
10	Federation of European Accountants (FEE)	A	FEE agrees with the disclosure of the above information on currency and timeliness of reporting.	Noted
11	Office of the Auditor General (Canada)	B	<p>We are in agreement with this view.</p> <p>This being said, it should be noted that the OECD now suggests (see: OECD, The Benefits of Long-term Fiscal Projections, October 2009) that fiscal projections be prepared <u>annually</u> in order to “draw attention to the long-term fiscal consequences of current policies and eliminate discretion over when projections are produced”. Based on that principle, the Committee might wish to review the frequency of reporting.</p>	Noted that in the context of broader long-term fiscal reporting OECD now considers annual updating appropriate.
12	Cour des Comptes Consultative	D	The updating period of time duration depends on particular needs.	Noted

#	RESPONDENT NAME	CATEGORIZATION	COMMENTS ON PV 7	STAFF VIEW
	Committee on Public Sector Accounting Standards (France)			
13	The Japanese Institute of Certified Public Accountants	A	We agree with this preliminary view.	Noted
14	Accounting Standards Board (South Africa)	D	[To be completed through other consultations] A key determining factor in the frequency of reporting is the cost and effort of preparing the necessary information.	Noted that cost-benefit must be borne in mind.
16	Treasury Board of Canada Secretariat	C	A balance is required between the resources required to compile the long-term fiscal sustainability report compared with the relevance of a report that is more than two to three years old. We believe that governments should make this decision based on the rate of change of their fiscal policies and the relevance of the underlying economic and demographic assumptions in previous reports. As well, requirements in legislation for sustainability reports should be adhered to and respected.	Noted and agreed.
18	Government Accountability Office (USA)	A	We agree that the guidance on the underlying projections for preparation or being updated within five years of the reporting date and that the date of preparation should be disclosed is reasonable given the cost versus the benefit of preparing long-term projections. However, we would encourage more frequent projections to assist users in understanding whether and to what extent the government's financial condition is changing and to meet the accountability and decision-making objectives of financial reporting.	Noted and consider that the encouragement is well made.
19	The Chartered Institute of Public Finance & Accountancy (UK)	A	We agree with the disclosure of information on currency and timeliness of reporting. The Board may also wish to consider whether to promote (but not compel) credibility checking on a more frequent basis than a five yearly cycle.	Noted
20	Governmental Accounting Standards Board (USA)	B	The GASB staff agrees with the IPSASB guidance recommending that the date of preparation or update of the fiscal sustainability information should be disclosed within a long-term fiscal sustainability report. In doing so, the risk of lessening the relevance of the fiscal sustainability information is reduced. The GASB staff, however, disagrees with the IPSASB guidance recommending that	Noted, although the reference to the New Zealand example is not understood. The Consultation Paper did not seek to provide guidance for detailed reports on

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			the underlying projections should have been prepared or updated within five years of the reporting date. The GASB staff believes that projections need to be updated each time a fiscal sustainability report is issued. Doing otherwise, could lead to information being released to users that is not relevant, comparable, or reliable. For example, under the guidance recommended, New Zealand, which issues a report every four years, could possibly issue two reports using the same underlying projections, covering an eight year time horizon. It would also be possible for a long-term fiscal sustainability report to be issued using four-year-old projections, when major known changes in various assumptions have occurred.	long-term fiscal sustainability. As the information for GPFR purposes will often be derived from detailed reports addressing long-term fiscal sustainability the 5 year time limit was suggested to avoid reporting information from reports that have been issued a considerable period before the reporting date.
21	ACCA	B	We agree that the underlying projections should be updated and reviewed. Three to five years would be the most appropriate time periods. However, going back to our original points in question 2 we do not agree that long-term sustainability reporting should be within the GPFRs.	Noted
22	Australasian Council of Auditors-General	B	ACAG agrees that the IPSASB guidance should recommend that the date of preparation or update be disclosed, given that there is a potential mismatch between the reporting date and the frequency with which fiscal projections may be made. ACAG recommends that the IPSASB guidance should state that the underlying projections should meet the qualitative characteristics of relevance and timeliness. We consider that these characteristics should be the overarching principles applied in determining the timing or preparation and updating of the underlying projections, rather than the inclusion of a benchmark. However, IPSASB guidance should go on to state that the underlying projections should have been prepared or updated within five years of the reporting date, at a maximum, to meet these qualitative characteristics.	Agreed that issue should be more strongly linked to QCs of relevance and timeliness and also faithful representation.
23	Financial Reporting Standards Board (New Zealand)	B	The FRSB agrees with the IPSASB recommending disclosure of the date of preparation or update of projections underlying information on long-term fiscal sustainability. However, the FRSB does not wish to express a view on the maximum time period between preparing/updating projections and reporting them. The Board considers that any information on long-term fiscal sustainability provided in GPFRs should satisfy the qualitative characteristics of financial information, including timeliness.	Noted, particularly the view that information should reflect QCs.

#	RESPONDENT NAME	CATEGOR- IZATION	COMMENTS ON PV 7	STAFF VIEW
24	Ernst & Young GmbH (Germany)	A	We support IPSASB's Preliminary View Seven. In our view, it seems appropriate that all projections are analyzed, prepared and/or updated every five years. We recommend that if the public sector entity publishes these kinds of reports on an annual basis then not all projections have to be recalculated again. In our view, limited updates of these projections could suffice, as long this is expressed clearly in the GPFRs.	Noted and consider that the point about not recalculating all projections for GPFR purposes is especially pertinent.
25	Institute of Chartered Accountants of Pakistan	C	We do not agree. Five years is too long. Three years is acceptable as in many developing countries projections prepared five years ago would almost certainly not be relevant.	Noted
26	The Australian Accounting Standards Board	B	The AASB agrees with the IPSASB recommending disclosure of the date of preparation or update of projections underlying information on LTFS. However, the AASB does not have a view on the particular maximum time period between preparing/updating projections and reporting them. The AASB considers that any information on LTFS provided in GPFRs should satisfy the qualitative characteristics of financial information, including timeliness.	Noted
27	Province of British Columbia (Canada)	C	The Province of BC disagrees with this preliminary view. The entity preparing the long-term fiscal sustainability reporting is best suited to determine the frequency of reporting on the long-term sustainability of public finances.	Noted
28	Public Sector Accounting Board (Canada)	A	Agree.	Noted
29	Direction Générale des Finances Publiques (France)	C	No, each entity should determine the frequency as well as the first date of its implementation.	Noted, but agree with those respondents who link this issue to the qualitative characteristics.
30	CNOCP (France)	C	The French "Conseil de Normalisation des Comptes Publics" does not support such a period is standardized. The French Council believes that each entity has to determine the frequency with which it can update its own information.	Noted

OTHER COMMENTS

#	RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
2	Accounting Standards Board (UK)	We note the consultation paper does not set out the next steps for this project, including any subsequent due process. This may be because a decision has not yet been taken and IPSASB is intending to consider responses to the consultation paper alongside developments in its other projects and the IASB Framework and Management Commentary projects. Whilst we appreciate the need to take account of these other projects, we would encourage IPSASB to avoid any unnecessary delay in progressing its work on long-term fiscal sustainability. We would also support an approach that results in non-mandatory guidance rather than an IPSAS.	It was considered inappropriate to outline next steps prior to evaluation of the responses to the Consultation Paper.
3	European Central Bank	As many countries have already studied this issue, a benchmark study could be useful in order to see what information is already available and to find common ground for future reporting tables. Any data requests should be coordinated with the Economic Policy Committee Working Group on Aging Populations and Sustainability, or similar work being done on an international level in order to avoid double work and not to unduly increase the reporting burden for the reporting agencies.	Noted. The Consultation Paper included high level details of reports that are currently produced drawn from the OECD ‘Fiscal Futures’ project. This comment will be communicated to OECD colleagues.
4	SRS-CSPCP (Switzerland)	The timing does not seem to be ideally chosen, because standard definitions are lacking, as long as the “Conceptual Framework” has not been completed. In addition the timing of the Consultation Paper is not practical: as long as the “Conceptual Framework” has not been concluded, standard definitions are lacking, which seriously impede an assessment of the Consultation Paper.	Already acknowledged. One of the reasons for initiating this project was to inform the Conceptual Framework project.
		The question of whether such long-term sustainability reporting would also have to satisfy other demands – e.g. on the part of the International Monetary Fund or the World Bank – should be clarified. The SRS-CSPCP believes that it is important to clarify whether there are other demands on long-term sustainability reporting, e.g. on the part of the International Monetary Fund or the World Bank.	It was not proposed that reporting information on the long-term sustainability of public finances would replace special purpose reports or the data submission requirements of supranational bodies.

#	RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
8	HoTARAC (Australia)	<p><i>Consequences of including the Long-Term Sustainability of Public Finances Reports in an annual report</i></p> <p>In the instance that IPSASB's guidance focuses on projections over a time horizon equal to or greater than 25 years, it is HoTARAC's opinion that it would appear inappropriate to prepare such reports on an annual basis, which may be a consequence of the requirement to provide such information in a GPFR containing GPFs. It is unlikely that long term projections would change significantly, due to their extended time horizon, unless unpredicted major events occur. The complexity of modeling projections over such a long period also requires significant time to prepare and validate. The Australian Intergenerational Report is issued every three to five years.</p> <p>If Long-Term Sustainability of Public Finances Reports were included in the report containing GPFs, such information would result in it being reviewed as part of the financial statement audit process as required by Auditing Standards. HoTARAC is of the view that, while Long-Term Sustainability of Public Finances Reports would benefit from a level of assurance to enhance credibility, unlike the extensive set of standards that govern the preparation of information that is included in GPFs, this is not the case for long-term fiscal sustainability information, which would make an audit of that information substantially more challenging.</p>	See comments on PV 7. Staff acknowledges these issues if such information is reported in a GPFR that contains the GPFs and that audit issues might arise in such cases.
8	HoTARAC (Australia)	<p><i>Consequences of a wider GPFR definition in the IPSASB Conceptual Framework</i></p> <p>Although Long-Term Sustainability of Public Finances Reports may be GPFRs, within the definition proposed in the IPSASB Conceptual Framework, HoTARAC provides no view on whether they should be GPFRs. IPSASB may need to consider the consequences of having in their framework GPFRs, which have a broader scope to GPFs. GPFRs are largely definitional at one level; however at another level the presumption is that as GPFRs, the full conceptual framework would apply unaltered to Long-Term Sustainability of Public Finances Reports and the IPSASB may need to consider whether this is what is intended or whether this is appropriate.</p>	Staff thinks that it is highly debatable whether detailed long-term reports would be within the GPFR category in the taxonomy of reporting shown in section 2 of the Consultation Paper.

# RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
12 Cour des Comptes Consultative Committee on Public Sector Accounting Standards (France)	<p>Considering the importance of this subject, we are of the opinion that we should first start with clarifying the definition of the fiscal sustainability, or at least its scope, before determining more exactly the information required and the way it is provided.</p> <p>1. Definition</p> <p>The IPSAS Board’s consultation paper proposes the following definition for sustainability: “The ability of government to meet its service delivery and financial commitments both now and in the future”. This definition is interesting, but as the IPSAS Board indicated that it constitutes a working definition, it should be further specified. It is indeed likely to have several meanings, such as:</p> <ul style="list-style-type: none"> - a macroeconomic application of that definition, regarding a global entity or a group of entities that are consolidated on a wide area (e.g. Central Government); - a more detailed application, focused on particular public policies, with projections of expenses based on current legislation, in the short or medium term; this may involve expenditures not financed by earmarked revenue, but rather depending on external factors (expenses directly related to demographic changes, for example; in France, such expenditure are incurred in particular by the Government, both at the central and local level); - an application between these two models, with indicators calculated in the long-term, relating to expenditure not funded from earmarked revenue: in France, a typical example is the amount of the discounted financing need for the central Government civil servants pension scheme; the basic social security schemes, managed by the French Social Security, are also covered by this approach. <p><u>Macroeconomic sustainability</u></p> <p>There is no universally recognized definition of macroeconomic sustainability, but one can consider that the public finances are sustainable if the future revenues of the public entities (either considered as a whole or separately - the central Government, local</p>	<p>Staff acknowledges that, if this project is to be progressed, the working definition will need to be further developed. The working definition was purposefully broad and designed to capture, at a very high level, the balance between service delivery levels and financial commitments, including both meeting commitments under entitlement programs and debt servicing obligations. It was also meant to be operable at all levels of government.</p> <p>As this comment demonstrates the definition of ‘sustainability’ is likely to vary dependent upon the level of government and whether an entity or program perspective is adopted.</p> <p>Staff agrees that information from the statement of financial position will provide base data for the purposes of making projections.</p>

# RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
	<p>Governments, or the Social Security administrations), at an infinite time horizon, are sufficient for paying the current debt and the future expenses, under a constant legislation. One of the main difficulties consists in getting an operational mathematical formulation.</p> <p>According to the most frequent formulation, the public finances situation is sustainable if the national debt is stable in percentage of the GDP on an infinite horizon, whatever the stabilization level. Under assumptions of relatively low constraints, the future receipts allow to fund the current debt and the future expenses. Macroeconomic indicators can provide an approach of this type of sustainability.</p> <p><u>The short or middle term evolution of certain public policies</u></p> <p>In France, the financial controllers are in charge of verifying, for each public policy of the central Government, <i>“the adequacy of the planned expenditure with the appropriations delegated, or likely to be delegated in the future, to the manager in charge, with emphasis put in the manager capacity to meet the commitments to be incurred”</i>.</p> <p>A public policy, whatever is the budgetary tool implemented (“mission”, “programme” or their local denomination, namely an “operational budget of programme”), is thus sustainable if the appropriations can fund expenses and, more generally, the “compulsory or inevitable” expenses. This type of sustainability is appreciated on a relatively short time horizon because it is necessary to be able to know approximately the credits which will be available: in practice, it could be the three-year horizon.</p> <p>The publication of indicators such “planned spending, at constant legislation” can be interesting in that ease, particularly for the expenditure whose dynamics depends on external factors, as demography for example. In that case, a 3, 5 or 10 year-forecast can be useful.</p> <p>In this respect, we can also consider that the first indicator of sustainability of this type is the amount of liabilities accounted for in the balance sheet, to the extent in which it has to play its role of</p>	

# RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
	<p>“projector” on the future spending related to current obligations. The off balance sheet commitments also provide useful information; in France, the public entities belonging to the three sectors of public administrations (central Government, local Governments, Social Security) have to specify in the notes to their financial statements the off balance sheet commitments.</p> <p><u>Long-term sustainability elements</u></p> <p>Finally, indicators of long-term sustainability can be relevant in the case of expenses that are partially or totally financed through allocated resources: it is a matter of verifying the adequacy of the resources to the level of planned expenses, on a long term; in France, the amount of the discounted financing need for the central Government civil servants pensions scheme, disclosed in the notes to the annual central Government financial statements, shows the evolution of the pension scheme expenses and receipts, and provides the underlying assumptions related to recruitments and career developments, on a long term basis: 100 years). We understand it is also the case as regards the information given in the notes to the financial statements of the financial report of the USA Federal Government (projections on the “Social Security” programs).</p> <p>In France, the financial reporting issued by the Pensions Advisory Council (the French acronym is COR) provides this kind of information. The COR is the public advisory body which follows the various legally compulsory pension plans, their evolutions and the medium and long-term perspectives of these schemes; one of its missions consists in elaborating, at least every five years, projections of their financial situation. These perspectives are established over the next 40 years, according to various scenarios in relation to economic and demographic assumptions, and give rise to an annual projection of resources and consumption of resources of these schemes, under a constant legislation. The data are established in monetary units (million euro) and in percentage of the GDP. The COR reports are not issued in an accounting framework, and are not submitted to audit. Nevertheless, the Cour des Comptes, in charge of the certification of the central Government’s financial statements,</p>	

# RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
	<p>verifies that the COR information relating to State civil servants pension scheme is consistent with the disclosure in the note to the Government financial statements relating to the discounted financing need for the central Government civil servants pensions scheme.</p> <p>The COR report issued on 14 April 2010 provides information which usefully complements the Social Security financial statements information, based on the “due and payable” approach.</p>	
<p>12 Cour des Comptes Consultative Committee on Public Sector Accounting Standards (France)</p>	<p>2. Consequences on the nature and status of the information to be provided</p> <p>The nature and the status of the information to be supplied are to be determined in accordance with the above mentioned meanings of the sustainability definition.</p> <p>The projections related to certain public expenses can concern <u>a shorter period of time</u> than the elements of sustainability of the “discounted financing need” type or the macroeconomic sustainability, even if this last one can also be conceived on progressive periods of time (cf. the three-year projections relative to the stability program for the Euro zone member States).</p> <p>Even if forecast tools and non-accounting statistical (demographic for example) elements are sometimes necessary to make expense projections for certain public policies, they are generally less “heavy” than the elements that are necessary for the appreciation of the macroeconomic sustainability, which appeal to more sophisticated econometric tools. The sustainability elements of the “discounted financing need” type are intermediate between these two conceptions.</p> <p>Finally, the form that can take this information may also be different: the macroeconomic projections are necessarily <u>more comprehensive</u>, while the projections of certain elements of expenses may be more precise, because the weight of assumptions to take into account and the duration are less important in the latter case. The sustainability elements of the “discounted financing need” type are intermediate between those two conceptions.</p> <p>We can thus end in several categories of information on</p>	

# RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
	<p>sustainability:</p> <ul style="list-style-type: none"> - an information that is given by the liabilities of the balance sheet and by the off- the-balance-sheet commitments; - an information of short or middle term, relatively precise on some (or on all) public policies, and appealing to hypotheses and non-accounting elements but leaning firstly on an accounting base; this type of information could apply particularly to certain intervention or social policies; in this way, we can rather speak about elements of sustainability than of a measurement of the global sustainability; - an information of the “discounted financing need” type, or “need of increase of the resources” expressed with regard to the national income or wealth, about the long term but relative to a specific type of spending financed through allocated resources (it can be the case of certain intervention or social expenses, or pension or social plans); we can also speak there about elements of sustainability - an information of longer term, more macroeconomic, more global, requiring hypotheses and “heavier” non-accounting data. <p>These various types of information can be published, according to their nearness with the accounts:</p> <ul style="list-style-type: none"> - in the notes to the financial statements; - in a dedicated sustainability report; - in a financial report that can be published with the financial statements, but that is not part of the financial statements. 	
12 Cour des Comptes Consultative Committee on Public Sector Accounting Standards (France))	<p>3. Consequences on the certification (legal audit) of the information</p> <p>Concerning the certification of that information, several levels can be distinguished:</p> <ul style="list-style-type: none"> - the information that is directly included in the financial statements, and thus that is certifiable; in France, at present, it is the case of the amount of the discounted financing need for the central Government pensions scheme, that appears in the notes to the financial statements of the central Government; when the 	Noted. In particular the approach to assessing consistency of broader GPFR information to information reported in the GPFSS.

# RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
	<p>financial stakes justify it, it is indeed advisable to make represent the most significant elements of this type in certifiable documents (balance sheet or notes, according to the accounting standards);</p> <ul style="list-style-type: none"> - the information that is included in a general financial report and the information that is included in a dedicated sustainability report, which is not certifiable, but of which an independent auditor, who could be the legal auditor, could give an assessment that the data directly stemming from the accounting system suit to the financial statements; the independent auditor could verify that the used data are auditable and that they are defined by explicit methods; - the non-certifiable and “non-assessable” information; it can be the case of the exclusively statistical or national accounting reports. <p>In any case, the IPSAS Board’s guidance should leave a certain flexibility on this point, considering the differences of States’ organization.</p>	
14 Accounting Standards Board (South Africa)	<p>Definition of long-term fiscal sustainability</p> <p>The current “working” definition of fiscal sustainability as set out by the IPSASB in paragraph 1.2.6 of the Consultation paper is as follows:</p> <p style="padding-left: 40px;">The ability of government to meet its service delivery and financial commitments both now and in the future.</p> <p>In general terms, fiscal sustainability should encompass four basic principles: solvency, growth, fairness and stable taxes. The current “working” definition captures the concepts of “solvency” and “growth” by references to meeting current and future commitments. The notions of fairness and stable taxes are, however, not adequately captured.</p> <p>We are of the view that “fairness”, particularly in the context of intergenerational equity, is a key concept underpinning the assessment of fiscal sustainability.</p> <p>The current definition appears to focus on the outflows to be incurred by governments, while sustainability encompasses an assessment of both inflows and outflows. References to sources of inflows, specifically</p>	<p>Reservations on fairness and stable taxation noted. It is acknowledged that the working definition needs to be made firmer. The definition was intentionally vague on taxation as it did not want to imply that a position is sustainable only if taxes are not increased as a proportion of GDP or question a sovereign government’s prerogative to modify tax levels. Arguably fairness is implicit in ‘service delivery commitments’ in that a consideration of whether current service delivery levels can be maintained addresses intergenerational equity.</p> <p>Staff does not agree that the definition only focuses on outflows. Section 6.3 of the Paper specifically addressed Revenue Inflows.</p>

#	RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
		taxes, may be useful in explanatory material accompanying the definition of fiscal sustainability. It may also be useful to note in explanatory material that fiscal sustainability implies “stable taxes”.	
15	IDW (Germany)	<p><i>Impact of IPSASB deliberations in developing a conceptual framework for the public sector</i></p> <p>In developing the IPSASB’s conceptual framework, there are many “open” issues which could arguably have a fundamental impact on the consultation and vice versa. In particular, the definition of the term “asset” in a public sector context (e.g., whether the power to collect tax is an asset and, if so, how it should be measured), the recognition of liabilities (whether the “due and payable approach” is overly restrictive) and the measurement bases for assets and liabilities – e.g., a move away from fair value to “deprival value” could have a significant impact on the decision of how to measure long-term items and thus on the “reliability” or ability to provide a “faithful presentation” of such amounts. In this context, we note below that this issue has audit implications and also note that others have addressed similar concerns as outlined in section 3.1.4 on pages 22 and 23.</p>	The links with the Conceptual Framework project were acknowledged when it was agreed to initiate the Long-Term Sustainability of Public Finances project. Accepted that issues under consideration in the Conceptual Framework related to the GPFS will have an impact on base data for projection purposes.
26	The Australian Accounting Standards Board	<p><u>Other significant comments</u></p> <p>The AASB’s other significant comments on the Preliminary Views are that:</p> <p>(a) in relation to Preliminary View 2, information useful for assessing LTFS provided outside general purpose financial statements should not necessarily be provided in additional statements provided with each set of general purpose financial statements or as summarised projections in narrative reporting; and</p> <p>(b) in relation to Preliminary View 3, the AASB would not support limiting information about LTFS in GPFs to being reported only in respect of an entire reporting entity.</p> <p>It seems that (a) depends on an implicit relationship between existing financial reporting and fiscal sustainability reporting that is not well explored and about which it is too early to be definitive. In relation to (b), we see no reason why a component or segment of an entity could</p>	Staff notes these concerns. See also Respondent 26’s comments on PVs 2 and 3.

#	RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
		<p>not be the subject of such reporting.</p> <p>As indicated, the AASB recognizes that reporting information about LTFS is an evolving area, and further experience with such reporting will provide further insights into the ways in which the information can best be communicated and the part with which financial reporting can assist.</p>	
27	Province of British Columbia (Canada)	<p>The consultation paper states in paragraph 2.4.6:</p> <p>The IPSASB recognized that the long-term financial effects of government policies need to be made transparent to meet both the decision-making and accountability objectives of financial reporting. Therefore, in order to satisfy user-needs and meet the objectives of financial reporting, information presented in the GPFSs needs to be enhanced by presenting other information about the long-term fiscal sustainability of those programs, including their financing.</p> <p>The Province of British Columbia disagrees with the position of the IPSASB. The Province of BC believes that general purpose financial statements are historical in nature and should limit their reporting to historical events. We agree that GPFS include information related to future obligations; however, the future orientated information in GPFS is restricted to contractual obligations that are existent at the financial statement date. Information about the fiscal sustainability of governments must be reported in reports that are separate from the GPFS. We agree, however, that the management discussion and analysis section of GPFS could be used to direct the reader to the reporting of fiscal sustainability that is external to the GPFS. The Province of BC is also concerned about prospective information being included in GPFS, which could lead to an audit qualification by an auditor on the prospective information. Prospective information should be included with an entity's budget documents; it should not be included with GPFS.</p>	<p>Staff considers that the historically based GPFSs do not meet the objectives of financial reporting proposed in the first Consultation Paper on the Conceptual Framework. That is why the first Consultation Paper proposed that the scope of financial reporting should include areas beyond the GPFSs including prospective financial information.</p> <p>Although it was proposed that the information presented in the GPFSs needs to be enhanced by prospective financial information it was not suggested that this additional information should be part of the GPFSs.</p>
28	Public Sector Accounting Board (Canada)	<p>2. Terminology – “financial condition” and “fiscal sustainability”</p> <p>It would be helpful if there was precision regarding the definitions and descriptions of “financial condition” and “fiscal sustainability”. The confusion in the document likely arises because the document includes a review of the various international initiatives in this area. The</p>	<p>Need for further development of definitions is acknowledged if an Exposure Draft of guidance is to be developed.</p>

#	RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
		<p>development of a glossary for the exposure draft that follows on this topic will be important to ensure that all readers have the same understanding of these terms. Some of the paragraphs where we have observed inconsistencies regarding these two terms include:</p> <p>2.5.2</p> <p>This paragraph explains the relationship between “financial condition” and fiscal sustainability”, stating that fiscal sustainability information is part of an assessment of financial condition.</p> <p>[We agree.]</p> <p>The paragraph also notes that “a complete assessment of the Government’s financial or fiscal condition requires analysis of historical results, projections of future revenues and expenditures, and an assessment of the long-term fiscal sustainability of programs and services.”</p> <p>[We agree but feel that assessing the government’s vulnerability and flexibility are also a part of assessing its financial condition. Paragraph 5.3.6 of the CP references the 1996 CICA study upon which SORP -4 is based and talks about the importance of “vulnerability” as an indicator of sustainability. See discussion of this paragraph below. “Flexibility” speaks to the degree to which a government can change its debt or tax burden to meet its financial and service commitments. The idea of meeting obligations within the existing tax burden is mentioned in Exhibit 9 of the CP relating to Australia’s Intergenerational Report and also in paragraph 5.3.1 regarding Schick’s four dimensions of fiscal sustainability. See discussion of this paragraph below.]</p> <p>3.1.3</p> <p>This paragraph notes that “The Financial Report also includes a Citizen’s Guide, “The Federal Government’s Financial Health” that provides a broader narrative summary of financial condition (a prospective notion) and financial position (a current notion).”</p> <p>[We do not agree that financial condition is only a prospective notion if that phrase means that it deals only with the future and</p>	<p>Staff accepts these points and considers that the notions of vulnerability and flexibility are highly useful-vulnerability is particularly relevant in a sub-national context. However, Staff considers that they would be included within the assessment of long-term fiscal sustainability.</p> <p>Staff accepts that financial condition includes both</p>

#	RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
		<p><i>does not include the government's current financial health as a result of past transactions, events and policies. Financial condition is a much broader concept than financial position and thus the distinction between them is not a question of future versus current focus. Both financial condition and financial position can be assessed at the financial statement date. However, financial position is solely a financial statement indicator, normally calculated as assets less liabilities. Financial condition goes beyond the financial statements, even though some indicators of financial information may relate financial statement information to economic information. Financial condition is a broad, complex concept with both short- and long-term implications that describes a government's financial health in the context of the overall economic and financial environment.]</i></p> <p>5.3.1</p> <p>This paragraph states: "In considering approaches to the disclosure of information in narrative reporting, the conceptual framework developed by Schick is useful. He puts forward four dimensions of fiscal sustainability</p> <p>Solvency: the capacity of governments to finance existing and probable future liabilities/obligations;</p> <p>Growth: the capacity of government to sustain economic growth over an extended period;</p> <p>Fairness: the capacity of government to provide net financial benefits to future generations that are not less than the net benefits provided to current generations; and</p> <p>Stable taxes: the capacity of governments to finance future obligations without increasing the tax burden.</p> <p>The dimensions of solvency and fairness are similar to the notions of fiscal capacity and service capacity developed in the GASB project discussed in Section Four."</p> <p><i>[We have issues with the dimensions of "growth" and "fairness". In terms of "growth", our issue is that economic growth is not</i></p>	<p>a prospective and current dimension.</p> <p>It is accepted that economic growth is not wholly under the control of government.</p>

# RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
	<p><i>wholly under the control of government and the description in paragraph 5.3.1 suggests that it is.</i></p> <p><i>Regarding the inclusion of “fairness” as a dimension of sustainability our issues are:</i></p> <ul style="list-style-type: none"> <i>• The achievement of “fairness” is in the eye of the beholder.</i> <i>• Quantifying the achievement of “fairness” will be problematic even when the benefits to be assessed are financial.</i> <i>• “Fairness” is seen to be achieved when future and current benefits are balanced. No consideration is thus given to the fact that the current generation may be paying for benefits enjoyed by past generations.</i> <p><i>We do agree, as stated in CP paragraph 1.2.3 that failure to address long-term issues in a timely manner may force future governments to adopt policies, whose cost to the future population will significantly exceed the costs borne by taxpayers today, and that a failure to address long term fiscal pressures may weaken the ability of governments to respond to other, less predictable future problems (such as climate change). So the concept of “fairness” is not irrelevant to an assessment of long term fiscal sustainability (LTFS) but it is difficult to make the concept operational.</i></p> <p><i>We also agree with the dimension of “stable taxes” as this dimension is comparable to the idea of flexibility in SORP-4. See discussion of CP paragraph 5.3.6 below.]</i></p> <p>5.3.6</p> <p>This paragraph states: “The approach to reporting on long-term fiscal sustainability therefore needs to reflect the entity’s fiscal powers, economic status and other specific circumstances. For example, the extent to which an entity is fiscally dependent upon the taxation policies of a higher level of government is likely to be an important indicator. Its importance lies in its illustration of the extent to which the maintenance of current service provision and the ability to meet financial obligations are dependent on the decision of other entities. A 1995 Canadian Institute of Chartered</p>	<p>The definition of fairness in the Schick framework is defined more objectively than this comment suggests and Staff does consider that, while difficult, it is possible to make the concept operational.</p> <p>Staff considers that the focus on the balance between current and future generations reflects the prospective nature of the analysis. The relationship between goods and services provided for current and past generations and the extent to which the current generation is paying for/or receiving benefits paid for the previous generation may be interesting, but it is not necessarily relevant to a consideration of fiscal sustainability. It will also be partially reflected in the statement of financial position.</p> <p>Noted. As stated above vulnerability is particularly valuable at sub-national levels. Staff will further consider ‘sustainability’ and ‘flexibility’.</p>

# RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
	<p>Accountants (CICA) report, “Indicators of Financial Condition” defined the term “vulnerability” to denote the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside its control or influence, both domestic and international.”</p> <p><i>[We agree that vulnerability is an important aspect of financial condition and that indicators of vulnerability should be considered in the IPSASB project. SORP-4 includes the following definitions:</i></p> <p><i><u>Sustainability</u> is the degree to which a government can maintain its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others without increasing the debt or tax burden relative to the economy within which it operates.</i></p> <p><i><u>Flexibility</u> is the degree to which a government can change its debt or tax burden on the economy within which it operates to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others.</i></p> <p><i><u>Vulnerability</u> is the degree to which a government is dependent on sources of funding outside its control or influence or is exposed to risks that could impair its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others.</i></p> <p><i>Although they are stated as separate dimensions for evaluation in assessing a government’s financial condition, we could live with flexibility and vulnerability as aspects to consider (or variables) when assessing a government LTFS. Excessive vulnerability to funding from others may impair a government LTFS. And governments with more flexibility might be more sustainable in the long term than governments with little or no flexibility.]</i></p> <p>7.5.2</p> <p>This paragraph states: “Consequently, entities can take a range of approaches to enhance their reasonableness and realism. Currently,</p>	

# RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
	<p>publicly reported projections are subject to formal audit assurance only in the US. At the US federal level, the Statements of Social Insurance (SOSI) have been principal financial statements in the Financial Report of the US Government since 2006. The SOSI provides estimates of the financial condition of the most significant social insurance (contributory entitlement) programs of the federal government, principally most parts of Medicare and Social Security.”</p> <p>Further, an exhibit included in the CP states:</p> <p>“Exhibit Eleven</p> <p>US Government Accountability Office Opinion on Statement of Social Insurance</p> <p>UNQUALIFIED OPINIONS ON THE STATEMENTS OF SOCIAL INSURANCE</p> <p>FOR 2008 AND 2007</p> <p>In our opinion, the Statements of Social Insurance for 2008 and 2007 present fairly, in all material respects, the financial condition of the federal government’s social insurance programs, in conformity with GAAP.”</p> <p><i>[We believe that the financial condition of social security programs is dependent on the financial condition of the government that provides them and are unsure of how the financial condition of such programs can be evaluated separately unless they are substantially funded from sources other than the government (which may be the case for the programs in Exhibit 11 in the CP). This is just a question rather than a statement because the above report indicates that such financial condition assessments of programs obviously are made. Perhaps the exposure draft that follows this CP could address how the financial condition of programs are, and/or when they would be, assessed independently of the governments responsible for the programs.]</i></p>	<p>Staff’s understanding is that the social security program, Medicare and other more minor programs reported in the SOSI in the US are trust funds operated on a segregated basis. This makes it feasible and relevant to assess financial condition on a program basis.</p>
28 Public Sector Accounting Board (Canada)	<p>3. Paragraph 1.2.3 - Inter-period or inter-generational equity</p> <p>This paragraph states: “Long-term fiscal sustainability has been linked</p>	<p>Noted. The Consultation Paper did not discuss or form an opinion on whether interperiod equity is</p>

# RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
	<p>to the concept of inter-generational equity or fairness, which evaluates the extent to which future generations of taxpayers will have to deal with the fiscal consequences of current policies. The concepts of intergenerational efficiency and effectiveness are also relevant. Intergenerational efficiency highlights the risk that failure to address long-term issues in a timely manner may force future governments to adopt policies, whose cost to the future population will significantly exceed the costs borne by taxpayers today. Intergenerational effectiveness highlights a further risk that the failure to address long term fiscal pressures may weaken the ability of governments to respond to other, less predictable future problems. Such future problems may perhaps relate to environmental factors, such as climate change and the degradation of natural resources.”</p> <p>Paragraph 5.3.1 also addresses this idea of “fairness” being part of fiscal sustainability.</p> <p><i>[We agree that failure to address long-term issues in a timely manner may force future governments to adopt policies, whose cost to the future population will significantly exceed the costs borne by taxpayers today, and that a failure to address long term fiscal pressures may weaken the ability of governments to respond to other, less predictable future problems (such as climate change). So the concept of “fairness”/ “inter-generational equity” is not irrelevant to an assessment of LTFS but it is difficult to make the concept operational.</i></p> <p><i>Although it is stated that financial reports should provide information for accountability and decision-making, a third reason is alluded to in this CP. This concept was removed from the CP for Phase I of the Conceptual Framework project but is brought in again here as a part of fiscal sustainability. The idea is that financial reports (likely government financial reports in particular) should provide information about whether inter-period equity has been achieved and its impact on the government’s long term sustainability. We feel that the IPSASB needs to examine the concept of inter-period or inter-generational equity and its role, if any, in GPFS and GPFRs before it is incorporated into any IPSAS or other guidance issued by the IPSASB.</i></p> <p><u>GPFS</u>: <i>The emphasis in the Canadian framework is to ensure that the</i></p>	<p>an appropriate model for the GPFSs. Most of these issues are relevant to the Elements phase of the Conceptual Framework project, which discusses the Inter-Period Equity model.</p>

# RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
	<p><i>full cost of services in the accounting period is reflected in the financial statements and that the full extent of a government's revenue raising for the period is reflected in the statements. The question of cost recovery is a policy question and the standards do not presume that this is an objective in any particular year. The extent of taxation and other revenue raising in a particular year is a public policy decision. The financing of government activities is not an accounting decision. The financial statements report the full extent of the government's revenue raising in the year, the full cost of services provided in the year, whether the government is maintaining its net assets in a particular year and the impact of the year's activities on the government's net debt as well as cash flow. Cost recovery is not an objective of the required financial statements in the PSA Handbook, and it is questionable whether such an assessment is possible at the high summary level of the financial statements.</i></p> <p><i>At the whole of government reporting level, a cost recovery objective may be seen as requiring inter-generational or inter-period equity. Some argue that financial statements can provide information about whether inter-generational or inter-period equity has been maintained. And, balanced budget requirements and the matching of revenues and expenses are often seen as integral to maintaining such equity. If users say that they want inter-period equity, they mean it only in the simplest sense. And, they tend to mean not passing on a burden to their children – they don't consider that they might be paying for benefits received by past generations. Most discussions of inter-period or inter-generational equity are future-focused.</i></p> <p><i>Inter-generational equity or even inter-period equity may be good concepts in theory but are very difficult to achieve in practice. And again, a decision to manage government finances in order to achieve "inter-generational equity" or inter-period equity is a policy decision, not an accounting one. The financial statements cannot provide an assessment of whether this is achieved, nor should accounting standards make the assumption that this is government's intention. In particular, assessments of such equity would go way beyond the operating statement of a government. Full information about the costs</i></p>	

# RESPONDENT NAME	OTHER COMMENTS	STAFF VIEW
	<p><i>of services provided in a particular year might be good input into such an assessment and the extent to which a government is maintaining the net resources it needs to continue to provide services might also be good input information. But financial statements merely present a picture of what happened financially during the year (statement of operations, statement of change in net debt, statement of cash flow) and what resources/liabilities remain at the end of the year (statement of financial position). In Canada, government financial statements have a financial capital maintenance concept (in monetary terms – i.e., not adjusted for changes in purchasing power), which at most, tells users whether the government has maintained its net assets in financial terms after the activities of the accounting period have been taken into account. Good robust financial statements provide only part of the accountability picture for governments. Assessments of policy achievement and "inter-generational equity" or "inter-period equity" are beyond the scope of financial statements.</i></p> <p><u>GPFRs:</u> <i>However, such assessments might not be beyond the scope of broader government accountability reporting. If the IPSASB believes that assessment of inter-period equity is an objective of financial reporting (all financial reporting in the public sector not just governments) then it should explicitly address how and where such an assessment might be provided. Is LTFSR the right place? This inclusion is implied by paragraphs 1.2.3 and 5.3.1. Any exposure draft that follows this CP should discuss this issue explicitly and the IPSASB should take a reasoned, fully explained position on the issue. Is such an assessment an integral part of LTFSR?]</i></p>	
28 Public Sector Accounting Board (Canada)	<p>4. Making LTFSR understandable to Users</p> <p><u>Indicators vs. Projections</u></p> <p>There seems to be some confusion in some areas of the text (for example – please compare PV 4 and PV 5) between the use of the term “indicators” and projections”. Will LTFSR include both indicators and projections? The discussion around projections seems to deal with inflows and outflows. The text around indicators describes some of those used by governments internationally. The Executive Summary deals with both and implies that the long term goal is to include</p>	Noted. Staff accepts this point and considers that it is attributable to the drafting of Sections 5 & 6.

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	<p>projections in additional statements in GPFRs but that indicators and discussion in narrative reporting is more realistic in the short term. PV 4 then deals with indicators and PVs 5 and 6 deal with projections. More clarity regarding the intentions and timeline are needed here. The PVs imply that both indicators and projections would be expected at the same time. The Executive Summary states that indicators would be done first and then later projections would be included.</p> <p><u>Projections based on Current Policies vs. Expected Policies</u></p> <p>The CP notes that projections based on current policy will be the most relevant and understandable to users. We agree, but would add that some sensitivity analysis around factors not controlled by the government, such as some economic variables, should supplement projections based on current policy. That sensitivity analysis should show the impact of a change in one variable at a time if that is practicable so that the effects of changes are more easily understood.</p> <p>The CP allows assumptions underlying the projections to be changed from current policy as long as they are accompanied by sensitivity analysis showing how material modifications in policy affect projections. We feel that this is too flexible an approach. If assumptions are made about changes from current policy then there should be some requirement that these changes be the “most probable” and that there be evidence to support this assertion. Anything else is more akin to a feasibility study rather than a projection. Both Canadian sources, Section 4250 and the 1976 study mentioned on page 3 of the covering letter, require that the assumptions reflect most probable future scenario(s). We also feel that it is inappropriate for a government to project changes in government policy beyond their expected term of office. Projections of any changes in government policy beyond that date would be pure conjecture.</p> <p>If assumptions can be changed too easily, then the credibility of the reporting will suffer in the eyes of users.</p> <p>One final observation is that PSAB constituents have resisted presentation of prospective information based on existing government policy. Likely, this resistance is based on the view that policy decisions are the purview of the legislature. Financial reports are seen as</p>	

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		accounting documents and budgets as policy documents. So, the inclusion of prospective information in GPFRs that are based on current government policies may be seen as pre-empting the democratic process of parliaments to debate and set or change existing or future public policy. And, there may also be concern with GPFRs including prospective information based on assumptions about policy changes (even if there is evidence that they are “most probable”) because the legislature will not yet have made the related policy changes. This final observation is just that – an observation. We have no suggestions as to how to address this resistance in Canada. Nor can we provide any insight as to whether similar resistance will be experienced in other jurisdictions.	
28	Public Sector Accounting Board (Canada)	<u>Paragraph 2.4.1:</u> We believe that there is some risk in even implying that future tax revenue streams could be recognized as assets.	The wording of this paragraph reflected the discussions on this issue within the Board on both this project and especially the Intangible Assets project. While the majority of IPSASB Members did not consider that the right to tax is an asset, a minority considered that it is an asset, but is not measurable.
28	Public Sector Accounting Board (Canada)	<u>Paragraph 3.1.9:</u> Users in many jurisdictions are unfamiliar with LTFSR now but familiarity will grow as governments continue to experiment with providing it. We see the IPSASB’s role as one of providing guidance with some rigour that will require governments to ensure that the link to GPFS, budgets etc. is clear and ensure that there is some consistency and comparability in the information reported. As noted in the covering letter, we believe that LTFSR should start with a base assessment of the financial condition of the government at the financial statement date. That reporting will include indicators of financial condition similar to those set out in SORP-4, which include: (a) government-specific indicators — indicators about government finances derived from its financial statements; (b) government-related indicators — indicators about government finances derived from a combination of information from its financial statements and from the economy within which the	Noted, particularly the view that indicators derived from the GPFSs on financial condition should provide a base assessment.

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		<p>government operates; and</p> <p>(c) economy-wide information — data about the economy within which the government operates that has a direct impact on the financial condition of the government.</p> <p>With this as a base, the link to the financial statements would be clear. If planned and actual indicators are compared in the report as well, then a link to the budget may also be feasible. Future oriented indicators and projections could then be built from and linked to this base reporting.</p>	
28	Public Sector Accounting Board (Canada)	<u>Paragraph 3.1.12:</u> Simply including references to separate reports on LTFS would not meet the qualitative characteristics of financial reporting and thus would not achieve the objectives of GPFRs.	Noted See PV 2
28	Public Sector Accounting Board (Canada)	<u>Chapter 5:</u> Canada’s SORP-4, Indicators of Financial Condition, and the reporting of financial indicators in the reports of governments and the reports of legislative auditors in Canada is not referenced in this Chapter.	Noted. Staff did reference the study that preceded SORP-4. Staff will review these indicators with PSA. Staff.
28	Public Sector Accounting Board (Canada)	<p><u>Paragraph 5.3.4:</u> Canada’s SORP-4 recognizes that a local government’s taxable assessment base would serve the same role as GDP as an economic denominator in many indicators of financial condition such as the following sustainability indicators set out in SORP-4:</p> <p>(a) net debt-to-GDP or taxable assessment;</p> <p>(b) accumulated deficit -to-GDP or taxable assessment; or</p> <p>(c) total expenses-to-GDP or taxable assessment.</p>	Noted. This will be explored further with PSAB Staff. GDP is obviously an inappropriate denominator for all but the largest sub-national entities Provided that the term taxable assessment base can be defined in a global context it might provide a useful surrogate for GDP.
28	Public Sector Accounting Board (Canada)	<p><u>Paragraph 5.4.3:</u> We agree that trend information is important. Indicators for individual years reported without context are not very meaningful to users. For this historical “base” information, trend reporting might include the following:</p> <p>(a) Comparative information can include a trend analysis where the actual results for the current period are compared against the actual results for prior periods. Trend data over multiple periods provides information that enhances discussions about the eventual consequences of policy decisions.</p> <p>(b) Including at least five years worth of historical trend data would help</p>	Noted.

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		<p>put short-term anomalies into context and present results that may reflect the actions of more than one government. Governments that choose to report less than five years worth of trend data would include an explanation for selecting the shorter period.</p> <p>Similar reasoning would justify reporting of the profile of indicators across time for future oriented information.</p>	

OVERVIEW OF RESPONSES – BY GEOGRAPHIC LOCATION, FUNCTION AND LANGUAGE

1	Dr. Jesse Hughes	Academic
2	Accounting Standards Board (UK)	Standard Setter/Standards Advisory Body
3	European Central Bank	Central Bank
4	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Standard Setter/Standards Advisory Body
5	Netherlands Bureau for Economic Policy Analysis (CPB)	Standard Setter/Standards Advisory Body
6	Joint Accounting Bodies (Australia)	Member or Regional Body
7	New South Wales Treasury (Australia)	Preparer
8	HoTARAC (Heads of Treasuries Accounting and Reporting Advisory Committee) (Australia)	Preparer
9	Institute of Chartered Accountants of Scotland	Member or Regional Body
10	Federation of European Accountants (FEE)	Member or Regional Body
11	Office of the Auditor General (Canada)	Audit Office
12	Cour des Comptes Consultative Committee on Public Sector Accounting Standards (France)	Audit Office
13	The Japanese Institute of Certified Public Accountants	Member or Regional Body
14	Accounting Standards Board (South Africa)	Standard Setter/Standards Advisory Body
15	Institut Der Wirtschaftspruefer in Deutschland (IDW)	Member or Regional Body
16	Treasury Board of Canada Secretariat	Preparer
17	Contrôleur des Finances du Québec (Comptroller of Finance) (Canada)	Preparer
18	Government Accountability Office (USA)	Audit Office
19	The Chartered Institute of Public Finance & Accountancy (UK)	Member or Regional Body
20	Governmental Accounting Standards Board (USA)	Standard Setter/Standards Advisory Body
21	ACCA (The Association of Chartered Certified Accountants)	Member or Regional Body
22	Australasian Council of Auditors-General	Audit Office

23	Financial Reporting Standards Board (New Zealand)	Standard Setter/Standards Advisory Body
24	Ernst & Young GmbH (Germany)	Accountancy Firm
25	Institute of Chartered Accountants of Pakistan	Member or Regional Body
26	The Australian Accounting Standards Board	Standard Setter/Standards Advisory Body
27	Province of British Columbia (Canada)	Preparer
28	Public Sector Accounting Standards Board (Canada)	Standard Setter/Standards Advisory Body
29	Direction Générale des Finances Publiques (France)	Preparer
30	Conseil de Normalisation des Comptes Public) (CNCP) (France)	Standard Setter/Standards Advisory Body

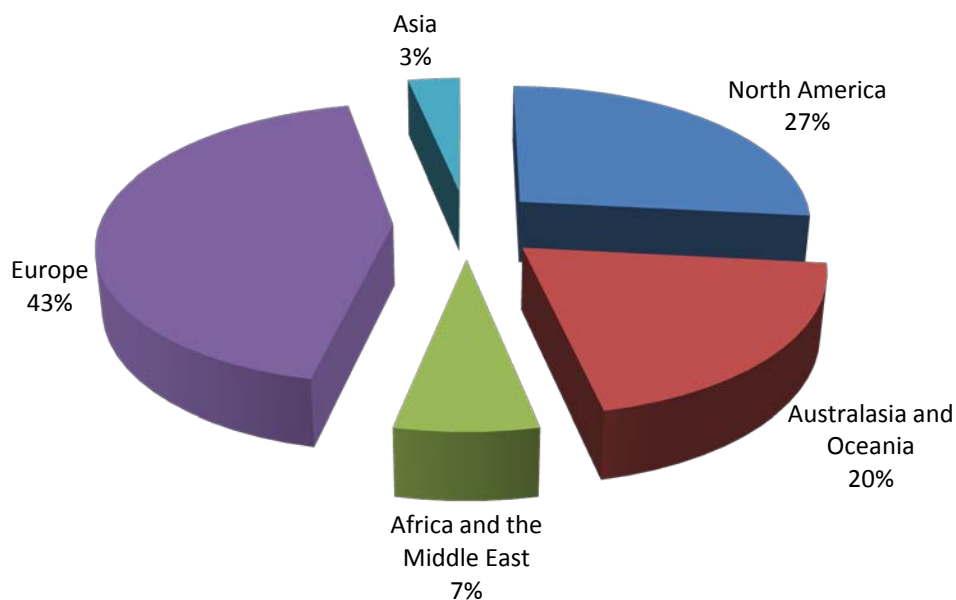
Purpose of this Paper:

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

Geographic Breakdown:

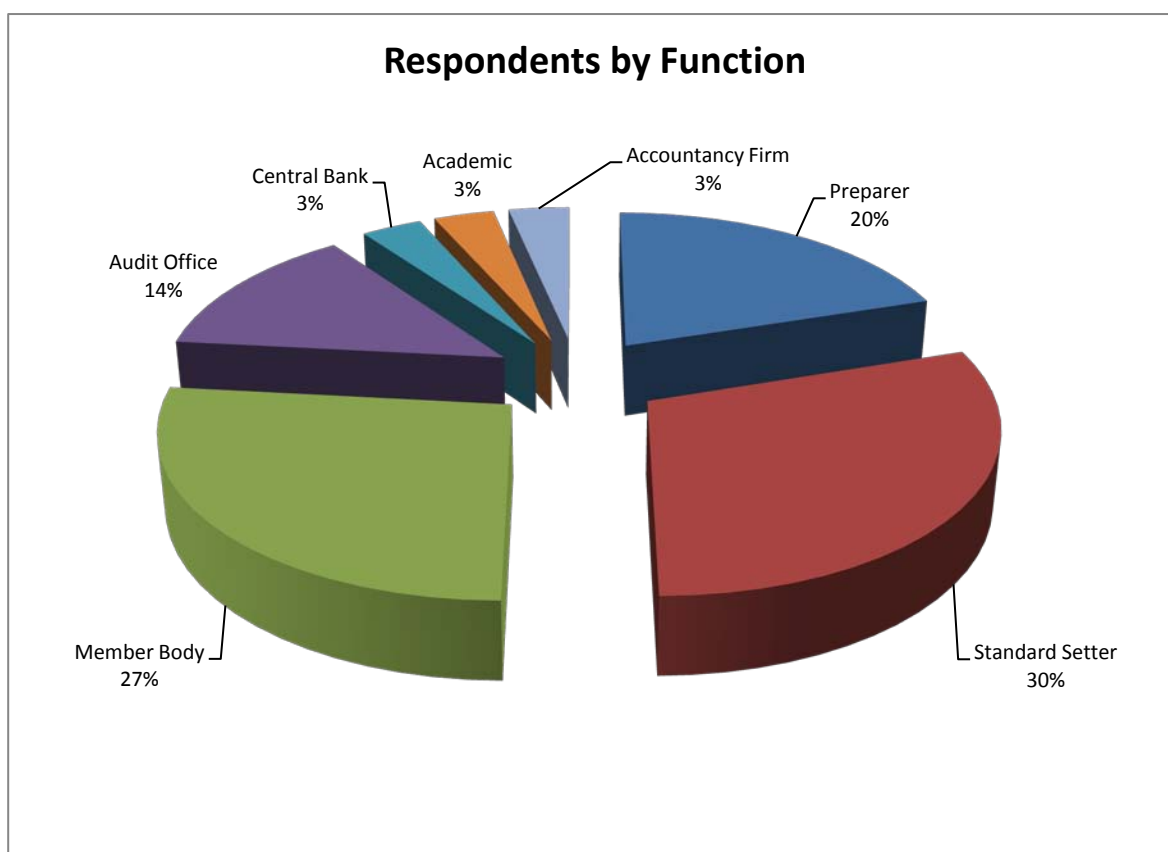
Location	Response number	Total
Africa and the Middle East	14, 25	2
Asia	13	1
Australasia and Oceania	6, 7, 8, 22, 23, 26	6
Europe	2, 3, 4, 5, 9, 10, 12, 15, 19, 21, 24, 29, 30	13
Latin America and the Caribbean		0
North America	1, 11, 16, 17, 18, 20, 27, 28	8
International		0
Total		30

Respondents by Geographic Location



Functional Breakdown:

Function	Response Number	Total
Preparer (Ministry of Finance or similar)	7, 8, 16, 17, 27, 29	6
Audit Office	11, 12, 18, 22	4
Standard Setter/Standards Advisory Body	2, 4, 5, 14, 20, 23, 26, 28, 30	9
Member Body (National or Regional)	6, 9, 10, 13, 15, 19, 21, 25	8
Central Bank	3	1
Accountancy Firm	24	1
Academic/individual(s)	1	1
Total		30



Linguistic Breakdown:

Language	Response #s	Total
English-Speaking	1, 2, 6, 7, 8, 9, 11, 14, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28	20
Non-English Speaking	4, 5, 12, 13, 15, 29, 30	7
Combination	3, 10, 17,	3
Total		30

